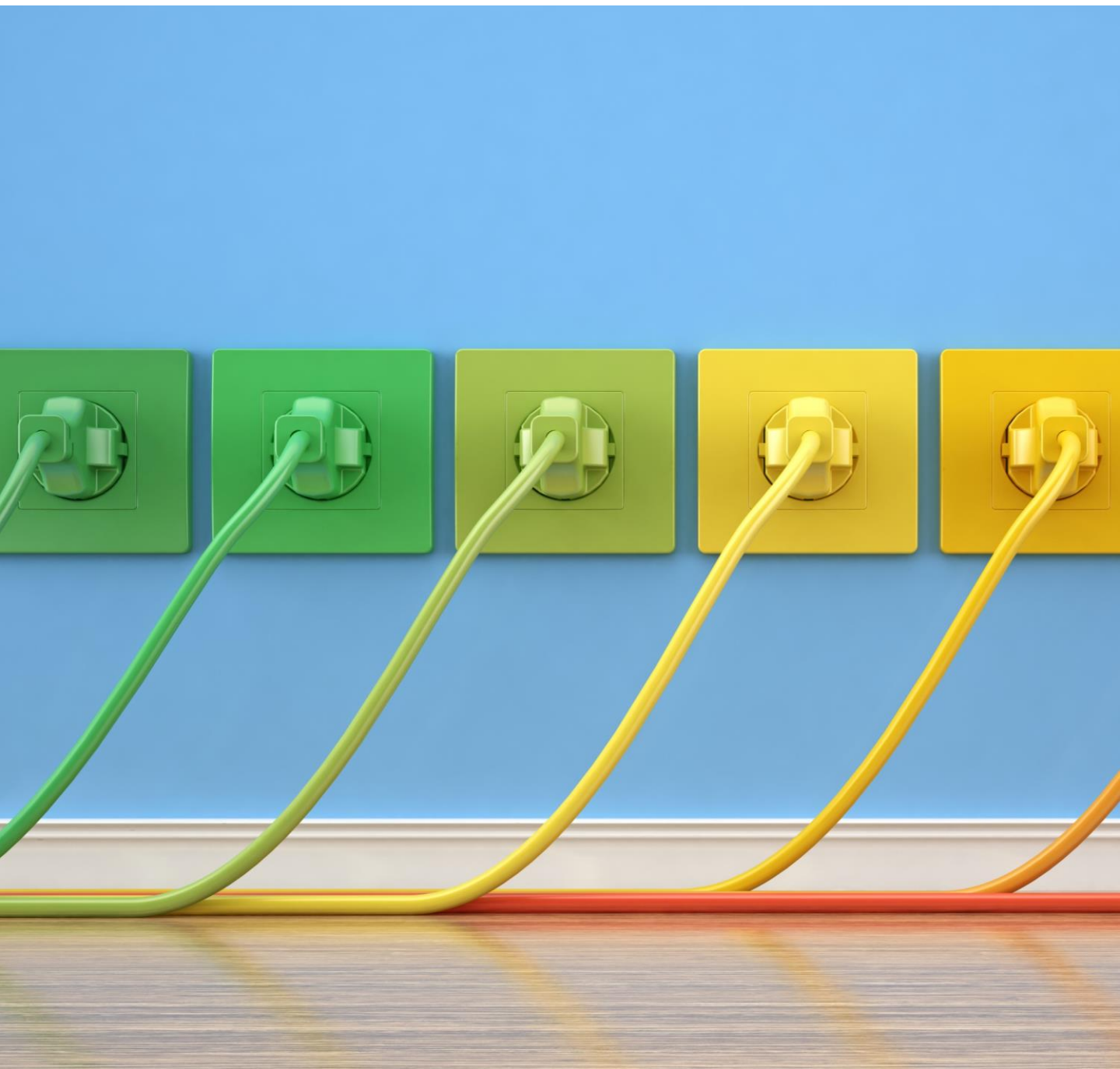


## Specialists Strategy Beyond Financial Returns Report

FOR INSTITUTIONAL AND PROFESSIONAL INVESTORS ONLY – THIS DOCUMENT IS A MARKETING COMMUNICATION. DATA IN THIS REPORT RELATES TO THE PERIOD 1 JANUARY 2021 – 31 DECEMBER 2021.



# Content summary

Impax is delighted to share the Beyond Financial Returns results for the Specialists strategy.

At Impax, every strategy is designed to intentionally allocate clients' capital towards those companies which are 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.

- Introduction
- Environmental impact
- Carbon impact
- UN SDG alignment
- Engagement & Proxy Voting
- Policy & Advocacy
- Methodology

# 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 Specialists strategy supported**

	Total	Equivalent to
Net CO <sub>2</sub> impact (emitted - avoided) (tCO <sub>2</sub> )	-1,300 tCO <sub>2</sub>	280 cars off the road
The Net CO <sub>2</sub> impact number <sup>1</sup> is derived from 2,400 CO <sub>2</sub> emitted minus 3,700 CO <sub>2</sub> avoided.		
Water provided/ saved/ treated	132 million gallons	1,210 households' water consumption
Renewable energy generated	980 MWh	90 households' electricity consumption
Materials recovered/ waste treated	230 tons	100 households' waste output

**In 2021, the environmental impact of the Specialists strategy supported**

	Total	Equivalent to
Net CO <sub>2</sub> impact (Emitted - avoided) (tCO <sub>2</sub> )	-679,100 tCO <sub>2</sub>	147,630 cars off the road
The Net CO <sub>2</sub> impact number <sup>1</sup> is derived from 1,233,400 CO <sub>2</sub> emitted minus 1,912,500 CO <sub>2</sub> avoided.		
Water provided/ saved/ treated	62 billion gallons	564,530 households' water consumption
Renewable energy generated	504,210 MWh	47,060 households' electricity consumption
Materials recovered/ waste treated	120,180 tons	51,660 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 strategy. The total number of companies in the strategy as of December 31, 2021, was 62.

<sup>1</sup> The quantitative impact data presented for the Net CO<sub>2</sub> Impact in this report may not sum precisely due to rounding the numbers to three significant figures.

# Environmental analysis

The Impax Specialists strategy invests globally in companies that are developing innovative solutions to resource challenges in environmental markets.

Investee companies must be 'pure plays', generating at least 50% of their revenues from sales of environmental products or services in New Energy, Mobility, Sustainable Food, Water, Circular Economy, and Smart Environment solutions.

The strategy's weighted average revenue exposure to these markets at year end was approximately 79%. The focus of the investment process on companies delivering environmental solutions naturally results in environmental benefits which Impax quantifies at the end of each year on the basis of portfolio company disclosures.

The strategy generated 980 MWh 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 132 million gallons of water through investments in global water utilities and in water infrastructure technology companies.

DS Smith, a British firm active in fiber based packaging and Australian consumer goods logistics company Brambles were key to helping the strategy recover or recycle 230 tons of materials per \$10m invested.

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

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# Environmental impact - company example

## Graphic Packaging

US, Recycled, Recyclable Products & Biomaterials

Graphic Packaging is a leading provider of paperboard packaging and folding cartons to multinational beverage and consumer products companies. The company is active in resource efficiency via a product portfolio that emphasizes renewable and recycled materials - these contribute to the displacement of single-use plastic packaging and tableware via its fiber-based packaging products.

Virtually all of Graphic's paperboard products are recyclable. At the company level, all wood that arrives at the company's virgin paperboard mills is fully utilized – either to manufacture paperboard, or residuals produce power for the company's operations through biomass using heat and power or cogeneration systems. This means that 94% of company facilities recycle between 90% and 100% of manufacturing waste. All facilities globally are compliant with forest or fiber certifications.

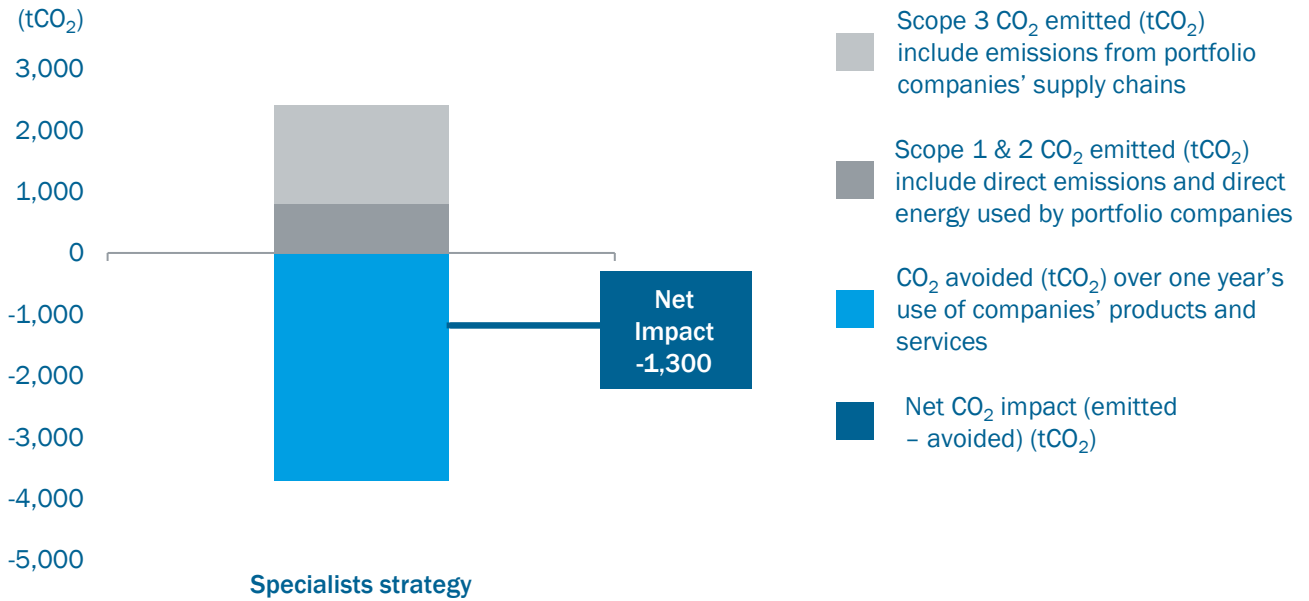
Diversion from paper landfills translates into substantial emissions savings because manufacturing recycled paper emits approximately 38% less CO<sub>2</sub> than paper produced from virgin fibers.\* Thus in 2021, Graphic Packaging avoided approximately 3 million tCO<sub>2</sub> through reused paper for paperboard manufacture and recovered just shy of 1 million tonnes of material.

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\*[ <https://recycled-papers.co.uk/green-matters/why-use-recycled-papers/co2-and-greenhouse-gases#:~:text=Manufacturing%20recycled%20paper%20produces%20less,in%20the%20average%20European%20car.> Or Basic Information Details | Paper Recycling | US EPA]

# Carbon impact

## NET CO<sub>2</sub> IMPACT PER \$10M INVESTED FOR ONE YEAR



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

	Scope 1+2	Scope 1+2+3	Avoided (Scope 4)	Net (S1+S2+S3) - S4
Impax NET carbon methodology <i>tCO<sub>2</sub>eq per \$10 million invested</i>	800	2,400	3,700	-1,300
WACI <i>tCO<sub>2</sub>eq per US\$ million sales</i>	201	400	1,250	

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# Carbon analysis

The net CO<sub>2</sub> 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 strategy level, the emissions avoided materially exceed those emitted, resulting in net emissions of -1,300 tCO<sub>2</sub> 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 strategy to such emission reduction include Lenzing, an Austrian alternative textile producer, Spirax-Sarco Engineering, a British specialist in industrial steam energy efficiency, XinYi Solar, a Chinese solar module component supplier, and British leader industrial energy efficient LED lighting technology, Dialight.

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 strategy 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 Specialists strategy are approximately double that of portfolio Scope 1 plus Scope 2 emissions combined.

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# Carbon analysis - company example

## Lenzing

Austria, Resource Circularity & Efficiency

European-based alternative textile manufacturer Lenzing has been manufacturing fibers from renewable raw material wood for about 80 years, making a significant contribution to the conservation of the planet's resources and the transition to a more circular economy. The fiber making process for these man-made cellulose materials such as viscose and tencel uses considerably less water (up to 50% less) and fewer agricultural chemicals for cultivation than cotton.

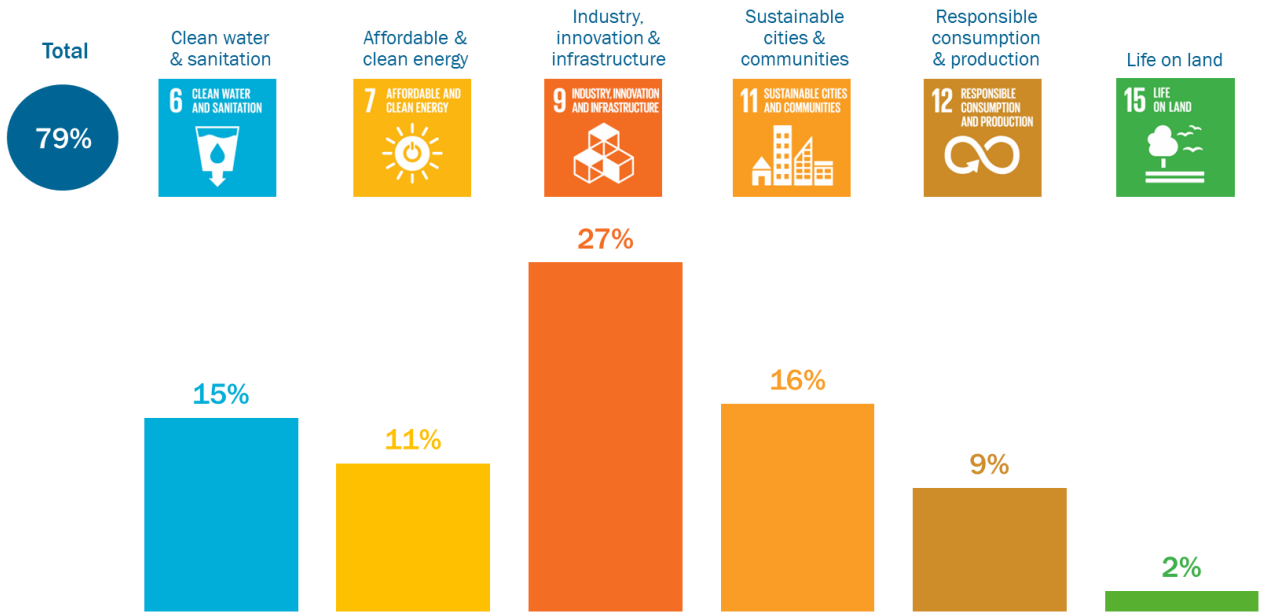
In addition, the wood fibers are biodegradable and compostable over a short period. Lyocell, typically made from eucalyptus wood, is produced by Lenzing in a proprietary closed loop process without any chemical derivatization. During the process of dissolving the wood pulp at the company's biorefineries, more than 99.8% of the solvent is recovered, and then fed back into the production process. In addition, residual biomass from this production process also serves as a renewable energy source for the company.

Lenzing is regarded as a global leader in environmental standards due to the high recovery rates of chemicals, the use of environmentally friendly energy sources, the extensive use of waste heat and the complete treatment and purification of all wastewater. Some of the biorefinery residual products can even be used further as valuable supplies to the food industry, such as acids for food fermentation or xylose from wood sugar. Interesting to note also is the recent launch of Lenzing's first carbon neutral fibers - the fibers are certified as carbon neutral products in accordance with ClimatePartner Protocol guidelines. Such innovation supports Lenzing's customers in reducing their respective Scope 3 emissions and science-based targets for raw material production.

Lenzing's data shows that displacement of synthetic and cotton fibers helped avoid just under 13 million tCO<sub>2</sub> in 2021, compared to group-level emissions of 3 million tCO<sub>2</sub>. Importantly, water saved from Lenzing fiber production compared to alternatives amounted to 1.4 million megalitres.

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# UN SDG alignment



Impax has mapped the strategy to show how companies' activities align with the goals based on environmental market revenue exposure.

- **Goal 9**, Industry Innovation & Infrastructure, which relates to holdings in cloud computing, efficient IT, industrial energy efficiency, efficient lighting, and smart & efficient grids.
- **Goal 11**, Sustainable Cities & Communities, which relates to holdings in e-bikes, transport pollution reduction, environmental testing, pollution control, hazardous waste.
- **Goal 6**, Clean Water & Sanitation, which relates to holdings in water distribution and infrastructure, water utilities, and water treatment.

# Engagement and Proxy Voting 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 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 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 strategy – 2021	
Top down strategic theme	12
Bottom up company specific	19
Proxy Voting related	9
ESG advisory	7
<b>Total number of engagements</b>	<b>47</b>

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

## Proxy voting summary - 2021

Impax votes on issues ranging from board of director elections, executive compensation and capital structure to environmental, social and human capital issues. The below statistics are portfolio specific.

**66** meetings where Impax voted  
(100% where it was possible to vote)

**2** shareholder resolutions on which Impax voted

**710** management resolutions on which Impax voted

# Engagement example

## Sustainability Advisory

### Repligen Corporation, US, Resource Circularity & Efficiency

Repligen is a bioprocessing company focused on the development, production, and commercialization of innovative products used in the process of manufacturing biologic drugs. The company’s products reduce the resource intensity of the drug manufacturing process, yielding water savings of up to 90% and energy savings of up to 30%. Furthermore, drug manufacturers can use Repligen’s products to achieve faster time-to-market.

**Topic:** Sustainability processes, governance and disclosures

### Objectives

1. Initial education: topics of materiality, reporting frameworks, investor-useful data (achieved)
2. Governance of Sustainability: NomCom has ultimate oversight of ESG matters and practices (ongoing) & sustainability-based company performance goals (ongoing)
3. First Sustainability Report published (achieved)
4. Reporting sustainability data (operational efficiency & material data), (partially achieved)
5. Target-setting (partially achieved)

### Outcomes

Milestones achieved and ongoing: In 2021 Repligen published its first Sustainability Report which is GRI and SASB-aligned and includes a materiality analysis. The company also started reporting water, energy, and CO<sub>2</sub> data and has set an initial target for CO<sub>2</sub> emissions reduction, which will be enhanced in the next iterations of the report.

### IMPAX THEMATIC EXPOSURE

	Sector	Sub-Sector	Thematic Exposure
Environmental Markets	Resource Efficiency & Waste Management	Resource Circularity & Efficiency	61%
Water	Water Treatment & Efficiency	Efficiency	61%
Climate	Water Supply Resilience	Water Treatment	61%

# Engagement example

## Climate Risk

Littelfuse, US, Advanced Road Vehicles & Devices

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 – 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
Environmental Markets	Transport Solutions	Advanced Road Vehicles & Devices	51%
Climate	New Energy	Transport Energy Efficiency	51%

# Engagement example

## Corporate Governance

**SolarEdge Technologies**, US, Semiconductor Equipment / IT, (AVERAGE)

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
Environmental Markets	Alternative Energy	Solar Energy Generation Equipment	100%
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 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 CO<sub>2</sub> equivalent)
- Greenhouse gas (GHG) avoidance (tonnes of CO<sub>2</sub> equivalent)
- Net impact from GHG emitted less GHG avoided (tonnes of CO<sub>2</sub> 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 Specialists strategy. The total number of companies in the strategy as of December 31, 2021 was 62.

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 <sub>2</sub> emitted	61	53	8	0
CO <sub>2</sub> avoided	56	33	12	11
Renewable electricity generated	15	11	0	4
Water treated, saved or provided	22	18	0	4
Materials recovered/ waste treated	14	8	0	6

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. We focus 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	2.0%
DS SMITH PLC	1.7%
BRAMBLES LTD	2.0%
GRAPHIC PACKAGING HOLDING CO	1.7%
XINYI SOLAR HOLDINGS LTD	1.5%
LENZING AG	1.6%
SPIRAX-SARCO ENGINEERING PLC	2.0%
DIALIGHT PLC	0.2%
REPLIGEN CORP	1.9%
LITTELFUSE INC	1.7%
SOLAREEDGE TECHNOLOGIES INC	1.4%

# 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](http://impaxam.com) or [adviserinfo.sec.gov](http://adviserinfo.sec.gov) for more information about Impax and the investment risks of this strategy.

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