

US Environmental Leaders Strategy Beyond Financial Returns Report

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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 US Environmental Leaders 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.

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- 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 US Environmental Leaders strategy supported

	Total	Equivalent to
Net CO ₂ impact (emitted - avoided) (tCO ₂)	300 tCO ₂	
The Net CO ₂ impact number ¹ is derived from 1,600 CO ₂ emitted minus 1,300 CO ₂ avoided.		
Water provided/ saved/ treated	26 million gallons	 240 households' water consumption
Renewable energy generated	120 MWh	 10 households' electricity consumption
Materials recovered/ waste treated	570 tonnes	 250 households' waste output

In 2021, the environmental impact of the US Environmental Leaders strategy supported

	Total	Equivalent to
Net CO ₂ impact (emitted - avoided) (tCO ₂)	11,300 tCO ₂	
The Net CO ₂ impact number ¹ is derived from 65,400 CO ₂ emitted minus 54,100 CO ₂ avoided.		
Water provided/ saved/ treated	1 billion gallons	 11,340 households' water consumption
Renewable energy generated	4,820 MWh	 450 households' electricity consumption
Materials recovered/ waste treated	23,790 tonnes	 10,220 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 15-16 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 32.

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 US Environmental Leaders strategy invests globally in companies that are developing innovative solutions to resource challenges in environmental markets.

Investee companies must generate at least 20% of their revenues from sales of environmental products or services in New Energy, Mobility, Sustainable Food, Water, Circular Economy, and Smart Environment solutions.

The portfolio's weighted average revenue exposure to these markets at year end was approximately 53%.

The portfolio generated 120 MWh renewable electricity per \$10m invested.

Two waste management companies which deploy waste-to-energy technology such as capturing and redeploying landfill gas (Republic Services and Waste Management) and Westrock, a packaging company active in recycling were leaders in both renewable energy generation and tonnage of materials recovered waste treated.

The portfolio also helped in the provision, saving and treatment of 26 million gallons of water per \$10m invested through investments in water utilities and in water infrastructure technology companies.

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Environmental impact – company example

WestRock

US, Food Safety & Packaging

WestRock was formed in 2015 through the merger of RockTenn and MeadWestvaco and is a leading paper and packaging company focusing on sustainable fiber-based solutions. The company has two main divisions: Consumer Packaging and Recycling. The Consumer Packaging segment produces folding cartons, multipacks, paperboard and labels. The Recycling Segment procures recovered paper for its paper mills and from third parties such as factories, warehouses, commercial printers, office complexes, retail stores, document storage facilities, and uses WestRock's vast infrastructure and logistics capabilities to provide consistent, efficient, and reliable recover services while sourcing paper and cardboard to supply its own paper mills. The company's sourcing of fiber is from approximately 55% virgin materials and 45% recycled, with 60% of materials recycled at WestRock facilities then going back into WestRock products.

The company helps in the transition from plastic to fiber-based solutions, and with the more efficient use of materials using leading automation design and engineered machinery. Front-to-back process optimization reduces the carbon footprint of customers' packaging, and increases the recyclability of common packaging formats, helping to drive forward the circular economy. This is particularly impactful in the massive e-commerce channel – packaging that is right-sized eliminates voids, reduces dimensional weight, and can be better automated for efficiency and resource and waste savings alongside a lower carbon footprint.

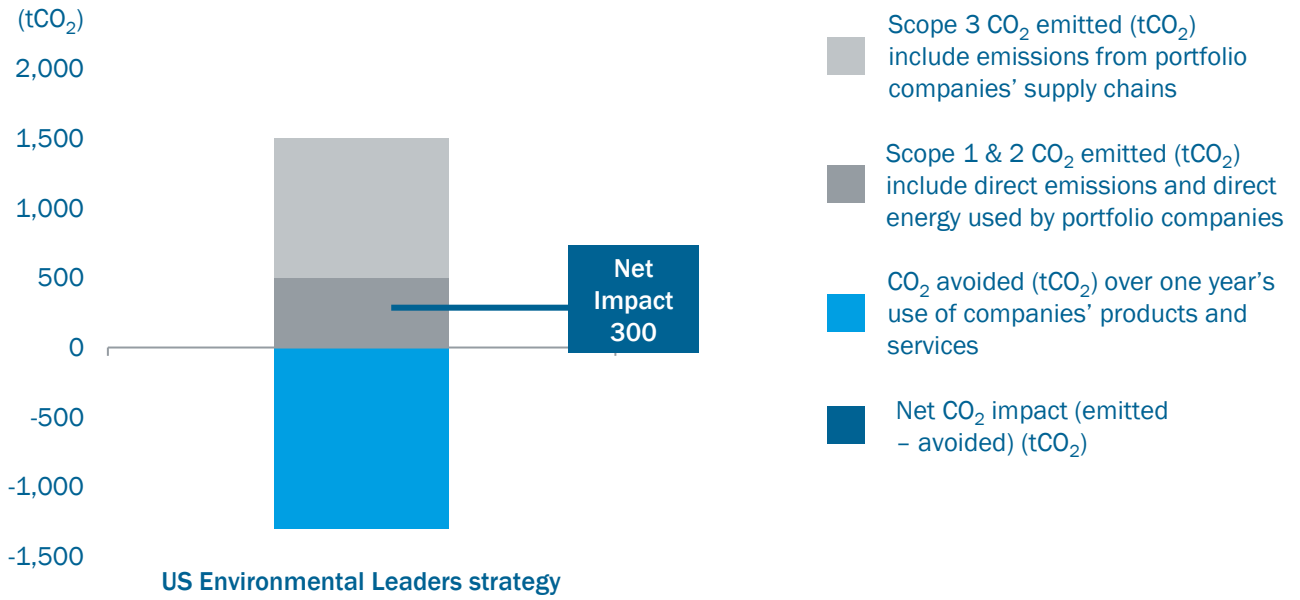
Innovative WestRock solutions include a fiber-based carrying package for cans which replaces hard-to-recycle plastic rings; toothbrush packaging with plastic-free, recyclable and biodegradable material, paperboard which uses 50% less material than traditional shrink-wrap, and the use of a new life-cycle assessment tool to enhance WestRock's capability to model up- and down-stream impacts for current and newly designed packaging products.

On the waste and recycling services side, the company is working on 100% of its products being recyclable, compostable, or reusable within the next three years. Residuals from the kraft pulping processes at WestRock's integrated paper mills contain nitrogen, phosphorus and micronutrients, making them effective and economical soil amendments for agricultural and silvicultural operations, while residuals from the paper recycling process help to power several of the company's boilers. Not surprisingly, renewable biomass is WestRock's most important energy source, with 63% of WestRock's energy used stemming from a renewable source, also saving methane and other emissions from paper or pulp degradation. The company calculates that in 2021 almost 7 million tons of waste fiber, plastic, and aluminum were collected and recovered for recycling, the majority of which was re-used by WestRock in its operations. As a result, just under 14 million tCO₂ of emissions were avoided.

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Carbon impact

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



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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. At the portfolio level, company emissions were almost all offset by emissions avoided, resulting in net emissions of 300 tCO₂ per \$10M invested.

It is the energy efficiency and emission abatement solutions delivered by the portfolio companies which act as the enablers of the global economy to move toward reducing emissions to net zero overall. Leading contributors to emission reduction in the portfolio include Waste Management, a US waste service provider, Linde, a global gas company providing energy efficiency and emissions avoidance solutions and a Trimble, a US software company active in precision agriculture and resource-saving construction solutions.

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. Industrial solution providers, or utilities, for example, are gaining more clarity around their overall carbon footprint including broader parts of their entire value chain, reporting higher emission numbers. Scope 3 includes categories such as companies' purchased materials and goods and services, business travel, and use of sold products. Such emissions for the US Environmental Leaders portfolio are twice that of portfolio Scope 1 plus Scope 2 emissions combined.

At the same time, in the past year different companies in the portfolio active in Building Energy Efficiency or Industrial Gases reported higher emission avoidance numbers with better data availability and focus on reporting on full lifecycle impacts of their products and services.

Overall, based on holdings and position sizes at year-end, the position moved from having small net carbon avoidance last year to having small positive net carbon emissions this year. These numbers will continue to change as data availability and data quality improves both on measuring emissions, as well as quantifying emissions avoidance associated with environmental solutions.

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Carbon impact - company example

Linde

US, Water Treatment

Linde is one of the largest industrial gas suppliers globally. In 2018 the German company Linde agreed to merge with the US gas company Praxair, coming full circle as the latter over 100 years ago originally in fact began as the US division of Linde. Industrial gases play a crucial, but typically underappreciated, role in resource efficiency and decarbonization. Wide-ranging and prolific applications and services include enhancing energy efficiency in industrial processes such as for steel and glass, thermal insulation, water treatment, remineralization in desalination, pollution and emissions testing, de-sulphurization of fuel, carbon capture, green hydrogen technologies, coatings, cryogenic transportation, electronics processing, corrosion prevention, improved product durability, aquaculture, and preservation in the food industry.

In addition, Linde is active in innovation for low-carbon steel heating with lower emissions, constructing stations for fuel-cell powered trains, and is currently building the world's largest electrolyzer for carbon-free hydrogen production.

Linde calculates that its applications of gases, especially oxygen and hydrogen, enabled carbon emission avoidance to the tune of 85 million tCO₂ during 2021.

Against Scope 1, 2 and 3 emissions by the company of 52 million tCO₂ in 2021, this meant more than two times greater avoidance of GHG gases compared to emissions from operations.

On an additional environmental metric, the company's data shows that its gases enabled more than 200 million people to have access to safe drinking water, which equates to approximately 10.5 million megaliters of clean water.

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Carbon impact - company example

Hubbell

US, Power Network Efficiency

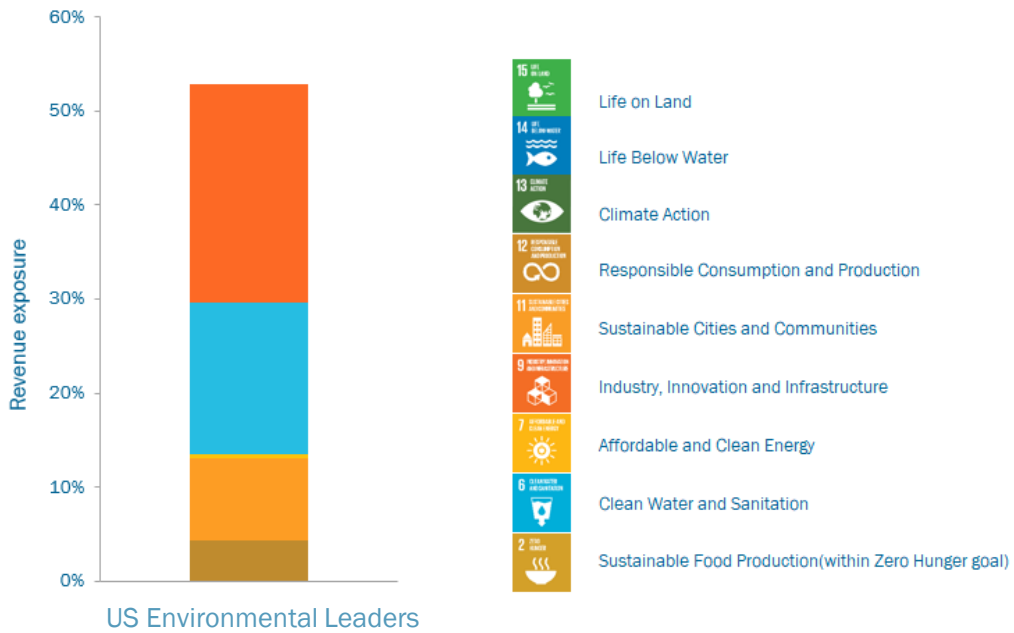
Hubbell is an important global actor active in energy efficiency and the sophistication and resiliency of the electrical grid. The company's products – a range of specialized power, lighting, and electrical equipment for utilities, industrial companies, commercial and residential applications – further energy efficiency gains for buildings including data centers, transportation and power systems, broader infrastructure, and even in agricultural settings.

Hubbell's products help resilience for electricity generation, transmission and distribution, both as renewable resources gain a larger share of the overall mix, and as severe weather events increasingly challenge existing infrastructure. Solutions include LED technology, specialized controllers and panels, daylight harvesting driven by sensor and photocell technology, weatherproofing and harsh environment solutions, EV charging station components, mobile electrification, power distribution tools, and other wiring and network components.

Hubbell's energy efficiency solutions contributed to the equivalent of 1.7 million tCO₂ being avoided in 2021. Although Hubbell does not yet report its Scope 3 emissions, these energy efficiency solutions contribute toward the decarbonization of the grid, buildings, and other industrial applications.

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UN SDG alignment



NO.	UN SUSTAINABLE DEVELOPMENT GOALS	REVENUE EXPOSURE
12	Responsible Consumption and Production	4.3%
11	Sustainable Cities and Communities	8.8%
7	Affordable and Clean Energy	0.4%
6	Clean Water and Sanitation	16.0%
9	Industry, Innovation and Infrastructure	23.3%
TOTAL		52.8%

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

The strategy has the greatest linkage to:

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

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 15-16 for additional methodology and summarized data that was available and estimated for companies in the strategy.

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- 2021	
Top down strategic theme	5
Bottom up company specific	8
Proxy Voting related	4
Public Policy	1
ESG advisory	1
Total number of engagements	19

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 strategy specific and are based on a representative account within the strategy.

750 meetings where Impax voted
(99.7% where it was possible to vote)

302 shareholder resolutions on which Impax voted

9,708 management resolutions on which Impax voted

Engagement Example

Sustainability Advisory

Trimble, US, Efficient IT

Trimble provides advanced location-based software solutions. The company contributes to resource efficiency, climate change and digital infrastructure.

Topic: Sustainability processes, governance and disclosures

Objectives

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

Outcomes

Milestones achieved and ongoing: In 2021 Trimble appointed its first Head of Sustainability who directly reports to the CEO and the Board. The company made a public commitment to an emission reduction target and is working to continuously improve its KPIs and performance monitoring on sustainability-based performance goals. Furthermore, Trimble formed an internal team looking into science-based targets and is exploring TCFD disclosures.

IMPAX THEMATIC EXPOSURE

	Sector	Sub-Sector	Thematic Exposure
Environmental Markets	Digital Infrastructure	Efficient IT	62%
Sustainable Food	Technology and Logistics	Agricultural Machinery & Equipment	21%
Water	Water Treatment & Efficiency	Efficiency	20%
Climate	New Energy	Building Energy Efficiency	62%

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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 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 US Environmental Leaders strategy. The total number of companies in the strategy as of December 31, 2021 was 32.

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	47	47	0	0
CO ₂ avoided	41	24	7	10
Renewable electricity generated	14	10	0	4
Water treated, saved or provided	16	14	1	1
Materials recovered/ waste treated	14	9	0	5

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:

LINDE PLC	4.7%
WASTE MANAGEMENT INC	4.7%
HUBBELL INC	3.6%
TRIMBLE INC	2.8%
REPUBLIC SERVICES INC	2.5%
WESTROCK CO	2.5%

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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