Annual Report & Accounts

For the year ended 31 December 2022

IMPAX Environmental Markets plc

Contents

Investment Objective

The investment objective of Impax Environmental Markets plc (the "Company" or "IEM") 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).

FINANCIAL INFORMATION

At 31 December 2022

419.5p

Net asset value ("NAV") per ordinary share

419.5p

Ordinary share price

0.0%

Ordinary share price premium to NAV[1]

£1,276m

Net assets

0.81%

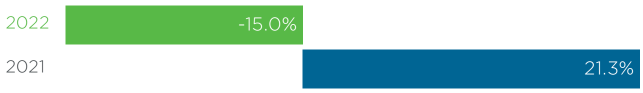
Ongoing charges[1]

PERFORMANCE SUMMARY[2]

For the year ended 31 December 2022 % Change

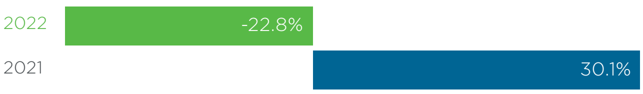
-15.0%

NAV total return per ordinary share[1]



-22.8%

Share price total return per ordinary share[1]

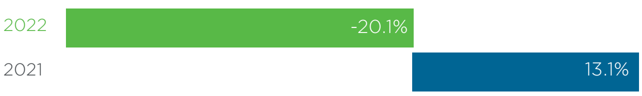


-8.1%

MSCI AC world index[3]

-20.1%

FTSE ET100 index[3]



1. These are alternative performance measures
2. Total returns in sterling for the year to 31 December 2022
3. Source: Bloomberg and FactSet

ALTERNATIVE PERFORMANCE MEASURES ("APMS")

The disclosures as indicated in footnote 1 above are considered to represent the Company's APMs. Definitions of these APMs and other performance measures used by the Company, together with how these measures have been calculated, can be found on pages 85 and 86.

Chairman’s Statement

John Scott
Chairman

The year ended 31 December 2022 has seen the outbreak of a war in Europe, the return of inflation and the highest interest rates in 15 years. These factors created a difficult backdrop for financial markets across most asset classes and especially for the higher rated ‘growth’ companies in which Impax Environmental Markets plc tends to invest. Thus, after several years of strong performance, IEM’s share price declined and the Company’s net asset value underperformed its global equities comparator index during the year (the MSCI ACWI index), while outperforming its environmental markets comparator index (the FTSE Environmental Technology 100 index).

High inflation, driven by surging energy and food prices, and continuing supply chain bottlenecks, were among the defining features of 2022. Global consumer prices rose by 8.8%, prompting central banks to tighten monetary policy dramatically. Rising interest rates typically act to the detriment of smaller and growth companies, as the value ascribed to their future cashflows is discounted at a higher rate. This process, often referred to as ‘de-rating’, has been seen across our portfolio and, while painful for our existing holdings, is now creating interesting investment opportunities. There are signs that inflation may be close to peaking, and that we may be near to the end of the interest rate rises planned by central banks.

More than a year on from Russia's invasion of Ukraine, the war continues to hang as a black cloud over the outlook for all western economies. It is a deeply unpleasant conflict in which new horrors emerge on a weekly basis; however, as noted in my previous report, for IEM there is something of a silver lining within that cloud. High energy prices and Russia’s use of hydrocarbon exports as a weapon are causing a major re-think on fuel usage and security of supply. This in turn is increasing the West’s focus on renewable sources of energy, while elevated gas prices drive up returns on investment in solar, wind and other green power technologies.

PERFORMANCE

After many years of outperformance, there is no disguising the fact that 2022 was a difficult year for IEM, both on an absolute and relative basis, with IEM losing ground relative to its global equity comparator index (the MSCI All Countries World Index or “MSCI ACWI”). IEM’s net asset value (“NAV”) per share on a total return basis declined by -15.0%, compared to a fall in the MSCI ACWI of -8.1%. As our Manager, Impax Asset Management (AIFM) Limited (the “Manager”, or “Impax”), explains in more detail, much of this was due to the valuations at which our investee company holdings trade coming under pressure, but some underperformance was also due to the fact that we do not invest in sectors such as fossil fuels and commodity companies, which performed strongly during 2022.

IEM’s NAV did, however, outperform its environmental markets comparator, the FTSE Environmental Technology 100 index (“FTSE ET100”), which fell by -20.1% over the year. This index was greatly affected by sharp declines in some expensive technology companies which dominate that index, including electric car companies Tesla and Nio, and semiconductor names including Tokyo Electron and Infineon Technologies, all of which are types of investment which our Manager tends to avoid.

IEM’s share price total return was -22.8% over the year, affected by the -15.0% decline in NAV per share and exacerbated by the evaporation of the premium at which our shares were trading at the start of the year. We ended the year with our share price on par with NAV.

Notwithstanding the disappointing outcome for 2022, the longer term returns for IEM remain very respectable: three-year annualised performance of the share price and NAV are 9.0% and 10.6%, respectively, compared to 7.4% for MSCI ACWI. Over five years, the annualised returns are 11.4% for the share price and 9.5% for the NAV versus 7.7% for MSCI ACWI.

THE INVESTMENT CASE

The Board enthusiastically supports the Manager’s belief that companies offering solutions to the sustainability challenges facing the world will tend to outperform the wider market over the longer term.

The rise in energy prices that is causing financial hardship is expected, over the longer-term, to be a boost for IEM and the sectors in which it invests. High fossil fuel prices and concerns about energy security, allied with efforts to mitigate and adapt to climate change, support the economics of energy efficiency investments and reinforce the case for the transition away from hydrocarbons and towards renewables. This is a message which IEM has been preaching for many years; what is new for 2022 is that the outrageous behaviour of Russia should be the factor to validate the thesis beyond doubt.

"We welcome the sharply increased scrutiny by investors, media and regulators of the ESG credentials of sustainable investment products, of which IEM has been one for more than two decades."

This transition is being supported by continuing positive policy developments. The EU has responded to the energy crisis by redoubling its policy support for clean energy, with the introduction of its €210 billion REPowerEU package of legislation.[1] In an unexpected development in July 2022, the US Senate passed the Inflation Reduction Act, President Joe Biden's re-badged climate legislation. This contains US$369 billion in subsidies for green technologies.[2] Changes of government in both Australia and Brazil have improved the climate policy outlook in those important economies. In China, meanwhile, the 14th Five-Year Plan is driving the deployment of renewables.

There was a meaningful agreement to tackle biodiversity loss at the COP15 biodiversity summit in December 2022. An important pledge was made to protect 30% of the world's land and oceans, alongside commitments on reducing risks posed to nature from nutrients and pesticides, and a pledge to direct US$200 billion towards protecting biodiversity by 2030.[3] While it arguably fell short of what some had hoped for, it provides a framework for starting to address the global crisis in nature. Society has come to understand that it cannot address climate change without solving biodiversity challenges, and vice versa.

The financial services industry is trying to catch up rapidly and is now offering investors many products purporting to be sympathetic to environmental concerns. We welcome the sharply increased scrutiny by investors, media and regulators of the environmental, social and governance (ESG) credentials of sustainable investment vehicles, of which IEM has been one for more than two decades. The Company has always been transparent in its approach to, and management of, ESG factors (even before the term ESG was invented), and in recent years the Company has tracked and disclosed measures of the impact that the portfolio investments make on a number of environmental metrics (see pages 17 to 20). We also report our climate risks and opportunities, which we continue to develop in line with the recommendations of the Task Force on Climate-related Financial Disclosures (see pages 21 to 24). Ensuring that we continue to follow leading market practice in this area is squarely on the Board's agenda.

DIVIDEND

IEM's net revenue return for the year was £13.6 million, compared with £9.4 million earned during 2021. The increase reflects the recovery in earnings seen in our underlying investments as they put behind them the effects of the Covid-19 pandemic.

IEM's dividend policy, as approved by shareholders at the May 2022 AGM, is to declare two dividends each year. On 28 July 2022, the Board announced a first interim dividend for this financial year of 1.5 pence per Ordinary Share which was paid on 26 August. The second interim dividend, of 2.5 pence per Ordinary Share, was declared on 1 February 2023 and paid on 10 March 2023. The total dividend per share paid for 2022 is therefore 4.0 pence per share, an increase of 42.9% on the 2.8 pence paid in respect of 2021.

It remains the Board's intention to pay out substantially all earnings by way of dividends, the quantum of which is affected both by the level of dividends received by the Company and by the number of shares in issue at the relevant record date.

GEARING

At 31 December 2022, IEM's net gearing was 2.1%, slightly above the 1.6% net gearing at the end of 2021. In recent years IEM has made little use of gearing, allocating whatever new capacity was available from our Manager to issue additional equity and thereby meet the strong investor demand that prevailed. The Manager continues to advise of capacity constraints with our investment bias towards the smaller end of the market; any increase in our capital by way of borrowings results in a concomitant reduction in our ability to issue equity. However, as discussed below, IEM is now trading close to NAV and expanding the investment capacity via increased gearing has become an option which is under active consideration; credit facilities are due for renewal in September 2023.

PREMIUM AND DISCOUNT CONTROL

IEM's Ordinary Shares traded at a premium to NAV of 10.2% on 31 December 2021, at NAV (no premium or discount) on 31 December 2022 and traded during the year between a premium of 14.1% and a discount of -6.6%.

The premium or discount to underlying NAV is actively monitored by the Board and our brokers. Having started the year with continued investor demand and issuing shares at a premium, in February 2022 – with the onset of the Ukraine war and in tandem with many other investment companies – IEM's shares moved to a discount. Since then, the Board has used its authority judiciously to purchase its own shares, to prevent a material discount from emerging.

The Board's intention remains to keep IEM's shares trading close to NAV during normal market conditions and it will continue to exercise its authority to buy back or to issue shares accordingly.

There were 298.1 million Ordinary Shares in issue at the start of the year, increasing to 304.2 million by the year end, reflecting new shares issued of 7.6 million with 3.1 million bought back into treasury. Of the shares bought

1 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3131
2 https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/
3 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7834

back, 1.6 million were subsequently reissued from treasury, resulting in there being 1.5 million shares in treasury at the year end.

THE BOARD

The Board has established a Sustainability Reporting Committee to consider and help the Board to assess the relevance to IEM of the growing body of sustainability issues. The Committee will receive reports from the Manager regarding its sustainability activities as they relate to IEM's portfolio, the outcomes of such activities and its sustainability metrics. The Committee will review and discuss the relevance of such activities and metrics in meeting IEM's investment objective, investment policy and stakeholders' expectations, make recommendations to the Board, and oversee IEM's regulatory and voluntary sustainability reporting. Further details on the committee and its activities are given on pages 29 to 30.

At the AGM in May 2022, I was re-elected to the Board to serve for a tenth year, taking account of the circumstances following the death of chairman-designate Simon Fraser. I am delighted to report that Glen Suarez joined the Board in August 2022 and will succeed me as Chairman at the conclusion of the 2023 AGM, whereupon I will retire from the Board. Glen, who is currently executive chairman at Knight Vinke Asset Management, was previously chairman of Edinburgh Investment Trust plc, and earlier spent eight years as head of European energy, infrastructure and utilities investment banking at Morgan Stanley.

As previously announced, Vicky Hastings is retiring at the conclusion of the 2023 AGM after 10 years and Nick Hurd stepped down from the Board at the end of 2022. I would like to thank both Vicky and Nick for their excellent service and invaluable contributions to the Company during their tenures. Recruitment is underway to find their replacements.

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 7th Floor, 30 Panton Street, London, SW1Y 4AJ on Tuesday, 16 May 2023 at 3.00pm.

We are pleased to invite shareholders to attend the AGM in person to meet the Board and our investment managers. There will be a presentation and the opportunity to ask questions. Shareholders are welcome to join through our website at www.impaxenvironmentalmarkets.co.uk. As is our normal practice, there will be live voting for those physically present at the AGM. We are not able to offer live voting via the website, and we therefore request all shareholders, and particularly those who cannot attend physically, to submit their votes by proxy, ahead of the deadline of 3.00pm on 12 May 2023, to ensure that their vote counts at the AGM.

Shareholders' questions for either the Board or the investment managers should be submitted to clientservices@impaxam.com by midday on 12 May 2023. IEM's website at www.impaxenvironmentalmarkets.co.uk can be used to access more insights and also subscribe for regular communications.

OUTLOOK

After the macro-economic and geopolitical challenges of the past year, I am hopeful that 2023 will provide a more encouraging backdrop for environmental markets generally and for IEM in particular. While there appears to be no immediate prospect of the war in Ukraine coming to an end, we are adapting to the supply and price shocks it has created. High energy prices and energy security considerations have strengthened the case for investment in alternative sources and accelerated the net-zero transition.

Geopolitical tensions make that transition less smooth than might otherwise have been the case. COP27 demonstrated the difficulty of maintaining momentum in global policy in the context of intense geopolitical rivalry and wars, both actual and (dis)informational. For the time being, we are seeing the regionalisation of climate policy, with progress in some parts of the world being at odds with foot dragging (or worse) in others. As discussed in more detail in the Manager's Report, the Inflation Reduction Act in the US and REPowerEU in Europe show how progress at the regional and country level can maintain the overall momentum in environmental policy.

When IEM was founded in 2002, with an initial market value of £50 million, it faced a lonely existence in an investment sector which had yet to be properly classified. 21 years on, ESG is on everyone's lips and the sector – which our investment managers at Impax Asset Management have played a large part in defining – is now centre stage, looking at an investable universe which is many times deeper than two decades ago. Taking advantage of this, IEM has delivered a 16.1% annualised share price total return over the past 10 years and the Company is now a member of the FTSE 250 index, with a market capitalisation at 25 March 2023 of some £1.3 billion. The Board takes this opportunity to record its appreciation to Bruce Jenkyn-Jones (who has been at the helm from the start), Jon Forster (who has also been on board since inception) and Fotis Chatzimichalakis (who became one of our investment managers in October 2021), but also to the rest of the team for their collective achievement in steering IEM with such a steady hand.

It has been deeply rewarding for those of us who have been able to observe this transformation in the fortunes of environmentally-friendly investing, a good example of how you can make money for investors while leaving the world a better and cleaner place. Notwithstanding the substantial market correction we saw in 2022, widespread recognition of the urgent need to address the world's environmental and social challenges provides our investment managers with the continuing opportunity to generate above-market returns. I remain convinced of the merits of the investment mandate on which the Company is based.

John Scott, Chairman
31 March 2023

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

Fotis Chatzimichalakis

Following strong performance in the last three years, 2022 proved a challenging year for most parts of the market, including IEM. Since the interim report, performance was broadly in line with MSCI ACWI and ahead of the FTSE ET100, leading to full year NAV performance nearly 7% behind MSCI ACWI but slightly more than 5% ahead of the FTSE ET100.

Many of the themes highlighted in the interim report remained relevant for the full year. As discussed in the Chairman's Statement, rising interest rates led to a 'de-rating' or decline of valuation multiples for growth companies which are a core focus of IEM, and a switch into cheaper value sectors such as energy and financials to which IEM has no exposure since these companies generally do not meet our criterion of having a minimum of 50% revenues generated from environmental products or services. This trend continued in the second half, with the underperformance of MSCI ACWI Growth Index vs. MSCI ACWI Value Index widening from 17.3% at the interim report to 23.5% for the full year. This provided a challenging backdrop for IEM's performance and was seen across a broad swathe of environmental markets and regions.

Whilst there were other challenges, as discussed below, portfolio holdings mostly did a creditable job navigating the difficulties of disrupted supply chains and an inflationary environment, and crucially demonstrated the pricing power essential to maintaining profitability. Ongoing strength in renewable energy holdings and a resurgence of M&A activity for some stocks in the portfolio which then performed well, are also discussed below.

KEY DEVELOPMENTS AND DRIVERS FOR ENVIRONMENTAL MARKETS

Energy and climate

The Russian invasion of Ukraine, and its subsequent use of energy exports as a weapon against the West, upended energy markets in 2022 and created wider economic disruption with dramatic increases in energy prices generating a significant reaction from consuming countries. With widespread concerns of recession across Europe, prompt action by the EU in particular - both by increasing the supply of natural gas from other sources and influencing demand - along with a relatively warm winter, has enabled sufficient gas to be stored in Europe, allowing power and gas prices to retreat from their August highs.

The response is also triggering a faster transition away from fossil fuels. The International Energy Agency said the energy crisis is driving "a sharp acceleration" in the installation of renewables; and has increased its five-year forecast by 30% over the last year as energy security concerns have prompted governments to increase policy support for renewables.[4]

Specifically, the EU's REPowerEU package directs funding to increase renewable energy generation, raises the bloc's energy efficiency target and sets ambitious goals for hydrogen production. In addition, the EU has tightened the emission reduction targets in its 'Fit for 55' package, phasing out free allowances more quickly, and creating a social climate fund to support vulnerable households and small businesses.[5]

The EU is also pursuing measures to ensure that its climate policy does not simply export its greenhouse gas emissions to countries without equivalent costs on carbon. From October 2023, it will begin introducing its Carbon Border Adjustment Mechanism, which will require exporters of carbon-intensive commodities such as iron and steel, cement, fertilisers and aluminium to either buy EU carbon allowances or demonstrate they have paid a carbon price domestically.[6] While this is a contentious application of carbon pricing to international trade, we would expect that, over time, it will encourage tighter climate policy within exporting countries.

4 https://www.iea.org/news/renewable-power-s-growth-is-being-turbocharged-as-countries-seek-to-strengthen-energy-security

5 https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/

6 https://taxation-customs.ec.europa.eu/green-taxation-0/carbon-border-adjustment-mechanism_en

Across the Atlantic, the US Inflation Reduction Act – so named to win the crucial casting vote of conservative Democratic Senator Joe Manchin – provided an unexpected boost to the clean energy agenda. Manchin's support revived a version of President Biden's Build Back Better legislation which, while considerably smaller in dollar terms than the original proposal, still represents the largest financial commitment to addressing climate change in any individual policy yet crafted. It provides US$369 billion in a balanced package of clean energy, electric vehicle and clean technology tax incentives and subsidies, including support for domestic manufacturing. These measures will get the US close to the 40% reduction in greenhouse gas emissions by 2030[7] that the Biden administration committed to when it re-joined the Paris Agreement. As far as IEM is concerned, it will provide a material boost in earnings to a range of our holdings with material US exposure (44% of the portfolio has end market exposure to the US), including SolarEdge (Solar Energy Generation Equipment, US), Ormat (Renewable Energy Developers & IPPs, US) and EDP Renovaveis (Renewable Energy Developers & IPPs, Portugal).

Despite these positive developments, the world is still on course to exceed the Paris Agreement's less-ambitious goal of holding warming below 2°C – let alone stay below the preferred 1.5°C threshold. Current policies around the world would lead to a range of 2.2°C to 3.4°C of warming by the end of the century, according to Climate Action Tracker.[8] While this is a sobering observation, the implication that governments are likely to take further policy action to promote the transition to net zero should support our investments that are exposed to this theme. More investment will also be needed in adaptation to the effects of climate change. IEM invests in climate adaptation in Water Distribution & Infrastructure (Advanced Drainage Systems and Zurn Elkay Water Solutions, both US) and Water Treatment (Amiad Water Systems, Israel and Pentair, US), as well as backup power solutions and power storage, as provided by Generac (Power Storage & UPS, US). A breakdown of IEM's portfolio by environmental markets classification is given on page 9.

Within climate and energy, we favour energy efficiency names rather than renewable energy generators. The latter continue to face obstacles to growth, particularly around planning and permitting, and the sub-sector continues to face uncertainties around the exact shape of regulatory intervention in energy markets. Energy efficiency, however, tends to be a more straightforward investment proposition driven, as it is, by simple economics. These become much more compelling when energy prices are high, benefitting amongst others industrial steam specialist Spirax Sarco Engineering (UK), heat pump supplier Nibe (Sweden) and efficient lighting company Signify (Netherlands).

Biodiversity and sustainable food production

While the UN climate talks may have underwhelmed in 2022, a breakthrough international agreement was reached on biodiversity at the end of the year. At COP15 of the Convention on Biological Diversity in Montreal, a Global Biodiversity Framework ("GBF") was agreed, setting important targets for the protection of nature by 2030 and pledges for US$30 billion/year in financing for biodiversity protection in poor countries by that date.[9] Important targets in the GBF include a goal of protecting 30% of land and oceans, cutting nutrient pollution and overall risks from pesticides and toxic chemicals by half by 2030.

Agreement on an ambitious GBF, which hung in the balance over two years of negotiations, coincides with growing concerns about biodiversity loss and rising interest among companies and investors in reducing their impacts and dependencies on nature.

Many of the themes pursued by IEM help to reduce pressures on biodiversity, caused by drivers such as land-use change, overexploitation of organisms, climate change, pollution and invasive non-native species. For example, solutions around food waste reduction, plant-based proteins, alternative feeds to soy, resource efficiency and circularity help to reduce pressures on tropical forests. Alternative animal feeds and sustainable aquaculture can help to address overexploitation of species, while our clean energy and energy efficiency picks help to address climate change, which puts stress on biodiversity.

The Company's investments in water treatment, pollution control and testing all contribute to efforts to reduce run-off and pollutants that harm nature, while its investments in companies which recycle and treat plastics can help reduce pressures on marine biodiversity, in particular. IEM also invests in Amiad Water Systems (Water Treatment, Israel) that treats ballast water transported around the world by shipping companies, which helps to address the spread of non-native invasive species.

IEM has published its Policy on Nature, Biodiversity, and Deforestation on the website and a section on biodiversity features in this report on pages 25 to 29.

Biodiversity loss, climate change and food production are intimately linked, and the three themes were prominently addressed at COP27. At the climate talks, food security was "a fundamental priority", highlighted on the summit's cover decision for the first time, alongside protecting nature and water. At the talks, the UN Food and Agricultural Organization committed to developing a net-zero, nature positive roadmap for the sector, which accounts for around one-fifth of global emissions. IEM's investments in sustainable food and agriculture are well-positioned to help deliver against such a roadmap.

7 https://www.science.org/content/article/surprise-climate-bill-will-meet-ambitious-goal-40-cut-us-emissions-energy-models#:~:text=The%20backers%E2%80%94Senate%20Majority%20Leader,by%202030%2C%20compared%20with%202005.

8 https://climateactiontracker.org/

9 https://www.unep.org/news-and-stories/story/cop15-ends-landmark-biodiversity-agreement

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

The themes highlighted in the Interim Report remain relevant for the year as a whole.

Renewable energy holdings continued to deliver solid performance, benefitting from supportive policy momentum, elevated power prices and a normalisation of supply chains. The strength was across both project developers such as Terna Energy (Greece), Ormat (US) and Northland Power (Canada), and renewable energy equipment manufacturers like SolarEdge Technologies (Solar Energy Generation Equipment, US) and Vestas (Wind Power Generation Equipment, Denmark).

After a reset in valuations, M&A activity in environmental markets has picked up. Those companies in the portfolio targeted for merger or acquisition performed well. Switch (Cloud Computing, US) has been taken private at an attractive premium – from the initial indication of a likely takeover in August 2021, to the deal announcement in May 2022, the share price of the company appreciated 62%. For 2022, Switch positively contributed 0.53% to the portfolio's performance. Terna Energy (Renewable Energy Developers & IPPs, Greece) also benefitted from takeover interest, contributing 0.64% to performance, with the company being viewed as a potential takeout target, while Brambles (Resource Circularity & Efficiency, Australia) contributed 0.44% to performance as the company attracted interest from private equity buyers.

Another cluster of strength during the year was companies with a 'value' orientation, with CIA Saneamento Basico (Water Utilities, Brazil) and Graphic Packaging (Food Safety & Packaging, US) standing out. The former is a regulated water utility in Sao Paolo, Brazil and during the year rose on expectations of more favourable regulatory conditions that could lead to an eventual privatisation of the company. Graphic Packaging, a packaging company with a high recycled inputs content, performed well, supported by resilient consumer end-markets and an improving price / cost environment.

Finally, earnings delivery has been solid overall during the year with holdings navigating this challenging market and exhibiting pricing power in the current inflationary environment. Clean Harbors (Hazardous Waste Management, US) delivered very good results, reflecting its dominant market position in a supply constrained market. PTC (Efficient IT, US) benefitted from a subscription-based business model and a resilient growth profile.

Detractors

The market rotation from 'growth' towards 'value' companies continued throughout the year and has led to a material de-rating of holdings exposed to these style factors. These companies' share prices dropped as investors took into account rising interest rates when assessing future cashflows, resulting in lower valuations today. Names most impacted include Cryoport (Resource Circularity & Efficiency, US), Spirax Sarco Engineering (Industrial Energy Efficiency, UK), Eurofins (Environmental Testing & Monitoring, France), Croda (Recycled, Recyclable Products, UK) and Nibe (Buildings Energy Efficiency, Sweden).

Against the backdrop of rising interest rates and increased likelihood of a recession, companies exposed to cyclical end-markets suffered during the year. Holdings exposed to construction activity have been particularly weak, with water infrastructure and treatment companies like Aalberts (Netherlands), Advanced Drainage (US), Zurn Elkay Water Solutions (US), and Pentair (US) standing out. Similarly, Lenzing (Resource Circularity & Efficiency, Austria) fell following weakness in textile markets and rising energy costs.

Finally, Generac (Power Storage & UPS, US) suffered during the year due to supply chain constraints and on the back of concerns around the company's sales outlook for 2023 after two years of strong growth. Royal DSM (Sustainable Agriculture, Netherlands) struggled with rising input costs (namely energy) and concerns around the resilience of the nutrition business in a recessionary environment.

We remain positive on the long-term prospects for the holdings discussed in this section and made selective additions to our holdings over the year.

RELATIVE PERFORMANCE ANALYSIS

Performance relative to MSCI ACWI	12 Months ended 31 December 2022 %
NAV total return	(15.0)
MSCI ACWI total return	(8.1)
Relative performance	(6.9)
Analysis of relative performance	
Portfolio total return	(13.5)
MSCI ACWI total return	(8.1)
Portfolio underperformance	(5.4)
Borrowing:	
Gearing effect	(0.4)
Finance costs	(0.1)
Management fee	(0.7)
Other expenses	(0.1)
Trading Costs	(0.1)
Share transactions:	
Issues	0.1
Buy-backs	–
Tax	(0.2)
Total relative NAV performance	(6.9)

Manager's Report continued

Performance relative to FTSE ET100	12 Months ended 31 December 2022 %
NAV total return	(15.0)
FTSE ET100 total return	(20.1)
Relative performance	5.1
Analysis of relative performance	
Portfolio total return	(13.5)
FTSE ET100 total return	(20.1)
Portfolio outperformance	6.6
Borrowing:	
Gearing effect	(0.4)
Finance costs	(0.1)
Management fee	(0.7)
Other expenses	(0.1)
Trading Costs	(0.1)
Share transactions:	
Issues	0.1
Buy-backs	–
Tax	(0.2)
Total relative NAV performance	5.1

PORTFOLIO POSITIONING, ACTIVITY, VALUATION AND RISK

At the end of the year, IEM's portfolio comprised 58 listed holdings with no active unlisted investments following the write down to zero in December of the legacy unlisted position (previously 0.05%) in Ensyn. Portfolio detail is provided on pages 12 to 13 and positioning by sector and region is set out on page 9. Positioning is consistent with that presented in the interim report. The portfolio maintains a balance of high-quality cyclical and defensive names across a broad range of environmental markets and, whilst maintaining a high exposure to more economically defensive business models, activity is progressively shifting to cyclical and growth names with beaten down valuations and strong balance sheets.

Activity in the second half of the year saw further consolidation of holdings with the sale of Itron (Smart & Efficient Grids, US) following ongoing execution challenges and Salmar (Sustainable Aquaculture, Norway) following the announcement by the Norwegian government of a proposed 40% resource tax for salmon farmers, negatively impacting industry economics and growth prospects.

Rational (Technology & Logistics, Germany), a leading supplier of high efficiency ovens into restaurants, fast food outlets and institutional markets (schools, hospitals, etc), was added back into the portfolio following a share price collapse prompted by recession fears and the impact on its customer base. With best-in-class margins and returns on capital, and a strong 'net cash' balance sheet, this company is well positioned to weather the current challenges and provides exposure to a compelling growth story as restaurants aim to reduce food waste, improve efficiency and simultaneously cope with ongoing labour shortages.

DS Smith (Food Safety & Packaging, UK) was exited in favour of Smurfit Kappa Group (Food Safety & Packaging, Ireland), a market leading fibre-based packaging company with a consistent track record of organic growth, compelling positioning in growth markets in Latin America and attractive financial metrics.

Switch (Cloud Computing, US) was exited on the completion of the recent M&A which resulted in the company being taken private.

Regarding valuation, the portfolio experienced a significant fall or 'de-rating' in its next 12 months' (or forward) price-to-earnings ratio, from an undoubtedly high level of 24.6x, as flagged in the last annual report, to 18.4x at the end of the year. This forward price-to-earnings ratio is in line with long-term average levels, despite an investment case that is considered stronger given drivers including the recent policy push towards net-zero emissions and actions to address energy security issues.

OUTLOOK

Equity markets have had a volatile start to 2023, with early strength reversed in March by the sudden collapse of Silicon Valley Bank in the US and forced takeover of Credit Suisse by UBS in Europe. Fears of a new credit crisis have driven material underperformance of small and mid-cap markets in which IEM invests vs MSCI ACWI overall. With this backdrop, the recent focus has been on economically defensive sectors and business models and on companies with strong balance sheets, which are well placed to weather these near-term challenges.

Notwithstanding the above, with a medium-term perspective we believe that the investment case underpinning IEM remains compelling, and that companies providing innovative solutions to environmental challenges will continue to thrive and experience superior growth relative to the global economy. Continued strong policy support, energy price volatility and a renewed focus on energy security are supportive of opportunities across a wide range of environmental markets. Recent volatility leaves the portfolio valuation in line with long term average levels, which is considered attractive given the strengthening underlying investment case.

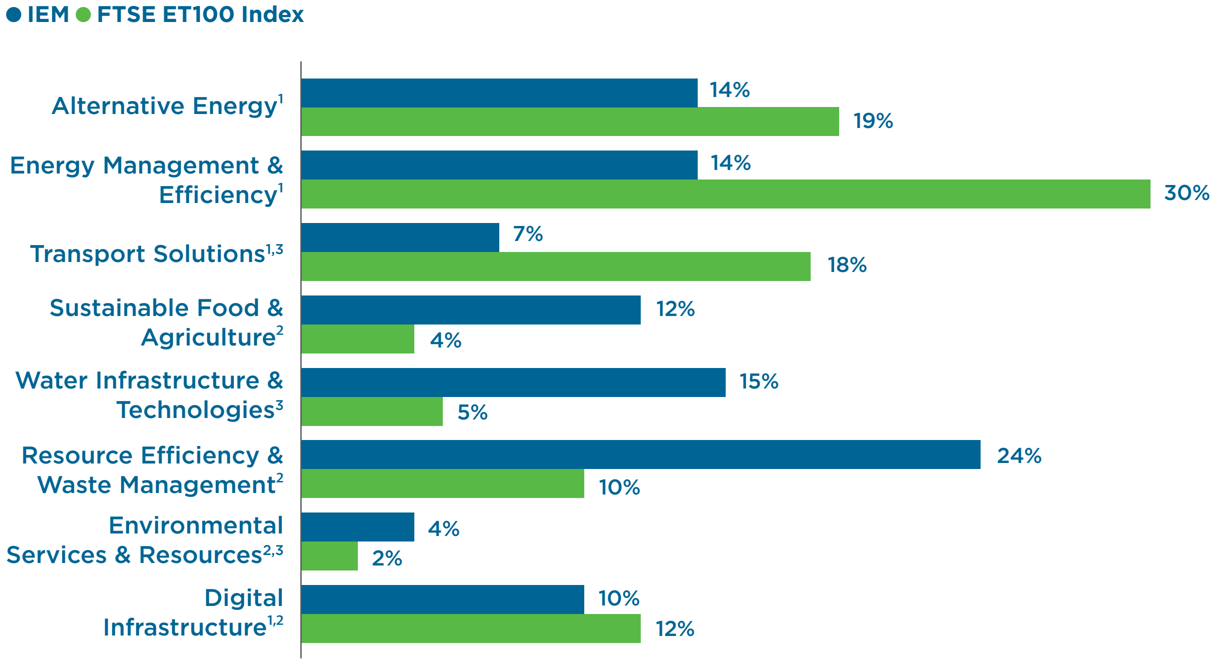
Investment Managers
Bruce Jenkyn-Jones
Jon Forster
Fotis Chatzimichalakis

31 March 2023

Structure of the Portfolio

As at 31 December 2022

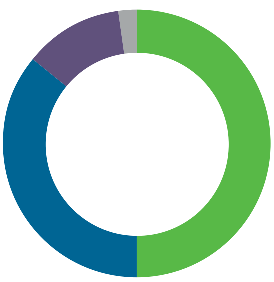
Breakdown by environmental sector



Investment policy classification

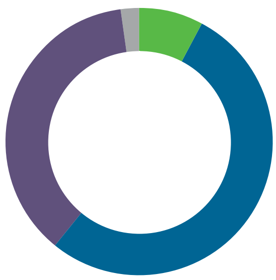
1. Alternative Energy and Energy Efficiency.
2. Waste Technologies and Resource Management.
3. Water Treatment and Pollution Control.

Breakdown by region



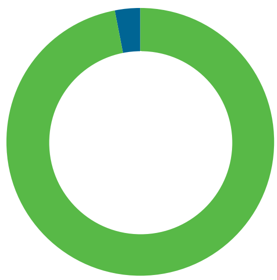
- North America, 50%
- Europe, 36%
- Asia Pacific, 12%
- Rest of World, 2%

Breakdown by market capitalisation



- Large Cap (US$20bn to US$200bn), 8%
- Mid Cap (US$5bn to US$20bn), 53%
- Small Cap (US$0.5bn to US$5bn), 37%
- Micro Cap (less than US$0.5bn), 2%

Breakdown by company profitability



- Profitable, 97%
- Unprofitable, 3%

Ten Largest Investments

As at 31 December 2022

1

2.9% of net assets (2021: 2.8%)

CLEAN HARBORS INC - United States www.cleanharbors.com

Environmental services such as waste disposal, hazardous waste clean-up, recycling services and emergency clean-up are an important component of environmental solutions for a broad range of industries. Clean Harbors provides collection, transportation, recycling, treatment, and disposal services and holds dominant positions in incinerators and landfills, where new permits are becoming exceedingly rare. Importantly, Clean Harbors is a market leader in its core business – the US hazardous waste sector – with a strong market position and pricing power in a sector with high barriers to entry. With economic recovery, this part of the business has seen positive momentum while also benefitting from consolidation as industrial players are closing captive operations due to tighter environmental regulations and rising energy costs. The company is also a leading responder to emergency clean-ups, such as after hurricanes or floods, but also active in medical waste disposal and disinfection solutions. The company has well established operations with end markets that are well diversified, from general manufacturing to the automotive and chemical industries. Clean Harbors has some exposure to waste oil re-refining for the oil and gas industry which is currently seeing a recovery given higher oil prices.

2

2.8% of net assets (2021: 1.8%)

EUROFINS SCIENTIFIC - France www.eurofins.com

Eurofins Scientific is a life sciences company that is a world leader in food testing, with related business lines in feed and environmental testing, as well as agriscience and pharma. Eurofins Scientific's business model taps into strong growth in the demand for testing globally, particularly as regulations continue to tighten to address climate change, pollution and evolving healthcare challenges. Eurofins can deliver increasingly sophisticated and differentiated solutions to a variety of end markets. This mid-sized European company has a presence in 44 countries and has grown significantly through acquisitions, focusing on long term value creation.

3

2.8% of net assets (2021: 1.8%)

BUCHER INDUSTRIES - Switzerland www.bucherindustries.com

Bucher is an industrial conglomerate with a primary focus on manufacturing specialised agricultural machinery for tillage, seeding, fertilisation, hay and forage harvesting. Global population growth and rising food demand is creating long-term resource scarcity issues. Bucher provides precision agriculture solutions that enhance crop yields while reducing the use of fuel, seed and fertilizer, leading to improving food supply chain efficiency. The company also offers other products through different divisions, such as municipal vehicles for cleaning and clearing snow, advanced hydraulic systems, and technologies for manufacturing and inspecting glass containers. The company has a long-term industrial focus on product innovation which enables competitive advantages and strong market share across all divisions. Bucher has a solid track record as a technological leader with good cost management and a wide global service network.

4

2.8% of net assets (2021: 2.7%)

PTC INC - United States www.ptc.com

PTC provides software solutions that are deployed in industrial design and manufacturing. The company's software is used to design products (computer–aided design, "CAD"), monitor how they are being manufactured and manage them throughout their lifetime (product lifecycle management – PLM). Importantly, PTC's industrial connectivity platform allows customers to connect 'smart' devices and analyse associated data enabling applications like remote monitoring and predictive maintenance. These solutions help to increase resource efficiency and eliminate waste in industrial processes. Operating in a market with high barriers to entry and low customer turnover, using its established market position, PTC is emerging as a leader in industrial 'Internet of Things' and benefitting from high recurring revenues.

5

2.7% of net assets (2021: 2.3%)

ROYAL DSM NV - Netherlands www.dsm.com

DSM supplies nutritional ingredients like vitamins and nutraceuticals into the animal feed, food and personal care industries. These products help improve livestock health and efficacy of feed, which serves to reduce waste and emissions. DSM's transition from a diversified chemicals producer to a business focused on a more stable, and fast growing, nutrition industry is driving higher returns on capital, improved free cashflow generation and reduced earnings volatility. In addition, DSM is driving its end–market stakeholders towards more sustainable production methods. The company has a strong focus on sustainability, implemented by a solid management team and led by an internal Sustainability Leadership Team.

6

2.6%
of net assets
(2021: 2.1%)

BRAMBLES - Australia
www.brambles.com

Brambles is a global support services group which provides pallet and plastic container recycling and pooling services, predominantly for supermarket and food supply chains. Pallets, used broadly in shipping and supply chains around the world, are collected, cleaned, repaired and reused by Brambles, aligning well with the concept of a 'circular economy'. The company also enables pallet and container pooling, which increases efficiency and decreases pallet waste. When required, Brambles makes new pallets from wood sourced from certified sustainable plantations. As the leader in the industry, Brambles' client base is stable and diversified, with many in food and daily necessities.

7

2.6%
of net assets
(2021: 1.8%)

STERICYCLE - United States
www.stericycle.com

Stericycle provides regulated medical waste management services, offering waste collection, transportation, treatment, and disposal to healthcare organisations and commercial businesses worldwide. As the US market share leader of Medical Waste, Stericycle operates a strong margin business with stable, recurring revenues in a highly regulated industry, one with high barriers to entry where waste must be disposed of to the greatest technical standards to avoid health and environmental risks. The company is also a meaningful player in the disposal of confidential documents, providing shredding services which ensure high recycling and less incineration. The US secure information destruction market is large, fragmented, and increasingly highly regulated, with potential for further consolidation. With new management in place since 2019, the company has made substantial progress turning the business around to refocus on core US medical waste and secure information destruction services, which should drive margin expansion and deleveraging.

8

2.5%
of net assets
(2021: 2.1%)

SPIRAX-SARCO ENGINEERING - United Kingdom
www.spiraxsarco.com

Spirax-Sarco Engineering is a world leader in the control and efficient use of steam, electrical thermal energy solutions and peristaltic pumping and associated fluid path technologies. Its Steam Specialties and Electric Thermal Solutions businesses provide products and expertise that improve production efficiency and help customers meet their environmental sustainability targets. Its diverse end markets and broad customer base underpin its resilience. 50% of Group revenue is derived from defensive, less cyclical, end markets such as food, pharmaceuticals and water & wastewater, and 85% of Group revenue is derived from annual maintenance and operating budgets, rather than large projects from capex budgets.

9

2.4%
(2021: 2.0%)

PENTAIR - United States
www.pentair.com

Pentair split into two separate businesses in 2018, this part of the company now purely focuses on the water treatment space – comprised of the pool business plus filtration and flow technologies. Pentair has products which address a range of residential, commercial, industrial, infrastructure and agricultural end-markets. Its sales are focused on providing more energy and water efficient systems including variable speed, intelligent pumps for pools and biological commercial filter equipment for fish farming. Pentair has a history of strong operational margins. The company's new management, assembled following the split of the businesses, is focused on improving growth. A new business model will also focus on equipment replacements, which should provide increased stability to its revenue profile and better earnings visibility. Pentair should benefit from a continuing global drive, from both an environmental and economic perspective, to implement smart and sustainable water solutions across a wide range of end markets.

10

2.4%
of net assets
(2021: 1.8%)

GRAPHIC PACKAGING - United States
www.graphicpkg.com

Graphic Packaging is a provider of paperboard, and integrated paperboard, packaging to multinational beverage and consumer products companies. It is increasingly contributing to the displacement of single-use plastic packaging and tableware, via its fibre-based packaging products. Some of its packaging inputs are drawn from over 50% recycled material. Graphic is poised to benefit as the US packaging sector consolidates, which is improving industry returns. Graphic will benefit in the long term from trends away from singe use plastic packaging and towards the greater use of recyclable materials.

Details of Individual Holdings

As at 31 December 2022 Company	Sector	Country of main listing	Market value £'000	% of net assets
Clean Harbors	Resource Efficiency & Waste Management	United States	36,418	2.9
Eurofins Scientific	Environmental Services & Resources	France	35,799	2.8
Bucher Industries Ag-Reg	Sustainable Food & Agriculture	Switzerland	35,707	2.8
PTC	Digital Infrastructure	United States	35,630	2.8
Royal DSM	Sustainable Food & Agriculture	Netherlands	34,117	2.7
Brambles	Resource Efficiency & Waste Management	Australia	33,347	2.6
Stericycle	Resource Efficiency & Waste Management	United States	33,081	2.6
Spirax-Sarco Engineering	Energy Management & Efficiency	United Kingdom	32,293	2.5
Pentair	Water Infrastructure & Technologies	United States	30,058	2.4
Graphic Packaging	Resource Efficiency & Waste Management	United States	30,052	2.4
Top ten holdings			336,502	26.5
Northland Power	Alternative Energy	Canada	29,563	2.3
Croda International	Resource Efficiency & Waste Management	United Kingdom	28,914	2.3
Donaldson	Transport Solutions	United States	28,701	2.2
Aalberts	Water Infrastructure & Technologies	Netherlands	28,040	2.2
Vestas Wind Systems	Alternative Energy	Denmark	27,769	2.2
American Water Works	Water Infrastructure & Technologies	United States	27,359	2.1
Darling Ingredients	Resource Efficiency & Waste Management	United States	27,115	2.1
Littelfuse	Transport Solutions	United States	26,740	2.1
Corbion	Sustainable Food & Agriculture	Netherlands	26,147	2.0
Ormat Technologies	Alternative Energy	United States	24,239	1.9
Top twenty holdings			274,587	21.4
Descartes Systems	Digital Infrastructure	Canada	24,060	1.9
Smurfit Kappa	Sustainable Food & Agriculture	Ireland	23,857	1.9
HERC	Resource Efficiency & Waste Management	United States	23,632	1.9
Signify	Energy Management & Efficiency	Netherlands	23,447	1.8
Trimble	Digital Infrastructure	United States	23,413	1.8
Borregaard	Resource Efficiency & Waste Management	Norway	23,356	1.8
Repligen	Resource Efficiency & Waste Management	United States	23,239	1.8
Rayonier	Sustainable Food & Agriculture	United States	23,120	1.8
Airtac International	Energy Management & Efficiency	Taiwan	23,100	1.8
Indraprastha Gas	Alternative Energy	India	23,074	1.8
Top thirty holdings			234,298	18.3
Monolithic Power System	Digital Infrastructure	United States	22,610	1.8
Lennox International	Energy Management & Efficiency	United States	22,238	1.7
Advantech	Energy Management & Efficiency	Taiwan	21,897	1.7
Terna Energy	Alternative Energy	Greece	21,835	1.7
Nibe Industrier	Energy Management & Efficiency	Sweden	21,346	1.7
EDP Renovaveis	Alternative Energy	Portugal	21,146	1.7
Altair Engineering	Digital Infrastructure	United States	20,880	1.6
Lem Holding	Energy Management & Efficiency	Switzerland	20,843	1.6
Watts Water Technologies	Water Infrastructure & Technologies	United States	20,226	1.6
Xinyi Solar	Alternative Energy	Hong Kong	19,548	1.5
Top forty holdings			212,569	16.6

As at 31 December 2022 Company	Sector	Country of main listing	Market value £'000	% of net assets
Giant Manufacturing	Transport Solutions	Taiwan	19,514	1.5
Solaregdge Technologies	Alternative Energy	United States	18,893	1.5
CIA Saneamento Basico	Water Infrastructure & Technologies	United States	18,292	1.5
Generac	Energy Management & Efficiency	United States	18,241	1.4
Azek	Resource Efficiency & Waste Management	United States	18,170	1.4
Badger Meter	Water Infrastructure & Technologies	United States	18,096	1.4
Advanced Drainage Systems	Water Infrastructure & Technologies	United States	18,084	1.4
Zurn Water Solutions	Water Infrastructure & Technologies	United States	17,719	1.4
Rational	Sustainable Food & Agriculture	Germany	15,405	1.2
Coway	Resource Efficiency & Waste Management	South Korea	14,856	1.2
Top fifty holdings			177,270	13.9
Discoverie	Transport Solutions	United Kingdom	14,836	1.2
Lenzing	Resource Efficiency & Waste Management	Austria	11,385	0.9
Norma	Water Infrastructure & Technologies	Germany	11,193	0.9
Cryoport	Resource Efficiency & Waste Management	United States	10,137	0.8
Porvair	Environmental Services & Resources	United Kingdom	10,085	0.8
Amiad Water System	Water Infrastructure & Technologies	Israel	4,608	0.4
Dialight	Energy Management & Efficiency	United Kingdom	2,857	0.2
Blackline Safety	Environmental Services & Resources	Canada	2,278	0.2
Total quoted equities			1,302,605	102.1
Unquoted holding - Ensyn	Renewable and Alternative Energy	United States	–	–
Portfolio total			1,302,605	102.1
Cash			26,327	2.1
Other net liabilities			(52,371)	(4.2)
Total net assets			1,275,938	100.0

Environmental Markets

IMPAX'S ENVIRONMENTAL MARKETS CLASSIFICATION SYSTEM

The investment objective of IEM 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).

Well-defined classification systems, or taxonomies, play an important role for investors like IEM and its shareholders who are seeking to navigate environmental risk and/or increase their exposure to rapidly expanding environmental markets.

Impax Asset Management (AIFM) Limited ("Impax") acts as investment manager to IEM and set out below is the Environmental Markets classification system developed by Impax to define the investment opportunity set to meet IEM's investment objective.

In the 21 years since IEM was listed, the investment opportunity set within Environmental Markets has grown substantially. Despite the emergence of competing alternative classification systems, Impax continues to approach investing in Environmental Markets using its own distinct taxonomy, which has evolved over time with the progression of new technologies and business models, market demand and the policy environment. IEM portfolio's exposure to these environmental sectors can be found on page 9.

Energy

Alternative Energy

- Developers & independent power producers
- Biofuels
- Hydrogen
- Solar
- Wind

Energy Management & Efficiency

- Smart grids
- Industrial, consumer & buildings efficiency
- Power storage & uninterruptible power supply
- Lighting

Clean and efficient transport

Transport Solutions

- Advanced aviation
- Advanced shipping
- Railways
- E-bikes & bicycles
- Buses & coaches
- Road vehicles & devices
- Pollution reduction
- Shared mobility

Sustainable food

Sustainable Food & Agriculture

- Organic & alternative
- Technology & logistics
- Safety & packaging
- Agri- & Aquaculture
- Forestry

Water

Water Infrastructure & Technologies

- Distribution & infrastructure
- Treatment
- Efficiency
- Utilities

Circular economy

Resource Efficiency & Waste Management

- General & hazardous waste management
- Recycled, recyclable products & biomaterials
- Resource circularity & efficiency
- Technologies

Smart environment

Environmental Services & Resources

- R&D & consultancies
- Finance & investment
- Testing & monitoring
- Pollution control
- Environmental resources

Digital Infrastructure

- Efficient IT
- Cloud computing
- Digital collaboration solutions

Environmental Markets

THE IMPAX INVESTMENT PROCESS

Impax believes that Environmental Markets offer investors a compelling long-term investment opportunity to tap into superior growth, seeking superior risk-adjusted returns over the medium to long-term.

Impax seeks out mis-priced companies that are set to benefit from the long-term macro-economic themes of growing global populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources. Investment is focused on a small number of deeply researched global equities across the following environmental sectors (as detailed above on page 9): Alternative Energy; Energy Management & Efficiency; Transport Solutions; Sustainable Food & Agriculture; Water Infrastructure & Technologies; Resource Efficiency & Waste Management; Environmental Services & Resources; and Digital Infrastructure.

Investments are made in 'pure-play' small and mid-cap companies which have >50% of their underlying revenue generated by sales of products or services in the environmental markets above. At 31 December 2022, the IEM portfolio's weighted average revenue exposure to environmental markets was approximately 81%.

Once a company is identified as being of potential interest, Impax researches the company's financial performance and earnings, and undertakes in-depth Environmental, Social and Governance ("ESG") analysis, in accordance with IEM's ESG Policy (found on the website www.impaxenvironmentalmarkets.co.uk).

ESG Policy

The existing three pillars of the ESG analysis – Governance; Material Environmental, Social & Other Risks; and Controversies – have been expanded during the year to five pillars with the inclusion of Climate Change, and Human Capital Management & Equity (Equality), Diversity & Inclusion (E, D&I). Whilst these areas have always been included within the analysis, these fields have become increasingly relevant and therefore all companies are now specifically scored on these.

Impax works on ESG engagement collaborations with clients, partners and industry organisations to promote sustainable investing and ESG considerations across the globe. Impax is a member of, or signatory to, associations and initiatives contributing to the development of a sustainable financial system. These are listed in IEM's ESG Policy.

The investment process is focused on a comprehensive understanding of the character and quality of the investee companies, including material ESG issues, as well as areas of potential improvement. Impax identifies higher quality companies with strong business models that demonstrate sound management of risk for investment.

Each investee company is continually monitored within the context of a live 'valuation range' which incorporates worst and best-case assumptions. Sell discipline is based on company valuations, portfolio risk metrics, the macro outlook and engagement outcomes.

Stewardship through active ESG engagement and proxy voting are important parts of the investment process. They enable effective monitoring of investee companies and aim to further enhance the structures, processes, and disclosures of investee companies.

Stewardship

Stewardship code

Impax supports the UK Stewardship Code ("the Code") and complies with its guidelines regarding proxy voting and engagement. The Code comprises twelve principles with the focus on stewardship policies, but also on outcomes i.e. what has been achieved through engagement and proxy voting, real change and improvements to governance structures and material risk management processes in investee companies. Impax is a signatory to the Code and its statement can be found on the website (www.impaxenvironmentalmarkets.co.uk).

Engagement and exercise of voting powers

Impax is a fundamentally driven, active shareholder with a long-term investment horizon. Impax engages with investee companies to minimise risks, protect and enhance shareholder value, promote greater transparency on ESG issues, and encourage companies and issuers to develop and become more resilient over time. Most companies welcome dialogue on these areas.

In 2022, as well as corporate governance and human capital issues such as diversity, inclusion, and health and safety, Impax's strategic areas of focus included climate change, environmental issues such as pollution and resource depletion, and environmental justice.

This stewardship and engagement work can be divided into the following types:

ESG/Sustainability Advisory – Promoting improved practices and transparency on ESG issues. The focus of engagement with companies is to strengthen governance structures and introduce sustainability policies, processes and disclosures, as applicable, to manage their most material ESG risks.

Environmental Markets continued

Bottom-Up Company Specific ESG Analysis - Impax identifies company-specific matters and risks and actively engages with companies regarding these matters, as part of monitoring and managing risks.

Top-Down Strategic Issues - Impax assesses and outlines engagement priorities, based on market developments, and emerging ESG and sustainability issues that are relevant and material for our companies. Impax then identifies the companies most exposed to the topics in question and focuses engagement on those companies.

Proxy Voting - This is predominantly related to governance issues such as the election of directors, board structures and management remuneration. When practicable, Impax seeks to engage with the investee company before voting against management's recommendations.

Proxy voting is a key activity in the ongoing dialogue with investee companies and Impax is committed to ensuring the consistent exercise of voting rights associated with shares held in the IEM portfolio.

The Board reports on engagement activity with IEM's investee companies on pages 30 and 31, and IEM's proxy voting activity is shown on page 30.

EXAMPLE OF A COLLABORATIVE ENGAGEMENT BY IMPAX

Farm Animal Investment Risk & Return (FAIRR) Sustainable Proteins initiative - this is a collaborative investor engagement coordinated by FAIRR with shareholders of 25 global food companies to diversify their protein sources, with a focus on plant-based proteins, to "drive growth, increase profitability, reduce risk exposure and improve their ability to compete and innovate in a resource-constrained world." There is a significant focus on mitigation of climate risk.

In 2022, Impax was the lead shareholder in engagements with one of the companies, a Dutch food retailer, which has made great progress on the back of the engagement initiative. The company has established improved, evidence-based consumer engagement and awareness-raising relating to healthier and plant-based foods and set new more ambitious, science-based carbon reduction targets, relating to Scope 1, 2 and 3 emissions, with improved disclosures on Scope 3 emissions linked to animal agriculture specifically. The company has also conducted its first climate scenario analysis.

IEM ENVIRONMENTAL IMPACT REPORT

The environmental impacts noted below are the measurable output of IEM's investment objective implemented using Impax's investment process.

The focus of the investment process on companies delivering environmental solutions naturally results in environmental benefits which Impax quantifies at the end of each year on the basis of the most recent portfolio company disclosures available.

IN 2021 (THE LATEST YEAR AVAILABLE), THE ENVIRONMENTAL IMPACT OF £10M INVESTED IN IEM SUPPORTED:[1]

Source: Impax Asset Management

The net CO_2 emissions avoided by investee companies' activities are calculated by looking at the total emissions from the activities of companies during the year minus the emissions avoided by the use of their products and services for one year. Leading contributors in the portfolio to such emission reduction include: Lenzing, an Austrian alternative textile producer; Spirax Sarco Engineering, a British specialist in industrial steam energy efficiency; XinYi Solar, a Chinese solar module component supplier; and British leader in industrial energy efficient LED lighting technology, Dialight. The CO_2 emissions avoided are broken down by Scope 1, 2 and 3 emissions on the next page.

The investee companies generated 1,350 MWh renewable electricity in 2021 per £10m invested. EDP Renovaveis, a Portuguese renewable energy producer was the largest source of clean energy generation. The investee companies also helped in the provision, saving and treatment of 600 megalitres of water through investments in global water utilities and in water infrastructure technology companies.

DS Smith, a British firm active in fibre-based packaging (since exited the portfolio), and Australian consumer goods logistics company Brambles were key to helping the portfolio recover or recycle 290 tonnes of materials per £10m invested.

1 Impact of £10m invested in the strategy for one year. Based on most recently reported annual environmental data for investee companies as at 31 December 2021. Impax's impact methodology is based on equity value.

ENVIRONMENTAL IMPACT - COMPANY EXAMPLE

Graphic Packaging (US, Recycled, Recyclable Products & Biomaterials)

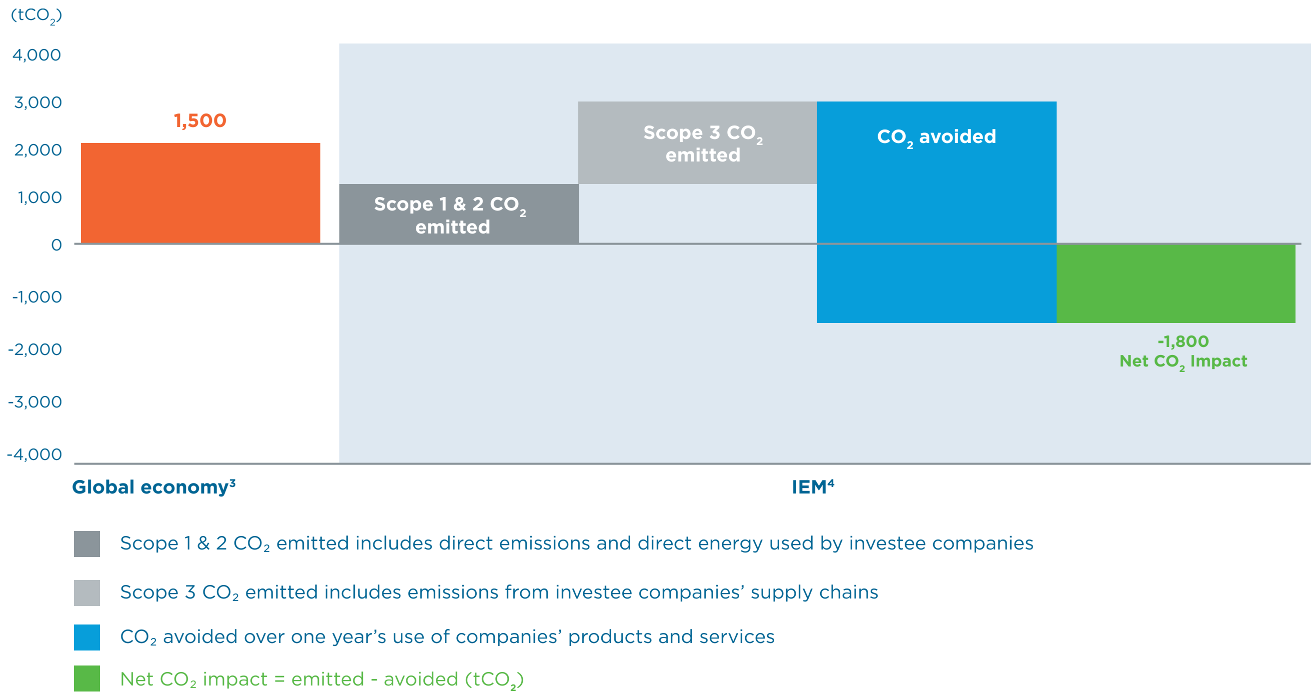
Graphic Packaging is a leading provider of paperboard packaging and folding cartons to multinational beverage and consumer products companies. The company is active in resource efficiency via a product portfolio that emphasises renewable and recycled materials - these contribute to the displacement of single-use plastic packaging and tableware via its fibre-based packaging products.

Virtually all of Graphic Packaging's paperboard products are recyclable. At the company level, all wood that arrives at the company's virgin paperboard mills is fully utilised – either to manufacture paperboard, or residuals produce power for the company's operations through biomass using heat and power or cogeneration systems. The company recycles between 90% and 100% of manufacturing waste. All facilities globally are compliant with forest or fibre certifications.

Diversion from paper landfills translates into substantial emissions savings because manufacturing recycled paper emits approximately 38% less CO_2 than paper produced from virgin fibres.[2] Thus in 2021 Graphic Packaging avoided approximately 3 million tCO_2 through reused paper for paperboard manufacture and recovered just shy of 1 million tonnes of material.

CO_2 EMISSIONS AVOIDED PER £10M INVESTED IN IEM

The focus on investments in environmental solutions and sustainable companies has informed the approach to measuring the carbon profile of our investment activities. Impax believes that looking at the net carbon impact – including both direct and indirect carbon emissions, but also carbon avoidance at investee company and overall portfolio levels – provides a more relevant and complete picture.



2 https://recycled-papers.co.uk/green-matters/why-use-recycled-papers/co2-and-greenhouse-gases

3 Source: Most recently available global GHG emissions (https://ourworldindata.org/co2-and-other-greenhouse-gas-emissions, https://edgar.jrc.ec.europa.eu/report_2021), adjusted to 2021 using the IEA CO_2 emissions growth rate 2018-2021 (https://www.iea.org/reports/globalenergy-review-co2-emissions-in-2021-2). Global AUM as at 2021 as provided by FSB (https://www.fsb.org/2021/12/global-monitoringreport-on-non-bank-financial-intermediation-2021)

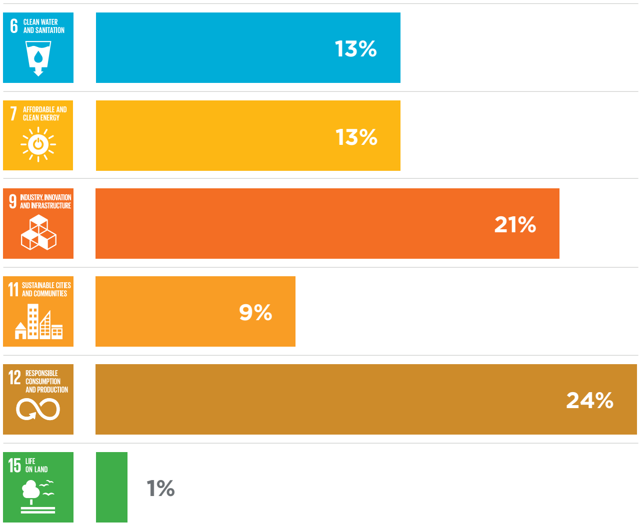
4 Source: Impax Asset Management analysis as at 31 December 2021. Impax's impact methodology is based on equity value

UN SUSTAINABLE DEVELOPMENT GOALS ALIGNMENT

There is an intrinsic link between Impax's investment process with its focus on environmental markets and the delivery of environmental benefit, which is central for investors seeking to understand returns on their investment, beyond the financial outcome.

The UN's Sustainable Development Goals ("SDGs"), agreed in 2015, comprise a series of 17 sets of targets to be met by 2030. These goals are increasingly being referenced by investors and are helpful in comparing funds' relative impact outcomes.

IEM PORTFOLIO MAPPED TO UN SUSTAINABLE DEVELOPMENT GOALS[5]



Total 81%

The above bar chart shows the mapping of the IEM portfolio's revenue exposure to environmental markets at 31 December 2022 of 81% (as discussed on page 15) to UN Sustainable Development Goal's. IEM's greatest linkage is to:

- Goal 12, Responsible Consumption & Production, which relates to holdings in sustainable and efficient agriculture, and recycling and value-added waste processing;
- Goal 9, Industry Innovation & Infrastructure, which relates to holdings in industrial energy efficiency; and
- Goal 6, Clean Water & Sanitation, which relates to holdings in water utilities and infrastructure.

IMPAX CLIMATE CHANGE INVESTMENT, PROCESS AND REPORTING

Climate change – in particular climate change adaptation and climate change mitigation – is an interlinked subset of the broad Environmental Markets. Impax incorporates climate change considerations across Environmental Market sectors and through integrated ESG analysis in the investment process. Impax believes that investee companies have resilient business models which will benefit from the transition to a less carbon intensive and lower polluting economy.

As an investment manager specialising in the transition to a more sustainable economy, Impax has dedicated climate-related resources and working groups, led by members throughout its organisation with sustainability and climate expertise, as well as having trained climate scientists on its investment team. These working groups develop analysis and understanding from an investment perspective, of the emerging products, technologies and services which provide solutions to mitigate or adapt to climate change in environmental markets.

5 Source: Impax Asset Management. Data as at 31 December 2022. Figures are based on Impax internal data. Impax's investment process does not identify alignment with SDGs as a specific objective. Instead, the nature of Impax's investment philosophy results in some meaningful revenue exposure within IEM. Numbers may not sum up due to rounding. For further information, please visit http://www.un.org/sustainabledevelopment/sustainable-development-goals

Environmental Markets continued

Impax therefore understands, top-down and bottom-up, the risks and opportunities across the investment lifecycle arising from climate change from a financial point of view, and therefore the potential financial impacts on investee companies.

Impax integrates climate change considerations at three stages during the investment process:

1. Investment universe formation and portfolio construction – Impax seeks out companies with material (>50%) revenues from environmental markets, which includes climate adaptation and mitigation solutions. For each new company added to the portfolio, Impax details the climate opportunity and alignment of revenue with climate solutions.
2. Fundamental company analysis – carbon emission and abatement costs as well as physical climate risks are assessed through integrated company-level analysis. As one of the leaders in this field, Impax has developed a proprietary model to assess investee companies' localised and asset-level physical climate risks.
3. Company engagement – Impax also actively engages with our investee companies to encourage improved climate risk management, processes, and disclosures. Climate change has been and continues to be a strategic engagement priority of Impax.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”)

Reporting standards continually advance, broadening and deepening the information that is available for shareholders and other stakeholders. Impax is an advocate of this shift in our industry and therefore welcome the reporting recommendations presented by the TCFD, which is becoming a global standard for reporting climate risks and opportunities.

Impax has published its TCFD Report on its website (www.impaxam.com). As a result, Impax has compiled and assessed increased climate metrics for investment companies. The increased granularity of this improves the climate reporting available for clients, including IEM. In addition to CO_2 emissions avoided, the Board can now provide IEM’s percentage of the portfolio invested in climate solutions; the weighted average carbon intensity of the portfolio; and transition alignment of IEM’s investee companies. This is provided by the Board on pages 23 to 24.

Investment-related targets as part of TCFD

The Net Zero Asset Managers ("NZAM") initiative,[6] which Impax joined in October 2021 reflects a formal commitment by signatories to support the goal of net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

As an NZAM initiative signatory Impax is aiming for 100% of committed assets under management, which includes IEM’s assets, to be categorised as ‘transition aligned’ or ‘transition aligning’, related to climate management and processes, by 2030. This is covered in further detail on page 23.

In line with this net-zero commitment, an active stewardship approach to engage investee companies that are not yet considered climate resilient, or transition aligned, continues.

6 https://www.netzeroassetmanagers.org/signatories/impax-asset-management/

IEM Climate Disclosure

INTRODUCTION

The TCFD recommendations (see also page 20 above) provide a framework intended to help investors and others in the financial community better understand and assess climate-related risks and opportunities. They are structured around four pillars: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets.

As an Investment Trust, IEM is not currently subject to the Listing Rule requirement regarding TCFD reporting. IEM is, however, a keen supporter of the ambitions of both the TCFD and the FRC. This, our second annual Climate Disclosure, reports what is relevant for IEM under each of the four pillars of TCFD, though not all of the recommended disclosures with each pillar are addressed. This is because not all recommendations are applicable to investment companies. In addition, this is a voluntary disclosure for IEM where we have kept to the information which will help asset owners, including IEM and our shareholders, better assess these risks and support sound investment decisions.

As a company specialising in investing in companies providing solutions to resource challenges in environmental markets, the greatest contribution IEM can make to achieving the goals of the Paris Climate Agreement is through the manager's investment decisions.

(1) GOVERNANCE

Governance and oversight of climate risks and opportunities

The Board of Directors has oversight of climate risks and opportunities. The management and monitoring of IEM's climate-related investment activities is delegated to Impax. Impax's role and processes relating to climate risks and opportunities in the portfolio are discussed on page 22.

Impax reports to the Board on IEM's investment activities, which include climate-related risks and opportunities material to new investments. During the year, the Board set up a Sustainability Reporting Committee to consider and help the Board to establish the relevance to IEM of the growing body of sustainability issues and to advise the Board on what should be included as part of its governance and reporting.

The Board also considers the physical climate risks to the operations of its third-party service providers, including Impax. Physical climate change risk is separately identified on IEM's risk register and this risk, though not a key risk after mitigation, is reported on page 37.

(2) STRATEGY

Climate risks and opportunities as part of our strategy

Environmental, including climate, risks and opportunities have been at the core of IEM's investment strategy for two decades. All of IEM's investments are in environmental solutions. (Please see page 14 for more information on the environmental sectors that constitute the portfolio.) The majority of the environmental solutions offered by IEM's investee companies are to climate-related challenges, like climate mitigation solutions and climate adaption solutions. At 31 December 2022, 88% of the portfolio (52 companies) was invested in companies that Impax assesses to be providing 'climate solutions'.

The strategy is not only about addressing risks, but also about identifying opportunities. Impax's work in this area is described on page 21, and also within Impax's own TCFD report. The near- and longer-term risks and opportunities for environmental investing, as they relate to IEM, are discussed in the Chairman's Statement and Manager's Report.

The Board assesses the impact and resilience of IEM's investments and their operations, as well as the operations of IEM's key service providers, and uses these to shape strategy to ensure the potential risk impact and likelihood are within IEM's risk appetite.

ENGAGEMENT WITH CRYOPORT, US - CLIMATE RISK NET ZERO TRANSITION

Impax began engaging with this company in 2021, to encourage the company to start collecting GHG emissions data and prepare to make disclosures to the CDP Climate Change questionnaire. Impax views CDP's questionnaires as important sources of decision useful and comparable climate data. Cryoport submitted its first CDP response in 2022, as well as publicly reported its GHG emissions in the annual report, established a sustainability framework and reported in line with the TCFD framework.

OUTCOMES

Milestone achieved – since our initial engagement with Cryoport on climate risk in 2021 due to lack of disclosure, we have seen significant improvements in the company's climate risk management framework, GHG disclosures and reporting in 2022. Target-setting is underway and expected in 2023.

(3) RISK MANAGEMENT

Management of climate risks

Climate-related investment risks relate to a broad range of interconnected risks including physical and transition risks. IEM's primary climate exposure is through the investments it makes, where a failure to manage risks within the portfolio could negatively affect investment performance and IEM's reputation as an environmental-focused investment company.

Engagement as a tool for climate risk management

Impax actively engages with the investee companies to encourage improved climate risk management, processes and disclosures. Engagement is covered in more detail on page 30.

Physical climate risk

Impax has assessed the physical climate risks to its London offices and concluded that these risks are relatively low.

(4) METRICS & TARGETS

This year, we are improving the reporting of climate metrics and targets relating to IEM by presenting additional climate metrics and targets. The Board provides below IEM's percentage of the portfolio invested in climate solutions; the weighted average carbon intensity of the portfolio; and transition alignment of IEM's investee companies, in addition to the net CO_2 emissions avoided, which the IEM has reported since IEM's Annual Report 2015 (see page 17).

The impact of IEM's investments on climate change is considered in two categories: Financing the Transition and Financed Emissions. Financing the Transition shows how IEM is invested in companies providing climate solutions and helps avoid CO_2 emissions, as the economy transitions towards net-zero. Financed Emissions shows the emissions and carbon-intensive activities of IEM's investee companies.

TRANSITION ALIGNMENT OF IEM'S PORTFOLIO

As discussed on page 20, as part of Impax's commitments as a signatory to the Net Zero Asset Managers initiative, Impax has assessed the alignment of IEM's portfolio with the transition to a net-zero economy.

Impax[7] has defined three categories of companies' climate management and processes:

- **'Transition aligned'** climate management processes of investee companies include appropriate climate risk pricing, robust climate target-setting (for example, approved the SBTi targets) and TCFD-aligned climate reporting. These processes align with the highest scoring tiers for climate as part of IEM's ESG analysis.
- **'Transition aligning'** are companies with moderate climate resilience and climate transition management and processes that have been committed to or initiated but have not been fully developed. This aligns with the middle scoring tier for climate as part of the ESG analysis.
- **'Transition non-aligned'** companies have weaker climate resilience and weak or non-existent climate transition management processes. This aligns with the lower scoring tiers for climate.

IEM's portfolio in these categories, as of 31 December 2022, stood at:[8]

Transition Aligned	28%
Transition Aligning	60%
Transition Non-Aligned	13%

FINANCING THE TRANSITION

Exposure to climate solutions

At as 31 December 2022, 88% of the portfolio was invested in companies providing climate solutions, with 100% invested in environmental solutions more broadly.[9]

CO_2 emissions avoided

CO_2 emissions avoided has been reported by IEM since the 2015 annual report and is shown in the Environmental Report on page 17. This shows that emissions avoided materially exceed those emitted, resulting in net emissions avoided of 1,800 tCO_2 per £10m invested.[10]

FINANCED EMISSIONS

Financed GHG emissions have been gathered from all emissions data disclosed by our investee companies, estimating Scope 1 and Scope 2 emissions where those are not reported. Weighted Average Carbon Intensity (WACI) measures potential exposure to carbon-intensive activities of IEM investee companies.

Weighted Average Carbon Intensity (WACI) – IEM plc[11]

WACI (Scope 1, 2)	tCO_2e / US$1m revenue	100.84
WACI (Scope 1, 2, 3)	tCO_2e / US$1m revenue	729.28

TARGETS: Investment related targets

As mentioned on page 20, Impax is targeting 100% of assets to be categorised as Transition Aligned or Transition Aligning by 2030. As a result, 13% of IEM's investee companies currently categorised as Transition Non-Aligned will be targeted for active stewardship.

7 See Impax's TCFD for more information on methodology https://impaxam.com/investment-philosophy/environmental-social-and-governance-risk-management/

8 Source: Impax Asset Management analysis, as at 31 December 2022. Portfolio weights excluding cash. May not sum to 100% due to rounding

9 Source: Impax Asset Management analysis, as at 31 December 2022. Excludes cash

10 Source: Impact Asset Management analysis, as at 31 December 2021 (latest available)

11 Source: MSCI Sustainalytics, as at 31 December 2022

IEM Climate Disclosure continued

METRICS: Operation related climate and carbon metrics

IEM has no Scope 1 (direct emissions) or Scope 2 (emissions related to electricity consumption) emissions. However, in the course of operating its business, its key service providers have Scope 1 and 2 emissions. As such, the Board has set out below the Scope 1 and 2 emissions attributable to its main service provider, Impax. This attribution apportions Impax's London office emissions to IEM, based on IEM's net asset value as a percentage of Impax's London-managed assets. No scope 3 emissions were attributable from Impax because it hosts all board meetings at its offices.

Impax Asset Management CO_2 Emissions[12]

	2022 attributable to IEM plc Kg CO_2e	2021 attributable to IEM plc Kg CO_2e
Scope 1&2	77	86
Scope 3	0	0
TOTAL	**77**	**86**

IEM has Scope 3 (business travel) emissions, for attendance of Directors at Board meetings. In 2021 travel and lockdown restrictions as a result of the Covid-19 pandemic meant that travel was minimal in the first half of that year, with Board meetings being conducted by videoconference. Scope 3 emissions for 2022 were higher as all 2022 meetings were held, as they normally are, in person.

IEM CO_2 Emissions[13]

	2022 Kg CO_2e	2021 Kg CO_2e
Scope 1&2	0	0
Scope 3	842	348
TOTAL	**842**	**348**

TARGETS: Operations related targets

The Board is pleased that Impax's London office is a certified 'green' building (rated 'excellent' by BREEAM (Building Research Establishment Environmental Assessment Method) and managed by an ISO 14001 aligned Building Management System.

The Board expects other key service providers to begin to report on their Scope 1 and 2 emissions at least annually, together with any steps taken to reduce emissions. This will enhance IEM's reporting of operations related climate and carbon metrics in future.

Details of the methodology used

Reporting according to the GHG Protocol: Scope 2 emissions figure stated above follows the market-based accounting methodology. Source of emission factors applied to calculate emissions from electricity consumption is IEA (2021) UK electricity grid mix emission factor. Scope 3 (travel) emissions figure stated above follows the distance-based methodology. Source of emission factors applied to calculate emissions of travel is the UK Government Greenhouse Gas Reporting: Conversion Factors 2022.[14]

12 Source: Impax Asset Management

13 Source: Impax Asset Management

14 https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022

Biodiversity and Nature

The Investment Case for Addressing Biodiversity Loss

Given nature's vital role in underpinning our health and prosperity, there is no time to waste in reversing its destruction. Biodiversity loss is critically important for investors to consider, given our dependence on nature, and investment opportunities are arising from reducing pressure on the natural world.

As a specialist investor in the transition to a more sustainable economy, Impax has taken the issue of biodiversity loss into account in its investment approach for many years. However, biodiversity's importance has risen with growing awareness of the impacts and dependencies of economic activities on nature. For example, 13 of the 18 sectors that comprise the FTSE 100 Index are associated with production processes with high or very high material dependence on nature.[15] One-third of global crop production depends on animal pollinators and three-quarters of crops are partially dependent on them.[16] Roughly 60% of medicines are based on natural organisms.[17]

A big part of the problem is that, as the Dasgupta Review of the Economics of Biodiversity for the UK government observed, nature and its processes are in large measure silent and invisible. This makes it hard to assess our dependence on nature for our economic prosperity, as well as how to trace our impacts on the natural world. In comparison with the climate emergency, we are late to acknowledge and understand the challenges that nature faces.

Impax has seen a significant increase in policy activity over the last year or so, as reflected in the Taskforce for Nature-related Financial Disclosure ("TNFD"), the nature-related pledges made at United Nations Climate Change Conference (COP26) in 2021 recognising the linkages with climate action and interest in the UN Convention on Biological Diversity summit (COP15), held in December 2022.

All this means that nature is one of the top three themes Impax is focusing on from both an advocacy and engagement perspective, of which IEM is supportive and has recognised in the new Policy on Nature, Biodiversity and Deforestation (published on the Company's website (www.impaxenvironmentalmarkets.co.uk).

Integration of biodiversity into the investment process

Impax uses an analysis called the Sustainability Lens (the "Lens") to integrate biodiversity and nature into the investment process. The Lens is used to assess how the 169 GICS sub-sectors are exposed to particular sustainability issues, in this case their impacts and dependencies on nature and biodiversity. In simpler terms, the Lens is used as a sectoral materiality map, helping inform Impax's proprietary company-specific ESG analysis.

The whole discipline of biodiversity risk analysis is quite new, and data or metrics are still very scarce. So, if it has been determined that biodiversity is a material risk to a company, Impax looks at whether the company has processes in place to analyse exposures to biodiversity hotspots - for example whether there are procedures in place to manage and mitigate these exposures. The company is then given a score on its preparedness. Impax is engaging with exposed companies, focusing on several topics. These include whether companies have governance and oversight policies in place; how much transparency they have over their supply chains; and the extent that they measure and report the location-specific nature of their exposure, as well as plans for mitigating these risks and exposures.

Impax sees a lot of merit in the TNFD's 'LEAP' approach, which encourages companies to Locate, Evaluate, Assess and Prepare or report on the biodiversity risks they face. It is very well aligned with the approach of Impax, as outlined in IEM's Policy on Nature, Biodiversity, and Deforestation.

IEM has been investing in environmental solutions for more than two decades, and many of those themes help to reduce pressures on biodiversity. It is not possible to solve climate change without solving biodiversity challenges, and vice versa, hence the linkages between their solutions are strongly aligned. Impax finds it useful to think about addressing nature loss through the Intergovernmental Platform on Biodiversity and Ecosystem Services ("IPBES") framework, which sets out the five most significant direct drivers of biodiversity loss: land-use change; overexploitation of organisms; climate change; pollution; and invasive non-native species.[18]

15 EY, 2021: Waking up to nature – the biodiversity imperative in financial services

16 Our World in Data, 2021: How much of the world's food production is dependent on pollinators?

17 Sunil Mathur and Clare Hoskins, 2017. Drug development: Lessons from nature (Review)

18 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBE)

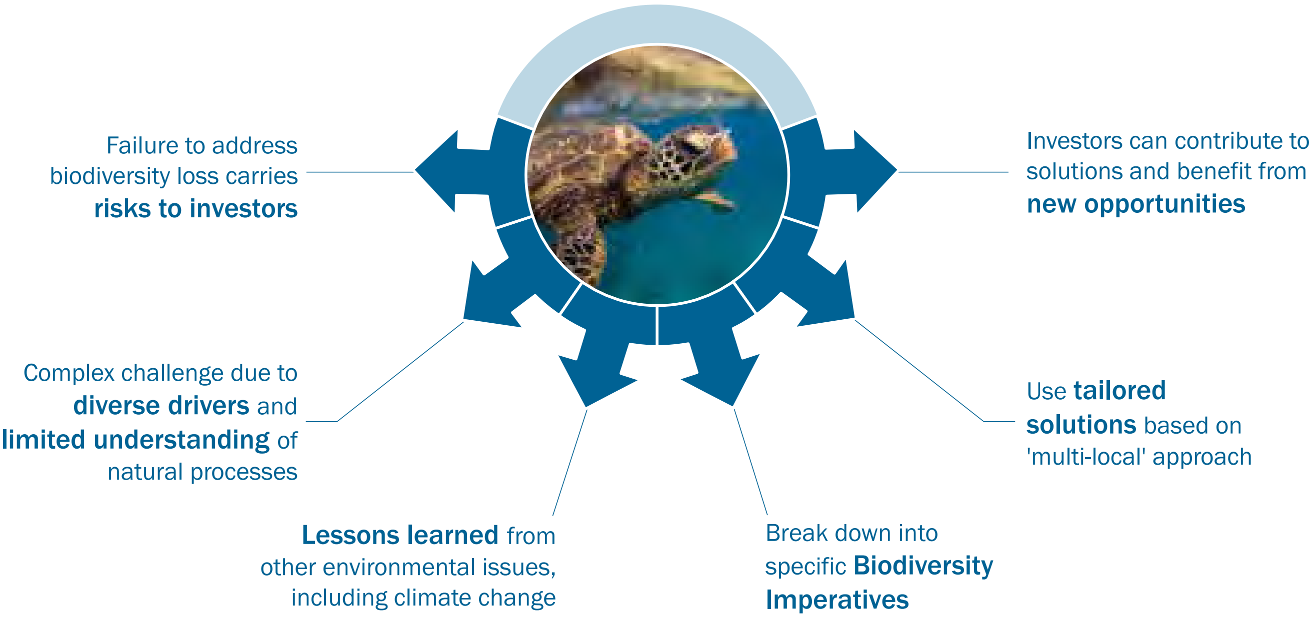
Biodiversity and Nature continued

For land-use change, solutions around food waste reduction, plant-based proteins, alternative feeds to soy, resource efficiency and circularity are all extremely relevant to addressing deforestation.
On overexploitation, a solution could be sustainable aquaculture, although it is important to be extremely selective in identifying companies that are truly sustainable. Alternative animal feeds can also be a good solution here.

On climate change, obviously there is considerable overlap with IEM's environmental and climate solutions, with sub-sectors like renewable energy or energy efficiency.

When it comes to pollution, one of the biggest solutions concerns water treatment, but testing is also viewed as incredibly important – it begins with testing to understand where pollution is taking place. Plastic pollution is a big issue for marine biodiversity, though there are trade-offs - reducing single-use plastic can mean you use more virgin fibres instead, potentially further accelerating deforestation.

Approximately 90% of global trade is conducted through shipping and it is responsible for enormous problems with invasive species, such as zebra mussels, in many regions of the world. Companies providing ballast water treatment provide an important example of an investible solution.



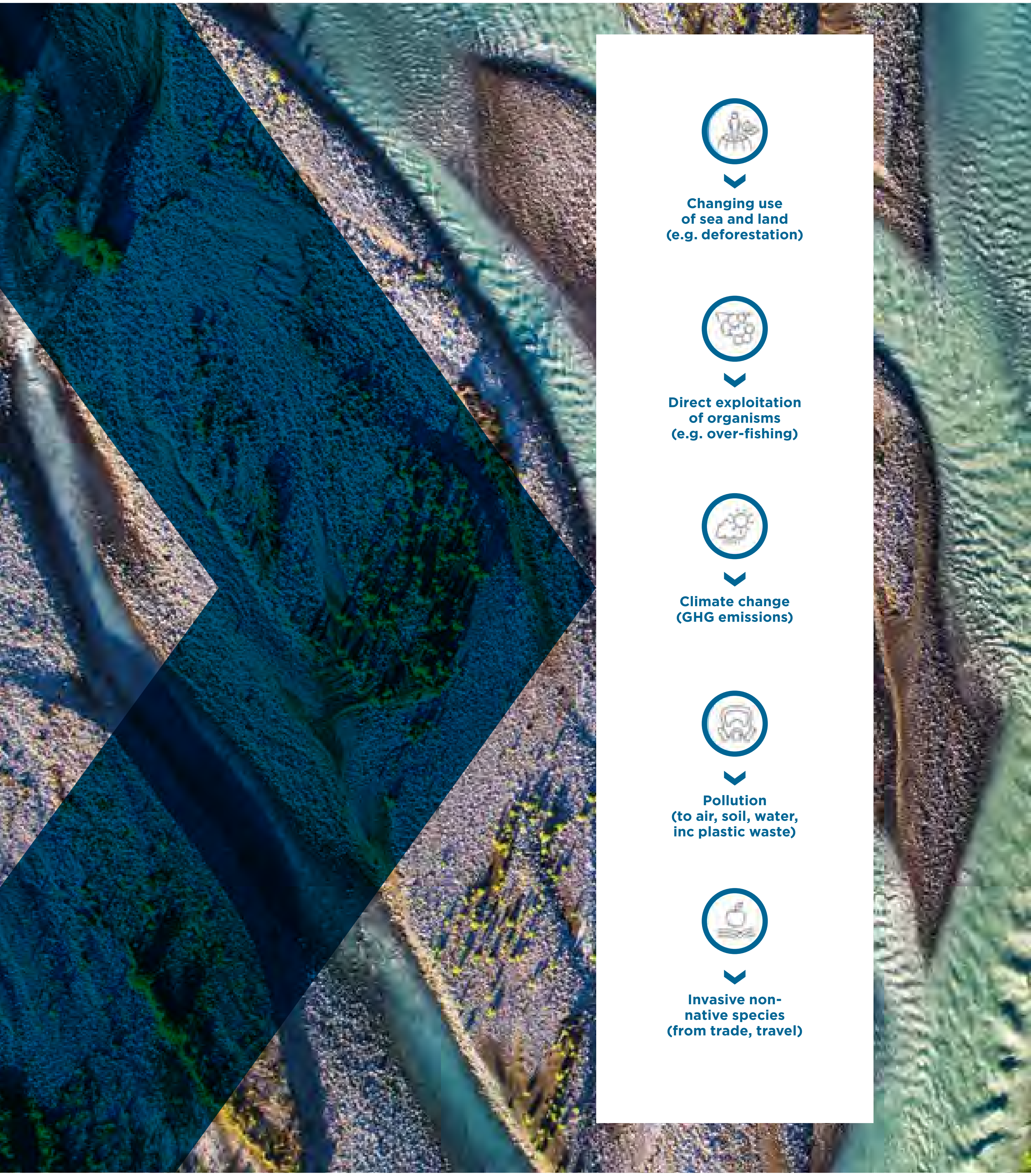
Impax already integrates natural capital issues into the investment process at three levels: in the development of the investment universe; in company–level ESG analysis; and in engagement with investee companies.

Impax is aware that almost all of the investible solutions identified to date focus on reducing pressure on biodiversity. While this is a crucial first step, there are comparatively few examples of commercially investing in the restoration of nature.

To negate this challenge, Impax has been working with Imperial College London to find case studies where companies are investing in activities that restore nature in order to reduce risks and generate commercial benefits, such as supply chain resilience, cost reductions, revenue creation and commercial advantage. While it is difficult to find cases where biodiversity is the main investment driver, investing in things like climate mitigation and clean water can, and often do, bring substantial benefits to the preservation of natural biodiversity, and in a few cases help restore it. By shining a light on these examples, the hope is to identify actions that industry and governments can take to facilitate nature-positive investments.

Addressing biodiversity loss is intrinsically difficult due to limitations in our understanding of nature, the number of drivers of biodiversity loss and the lack of common definitions and metrics. To unpack these challenges, Impax has decided to focus initial efforts on deforestation, not least because of the clear links to climate action. Impax has committed to eliminate potential exposure to agricultural commodity-driven deforestation in its investment portfolios, including IEM, by 2025.

'Forest-risks' within the investable universe stem primarily from activities such as agriculture and food production, as well as paper and packaging sectors. Please see below two case studies in each of these sectors.



Changing use of sea and land (e.g. deforestation)

Direct exploitation of organisms (e.g. over-fishing)

Climate change (GHG emissions)

Pollution (to air, soil, water, inc plastic waste)

Invasive non-native species (from trade, travel)

Direct driver of biodiversity loss (by IPBES) – Changing use of sea and land e.g. deforestation

Environmental solutions to biodiversity loss – positive impacts from avoiding land use / deforestation via alternative proteins and circularity (recycled packaging, rental models, materials use optimisation via software)

SMURFIT KAPPA – (FOOD SAFETY & PACKAGING, IRELAND)

Smurfit Kappa manufactures fibre-based packaging.

Investment opportunity

The company is a market leading fibre recycling company, a compelling business with the increasing displacement of plastic packaging by fibre-based packaging. Smurfit Kappa Group provides the opportunity to invest in a company with an established track record of organic growth and financial metrics. The company has a strongly cash-generative business model trading on its leading position in European carton packaging, a well-established footprint in Latin America, and a growing quotient of the more disciplined US industry.

Environmental benefit

The circular economy – which maximises recycling and recovery rates, keeps products and materials in use for as long as possible and, ideally, prevents waste through better design and closed loop business models - is at the core of the business. This starts with Smurfit Kappa using only 100% renewable and sustainable raw materials – essential for preventing deforestation. For any unusable materials, such as metal and plastics, created during production, the company collaborates with local organisations to find alternative uses. To close the circle, the company also plays a part in ensuring that at their end-of-life, the products are recycled. All of this is essential for minimising the impact on the environment and biodiversity.

Impact achieved

The re-usability of paper fibres contributes to the sustainability of Smurfit Kappa products, and recycled fibres make up 76% of the fibre content of Smurfit Kappa products – the company used 7.4m tonnes of recovered materials in 2021,[19] avoiding the use of virgin fibres and preventing deforestation.

Made from 100% renewable and recyclable materials, packaging can be recycled six to eight times, and once fibres are depleted, they are typically used for energy generation or in agriculture.[20]

Direct driver of biodiversity loss (by IPBES) – Direct exploitation of organisms

Environmental solutions to biodiversity loss – Sustainable aquaculture, alternative human proteins, and animal feeds. Main positive impact are alternative / sustainable proteins and substitutes.

CORBION – (SUSTAINABLE AGRICULTURE, NETHERLANDS)

Corbion creates biobased products made from renewable resources to deliver sustainable solutions for food preservation and production. The company's key products include algae-based animal feeds, lactic acid, and functional blends containing enzymes, emulsifiers, minerals, and vitamins.

Investment opportunity

Consumer demand for natural food ingredients as an alternative to chemical or petrochemical preservatives is a central part of the investment opportunity. This is a high margin business, with customers across several food sub-categories (meat, bakery, confectionery) and geographies. Corbion's technically led business has good growth prospects, underpinned by secular increase in higher food safety standards.

Additionally, Corbion's recyclable and compostable plastic packaging, derived from renewable resources also has new impetus under pressure from government regulation and consumer preference – the demand for bioplastics is forecast to grow.

Environmental benefit

Biobased ingredients and packaging play a vital role as an environmental solution to biodiversity loss. Corbion's natural preservatives are contributing to the reduction of food waste at home and throughout the food chain, which in turn reduces the burden on the environment and biodiversity for food production. Corbion has a meat preservation process that extends product shelf life, which, in turn, prevents waste. If global meat waste was reduced by only 25% it would be the equivalent of taking 33 million cars off the roads.

Bio-based ingredients for animal feed, such as algal oils for use in aquaculture instead of fishmeal and fish oil. This enhances the nutritional value of food preventing the depletion of wild caught fish stocks.

Plant-based plastics for packaging as part of a circular economy limit the impact of waste on the environment, biodiversity, and greenhouse gas emissions.

Impact achieved

With regards to food, Corbion's solutions for meat preservation provide extended shelf life and food safety, which can help to reduce food waste. In 2021, Corbion products were used to preserve 5,400,000 tons of meat globally.[21] In addition, Corbion's clean and sustainable source of long chain omega-3s from algae helps to enhance the nutritional value of seafood. One serving of salmon exceeds the recommended weekly intake of omega 3s.

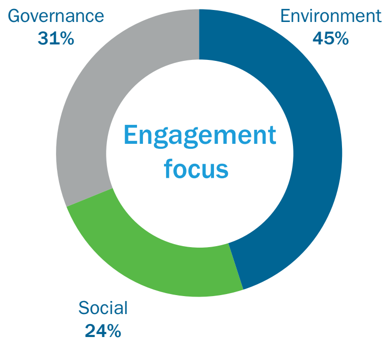
Contaminants, including personal care and household cleaning products, are increasingly detected in surface water, and there is concern about the impact on aquatic life. Corbion's solutions for home and personal care are biodegradable, and safe for the user and the environment. Preserving natural resources with biodegradable alternatives.

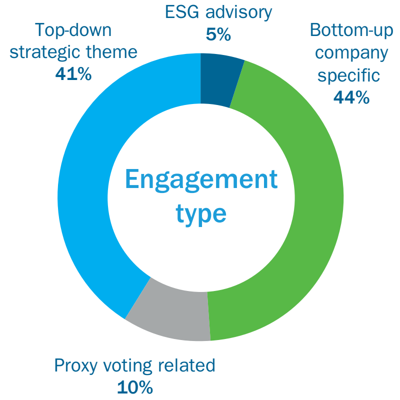
19 https://www.smurfitkappa.com/-/m/files/publications---global/sustainability-reports/smurfit_kappa_sustainable_development_report_2021.pdf?rev=1cd32d4fdadd42b2ac053fad974b5fc9
20 https://www.smurfitkappa.com/sustainability/planet/waste
21 https://www.corbion.com/-/media/Corbion/Files/Sustainability-Report/Sustainability-Brochure-update-2022_11.pdf

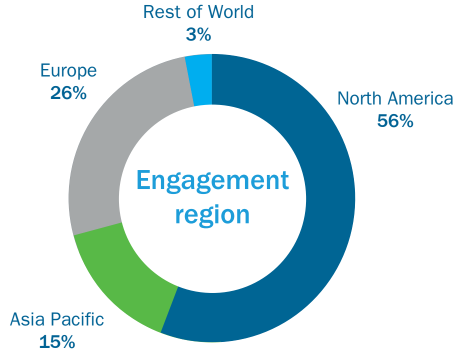
IEM Stewardship – engagement and proxy voting

ENGAGEMENT

In 2022, Impax conducted thirty-nine engagements with thirty companies in the portfolio. With seven companies, there were two or more engagements, on different topics and at separate times.







PROXY VOTING

Impax, on behalf of IEM, voted at all meetings where they were able to exercise the IEM's vote, voting 731 management resolutions and 5 shareholder resolutions. The Board regularly reviews the voting decisions made by Impax on IEM's behalf.

Summary statistics	2022
Total number of meetings	68
Number of meetings in which Impax voted	68
Number of meetings in which Impax voted (as a percentage)	100%
Number of management resolutions in which Impax voted	731
Number of management resolutions in which Impax voted against and/or abstained	80
Number of management resolutions in which Impax voted against and/or abstained (as a percentage of management resolutions voted)	10.9%
Number of shareholder resolutions in which Impax voted	5
Number of shareholder resolutions in which Impax voted against and/or abstained	0
Number of shareholder resolutions in which Impax voted against and/or abstained (as a percentage of shareholder resolutions voted)	0%

Engagement examples in 2022

SUSTAINABILITY ADVISORY

REPLIGEN, UNITED STATES

Topic: Sustainability processes, governance and disclosures

Objectives:

1. Initially educational; materiality, reporting frameworks, investor-useful data (achieved, 2020)
2. Governance of Sustainability: NomCom has ultimate oversight of ESG matters and practices (ongoing re dedicated resource) & Sustainability-based compensation performance goals (ongoing, company committed)
3. First Sustainability report published (achieved, 2021)
4. Reporting Sustainability data including operational efficiency & material data (partially achieved, company committed)
5. Target-setting (partially achieved, company committed in 2022)

OUTCOMES

Significant milestones have been achieved, with continued dialogue during 2022. Next steps include continuing progress with the company's reporting to include quantative sustainability data and reporting on progress against targets, with further links to executive compensation.

DIVERSITY

XINYI SOLAR, CHINA

Topic: Board gender diversity

Objectives:

1. Raise awareness of the benefits of improved board diversity (achieved 2020)
2. Communicate our voting guidelines in relation to no female directors on the Board, 2020 & 2021. Opened dialogue with the company (achieved)
3. Improve board diversity across multiple aspects of diversity, including gender, nationality, skills/expertise (ongoing, first female director appointed in 2022)

OUTCOMES

Milestones achieved in 2022: Following multiple years of engagement and votes against the company, the board appointed their first female director in 2022. A small but important step in the right direction towards improving board diversity.

Investment Policy, Results and Other Information

COMPANY PURPOSE AND VALUES

The Company's core values are integrity, accountability and transparency. These values are the cornerstone of creating and preserving shareholder value through investing in companies delivering solutions to environmental challenges.

STRATEGY AND BUSINESS MODEL

Impax Environmental Markets plc is an investment company and its investment objective and policy are set out below. Any material change to the investment policy requires shareholder approval.

The Company is governed by a Board of Directors (the "Board"), all of whom are non-executive, and it has no employees. The business model adopted by the Board to achieve the Company's objective has been to contract the services of Impax Asset Management (AIFM) Limited (the "Manager", or "Impax") as its alternative investment fund manager to manage the portfolio in accordance with the Board's strategy and under its oversight. The investment managers responsible for the day-to-day management of the portfolio are Jon Forster, Bruce Jenkyn-Jones and Fotis Chatzimichalakis. The Board monitors adherence to the Company's investment policy and regularly reviews the Company's performance in meeting its investment objective.

All administrative support is provided by third parties under the oversight of the Board. Company secretarial and administration services have been delegated to Apex Listed Companies Services (UK) Limited (formerly Sanne Fund Services (UK) Limited) ("Apex" or the "Administrator"); depositary and custody services to BNP Paribas Securities Services ("BNP Paribas"); registrar services to Link Group ("Link"); and the Company's broker is Investec Bank plc.

The Board reviews the performance of the Manager and its other key service providers on an ongoing basis.

INVESTMENT POLICY

(i) Objective and policy

The Company's objective 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).

(ii) Asset allocation

Investments are selected on an individual basis, but each investment is categorised according to three primary environmental markets that are the focus of the Company's investment policy.

Alternative energy and energy efficiency

In the alternative energy and energy efficiency sector, the Company may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- wind turbine manufacturing;
- solar panel manufacturing and integration;
- renewable energy developers and independent power producers;
- biofuels;
- meters, utility software and demand side management;
- industrial energy efficiency;
- buildings energy efficiency;
- transport energy efficiency;
- businesses relating to the trading of carbon and other environmental assets; and
- fuel cells, flywheels, superconductors, supercapacitors and other new energy technologies.

Waste technologies and resource management

In the waste technologies and resource management sector, the Company may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- recycling equipment and systems;
- recycling of commodities including metals, plastics, oils, paper and vehicles;
- integrated waste management;
- hazardous waste management;
- sustainable food, agriculture and forestry; and
- environmental consultancy.

Water treatment and pollution control

In the water treatment and pollution control sector, the Company may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- water treatment technologies involved in filtration, purification and separation;
- water infrastructure including pumps, valves and actuators;
- environmental sensing, testing and monitoring; and
- air pollution control technologies.

(iii) Risk diversification

The Company has the following maximum exposures in place in order to ensure that there is a reasonable diversification of risk in the Company's portfolio:

(a) not more than 10% of the Company's net assets will be invested in any one company at the time of investment; and

(b) the Company will not make an investment if as a consequence of that investment individual holdings of 5% or more would in aggregate represent more than 40% of net assets.

The Company does not have prescriptive limits on the maximum amounts that can be invested in the sub-sectors listed above. The Directors believe that the imposition of such limits could impact on efficient portfolio management.

(iv) Gearing

The Board has authorised the Manager to utilise short-term borrowings of up to 10% of net assets in order to provide liquidity for efficient portfolio management where the Manager sees fit. The Company has the flexibility to enable it to take out long-term borrowings in appropriate circumstances. Any long-term borrowings and any borrowings in excess of 10% of net assets require the separate authorisation of the Board.

The borrowings of the Company shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to one third of the aggregate of:

(a) the amount paid up on the share capital of the Company; and

(b) the total of the capital and revenue reserves of the Company, including any share premium account, capital redemption reserve and credit balance on the profit loss account as shown in the latest audited balance sheet and income statement of the Company subject to certain adjustments detailed in the Company's Articles of Association.

ASSET ALLOCATION AT YEAR END

The breakdown of the structure of the portfolio at the Company's year end is shown on page 9.

DIVIDEND POLICY AND DIVIDENDS

Dividend policy

The Directors typically expect the Company to generate returns in the form of capital gains rather than revenue.

It is the Company's policy to pay out substantially all earnings by way of dividend for each year, with dividends mainly financed from current year net income and, since 2020, to declare two dividends each year.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

Dividends declared for the year ended 31 December 2022

The Board recognises that as the Company issues and/or buys back shares through the year, this has an effect on earnings per share if a single dividend is paid annually, irrespective of timing.

In order to be fair to all shareholders the Board paid an interim dividend at the half-year stage, and declared a second interim dividend, in lieu of final, paid shortly after the year end. This also has the advantage that shareholders receive their dividends earlier than when a final dividend is paid after the AGM. It is the Board's intention to continue with the declaration of two dividends each year. Shareholders will be given an opportunity to vote on the Company's dividend policy at the forthcoming AGM. The vote is advisory and is set out as ordinary resolution 3 in the Notice of Meeting.

RESULTS AND DIVIDEND

The Company's revenue return after tax for the year amounted to £13,272,000 (2021: £9,391,000). During the year, the Company paid a first interim dividend of 1.5 pence per Ordinary Share (2021: 1.3 pence), totalling £4,568,000. On 1 February 2023, the Directors declared that the Company would pay on 10 March 2023 a second interim dividend of 2.5 pence per Ordinary Share (2021: 1.5 pence), totalling £7,604,000 based on the Ordinary Shares in issue at the record date, 10 February 2023.

The Company made a capital loss after tax of £237,542,000 (2021: capital profit of £231,047,000). Therefore the total return after tax for the Company was a loss of £224,270,000 (2021: profit of £240,438,000).

KEY PERFORMANCE INDICATORS ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) Achievement of NAV and share price growth over the long term

The Board monitors both the absolute and relative NAV and share price performance and compares the performance of the Company against the MSCI ACWI and FTSE ET100 indices on a total return basis. A review of performance is undertaken at each quarterly Board meeting and the reasons for relative under and over performance against various comparators is discussed. The Chairman's statement on pages 2 to 4 incorporates a review of the highlights during year. The Manager's Report on pages 5 to 8 highlights investments made during the year and how performance has been achieved.

(ii) Maintenance of a reasonable level of premium or discount of share price to NAV

The Manager and the Company's broker monitor the premium or discount and keep the Board updated as and when appropriate. At quarterly Board meetings, the Board reviews the premium or discount in the period since the previous meeting on both an absolute basis and in comparison with other investment trusts with a similar mandate. The Board has issued a statement on premium/discount control on pages 3 and 4. The Board sets parameters under which the Company's shares can be sold or bought back and each sale of shares or buyback is approved by a Board member before it is conducted. The Company's shares traded at an average discount to NAV of 0.4% during the year ended 31 December 2022 and within a range of 14.1% premium to 6.6% discount. At the year end the shares traded at NAV (no premium/discount). Since the year end, and to the last practicable date prior to the publication of this report, the Company's shares have traded in the range of 1.3% premium and 5.3% discount to the NAV. Details of Ordinary Shares issued and bought back since the year end are shown in note 12.

(iii) Maintenance of reasonable level of ongoing charges

The Board receives monthly management accounts which contain analysis of expenditure. The Board also reviews expenditure formally at its quarterly Board meetings. The Board reviews the fees payable to the Company's main service providers on an annual basis. The Board considers the ongoing charge to be reasonable in comparison to peers. The Company's ongoing charges figure was 0.81% (2021: 0.85%). This is calculated in accordance with the AIC methodology and disclosed as an APM on page 85.

INVESTMENT PERFORMANCE TO 31 DECEMBER 2022

	1 Year	3 Years	5 Years	10 Years
NAV of the Company[1,2]	-15.0%	35.1%	57.5%	263.75%
Share price of the Company[1,2]	-22.8%	29.4%	71.2%	346.4%
MSCI ACWI[2]	-8.1%	23.9%	45.1%	191.1%
FTSE ET100/FTSE ET50[2,3]	-20.1%	72.0%	100.2%	355.1%

Note: MSCI index is total net return (dividends reinvested net of withholding tax), FTSE index is total return (dividends reinvested gross of withholding tax), both in sterling terms.
1. These are considered to be APMs.
2. Total return.
3. FTSE ET50 data until 31 December 2013 and then FTSE ET100 thereafter.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the management of risks faced by the Company and, through delegation to the Audit Committee, has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. The Audit Committee carries out, at least annually, a robust assessment of the principal risks and uncertainties and reviews ongoing monitoring of both risks and controls. This ensures heightened and emerging risks are identified outside of the normal cycle of Board and Audit Committee meetings.

Risks are documented on a risk register, grouped into four main categories: Strategic and Business Objective Risks; Investment Management Risks; Operations – Service Providers Risks; and Compliance, Regulatory and Corporate Governance Risks. Risks are then rated before and after mitigating controls by impact and likelihood of occurrence, with the assessed ratings charted on risk matrices. The risk register is reviewed on an ongoing basis in an attempt to capture all risks and to ensure appropriate mitigation is in place. Reviews take into account changing factors including, but not restricted to, changes to markets (both macro and micro), stakeholders, operations, regulation and emerging risks.

The top risks identified by this process are set out in the table which follows, and the Board considers these to be the principal risks of the Company.

The Board considered the risks posed by global economic conditions including higher inflation and interest rates as a result of the war in Ukraine and the secondary effects of the Covid-19 pandemic, with updates on market impact and operational resilience received from the Manager, Administrator and other key service providers. The Board is satisfied that the key service providers had, and continue to have, the ability to continue their operations efficiently in a remote or virtual working environment, whilst safeguarding their staff.

The Manager continues to provide regular updates to the Board on the financial impacts on the portfolio performance and investee companies, as well as the long-term effects and opportunities for the sectors in which the Company invests.

Emerging risks are considered by the Board at its quarterly meetings and by the Audit Committee as part of its risk management and internal control review. Failure to identify emerging risks may cause reactive actions rather than being proactive and the Company could be forced to change its structure, objective or strategy and, in worst case, could cause the Company to become unviable or otherwise fail.

The experience and knowledge of the Directors is invaluable in consideration of emerging risks, as are update papers and advice received from the Board's key service providers such as the Company's Manager, broker, Company Secretary and auditor. The AIC also provides regular updates and draws members' attention to forthcoming industry and/or regulatory issues.

TREND: INCREASING ⇧ NEUTRAL ⇔ REDUCING ⇩

Potential risk	Mitigation	Trend
Strategic and business objective risks		
Economic and market risks Price movements of the Company's investments are highly correlated to the performance of global equities in general and small and mid-cap equities in particular. Falls in stock markets are likely to adversely affect the performance of the Company's investments. Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events and trends can substantially and adversely affect the value of investments. Market risk includes the potential impact of events which are outside the Company's control such as the Russian invasion of Ukraine. The Company invests in companies with small market capitalisations, which are likely to be subject to higher valuation uncertainties and liquidity risks than larger capitalisation securities. The Company may also invest in unquoted securities which generally have greater valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.	There are inherent risks involved in stock selection. The Manager is experienced and employs its expertise in selecting the stocks in which the Company invests. The Manager spreads the investment risk over a wide portfolio of investments in its three main sectors: energy, water and waste, as well as geographically. At year end, the Company held investments in 58 companies and the largest holding represented 2.9% of net assets. The Manager will not normally hedge against foreign currency movements, but the Manager takes account of the risk when making investment decisions. Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts. The high risk rating remains unchanged; this reflects continued uncertainty in markets, though for changed reasons. Covid-19 and Covid -19 secondary effects have decreased, however, but uncertainty continues due to inflation, interest rates and cost concerns following the Ukraine war, added to which are possible negative consequences arising from the recent tensions being seen in the financial system.	⇔
Environmental markets The Company invests in companies operating in environmental markets. Such companies carry risks that governments may alter the regulatory and financial support for environmental improvement, costs of technology may not fall, capital spending by their customers is reduced or deferred and their products or services are not adopted.	The Company invests in a broad portfolio of investments which are spread amongst several environmental market sectors. The Manager has a rigorous investment process which takes into account relevant factors prior to investment decisions taking place. As well as reviews of the portfolio and relevant industry matters at quarterly Board meetings, the Board has an annual strategy day at which the overall strategy of the Company is discussed.	⇔
Share price trades at excessive premium to net asset value Market demand combined with limited capacity results in excessive share price premium to NAV and returns to shareholders may be affected. Excessive premium may also result in being unable to grow the Company through share issuance.	The Board has made a statement on premium/discount control in normal market conditions as detailed on pages 3 and 4 in the Chairman's Statement. The Company utilises its powers to issue and buy back shares when circumstances are appropriate, following consultation with the Manager and the Company's broker. The Board monitors the level of premium/discount and receives regular shareholder feedback from the Company's Manager and broker.	⇩
Share price trades at excessive discount to net asset value It is in the long-term interests of shareholders that shares do not trade at a significant discount to their net asset value. Investor demand for the shares fell with the onset of the Ukraine war, in tandem with other investment company shares. This moved the shares from a premium to NAV to a discount. As explained in the Chairman's Statement, the Board's intention remains to keep the Company's shares trading close to NAV. Even so, and especially where markets are volatile, the discount may increase.		⇧

Investment Policy, Results and Other Information continued

Potential risk	Mitigation	Trend
Strategic and business objective risks		
Financing risk The Company may borrow money for investment purposes. If investment markets fall in value, any borrowing will enhance the level of loss. Capacity constraints on the availability of desirable companies for investment may mean the Company is unable to achieve the level of gearing wanted.	The Board has authorised the Manager to use its discretion to utilise gearing up to 10% of net assets. Any borrowing above this level requires Board approval. Borrowing facilities are renewed on a cost effective and timely basis. The Manager keeps under regular review the opportunities for enhancing returns by the prudent use of gearing. The Company's fixed rate loans and revolving credit facility both expire on 6 September 2023. Higher interest rates will increase the cost of borrowings for the Company and borrowings may not be available of acceptable types, amounts and/or interest rates.	⇧
Operations – service providers risks		
Failure or breach of Information Technology (IT) - including cyber- security, and physical security risks Failure of IT or physical security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. In addition, unauthorised physical access to buildings could lead to damage or loss of equipment. The underlying risks primarily exist in the third party service providers to whom the Company has outsourced its depositary, registration, administration and investment management activities.	The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks including their alignment with industry standards, their physical and data security procedures and their business continuity planning. The Board also meets with its service providers on a periodic basis.	⇔
Operational risk The Board has contractually delegated to third party service providers the management of the investment portfolio, and services covering: depositary and custody; registrar; company secretarial and fund accounting. The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third party service providers. Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records (including cyber security risk) could prevent the accurate reporting and monitoring of the Company's financial position.	Due diligence is undertaken before contracts are entered into with third party service providers, taking into account the quality and cost of services offered, including policies and procedures, and risk management and controls systems in operation in so far as they are relevant to the Company. Thereafter, the performance of the provider is subject to regular review and report to the Board. The Board monitors key persons as part of this oversight. The control of risks related to the Company's business areas is described in detail in the corporate governance report on page 52. The risk rating is increased to reflect the acquisition during the year of Sanne Fund Services (UK) Limited ("Sanne") by Apex. A transition plan to move and integrate the two companies was presented to the Board. This set out a programme to ensure the seamless move of the fund accounting and company secretarial services provided by Sanne, with no diminution of service quality either at or after transition, and recognised the importance to the Company of IEM-experienced staff.	⇧

Whilst not being identified as principal risks after mitigation controls are applied, other relevant risks to the Company include the following:

Potential risk	Mitigation	Trend
Strategic and business objective risks		
Global pandemic risk The rapid spread of infectious disease may cause governments to implement policies to restrict the gathering, interaction or movement of people and take other measures as deemed appropriate to prevent its spread, causing disruption to markets generally, investee companies, the operations of the Company and its key service providers.	The Manager spreads the investment risk over a wide portfolio of investments. Risk analysis includes scenario analysis of possible negative market events. The Company's key service providers report periodically to the Board on their business continuity plans and procedures. The Board monitors the adequacy of controls in place at the key service providers and their planned response to an extended period of disruption, to ensure that the impact to the Company is limited. During times of elevated volatility and market stress, the Company's closed-end fund structure protects it from the liquidity requirements that can arise for open-ended funds.	
Physical climate change risk While efforts to mitigate climate change continue, the physical impacts are already emerging in the form of changing weather patterns. Extreme weather events can result in flooding, drought, fires and storm damage, potentially impairing the operations of an investee company at a certain location, or impacting locations of companies within their supply chain.	Physical climate change risk is still an emerging topic for investors as well as for the management teams of investee companies. It has been a focus area of research and engagement by the Manager to identify companies particularly exposed to this risk and to open a dialogue with them on management options. Details of engagement with investee companies are given on pages 30 and 31. The Company invests in a broad portfolio of companies which are spread geographically, limiting the impact of location specific weather events.	
Investment management risks		
Financial risks The Company's investment activities expose it to a variety of financial risks which include foreign currency risk, portfolio liquidity risk and interest rate risk. The Company invests in securities which are not denominated or quoted in sterling. Movements of exchange rates between sterling and other currencies in which the Company's investments are denominated may have an unfavourable effect on the return on the investments made by the Company.	The Company will not normally hedge against foreign currency movements affecting the value of its investments, although, the Manager takes account of this risk when making investment decisions. The Company invests in range of global listed equities and the Manager monitors the foreign currency exposure and liquidity of holdings within the portfolio and reports on these to the Board at each meeting. Interest rate risk is limited due to the low level of gearing. Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts.	

Investment Policy, Results and Other Information continued

Potential risk	Mitigation	Trend
Compliance, regulatory and corporate governance risks		
Regulatory risks Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares. Breaches of the Companies Act 2006 could result in financial penalties or legal proceedings against the Company or its Directors. Failure of the Manager to meet its regulatory obligations could have adverse consequences on the Company.	The Company has contracted out relevant services to appropriately qualified professionals, who monitor, and report to the Board on regulatory compliance. In addition, the Company's broker, auditor, Company Secretary and Manager provide the Board with regulatory updates on a regular basis. The Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.	⇔

VIABILITY STATEMENT

The continuation of the Company is subject to the approval of shareholders every three years. The continuation of the Company was approved at the Company's 2022 AGM with 99.99% votes in favour of the continuation resolution. The next vote will take place at the Company's 2025 AGM.

The Directors have assessed the viability of the Company for the period to 31 December 2027 (the "Viability Period"). The Board believes that the Viability Period, being approximately five years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy, the principal risks outlined above such as a severe market downturn or climate change and its gearing. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the Viability Period.

The Board reviewed the Company's income and expenditure projections and other funding requirements in normal and worst case market conditions. The level of the ongoing charges is dependent to a large extent on the level of net assets, the most significant contributor being the investment management fee. The Company's income from investments and cash from the sale of investments (which are readily realisable) provide substantial cover to the Company's operating expenses, and any other expenditure likely to be faced by the Company over the Viability Period. Such expenditure to include buybacks of shares in order to operate the Company's discount control policy and repayment of the Company's borrowings, which at the date of this report represented less than 4.0% of the Company's investments.

In its assessment of the prospects of the Company, the Board considered each of the principal risks and uncertainties and the liquidity and solvency of the Company.

Engaging with our Stakeholders

Section 172 of the Companies Act 2006 requires the Board to act in the way that it considers would most likely promote the success of the Company for the benefit of all stakeholders, taking into consideration the interests of stakeholders in their decision-making and to share how they have discharged this duty.

The Company's mission is to help its shareholders benefit from growth in companies operating in the fast growing Environmental and Resource Efficiency Markets.

The Company's values – integrity, accountability and transparency – mean that the Board has always worked hard to communicate effectively with the Company's stakeholders. This is a two-way process and the feedback received from our stakeholders is highly valued and factored into our decision making.

The Company has a range of stakeholders and this section maps out who they are and what the Board believe their key interests to be, how The Company enables engagement with stakeholders and highlights results that have consequently arisen during the year.

SHAREHOLDERS & FINANCIAL ADVISERS

Investment performance (NAV) - Investment performance is monitored in relation to the Company's objective and to the investment policy and strategy (further information can be found on page 33 describing the Key Performance Indicators). The Board receives regular reports from the Manager on the composition, investment activities and performance of the portfolio and the wider marketplace in which the Company operates. The Board discusses the portfolio at each Board meeting and maintains a constructive dialogue between meetings as well. A representative of the Manager additionally attends quarterly Board meetings.

2022 Highlights: The Company's NAV per share on a total return basis declined by 15.0%, compared to a fall in the MSCI ACWI of 8.1%. However, the Company's NAV outperformed its environmental markets comparator, the FTSE ET100, which fell by 20.1% over the year.

Share Price, Liquidity & Premium/Discount - The Board also reviews and discusses detailed reports from the Manager and other key service providers, including the broker and financial advisers, in relation to the Company's share performance, trading and liquidity as well as the composition of, and changes to, the register of shareholders. The Board takes a proactive approach to managing the premium and discount.

2022 Highlights: The Company's share price total return fell by 23.6% for the year. Investor demand for the Company's shares has varied through the year. The share price traded between a premium of 14.1% and a discount of 6.6% during the year. The Board has therefore acted to maintain the share price with shares bought back into treasury coupled with shares sold from treasury as and when appropriate. At 31 December 2022 there was no premium or discount to NAV.

ESG & Sustainability - The Manager conducts fundamental analysis which incorporates long-term risks, including Environmental, Social & Governance ("ESG") factors. Its reporting to the Board goes beyond financial returns to include environmental impact, corporate engagement and stewardship. The Manager maintains regular dialogue with both investee and potential investee companies and reports back on these conversations to the Board. As described on page 40, the Board and Manager believe engagement with the investee companies is positive, beneficial and welcomed and that consistent exercise of voting rights is a key activity in the dialogue with companies invested. The Board has oversight of the quality of the ESG management in its quarterly Board meetings, along with an annual meeting with the Head of Sustainability & ESG.

2022 Highlights: The Board has established a Sustainability Reporting Committee during the year. Further details on the committee and its activities are given on page 50. The Board also updated its ESG Policy and issued its new Biodiversity Policy. As set out on page 20, the Company has enhanced its TCFD reporting.

Strategy - The strategy of the Company is reviewed by the Board on a continuing basis. Once a year the Board undertakes a strategy day, inviting representatives from key service providers, as well as its PR company, to look ahead and present new ideas and improvements that the Board can consider. Whilst feedback from shareholders is sought on a continual basis, the Board requests the Company's broker and investment manager to provide detailed analysis and feedback from shareholders in order that it can be addressed during this meeting. The Board's strategy and performance is validated by shareholders through a triennial vote on the continuation of the Company and the Board encourages shareholders to take part in this vote.

2022 Highlights: At its strategy day, the Board discussed with the Manager forthcoming changes to ESG regulations and the Manager's draft response to the FCA's consultation on Sustainability Disclosure Requirements which was subsequently submitted to the FCA. The continuation vote held at the AGM in May 2022 passed with 99.99% votes in favour.

Regular Communication - Meetings with financial advisers and our shareholders help us to understand their needs and concerns. As described under Shareholder Relations and Annual General Meeting on page 45, the Board welcomes direct feedback from shareholders throughout the year. Additionally, the Board maintains regular contact with shareholders through the Manager and broker's programme of shareholder and financial adviser meetings, who report back to the Board on shareholder sentiment, questions, or concerns for the Board's consideration.

Engaging with our Stakeholders continued

The Board believes that shareholders and financial advisers can make informed decisions only if they have access to relevant information on a timely basis. To provide the transparency that the Board seeks with shareholders, a variety of communication channels and methods of communication are used.

The Company's website – www.impaxenvironmentalmarkets.co.uk is considered an essential communication channel and information hub for shareholders. As such, it includes full details of the investment objective, supporting philosophy and investment performance along with news, opinions, disclosures, results and key information documents, as well as information about the Board, its Committees and other governance matters.

The annual and interim reports and accounts are published on the Company's website and are available in hard copy on request. The date of the Annual General Meeting is published in advance (online and within the annual report). Shareholders are encouraged to raise questions either at or in advance of this meeting.

Factsheets, providing performance information, inclusive of geographic and sector exposure and the top ten holdings, are published monthly and the full portfolio holdings are made available quarterly in arrears; both are available on the Company's website.

The Company continues to expand and enhance the content of its engagement and advocacy results, and on the environmental impact of its investment strategy.

2022 Highlights: The Board was pleased to hold the AGM in person and shareholders were welcome to come along, to meet the Board and to ask any questions.

Board Succession Planning - The composition of the Board and succession planning is led by the Nomination Committee with changes managed in order to provide regular refreshment, good diversity and a high level of relevant skills as set out in its report on page 50.

2022 Highlights: The Board welcomed Mr Glen Suarez as chairman-designate and he will replace Mr Scott as Chairman with effect from the conclusion of the 2023 AGM. Mrs Hastings is also retiring at the conclusion of the 2023 AGM. Mr Hurd stepped down on 31 December 2022. The Board is currently recruiting a new director and will provide further details in due course.

INVESTMENT MANAGER

Partnership - We have developed a strong working relationship with the Manager, aligned in the mission to seek to deliver consistent outcomes for our clients and superior financial returns over the longer term.

2022 Highlights: The Board collaborated with the Manager to publish its updated ESG Policy and its inaugural Biodiversity Policy.

Impact on the wider community and environment - The Board and the Manager support the transition to a low-carbon economy, primarily through investment decisions, company engagement and collaboration with stakeholders.

2022 Highlights: The Environmental Impact of the IEM portfolio is on pages 23 and the Board has published its second Climate Impact statement on page 24. See pages 23 to 24 for the Company's enhanced TCFD reporting.

INVESTEE COMPANIES

Long-term Investment, Collaboration, Engagement - The Manager is a long-term investor and develops strong relationships with many of our investee companies, including access to key individuals. This engagement is collaborative, with investee companies having access to the sustainability expertise of the Manager's Head of Sustainability & ESG. The Manager maintains regular dialogue with both investee and potential investee companies and reports back on these conversations to the Board. The Board and the Manager believe engagement with the investee companies is positive, beneficial and welcomed, and that consistent exercise of voting rights is a key activity in the dialogue with companies invested.

ESG Considerations - The Board has oversight of the Manager's ESG management at its quarterly Board meetings, along with an annual meeting with the Head of Sustainability & ESG. The Manager engages with companies to minimise risks, protect shareholder value, promote greater transparency and encourage companies to become more resilient over time. The Manager takes a supportive rather than activist approach and, as a leader in the field of environmental impact, often works in collaboration with other asset managers or organisations.

2022 Highlights: During 2022, the Manager continued to have regular dialogue with management of investee and potential investee companies in person, virtually or a hybrid of both. The engagement, proxy voting and stewardship activities undertaken, including examples of outcomes of the Manager's engagement with investee companies, are published in the Sustainability and Stewardship section on pages 30 to 31.

SERVICE PROVIDERS

Productive and Collaborative Working Relationships - The Board, either directly or through the Manager, seeks to develop deep relationships and regularly engages with our service providers, including ensuring that they reflect our values around social inclusion, sustainability, and the environment. The performance of our key service providers is regularly monitored and set against KPIs. The Company wants to ensure, and assesses on a regular basis, that appointments remain in the best interests of our stakeholders.

Reputation Management - The Board has high standards and looks to maintain its reputation for delivering to those standards for its shareholders. Monitoring and reviews have an integral role in providing oversight and informing the Board's decision making. Reviews include updates in relation to the provider and their operations, their policies and control environment, new regulations from the auditor and company secretary, changes to market sentiment and practice from the broker and changes to the portfolio and broader market performance from the Manager.

Communications - Service providers are also responsible for monitoring the markets in which they operate and communicating updates to the Board; for instance, the company secretary will monitor regulatory changes and make the Board aware of these. Regular meetings with our service providers, in particular the Manager, are essential if we are to monitor and seek feedback from them.

Impact on the wider community and environment - In line with the Board's intention to report under the TCFD framework, the Board encouraged its key service providers to consider and evaluate their environmental impact, and has reported the Manager's CO_2 emissions for the second time this year.

2022 Highlights: In addition to the Board's normal review of key service providers, the Board concluded its review of fees for the depositary and custodian as well as the secretary and administrator, both of which resulted in a significant reduction. A similar review of registrar services and associated fee is currently in progress, and the results from this review this will be in the next annual report.

Other Information

MODERN SLAVERY DISCLOSURE

The Company aims to act to the highest standards and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is an important part of corporate good governance.

As an investment trust the Company does not offer goods or services to consumers and deals predominantly with professional advisers and service providers in the financial services industry. As such the Board considers that the Company is out of scope of the Modern Slavery Act 2015. A statement by the Manager under the Act has been published on the website at **www.impaxenvironmentalmarkets.co.uk**

ENVIRONMENTAL MATTERS

The Company has no employees, physical assets, property or operations of its own, does not provide goods or services and does not have its own customers. It follows that the Company has little to no direct environmental impact. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

As an investment trust the fundamental environmental impact the Company makes is indirectly through the investments in its portfolio. Further details can be found above under the heading **Environmental, Social and Governance ("ESG") of investee companies.**

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Manager screens the Company's investable universe as part of the Environmental Social and Governance analysis for any breaches of the principles of the UN Global Compact, including human rights, labour rights, environmental breaches and corruption. Any non-compliant companies are excluded from investment.

ANTI-BRIBERY AND CORRUPTION

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

PREVENTION OF THE FACILITATION OF TAX EVASION

The Board has a zero-tolerance approach to the criminal facilitation of tax evasion.

EMPLOYEES

The Company has no employees. As at 31 December 2022, the Company had five Directors, of whom two are male and three female.

OUTLOOK

The outlook for the Company is discussed in the Chairman's Statement on page 4.

STRATEGIC REPORT

The Strategic Report set out on pages 1 to 42 of this Annual Report was approved by the Board of Directors on 31 March 2023.

For and on behalf of the Board

John Scott
Chairman
31 March 2023

Board of Directors

John Scott [1, 3]
Chairman of the Board and Management Engagement Committee
Appointed 7 February 2013

Mr Scott is a former investment banker who spent 20 years with Lazard Brothers. He is the Chairman of both the Guernsey-based Bluefield Solar Income Fund and JP Morgan Global Core Real Assets. He was previously Chairman of Scottish Mortgage Investment Trust, Jupiter Emerging & Frontier Income Trust, and Alpha Insurance Analysts.

Mr Scott's contribution is invaluable to the Company in formulating its short-term and long-term strategic direction as well as overseeing its development through the years.

Mr Scott will retire from the Board after the AGM on 16 May 2023.

Aine Kelly [1, 2, 3]
Senior Independent Director and Chairman of the Nomination Committee
Appointed 15 November 2016

Miss Kelly is an Independent Impact Investing Consultant. Miss Kelly worked as Head of Financial Sector and Investor Engagement at Big Society Capital from 2013-2016, followed by 3 years as a consultant on The Impact Management Project. She spent the previous 4 years at Barclays Wealth and prior to that she worked 16 years in investment banking at Kleinwort Benson, JP Morgan and Citigroup. Miss Kelly has a wide experience of introducing new investment opportunities to investors and has covered UK, European and Asian equity markets. Miss Kelly has worked in London, New York and Zurich and is currently based in Ireland.

Miss Kelly is currently a member of QBE's Classification of Social Investment committee and a member of the External Board of Advisors of Cork University Business School.

Miss Kelly's background brings a new approach to the boardroom with a focus on both the financial integrity of investment decisions and their long-term impact.

Stephanie Eastment [1, 2, 3]
Chairman of the Audit Committee
Appointed 1 July 2019

Mrs Eastment is a chartered accountant and chartered company secretary with over 30 years' experience in the financial services industry. She qualified with KPMG and worked at Wardley and UBS in finance and corporate governance before moving to Invesco, where she worked for 22 years ending as Head of Accounts and Company Secretariat for Specialist Funds, which included investment trusts. She retired from Invesco in 2018 to pursue a non-executive director career using her wide knowledge and experience. She is also a member of the AIC's Technical Committee.

Mrs Eastment is a non-executive director and audit committee Chairman of Murray Income Trust plc, Herald Investment Trust plc and Alternative Income REIT plc and a non-executive director of RBS Collective Investment Funds Limited.

Mrs Eastment's financial, technical and oversight experience and knowledge strengthens the Board's financial and risk oversight not only as a director, but as the audit committee Chairman.

Victoria (Vicky) Hastings [1, 3]
Chairman of the Remuneration Committee
Appointed 21 May 2013

Mrs Hastings has worked for over 30 years in the investment management industry. She has held investment roles at asset managers including JO Hambro Capital Management, Merrill Lynch Private Investors and Kleinwort Benson Investment Management but latterly has pursued a portfolio career. Mrs Hastings is currently Chairman of Henderson European Focus Trust plc, the Senior Independent Director of The Edinburgh Investment Trust plc, a non-executive director of Alliance Trust plc and trustee of Moorfields Eye Charity.

Mrs Hastings's contribution in overseeing and challenging, where appropriate, investment management decisions is highly valued by the Board and her active involvement in the investment trust industry enables her to positively contribute to the Company's long-term sustainable success.

Mrs Hastings will retire from the Board after the AGM on 16 May 2023.

1 Member of the Audit, Nomination, Remuneration and Management Engagement Committees

2 Member of the Sustainability Reporting Committee

3 Considered independent by the Board

Board of Directors continued

Glen Suarez [1, 2, 3]
Chairman-designate and Chairman of the Sustainability Reporting Committee
Appointed 1 October 2022

Mr Suarez is currently chairman of the board of Knight Vinke Asset Management, having previously held the roles of CIO and Deputy CEO. He is a non-executive director of BlackRock Throgmorton Trust plc and a senior adviser to FMAP Limited, a consultancy founded by Lord Maude which advises governments on the implementation of public sector reform.

Mr Suarez was chairman of The Edinburgh Investment Trust plc from 2017 to 2022, having joined the board in 2013. He was a committee member and co-chair of the Capital Markets Advisory Committee, an independent body advising on accounting issues and standards between 2014 and 2020. Before this, he was a Partner in Soditic Limited for four years and prior to that he was head of European energy, infrastructure and utilities investment banking business at Morgan Stanley for eight years.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Royal Society of Arts.

Mr Suarez's contribution since his appointment in October 2022 has proved valuable in providing guidance and effective challenge on the Company's strategic direction. On the basis of his 35 years of experience advising governments, investors, companies and regulators on climate related matters in the energy and utilities market, he has been appointed as Chairman of the Sustainability Reporting Committee.

INVESTMENT MANAGERS

Bruce Jenkyn-Jones
Chief Investment Officer (CIO), Listed Investments, Executive Director

Bruce serves as Impax's Chief Investment Officer, Listed Investments. Bruce is one of Impax Asset Management's longest-serving employees. He developed the firm's listed equities business and the division's investment thesis. He is responsible for overseeing and enhancing all aspects of the listed investments business, including monitoring performance, ensuring regulatory compliance, and spearheading product design. Bruce is a co-Portfolio Manager of the Specialists and Climate strategy.

Before joining Impax in 1999, Bruce worked as a utilities analyst at Bankers Trust and as an environmental consultant for Environmental Resources Management.

An Oxford graduate with a bachelor's degree in Chemistry, Bruce also holds a master's in Environmental Engineering Technology, and an MBA from IESE Business School in Barcelona.

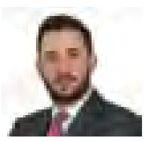
Jon Forster
Senior Portfolio Manager, Managing Director

Jon co-manages Impax Asset Management's Specialists and Climate strategies. Specialising in new energy, water, and waste support services, he researches stocks globally with a focus on the industrials and utilities sectors.

He has been part of the Impax team for over twenty years, having first joined in 2000 from Alchemy Partners where he had spent two years providing consultancy work to their portfolio management team. He began his career in 1994 at HSBC Investment Bank working on their acquisitions team.

Jon has a bachelor's degree in German and Management Studies from Leeds University.

Fotis Chatzimichalakis
Portfolio Manager



Fotis is a member of Impax Asset Management's portfolio management team, where he researches stocks globally, focusing on the information technology and industrials sectors.

Fotis originally joined Impax as an intern in 2015, initially working in the listed equities team. He has held his current role since 2021. Prior to joining the firm, he had an internship at Barchester Green Investment.

A CFA Charterholder, Fotis also holds the Investment Management Certificate. He has master's degree in Civil Engineering from the National Technical University of Athens and a master's degree in Sustainable Energy Systems from the University of Edinburgh.

Directors' Report

The Directors present their report and accounts for the year ended 31 December 2022.

STRATEGIC REPORT

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 42.

CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 49 to 52 forms part of this report.

LEGAL AND TAXATION STATUS

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2022.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

The Company is classified as an Alternative Investment Fund under AIFMD and is therefore required to have an Alternative Investment Fund Manager ("AIFM"). Impax Asset Management (AIFM) Limited is the AIFM of the Company. The AIFM has received its authorisation to act as an AIFM from the FCA. The AIFM must ensure that an annual report containing certain information on the Company is made available to investors each financial year. The investment funds sourcebook of the FCA details the requirements of the annual report. All the information required by those rules is included in this Annual Report or will be made available on the AIFM's website (www.impaxam.com).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period which is the year ended 30 September 2022. These disclosures are available on the AIFM's website or are available on request from the AIFM.

LEVERAGE (UNDER AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD (see APMs on pages 85 to 86). These methods are known as the gross method and the commitment method. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end follows:

	Gross method	Commitment method
Maximum leverage limit (set by the AIFM)	130%	130%
Actual leverage at 31 December 2022	102%	104%

SHAREHOLDER RELATIONS AND ANNUAL GENERAL MEETING

The Board encourages all shareholders to attend the AGM and generally seeks to provide twenty one clear days' notice of that meeting.

The Notice of AGM sets out the business of the AGM and any item not of routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Board also welcomes direct feedback from shareholders. The Chairman is available to meet shareholders and may be contacted by email at chairman@impaxenvironmentalmarkets.co.uk.

This year's AGM will be held at 3.00pm on 16 May 2023 and the Chairman's Statement on page 4 sets out the arrangements for the meeting. Shareholders are encouraged to attend the AGM and will have the opportunity to hear a presentation from the Manager, and ask questions of the Board and the Manager. The Manager's presentation will be available to view on the Company's website after the AGM. All shareholders are advised to submit their proxy forms in advance of the AGM. Details of how shareholders can cast their votes can be found in the Notes to the Notice of Meeting on pages 89 to 92. Shareholders' questions for either the Board or the investment managers should be submitted to clientservices@impaxam.com by midday on 12 May 2023.

SPECIAL BUSINESS OF THE AGM

Authority to issue and purchase own shares

On 22 January 2019, the Board announced that it remains fully committed to using its powers, including those to issue and buy back shares, in a proactive manner with the aim of seeing the shares, in normal market conditions, trading close to NAV on a consistent and long-term basis.

The authority to allot shares granted at the last AGM held on 18 May 2022 will expire at the conclusion of the forthcoming AGM.

The Board recommends that the Company be granted a new authority to allot up to a maximum of 30,344,203 Ordinary Shares (representing approximately 10% of the shares in issue at 27 March 2023, the latest practicable date before publication of this report) and to dis-apply pre-emption rights when allotting those Ordinary Shares and/or selling shares from treasury. Ordinary resolution 9 and special resolution 10 will be put to shareholders at the AGM. Shares will be issued under this authority only at the Board's discretion and when it is deemed to be in the best interests of shareholders as a whole to do so. The advantages are to lower the Company's ongoing charges as expenses are diluted and, in the short term, to address volatility in the share price. Unless otherwise authorised by shareholders, new Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the Ordinary Shares on a rolling previous 12-month basis at the time of admission of the shares.

The authority for the Company to purchase its own shares as granted at the AGM held on 18 May 2022 will expire at the conclusion of the forthcoming AGM. During the year ended 31 December 2022, 3,119,400 Ordinary Shares were repurchased into treasury, and 1,662,900 were subsequently re-issued as the Company's share price moved back to a premium. Directors recommend that a new authority to purchase up to 45,485,961 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue at the date of the AGM are purchased) be granted and special resolution 11 to that effect will be put to the AGM. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in treasury. Shares are purchased at the discretion of the Board and when it is deemed to be in the best interests of shareholders. Shares will be purchased for cancellation or for treasury only when the shares are trading at a discount to the Net Asset Value.

The Companies Act 2006 allows companies to hold shares acquired by way of market purchases as treasury shares, rather than having to cancel them. This gives the Company the ability to sell Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. At the year end 1,456,500 Ordinary Shares were held in treasury and at 27 March 2023, being the latest practicable date before publication of this report, 305,623,539 Ordinary Shares are in issue of which 2,181,500 are treasury shares.

Notice of general meetings

Special resolution 12 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. The Company is currently able to call General Meetings, other than an AGM, on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have given their prior approval.

Special resolution 12 seeks such approval, which would be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

The Company will ensure that it offers the facility for shareholders to vote by electronic means, and that this facility is accessible to all shareholders, if it is to call general meetings on 14 days' notice. Short notice of this kind will be used by the Board only under appropriate circumstances.

MARKET INFORMATION

The Company's Ordinary Shares are premium listed on the London Stock Exchange ("LSE"). The NAV per Ordinary Share is calculated in sterling for each business day that the LSE is open for business. The daily NAV per Ordinary Share is published through a regulatory information service.

BANK LOANS AND CREDIT FACILITY

The Company has in place a mixture of fixed and floating rate debt totalling £51.6 million (2021: £49.1 million). The Company entered into two agreements for five year fixed rate loans of £15 million and US$20 million with Scotiabank Europe PLC. The interest rates on the loans are 2.910% and 4.504% per annum, respectively. The Company also has a £20 million multi-currency revolving credit facility ("RCF") with Scotiabank which is fully drawn down in two currencies: US$12.6 million and £10 million. Interest is payable on amounts drawn down under the facility computed at six-month SOFR and SONIA reference rates respectively plus a margin of 1.70% per annum. Please see note 11 on page 75 for further information.

RETAIL DISTRIBUTION OF INVESTMENT COMPANY SHARES VIA FINANCIAL ADVISERS AND OTHER THIRD PARTY PROMOTERS

As a result of the Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to retail investors, certain investment products are classified as "non-mainstream pooled investment products" and face restrictions on their promotion to retail investors.

The Company has concluded that the distribution of its shares, being shares in an investment trust, is not restricted as a result of the FCA rules described above.

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by financial advisers to retail investors and intends to continue to do so for the foreseeable future.

MANAGER

Impax Asset Management (AIFM) Limited ("Impax") has been appointed as the Company's Investment Manager (the "Manager").

The Manager is appointed under a contract subject to twelve months' notice.

The Manager is entitled to remuneration each month at a rate equivalent to one-twelfth of 0.9% on the Company's net assets up to and including the first £475 million and 0.65% on net assets in excess of £475 million.

The Board confirms that it has reviewed whether to retain Impax as the Manager of the Company. It has been concluded that, given the Manager's depth of knowledge in the sector and the growth and strong performance record of the Company, it is in the best long term interests of shareholders as a whole to continue with Impax's engagement.

CAPITAL STRUCTURE AND VOTING RIGHTS

At the year end, the Company's issued share capital comprised 305,623,539 Ordinary Shares, with 1,456,500 Ordinary Shares held in treasury. Each Ordinary Share held (excluding those held in treasury) entitles the holder to one vote. All shares carry equal voting rights and there are no restrictions on those voting rights.

Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

Since the year end, the Company bought back into treasury 725,000 Ordinary Shares. This was in accordance with the Board's previously stated commitment to using its available issuance and buyback authorities. At 27 March 2023, the latest practicable date before publication of this report, there were 305,623,539 Ordinary Shares in issue with 2,181,500 Ordinary Shares held in treasury.

There are no restrictions on the transfer of shares, nor are there any limitations or special rights associated with the Ordinary Shares.

NOTIFIABLE INTEREST

As at 31 December 2022 and 27 March 2023, the Directors have been formally notified of the following shareholdings comprising 3% or more of the issued share capital of the Company.

Company	Holding of ordinary shares-as at 31 December 2022	% Holding - as at 31 December 2022	Holding of ordinary shares-as at 27 March 2023	% Holding - as at 27 March 2023
Rathbones Group plc	22,227,053	7.3	22,227,053	7.3
Brewin Dolphin	13,112,066	4.3	13,112,066	4.3
Aegon Asset Management UK PLC	10,626,797	3.5	10,626,797	3.5
Joseph Rowntree Charitable Trust	10,267,260	3.4	10,267,260	3.4

POLITICAL DONATIONS

There were no political donations made during the financial year to 31 December 2022 (2021: nil).

DISCLOSURE REQUIRED BY LISTING RULE 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that, other than the allotment of equity securities for cash (LR 9.8.4(7)) which is detailed in note 12 to the financial statements, all such reporting applied only to nonapplicable events for the year ended 31 December 2022.

FINANCIAL INSTRUMENTS

Further information regarding the Company's financial instruments and related policies and a consideration of its liquidity and other financing risks are in Notes 2 and 16 to the financial statements.

FUTURE TRENDS

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Manager's Report section of this Strategic Report on pages 1 to 42. Further details as to the risks affecting the Company are set out in the 'Principal Risks and Uncertainties' on pages 34 to 38.

DIRECTORS' INDEMNITIES

Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company has indemnified each of the Directors against all liabilities which each director may suffer or incur arising out of or in connection with any claim made or proceedings taken against them, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by them, on the grounds of their negligence, default, breach of duty or breach of trust, in relation to the Company or any Associated Company. The indemnities would provide financial support from the Company after the level of cover provided by the Company's Directors' and Officers' insurance policy has been fully utilised.

GOING CONCERN

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 December 2022, the Company held £26.3 million (2021: £28.3 million) in cash and £1,302.6 million (2021: £1,503.2 million) in quoted investments. The Company's audited net assets at 31 December 2022 were £1,275.9 million (2021: £1,479.6 million).

The Board has considered the Company's debt and related covenants. The main liability of the Company is its borrowings of £51.6 million (2021: £49.1 million) which is covered 24 times (2021: 30 times) by the net assets, which is well in excess of the level of cover required by the borrowing covenants of four times (see note 11 to the financial statements). The Company's borrowings are expected to be refinanced at their expiry on 6 September 2023, and the Board is currently in discussion as to the level and type of borrowings the Company should have in place. However, if the Board, in conjunction with the Manager, decided not to put in place new finance, the portfolio has more than sufficient liquidity to enable repayment in full.

The total ongoing expenses (excluding taxation and finance costs) for the year ended 31 December 2022 were £10.7 million (2021: £11.2 million), which represented approximately 0.81% (2021: 0.85%) of average net assets during the year. The Board considered the Company's estimated income in both normal and worst case market conditions and concluded that the Company had sufficient liquidity to meet its ongoing expenses. The Board also considered the liquidity of the Company's investments and it is estimated that approximately 92% (2021: 92%) by value of the quoted investments held at the year end could be realised in one month under normal market conditions.

At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

The Directors have considered the impact of higher inflation and interest rates and possible recession as well as the war in Ukraine on the Company's portfolio of investments and that any future prolonged and deep market decline would likely lead to falling values in the Company's investments and/or reduced dividend receipts. However, as explained above, the Company has more than sufficient liquidity available to meet its expected future obligations. In addition, the Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will continue to maintain service levels throughout future pandemics.

The Directors also recognise that the continuation of the Company is subject to the approval of shareholders every three years. The continuation vote held at the AGM in May 2022 passed with 99.99% of votes in favour. The next continuation vote will take place at the 2025 AGM.

AUDITOR INFORMATION

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) the Director has taken all steps that he or she ought to have taken as director to make himself or herself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

APPOINTMENT OF AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint BDO LLP as the Company's auditor will be put forward at the forthcoming AGM on 16 May 2023.

By order of the Board

Brian Smith
For and on behalf of
Apex Listed Company Services (UK) Limited
Company Secretary
31 March 2023

Corporate Governance

INTRODUCTION

This Corporate Governance statement forms part of the Directors' Report.

The Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of The UK Corporate Governance Code 2018 (the "UK Code"), as issued by the Financial Reporting Council ("FRC"). The UK Code can be viewed on the FRC's website.

The Board has considered the principles and provisions of the AIC Code of Corporate Governance 2019 (the "AIC Code") which addresses those set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company, as an investment trust.

The Board considers that reporting against the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive (provision 14);
- the need for an internal audit function (provision 25); and
- executive Directors' remuneration (provision 33).

The Board considers these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions, other than the need for an internal audit function specific to the Company, which has been addressed on page 58.

THE BOARD

Composition

At the date of this report the Board consists of five non-executive directors. The Chairman is John Scott, and the Directors are Aine Kelly, Stephanie Eastment, Vicky Hastings and Glen Suarez. Ms Kelly is the Senior Independent Director and the Nomination Committee Chairman. Mrs Eastment is the Audit Committee Chairman, Mrs Hastings is the Remuneration Committee Chairman and Mr Suarez is the Sustainability Reporting Committee Chairman.

All the above directors served throughout the year except for Mr Suarez who was appointed on 1 October 2022. Mr Hurd resigned on 31 December 2022.

The Board believes that during the year ended 31 December 2022 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given on pages 43 and 44.

In line with the AIC Code, the Board has decided that each Director should be subject to annual re-election by shareholders, other than Mr Scott and Mrs Hastings who are retiring at the end of the AGM in May 2023, and Mr Suarez who will stand for election for the first time having been appointed during the year.

The Board recommends all the Directors, other than Mr Scott and Mrs Hastings, for either re-election or election for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Director will receive an induction and relevant training is available to Directors on an ongoing basis.

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

BOARD COMMITTEES

The Board decides which committees it has and during the year it set up the Sustainability Reporting Committee, details of which are shown on page 50. The Board also decides upon the membership and chairmanship of its committees. Each Committee has adopted formal terms of reference, which are reviewed at least annually, and copies of these are available on the Company's website or on request from the Company Secretary.

Audit committee

A report on pages 57 and 58 provides details of the role and composition of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

Remuneration committee

All of the Directors are members and Mrs Hastings is the Chairman. The Remuneration Committee has been established to meet formally on at least an annual basis to review the remuneration policy of the Company and consider the fees of the non-executive directors. No changes were proposed to the Company's remuneration policy. Following its review of fees, the Committee recommended an increase in the Directors' fees in order to fairly reflect market remuneration rates. Details of the review conducted of the fees of non-executive directors is given on page 54.

Corporate Governance continued

The Directors' Remuneration Implementation Report is included on pages 54 to 56.

Management engagement committee ("MEC")

All of the Directors are members and Mr Scott is the Chairman of the MEC. The MEC has been established to conduct a formal annual review of the Manager, assessing investment and other performance, the level and method of the Manager's remuneration and the continued appointment of the Manager as investment manager to the Company. The MEC met and reviewed the Manager's performance and remuneration structure. In conclusion the Committee's recommendation to the Board was that it was in the best interests of shareholders as a whole to continue with the Manager's engagement and that the current management fee structure remained appropriate. (See page 46 to 47 for further details).

The Board also conducted a review of the fees for the depositary and custodian as well as the secretary and administrator. A reduction in the depositary and custodian fee rates, backdated to 1 January 2021, was agreed with the Depositary. A cap on the total fees payable for Company Secretarial and administration services was also agreed with the Administrator, effective 1 January 2022. The Board has also conducted a review of the fees for the Registrar which is in the process of being finalised and the Board will report on this in the next annual report.

Nomination committee

All of the Directors are members and Miss Kelly is the Chairman, having taken over from Mr Scott during the year. The Nomination Committee reviews the structure, size and composition of the Board and it identifies and puts forward candidates for the office of director of the Company. The Nomination Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job.

The Board has formulated a succession plan which is reviewed and maintained through the Nomination Committee to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

Miss Kelly led the recruitment process in 2022 to recruit a new director to replace Mr Scott who retires at the 2023 AGM. The Board engaged the services of recruitment specialists Trust Associates. Trust Associates are independent of both the Company and individual directors. After an extensive search and thorough recruitment process, the Committee recommended Mr Suarez to the Board and he was appointed as a non-executive director on 1 October 2022 and is the Chairman-designate.

Mr Hurd resigned as a director on 31 December 2022 due to his expanding commitments elsewhere leaving him with insufficient time to fulfil his role as a non-executive director of the Company.

Miss Kelly is currently leading the recruitment process for a second new director. The Board has engaged the services of recruitment specialists Tyzack. Tyzack are independent of both the Company and the individual directors. This search is ongoing and the Committee will report on this in due course.

Sustainability reporting committee

The Sustainability Reporting Committee was set up to consider and help the Board to establish the relevance to the Company of the growing body of sustainability issues. The Committee will receive reports from the Manager regarding its sustainability activities as they relate to the Company's portfolio, the outcomes of such activities and its sustainability metrics. The Committee will review and discuss the relevance of such activities and metrics in meeting the Company's sustainability strategy and stakeholders' expectations, will make recommendations to the Board, and oversee the Company's regulatory and voluntary sustainability reporting. Initially the Committee's members comprised Mr Hurd, Ms Kelly and Mrs Eastment, with Mr Hurd as Chairman. Subsequently, Mr Suarez became a member and Chairman.

The Committee met once to approve its terms of reference, members and Chairman. It also recommended the updated ESG Policy and new Biodiversity Policy for adoption by the Board.

Meeting attendance

The following table sets out the scheduled meetings Directors attended in the year to 31 December 2022. In addition to the meetings shown below, a Board strategy meeting was held and there were also Board and committee ad-hoc meetings to deal with administrative matters and the formal approval of documents.

	Board	Audit committee	Remuneration committee	Management engagement committee	Nomination committee	Sustainability reporting committee
Number of meetings held	5	4	1	1	2	1
John Scott	5	4	1	1	2	–
Stephanie Eastment	5	4	1	1	2	1
Vicky Hastings	5	4	1	1	2	–
Nick Hurd[1]	5	4	1	1	1	1
Aine Kelly[2]	4	3	1	1	2	1
Glen Suarez[3]	1	1	1	–	1	–

1. Nick Hurd attended all meetings up to his resignation on 31 December 2022, except for the Nomination Committee at which his resignation was discussed.
2. Aine Kelly was absent from one day of meetings due to a bereavement; however, her comments on Board and Audit Committee items were communicated beforehand to the applicable Chairmen.
3. Glen Suarez attended all meetings since his appointment on 1 October 2022.

BOARD DIVERSITY

The Board's policy on diversity is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity and ethnicity. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Manager. Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, and especially during the recruitment process, so as to ensure it is aligned with the Company's strategic priorities. The performance appraisal process is described below.

The Board believes its composition is appropriate for the Company's circumstances. In line with the Board's succession planning and tenure policy, or should strategic priorities change, the Board will review and, if required, adjust its composition.

IMPLEMENTATION OF THE BOARD'S DIVERSITY POLICY

The Board has taken note of the new targets set out in the FCA's Listing Rule 9.8.6R(9)(a) which requires that at least 40% of individuals on the board are women; at least one of the senior board positions is held by a woman; and at least one individual on the board is from a minority ethnic background. Although the Board is not required to report against these targets until the 2023 annual report, the Board has resolved to do so on a voluntary basis for the year ended 31 December 2022.

The Board has resolved that the Company's year end date is the most appropriate date for disclosure purposes. The following information has been voluntarily provided by each Director. There have been no changes since 31 December 2022.

Board at 31 December 2022

The FCA defines senior board positions as Chairman, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director. As an investment trust with no executive officers, the Company has no CEO or CFO. However, due to the nature of the Audit Committee's responsibilities, the Board considers the Audit Chairman to be a senior position and has reflected this in its diversity tables below.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Listing Rules Target
Men	3	50%	1	Women should make up at least 40% of the Board and hold at least one of the senior positions
Women	3	50%	2	

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Listing Rules Target
White British or other White (including minority-white groups)	5	83%	3	At least one member of the board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics)
Asian/Asian British	1	17%	–	

TENURE POLICY

It is the Board's policy that all Directors, including the Chairman, shall normally have tenure limited to nine years from the date of their election by shareholders at the AGM following their appointment to the Board, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. This is also subject to the Director's re-election annually by shareholders. The Board considers that this policy encourages regular refreshment and is conducive to fostering diversity.

Both Mr Scott and Mrs Hastings were asked to remain on the board beyond the usual nine year period due to exceptional circumstances, and their re-appointment was approved by shareholders at the 2022 AGM. Mr Scott and Mrs Hastings will be retiring at the conclusion of the AGM on 16 May 2023.

PERFORMANCE APPRAISAL

A formal annual performance appraisal process is performed on the Board, the Committees and individual Directors. The exercise was managed by an external provider, Lintstock Limited, which has no other connection with the Company. A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman was carried out and the Senior Independent Director reported back the results to the Chairman. The results of the most recent performance evaluation were positive and demonstrated that the Directors showed the necessary commitment for the effective fulfilment of their duties.

INTERNAL CONTROL

The Board is responsible for establishing the Company's system of internal controls and for monitoring their effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board, through the Audit Committee, regularly reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company's significant risks. If any significant failings or weaknesses are identified the Board, and where required the Manager, ensure that necessary action is taken to remedy the failings. During the year the Board – through the Audit Committee – undertook a comprehensive review of the Company's risk management framework and controls. Risks are documented into four main risk categories and the top risks schedule together with emerging risks, are considered at every Board meeting. Following its review, the Board is not aware of any significant failings or weaknesses arising in the year under review.

The Board believes that the existing arrangements, including those set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

FINANCIAL ASPECTS OF INTERNAL CONTROL

These are detailed in the Report of the Audit Committee.

Other aspects of internal control

The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Manager, the Company's Administrator and the Company Secretary.

The Board has agreed policies with the Manager on key operational issues. The Manager reports in writing to the Board on operational and compliance issues, and otherwise as necessary. The Manager reports direct to the Audit Committee concerning the internal controls applicable to the Manager's dealing, investment and general office procedures.

The Directors receive and consider monthly reports from the Administrator, giving details of all holdings in the portfolio, investment transactions and the financial position of the Company. The Administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures and company secretarial matters. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The contacts with the Manager and the Administrator enable the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored regularly and a formal review, utilising a detailed risk assessment programme, takes place at least annually. This includes consideration of relevant service provider internal controls reports. There are no significant findings to report from the review.

PRINCIPAL RISKS

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

Directors' Remuneration Policy

The remuneration policy (the "Policy") must be put forward for shareholder approval at a maximum interval of three years. The Policy was last approved by shareholders at the AGM held on 20 May 2021. Accordingly, the Policy will continue in force until the AGM to be held in 2024. The provisions set out in the Policy apply until they are next submitted for shareholder approval. In the event of any proposed material variation to the Policy, shareholder approval will be sought for the proposed new policy prior to its implementation. The Policy sets out the principles the Company follows in remunerating Directors and the result of the shareholder vote on the Policy is binding on the Company. The Remuneration Committee will take account of any views expressed by shareholders in formulating this policy.

All the Directors are non-executive directors and the Company has no other employees.

Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by shareholders, are subject to annual re-election.

Fees

Directors' fees are determined by the Board according to their duties and responsibilities and by reference to the time commitment required by each Director to carry out their roles effectively. In setting fees, the Board also has regard to the need to recruit and retain directors with appropriate knowledge and experience, the fees paid to directors of the Company's peers and industry practice. Directors' fees are also subject to the aggregate annual limit set out in the Company's Articles of Association (the "Articles"), which is currently £250,000 following shareholder approval for an increase from £200,000 at the 2022 AGM. The aggregate limit of Directors' fees in the Articles can be amended only by an ordinary resolution put to shareholders at a general meeting.

Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits.

Directors' fees are paid at fixed annual rates and do not have any variable elements. Directors are also entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a Director of the Company and cease on the date of termination of appointment. Any new Directors will be paid at the same rate as existing Directors. Directors are not entitled to compensation for loss of office, and there is no notice period upon early termination of appointment.

No incentive fees will be paid to any person to encourage them to become a director of the Company. The Company may, however, pay fees to external agencies to assist the Board in the search and selection of directors or in reviewing remuneration. Where a consultant is appointed, the consultant shall be identified in the annual report alongside a statement about any other connection it has with the Company or individual Directors. Independent judgement will be exercised when evaluating the advice of external third parties.

Statement of consideration of conditions elsewhere in the Company

As stated above, the Company has no employees. Therefore, the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Policy

This Policy will be reviewed on an annual basis by the Remuneration Committee and any changes approved by the Board. As part of the review, the Remuneration Committee will consider whether the Policy supports the long-term success of the Company and takes into consideration all relevant regulatory requirements. Any material change to the Policy must be approved by shareholders.

Effective date

The Policy is effective from the date of approval by shareholders.

Current and future policy

Component	Director	Purpose of reward	Operation
Annual fee	Chairman of the Board	For services as Chairman of a plc	Determined by the Board
Annual fee	Other Directors	For services as non-executive directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit Committee	For additional responsibility and time commitment	Determined by the Board
Additional fee	Senior Independent Director	For additional responsibility and time commitment	Determined by the Board
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

Directors' Remuneration Implementation Report

This Directors' Remuneration Implementation Report (the "Report") has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013. An ordinary resolution for the approval of this Report will be put forward at the forthcoming AGM.

The Report is put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the Report is non-binding on the Company, although it gives shareholders an opportunity to express their views, which will be taken into account by the Board and the Remuneration Committee.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is shown on page 57.

Remuneration Committee

The Company currently has five non-executive Directors. The Remuneration Committee comprises the whole Board. Further detail on the duties of the Remuneration Committee can be found in the Corporate Governance statement on page 49.

The Board carried out a review of Directors' annual fees during the year with regard to the latest inflation rates, measured by the increase in the Consumer Prices Index, and taking into account peer group comparisons by sector and market capitalisation. Following this review, it was agreed that with effect from 1 January 2023, annual fees would be increased to £45,000 for the Chairman, and £30,000 for the Directors of the Company, with additional amounts of £7,500 and £3,000 payable to the Audit Committee Chairman and the Senior Independent Director, respectively, to reflect the extra responsibility and work required by those roles.

The Remuneration Committee believes that the level of increase and resulting fees appropriately reflects prevailing market rates for an investment trust of the Company's mandate and size, the increasing complexity of regulation and resultant time spent by the Directors on Company matters, and will also enable the Company to attract appropriately experienced additional Directors in the future. Due to the size and nature of the Company, it was not deemed necessary to use a remuneration consultant although the Remuneration Committee did review peer group information on Directors' fees and took this into account in its deliberations.

The maximum level of fees payable, in aggregate, to the Directors of the Company is currently £250,000 per annum. This maximum was approved by shareholders at the Company's AGM held in 2022.

The Company's Remuneration Policy, which was approved by shareholders at the AGM held on 20 May 2021, states that the remuneration of Directors should be fair and reasonable in relation to the duties, responsibilities and time commitment of Directors; be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board.

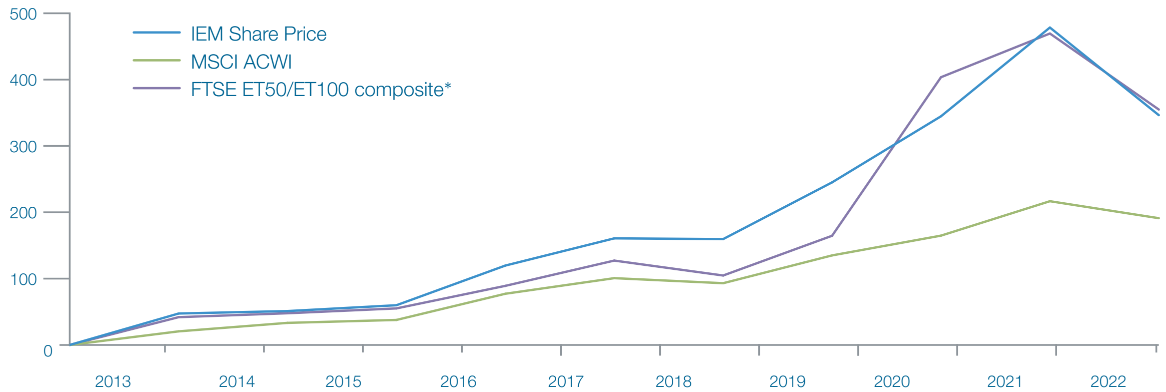
Directors' appointment letters and shareholding rights

The Directors have appointment letters which do not provide for any specific term. The Directors are not entitled to compensation on loss of office. There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares.

Performance

The following chart shows the performance of the Company's share price by comparison to two relevant indices on a total return basis. The Company does not have a specific benchmark but has deemed the MSCI ACWI Index and the FTSE ET100 Index to be the most appropriate comparators for this report.

Total return performance



* FTSE ET50 Index until 31 December 2013 and then FTSE ET100 Index thereafter.

Directors' emoluments for the year (audited)

The Directors who served during the year received the following remuneration for qualifying services.

	2022			2021		
	Fees £	Taxable benefits £	Total £	Fees £	Taxable benefits £	Total £
John Scott	42,000	–	42,000	39,975	–	39,975
Stephanie Eastment	35,000	259	35,259	33,315	–	33,315
Vicky Hastings	28,000	–	28,000	26,650	–	26,650
Nicholas Hurd – appointed on 1 August 2021	28,000	–	28,000	11,104	–	11,104
Aine Kelly	30,800	801	31,601	29,315	–	29,315
Glen Suarez – appointed on 1 October 2022	7,000	1,983	8,983	–	–	–
Simon Fraser – served 1 March to 9 August 2021	–	–	–	11,707	–	11,707
William Rickett – retired on 20 May 2021	–	–	–	10,344	–	10,344
Total	**170,800**	**3,043**	**173,843**	**162,410**	**–**	**162,410**

Annual percentage change in Directors' remuneration (unaudited)

The table below sets out the annual percentage change in Directors' fees for the past three years.

	Year ended 31 December 2022 %	Year ended 31 December 2021 %	Year ended 31 December 2020 %
John Scott	5.2	2.5	10.6
Stephanie Eastment[1]	5.1	11.0	155.5
Vicky Hastings	5.1	2.5	10.6
Nicholas Hurd[2] – appointed on 1 August 2021	152.2	–	–
Aine Kelly[3]	5.1	12.75	10.6
Glen Suarez – appointed on 1 October 2022	–	–	–
Simon Fraser – served 1 March to 9 August 2021	–	–	–
William Rickett – retired on 21 May 2021	–	–	10.6

1. The increases for 2020 and 2021 reflect the fact that Mrs Eastment joined the Board part way through 2019 and became Chairman of the Audit Committee part way through 2020. Mrs Eastment's fee increase in 2021 and 2020 would have been 2.5% and 13.5%, respectively, had she been Chairman of the Audit Committee for the whole of the period from 2019 to 2021.
2. The increase for 2022 reflects the fact that Mr Hurd joined the Board part way through 2021.
3. The increase for 2021 reflects the fact that an additional fee for the Senior Independent Director of £2,665 was introduced from 1 January 2021. Without the additional fee, Miss Kelly's fee increase would have been 2.5%.

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable, such as travel expenses. No travel expenses were incurred in 2021 because all Board meetings were virtual as a result of the pandemic. In person Board meetings subsequently resumed in 2022. Percentage changes for taxable benefits have not been shown in the table above. None of the above fees was paid to third parties.

The resolution to approve the Remuneration Report contained in the Annual Report for the year ended 31 December 2021 was put forward at the AGM held on 18 May 2022. The resolution was passed with 99.95% of the shares voted (representing 135,068,941 Ordinary Shares) being in favour of the resolution, 0.05% against (representing 67,347 Ordinary Shares) and 112,889 votes withheld.

The Directors' Remuneration Policy was last put forward at the AGM held on 20 May 2021. The resolution was passed with 99.93% of the shares voted (representing 143,969,060 Ordinary Shares) being in favour, against 0.07% (representing 94,069 Ordinary Shares) and votes withheld 42,693.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Company.

	2022 £'000	2021 £'000	Difference %
Spend on Directors' fees	171	162	5.2%
Management fees and other expenses	10,715	11,243	(4.7)%
Dividends paid to shareholders – note 9 to the financial statements	9,039	6,501	39.0%

The disclosure of the information in the table above is required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of management fees and other expenses which have been included to show the total operating expenses of the Company.

Directors' holdings (audited)

At 31 December 2022 the Directors had the following holdings in the Company (beneficial unless stated).

	Ordinary shares at 31 December 2022	Ordinary shares at 31 December 2021
John Scott	115,512	105,512
Stephanie Eastment*	13,200	12,000
Vicky Hastings	19,500	19,500
Nicholas Hurd	1,626	–
Aine Kelly	16,000	16,000
Glen Suarez	–	–

* 8,500 held non-beneficially; shares held by connected person.

On 5 January 2023, Mr Glen Suarez purchased 23,375 shares in the Company.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Report and Remuneration Policy summarises, as applicable, for the year to 31 December 2022:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions have been taken.

Vicky Hastings
Chairman of the Remuneration Committee

31 March 2023

Report of the Audit Committee

THE AUDIT COMMITTEE

As Chairman of the Audit Committee (the "Committee"), I am pleased to present the Committee's report to shareholders for the year ended 31 December 2022.

Composition

All of the Directors are members of the Committee. In accordance with the UK Code, the Chairman of the Board should not be a member. However, the AIC Code permits the Chairman to be a member of, but not chair, the Committee if they were independent on appointment - which the Chairman was and in the Board's view continues to be. In view of the size of the Board the Directors feel it is appropriate for him to continue as a member, so that the Committee can continue to benefit from his experience and knowledge.

The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. As a Chartered Accountant, the Chairman of the Committee has recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector.

Role and responsibilities

The main role and responsibilities of the Committee are set out in the Committee's terms of reference. The terms are updated annually and are available on the Company's website or on request from the Company Secretary.

The Committee meets formally at least twice a year for the purpose, amongst other things, of advising the Board on the appointment, effectiveness, independence, objectivity and remuneration of the external auditor. The Committee monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The Committee also reviews the Company's risk management, internal financial controls and internal control systems and reviews the Manager's whistleblowing arrangements. The provision of non-audit services by the auditor are reviewed against the Committee's policy described below.

Meetings

There were three Committee meetings during the year ended 31 December 2022. In addition, the Committee met the auditor, without any other party present, for a private discussion and the Chairman of the Committee met with the auditor prior to the half-yearly and annual Committee meetings.

Committee evaluation

The Committee's activities fell within the scope of the review of Board effectiveness performed in the year. Details of this process can be found under 'Performance Appraisal' on page 52.

FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

The Committee reviewed the financial statements and considered the following significant accounting matters in relation to the Company's financial statements for the year ended 31 December 2022.

Valuation and existence of investments

The accuracy of the valuation of the investment portfolio and verification of ownership of the investments is the most material matter in the production of the financial statements. The Company holds all but one of its assets in listed investments. Listed investments are valued using stock exchange prices provided by independent pricing sources. The Depositary confirmed that at the year end the accounting records recorded all investment holdings and that these had been agreed to custodian records. The Depositary is responsible for financial restitution for the loss of financial investments held in custody, and the Committee received assurance from the Depositary that all investments were held in custody

At 31 December 2022, the Company held one unquoted company in the portfolio, its valuation was written down from £582,000 to nil in the year.

Recognition of income

Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Committee reviewed the Administrator's procedures for recognition of income in the year.

As part of the annual report review, the Committee:

- obtained assurances from the Manager and the Administrator that the financial statements had been prepared appropriately;
- reviewed the procedures in place for the calculation of management fees;
- reviewed the basis of allocating management fees and finance costs to capital and agreed that allocating 75% of such costs to capital remained an appropriate basis. The assessment involved an analysis of the expected split of the Company's future long-term returns as well as a review of past returns;
- reviewed the consistency of accounting policies;
- reviewed the tax compliance of the Company during the year with the eligibility conditions and ongoing requirements in order for investment trust status to be maintained;
- reviewed the Company's financial resources, and considered the forthcoming continuation vote, and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report on page 48; and

- concluded that the annual report for the year ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report, and the external auditor's report thereon.

In addition to the above, during the year the Committee reviewed the half-yearly financial report.

The Committee reported the results of this work, including its assessment that the annual report is fair, balanced and understandable, to the Board.

EXTERNAL AUDITOR

This year's audit was the fourth performed by BDO LLP ("BDO"), and by Peter Smith as engagement partner, since BDO was appointed on 21 May 2019, following an audit tender process earlier in 2019.

Effectiveness of audit

The Committee reviewed the audit planning and the standing, skills and experience of the firm and the audit team. The Committee also considered the independence of BDO and the objectivity of the audit process. BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards.

No modifications were required to the external audit approach. The Committee received a presentation of the audit plan from the external auditor prior to the commencement of the 2022 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Committee received feedback from the Manager and Administrator regarding the effectiveness of the external audit process.

The Committee is satisfied that BDO has provided effective independent challenge in carrying out its responsibilities. After due consideration, the Committee recommended the re-appointment of BDO and their re-appointment will be put forward to the Company's shareholders at the 2023 AGM.

Provision of non-audit services

The Committee has put in place a policy on the supply of any non-audit services provided by the external auditor which was reviewed during the year.

Non-audit services are considered on a case-by case basis and may only be provided to the Company if such services meet the requirements of the standard, including: at a reasonable and competitive cost; do not constitute a conflict of interest for the auditor; and all non-audit services must be approved in advance. No non-audit services were provided by the auditor during the year (2021: none).

INTERNAL AUDIT

The Committee has considered the need for an internal audit function and considered that this is not appropriate given the nature and circumstances of the Company. The Committee keeps the need for an internal function under annual review. The Manager reports the key conclusions of its internal audit report to the Company's Committee. The Committee obtains an understanding of the internal controls in place at both the Manager and Administrator by reviewing the relevant internal control reports issued by their independent auditors.

Stephanie Eastment
Audit Committee Chairman

31 March 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the **www.impaxenvironmentalmarkets.co.uk** and **www.impaxam.com** websites which are maintained by the Company's Manager, Impax Asset Management (AIFM) Limited ("Impax"). The work carried out by the auditor does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

The Directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

John Scott
Chairman

31 March 2023

Independent Auditor's Report to the members of Impax Environmental Markets plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of *Impax Environmental Markets plc* (the 'Company') for the year ended *31 December 2022* which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 21 May 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ended 31 December 2019 to 31 December 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the current economic environment of high inflation and interest rates, by reviewing the information used by the Directors in completing their assessment;
- Assessing the liquidity of the investment portfolio, which is available to meet the future obligations and operating expenses of the Company for a period of 12 months from the date of approval of these financial statements; and
- Challenging the reasonableness of the Director's assumptions and judgements made in their forecasts by performing multiple downside scenarios testing to analyse the headroom in loan covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	2022	2021
Valuation and ownership of investments	✓	✓

	Company financial statements as a whole
Materiality	£12.7m (2021:£14.8m) based on 1% (2021: 1%) of Net assets

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments Note 1(b) and Note 2 on Page 68 and page 70) The investment portfolio at the year-end comprised of listed equity investments held at fair value through profit or loss. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore we considered the valuation and ownership of quoted investments to be the most significant audit area as the quoted investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	**We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures:** • Confirmed the year-end bid price was used by agreeing to externally quoted prices: • Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date; and • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. **Key observations:** **Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of investments was not appropriate.**

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Materiality	Company financial statements 2022 £m	2021 £m
Materiality	12.7	14.8
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
Performance materiality	9.5	11.1
Basis for determining performance materiality	75% of materiality.	75% of materiality.
Rationale for determining performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower testing threshold

We have determined that for net revenue returns on ordinary activities before taxation, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £1,600,000 (2021: £1,100,000) which is based on 10% (2021: 10%) of net revenue returns on ordinary activities before taxation.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £255,000 (2021: £296,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

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Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 48; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 38.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 58; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 34; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 52; and • The section describing the work of the audit committee set out on page 57.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our procedures included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- review of minutes of board meetings throughout the period throughout the period for instances of non-compliance with laws and regulations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance also considered Audit Committee, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be classification of the revenue and management override of controls.

Our tests included, but were not limited to:

- The procedures set out in the Key Audit Matters section above;
- Recalculating investment management fees in total;
- Checking the portfolio against corporate actions and special dividends to challenge if these have been appropriately accounted for as income or capital;
- Analysing the whole population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represents a particularly high yield;
- Obtaining independent confirmation of bank balances; and
- Testing journals which met a defined risk criteria by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
31 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

	Notes	Year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2021 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	2	–	(226,293)	(226,293)	–	239,534	239,534
Net foreign exchange losses		–	(2,778)	(2,778)	–	(314)	(314)
Income	3	20,160	–	20,160	15,195	–	15,195
Investment management fees	4	(2,420)	(7,258)	(9,678)	(2,471)	(7,412)	(9,883)
Other expenses	5	(1,037)	–	(1,037)	(1,360)	–	(1,360)
(Loss)/return on ordinary activities before finance costs and taxation		**16,703**	**(236,329)**	**(219,626)**	**11,364**	**231,808**	**243,172**
Finance costs	6	(475)	(1,424)	(1,899)	(368)	(1,103)	(1,471)
(Loss)/return on ordinary activities before taxation		**16,228**	**(237,753)**	**(221,525)**	**10,996**	**230,705**	**241,701**
Taxation	7	(2,956)	211	(2,745)	(1,605)	342	(1,263)
(Loss)/return on ordinary activities after taxation		**13,272**	**(237,542)**	**(224,270)**	**9,391**	**231,047**	**240,438**
(Loss)/return per Ordinary Share	8	4.37p	(78.18p)	(73.81p)	3.29p	81.06p	84.35p

The total column of the Income Statement is the profit and loss account of the Company.

The supplementary revenue and capital columns are provided for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

Return on ordinary activities after taxation is also the "Total comprehensive income for the year".

The notes on pages 70 to 83 form part of these financial statements.

Balance Sheet

	Notes	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Fixed assets			
Investments at fair value through profit or loss	2	1,302,605	1,503,750
Current assets			
Dividend receivable		512	274
Taxation recoverable		90	23
Other debtors		108	–
Cash and cash equivalents		26,327	28,319
		27,037	**28,616**
Creditors: amounts falling due within one year			
Trade and other payables	10	(1,929)	(3,036)
Bank loans and credit facility	11	(51,606)	–
		(53,535)	**(3,036)**
Net current (liabilities)/assets		**(26,498)**	**25,580**
Total assets less current liabilities		**1,276,107**	**1,529,330**
Creditors: amounts falling due after more than one year			
Capital gains tax provision	7	(169)	(579)
Bank loans and credit facility	11	–	(49,113)
Net assets		**1,275,938**	**1,479,638**
Capital and reserves: equity			
Share capital	12	30,562	29,806
Share premium account		423,098	388,262
Capital redemption reserve		9,877	9,877
Share purchase reserve		141,872	147,855
Capital reserve	13	657,373	894,915
Revenue reserve		13,156	8,923
Shareholders' funds		**1,275,938**	**1,479,638**
Net assets per Ordinary Share	14	**419.49p**	**496.42p**

Approved by the Board of Directors and authorised for issue on 31 March 2023 and signed on their behalf by:

John Scott
Chairman

Impax Environmental Market plc incorporated in England with registered number 4348393.

The notes on pages 70 to 83 form part of these financial statements.

Statement of Changes in Equity

Year ended 31 December 2022	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2022		29,806	388,262	9,877	147,855	894,915	8,923	1,479,638
Dividends paid	9	–	–	–	–	–	(9,039)	(9,039)
Net proceeds from issue of new shares	12	756	34,162	–	–	–	–	34,918
Net proceeds of shares sold from treasury	12	–	674	–	6,904	–	–	7,578
Cost of share buybacks	12	–	–	–	(12,887)	–	–	(12,887)
(Loss)/return for the year		–	–	–	–	(237,542)	13,272	(224,270)
Closing equity as at 31 December 2022		**30,562**	**423,098**	**9,877**	**141,872**	**657,373**	**13,156**	**1,275,938**

Year ended 31 December 2021	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2021		26,588	239,059	9,877	147,855	663,868	6,033	1,093,280
Dividends paid	9	–	–	–	–	–	(6,501)	(6,501)
Net proceeds from issue of new shares	12	3,218	149,203	–	–	–	–	152,421
Return for the year		–	–	–	–	231,047	9,391	240,438
Closing equity as at 31 December 2021		**29,806**	**388,262**	**9,877**	**147,855**	**894,915**	**8,923**	**1,479,638**

The notes on pages 70 to 83 form part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Operating activities			
(Loss)/return on ordinary activities before finance costs and taxation*		(219,626)	243,172
Less: Tax deducted at source on income from investments		(3,155)	(1,776)
Foreign exchange non cash flow losses		2,775	205
Adjustment for losses/(gains) on investments		226,293	(239,534)
Special dividends received as capital		393	–
Increase in other debtors		(413)	(99)
(Decrease)/increase in other creditors		(1,142)	821
Net cash flow from operating activities		**5,125**	**2,789**
Investing activities			
Sale of investments		313,189	336,772
Purchase of investments		(338,730)	(485,732)
Net cash flow used in investing		**(25,541)**	**(148,960)**
Financing activities			
Equity dividends paid	9	(9,039)	(6,501)
Repayment of revolving credit facility		(282)	–
Finance costs paid		(1,864)	(1,467)
Net proceeds from issue of new shares	12	34,918	152,421
Net proceeds of shares sold from treasury	12	7,578	–
Cost of share buybacks	12	(12,887)	–
Net cash flow from financing	12	**18,424**	**144,453**
Decrease in cash		**(1,992)**	**(1,718)**
Cash and cash equivalents at start of year		**28,319**	**30,037**
Cash and Cash equivalents at end of year		**26,327**	**28,319**

* Cash inflow includes dividend income received during the year ended 31 December 2022 of £20,348,000 (2021: £15,117,000) and bank interest of £205,000 (2021: £nil).

Changes in net debt note

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Net debt at start of year	(20,794)	(18,871)
Decrease in cash and cash equivalents	(1,992)	(1,718)
Foreign exchange movements	(2,775)	(205)
Repayment of revolving credit facility	282	–
Net debt at end of year	**(25,279)**	**(20,794)**

The notes on pages 70 to 83 form part of these financial statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006.

The accounts have been prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

(a) Basis of accounting

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice 'Financial statements of investment trust companies and venture capital trusts' ('SORP') issued by the Association of Investment Companies in July 2022.

The accounts have been prepared on a going concern basis. Details of the Directors' assessment of the going concern status of the Company, which considered the adequacy of the Company's resources and the macroeconomic backdrop such as higher inflation and interest rates and possible recession, is given on page 48.

Amounts in the accounts have been rounded to the nearest £'000 unless otherwise stated.

(b) Investments

Securities of companies quoted on regulated stock exchanges and the Company's holdings in unquoted companies have been classified as 'at fair value through profit or loss' and are initially recognised on the trade date and measured at fair value in accordance with sections 11 and 12 of FRS 102. Investments are measured at subsequent reporting dates at fair value by reference to their market bid prices. Any unquoted investments are measured at fair value which is determined by the Directors in accordance with the International Private Equity and Venture Capital guidelines.

Changes in fair value are included in the Income Statement as a capital item.

(c) Reporting currency

The accounts are presented in sterling which is the functional currency of the Company. Sterling is the reference currency for this UK registered and listed company.

(d) Income from investments

Investment income from shares is accounted for when the Company's right to receive the income is established, which is usually considered to be the ex-dividend date. Overseas income is grossed up at the appropriate rate of tax but UK dividend income is not grossed up for tax credits.

Special dividends are assessed on their individual merits and may be credited to the Income Statement as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Income Statement as a revenue item.

(e) Nature and purpose of equity and reserves:

Share capital represents the 10p nominal value of the issued share capital.

The share premium account arose from the net proceeds of new shares and from the excess proceeds received on the sale of shares from treasury over the repurchase cost.

The capital redemption reserve represents the nominal value of shares repurchased for cancellation.

The share purchase reserve was created following shareholders' approval and confirmation of the Court, through the cancellation and transfer of £44,125,000 in December 2002 and £246,486,789 in July 2009 from the share premium account. This reserve may only be used for share repurchases, both into treasury or for cancellation. When shares are subsequently reissued from treasury, the amount equal to their repurchase cost is reflected in this reserve, with any proceeds in excess of the repurchase cost transferred to the share premium account.

The capital reserve reflects any:

- gains or losses on the disposal of investments;
- exchange movements of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital column of the income statement; and
- expenses which are capital in nature.

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

The revenue reserve reflects all income and expenditure recognised in the revenue column of the income statement and is distributable by way of dividend.

1 ACCOUNTING POLICIES CONTINUED

The Company's distributable reserves consists of the share purchase reserve, the capital reserve attributable to realised profits and the revenue reserve. The share purchase reserve may only be used for share repurchases, both into treasury or for cancellation.

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are recognised through the Income Statement as revenue items except as follows:

Management fees

In accordance with the Company's stated policy and the Directors' expectation of the split of future returns, three quarters of investment management fees are charged as a capital item in the Income Statement. There is no performance fee arrangement with the Manager.

Finance costs

Finance costs include interest payable and direct loan costs. In accordance with Directors' expectation of the split of future returns, three quarters of finance costs are charged as capital items in the Income Statement. Loan arrangement costs are amortised over the term of the loan.

Transaction costs

Transaction costs incurred on the acquisition and disposal of investments are charged to the Income Statement as a capital item.

(g) Taxation

Irrecoverable taxation on dividends is recognised on an accruals basis in the Income Statement.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(h) Foreign currency translation

All transactions and income in foreign currencies are translated into sterling at the rates of exchange on the dates of such transactions or income recognition. Monetary assets and liabilities and financial instruments carried at fair value denominated in foreign currency are translated into sterling at the rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as either a capital or revenue item depending on the nature of the gain or loss.

(i) Financial liabilities

Bank loans and overdrafts are measured at amortised cost. They are initially recorded at the proceeds received net of direct issue costs.

(j) Cash and cash equivalents

Cash comprises cash and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(k) Estimates and assumptions

The preparation of financial statements requires the Directors to make estimates and assumptions that affect items reported in the Balance Sheet and Income Statement. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

The assumptions regarding the valuation of unquoted financial instruments are disclosed in note 2.

(l) Dividend payable

Final dividends payable to equity shareholders are recognised in the financial statements when they have been approved by shareholders and become a liability of the Company. Interim dividends payable are recognised in the period in which they are paid. The capital reserve attributable to realised profits and revenue reserve may be used to fund dividend distributions.

(m) Treasury shares

Treasury shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to share premium account. No gain or loss is recognised in the financial statements on transactions in treasury shares.

2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 £'000	2021 £'000
(a) Summary of valuation		
Analysis of closing balance:		
UK quoted securities	88,985	118,644
Overseas quoted securities	1,213,620	1,384,524
Overseas unquoted securities	–	582
Total investments	**1,302,605**	**1,503,750**
(b) Movements during the year:		
Opening balance of investments, at cost	1,031,903	748,272
Additions, at cost	338,730	484,211
Disposals, at cost	(248,327)	(200,580)
Cost of investments at 31 December	**1,122,306**	**1,031,903**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	471,847	364,617
Unrealised (losses)/gains on investments held	(291,548)	107,230
Balance of capital reserve – investments held at 31 December	180,299	471,847
Fair value of investments at 31 December	**1,302,605**	**1,503,750**
(c) Gains/(losses) on investments in year (per Income Statement)		
Gains on disposal of investments	65,492	132,716
Net transaction costs	(630)	(412)
Special dividends received as capital	393	–
Unrealised (losses)/gains on investments held	(291,548)	107,230
(Losses)/gains on investments	**(226,293)**	**239,534**

During the year, the Company incurred transaction costs on purchases totalling in aggregate £588,000 (2021: £508,000) and on disposals totalling in aggregate £313,000 (2021: £246,000). Following MiFID II, the Manager has rebated £271,000 (2021: £299,000) in respect of transaction research costs for the year ended 31 December 2022, and nil (2021: £43,000) in relation to prior periods. Transaction costs are recorded in the capital column of the Income Statement.

The Company received £327,757,000 (2021: £333,296,000) from investments sold in the year. The book cost of these investments when they were purchased was £262,265,000 (2021: £200,580,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Classification of financial instruments

FRS 102 requires classification of financial instruments within the fair value hierarchy be determined by reference to the source of inputs used to derive the fair value and the lowest level input that is significant to the fair value measurement as a whole. The classifications and their descriptions are below:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Holdings in companies with no quoted prices. Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

The classification of the Company's investments held at fair value is detailed in the table below:

	31 December 2022				31 December 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit or loss								
- Quoted	1,302,605	–	–	1,302,605	1,503,168	–	–	1,503,168
- Unquoted	–	–	–	–	–	–	582	582
	1,302,605	**–**	**–**	**1,302,605**	**1,503,168**	**–**	**582**	**1,503,750**

The movement on the Level 3 unquoted investments during the year is shown below:

	2022 £'000	2021 £'000
Opening balance	582	577
Writedown of investment to nil	(582)	–
Foreign exchange movements	–	5
Closing balance	**–**	**582**

Unquoted investments are valued using relevant financial data available on those investments and applying International Private Equity and Venture Capital guidelines. This includes, where appropriate, consideration of price of recent market transactions, earnings multiples, discounted cash flows, net assets and liquidity discounts.

At the year end the Company had one unlisted holding (2021: one).

3 INCOME

	2022 £'000	2021 £'000
Dividends from UK listed investments	2,295	1,484
Dividends from overseas listed investments	17,660	13,711
Bank interest received	205	–
Total Income	**20,160**	**15,195**

Dividends from overseas listed investments includes special dividends of £283,000 (2021: nil).

4 INVESTMENT MANAGEMENT FEES

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	2,420	7,258	9,678	2,471	7,412	9,883

Details of the investment management fee are given on page 46. At 31 December 2022, investment management fees accrued were £1,601,000 (2021: 2,730,000).

5 OTHER EXPENSES

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Secretary and administrator fees	250	–	250	276	–	276
Depository fees*	104	–	104	162	–	162
Depository fees refund*	(66)	–	(66)	–	–	–
Custody fees*	170	–	170	219	–	219
Custody fees refund*	(55)	–	(55)	–	–	–
Directors' fees- see below	171	–	171	162	–	162
Directors' expenses	3	–	4	–	–	–
Directors' other costs- see below	9	–	8	17	–	17
Directors' D&O insurance	16	–	16	13	–	13
Director recruitment fees	20	–	20	20	–	20
Broker retainer	24	–	24	50	–	50
Auditor's fee	42	–	42	37	–	37
Tax advisor fees	9	–	9	8	–	8
Association of Investment Companies	21	–	21	21	–	21
Registrar's fees	119	–	119	146	–	146
Marketing fees	61	–	61	75	–	75
FCA and listing fees	107	–	107	64	–	64
Printing fees	30	–	30	30	–	30
Other expenses	2	–	2	60	–	60
	1,037	**–**	**1,037**	**1,360**	**–**	**1,360**

Full detail on Directors' fees in the year is provided in the Directors' Remuneration Implementation Report on page 55. Employer's National Insurance upon the fees is included as appropriate in Directors' other costs. At 31 December 2022, Directors' fees, Directors' expenses and national insurance fees outstanding were £7,000 (2021: £1,000).

* Refunds of £66,000 and £55,000 were received respectively for depository and custody fees charged in 2021 due to revised depository and custody fee rates being retrospectively applied from 1 January 2021.

6 FINANCE COSTS

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest charges	471	1,414	1,885	364	1,091	1,455
Direct finance costs	4	10	14	4	12	16
Total	**475**	**1,424**	**1,899**	**368**	**1,103**	**1,471**

Facility arrangement costs amounting to £72,000 are amortised over the life of the facility on a straight-line basis.

7 TAXATION

(a) Analysis of charge in the year

			2022			2021
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	2,956	59	3,015	1,605	–	1,605
Decrease in CGT provision	–	(270)	(270)	–	(342)	(342)
Taxation	**2,956**	**(211)**	**2,745**	**1,605**	**(342)**	**1,263**

(b) Factors affecting total tax charge for the year:

The standard UK corporation tax rate at 31 December 2022 was 19% (2021: 19.00%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company.

The differences are explained below:

	2022 £'000	2021 £'000
(Loss)/return on ordinary activities before taxation	(221,525)	241,701
Corporation tax at 19.00% (2021: 19.00%)	(42,090)	45,923
Effects of:		
Non-taxable UK dividend income	(436)	(282)
Non-taxable overseas dividend income	(3,355)	(2,605)
Non-taxable interest income	(39)	–
Movement in unutilised management expenses	2,036	2,136
Movement on non-trade relationship deficits	361	280
Losses/(gains) on investments not taxable	42,995	(45,512)
Loss in foreign currency movement	528	60
Capital gains tax provision movement	(270)	(342)
Overseas taxation	3,015	1,605
Total tax charge for the year	**2,745**	**1,263**

(c) Investment companies which have been approved by the HM Revenue & Customs under section 1158 of the Corporation Tax Act 2010 are exempt from tax on capital gains. Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation of investments.

(d) The capital gains tax provision represents an estimate of the amount of tax provisionally payable by the Company on direct investment in Indian equities. It is calculated based on the long term or short term nature of the investments and the unrealised gain thereon at the applicable tax rate at the year end.

Movements on the capital gains tax provision for the year

	2022 £'000	2021 £'000
Provision brought forward	579	1,092
Capital gains tax paid	(140)	(171)
Decrease in provision in year	(270)	(342)
Provision carried forward	**169**	**579**

(e) The Company has unrelieved excess management expenses and non-trade relationship deficits of £90,629,000 (2021: £78,015,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised. The unrecognised deferred tax asset calculated using a rate of 25% (2021: 25%) amounts to £22,657,000 (2021: £19,500,000). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021 and became effective from 2nd June 2021.

8 RETURN PER SHARE

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue return after taxation (£'000s)	13,272	9,391
Capital (loss)/return after taxation (£'000s)	(237,542)	231,047
Total net (loss)/return after tax (£'000s)	**(224,270)**	**240,438**
Weighted average number of Ordinary Shares	303,853,145	285,059,568

Net return per Ordinary Share is based on the above totals of revenue and capital and the weighted average number of Ordinary Shares in issue during each year.

There is no dilution to return per share as the Company has only Ordinary Shares in issue.

9 DIVIDENDS

(a) Dividends paid in the year

	Rate	2022 £'000	Rate	2021 £'000
Interim in lieu of final for the previous year	1.50p	4,471	1.00p	2,734
First interim for the current year	1.50p	4,568	1.30p	3,767
	3.00p	**9,039**	**2.30p**	**6,501**

(b) Dividends paid and payable in respect of the financial year, which is the basis on which the requirements of s1158-1159 of the Corporation Tax Act 2010 are considered

	Rate	2022 £'000	Rate	2021 £'000
First interim for the current year	1.50p	4,568	1.30p	3,767
Second interim in lieu of final for the current year	2.50p	7,604	1.50p	4,471
	4.00p	**12,172**	**2.80p**	**8,238**

The Board declared two dividends in respect of the year and expects to continue paying two dividends annually.

10 TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Finance costs payable	133	98
Accrued management fees	1,601	2,730
Other accrued expenses	195	208
Total	**1,929**	**3,036**

11 BANK LOANS AND CREDIT FACILITY

On 6 September 2018, the Company entered into five-year fixed rate multi-currency US$20 million and £15 million loans with Scotiabank Europe plc ("Scotiabank"). The loans expire on 6 September 2023.

The Company also has a £20 million multi-currency revolving credit facility ("RCF") with Scotiabank which was fully drawn in two currencies, US $12.2 million and £10 million throughout the year. The facility expires on 6 September 2023.

A summary of the Company's loans follows.

		2022		2021	
Bank loans-fixed rate	**Interest rate**	**Loan currency amount**	**£'000**	**Loan currency amount**	**£'000**
Sterling	2.910%	15,000,000	15,000	15,000,000	15,000
Non-sterling	4.504%	20,000,000	16,531	20,000,000	14,777
			31,531		**29,777**
RCF-floating rate					
Sterling	Six month SONIA +1.7%	10,000,000	10,000	10,000,000	10,000
Non-sterling	Six month SOFR +1.7%	12,185,017	10,075	12,637,000	9,336
			51,606		**49,113**

The maturity profile of the bank loans and credit facility as follows:

Payable at 31 December	2022 £'000	2021 £'000
Bank loans payable less than one year	31,531	–
Bank loans payable after more than one year	–	29,777
Revolving credit facility payable less than one year	20,075	–
Revolving credit facility payable after more than one year	–	19,336
	51,606	**49,113**

The Company's loans and revolving credit facility contain the following covenants, with which failure to comply could necessitate the early repayment of the loan:

1) Adjusted asset coverage should not be less than 4:1.
2) Net Asset Value should not be less than £260,000,000.
3) The maximum permitted borrowing should not exceed that permitted in the Company's Articles of Association as described in the Gearing section of the Investment Policy on page 33.

12 SHARE CAPITAL

	2022		2021	
	Number	£'000	Number	£'000
Issued and fully paid shares of 10p each				
Brought forward	298,061,439	29,806	265,877,138	26,588
New shares issued in year	7,562,100	756	32,184,301	3,218
Shares bought back and held in treasury	(3,119,400)	(312)	–	–
Treasury shares issued in year	1,662,900	166	–	–
Carried forward	**304,167,039**	**30,416**	**298,061,439**	**29,806**
Treasury shares of 10p each				
Brought forward	–	–	–	–
Shares bought back and held in treasury	3,119,400	312		
Issued in year	(1,662,900)	(166)	–	–
Carried forward	**1,456,500**	**146**	**–**	**–**
Share capital	**305,623,539**	**30,562**	**298,061,439**	**29,806**

The Company received aggregate gross proceeds of £35,126,000 (2021: £153,493,000) from the issue of shares and net proceeds of £34,918,000 (2021: £152,421,000) after issue costs of £208,000 (2021: £1,072,000). During the year, the Company bought back a total of 3,119,400 Ordinary Shares (2021: nil) held in treasury for a total cost of £12,887,000 after purchase costs of £90,000. In addition, 1,662,900 Ordinary Shares (2021: Nil) have been re-issued for net proceeds of £7,578,000 after reissue costs of £91,000.

As at 27 March 2023, the latest practicable date before publication of this report, 725,000 Ordinary Shares have been bought back at a total cost of £3,244,000 after purchase costs of £23,000.

13 CAPITAL RESERVE

Realised capital reserve

	2022 £'000	2021 £'000
Opening balance	423,068	299,251
Gains on disposal of investments	65,492	132,716
Net transaction costs	(630)	(412)
Net foreign exchange losses	(2,778)	(314)
Investment management fees charged to capital	(7,258)	(7,412)
Finance costs charged to capital	(1,424)	(1,103)
Special dividends received as capital	393	–
Taxation credit to capital	211	342
Balance at 31 December	**477,074**	**423,068**

Unrealised gains on investments

	2022 £'000	2021 £'000
Unrealised gains brought forward	471,847	364,617
Unrealised (losses)/gains on investments held	(291,548)	107,230
Unrealised gains carried forward	**180,299**	**471,847**
Capital reserve balance at 31 December	**657,039**	**894,915**

14 NET ASSET VALUE PER SHARE

	2022	2021
Net asset value (£'000)	£1,275,938	1,479,638
Shares in issue (excluding shares held in treasury)	304,167,039	298,061,439
Net asset value per share at 31 December	**419.49p**	**496.42p**

15 TRANSACTIONS WITH THE MANAGER AND RELATED PARTY TRANSACTIONS

Details of the management contract can be found in the Directors' Report on page 46 to 47. Fees payable to the Manager are detailed in note 4 on page 73. Since 1 January 2018, the Manager has agreed to rebate commission which relates to research fees to the Company with such amount disclosed in note 2.

The Directors' fees are disclosed in note 5 and the Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 55.

16 FINANCIAL RISK MANAGEMENT

As an investment trust, the Company invests in equities for the long-term so as to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste, as stated in the Company's investment objective which can be found on page 32. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk, and other price risk), credit risk and liquidity risk and the Directors' approach to the management of them is set out below. These metrics are monitored by the AIFM. The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

Market risks

The potential market risks are (i) currency risk, (ii) interest rate risk, and (iii) other price risk. Each is considered in turn below.

(i) Currency risk

The Company invests in global equity markets and therefore is exposed to currency risk as it affects the value of the shares in the base currency. These currency exposures are not hedged. The Manager monitors currency exposure as part of its investment process. Currency exposures for the Company as at 31 December 2022 are detailed in the table at the end of this note.

Currency sensitivity

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 31 December 2022.

	2022 %change[1]	2021 %change[1]
Australian Dollar	(4.7%)	4.6%
Canadian Dollar	(4.2%)	(1.8%)
Danish Krone	(4.9%)	6.0%
Euro	(5.0%)	6.1%
Hong Kong Dollar	(10.6%)	(0.3%)
Indian Rupee	(1.1%)	0.9%
Israeli Shekel	1.3%	(4.6%)
Korean Won	(5.4%)	7.7%
Norwegian Krone	(0.5%)	1.7%
Swedish Krona	3.1%	8.3%
Swiss Franc	(9.3%)	2.1%
Taiwanese Dollar	(1.4%)	(2.3%)
US Dollar	(10.7%)	(0.9%)

1 Percentage change of Sterling against local currency from 1 January to 31 December.

16 FINANCIAL RISK MANAGEMENT CONTINUED

Based on the financial assets and liabilities at 31 December 2022 and all other things being equal, if sterling had weakened by 10%, the profit after taxation for the year ended 31 December 2022 and the Company's net assets at 31 December 2022 would have increased by the amounts shown in the table below. If sterling had strengthened by 10% this would have had the opposite effect.

	2022 Potential effect £'000	2021 Potential effect £'000
Australian Dollar	3,335	3,127
Canadian Dollar	5,606	6,925
Danish Krone	2,777	2,595
Euro	25,237	23,141
Hong Kong Dollar	1,955	3,017
Indian Rupee	2,249	2,492
Israeli Shekel	461	537
Korean Won	1,486	2,067
Norwegian Krone	2,336	4,706
Swedish Krona	2,135	3,052
Swiss Franc	5,655	4,751
Taiwanese Dollar	6,451	8,475
US Dollar	59,587	71,532
Total	**119,270**	**136,417**

(ii) Interest rate risk

The Company is typically fully invested in global equities but will from time to time hold interest bearing assets. These assets are cash balances that earn interest at a floating rate and, typically, UK Treasury Bills when large amounts of cash are held.

With the exception of cash, no significant interest rate risks arise in respect of any current asset. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. Cash held as a current asset is sterling and is held at the variable interest rates of the custodian. Movement in interest rates will not materially affect the Company's income and as such no sensitivity analysis is required.

The Company had two bank loans in place during the year. The loan interest on the current loans is based on a fixed rate as such no sensitivity analysis is required.

The Company's £20 million multi-currency revolving credit facility is based on a floating reference interest rate plus a margin of 1.70% per annum. If interest rates had increased or decreased by 350 basis points, which is regarded as reasonable based upon interest rate movements observed during the year, the impact to the Company's profit or loss would be:

	2022 Profit or loss £'000		2021 Profit or loss £'000	
	350 bps increase	350 bps decrease	25 bps increase	25 bps decrease
31 December				
Non-sterling Revolving Credit Facility	(353)	353	(23)	23
Sterling Revolving Credit Facility	(350)	350	(25)	25

(iii) Other price risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. The Company is well diversified across different sub-sectors and geographies and has a volatility level similar to global stock market indices such as the MSCI ACWI Index to which the Company has had an annualised tracking error of 6.8% (2021: 6.4%) over the ten year period to 31 December 2022. The historic 3-year (annualised) volatility of the Company to 31 December 2022 is 19.9% (2021: 16.6%).

At the year end the Company held investments with an aggregate market value of £1,302,605,000 (2021: £1,503,750,000). All other things being equal, the effect of a 10% increase or decrease in the share prices of the investments held at the year end would have been an increase or decrease of £130,260,500 (2021: £150,375,000) in the profit after taxation for the year ended 31 December 2022 and the Company's net assets at 31 December 2022.

16 FINANCIAL RISK MANAGEMENT CONTINUED

Overall sensitivity

The Manager has used the Parametric VaR to calculate value at risk ('VAR'). This model has been used to estimate the maximum expected loss from the portfolio held at 31 December 2022 over 1 day, 5 day, 10 day and 21 day periods given the historical performance of the fund over the previous five years. The data in the previous five years is analysed under discrete periods to provide 1 in 10, 1 in 20 and 1 in 100 possible outcomes. The results of the analysis are shown below.

	2022 Expected as percentage at limit		2021 Expected as percentage at limit	
	1 in 20 (95%)	1 in 100 (99%)	1 in 20 (95%)	1 in 100 (99%)
1 day return	1.87	2.64	1.46	2.07
5 day return	4.18	5.91	3.27	4.63
10 day return	5.90	8.35	4.63	6.54
21 day return	8.76	12.39	6.86	9.70

The above analysis has been based on the following main assumptions:

- The distribution of share price returns will be the same in the future as they were in the past.
- The portfolio weightings will remain as they were at 31 December 2022.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 4.18% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 2.64% or more on any given day.

Credit risks

BNP Paribas Securities Services (the 'Depositary') has been appointed as custodian and depositary to the Company.

Cash at bank at 31 December 2022 included £25,835,000 (2021: £27,887,000) held in its bank accounts at the Depositary. The Company also held £492,000 (2021: £432,000) in its accounts with NatWest Group plc. The Board has established guidelines that, under normal circumstances, the maximum level of cash to be held at any one bank should be the lower of i) 5% of the Company's net assets and ii) £30 million. These are guidelines and there may be instances when this amount is exceeded for short periods of time.

Substantially all of the assets of the Company at the year end were held by the Depositary or sub-custodians of the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Depositary segregates the Company's assets from its own assets and only uses sub-custodians on its approved list of sub-custodians. At the year end, the Depository held £1,302,605,000 (2021: £1,503,168,000) in respect of quoted investments.

The credit rating of the Depositary, which is a Fitch rating of A+, was reviewed at the time of appointment and is reviewed on a regular basis by the Manager and/or the Board.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis.

There is credit risk on dividends receivable during the time between recognition of the income entitlement and actual receipt of dividend.

Liquidity risks

The Company invests in a range of global equities with different market capitalisations and liquidities and therefore needs to be conscious of liquidity risk. The Manager monitors the liquidity risk by carrying out a 'Maturity Analysis' of the Company's listed equities based on the 3 Month Average Liquidities of each investment and assuming 15% of the daily traded volume.

16 FINANCIAL RISK MANAGEMENT CONTINUED

Quantitative disclosures

The results of the Managers maturity analysis at 31 December 2022 are reported in the following table as a percentage of the portfolio that could be liquidated over different time periods. On 31 December 2022, 2.59% (2021: 2.37%) of the portfolio by value (excluding unquoted investments) might have taken more than three months to be realised.

	2022	2021
Percentage of portfolio by value that could be liquidated in one week	65.9	64.5
Percentage of portfolio by value that could be liquidated in one month	92.4	92.1
Percentage of portfolio by value that could be liquidated in three months	97.4	97.6
Percentage of portfolio by value that could be liquidated in one year	98.9	98.6

The Company may invest up to 10% of its net assets into pre-IPO investments which are possible candidates for flotation.

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations for financial liabilities as they fall due. This risk is minimised because a majority of the Company's investments are in readily realisable securities which can be sold to meet funding commitments. The maturity profile analysis of the Company's financial liabilities is shown below. The Company does not have derivative financial liabilities and the amounts shown are undiscounted.

Financial liabilities by maturity at the year end are shown below on an undiscounted basis:

			2022			2021
	Within 1 year £'000	Within 1-3 years £'000	Total £'000	Within 1 year £'000	Within 1-3 years £'000	Total £'000
Bank loans	31,531	–	31,531	–	29,777	29,777
Revolving credit facility	20,075	–	20,075	–	19,336	19,336
Interest cash flows on bank loans	887	–	887	1,102	827	1,929
Interest cash flows on revolving credit facility	794	–	794	401	304	705
Cash flows on other creditors	1,796	–	1,796	2,938	–	2,938
	55,083	**–**	**55,083**	**4,441**	**50,244**	**54,685**

16 FINANCIAL RISK MANAGEMENT CONTINUED

Financial assets and liabilities

All liabilities carrying amount approximates fair value.

The Company's financial assets and liabilities at 31 December 2022 comprised:

			2022			2021
	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
Investments						
Australian Dollar	–	33,347	33,347	–	31,273	31,273
Canadian Dollar	–	55,901	55,901	–	69,087	69,087
Danish Krone	–	27,769	27,769	–	25,948	25,948
Euro	–	252,369	252,369	–	231,414	231,414
Hong Kong Dollar	–	19,548	19,548	–	30,167	30,167
Indian Rupee	–	23,074	23,074	–	25,496	25,496
Israeli Schekel	–	4,608	4,608	–	5,370	5,370
Korean Won	–	14,856	14,856	–	20,673	20,673
Norwegian Krone	–	23,356	23,356	–	47,060	47,060
Sterling	–	88,985	88,985	–	118,644	118,644
Swedish Krona	–	21,346	21,346	–	30,524	30,524
Swiss Franc	–	56,551	56,551	–	47,512	47,512
Taiwanese Dollar	–	64,511	64,511	–	84,747	84,747
US Dollar	–	616,384	616,384	–	735,835	735,835
	–	**1,302,605**	**1,302,605**	**–**	**1,503,750**	**1,503,750**
Other assets and liabilities						
Cash and cash equivalents						
Sterling	23,705	–	23,705	24,722	–	24,722
Canadian Dollar	–	–	–	97	–	97
Taiwanese Dollar	14	–	14	–	–	–
US Dollar	2,608	–	2,608	3,500	–	3,500
	26,327	**–**	**26,327**	**28,319**	**–**	**28,319**
Short term net (creditors)/debtors						
Sterling	(25,000)	(1,588)	(26,588)	–	(2,918)	(2,918)
Canadian Dollar	–	68	68	–	60	60
US Dollar	(26,606)	211	(26,395)	–	96	96
	(51,606)	**(1,309)**	**(52,915)**	**–**	**(2,762)**	**(2,762)**
Long term creditors						
Sterling	–	–	–	(25,000)	–	(25,000)
US Dollar	–	–	–	(24,113)	–	(24,113)
	–	**–**	**–**	**(49,113)**	**–**	**(49,113)**
Total	**(25,279)**	**1,301,296**	**1,276,017**	**(20,794)**	**1,500,988**	**1,480,194**

Capital management

The Company considers its capital to consist of its share capital of Ordinary Shares of 10p each, its distributable reserves and its borrowings.

At 31 December 2022 there were 305,623,539 Ordinary Shares in issue (2021: 298,061,439) of which 1,456,500 Ordinary Shares were held in treasury (2021: nil).

The Company has a stated premium/discount control policy. The Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings. Further details on share issues and buy backs during the year and the Company's policies for issuing further shares and buying back shares (including the Company's premium/discount control policy) can be found in the Directors' Report.

The Company's policy on borrowings is detailed in the Directors' Report.

10 Year Financial Record

As at 31 December	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net assets (£ millions)	386	374	372	465	507	450	657	1,093	1,480	1,276
NAV per Ordinary Share[1]	167.9p	169.8p	178.6p	243.4p	281.6p	249.6p	321.8p	411.2p	496.4p	419.5
Share price	150.0p	152.8p	160.0p	218.0p	256.5p	253.0p	333.0p	422.5p	547.0p	419.5
Premium / (discount)[1,2]	(10.7%)	(10.2%)	(10.4%)	(10.4%)	(8.9%)	1.4%	3.5%	2.7%	10.2%	0.0%

Year ended 31 December	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NAV return[1,3]	34.1%	1.7%	6.0%	37.3%	16.4%	(10.8%)	30.6%	31.0%	21.3%	(15.0%)
Share price return[1,3]	47.4%	2.5%	5.8%	37.4%	18.7%	(0.4%)	32.9%	28.9%	30.1%	(22.8%)
MSCI ACWI Index[4]	20.5%	10.6%	3.3%	28.7%	13.2%	(3.8%)	21.7%	12.7%	19.6%	(8.1%)
FTSE ET100[4,5]	44.9%	4.1%	5.0%	21.9%	20.2%	(9.9%)	29.2%	90.3%	13.1%	(20.1%)
Revenue return per Ordinary[6] Share	1.3p	1.5p	1.5p	2.0p	2.8p	3.2p	3.6p	2.2p	3.3p	4.4p
Dividends[7]	1.2p	1.4p	1.45p	1.95p	2.50p	3.0p	3.0p	2.3p	2.8p	4.0p
Ongoing charges[1]	1.13%	1.12%	1.11%	1.13%	1.05%	1.04%	1.02%	0.95%	0.85%	0.81%

Notes
1. These are considered to be APMs.
2. Share price premium/(discount) to NAV.
3. Total return (discrete annual returns) – source: Morningstar up to 2016, Bloomberg 2017 thereafter (except year 2018).
4. Net total return (dividends reinvested net of withholding tax) for MSCI indices and total return for FTSE indices (discrete annual returns).
5. FTSE ET50 data up until 31 December 2013 and then FTSE ET100 thereafter.
6. Revenue return / Ordinary Share is based upon the revenue return for the year to 31 December and the weighted average number of Ordinary Shares in issue (excluding treasury shares) during the year.
7. Total dividends payable in respect of the year.

Total returns to 31 December 2022

	NAV[1]	Share price[1]	MSCI ACWI Index	FTSE ET100 Index[2]
1 year	(15.0)%	(22.8)%	(8.1)%	(20.1)%
2 years	3.2%	0.4%	10.0%	(9.6)%
3 years	35.1%	29.4%	23.9%	72.0%
4 years	76.5%	71.9%	50.8%	122.3%
5 years	57.5%	71.2%	45.1%	100.2%
6 years	83.3%	103.2%	64.3%	140.6%
7 years	151.7%	179.2%	111.4%	193.3%
8 years	166.7%	195.5%	118.3%	207.9%
9 years	171.3%	202.8%	141.6%	220.7%
10 years	263.7%	346.4%	191.1%	355.1%

Notes
1. These are considered to be APMs.
2. FTSE ET50 data up until 31 December 2013 and then FTSE ET100 thereafter.

Alternative Performance Measures (APMs)

APMs are often used to describe the performance of investment companies although they are not specifically defined under FRS 102. The Directors assess the Company's performance against a range of criteria which are viewed as relevant to both the Company and its market sector. APM calculations for the Company are shown below.

GEARING

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

At 31 December		Page	2022	2021
Total assets less cash/cash equivalents (£'000)	a	n/a	1,303,315	1,504,047
Net assets (£'000)	b	67	1,275,938	1,479,638
Gearing (net)	**(a÷b)-1**		**2.1%**	**1.6%**

LEVERAGE

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("AIF") is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

ONGOING CHARGES

A measure, expressed as a percentage of the average daily net asset values during the year, of the regular, recurring annual costs of running an investment company.

Year end 31 December		Page	2022	2021
Average NAV (£'000)	a	n/a	1,321,438	1,324,967
Investment Management fees (£'000)	b	73	9,678	9,883
Other expenses (£'000)	c	74	1,037	1,360
	(b+c)÷a		**0.81%**	**0.85%**

PREMIUM/(DISCOUNT)

The amount, expressed as a percentage, by which the share price is more/(less) than the Net Asset Value per Ordinary Share.

At 31 December		Page	2022	2021
NAV per Ordinary Share (p)	a	1	419.49	496.42
Share price (p)	b	1	419.50	547.00
Premium/(discount)	**(b÷a)-1**		**0.0%**	**10.2%**

Alternative Performance Measures (APMs) continued

TOTAL RETURN

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

Year ended 31 December 2022		Page	Share price	NAV
Opening at 1 January 2022 (p)	a	n/a	547.00	496.42
Closing at 31 December 2022 (p)	b	1	419.50	419.49
Dividend/income adjustment factor[1]	c	n/a	1.0066	1.0059
Adjusted closing (d = b x c)	d	n/a	422.28	421.96
Total return	**(d÷a)-1**		**(22.8)%**	**(15.0)%**

Year ended 31 December 2021		Page	Share price	NAV
Opening at 1 January 2021 (p)	a	n/a	422.50	411.20
Closing at 31 December 2021 (p)	b	1	547.00	496.42
Dividend/income adjustment factor[1]	c	n/a	1.0049	1.0048
Adjusted closing (d = b x c)	d	n/a	549.67	498.79
Total return	**(d÷a)-1**		**30.1%**	**21.3%**

1 The dividend adjustment factor is calculated on the assumption that dividends paid out by the Company are reinvested into the shares of the Company at NAV at the ex-dividend date.

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) Impax Environmental Markets plc is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
the Company	Impax Environmental Markets plc ("IEM").
Custodian	An entity that is appointed to safeguard a company's assets.
Discount/premium	The amount, expressed as a percentage, by which the share price is less/more than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of a company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
FTSE ET100/FTSE ET50	FTSE ET100/FTSE ET50 is a combination of the FTSE ET100 and FTSE ET50 indices. FTSE ET50 data is used for the period to 31 December 2013 and FTSE ET100 data is used for the period from 1 January 2014. The FTSE ET (Environmental Technology) 50 and 100 indices comprise, respectively, the 50 and 100 largest pure play (i.e. deriving at least 50% of their business from environmental markets and technologies) environmental technology companies globally, by full market capital.
Gearing effect	The effect of borrowing on a company's returns.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Liquidity	The extent to which investments can be sold at short notice.
Net assets or net asset value ("NAV")	An investment company's assets less its liabilities.
NAV per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ordinary Shares	The Company's ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Relative performance	Measurement of returns relative to an index.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Tracking error	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Directors, Manager and Advisers

DIRECTORS
John Scott, (Chairman)
Stephanie Eastment (Audit Committee Chairman)
Aine Kelly (Senior Independent Director)
Vicky Hastings
Glen Suarez

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SECRETARY & ADMINISTRATOR
Apex Listed Companies Services (UK) Limited
(formerly Sanne Fund Services (UK) Limited)
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125 London Wall
London
EC2Y 5AS

REGISTRAR
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

AUDITOR
BDO LLP
55 Baker Street
London W1U 7EU

Link Group (a trading name of Link Market Services Limited and Link Market Services Trustees Limited) may be able to provide you with a range of services relating to your shareholding. To learn more about the services available to you please visit the shareholder portal at www.signalshares.com or call +44 (0) 371 664 0300.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate.

Link Group are open between 08:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

You can also write to Link Group at the address above.

Details of how to contact the Registrar in regards to the Annual General Meeting are given the Notes to the Notice of AGM on pages 90 to 92.

Notice of Annual General Meeting

Notice of Annual general meeting

Notice is hereby given that the Annual General Meeting of Impax Environmental Markets plc will be held at 7th floor, 30 Panton Street, London, SW1Y 4AJ on 16 May 2023 at 3.00pm for the following purposes:

To consider and, if thought fit, pass the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2022.
2. To approve the Directors' Remuneration Report, other than the Directors' remuneration policy, for the year ended 31 December 2022.
3. To approve the Company's Distribution Policy.
4. To re-elect Aine Kelly as a director of the Company.
5. To re-elect Stephanie Eastment as a director of the Company.
6. To elect Glen Suarez as a director of the Company.
7. To reappoint BDO LLP as auditor to the Company.
8. To authorise the Audit Committee to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
9. That:

   (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £3,034,420 or, if less, the amount that represents 10 per cent. of the nominal value of the Company's issued share capital (excluding treasury shares) on the date on which this resolution is passed; and

   (b) the authority given by this resolution:

      (i) shall be in addition to all pre-existing authorities under section 551 of the Act; and

      (ii) unless renewed, revoked or varied in accordance with the Act, shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the date of passing of this resolution save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry and the Directors may allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company in pursuance of such an offer or agreement as if such authority had not expired.

10. That, subject to the passing of resolution 9 set out in the Notice of Annual General Meeting dated 31 March 2023 (the "Allotment Authority"), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:

    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £3,034,420 or, if less, the amount that represents 10 per cent. of the nominal value of the Company's issued share capital (excluding treasury shares) on the date on which this resolution is passed;

    (b) shall be in addition to all pre-existing powers under sections 570 and 573 of the Act; and

    (c) shall expire at the same time as the Allotment Authority, save that the Company may, before expiry of the power conferred on the Directors by this resolution, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such an offer or agreement as if such power had not expired.

11. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 10p each, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 45,485,961 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in treasury) at the date of the notice of this meeting);

    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 10p;

Notice of Annual General Meeting continued

(c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2024 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

12. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board

Brian Smith
For and on behalf of Apex Listed Companies Services (UK) Limited
Company Secretary
31 March 2023

Registered Office:

6th Floor,
125 London Wall,
London, EC2Y 5AS

Notes to the Notice of AGM

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.impaxenvironmentalmarkets.co.uk.

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 3.00pm on 12 May 2023 or, if this meeting is adjourned, at 3.00pm on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting.

   You may attend the 2023 AGM virtually using your smartphone, tablet or computer. You will be able to view and listen to a live webcast of the 2023 AGM and submit questions to the Directors in writing in advance. However, you will not be able to vote at the event.

   To join the 2023 AGM virtually, you will need to visit www.impaxenvironmentalmarkets.co.uk from your device and complete the attendee registration form.

   Shareholders' questions for either the Board or the investment managers should be submitted to clientservices@impaxam.com by midday on 12 May 2023.

Appointment of proxies

3. Members entitled to vote at the meeting (in accordance with Note 2 above) are entitled to appoint a proxy to vote in their place. It is recommended that shareholders appoint the "Chairman of the Meeting" as their proxy where possible. If you wish to appoint a proxy, please follow the instructions at note 6 below. If you wish to appoint a proxy through the CREST electronic proxy appointment service, please follow the instructions at note 7 below. If you are an institutional investor and wish to appoint a proxy through the Proximity electronic proxy appointment service, please follow the instructions at note 8 below. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding.

4. You can appoint the Chairman of the Meeting as your proxy using the voting methods in notes 6 and 7.

5. You can instruct your proxy how to vote on each resolution by marking the resolutions For and Against using the voting methods stated in notes 6 and 7. If you wish to abstain from voting on any resolution, please mark these resolutions withheld. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

Appointment of proxy

6. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard copy form of proxy directly from the registrars, Link Group on Tel: +44 (0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group at PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL by 3.00pm on 12 May 2023.

Appointment of proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

   It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that this CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 3.00pm on 12 May 2023 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Group no later than 48 hours before the rescheduled meeting.

Appointment of a proxy through Proxymity

8. If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by no later than 48 hours before the time of the AGM, in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

Notice of Annual General Meeting continued

Termination of proxy appointments

9. In order to revoke a proxy instruction, you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

   If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Nominated persons

10. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

    - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
    - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
    - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

    If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the meeting

11. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

    - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

12. The total number of shares in issue in the Company is 305,623,539 Ordinary Shares of 10p each, including 2,181,500 Ordinary Shares held in treasury. Therefore, the total number of Ordinary Shares with voting rights is 303,442,039 as at 27 March 2023, being the latest practicable date before publication of this Notice. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

Communication

13. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling the Link Group shareholder helpline on +44(0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays; or
    - in writing to Link Group.

You may not use any electronic address provided either in this Notice of Meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Annual Report & Accounts

For the year ended
31 December 2022

IMPAX ENVIRONMENTAL MARKETS PLC

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@IEMplc

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