



Proxy Voting Guidelines

Impax Asset Management

Approved January 2023

These Proxy Voting Guidelines (the “Guidelines”) are 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”.

Proxy voting is a key component in the ongoing dialogue with companies in which Impax invests. We are committed to ensuring consistent exercise of voting rights associated with shares held in investment mandates where proxy voting has been delegated to us. Through implementation of our voting policy, we aim to enhance the long-term value of our shareholdings and to foster corporate governance best practices.

Impax has developed a Governance Framework, as part of our ESG-analysis, which is informed by common and global best practise, and we analyse whether companies’ governance structures deviate from global best practise. Where companies deviate from best practice, we engage with the companies and can vote against a management resolution. We endeavour to notify a company prior to AGM, or at least afterwards, if we have voted against or abstained on non-routine items.

Impax uses a third-party electronic voting platform and assesses information from service providers, including proxy advisory service providers and ESG research providers, to inform our analysis of proxy issues. However, we ultimately determine our voting based on our own Governance Framework and company ESG-analysis and engagement.

The pillars of good governance – at the core of proxy voting and the Impax Governance Framework

Impax has identified six pillars underpinning the principles of good governance:

- **Accountability** – governance structures must delineate responsibility for decision making within the organisation. For public companies, the board is ultimately answerable to shareholders and other stakeholders for its strategy and success. It must therefore accept responsibility for the company’s activities and be able to give a full and fair ‘account’ of the company’s position to its stakeholders.
- **Oversight** – a company’s governance structures dictate how management are supervised. This is one of the primary roles of the board. In order to monitor executives and evaluate their performance, the board must provide objective oversight of management for stakeholders.
- **Efficiency** – modern companies are complex organisations which need to be governed by high calibre people with a diverse range of relevant experience, expertise and skills. In this context the board’s other major role is to advise and support management. In addition, they need to establish efficient processes and robust structures to manage the company’s operations. Both in conjunction are necessary to pursue the company’s strategy effectively, enable better decision making and allocate capital efficiently.
- **Alignment** – The need for governance arises out of the ownership structure of public corporations. Unlike other entities such as partnerships, owners and management of a public company are distinct, creating a potential misalignment of interests leading to ‘agency costs.’ This is the ‘principal-agent’ problem. One of the basic aims of corporate governance is to ensure that management acts in the interests of shareholders and other stakeholders, through the use of incentives and controls.
- **Transparency** – there is a natural information asymmetry between management of a company and its stakeholders, which creates agency issues by providing scope for executives to use their information advantage to further their own interests. Comprehensive, fair disclosure of information to the market reduces this asymmetry, enabling shareholders to evaluate the performance of a company or management team more effectively. The quality of a company’s accounting and reporting, both financial and ESG, is key to this.
- **Responsibility** – companies have a responsibility to their shareholders and other stakeholders. Governance structures should cultivate a healthy culture within the firm and ensure that boards and executives act

responsibly and with integrity, balancing the needs of the company's primary stakeholders and managing its material ESG risks adequately to create sustainable long-term value.

Voting guidelines for global investments

Governance structures in public companies are today strongly influenced by the domestic market governance codes, rules, regulations and common practices. Impax is generally advocating for a move to "global governance best practices," as most public companies are international in nature and improved and more globally harmonised governance practices and quality would be beneficial for all investors and stakeholders in public companies. This is however not reality today, hence the local market circumstances must be taken into account in proxy voting guidelines and decisions.

These voting guidelines are focused on the main principles for Impax's voting decisions for developed and developing markets. It is focusing on the most relevant voting issues and aspects that we encounter when voting and are informed by the various Corporate Governance Codes and Impax's internal Governance Framework. It is not an exhaustive list of topics, but rather focused on voting items that Impax encounters in the on-going proxy voting work and is **focused on voting situations where Impax would in principle be voting against or withholding votes.**

There are six main areas for voting, all described in these guidelines:

- Boards and director elections
- Shareholder rights
- Management remuneration
- Internal controls and operational matters
- Mergers & acquisitions and capital structure
- Sustainability issues

1. Boards and director elections

The role of the board is to provide oversight and accountability to the management teams. Hence, boards need to be effective, have sufficient independence and diversity of experience, background, tenure, gender, and when applicable, race and ethnicity.

These are the main areas of focus for proxy voting relating to boards and directors and Impax will in principle vote against or withhold our vote for a director, a director in a specific role of the board or the slate of boards in the following circumstances:

- Directors who have been involved in illegal activities, have unclear backgrounds regarding integrity or have been involved in previous companies or director roles that compromise their integrity and/or have been involved in companies or activities which put their professional competence and abilities into question.

Board independence¹:

- Less than 50% independence of directors– USA, Europe, including UK, Australia and Canada
⇒ vote against Chair, Chair of Nomination Committee (or best equivalent director/s)
- Less than 33% independence of directors - Asia, incl. Japan and rest of world (Emerging Markets)
⇒ vote against Chair, Chair of Nomination Committee (or best equivalent director/s)

Board sub-committee independence and issues:

- Executives present in key board sub-committees (audit, remuneration, nomination)
⇒ Vote against the director in question, and/or Chair or best equivalent director/s
- Lack of key board committees (audit, remuneration, nomination)
⇒ Vote against the Chair or best equivalent director/s
- Lack of independence of key board sub-committees:
⇒ Audit Committee, (<100% and/or no independent chair)

¹ These are excluding any Employee Representatives on a board

- ⇒ Remuneration Committee (<67% and/or no independent chair)
- ⇒ Nomination Committee (<50% and/or no independent chair)
 - Vote against the non-independent director/s in question

Audit or audit committee issues:

- The auditor is not independent or has an agreement with the company that calls into question the auditor's independence.
- The auditor has rendered an inaccurate opinion regarding the company's financial reports or position.
- The auditor received non-audit related fees that comprise more than 50% of total fees received from the company (or more than 30% for more than 3 consecutive years).
- Concerns regarding the auditor's tenure as company's auditors.
- Lack of audit transparency or disclosures
 - ⇒ Vote against Chair of Audit Committee and audit committee members
- Board of Statutory Auditors
 - ⇒ <50% independence
 - Vote against the non-independent auditor/s

Remuneration or Remuneration committee issues

- Insufficient response to low shareholder support for advisory vote on compensation
 - Vote against Chair of Remuneration Committee
- Insufficient response to a failed advisory vote on compensation
 - ⇒ Vote against members of Remuneration Committee
- The compensation structure and/or disclosure significantly deviates from market practice
 - ⇒ Vote against members of the Remuneration Committee

Board tenures, structures, over-boarding or attendance:

- Board entrenchment, average board tenure of >10 years and no new directors in the last 3 years
 - ⇒ vote against Chair and/or Chair of Nominations Committee (or best equivalent director/s)
- Introduction of combined CEO/Chair role
 - ⇒ vote against Chair and/or Chair of Nominations Committee (or best equivalent director/s)
- Introduction of a classified or staggered board structure
 - ⇒ vote against Chair and/or Chair of Nominations Committee (or best equivalent director/s)
- Combined CEO/Chair roles, with no Independent Lead Director
 - ⇒ vote against Chair (or best equivalent director/s)
- Bundled or one-slate board elections (in countries where this is not norm)
 - ⇒ vote against the full slate
- Resolutions proposing to significantly increase (or decrease) the size of a board, especially if the proposed new directors are insiders, decreasing independence. Impax views manageable and effective boards to have between 6 and 15 directors.
 - ⇒ Vote against the Chair and or best equivalent director/s
- Directors that are over-boarded. Impax defines over-boarding in general as being a director of more than 5 boards of public companies and/or being an executive (CEO) and being on more than two outside public boards.
 - ⇒ Vote against the director in question
- Directors that have attended board meetings less than 75% of the time in the previous year, without adequate explanation
 - ⇒ Vote against the director in question
- Directors that have been at other corporations where there have been significant financial, environmental, social or governance failures
 - ⇒ Vote against director in question

Board diversity:

- Gender representation on board (developed markets): Minimum of three or 30% women, whichever is less
 - ⇒ Vote against members of the Nominations Committee (or best equivalent director/s)
- Gender representation on board: No women
 - ⇒ Vote against full slate (developed markets)
 - ⇒ Vote against members of the Nominations Committee (or best equivalent director/s) (Emerging Markets)
- Ethnic and/or racial representation ² on board (USA, UK, Canada): No ethnic and/or racial representation
 - ⇒ Vote against members of the Nominations Committee (or best equivalent director/s)
- Disclosure of board diversity characteristics (USA, UK, Canada): The self-identified gender, racial and ethnic diversity characteristics of board members is fully absent in company disclosures
 - ⇒ Vote against Chair the Nominations Committee (or best equivalent director)

Climate risks:

Impax views climate-related transition and physical risks as systematic risks for all companies. We therefore expect companies to address these risks with climate resilient and transition-aligned management processes, which include appropriate risk pricing, forward-looking risk assessment and robust climate target-setting.³

Climate risk oversight resides primarily with the board committees and directors responsible for risk and audit. For companies identified as not having taken meaningful steps to address climate risks with resilient and transition-aligned management processes and are transition “non-aligned”:

- ⇒ Vote against members of the Audit Committee (or best equivalent directors).

Other Sustainability issues:

- Major environmental, social or governance failures or acts of fraud have occurred but have not been addressed by the company
 - ⇒ Vote against full slate
- The board does not take steps to implement a shareholder resolution that receives significant support
 - ⇒ Vote against the Chair and/or the Chair of the relevant Committee Chair
- There is no clearly defined board-level oversight of material sustainability issues (North America, Europe; Market Cap >\$15bn)
 - ⇒ Vote against the Chair

2. Shareholder Rights

Shareowners have a vested interest in the direction of the companies they own, an interest that directors are obliged to protect. Shareowners should have access to directors through channels that are independent of management.

² In this context, ethnic or racial representation includes one or more of the following: Black or African American, Hispanic or Latino, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, Middle Eastern, North African, Two or More Races or Mixed Heritage.

³ Impax joined the *Net Zero Asset Managers Initiative* in October 2021 and made our [Initial Target Disclosure](#) in November 2022. Impax is committed to a target of 100% of the Net Zero committed AUM to be climate transition “aligned” and “aligning” by 2030. Engagement and stewardship are the primary approaches for achieving the target.

- ⇒ Impax will vote against proposals related to proxy access, written consent, special meetings, supermajority voting, cumulative voting and reincorporation that would serve to reduce, rather than promote, accountability to shareowners.

Shareowners should be entitled to participate equally in shareowner meetings. Multi-class voting structures are not in the best interests of common shareholders and reflect poorly on a company's corporate governance.

- ⇒ Impax will vote against proposals to adopt a new class of common stock.

Takeover defences

Proposals related to takeover defences should always be put forth for shareowner consideration.

- ⇒ Impax will generally vote against takeover defence plans unless we determine that a particular takeover defence is in shareowners' best interests.

3. Management Remuneration

Remuneration should be designed to create an incentive for long-term performance and to align the interests of executives and employees with the interests of shareowners. Remuneration practices should instill accountability through an annual advisory vote on compensation, clawback provisions in the event of restatements or other instances of fraud or malfeasance, and shareowner approval of all employment contracts. Remuneration plans should prohibit repricing and CEOs should be prohibited from engaging in hedging.

General framework for effective corporate remuneration:

- Clear governance structures underpinning compensation oversight
- Appropriate performance and corporate strategy aligning to remuneration
- Emphasis on creating long-term shareholder value
- Avoidance of any arrangements leading to "pay for failure"
- Simple, clear, but comprehensive remuneration disclosure and reporting

Impax will vote against remuneration or remuneration policies with a combination of features that we believe decrease accountability to shareholders or undermine the link between pay and long-term, sustainable performance such as:

- ⇒ Consistently excessive levels of pay quantum compared to the market, to peer companies and compared to a company's own history and with negative or declining performance metrics (financial /operational)
- ⇒ Lowering of performance targets or time horizon for performance-based compensation without adequate justification
- ⇒ Overreliance on discretionary or guaranteed bonuses
- ⇒ Overreliance on time-based awards
- ⇒ Performance targets that are not sufficiently challenging
- ⇒ Share incentive schemes resulting in excessive shareholder dilution
- ⇒ Golden Coffin arrangements
- ⇒ Addition of new tax gross-ups

4. Internal Controls and Operational Matters

Shareowners should be provided adequate time and materials to consider meeting agenda items. Shareowners should have reasonable access to the board in general and at shareowner meetings.

Vote against procedural or operational matters that are not in shareowners' best interests:

- ⇒ Transaction of other business
- ⇒ Related party transactions that we believe are not sufficiently disclosed, are excessive or fall outside the company's ordinary course of business

Auditor Ratification & Audit Fees

Auditors should be independent of the company and accountable to both the company and its shareowners.

Vote against ratification of auditor or audit fees when:

- ⇒ The auditor is not independent or has an agreement with the company that calls into question the auditor's independence.
- ⇒ The auditor has rendered an inaccurate opinion regarding the company's financial reports or position.
- ⇒ The auditor received non-audit related fees that comprise more than 50% of total fees received from the company (or more than 30% for more than 3 consecutive years).

5. Mergers & acquisitions and capital structure

In evaluating mergers and acquisitions, Impax will consider the potential financial, environmental, social and governance strengths and weaknesses of a particular transaction. Impax will vote case-by-case on mergers & acquisitions due to their complex and varied nature.

Golden Parachutes

Companies should provide a separate advisory vote on golden parachutes in connection with mergers and acquisitions.

- ⇒ Impax will vote against golden parachute arrangements that are not aligned with established market best practice and/or that we determine not in shareowners' best interests.

Capital Structure

Companies should have the ability to raise capital or alter the capital structure of the company, within reasonable limits, to enable it to operate effectively and efficiently while not harming or excessively diluting shareowner value.

- ⇒ Vote against proposals seeking to increase share capital that are excessive or do not align with established market practice
- ⇒ Vote against share buybacks when a maximum price for each share has not been set or the buyback may be used as a takeover defence

6. Sustainability issues

Impax believes 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, equality and inclusion. 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. ESG-analysis is an integral part of the Impax investment and engagement process.

The ESG risks companies face generally reflect sector and industry-specific issues; in some cases, these challenges may even be company-specific. For these reasons, we take a principled approach to sustainability matters in proxy voting rather than addressing every specific ESG issue that may arise. Impax supports proposals that seek to minimise ESG risks, to protect and enhance shareholder value, and to promote resilience and greater transparency on ESG issues, except where the intent of a specific proposal is clearly counter to advancing the transition to a sustainable economy or is not material or relevant to the company in question.