

Climate Strategy Beyond Financial Returns Report

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DATA IN THIS REPORT RELATES TO THE PERIOD 1 JANUARY 2021 – 31 DECEMBER 2021.



Contents summary

Impax is delighted to share the Beyond Financial Returns results of the Climate Strategy.

At Impax, every strategy is designed to intentionally allocate clients' capital towards those companies which expected to flourish as the global economy transitions to a more sustainable model, and to reduce or eliminate exposure to potential losers from that transition.

This report provides post-investment evidence of this intentionality.

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Introduction

The impact metrics reported for Impax listed equity strategies relate to the benefits that the products and services of investee companies are enabling. Investing in listed impactful companies does not increase or add to that impact but is a concrete demonstration that the investment is strongly aligned to companies benefiting from, and enabling, the transition to a more sustainable economy.

As the size of the portfolio can vary between years, the environmental benefit has been standardized to \$10 million invested and is also reported for the total portfolio. Data within this report relates to the calendar year 2021 to reflect the most recent available reporting by portfolio companies.

The measurement of impact is an evolving discipline. Impax continues to develop its approach through proprietary research and in response to engagement with industry stakeholders and clients.

It is worth highlighting that the impact data reported is a function of what is available from portfolio companies. While measurement and disclosure are improving, areas of incompleteness and inconsistency remain, not only for carbon reporting, but also for other metrics.

Impax continues to make the case for increased disclosure on material sustainability metrics during company engagements. These efforts will enable improvement on the breadth and depth of impact reporting over time.

This year Impax's engagement and voting activity has also been included to provide a more comprehensive report on Sustainability and Stewardship outcomes for the portfolio. The objective of engagement with investee companies is to monitor and reduce corporate governance and operational sustainability risks, which Impax believes contributes to shareholders returns.

Finally, this report provides an outlook on Impax's Policy Advocacy focus areas for 2022. This key aspect of stakeholder engagement enables Impax's voice to be heard with global public policymakers in support of the development and creation of policy which will accelerate the transition to a sustainable economy.

The methodologies behind these reports are included in the Appendix.

As ever, Impax looks forwards to discussing the sustainability outcomes of the past year's investments and welcomes feedback as reporting in this area continues to develop.

Environmental Benefits

In 2021, the environmental impact of \$10 million invested in the Climate Strategy supported

| | Total | Equivalent to |
|---|-------------------------|--|
| Net CO ₂ impact (emitted - avoided) (tCO ₂) | -1,600 tCO ₂ | 350 cars off the road |
| The Net CO ₂ impact number ¹ is derived from 2,000 CO ₂ emitted minus 3,500 CO ₂ avoided. | | |
| Water provided/ saved/ treated | 100 million gallons | 970 households' water consumption |
| Renewable energy generated | 660 MWh | 60 households' electricity consumption |
| Materials recovered/ waste treated | 100 tons | 40 households' waste output |

In 2021, the environmental impact of the Climate Strategy supported

| | Total | Equivalent to |
|---|---------------------------|--|
| Net CO ₂ impact (Emitted - avoided) (tCO ₂) | -774,700 tCO ₂ | 168,410 cars off the road |
| The Net CO ₂ impact number ¹ is derived from 948,000 CO ₂ emitted minus 1,722,700 CO ₂ avoided. | | |
| Water provided/ saved/ treated | 47 billion gallons | 427,980 households' water consumption |
| Renewable energy generated | 320,080 MWh | 29,870 households' electricity consumption |
| Materials recovered/ waste treated | 50,750 tons | 21,810 households' waste output |

Past performance is not indicative of future results, which may vary materially. A loss of principal may occur. There can be no assurance that Impax will achieve performance results in the future comparable to the performance presented herein. Source: Impax Asset Management. Based on most recently reported annual environmental data for holdings and assets under management as of 31 December 2021. Impax's impact methodology is based on equity value. As the value of the holdings can vary between years, Impax has standardized environmental benefit to \$10m invested, and also reported on the total value of the holdings as at 31 December 2021. Refer to the Disclosures and Definitions on pages 16-17 for additional methodology and summarized data that was available and estimated for companies in the Fund. The total number of companies in the strategy as of December 31, 2021, was 55.

¹ The quantitative impact data presented for the Net CO₂ Impact in this report may not sum precisely due to rounding the numbers to three significant figures.

Environmental analysis

The Impax Climate strategy invests globally in companies providing solutions to resource scarcity and environmental pollution. Investee companies must be 'pure plays', generating at least 50% of revenues related to climate mitigation or climate adaptation products and services.

The portfolio's weighted average revenue exposure to these markets at year end was approximately 77%.

The focus of the investment process on companies delivering climate solutions naturally results in environmental benefits which Impax quantifies at the end of each year on the basis of portfolio company disclosures.

The portfolio generated 660 MWh of renewable electricity per \$10m invested. EDP Renovaveis, a Portuguese renewable energy producer, was the largest source of clean energy generation.

The strategy also helped in the provision, saving and treatment of 100 million gallons of water through investments in global water utilities and water infrastructure technology.

Befesa, a German firm active in steel dust recycling and Brambles, an Australian consumer goods logistics company, were key in helping to recover or recycle 100 tons of materials per \$10m invested.

The carbon impact of the portfolio is covered separately in the next section.

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Environmental impact – company example

Befesa

Germany, Recycling & Value-Added Waste Processing

Befesa is a German industrial waste recycling company. The company specializes in the collection and recycling of steel dust and aluminum residues. This process extracts valuable metals which can be reused in industrial processes. Recycling these metals reduces mining activity, waste to landfill, and carbon emissions compared to primary extraction, while also cutting input costs for users of these materials. In both its end markets Befesa significantly contributes to the circular economy.

Steelmaking creates a hazardous waste material called steel dust which Befesa collects and processes, generating zinc which it can sell to zinc producers. Befesa performs a critical service in the industry of recycling and converting steel dust into non-hazardous materials. Similarly, in the aluminum industry Befesa recycles aluminum slags to produce metal concentrates and other materials which can be reused to produce further aluminum. Befesa recycled just under 1.3 million tonnes* of hazardous waste in 2021.

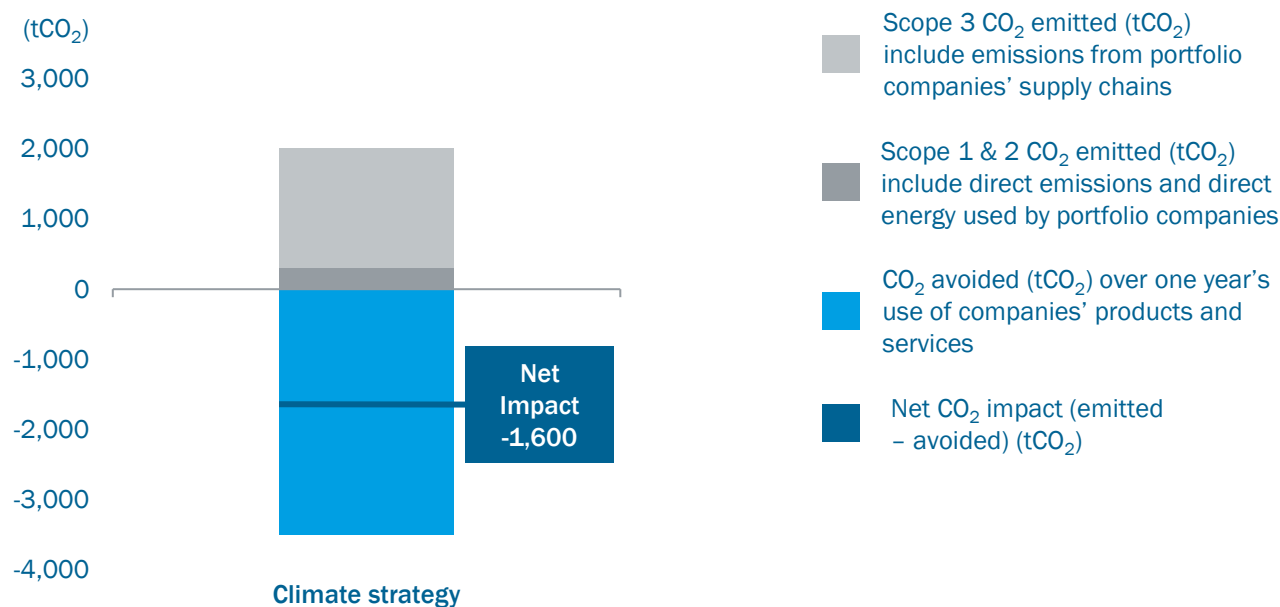
In addition, the company is helping to accelerate a steel industry shift to Electric Arc Furnace (EAF) steelmaking, which recycles steel and is 85% less carbon intensive than traditional blast furnaces. This transition is an important factor in decarbonizing the steel sector. Similarly, recycled aluminum is approximately 99% less CO₂ intensive than primary aluminum from mined ores.

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*In its new 2022 sustainability report released after data collection for Impax impact reporting, Befesa notes that using a life-cycle approach, its operations avoided more than 2.4 million tonnes of CO₂ in 2021.

Carbon impact

NET CO₂ IMPACT PER \$10M INVESTED FOR ONE YEAR



Impax Net Carbon and Weighted Average Carbon Intensity (WACI) Impax Climate Strategy – 31 December 2021

| | Scope 1+2 | Scope 1+2+3 | Avoided (Scope 4) | Net ¹ (S1+S2+S3) - S4 |
|---|-----------|-------------|-------------------|----------------------------------|
| Impax NET carbon methodology tCO ₂ eq per \$10 million invested | 300 | 2,000 | 3,500 | -1,600 |
| WACI tCO ₂ eq per US\$ million sales | 73 | 295 | 1851 | |

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¹ The quantitative impact data presented for the Net CO₂ Impact in this report may not sum precisely due to rounding the numbers to three significant figures.

Carbon analysis

The net CO₂ emissions avoided by portfolio companies' activities are calculated by looking at the total emissions from the activities of companies during the year minus the emissions avoided by the use of their products and services for one year. When considered at the portfolio level, the emissions avoided materially exceed those emitted, resulting in net emissions of -1,600 tCO₂ per \$10m invested.

It is the energy efficiency and emission abatement solutions delivered by the portfolio companies which act as the enablers for the global economy to move toward reducing emissions toward net zero overall. Leading contributors in the portfolio to such emission reduction include Novozymes, a Danish company active in the production of enzymes for food and agriculture, Spirax-Sarco Engineering, a British specialist in industrial steam energy efficiency, XinYi Solar, a Chinese solar module component supplier, and a Tomra, a Norwegian recycling equipment leader.

With ongoing improvement in company reporting and progress in data availability, Scope 3 (value chain emissions) continues to be the largest GHG emissions category for the portfolio as a whole. This includes categories such as companies' purchased materials and goods and services, business travel, and use of sold products. Scope 3 emissions for the Climate strategy are more than five times Scope 1 plus Scope 2 emissions combined.

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Carbon impact – company example

Signify

Netherlands, Buildings Energy Efficiency

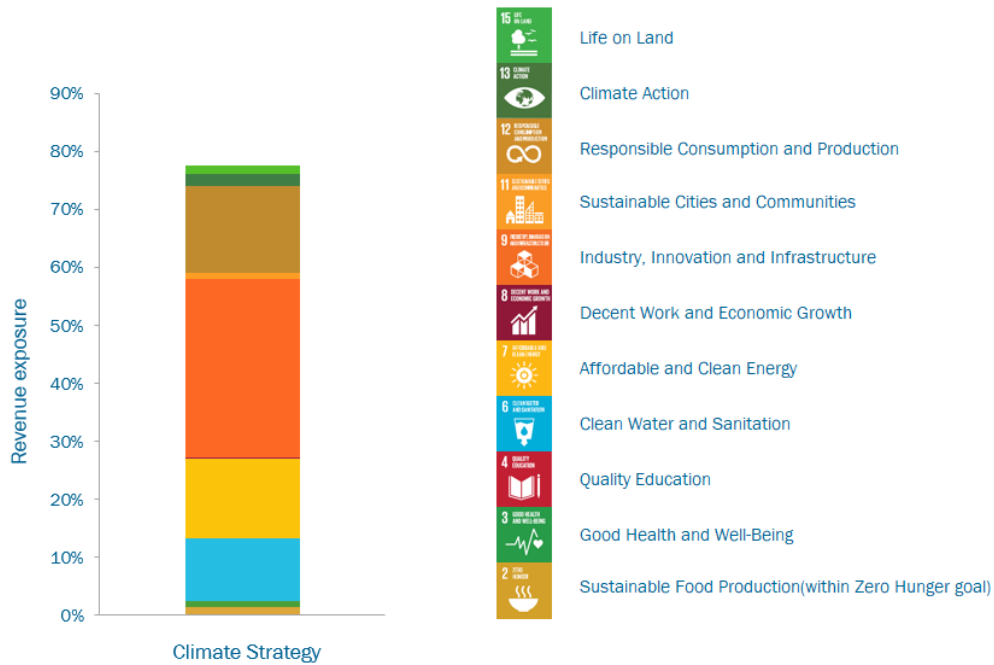
Signify, formerly Philips Lighting, is the largest general lighting company in the world and specializes in energy efficient lighting systems and components. The importance of the role and technological ability of decarbonizing this sector is seen in the fact that, 15 years ago, lighting accounted for 19% of global electricity consumption, yet declined to 12% in 2021 despite a substantial increase in light points and usage. Phasing out energy-inefficient conventional lighting and switching to LEDs and enhancing energy efficiency with smart connected lighting will continue to be important and yields environmental benefits in the form of lower emissions. LED lighting can reduce electricity consumption by up to 50%, and with use of smart connected systems, this savings can reach 80%.

Signify considers helping its customers reduce emissions through energy efficiency a vital part of its business and its drive for continued innovation. The company assesses thresholds for its products' lumen output as an input into overall firm climate action alignment.

By the end of 2020, Signify delivered almost 3 billion LED lamps and luminaries to date; 578 million in 2020 alone. Considering the environmental impact of avoided carbon emissions, this amounts to just over 14 million tCO₂ avoided, materially reducing Signify's overall emissions.

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UN SDG alignment



| NO. | UN SUSTAINABLE DEVELOPMENT GOALS | REVENUE EXPOSURE |
|--------------|---|------------------|
| 2 | Zero Hunger | 1.5% |
| 3 | Good Health and Well-Being | 1.1% |
| 6 | Clean Water and Sanitation | 10.7% |
| 7 | Affordable and Clean Energy | 13.7% |
| 8 | Decent Work and Economic Growth | 0.3% |
| 9 | Industry, Innovation and Infrastructure | 30.7% |
| 11 | Sustainable Cities and Communities | 1.1% |
| 12 | Responsible Consumption and Production | 14.9% |
| 13 | Climate Action | 2.2% |
| 15 | Life on Land | 1.5% |
| TOTAL | | 77.6% |

The companies' activities are closely aligned with the UN Sustainable Development Goals (SDGs). There is an intrinsic link between the intentionality of the investment process's focus on Climate Solutions. This link is vital for investors seeking to understand returns on their investment beyond the financial outcome. The strategy has the greatest linkage to:

- **Goal 9**, Industry Innovation & Infrastructure, which relates to holdings in efficient IT, buildings energy efficiency, and smart & efficient grids.
- **Goal 12**, Responsible Consumption and Production, which relates to holdings in recycling & waste technologies, resource circularity, and sustainable aquaculture.
- **Goal 7**, Affordable & Clean Energy, which relates to holdings in wind power generation, solar energy generation and related equipment.

Source: Data as at 31 December 2021. Figures are based on Impax internal data. Impax's investment process does not identify alignment with SDGs as a specific objective. Instead, the nature of Impax's investment philosophy results in some meaningful revenue exposure within the Environmental Markets strategies, as well as the Sustainability Lens strategies with emerging market exposure. Refer to the pages 16-17 for additional methodology and summarized data that was available and estimated for companies in the strategy.

Engagement summary

2021

How Impax identifies engagement opportunities

Bottom-up: As part of ongoing, proprietary company and issuer-level ESG analysis, Impax identifies company- and issuer-specific matters and risks and actively engages with companies and issuers about these matters.

Top-down: Every year Impax assesses and outlines the engagement priorities for the next 12 months. These priorities are based on market developments and emerging ESG and sustainability issues that are relevant and material for investee companies and issuers. Impax identifies the companies and issuers most exposed to the topics in question and focuses engagement on those companies and issuers.

Engagement activity by engagement type for the strategy¹ – 2021

| | |
|------------------------------------|-----------|
| Top down strategic theme | 8 |
| Bottom up company specific | 13 |
| Proxy Voting related | 5 |
| ESG advisory | 2 |
| Total number of engagements | 28 |

For more detail, please refer to Impax's [Engagement and Policy Advocacy Report 2022](#)

Engagement example

Climate Risk

Littelfuse, US, Transport Energy Efficiency

Littelfuse manufactures circuit protection devices for use in the automotive, electronic, and general industrial markets; the company sells its products around the world. Impax believes that, as a response to the net zero objective, the need for electrical circuits and electric products will grow; these will need circuit protection, sensors, and connectors that Littelfuse produces.

Topic: Transition Risk – Green House Gas (GHG) emissions reporting

Objectives

1. Start publicly reporting GHG emissions (achieved)
2. Disclose to CDP Climate Change (achieved)
3. Set GHG emission reduction targets & report on progress (achieved)
4. Climate Governance: link performance-based executive remuneration to climate targets (partially achieved)

Outcomes

Milestones achieved and ongoing: In 2021 the company published an inaugural GRI-aligned Sustainability Report disclosing GHG emissions performance data. The company also established a science-based reduction target of 38% by 2035.

IMPAX THEMATIC EXPOSURE

| | Sector | Sub-Sector | Thematic Exposure |
|---------|------------|-----------------------------|-------------------|
| Climate | New Energy | Transport Energy Efficiency | 51% |

Engagement example

Sustainability Advisory

Cadence Design Systems, US, Consumer Energy Efficiency

Cadence Design Systems provides software technology, design and consulting services and technology. The company contributes to resource efficiency, climate change and digital infrastructure.

Topic: Sustainability processes, governance and disclosures

Objectives

1. Initial education: materiality, reporting frameworks, investor-useful data (achieved)
2. Governance of sustainability: board-level oversight (achieved) and Sustainability-based performance goals (ongoing)
3. First Sustainability Report published (achieved)
4. Reporting sustainability data (operational efficiency and material data) (achieved)
5. Target-setting (ongoing)
6. Executive aligned remuneration (ongoing)

Outcomes

Milestones achieved and ongoing: Cadence Design is in the process of validating with the Science-Based Targets Initiative its target to reduce Scope 1+2 emissions by 2030 and set a Net Zero target across all operations by 2040. The company also wants to align executive incentive plans with its sustainability goals.

IMPAX THEMATIC EXPOSURE

| | Sector | Sub-Sector | Thematic Exposure |
|---------|------------|----------------------------|-------------------|
| Climate | New Energy | Consumer Energy Efficiency | 50% |

Engagement example

Corporate Governance

SolarEdge Technologies, US, Solar Energy Generation Equipment

SolarEdge Technologies provides solar power optimization and photovoltaic monitoring solutions to worldwide customers. The company's products will contribute to enhancing productivity, addressing climate change and resource efficiency.

Topic: Diversity

Objectives

1. Initial education: importance of good governance and diversity to long-term value creation (achieved)
2. Board declassification (ongoing)
3. Compensation structure and disclosure (ongoing)
4. Diversity strategy, data and targets (ongoing)

Outcomes

Milestones achieved and ongoing: In 2021 a second female board member was appointed (25% Board gender diversity). The Governance & Nominating Committee endeavors to include women and minority director candidates for consideration. 16% of the management team is female.

IMPAX THEMATIC EXPOSURE

| | Sector | Sub-Sector | Thematic Exposure |
|---------|------------|--------------------------------------|-------------------|
| Climate | New Energy | Solar Energy Generation Equipment | 100% |

Policy advocacy priorities for 2022 and beyond

Reflecting its commitment to policy advocacy, Impax has established a new Global Policy Group which brings together expertise from across the company to implement a rolling three-year advocacy plan focused on engagement with policymakers in Europe and the US.

Advancing the pursuit of net-zero emissions will continue to be a focus of Impax's policy advocacy work. Impax believes that its influence can be amplified by acting in concert with like-minded members of the financial community and therefore looks to play a leading role within groups including the Institutional Investors Group on Climate Change (IIGCC) and GFANZ. Impax is a firm advocate that investors and lenders must not only focus on decarbonising their portfolios, but also finance solutions that reduce GHG emissions if the world is to achieve net-zero goals. Financing the energy transition, clean electrification and getting hard-to-abate sectors — such as aviation, shipping, steel and cement — on the path to net zero, are key areas of opportunity.

Greening the financial system remains key to the transition to a more sustainable economy. Impax therefore continues to prioritise work on sustainability-related disclosures, engaging with regulators including the US SEC and the UK's FCA to advocate for more rigorous reporting requirements. Alongside this, Impax will engage with new initiatives seeking to develop guidance on corporate transition plans to drive the net-zero transition in the real economy, in particular through GFANZ, the Climate Financial Risk Forum and the UK's new Transition Plan Taskforce.

Climate-related disclosures remain a focus, and Impax will remain an active participant in the UK Climate Financial Risk Forum.

Growing awareness of economic dependence on natural capital has put the importance of addressing biodiversity loss in the spotlight. The long-awaited UN COP15 biodiversity summit, to be held later in 2022, should sharpen minds on how to confront this global issue. As with climate change, Impax believes it can play a positive role through participation in initiatives like the Natural Capital Investment Alliance and through collaboration with policymakers. In parallel, Impax will be partnering with researchers to advance understanding of nature-positive investment opportunities.

Methodology

Impact methodology

The relevant environmental metrics for all portfolio companies were measured where data was available or could be estimated. The analysis included all companies in which the strategies were invested as at 31 December 2021. At the time of preparation, Impax aimed to obtain the most recently available and commonly collected environmental data from investee companies. For approximately 80% of companies this was from 2021 reported information, and for the remainder of companies this was from previously reported information. The percentage owned in each underlying company (calculated based on the proportion of shares owned) as at 31 December 2021 was applied to measure the environmental benefit attributable to the strategies. These included:

- Greenhouse gas (GHG) emissions, Scope 1, 2 and 3 (tonnes of CO₂ equivalent)
- Greenhouse gas (GHG) avoidance (tonnes of CO₂ equivalent)
- Net impact from GHG emitted less GHG avoided (tonnes of CO₂ equivalent)
- Renewable electricity generated (MWh)
- Water treated, saved or provided (megalitres/gallons)
- Materials recovered/waste treated (tonnes/tons)

The relevance of each metric was also assessed for each company based on its business activities.

Impax created a heat map which provided a qualitative indication for the positive impact of each company.

Impax collected relevant data from company disclosures, including sources such as annual reports, CDP and sustainability reports. Where information was not available, Impax contacted companies to request additional disclosure, which in some cases produced additional relevant data.

However, some companies could not/did not provide information on several metrics. Impax therefore created estimates where robust data was obtained for these metrics:

- For missing Scope 1 and 2 GHG emissions data, Impax utilised a proprietary methodology that estimated emissions based on a precise peer grouping of companies.
- For missing environmental impact data, industry or academic data was sought in order to set robust assumptions, including baselines relating to environmental performance and impact. In cases where robust data could not be found, zero impact was reported for a company.

Impax strives to be conservative with estimates in an effort to ensure that the positive impact is not overstated, or in the case of carbon dioxide emissions, net emissions avoided are not overstated.

The following table summarizes the data that was available and estimated for companies in the Climate strategy. The total number of companies in the strategy as of December 31, 2021 was 55.

| Metric estimated/ disclosed | Companies for which the metric is relevant | Companies for which the metric was available | Companies for which the metric was estimated | Metric was not available and could not be estimated |
|---------------------------------------|--|--|--|---|
| CO ₂ emitted | 55 | 51 | 4 | 0 |
| CO ₂ avoided | 47 | 29 | 7 | 11 |
| Renewable electricity generated | 15 | 10 | 0 | 5 |
| Water treated, saved or provided | 19 | 17 | 0 | 2 |
| Materials recovered/ waste treated | 12 | 8 | 0 | 4 |

The environmental impact of investments will always depend on the mix of underlying holdings and are thus subject to change. The information contained in this report is therefore specific to the date listed herein.

Methodology

SDG mapping

The UN Sustainable Development Goals (SDGs) comprise a series of 17 sets of targets across a range of issues including poverty, inequality, climate change, clean water, gender inequality and other global challenges, to be met by the world’s economies by 2030. Please refer to the SDGs for additional information. Impax Asset Management (Impax) uses the SDG framework to understand which current and potential portfolio companies are involved in activities that contribute towards addressing these critical global challenges.

Impax’s methodology is based on identifying the portion of companies’ revenues that relate to the targets and indicators within each Goal. Impax has mapped 51 categories (for a complete listing of the 51 revenue categories, please see p. 8 of the Impact @ Impax 2021 publication) of business activities linked to 11 of the 17 SDGs and their underlying targets and indicators. Impax focuses on those SDGs where the underlying targets of the Goal are relevant to private sector investment opportunities, rather than public funding or policy action.

Mapping of company revenues to the SDGs occurs annually at the end of each calendar year and is quantified based on portfolio company disclosures. The mapping is done on a global basis and does not differentiate between regions except in the case of financial services and telecom companies and their business activities relevant to SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation and infrastructure) where Impax only focuses on company revenue generated in the least developed countries (LDCs). For business activities relevant to other SDGs the focus described by the SDG framework is predominantly ‘global’. As such, Impax’s methodology for measuring SDG-related revenue does not differentiate between geographic regions as the natural environment is regarded as a “global common.”

Impax’s investment process does not analyze alignment with SDGs as an investment objective or component of portfolio construction. Impax simply maps SDG-related revenue exposure for portfolio companies, which is instead a byproduct rather than a feature of the investment process.

Stock holdings (weights of companies in the portfolio referenced in this report):

As of 31 December 2021:

| | |
|------------------------------|------|
| EDP RENOVAVEIS SA | 2.5% |
| BEFESA SA | 0.9% |
| NOVOZYMES A/S-B SHARES | 1.6% |
| SPIRAX-SARCO ENGINEERING PLC | 2.5% |
| XINYI SOLAR HOLDINGS LTD | 1.8% |
| TOMRA SYSTEMS ASA | 1.4% |
| SIGNIFY NV | 2.1% |
| LITTELFUSE INC | 2.3% |
| CADENCE DESIGN SYS INC | 1.8% |
| SOLAREDGE TECHNOLOGIES INC | 2.1% |

Important information

Investments involve risk, including potential loss of capital. The investment techniques and decisions of the investment adviser and portfolio manager(s), including the investment adviser's assessment of a company's ESG (Environmental, Social and Governance) profile when selecting investments for the strategy, may not produce the desired results and may adversely impact the strategy's performance, including relative to other strategies that do not consider ESG factors or come to different conclusions regarding such factors. Please refer to Form ADV Part 2A Brochure on impaxam.com or adviserinfo.sec.gov for more information about Impax and the investment risks of this strategy.

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