IMPAX
Asset Management

Connection

Winter 2025 | A Newsletter for Sustainable Investors

Impax champions sustainable finance at Climate Week NYC 2024

Held each September, Climate Week NYC is the largest annual climate event of its kind, convening leaders from the world of business, tech, politics, academic and civil society.

This week-long series of events aims to foster collaboration, innovation and concrete action to tackle environmental challenges. It joins the forces of inspiring frontrunners that have the means, the scale and power to drive momentum toward the transition to a more sustainable economy.

Impax is a strong advocate of collaboration between the policy and investment communities. As such, we were excited to send a delegation to New York City, where various Impax subject matter experts spoke and attended events, underscoring our commitment to driving positive environmental change.

Learn more at **impaxam.com/climate-week-nyc**.

Key messages from Impax

1. Climate change must be a core consideration for delivering fiduciary-led investment objectives
2. Climate physical risks are intensifying – yet few companies are investing sufficiently in their own resilience
3. Avoided emissions are key to understanding impact of climate solutions

Editor: **Willie Roda**
Layout: **Jarrod Gibbons**

www.impaxam.com

General Fund Information:
☎ 800.767.1729
Shareholder Account Information:
☎ 800.372.7827

PRINTED WITH SOY INK™

This newsletter is printed on recycled paper with 30% recycled content and printed using soy and vegetable based inks.

704X IAML-642271 4/25

Seeking resilience: Navigating physical climate risks

Climate change presents one of the most significant challenges for businesses today. As extreme weather events become more frequent and severe, companies must adapt to ensure their long-term resilience. Our recent thought leadership paper, "Seeking resilience," delves into the critical issue of physical climate risk (PCR) and its implications for businesses and investors.

Understanding physical climate risks

Physical climate risks take many forms, from hurricanes and floods to wildfires and droughts. These events can disrupt operations, damage assets, and impact supply chains. For sectors like utilities, whose assets are mostly immobile, there is no safe haven from these risks. Companies must model for multiple climate events and plan for long-term adaptations, not just temporary fixes.

The importance of climate resilience

Creating resilience starts with understanding the specific physical climate risks each company faces. This involves geolocating key assets, assessing value-at-risk, and identifying necessary actions and capital expenditures to build resilience. Companies must also imagine and prepare for events they haven't yet experienced through appropriate climate modeling.

Engagement and stewardship

Since 2020, Impax has engaged with companies across various industries to improve their physical risk assessment and pricing. This engagement has revealed that while companies are more aware of PCR, there is still a significant gap between what investors need to know and what companies are doing to evaluate these risks. Effective engagement involves asking companies to publicly report specific information, such as the geolocation of key assets and value chain nodes, value-at-risk, and resilience-building actions.

Lessons learned

From our engagement activities, several key lessons have emerged:

- **Comprehensive risk assessment:** Companies need to conduct thorough risk assessments that consider multiple climate scenarios.
- **Public reporting:** Transparent reporting of physical risks and resilience measures is crucial for investor confidence.
- **Long-term planning:** Building resilience requires long-term planning and investment, not just short-term fixes.
- **Collaboration:** Effective climate resilience involves collaboration between companies, investors, and policymakers.

Conclusion

Adapting to climate change is not just about mitigating risks but also about seizing opportunities for innovation and growth. By understanding and addressing physical climate risks, companies can build resilience to help ensure their long-term success. Impax's engagement with companies highlights the importance of comprehensive risk assessment, transparent reporting and long-term planning in creating climate resilience.

Read the full paper – This article is a summary of the paper "Seeking resilience." The full piece can be found at **impaxam.com/seeking-resilience**.

The business case for diversity and inclusion

Diversity and inclusion (D&I) are not just buzzwords; they are critical components for driving innovation, economic growth and financial performance.

Key benefits of D&I for companies and investors include:

Innovation

Inclusive workplaces may foster innovation. Companies with diverse leadership, such as female Chief Technology Officers (CTOs), tend to have higher patent counts and citations. Diverse boards also produce more impactful patents, driving technological and market advancements.

Economic growth and resilience

Diversity can support sustainable economic growth and resilience. Companies with gender-diverse boards had higher returns during the COVID-19 pandemic. Diverse teams are also more likely to address and prevent social or environmental violations, enhancing long-term stability.

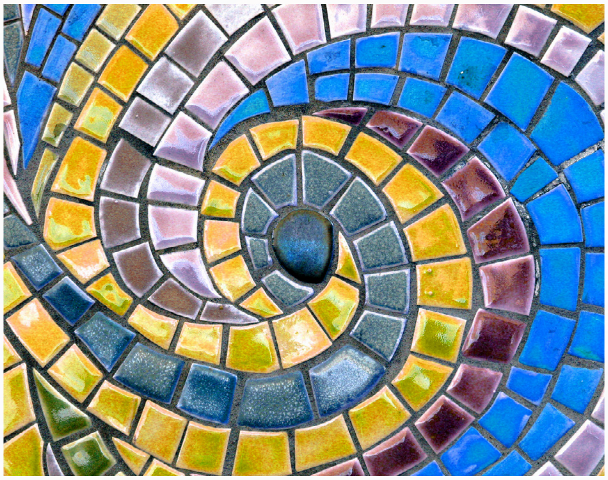
Financial performance

The literature shows that diverse teams, whether managers, boards or workforces, continue to be undervalued by the stock market, but their presence is positively correlated with financial outperformance.

Sustainability

Diversity contributes to better sustainability metrics. Gender diversity in the workforce is associated with lower carbon emissions, while diverse boards increase the use of renewable energy. Integrating D&I into corporate culture may be crucial for achieving long-term sustainability goals.

Despite the political backlash against D&I initiatives, the economic and financial value of diversity remains clear. Diverse teams bring cognitive diversity, leading to more robust decision-making processes and better financial outcomes. For investors, considering D&I is essential for making informed and responsible investment decisions.



Read the full paper – This article is a summary of the paper "The business case for diversity and inclusion." The full piece can be found at **impaxam.com/business-case-for-diversity**.

Shareholder Corner: IRA contributions

It's January, you can make a 2025 IRA contribution!

Contribution limits for Traditional and Roth IRAs in the 2025 tax year have stayed the same from 2024 – If you are under the age of 50, typically you can contribute the smaller of $7,000 or your taxable compensation for the year into your IRA accounts. If you are 50 years of age or older, you can contribute the smaller of $8,000 or your taxable compensation for the year into your IRA accounts.

And, if you haven't yet, you can still make a 2024 contribution until April 15, 2025.

Subject to deduction limits, Traditional IRA contributions are generally made on a tax-deferred basis, which means that you may be able to deduct some or all of your contribution from your taxable income. Taxes are typically paid when funds are withdrawn, presumably during retirement, when you may be in a lower tax bracket. As a reminder, with the passage of the SECURE Act in 2019, there is no longer a maximum age for being able to contribute to a Traditional IRA.

Subject to income limits, contributions to Roth IRAs are not tax deductible. Since these funds were already subject to income tax, after holding a Roth IRA for five years, certain types of withdrawals, including those taken in retirement, can be made on a tax-free basis.

For more information about your eligibility or the differences between Traditional and Roth IRAs, please see IRS Publication 590-A, "Contributions to Individual Retirement Arrangements (IRAs)" at **irs.gov**, or call the IRS at **800.829.3676** to order a copy.

You can open a new Traditional IRA or Roth IRA, or you can make a contribution to an existing account through the Impax Portal at **impaxam.com/account**.

For assistance, or for other options, please call Investor Services at **800.372.7827**.

Please note that the information above does not constitute tax advice and, as of the time written, can change with the passage of legislation currently before Congress. State tax regulations may differ from federal tax regulations. Always consult your tax advisor before making any tax-related investment decision.

The views, opinions, and forecasts included or expressed herein are as of the date indicated and are subject to change without notice. You should not assume that such information, views and forward-looking statements would remain the same after the date indicated.

The information presented herein is provided for general informational purposes only and is not intended to provide legal, tax, investment, or financial planning advice. It does not constitute an offer, invitation, solicitation, recommendation, or advice to buy or sell any securities, financial instruments, investments; to follow a particular investment strategy; to engage in any other transaction; or to engage Impax to provide investment advisory or other services.

Certain content (including data) contained within may include, or be based on, data obtained from statistical services, company reports or communications, or other third-party sources, that Impax believes are reliable. However, Impax has generally not verified this information where Impax believes the third-party source is reliable and, therefore, there is a risk that information from such third-party sources is inaccurate or incomplete. You should not rely on the information presented here as a basis for investment decisions.

You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. For this and other important information, please obtain a fund prospectus by calling 800.767.1729 or visiting www.impaxam.com. Please read it carefully before investing.

An investment in Impax Funds involves risk, including loss of principal. Past performance does not guarantee future results.

Management Risk – The investment techniques and decisions of the investment adviser and the Fund's portfolio manager(s), including the investment adviser's assessment of a company's ESG (Environmental, Social and Governance) profile when selecting investments for the Fund, may not produce the desired results and may adversely impact the Fund's performance, including relative to other Funds that do not consider ESG factors or come to different conclusions regarding such factors.

IMPAX
Asset Management

30 Penhallow Street
Suite 100
Portsmouth, NH 03801
800.372.7827
impaxfunds@impaxam.com
www.impaxam.com

ESG criteria are a set of standards for a company's operations that sustainable investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Impax Asset Management LLC is investment adviser to Impax Funds. Impax Funds are distributed by Foreside Financial Services, LLC. Foreside Financial Services, LLC is not affiliated with Impax Asset Management LLC or any of the companies listed within the articles in this newsletter.