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Good news for COP 30, starting with “cheaper, baby, cheaper!”



Jean-Philippe Desmartin
Head of the Responsible
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After three years of COPs in fossil fuels countries, COP 30 returns to a more fitting destination in Belém, Brazil. There will undoubtedly be significant pressure, especially given the absence of the world's largest economy, the United States, and Europe's likely more defensive stance. Europe has traditionally led climate COPs over the past decade (Paris Agreement, COP 26 in Glasgow, etc.).

However, we can expect good news at the upcoming COP 30. This good news will come from the Global South, from the host country Brazil, but above all from China and, to a lesser extent, from India and other countries in the Southern Hemisphere, which is, and will continue to be, much more affected by climate change than the Northern Hemisphere. Beyond COP 30, the good news is that the facts are there: **the energy and environmental transition is underway**. This is essential if we hope to limit climate change to below or around 2°C. China is clearly setting an example. The Middle Kingdom announced this initiative in 2009 and is pursuing its long-term environmental goals year after year.

China is simply showing the private sector that the transition is a successful business case with the following outcomes:

- Renewable energies, which are becoming increasingly competitive every year without public subsidies, **“cheaper, baby, cheaper!”**, with solar energy at the forefront.
- The **creation of local and sustainable jobs**, far more numerous than in the fossil fuel sector, for both skilled and unskilled workers. We must therefore not pit the environment against social issues.
- **Energy security** is an imperative, a topic that has also been high on Europe's agenda since early 2022 and highlighted in the Draghi report of September 2024.
- An economic position acquired over the last 15 years as the **undisputed leader** in strategic industrial sectors such as wind power, solar power, batteries, and electric vehicles, which Europe should urgently draw on to maintain its position in sectors it still controls (electrification, hydrogen, nuclear power, energy storage, etc.).

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.



Planetary Boundaries

Originally introduced in 2009 by a team of 28 internationally renowned scientists, the planetary boundaries approach outlined the environmental limits “within which we expect that humanity can operate safely.”¹

They identified key boundaries including Stratospheric Ozone Depletion, Atmospheric Aerosol Loading, Ocean Acidification, Freshwater Change, Land System Change, Climate Change, Modification of Biogeochemical Flows, Introduction of Novel Entities, and Change in Biosphere Integrity. Their work also defined the Earth’s safe operating space – conditions under which natural systems remain stable and life-supporting.

Drawing on the Holocene, the 12,000-year era during which humanity blossomed, evolved, and shaped its surroundings, this framework highlights the crucial tipping points of Earth’s known Systems. Crossing these thresholds could propel our societies into entirely new and unprecedented environmental conditions. The resulting instability could cause irreversible shifts in the environment and create reinforcing feedback loops (e.g., melting ice exposing less reflective ocean water, which absorbs more sunlight and accelerates melting²).

In 2023, another group of scientists built upon this framework and found that six of the nine boundaries had already been crossed³. Earth’s resilience, they found, is being weakened by interconnected stressors that have grown exponentially over the past century since the pre-industrial era. Key drivers – including fossil fuel burning, deforestation, overuse of freshwater, unsustainable agriculture, and industrial production of chemical compounds, have saturated the Earth’s capacity for self-regulation that historically helped maintain Holocene-like conditions.

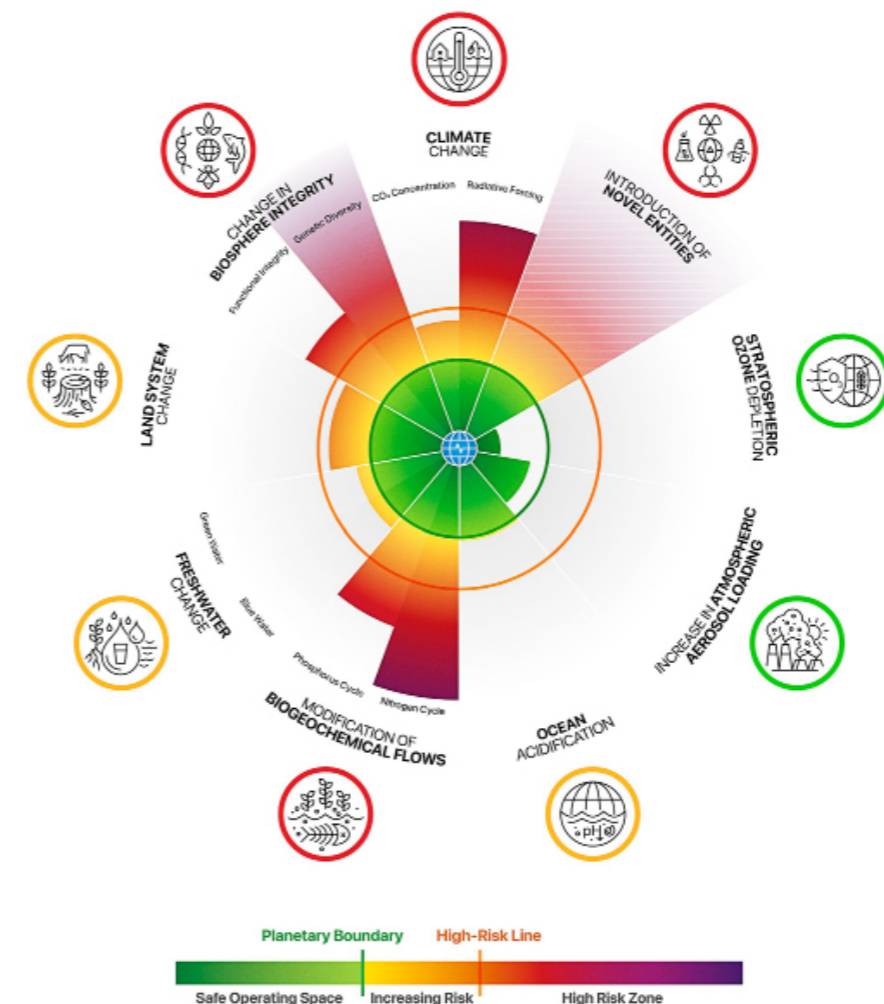
Now, in September 2025, the yearly *Planetary Health Check Report* concludes that seven planetary boundaries have been breached, with all showing trends of increasing pressure. Following a revised planetary boundary for ocean acidification—thanks to improved understanding of pre-industrial marine ecosystems – the report officially assesses that a seventh boundary has been transgressed, threatening marine organisms in polar and coastal regions.

Chapter 3, titled *The Ocean: The Unsung Guardian of Planetary Health*, provides an in-depth report on its role for storing heat and more than 25% of human-made CO₂ emissions. Now threatened by warming, acidification, biodiversity loss, and pollution, researchers fear increased instability and unpredictable impacts on marine life. To put this into perspective, nearly a billion people and a quarter of all marine species depend on coral reefs, which are under direct threat from these rapid changes.

More worrying still is that the framework cannot confidently predict how these transgressions will affect an organism’s ability to survive and

thrive. We are venturing into uncharted territory with the Earth’s System equilibrium, and the chances of irreversible consequences are growing ever greater.

1. Rockström *et al.*, *Eco. & Soc.* (2009) <http://www.ecologyandsociety.org/vol14/iss2/art32/>
2. <https://www.planetaryhealthcheck.org/>, accessed October 17, 2025.
3. Richardson *et al.*, *Sci. Adv.* 9, eadh2458 (2023) <https://www.science.org>



The iconic Planetary Boundaries (PB) diagram visually represents the current state of the nine PB processes that regulate the health of our planet. Each process is quantified by one or more control variables based on observational data, model simulations, and expert judgement. © 2025 Planetary Health Check. All rights reserved.



Sustainability and Freedom

The article "Sustainability and Freedom" highlights the current geopolitical, economic and climate challenges, particularly for the European Union (EU), which is facing rising security uncertainties and increasing environmental and economic pressure. In this context, security is essential to freedom, and without sustainability, security itself is threatened.

The article proposes to explore sustainability through the prism of Isaiah Berlin's philosophical concepts of negative freedom ("freedom from") and positive freedom ("freedom to"). Negative freedom is understood as the freedom to be free from threats and harm, while positive freedom is the ability to act and choose one's goals. These concepts are applied to sustainable finance and responsible investment, in particular in the context of the European SFDR (Sustainable Finance Disclosure Regulation).

The authors argue that sustainability can be understood under three approaches related to investment strategies:

- **the strategy of exclusion** (aligned with negative freedom) which aims to avoid harmful activities = "freedom from".
- **the impact strategy** (linked to positive freedom) which promotes investments that have a positive effect on society and the environment = "freedom to".
- **and a hybrid engagement strategy**, integrating both perspectives = "freedom from & to".

The empirical objective is to determine which strategy is most likely to be associated with the highest level of sustainability labelling (Article 9 SFDR fund) compared to the lowest (Article 6 SFDR fund).

Data and Methodology

The methodology adopted consists of a rigorous empirical analysis of a large sample of 9,049 equity funds domiciled in Europe. These funds are classified into three categories according to the SFDR: Article 6 (lowest status, few or no sustainability requirements), Article 8 (incorporate sustainable characteristics) and Article 9 (funds with a sustainable investment objective). The authors use the strategies declared in the funds' prospectuses as the main indicators of their sustainability orientation.

Three key strategies are identified and associated with the concepts of freedom: exclusion refers to the "freedom from" and "freedom from", engagement refers to a hybrid approach combining "freedom from" and "freedom to", while impact investing is linked to the "freedom to make a positive impact".

To quantify the influence of these strategies on the SFDR classification of funds, the authors adopt a statistical approach based on binary logistic regression models. These models successively compare: Article 8 vs. Article 6, Article 9 vs. Article 6, and Article 9 vs. Article 8. Principal independent variables are binary indicators reflecting the presence of each sustainable strategy in a fund, while an extensive set of control variables (yield, size, relative flows, fees, age, Morningstar rating, management style, manager country, etc.) are integrated to isolate the specific effect of sustainable strategies. These variables are dated slightly before the SFDR came into force to avoid timing biases.

A complementary comparative approach is also developed. It consists of constructing symmetric binary variables that make it possible to measure at the same time the relative predominance of one strategy over another within the funds. This dual measure aims to detect which of the strategies: exclusion, engagement or impact, is most associated with a high classification. This comparative work is also carried out on an objective sustainable performance measure, i.e. the percentage of the fund's assets involved in serious environmental or social incidents, measured by "fractional probit" variables that deal with a bounded continuous variable (incident rate).

Main results

— 1. Exclusion strategy ("freedom from")

Funds using an exclusionary strategy are significantly more likely to obtain a higher SFDR classification (Article 8 or 9) compared to low-status funds (Article 6). The odds ratios are around 3, which means that the adoption of the exclusion multiplies by about 3 the probability of being classified as Article 8 or 9 compared to Article 6. This strategy reflects the "freedom from harm" approach, i.e. avoiding investments in activities considered harmful (e.g. tobacco, controversial weapons, fossil fuels). The existence of a strong link between exclusion and high SFDR status suggests that sustainability is largely associated with harm minimization.

— 2. Engagement strategy ("freedom from & to")

Commitment is an important determinant, especially in distinguishing the highest funds (Article 9) from the intermediate funds (Article 8) with a significant odds ratio of around 1.9. This strategy is seen as hybrid, combining both the reduction of harmful activities and the promotion of positive changes in the companies invested. It reflects the combined vision of "freedom from & to" where a fund seeks to avoid harm while promoting improvement.

— 3. Impact strategy ("freedom to")

Impact investing significantly increases the probability of having the highest status (Article 9) compared to lower statuses. Odds ratios can range from 3 to 7.6 depending on the model. This



strategy actively aims for positive outcomes in terms of social and environmental impact, reflecting the freedom “freedom to” choose and act for a positive purpose. However, this relationship is most marked in the transition from traditional funds (Article 6) to the most sustainable funds (Article 9).

Comparative analysis of strategies

The exclusion strategy is the main strategy employed by Article 8 and Article 9 funds, significantly dominating the other strategies compared to Article 6 funds. Between Articles 8 and 9, engagement and impact strategies appear to be preferred, which means that the most advanced funds often combine these more sophisticated approaches. Nevertheless, exclusion remains the most consistent strategy with a better performance in terms of reducing negative impacts, thus confirming the relevance of the “freedom to be free from harm” framework.

Interpretation

These results suggest that the notion of sustainability in the context of SFDR is largely defined by the “freedom from” perspective, meaning the reduction of harmful activities. The classification and regulatory recognition of sustainable funds seems to be rewarded more by strict exclusion strategies than by engagement or impact strategies alone.

Their results imply that sustainable investors might adopt a ‘freedom from’ harm approach in their strategies, focusing on classic issues like tobacco, controversial weapons, and fossil fuels, as well as newer concerns such as threats to the territorial integrity of sovereign or allied nations. This implies future sustainability regulations could benefit from emphasizing harmful activities in line with the ‘freedom from’ harm perspective. Such an approach aligns better with the exclusion strategies used by fund managers. Reaching consensus on categorically unsustainable activities among regulators, fund managers, investors, and stakeholders may be easier than agreeing on the definition and scope of sustainable activities, given the complexity and diversity of sustainability interpretations.

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Focus on a recent IPO: Pfisterer



Pfisterer is a recognized player in the manufacture of connectors and insulators for power grids and industry.

Thanks to its technology and product solutions, the company is well positioned for all types of cables and almost all applications in industrial power grids, covering low, medium and high voltages. This enables it to seize opportunities related to the energy transition and the development of electrification. Innovation is a central pillar, with 5.6% of revenue devoted to research and development (R&D). The development of SF6-free products could represent a major breakthrough, as SF6 leaks have a global warming potential 23,000 times higher than CO2.

Karl Heinz Pfisterer, the founder's grandson, owns 46% of the capital, which will be transferred to the KAP Foundation upon his death. Anna Dorothee Stängel owns 13%. Although family control is significant, the board of directors is largely independent and the company is run by two experienced co-CEOs.

Lastly, it is worth noting that we participated in Pfisterer's IPO in May 2025.

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

\$ 780 billion

Investment in renewable energy has risen from \$374 billion in 2015 to \$780 billion in 2025 worldwide, an increase of \$406 billion in 10 years. Renewable energy thus accounts for the largest share of investment in energy.

Source: International Energy Agency

Social

500,000

The destruction of tropical forests in Southeast Asia, the Amazon, and the Congo Basin is responsible for more than half a million deaths worldwide in 20 years, according to a study published in the scientific journal *Nature Climate Change*. The authors of the study establish a link between deforestation and rising local temperatures in these regions. According to them, the phenomenon causes 28,000 premature deaths per year.

Source: Scientific journal - *Nature Climate Change*



REN21 Report – All the key figures on energy transition and renewable energy

For 20 years, the *Global Overview* report by the multi-stakeholder network REN21 has become an essential open source reference for data on energy transition and renewable energy.

The 2025 edition reveals that 2024 saw a record level of new renewable capacity (+741 gigawatts), driven mainly by solar energy (more than 80% of new capacity) and China (60% of new capacity).

Employment in the renewable energy sector is also experiencing structural growth (>10% per year). Energy security remains a priority for many countries, with the transition as an essential lever for strengthening it. In addition, green electricity grew by 10%, and 17 million electric vehicles were sold last year, setting a new record.

These investments in renewable energies, which are already experiencing solid structural growth, are expected to double again (to \$1.5 trillion per year, compared with \$728 billion in 2024) in order to meet the targets set by the Paris Agreement.



Renewables 2025 Global Status Report

<https://www.ren21.net/renewables-2025-global-status-report-factsheets/>



The IR team at the heart of celebrations and debates in October

October was a particularly busy month for the IR team, which was involved in organizing and hosting various events focused on sustainable finance. This article provides an overview of three highlights dedicated to academic research, climate engagement, and the future of Europe.

On October 1, we had the pleasure, as co-founders, of contributing significantly to the success of the 20th anniversary celebration of the FIR-PRI Academic Awards at the iconic La Sorbonne. Following debates led by four former winners, the Universities of Maastricht and Oxford were awarded a special prize for their achievements over the past two decades. The 2025 winners, both students and researchers, presented innovative topics and projects such as regenerative agriculture and the social impact of solidarity initiatives in suburbs. This event highlighted the crucial importance of research and science in promoting advances in sustainable finance and the overall progress of our societies.

On October 2, we hosted a roundtable discussion at Edmond de Rothschild's offices in Paris, dedicated to climate engagement. Five speakers with complementary expertise and strong credibility (the Swiss Ethos Foundation, an asset manager, an institutional investor, a researcher, and the Dutch NGO Follow This) exchanged views and interacted with some 30 participants, asset owners, and asset managers from the Paris financial center. Given the enthusiasm expressed by all participants, the event is already scheduled for next year.

Finally, on October 16, as co-chair of the ESG Committee of the European Financial Analysts Society (EFFAS), we organized the 11th ESG Conference in Brussels, participating as a speaker, moderator, and rapporteur of the conclusions. During this event, many crucial topics regarding the future of Europe and sustainable finance were discussed. For example, key exchanges took place on current and future issues linking sustainability and sovereignty, including innovation, transition, and security. The event concluded by the presentation of two awards for research work as part of the Gasperini prizes.

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