The SRI Chronicles

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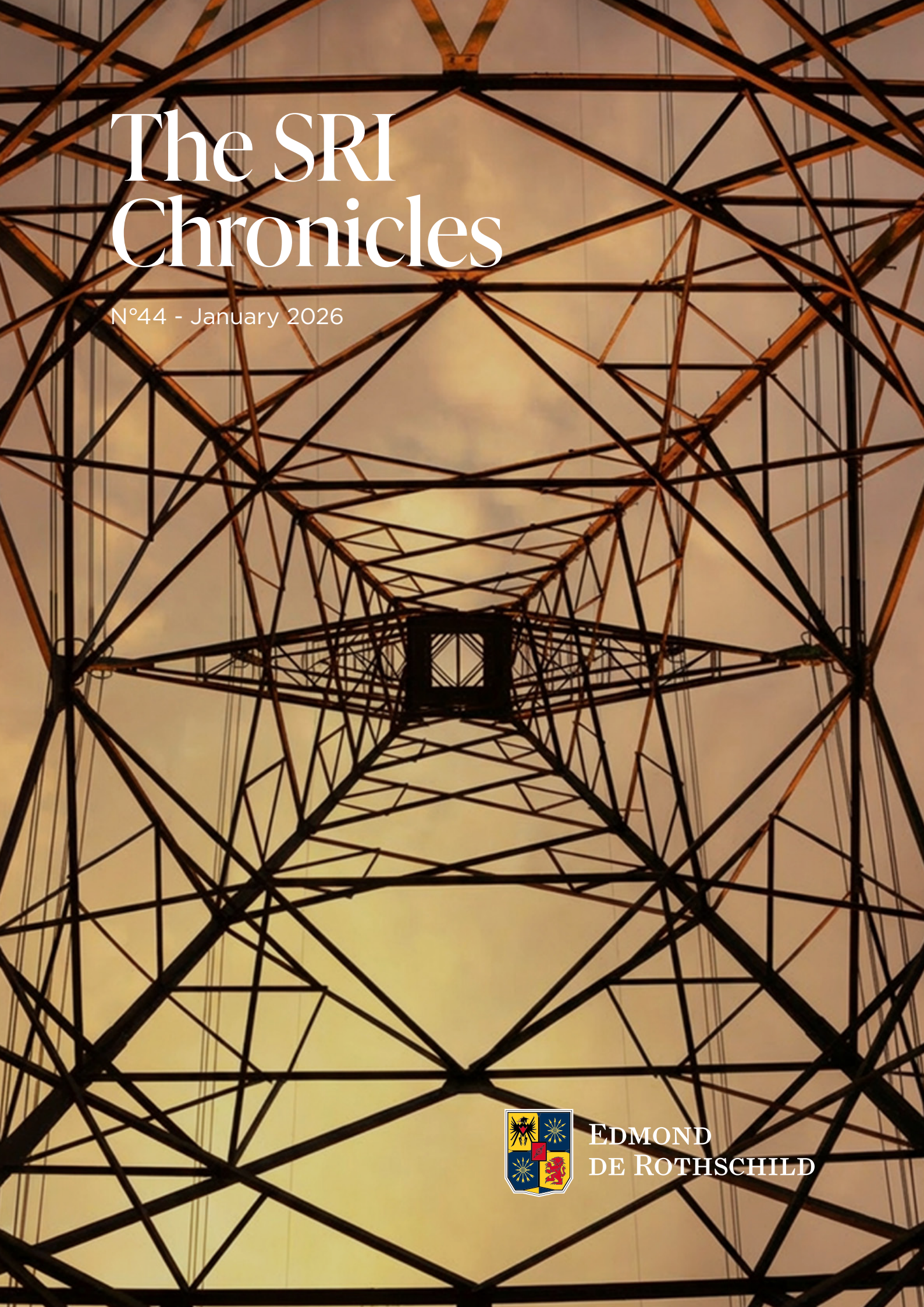


EDMOND DE ROTHSCHILD

« Jobs, baby, jobs! »

Jean-Philippe Desmartin
Head of the Responsible
Investment Team

The previous quarter brought us the positive message of “cheaper, baby, cheaper!” in the context of COP 30, with renewable energies, particularly solar energy, becoming increasingly competitive with fossil fuels over the past 10 years, even without public subsidies. This dynamic is a key driver for the ongoing energy and environmental transition, with China providing a particularly illuminating example. It will be important to carefully read the environment/climate section of China's next five-year plan, which will be announced in March.

At the start of 2026, we would like to convey a second positive message: “Jobs, baby, jobs!” The transition underway is creating more and more sustainable and local jobs that are accessible to both skilled and unskilled workers, white-collar and blue-collar alike.

The facts and figures, taken mainly from the IEA, in particular its latest report on employment in the energy sector (December 2025), the World Economic Forum, and REN21, are as follows:

— Employment in the renewable energy sector has doubled globally over the last 10 years and has exceeded the number of jobs in fossil fuels since 2020.

— This trend is strong in China, but also in other key areas such as Europe, the United States, Brazil, India, and Indonesia.

— This gap between jobs in renewable energy and fossil fuels will widen in the coming years globally, driven primarily by the solar sector (5 million jobs worldwide by the end of 2024), but also by energy efficiency.

— Employment in fossil fuels will grow slightly at best over the next 10 years, unlike jobs in renewable energies, which could double, with sectors boosted by the momentum of electrification (75% of energy job creation over the last 5 years).

— In the United States, the clean energy sector contributed to the creation of 100,000 jobs in 2024, representing 82% of jobs created in the US energy sector.

— The European Union plans to create 3.5 million jobs related to renewable energy by 2030, which poses challenges in terms of skills and training for certain professions under pressure, such as engineering, but also manual trades such as electricians, roofers, and welders.

In short, the good news is that renewable energies are not only contributing to the energy and environmental transition, but also to job creation and employment.

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.

Electrification in Europe: issues, challenges, and prospects

Electrification in Europe is part of a global energy transition driven by decarbonization, digitalization, and a certain degree of deglobalization/relocalization. Faced with climate and economic challenges, the European Union (EU) is promoting a significant increase in electricity demand and a profound renewal of its energy infrastructure. This evolution is driven by ambitious goals, massive investments, and an innovative regulatory framework aimed at strengthening the competitiveness, sovereignty, and energy resilience of Europe.

Demand trends and future scenarios

Globally, electricity demand is expected to grow by 40 to 50% by 2035. Europe currently accounts for around 16.4% of global demand, with its electricity needs forecast to increase by 60% by 2030. This increase will be accompanied by an annual increase in renewable capacity, particularly solar and wind power, which are expected to grow by 17% and 10% per year respectively between 2025 and 2027. The challenge is therefore twofold: meeting growing demand while ensuring a transition to carbon-free energy production.

Investments and regulatory framework

Given the massive infrastructure needs, investments in the electricity sector in Europe are substantial. Goldman Sachs estimates that between 2025 and 2035, this region alone will require $1.4 trillion in capital expenditure (capex) for electricity transmission and distribution. The EU has put in place several flagship initiatives to support this transition, such as the **Clean Industrial Deal** (2025), which aims to mobilize €100 billion for energy-intensive sectors, and the **EU Grid Package**, which facilitates permit procedures and accelerates the deployment of networks, storage, and renewables. **REPower EU** (2022), **EU ETS II** (2027), and **CBAM** (2027) complement this framework by steering policy towards a reduction in Russian fossil fuel imports and the ramp-up of carbon mechanisms.

The electricity grid: modernization and digitization are essential

The European electricity grid is characterized by aging infrastructure (more than 40% is over 20 years old), which leads to significant inefficiency, with nearly 30% of capacity unused. Increased investment in the grid is a major necessity. In 2025, only 12% of energy expenditure will be devoted to the grid, while needs are estimated at more than $1.9 trillion until 2050, representing 0.45% of annual European GDP. This renewal also involves the digitization and automation of electricity networks, areas in which players such as Schneider Electric, ABB, and Siemens are global leaders. The deployment of smart grids and smart meters promotes better integration of intermittent renewable energy sources and a finer balance between supply and demand.

40 to 50%

estimated growth in global electricity demand by 2035

$1.4 trillion

of investment needed in Europe for electricity transmission and distribution between 2025 and 2035

Outlook and sovereign mix

The development of a “European preference,” recently reaffirmed at the highest level, aims to promote local capabilities in the face of American and Asian giants, while accelerating technological innovation and digitalization.

Faced with major challenges, Europe is thus positioning itself to achieve an energy transition with the goal of a decarbonized, competitive, flexible, and more secure electricity mix by 2050.

How can finance be used to support environmental transition?

Research paper by the Sustainable Finance and Responsible Investment initiative (FDIR)

Introduction

The Sustainable Finance and Responsible Investment initiative, created in 2007 and co-led by Patricia Crifo for École Polytechnique, Catherine Casamatta and Sébastien Pouget for Toulouse School of Economics (TSE), focuses on three themes: long-term ESG performance and risk assessment, corporate governance, and shareholder engagement. This report presents the major advances made between 2022 and 2025, bringing together researchers and practitioners to deepen understanding and disseminate knowledge related to sustainable finance. It includes several scientific articles addressing biodiversity, energy transition, climate innovations, insurance regulation, responsible individual investment, and sustainable financing tools.

Contributions from authors

Nicolas Treich: Biodiversity and food, a key issue for sustainable finance

Nicolas Treich, economist at TSE and INRAE, analyzes biodiversity, which has long been neglected by traditional politics and economics. He emphasizes that biodiversity is crucial to human survival through ecosystem services (food, air and water purification, carbon storage). Nicolas Treich highlights the complex links between biodiversity and climate change, and laments the lack of a standardized metric for measuring the impact on biodiversity, unlike CO2 for the climate.

He criticizes the anthropocentric approach that evaluates biodiversity according to its human benefits, arguing for consideration of its intrinsic value, particularly for sentient animals. He is developing monetary tools to assess this independent moral value.

Nicolas Treich identifies meat production as the leading global cause of biodiversity loss, due to deforestation linked to livestock farming, particularly in the Amazon. He calls on the financial sector to reduce funding for meat industries and support sustainable food innovations.

His future work will focus on behavioral economics applied to biodiversity, to better understand social perceptions and their impact on the effectiveness of public policies.

Patricia Crifo: Coexistence of energy transition and social issues, CSR, and SRI labels

Patricia Crifo, senior advisor to the Court of Auditors and former professor at École Polytechnique, explores the concept of a just transition, which is essential to prevent the energy transition from weakening vulnerable populations or affected territories. She addresses the challenges of balancing climate imperatives and social justice in a context marked by health and geopolitical crises.

She studies corporate CSR practices using various data, highlighting the tensions or synergies between environmental, social, and governance dimensions. Her research on CSR-related wage policy reveals that virtuous companies pay higher bonuses to executives but less to non-executives, demonstrating a differentiated impact depending on the employee.

She also analyzes SRI labels, which are highly developed in France and Europe. Their proliferation, while illustrating growing demand, can confuse signals for investors, risking a decline in confidence. She studies the risk aversion profile of SRI savers, showing that consistency and low aversion promote more pro-environmental behavior.

Patricia Crifo is working on the impact of green recovery plans on competitiveness and inequality, and on multi-label strategies under the European SFDR regulation. It highlights the importance of sustainable finance chairs in transforming research and training by combining interdisciplinarity, pedagogical innovation, and professionalization.

Sébastien Pouget: Climate patents and financial valuation of innovative companies

Sébastien Pouget, professor of finance at TSE, analyzes the effect of climate patents filed in the United States between 2010 and 2020 in his article “Climate Patents and Financial Markets” (with Ulrich Hege and Yifei Zhang). These patents relate to green technologies linked to the fight against climate change (low carbon, carbon capture, hydrogen, etc.). He uses the exogenous variable of patent examiners' leniency to demonstrate a causal link between obtaining a climate patent and stock market performance.

The results show that these companies see their stock market valuation increase by an average of 2% in the following year, reflecting a better perception of their climate commitment and easier access to capital. These innovations contribute to the reduction of CO_2 emissions in the long term.

Climate patents therefore play a credible certification role in the face of greenwashing, are linked to better stock market valuation, and encourage sustainable innovation.

Olivier Gossner: Long-term financing by European insurers under Solvency II

Olivier Gossner, research director at the CNRS and professor at the École Polytechnique, is interested in the insurance sector and its ability to finance long-term projects, particularly those related to the ecological transition. He highlights a regulatory anomaly arising from the Solvency II directive: double counting of management costs in insurers' balance sheets, in his articles "Double counting of management costs under Solvency II" and "Market equilibrium with management costs and implications for insurance accounting," co-authored with Michael Florig.

Asset management costs are included in the market value of assets, but are also provisioned as liabilities, artificially inflating provisions and reducing available capital. This double counting penalizes long-term and risky investments, such as green infrastructure, and encourages overinvestment in less costly government debt.

Olivier Gossner recommends correcting this discrepancy to free up around €100 billion in Europe (including €25 billion in France) for sustainable financing. Discussions with regulators and insurers are progressing to better orient the sector towards assets with a high environmental impact.

Milo Bianchi: Individual investors' preferences for ESG stocks influenced by their life experiences

In his article "Are we Becoming Greener? Life-time Experiences and Responsible Investment" (with Zhengkai Liu and Gang Wang), Milo Bianchi, professor of finance at TSE, examines how economic and environmental experiences influence individual investors' propensity to hold ESG stocks.

Using data from Chinese investors over several years, he shows that living in polluted environments or in areas with a strong collectivist culture (such as rice farming) increases preferences for responsible investments. Recent experiences have a greater influence on these preferences, which are motivated more by social and prosocial reasons than by the pursuit of returns.

These findings open up new avenues for promoting sustainable investment by taking individual experiences into account, and highlight the importance of better understanding the non-economic motivations behind responsible investment behavior.

Conclusion

This collection demonstrates the major advances made by the Sustainable Finance and Responsible Investment initiative in understanding and promoting sustainable finance. By combining academic rigor with concrete issues, the contributions highlight the complexity of the environmental, social, and economic challenges associated with the ecological transition. They also underscore the importance of an integrated approach, combining financial innovation, appropriate regulation, consideration of individual behavior, and corporate social responsibility. Beyond technical questions, this work opens up avenues for effectively mobilizing financial actors to support the transitions that are essential for the planet and society, reconciling economic performance and sustainable impact.

Authors

— **Nicolas Treich** is an economist at TSE and INRAE. His publications cover various fields such as decision theory, environmental economics, agricultural economics, and behavioral economics. His recent research focuses on a new field in economics: animal welfare economics. In 2025, he published a book entitled Animal Economics with Cambridge University Press.

— **Patricia Crifo** is senior advisor to the Court of Auditors, formerly a professor of economics at the École Polytechnique, a member of the CNRS, and an associate researcher at CIRANO. At the École Polytechnique, she directed the Master's program in Economics for Smart Cities and Climate Policy and the IdR Sustainable Finance and Responsible Investment program, and was deputy director of the Energy4Climate center.

— **Sebastien Pouget** is a professor of finance at Toulouse School of Economics and Toulouse School of Management, he conducts research aimed at proposing solutions to improve financial market regulation and socially responsible investment policies. He is director of the TSE-Partenariat Foundation. He is a member of the AMF's High Committee for Market Certification and Scientific Council.

— **Olivier Gossner** is Director of Research at the CNRS and CREST, Professor of Economics and Finance at École Polytechnique, and Professor of Mathematics at the London School of Economics. He is a specialist in game theory and works at the intersection of economics and mathematics. In his recent work, he has developed new models of strategic reasoning and proposed a reform of Solvency II.

— **Milo Bianchi** is a professor of finance at Toulouse School of Economics and Toulouse School of Management. His current research program focuses on fintech and sustainable finance, with a particular emphasis on individual investors.

Focus on GEA Group

GEA Group is a German industrial engineering and technology company founded in 1881, originally under the name Metallgesellschaft AG, with its headquarters now located in Düsseldorf. In its early days, the group specialized in metal trading and mining. In the 1990s and 2000s, the company shifted its focus to the construction of machinery and equipment primarily for the food industry. In 1999, it acquired GEA and then adopted the name GEA Group in 2005.

Today, GEA is one of the world leaders in various processes (flow, liquid and powder technologies, heating and refrigeration, etc.) for the food, beverage, pharmaceutical, and energy industries. The group has undergone extensive reorganization and restructuring since the late 2010s and has successfully placed sustainability and innovation at the heart of its overall performance strategy. Its business is mainly divided between Europe (44% of sales), Asia (25%), and North America (18%).

From an environmental perspective, GEA has had its climate targets validated by the SBTI initiative, and its slogan, “Engineering for a better world,” reflects the group's ability to offer product and service solutions that improve energy efficiency and help reduce food waste.

From a social perspective, the company stands out with a permanent employment rate of over 95% and a controlled turnover rate with a voluntary resignation rate of 5.6%.

Finally, in terms of governance, GEA boasts a stable, female-friendly, and experienced supervisory board and a top management team that delivers on its commitments. The company is not subject to any significant controversy and its governance was praised in November 2025 by the German Association of Financial Analysts (DVFA).

Environment

120%

In mainland France, populations of protected species have increased by an average of 120% since 1990, more than doubling.

Source: wwf.fr

Social

93.3 million

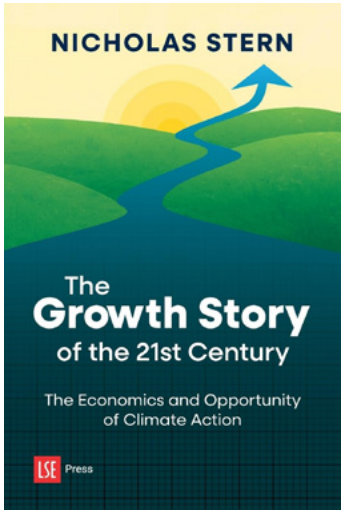
93.3 million people in the European Union were at risk of poverty or social exclusion in 2024, representing approximately 21.1% of the European population.

Source: eurostat

The growth story of the 21st century: the economics and opportunity of climate action

After his highly influential “Stern Review” published in 2005, which estimated the economic costs of unmitigated climate change, renowned academic Nicholas Stern released a new 500+ page roadmap in November 2025. This follow-up paints the story of sustainable growth by offering a comprehensive analysis of past, current & future economics for a world weighing the pros and cons of a full-scale energy transition.

Stern expands on his initial review by emphasizing how the decline in clean energy costs has far outpaced even the most optimistic scenarios. He outlines how rapid and decisive action on climate mitigation and adaptation could kickstart sustainable economic and social development aligned with the UN SDGs. New elements include: a focus on biodiversity, the impact of fracturing geopolitical relationships, the importance of emerging economies in this new growth story, and the significant investment gap that must be filled by innovative public-private finance partnerships.



The Growth Story of the 21st Century: The Economics and Opportunity of Climate Action Paperback
by Nicholas Stern

Sustainable finance and disability

In March 2024, Edmond de Rothschild Asset Management responded positively to a call to join the “Finance & Disability” working group set up by the FIR (Forum for Responsible Investment). After two years of work, this initiative led to the publication, in December 2025, of a white paper entitled “Sustainable Finance & Disability”.

The consideration of disability within responsible investment remains marginal. These issues are often diluted within the “diversity” pillar of ESG (Environmental, Social and Governance) criteria, mixed with other themes under anti-discrimination metrics, or reduced to a simple headcount quota.

Investors and ESG rating agencies face genuine challenges in accessing data on companies’ disability policies, notably due to the heterogeneity of the information available. As responsible investors, this makes it difficult for us to identify companies that stand out positively in this area, even though the European Sustainability Reporting Standards (ESRS) should, ultimately, help provide more reliable and accessible information.

According to the WHO, 16% of the world’s population lives with some form of disability. 80% of disabilities are invisible, and 80% are acquired over the course of life.

The main obstacles faced by people with disabilities relate to mobility, the accessibility of buildings, digital accessibility and discrimination. These barriers limit their access to education and training, administrative services, healthcare and employment. As a result, they are more exposed to poverty and unemployment than the rest of the population. They are also less likely to hold higher educational qualifications and, when they are in work, they are predominantly employed in manual or clerical positions, often part-time, with greater difficulty in retaining their jobs.

Despite the wide range of regulatory frameworks, true equality between people with disabilities and non-disabled people remains out of reach. As a result, some depend on caregivers, who themselves face challenges in balancing their caregiving responsibilities with their professional activity.

The working group's objective was to improve the criteria for evaluating companies in terms of practices, products, and services that promote consideration and autonomy for people with disabilities. Beyond compliance with the legal framework, some companies have developed exemplary approaches to the inclusion of people with disabilities, both in terms of human resources and products, services, or purchasing policies.

Here are a few examples of best practices as an investor in selecting the best-performing companies on issues such as: limiting risks related to products and services; formalizing a policy (commitments to diversity, disability policy, disability representative); implementing actions (specialized recruitment forums, agreements, training or awareness-raising for employees); achieving results (employment rate of people with disabilities, number of job adjustments, accident frequency, use of adapted companies, etc.). Finally, it is important to engage in dialogue with companies to encourage these good practices.

Disclaimer

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