

Integrating environmental, social and corporate governance (ESG) analysis in the investment process¹

April 2024

This ESG Policy (the “Policy”) is applicable to all regulated entities of the Impax Group, namely:

- Impax Asset Management Limited (“Ltd”),
- Impax Asset Management (AIFM) Ltd (“AIFM”),
- Impax Asset Management Ireland Ltd, and
- Impax Asset Management LLC; all collectively defined as “Impax” or the “Firm”.

Impax Asset Management was founded in 1998 and is a leading investment manager dedicated to investment in companies and assets that are well positioned to benefit from the transition to a more sustainable economy.

We believe that:

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

Impax offers a well-rounded suite of investment solutions spanning multiple asset classes seeking superior risk-adjusted returns over the medium to long-term. We seek higher quality companies with strong business models that demonstrate sound management of risk.

OVERVIEW OF IMPAX'S SUSTAINABLE INVESTMENT APPROACH

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

ESG analysis is an integral part of the Impax investment process, including at the company level. It is our belief that ESG analysis enables a deeper and broader understanding of investee companies, their corporate structures, oversight mechanisms, risk management capabilities and processes and transparency. We seek to understand the character of the companies through the ESG analysis. The insights from the ESG analysis are then utilised to establish the priorities for engagement with our investee companies.

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

We take into account relevant regulations when considering our approach to sustainability and ESG, especially as it relates to reporting and disclosures.

¹ This ESG Policy relates to Impax's listed investments. The ESG policy for Impax's New Energy Strategy (private equity) can be found here: <https://impaxam.com/assets/pdfs/strategies/impax-new-energy-strategy-esg-policy-2023.pdf?pwd=1669>

INTEGRATING ESG ANALYSIS INTO THE INVESTMENT PROCESS - LISTED EQUITIES²

Actively Managed Listed Equities: All companies must meet financial and ESG criteria before entering the Impax universe of investable companies. The investment team members are responsible for integrating ESG analysis into the investment process.

- 1. Norms-based screening.** Compliance with international standards and norms is an investment requirement. Global standards screening assesses the extent to which a company causes, contributes or is linked to violations of international norms and standards. This assessment covers the UN's Global Compact Principles (including human rights, labour rights, environment, and anti-corruption), as well as the OECD Guidelines for Multinational Enterprises, the International Labour Organization's (ILO) Conventions and the UN Guiding Principles on Business and Human Rights (UNGPs). Controversial weapons are outlawed in multiple jurisdictions and international treaties. Impax seeks to exclude companies with involvement in controversial weapons from investment. We source information about company compliance with international standards and norms and involvement in related controversies from external ESG research providers. If Impax determines a company is not compliant with international standards and norms, it will be excluded from investable universe. Where a company is flagged for potential breaches, Impax will monitor and seek to engage, as appropriate. We also generally seek to review our company universe for compliance with international sanctions, as applicable.
- 2. Proprietary ESG analysis.** We conduct a detailed, proprietary ESG analysis of new companies and issuers considered for the investable universe and review the ESG analysis on a periodic basis. Impax considers five main pillars within its ESG analysis:
 - **Governance:** We analyse companies' governance structures, taking into account common and best practice in the areas of board structure, compensation, shareholder rights, internal controls and governance of sustainability.
 - **Material Environmental, Social, and Other Risks:** We analyse companies' and issuers' environmental and social policies, processes and disclosures, identifying the most material risks. Materiality is defined as the sustainability issues or risks that may most materially disrupt a company's operations through financial, physical, or reputational loss or disruption. These risks can include: Resource use and dependencies, biodiversity risks, waste and pollution externalities, health and safety, supply chain complexities, product liabilities including cyber risks and data privacy and bribery & corruption. We seek investments in companies or issuers that have addressed the material risks with robust policies, processes, management systems and incentives that are scaled appropriately to the importance of the risk.
 - **Climate Change:** Climate change is a systemic issue for all companies and this pillar assesses the preparedness, management, target-setting, performance and disclosures by companies in terms of both climate transition risks and physical climate risks.
 - **Human Capital Management and E, D&I:** Human capital and E, D&I are systemic and critical issues for all companies. This pillar assesses the management, target-setting, performance and disclosures by companies for aspects of diversity in leadership (gender, racial/ethnic diversity in board and management teams), workplace equity (hiring/retention efforts, goals, targets, disclosures), and human capital (talent pipeline, compensation/benefits and employee engagement).
 - **Controversies:** This includes analysis of companies' past and ongoing controversies, seeking strong processes and management systems to address and avoid any repeat events. Analysis includes types of controversies or incidents (repeats, reputational, financial, operational), severity (widespread, systematic, isolated incident), and timeframe and status of issues (ongoing, closed, company has responded or addressed).

We analyse company disclosures and reports and use external ESG research as input and support in our analysis. When all inputs are gathered, we write an ESG report and assign a proprietary **ESG score** for each of the five pillars, as well as an overall ESG score, which includes a peer review process. We do not seek to exclude a certain number or percentage of companies or issuers, but rather seek to ensure an absolute level of ESG quality. Where this is not achieved, a company is excluded from the investable universe.

As part of our analysis of new companies and their potential introduction to our investable universe, the "A-list", a detailed "10-step analysis" is conducted, which includes financial and operative analysis, the proprietary ESG analysis described above, but also an Impax **Key Sustainability Indicator (KSI) dashboard**, which provides an overview of a range of key internal

² Impax's **Fixed Income** issuers currently undergo the proprietary ESG evaluations. However, Impax is in the process of reviewing and updating the sustainability and ESG processes for Fixed Income, due to ongoing developments in the firm's overall Fixed Income business strategy. As the updated FI processes are finalized, this ESG policy will be updated to reflect those changes.

sustainability, ESG and impact-related datapoints at the company level. KSIs complement the fundamental ESG analysis with metric-level evidence and information of investee companies' sustainability characteristics. KSIs include sustainability data points related to thematic and sustainability revenue exposures, positive impact metrics and SDG alignment, norms-based screening, climate and social metrics, as well as SFDR Principal Adverse Impact (PAI) indicators. The sustainability data collated into the dashboard supports investment decision-making, target setting for stewardship activities and monitoring of companies' progress.

As part of the fundamental ESG evaluation process, Impax monitors companies' performance on the **SFDR PAI** indicators, especially for those strategies subject to SFDR, included in the KSI dashboard. Materiality and substantive underperformance on PAI indicators relative to respective sector averages are flagged in the "Portal", Impax's research and data platform.

Systematic strategies: We have developed two proprietary rating frameworks that employ a quantitative approach to ESG assessment. These frameworks are incorporated into portfolios that use quantitative optimization tools to manage risks relative to market benchmarks and target desired tilts in characteristics. These tilts involve integration of ESG ratings systematically alongside financial factors in portfolio construction through optimization.

1. **Impax Gender Leadership Score:** The Gender Leadership Score is a proprietary framework of gender leadership factors used to determine the constituents and weights of a global investment strategy designed to capture investment returns associated with gender diversity and women's leadership.
2. **Impax Systematic ESG Rating:** The Systematic ESG Rating is a proprietary, relative ranking framework designed to capture information regarding a company's management and performance related to material ESG issues. The framework is used to determine the constituents and weights in U.S. large-cap systematic portfolios.

Additionally, in order to manage and mitigate climate risks, all of our listed investment strategies have adopted a **Fossil Fuel Policy - Impax Asset Management ([impaxam.com](https://www.impaxam.com))**

ENGAGEMENT AS PART OF THE LISTED EQUITIES INVESTMENT PROCESS

We view engagement as an important part of the ESG analysis and investment process for listed equities. We engage with companies when we have identified specific ESG issues or concerns, when we require further information regarding an ESG aspect (that is not publicly disclosed) and/or to encourage improvement in companies' material sustainability policies, processes and disclosures. Companies' responses to engagements can also be informative of company character. Impax regularly collaborates with other investors and partners on engagements. Each year we also prioritise companies for engagement on critical top-down priority themes.

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

We maintain an engagement database where engagement issues, objectives, actions, dates and outcomes are detailed. We review the status of our engagement dialogues regularly and follow up with companies or issuers as appropriate. Engagement is a process that often extends over years: as a long-term partner, Impax encourages companies to adopt best practices, improve disclosures and transparency, which improves overall resiliency as companies' respective ESG processes mature over time. The engagement dialogues often continue over years, with topics evolving as companies develop their sustainability processes and disclosures over time.

In cases where engagements are not progressing as anticipated, we will utilise our escalation processes, which include seeking meetings with alternative contacts at investee companies, including board directors, seeking engagement together with other shareholders, combining policy advocacy with company engagement in so called "systematic engagements" and filing or co-filing shareholder resolutions.

PROXY VOTING AS PART OF THE LISTED EQUITIES INVESTMENT PROCESS

Proxy voting is a key component in the ongoing dialogue with companies in which we invest. Through implementation of our voting policy and guidelines³, we aim to enhance the long-term value of our shareholdings, foster corporate governance best practices and promote sustainability, accountability and transparency.

Our policy is to vote on all shares held where practicable. Our voting decisions are informed by corporate governance codes and best practice, advisory governance research, and internal research, as described in the Impax Proxy Voting Guidelines.

Impax discloses a more detailed proxy voting policy and a quarterly summary of proxy voting records on the Impax website as part of our commitment to the UK Stewardship Code. The Impax Proxy Voting Guidelines and voting decisions are disclosed on the Impax website.

IMPAX MEMBERSHIPS:

- **A Just Transition:** Looking at challenges faced when moving to a more sustainable economy and why investors need to integrate a social dimension into their climate strategies.
- **Asian Corporate Governance Association (ACGA):** An independent organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.
- **The Carbon Disclosure Project (CDP):** An independent organisation holding the largest database of corporate climate change information in the world.
- **Ceres:** An organization working with investors and companies to build sustainability leadership and drive solutions throughout the economy. Ceres addresses topics climate change, water scarcity and pollution, and human rights abuses.
- **Climate Action 100+:** An investor-led initiative aimed at encouraging the world's largest corporate greenhouse gas emitters to improve governance on climate change, emissions and climate-related financial disclosures.
- **Climate Financial Risk Forum (CFRF):** Industry organisation Convened by the FCA and Bank of England/PRA to share best practice on climate risk.
- **Coalition for Climate Resilient Investment (CCRI):** A private sector-led organization developing tools, solutions and financial instruments to support integration of physical climate risks in investment decision-making.
- **Confederation of British Industry (CBI):** A membership organization for over 190,000 UK businesses.
- **Council of Institutional Investors (CII):** Promoting strong governance and shareholder rights standards at public companies.
- **Defined Contribution Institutional Investment Association:** A non-profit association dedicated to enhancing the retirement security of America's workers.
- **Energy Transitions Commission (ETC):** Energy transition focused think tank with membership from industry and NGOs.
- **FAIRR:** Initiative promoting more sustainable farming and food production practices.
- **Finance Sector Deforestation Action:** Collaboration to unite organisations around a shared engagement approach to tackling deforestation and other climate and nature-related initiatives.
- **Finance to Accelerate the Sustainable Transition-Infrastructure (FAST-Infra):** Aims to develop a consistent labelling system for sustainable infrastructure investment.
- **Financing a Just Transition Alliance (FJTA):** Aims to translate commitment to a just transition across the financial sector into real world impact in terms of ensuring workers and communities are not left behind.
- **Glasgow Financial Alliance for Net Zero (GFANZ):** Unites net-zero financial sector-specific alliances from across the globe into one industry-wide strategic alliance.
- **Global Impact Investing Network (GIIN):** The largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing.
- **Institutional Investors Group on Climate Change (IIGCC):** A forum for collaboration on climate change for European investors.
- **Interfaith Centre on Corporate Responsibility (ICCR):** Network of shareholders engaging companies on ESG issues.
- **International Corporate Governance Network (ICGN):** Advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, societies, and the environment.
- **The Investing and Saving Alliance (TISA):** A not-for-profit membership organization with a mission to improve the financial wellbeing of UK consumers and help shape the future of UK financial services industry.
- **Investor Environmental Health Network (IEHN):** Conducts analysis and investor engagements on environmental topics.
- **Investor Network on Climate Risk (INCR):** Partners with investors worldwide to advance investment opportunities and reduce material risks posed by sustainability challenges such as global climate change and water scarcity.

³ **Proxy Voting Guidelines Impax Asset Management:**

https://impaxam.com/assets/pdfs/proxy-voting/proxy_voting_guidelines.pdf?pwd=5285

- [Long-term Investors in People's Health Initiative \(LIPH\)](#): Giving investors the tools to improve health outcomes by sharing best practices and creating opportunities to collaborate on corporate engagement.
- [Natural Capital Investment Alliance \(NCIA\)](#): A central hub for global corporations and financial institutions seeking to scale-up their investments into Natural Capital, in support of biodiversity restoration.
- [Nature Action 100 \(NA100\)](#): A global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.
- [Net Zero Asset Managers Initiative \(NZAM\)](#): An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 °C.
- [Northeast Investors Diversity Initiative](#): An organization working to achieve greater board diversity among companies headquartered in the US Northeast through collaborative engagements with institutional investors.
- [Plastic Solutions Investor Alliance \(As You Sow\)](#): International coalition of investors that engage publicly traded consumer goods companies on the threat posed by plastic waste and pollution.
- [Principles for Responsible Investment \(PRI\)](#): Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- [PRI Sustainable Stock Exchanges Working Group](#): A peer-to-peer learning platform for investors, regulators, and companies. Looking at enhancing corporate transparency, and ultimately performance, on ESG risks and encourage sustainable investment.
- [ShareAction Investor Decarbonisation Initiative](#): Aims to bring together investors to accelerate corporate action on climate change in high-carbon sectors.
- [Shareholder Rights Group](#): Working to acquaint regulators and the public with the purpose and value of engagements.
- [Sustainable Investment Institute](#): A non-profit organisation conducting research and publishing reports on organized efforts to influence corporate behaviour on social and environmental issues.
- [Taskforce on Climate-related Financial Disclosures \(TCFD\)](#): Develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.
- [Taskforce on Nature-based Financial Disclosures \(TNFD\)](#): Initiative developing a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature.
- [Thirty Percent Coalition](#): Working to achieve greater board diversity among US companies through collaborative engagements among institutional investor members.
- [UK Stewardship Code](#): The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.
- [UK Sustainable Investment and Finance Association \(UKSIF\)](#): Provides services and opportunities to align investment profitability with social and environmental responsibility.
- [The US Forum for Sustainable and Responsible Investment \(USSIF\)](#): A US based membership association promoting sustainable, responsible and impact investment.
- [Women's Empowerment Principles](#): A set of Principles offering guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community.
- [Women in Finance](#): Commitment by the UK's HM Treasury to build a more balanced and fair industry, working to see gender balance at all levels across finance services firms.