

Finance Sector Deforestation Action (FSDA): Impax Asset Management Group plc's progress since 2021

December 2025

Summary

- The Finance Sector Deforestation Action (FSDA) initiative, launched at COP26 in 2021, brings together more than 30 financial institutions that have committed to using best efforts to end commodity-driven deforestation in their investment and lending portfolios. Impax Asset Management joined of this initiative as a founding member at COP26 in November 2021. Since joining, Impax has been an active participant in the FSDA's Investor Strategic Working Group over 2023-2025, and has hosted a number of in-person FSDA meetings at our London offices.
- Since joining the FSDA initiative, alongside producing a [Nature, Biodiversity and Deforestation Approach](#) document, we have performed an assessment of the exposure of our investments to deforestation risk for our listed equities and fixed income investments. This showed that our overall exposure across our covered AUM¹ has reduced from 21% to 16% of AUM between ("the Period").²
- Over the Period, we delivered targeted company engagements on sustainable sourcing and compliance with the EU Deforestation Regulation, and participated in policy advocacy initiatives such as the Investor Policy Dialogue on Deforestation, through which we supported the EU Deforestation Regulation and the UK Forest Risk Commodities legislation.
- We will continue to measure and monitor exposure to our exposure to deforestation risk across our investments, alongside exposures to other nature-related risks. We intend to publish an initial Nature Report in line with the recommendations of the Taskforce on Nature-related Financial Disclosures at the end of June 2026.

Introduction

In line with the FSDA [commitment letter](#), Impax's membership of this initiative has driven a series of actions in relation to addressing deforestation risks across our investments. These are summarised below, along with a mapping to the relevant section of this report where our progress is reported.

1. **Assessment of exposure to deforestation risk** through investment in holdings, with a focus on 'forest risk' agricultural commodities – palm oil, soy, beef and leather, pulp and paper (section 1).
2. **Establishing investment policies** addressing exposure to agricultural commodity-driven deforestation (section 2).

¹ Covered AUM includes listed equity investments and fixed income investments held in Impax strategies. Please refer to methodology appendix for more information.

² Overall exposure is calculated across covered AUM and represents the combined exposure of listed equity and fixed income investments, weighted by their respective proportions of total covered AUM. See Section 1 for further detail on asset-class coverage and the breakdown of exposure across listed equity and fixed income.

3. **Disclose deforestation risk and mitigation activities** in portfolios, including due diligence and engagement (sections 3 and 4).
4. **Deepening engagement of the highest risk holdings** on deforestation in their supply chains, operations, and/or financing (section 3).
5. **Engaging on policy** to support an enabling environment for businesses to avoid deforestation risks and impacts (section 4).

1. Our exposure to deforestation risk

Upon joining FSDA, we conducted a baseline assessment of our investments' exposure to deforestation risk as at 31 January 2022, followed by a subsequent assessment as at 31 October 2025. The analysis covered active listed equities, systematic listed equities, and listed fixed income investments, representing approximately 99% of AUM at 31 January 2022 and 98% of AUM at 31 October 2025³.

For the purposes of this analysis, exposure to deforestation risk is defined as direct or indirect links to forest-risk commodities and/or proximity of investee company operations to deforestation hotspots, assessed using a combination of external data sources. Specifically, we used third-party research and datasets to identify:

1. corporate involvement in forest-risk commodities (ForestIQ, Bloomberg),
2. revenue and supply-chain linkages to those commodities (ForestIQ, Bloomberg), and
3. geographic proximity of company assets to areas of significant forest loss (NatureAlpha).

The same company-level methodology was applied consistently across listed equity and listed fixed income, with fixed-income securities mapped to their ultimate parent company issuer. Further detail on the methodology is provided in the Appendix.

Our private markets investments are focused in Europe and the US, typically with very low deforestation risk and without exposure to commodity-driven land-use change and the fund focuses solely in energy-transition infrastructure (solar, wind, EV charging and related assets). We also seek to ensure that the project site selection are in appropriate areas to minimise deforestation impact and risks. As such, our private markets investments do are not materially exposed deforestation risk and is out of scope for this analysis.

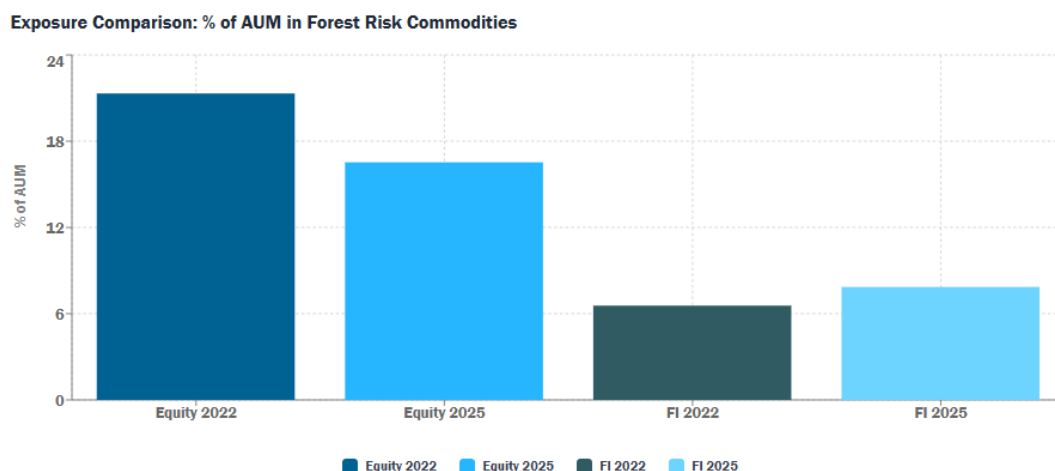
Headline exposure estimates

2022 baseline exposure estimate: 21% of covered AUM

2025 exposure estimate: 16% of covered AUM

³ Our private markets investments are excluded.

Figure 1: estimated deforestation risk exposure across listed equities and fixed income investments



The exposure across our listed equity investments decreased from 21% to 17% of covered AUM between 31 January 2022 and 31 October 2025 (“the Period”), while our fixed income investments increased in exposure from 7% to 8%⁴. These figures should be interpreted in the context of a changing AUM composition: in January 2022, listed equities represented approximately 97% and fixed income 3% of covered AUM, whereas by October 2025, listed equities accounted for 90% and fixed income for 10% (excluding private equity). The shifts in exposure largely reflect changes in market dynamics, valuation, and portfolio construction.

2. Our Nature, Biodiversity and Deforestation Approach document

In August 2022, we published our [Nature, Biodiversity and Deforestation Approach](#). This set out our approach to managing nature-related risks and opportunities in our investments, alongside the objectives of both our company engagement and our policy advocacy on nature-related issues. We subsequently updated this document as our [Approach to Nature, Biodiversity and Deforestation](#), with the most recent version published in July 2025. The document has dedicated sections covering (1) listed equity and fixed income investments and (2) our private markets (Impax New Energy Funds).

In the Appendix to this report, we outline how we identify, assess and manage nature-related risks and opportunities as they pertain to our investments.

⁴ For fixed income holdings, exposure is assessed at the issuer level by mapping individual securities to their issuer using Bloomberg reference data. This allows fixed incomes holdings to be evaluated using the same issuer-level deforestation risk indicators applied to equities. As with all issuer-mapping exercises, data coverage and corporate structure complexity may result in conservative exposure estimates.

3. Engaging with companies on deforestation

We believe that the material sustainability-related risks impacting our investments can be better managed through focused, well-structured stewardship activities.

We believe that the financial sector can play a critical role in addressing environmental degradation by both influencing companies to utilise better natural resource management systems and by deploying capital into solution providers whose products and services play a positive role in alleviating the pressures on biodiversity. Nature, including deforestation, has been a priority theme for our stewardship activities over recent years.

Table 1 below sets out some examples of companies we have engaged with across the Period on deforestation-related matters, in order to manage the exposure of deforestation risk across our investments.

Table 1: Examples of company engagement on deforestation⁵

Company	Sector / Sub-Industry	Engagement focus / objectives	Progress	Type of engagement
Mondi	Materials / Paper Products	<ul style="list-style-type: none"> Progress towards sustainable sourcing commitment(s) Enhance supplier due diligence mechanisms 	Mondi has demonstrated strong supplier due diligence mechanisms, supported by industry collaboration. The company has taken a proactive stance on the EU Deforestation Regulation (EUDR) compliance, though full traceability and supplier readiness remains a challenge.	Direct
Graphic Packaging	Materials / Paper & Plastic Packaging Products	<ul style="list-style-type: none"> Progress towards sustainable sourcing commitment(s) Enhance supplier due diligence mechanisms 	Graphic Packaging has made good progress towards its sustainable sourcing targets, despite challenges with private land ownership, smallholders and certification feasibility. Work is underway to include their external paperboard and secondary packaging materials into their commitment. The company is preparing for EUDR compliance, though full traceability and supplier readiness remains a challenge.	Direct
Croda	Materials / Specialty Chemicals	<ul style="list-style-type: none"> Progress towards sustainable sourcing commitment(s) Enhance supplier due diligence mechanisms for key ingredients, including palm derivatives 	Croda has demonstrated significant progress towards its sustainable sourcing commitments, collaborating closely with its supply base to gain supplier specific data and targets. The company is a founding member of Action for Sustainable Derivatives (ASD), working closely with industry partners to address traceability challenges of palm derivative supply chains.	Direct & Collaborative (with clients)
DSM-Firmenich	Materials / Specialty Chemicals	<ul style="list-style-type: none"> Progress towards sustainable sourcing commitment(s) Enhance supplier due diligence mechanisms 	Progress towards its deforestation-free supply chain target, engaging with suppliers on certification of crop-based raw materials, including RSPO (palm), BonSucro (sugarcane), ProTerra (soy), FSA (corn), and FSC/PEFC. The company delivered its first supplier day in early 2024 to further collaborate with suppliers towards its commitments.	Collaborative (with clients)
Kerry Group	Consumer / Packaged Foods & Meats	<ul style="list-style-type: none"> Progress towards sustainable sourcing commitment(s) Enhance supplier due diligence mechanisms 	Kerry's focus remains on its critical raw material categories, including palm oil, soy, paper and pulp-based products. The company continues to actively engage with suppliers and leverage industry partnerships, such as RSPO, towards its zero-deforestation and zero-conversion commitments.	WBA Nature WG

⁵ The examples provided represents a selection of our most relevant engagements specifically addressing deforestation-related risks. This does not represent a recommendation to buy or sell any security.

4. Policy advocacy on deforestation

Impax strongly believes in the importance of investors engaging in policy advocacy as a means of achieving systems-level change. The inclusion of a dedicated commitment on policy advocacy was one of the drivers for Impax signing up to FSDA in 2021.

Natural Capital Investment Alliance (NCIA)

Once we appreciated that the initial focus of the FSDA would be on corporate engagement, Impax pursued our policy work through the NCIA (which we also joined at COP26 in 2021). Within the NCIA's wider objective of mobilising investment in nature-based solutions, our priority was to encourage effective investor engagement in international and national policy to counter biodiversity loss. During 2022, Impax took this forward as co-chair of the NCIA's Policy, Industry and Government Liaison workstream, helping to develop a map of the policy landscape relating to natural capital with a specific focus on halting deforestation loss. This work informed the NCIA's position for the UN COP15 biodiversity summit which Impax presented at the Natural Capital Investment Summit organised by NCIA in October 2022 at Kew Gardens.

Investor Policy Dialogue on Deforestation (IPDD)

Since 2023, we have been an active member of the IPDD, an investor collaborative initiative that engages with policymakers and industry associations on the issue of deforestation. Impax is currently co-chair of the IPDD Consumer Countries working group, launched in 2023, which focuses on legislation requiring end-users of commodities to take action within their supply chains, such as the EU Deforestation Regulation.

UK Forest Risk Commodities legislation

In October 2024, we co-signed a letter to UK ministers calling on the government to introduce the Forest Risk Commodities legislation set out in the Environment Act 2021 as a priority. This letter explained the importance of halting deforestation to investors, highlighting both the systemic risks and the financial, reputational, operational, litigation and regulatory risks due to investment in companies or instruments that are directly or indirectly linked to global supply chains containing forest-risk commodities.

As a follow-up to the letter, Impax and other IPDD members met with Climate Minister Kerry McCarthy in January 2025 to discuss how to encourage closer work between investors and UK policymakers on tackling deforestation.

EU Deforestation Regulation

In December 2024, in response to plans to delay the implementation of EUDR by a year, the co-chairs of IPDD published an investor statement in support of the EU Deforestation Regulation ahead of voting by the European Parliament.

In late 2025, in response to plans for a second year of delay and potential watering down of the effectiveness of the EUDR, Impax joined with other IPDD members in signalling our concerns (see [Exclusive: Investors rail against threat of further delays to the EU's Deforestation Regulation :: Environmental Finance](#)). Impax also signed a joint statement by more than 120 companies, investors and NGOs calling on the European Commission to implement the EUDR without further change (see [120+ Companies, investors and civil society unite in opposition to further delay of EU Deforestation Regulation | ClientEarth](#)).

Tropical Forests Forever Facility (TFFF)

During 2025, we played a key role in ensuring that investor perspectives were integrated into the Tropical Forests Forever Facility (TFFF). We helped connect deforestation-focused investor initiatives - such as the Investor Policy Dialogue on Deforestation and Financial Sector Deforestation Action - with the Brazilian Government, sponsor countries and the finance experts working in the TFFF Secretariat. During London Climate Action Week, we hosted an investor roundtable at our offices as part of this dialogue.

One key issue raised by investors was the need for safeguards to prevent the fund from investing in companies linked to significant environmental harm, including deforestation and climate change. We welcome the latest concept note which confirms that states that the TFIF will exclude corporate bonds in sectors such as coal, peat, oil and gas.

PRI Spring

Impax was an early signatory to the PRI's new Spring initiative, launched in late 2023. Spring's ambition is to halt and reverse global biodiversity loss by 2030 by addressing the systemic risks of biodiversity loss. Spring aims to engage governments, NGOs and companies to urge goal-setting for deforestation, implement due diligence systems, map risks, report on progress toward no-deforestation goals and to publicly commit to align political engagement activities with the missions of the Global Biodiversity Framework.

Wider related advocacy initiatives

In addition, Impax has been closely involved in a range of initiatives focussed on nature and biodiversity loss whose activities support the goals of the FSDA. These include:

- **Taskforce of Nature-related Financial Disclosures (TNFD):** Impax was a member of the Informal Working Group which prepared the ground for the launch of the TNFD in 2021 and has remained a strong supporter since then. We have focused our engagement through the TNFD Secretariat's UK Consultation Group, which holds regular UK asset manager peer-to-peer sessions to share lessons on TNFD implementation. Impax has committed to voluntarily reporting on our own nature-related risks in 2026.
- **Business for Nature:** Impax supported Business for Nature in developing its position on the priorities for COP15 in 2022. These included adopting a clear and simple mission to halt and reverse biodiversity loss by 2030 (the same deadline as the COP26 goal of halting and reversing deforestation loss), making corporate assessment and disclosure of impacts and dependencies on nature mandatory and strengthening specific targets on the reform of environmentally harmful subsidies. We were therefore very pleased that the Global Biodiversity Framework agreed at COP15 in December 2022 addressed all the priorities identified by Business for Nature.
- **GFANZ Nature in Transition Planning workstream:** We are strong supporters for integration of halting deforestation and addressing other nature considerations into climate transition plans. As part of GFANZ, we helped develop guidance on how financial institutions can integrate these elements into transition planning which was published in October 2024 at the COP16 biodiversity summit.

5. Looking ahead: next steps on deforestation-related reporting

We will continue to measure and monitor exposure to our exposure to deforestation risk across our investments, including in the context of our upcoming Nature Report which we intend to publish at the end of June 2026⁶, alongside other key sustainability reporting.

Our intention is to publish a standalone group-level Nature Report for Year One reporting. This will cover all of Impax's AUM, across listed equities, fixed income, and private markets. We will signal aspects of the TNFD framework to which our approach will continue to evolve over time, providing a roadmap for evolving our reporting in this area.

As part of our preparations for our first Nature Report, we are assessing the use of appropriate metrics to monitor nature-related risks and opportunities across our investments.

⁶ In September 2023, the TNFD launched its final set of recommendations on nature related reporting. Following this, Impax signed up to become an early adopter of the TNFD recommendations, committing to reporting on our approach to nature-related issues on a voluntary basis by 2026 (for 2025). The TNFD recommendations provide a framework for organisations to assess, manage and report nature-related risks and opportunities. The TNFD recommendations are structured into the following four pillars, which align with TCFD: governance, strategy, risk management, and metrics and targets.

Appendix: description of methodology for assessing deforestation risk exposure

Rather than applying a sequential or funnel-based screening process, we used three complementary and equally weighted data sources to identify potential deforestation risk at the company / issuer level⁷. Each data source captures different risk channels and has distinct coverage strengths. By aggregating signals across all three, we aim to ensure that companies with potential exposure are not missed due to limitations in any single dataset.

A company was flagged as potentially exposed to deforestation risk if at least one of the data sources indicated relevant exposure.

For listed equities, exposure was assessed directly at the company level using standard identifiers (e.g. ISINs and Bloomberg identifiers), enabling direct alignment with company-level deforestation risk indicators.

For fixed-income securities, exposure was assessed at the issuer level by mapping each bond to its ultimate parent company using Bloomberg reference data. This enabled fixed-income holdings to be aligned with the same company-level deforestation risk indicators used for listed equities.

Step 1: Commodity Exposure Screening (ForestIQ)

ForestIQ aggregates data from sources including Forest 500, ZSL SPOTT, and Floresta 250. We used it as an initial screen to identify companies with potential exposure to forest-risk commodities such as palm oil, soy, beef, leather, timber, pulp & paper, natural rubber, cocoa, coffee, gold, and coal.

Step 2: Revenue and Supply Chain Analysis (Bloomberg)

Using Bloomberg, we assessed:

- **Revenue Exposure to at-risk commodities:** Calculates the percentage of total company revenue derived from high-risk agricultural commodities using Bloomberg's industry classification (BICS codes). This measures the share of revenue linked to commodities associated with deforestation risk, including palm oil, soy, rubber, cocoa, beef, leather, dairy, coffee, timber, pulp, and paper.
- **Supply Chain Links:** Counts the number of suppliers involved in forest-risk commodities by combining company disclosures with Bloomberg's Supply Chain dataset. Commodities assessed include palm oil, soy, rubber, cocoa, beef, leather, dairy, coffee, timber, pulp, and paper.

Step 3: Location-Based Analysis (NatureAlpha)

⁷ The third party data tools referenced in this appendix are used under license. Impax Asset Management Group plc and its affiliates ("Impax") is not endorsed, sponsored, or otherwise authorized by or affiliated with any of these third party data providers. Impax makes no representation as to their completeness or accuracy.

We used NatureAlpha's NatureSense™ geospatial engine to evaluate company-level exposure to deforestation hotspots. NatureSense generates 25 nature-risk metrics (scaled 0–1) at both asset and company levels.

For this screen, we applied the **aggregated company score** for the *Deforestation Hotspots* metric. This score signals overall concern across all known assets rather than counting individual assets within hotspot buffers. A higher score indicates that, in aggregate, a company's locations are closer to statistically significant clusters of forest loss.

Important nuance: Because the score is aggregated, a single high-risk asset among many low-risk ones may result in a moderate overall score, while widespread low-level exposure can also elevate the aggregate. This design provides a company-level signal rather than asset-by-asset classification.

We flagged companies with a **deforestation-hotspot score > 0.5**, interpreting this as elevated concern.

Screening and Flagging Criteria

Companies were flagged for deforestation risk if **any** of the following applied:

- Identified by **ForestIQ** as exposed to forest-risk commodities
- **Bloomberg** data showed revenue exposure (>0%) to high-risk agricultural commodities
- **Bloomberg** data indicated supplier links (>0 suppliers) to forest-risk commodities
- **NatureAlpha** location score indicated high overall proximity to deforestation hotspots (>0.5)

This multi-source approach captures both **direct and indirect risks**, ensuring companies are not overlooked simply because their core business is not inherently linked to deforestation.

Policy Quality Assessment (NatureAlpha)

In addition to exposure screening, we used NatureAlpha to assess the quality of companies' deforestation management policies. This evaluation focused on nature-related commitments, targets, disclosures, and memberships in initiatives such as the UN Global Compact and Science Based Targets.

NatureAlpha's framework allowed us to determine whether companies have robust, measurable, science-based policies in place. While policy quality was not a criterion for exposure screening, it serves as a critical indicator of which exposed companies are better prepared to manage regulatory and reputational risks linked to deforestation. These insights also inform our engagement priorities.

Important information

This document is intended solely for informational purposes. It does not constitute marketing material, investment advice, or a solicitation to buy or sell any financial products or services. All references to investment strategies and funds are descriptive only and are not promotional in nature.

References to policy engagement describe collaborative investor initiatives aimed at promoting sustainable finance practices. These activities do not constitute lobbying, nor do they involve any commitment to influence legislation beyond publicly available consultations. Impax acts independently and in accordance with its own policies.

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