

Environmental, Social and Governance (ESG) Policy

December 2022

The investment objective of Impax Environmental Markets plc is to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste. Investments are made predominantly in quoted companies which provide, utilise, implement or advise upon technology-based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management (which includes sustainable food, agriculture and forestry).

Impax Asset Management Ltd (“IAM” or the “Manager”) acts as investment manager to Impax Environmental Markets plc (“IEM plc” or “We”). IEM plc invests in companies and assets that are well positioned to benefit from the transition to a more sustainable economy.

Both IAM and IEM plc believe that:

- Capital markets will be shaped profoundly by global sustainability challenges including climate change, environmental pollution, natural resource constraints, human rights concerns, and human capital issues such as diversity, inclusion and gender equity.
- These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt.
- Fundamental analysis which incorporates long-term risks, including environmental, social and governance (ESG) factors, enhances investment decisions.

IEM plc is seeking superior risk-adjusted returns over the medium to long-term. Investments are made in "pure-play" small and mid-cap companies which have >50% of their underlying revenue generated by sales of environmental products or services in the energy efficiency, renewable energy, water, waste, and sustainable food and agriculture markets. The Manager identifies higher quality companies with strong business models that demonstrate sound management of risk for investment.

POLICY AIM

This policy explains the approach of the Manager, with oversight from the IEM Board, to integrating Environmental, Social and Governance (ESG) analysis in the investment process. Both the Manager and IEM plc believe that a thorough understanding of environmental, social and governance performance can enhance perspectives of the opportunities and risks offered by individual investments. The Manager has long embedded ESG into its investment process and takes an active approach to engagement with investee companies, as outlined below.

OVERVIEW OF IMPAX ASSET MANAGEMENT'S SUSTAINABLE INVESTMENT APPROACH

All IAM's investments are aligned to the transition to a more sustainable economy. Activities with lower sustainability risks and higher opportunities are set to benefit from a transition to a more sustainable, low-carbon economy and are well positioned for the long-term. They are less at risk of disruption from new technologies, changing consumer preferences or legislation. These well-positioned areas of the economy are sought and prioritised for investment across the Manager's listed investment strategies.

ESG-analysis is an integral part of the Manager's investment process, at the company level. The analysis enables a deeper and broader understanding of the companies, their corporate structures, oversight mechanisms, risk management capabilities and processes and transparency. IAM seeks to understand the character of the companies through the ESG-analysis. The insights from the ESG-analysis are then utilised to establish the priorities for engagement with the investee companies. The analysis focuses on corporate governance structures, the most material environmental and/or social risks for a company, company contributions to sustainability related problems, and any controversies that a company has faced.

Stewardship through active ESG engagement and proxy voting are important parts of the investment process. They enable monitoring of the investee companies more effectively and aim at further enhancing the structures, processes and disclosures of the companies.

IAM takes into account relevant regulations when considering the approach to sustainability and ESG, especially as it relates to reporting and disclosures.

INTEGRATING ESG-ANALYSIS INTO THE INVESTMENT PROCESS

All companies must meet financial and ESG criteria before entering the IEM universe of investable companies. The investment team members are responsible for integrating ESG analysis into the investment process.

1. Screening. IAM seeks to avoid companies involved in significant controversies that violate global norms related to human rights, labour, environment and corruption. IAM source information about company involvement in these controversies from external ESG research providers. If the Manager determines a company is the subject of significant ESG controversy, it will likely be excluded from investment. IAM periodically reassesses company involvement in ESG controversies. IAM also reviews the company universe for compliance with international sanctions, as applicable.

2. ESG-analysis. IAM conduct a detailed, proprietary ESG-analysis of new companies considered for the investable universe and review the ESG-analysis on a periodic basis. IAM considers five main pillars within its ESG analysis:

- **Governance:** IAM analyses companies' governance structures, taking into account common and best practice in the areas of board structure, compensation, shareholder rights, internal controls and governance of sustainability.
- **Material Environmental, Social, and Other Risks:** IAM analyses companies' and issuers' environmental and social policies, processes and disclosures, identifying the most material risks. Materiality is defined as the sustainability issues or risks that may most materially disrupt a company's operations through financial, physical, or reputational loss or disruption. These risks can include: Resource use and dependencies, biodiversity risks, waste and pollution externalities, health and safety, supply chain complexities, and product liabilities including cyber risks and data privacy. IAM seeks investments in companies or issuers that have addressed the material risks with robust policies, processes, management systems and incentives that are scaled appropriately to the importance of the risk.
- **Climate Change:** Climate change is a systemic issue for all companies and this pillar assesses the preparedness, management, target-setting, performance and disclosures by companies in terms of both climate transition risks and physical climate risks.
- **Human Capital Management and Equity (Equality), Diversity & Inclusion (E, D&I):** Human capital and E, D&I are systemic and critical issues for all companies. This pillar assesses the management, target-setting, performance and disclosures by companies for aspects of diversity in leadership (gender, racial/ethnic diversity in board and management teams), workplace equity (hiring/retention efforts, goals, targets, disclosures), and human capital (talent pipeline, compensation/benefits and employee engagement).
- **Controversies:** This includes analysis of companies' past and on-going controversies, seeking strong processes and management systems to address and avoid any repeat events. Analysis includes types of controversies or incidents (repeats, reputational, financial, operational), severity (widespread, systematic, isolated incident), and timeframe and status of issues (ongoing, closed, company has responded or addressed).

Company disclosures and reports are analysed by IAM, with external ESG-research as input and support in the analysis. When all the data is gathered, an ESG report is written, and the company is assigned a proprietary ESG-score. IAM does not seek to exclude a certain number or percentage of companies, but rather seeks an absolute level of ESG-quality. Where this is not achieved, a company is excluded from the investable universe.

ENGAGEMENT AS PART OF THE INVESTMENT PROCESS

Engagement is an important part of the ESG-analysis and investment process. IAM engages with companies when specific ESG-issues or concerns are identified, when further information regarding an ESG-aspect (that is not publicly disclosed) is required and/or to encourage improvement in company ESG-policies, processes and disclosures. IAM also finds companies' responses to ESG engagements very informative of company character. IAM regularly collaborates with other investors and partners on engagements.

The investment team engages as part of regular meetings with company management teams, through additional conference calls, meetings or as part of other communications with the broader investment community. IAM may also file shareholder proposals to support these efforts. Increasingly, expert organisations drive and coordinate investors' engagements on important issues and IAM takes part in these.

IAM maintains an engagement database where the engagement issues, actions, timings and outcomes are detailed. The database is reviewed regularly and if an issue remains unresolved, IAM follows-up with the company in question.

In cases where engagements are not progressing as anticipated, IAM will utilise its escalation processes, which include seeking meetings with alternative contacts at investee companies, including board directors, seeking engagement together with other shareholders and filing or co-filing shareholder resolutions.

If interventions are unsuccessful and the Manager considers that the risk profile of the company has significantly deteriorated or company strategy/governance structures have altered to a degree where the return outlook and the company's strategy and quality no longer meet expectations, the company would be excluded from the investable universe and/or sold.

PROXY VOTING AS PART OF THE INVESTMENT PROCESS

Proxy voting is a key component in the ongoing dialogue with companies in which IAM invests. Through implementation of IAM's voting policy, we aim to enhance the long-term value of our shareholdings, foster corporate governance best practices and promote sustainability, accountability and transparency.

IAM's policy is to vote on all shares held where practicable. Voting decisions are informed by corporate governance codes and best practice, advisory governance research, and internal research and voting policies.

IAM discloses a more detailed proxy voting policy and guidelines, as well as a quarterly summary of its proxy voting records on the Impax Asset Management website www.impaxam.com, as part of the Manager's commitment to the UK Stewardship Code. IEM discloses its proxy voting and engagement activity in the Annual Report and Accounts, available on the IEM plc website www.impaxenvironmentalmarkets.co.uk "www.impaxenvironmentalmarkets.co.uk".

IMPAX ASSET MANAGEMENT MEMBERSHIPS:

In addition, the Manager works on ESG engagement collaborations with clients, partners, and industry organisations to promote sustainable investing and ESG considerations across the globe and is a member of, or signatory to:

- **Asian Corporate Governance Association (ACGA):** An independent organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia
- **The Carbon Disclosure Project (CDP):** An independent organisation holding the largest database of corporate climate change information in the world.
- **Ceres:** An organisation working with investors and companies to build sustainability leadership and drive solutions throughout the economy. Ceres addresses topics climate change, water scarcity and pollution, and human rights abuses
- **Climate Financial Risk Forum (CFRF):** Industry organisation Convened by the FCA and Bank of England/PRA to share best practice on climate risk.
- **Coalition for Climate Resilient Investment (CCRI):** A private sector-led organization developing tools, solutions and financial instruments to support integration of physical climate risks in investment decision-making.
- **Council of Institutional Investors (CII):** Promoting strong governance and shareholder rights standards at public companies.
- **Energy Transitions Commission (ETC):** Energy transition focused think tank with membership from industry and NGOs.
- **Farm Animal Investment Risk & Return (FAIRR):** Initiative promoting more sustainable farming and food production practices.
- **Financing a Just Transition Alliance (FJTA):** Aims to translate commitment to a just transition across the financial sector into real world impact in terms of ensuring workers and communities are not left behind.
- **Glasgow Financial Alliance for Net Zero (GFANZ):** Unites net-zero financial sector-specific alliances from across the globe into one industry-wide strategic alliance.
- **Global Impact Investing Network (GIIN):** The largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing.
- **Institutional Investors Group on Climate Change (IIGCC):** A forum for collaboration on climate change for European investors.
- **Investor Network on Climate Risk (INCR):** Partners with investors worldwide to advance investment opportunities and reduce material risks posed by sustainability challenges such as global climate change and water scarcity.

- **Natural Capital Investment Alliance (NCIA):** A central hub for global corporations and financial institutions seeking to scale-up their investments into Natural Capital, in support of biodiversity restoration.
- **Net Zero Asset Managers Initiative (NZAM):** An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.
- **Principles for Responsible Investment (PRI):** Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- **ShareAction Investor Decarbonisation Initiative:** Aims to bring together investors to accelerate corporate action on climate change in high-carbon sectors.
- **Shareholder Rights Group:** Working to acquaint regulators and the public with the purpose and value of engagements
- **Task Force on Climate-related Financial Disclosures (TCFD):** Develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.
- **Taskforce on Nature-related Financial Disclosures (TNFD):** Initiative developing a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature.
- **Thirty Percent Coalition:** Working to achieve greater board diversity among US companies through collaborative engagements among institutional investor members.
- **The UK Stewardship Code:** The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.
- **UK Sustainable Investment and Finance Association (UKSIF):** Provides services and opportunities to align investment profitability with social and environmental responsibility.
- **Women's Empowerment Principles:** A set of Principles offering guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community.