

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

April 2025

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”.
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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 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 material sustainability 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 – LISTED EQUITIES

Impax's invests in 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 analysis. The insights from the ESG analysis are then utilised to establish the priorities for engagement with our investee companies.

Stewardship through active 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 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?pw=1669>

INTEGRATING ESG ANALYSIS INTO THE INVESTMENT PROCESS - LISTED EQUITIES

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 research providers. If Impax determines a company is not compliant with international standards and norms, it will be excluded from the 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 considered for the investable universe and review the companies on a periodic basis. Impax considers five main pillars within its ESG analysis:
 1. **Corporate 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.
 2. **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.
 3. **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 Net Zero alignment) and physical climate risks.
 4. **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).
 5. **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).

The insights and outputs from the evaluations and the ESG scoring include an understanding of the companies' character, quality and resilience, their trajectory of progress, engagement priorities and investment and portfolio implications.

For the analysis, company disclosures and reports are assessed and we use external ESG research as input and support in the analysis. The ESG analysis is the responsibility of the lead analysts and the Impax Sustainability Centre provides coordination, guidance, but also a peer review of all the evaluations, which includes confirming the overall ESG scores for the companies. Companies that do not have adequate levels of quality and resilience in their corporate governance structures, risk management approaches and transparency, are not eligible for investment.

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 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 in 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 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)**

ENGAGEMENT AS PART OF THE LISTED EQUITIES INVESTMENT PROCESS

We view engagement as an important part of the 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 highly 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.

We engage with company management teams as part of regular meetings, through additional conference calls, or as part of other communications with the broader investment community. We 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 corporate resiliency 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 policy, which includes 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 guidelines², we aim to enhance the long-term value of our shareholdings, foster corporate governance best practices and promote sustainability, accountability and transparency.

² [*Proxy Voting Guidelines Impax Asset Management*](#)

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 SUSTAINABILITY FRAMEWORK – FIXED INCOME

The Fixed Income Sustainability Framework has four key components³:

1. Screening (norms, activities)

These screens include adherence to global norms, as for equities, as well as business activities such as controversial weapons, tobacco, oil & gas exploration and coal mining. These are monitored with the help of third-party data and internal screening, checks and controls.

2. Fixed Income Sustainability Tier System (sector-level)

Impax uses a proprietary Fixed Income Sustainability Tier System. This classification system uses proprietary inputs, including the Impax Sustainability Lens, to help categorise each fixed income sector (activity) into one of five tiers based on alignment with the transition to a more sustainable economy (TSE), with a focus on sustainability risks.

3. Fixed Income ESG Analysis (issuer-level)

Impax has developed a proprietary Fixed Income analytical methodology to identify environmental, social and governance issues that have the potential to affect credit quality, with an emphasis on risk management. The key sustainability indicators (KSIs) and scoring framework used in this research and analysis are important components of Impax's proprietary and repeatable fixed income investment process.

4. Stewardship & Issuer Engagement

Engagement is an important tool in monitoring and managing risk, and for influencing, encouraging and supporting investee companies and issuers to develop enhanced structures, processes and disclosures. There are similar drivers for engagement sourcing and prioritisation in fixed income, as for equities, i.e. engagements can be bottom-up, company and issuer-specific, top-down, based on themes, collaborative with other investors and/or organisations as well as systematic, combining policy advocacy and issuer-specific engagements.

Fixed income-specific engagement priorities

- Company-specific risks (from the Impax proprietary FI ESG analysis, especially those with weaker ratings)
- Sector-specific risks - Tier 4 issuers (hard to transition sectors)

Credit analysts at Impax are responsible for the integration of fundamental credit and ESG analysis and related issuer engagement. Impax views the integration of financial, sustainability and ESG analysis as critical for the effective inclusion of sustainability risks in the company valuations and in the investment process. Members of Impax's Sustainability Centre provide insights and advice to the credit analysts, as well as oversight of investment-related sustainability risks and characteristics of issuers and portfolios through the Fixed Income Risk Committee (FIRC).

IMPAX MEMBERSHIPS:

Impax works collaboratively with peers and industry organisations⁴ to support and expand sustainable investment practices. Current memberships are described on [Impax's website](#).

³ The Impax Sustainability Framework for Fixed Income does not yet apply to Sky Harbour, acquired in April 2025

⁴ While Impax may consult with other market participants on certain engagement efforts, Impax unilaterally determines whether and to what extent to engage with other stakeholders and all of Impax's investment decisions are independent and based on its own, unilateral strategy for maximizing return on investment.