

Impax Climate Report 2024

Impax Asset Management Group Plc (“Impax”) Climate Report 2024 in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) for the year ending 31 December 2023



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Since 1998, Impax has pioneered investment in the transition to a more sustainable global economy.



Foreword



Ian Simm
Founder and Chief Executive

Thank you for reading Impax Asset Management's first Climate report. At a time of rising expectations around corporate reporting on issues related to sustainable development, we applaud the clarity of the Task Force for Climate-related Financial Disclosures ("TCFD") framework and expect that TCFD reports will stand out as being helpful to investors.

Since 1998, Impax has been investing in the transition to a more sustainable global economy, seeking opportunities to create attractive investment returns from the economic revolution propelled by clean technology, regulations designed to protect the natural environment and consumer demand for more efficient, less harmful goods and services.

More than a quarter century later, this transition continues, but progress has stuttered. Geopolitical tensions, high interest rates and weak policy incentives for decarbonisation have all undermined momentum.

The targets set by the Paris Agreement will not be achieved without a ratcheting up of both the scale of political ambition and the pace at which climate policies are implemented. A recent survey

of Intergovernmental Panel on Climate Change ("IPCC") scientists found that almost 80% expect global temperatures to have risen by at least 2.5°C above pre-industrial levels by 2100.¹

Despite this alarming outlook, we are convinced that society will be able to avoid the most damaging impacts of climate change without compromising the health of the global economy. Viewed from a different perspective, mitigation of the drivers of climate change and adaptation to rising global temperatures are actually creating significant opportunities for innovative companies and their investors.

Technological advances are driving down the cost of radically new goods and services as well as improving the efficiency of existing

¹ Carrington, D., 8 May 2024: World's top climate scientists expect global heating to blast past 1.5C target. *The Guardian*.

Given the systemic nature of climate-related risks, we actively engage with peers, policymakers and regulators to help shape better-informed approaches and rules.



products. For example, the resilience of the clean energy transition is demonstrated by the rapid expansion of renewable electricity generation, which now widely outcompetes fossil fuel alternatives on cost.² New solar PV and wind installations rose by 76% and 50% respectively in 2023.^{3,4} Innovation continues to improve the competitiveness of essential adjacent technologies including battery storage.

Finance has an essential role to play by allocating capital to companies and projects that can contribute to – and benefit from – the transition to a more sustainable economy. As one of the largest and longest-established investors dedicated to investing in this transition, we recognise that, on the one hand, optimal progress requires finance providers to apply standard frameworks when

assessing business opportunity and risk. On the other hand, though, the unprecedented scale of the potential changes and associated uncertainties arising from climate change necessitate additional sources of information and analytical techniques.

This report seeks to demonstrate how we integrate the management of climate-related risks and the search for investment opportunities throughout our business, in the interests of both our clients and shareholders. We have long advocated for better climate-related corporate disclosure, not least because sound analysis of investment risks relies on the availability of decision-useful information. We see TCFD reporting as a key part of the ecosystem of sharing reliable information on climate-related risks and opportunities.

Having celebrated our first 25 years in 2023, our success over the next quarter century will, like that of global society, be largely determined by how we navigate the risks posed by climate change and the contribution we make to tackling its drivers and adapting to inevitable changes.

2 International Renewable Energy Agency, 2023: Renewable Power Generation Costs in 2022

3 BloombergNEF, 2024: Global PV Market Outlook, 1Q 2024

4 Global Wind Energy Council, 2024: Global Wind Report 2024





Introduction

We are delighted to present Impax's Climate Report 2024 in line with the recommendations and recommended disclosures of the TCFD.

The report, which covers the calendar year 2023 ("the Period") builds on the voluntary climate-related disclosures included in Impax's 2022 and 2023 Annual Reports, together with the associated entity and product-level reports, comply with our requirements under the ESG Sourcebook rules issued by the Financial Conduct Authority ("FCA").

Integrating climate into our investment processes

As a specialist investor in the transition to a more sustainable economy, managing climate-related risks and identifying climate-related opportunities is at the core of what we do.

Many of our strategies invest in companies whose products and services address the drivers of climate change, and help increase resilience to the impacts that arise from a warming climate. Roughly half of assets covered by our commitment under the Net Zero Asset Managers ("NZAM") initiative are invested in assets that we deem 'climate solutions'.⁵

Climate-related risks are meanwhile integrated into the investment process for

all of Impax's assets under management ("AUM"), across all asset classes, using proprietary tools and analysis.

Combining stewardship and advocacy

Climate remains central to the stewardship and advocacy efforts that underpin our investment process and which we see as fundamental to decarbonising the real economy.

We actively engage with our investee companies on climate-related issues to manage transition and physical risks and to protect and enhance long-term shareholder value. One-quarter of our engagement dialogues in 2023 related to climate themes; one in five achieved the objectives we set within the year.

In tandem, we actively engage with policymakers and industry peers through our policy advocacy activities. Our approach to climate-related policy advocacy was highlighted by the Glasgow Financial Alliance for Net Zero ("GFANZ") as a case study in their Recommendations and Guidance on Financial Institution Net-zero Transition Plans.

Increasingly, we combine our stewardship and advocacy to address critical issues that involve a breadth of stakeholders through systematic engagement. To reflect this,

and to coordinate and scale our activities, our expanding Sustainability & Stewardship and Policy Advocacy teams combined to form the Impax Sustainability Centre in October 2023. We believe this centre of excellence enables us to deal with the rapidly expanding range and depth of sustainability-related issues. It also positions us to meet the growing expectations of clients, regulators and other stakeholders.

Shaping the market

Given the systemic nature of climate-related risks, we actively engage with peers, policymakers and regulators to help shape better-informed policy approaches and disclosure frameworks.

As an example, we were invited by the UK Climate Financial Risk Forum ("CFRF") in 2023 to co-chair an Adaptation Working Group to review best practices in measuring and monitoring physical climate risks. The group has developed case studies of resilience in various financial sub-sectors and has reviewed approaches to address gaps in physical risk data.

Another highlight from 2023 was our continued engagement with the US Securities and Exchange Commission ("SEC") on proposed climate-related disclosure rules. Following from our extensive outreach to the

⁵ As of 31 December 2023, 49% of Impax's AUM committed under the NZAM initiative was invested in assets that we assess to be 'climate solutions'. To be classified as 'climate solutions' under Impax's proprietary Climate Opportunities taxonomy, companies must have a demonstrable exposure to products and services enabling mitigation of climate change or adaptation to its consequences.



SEC over the last two years, both bilaterally and via industry groups, the final proposal cited Impax 24 times.

We believe that sharing our perspectives with clients and broader audiences can play a part in positively shaping the market. We continuously seek to provide thought leadership that helps audiences better understand the nuances of the transition to a low-emission, climate-resilient economy (the “climate transition”).

For example, one three-part series of papers in 2023, *‘The transition will not be televised’*, explored how the economics of renewable power, emerging technologies and government policies are disrupting the US energy system, and so creating opportunities for companies whose products and services can enable this clean energy transition.

Alignment with an evolving regulatory landscape

We have taken this opportunity to reflect a range of advances

in sustainability reporting since the TCFD’s recommendations were first published. As explained in more detail in the Scope and Structure section, on page 7, as a step towards preparing our own transition plan, we have aligned the report with the recommendations of the Transition Plan Taskforce (“TPT”), including structuring the report under the TPT’s five elements: strategy, implementation, engagement, governance, and metrics and targets. We cross-reference our reporting against the recommended disclosures of TCFD on pages 8 to 10.

As we evolve our approach to reporting metrics and targets in line with the use cases identified by the CFRE, we have included a summary of the principal ways in which Impax uses the different metrics included in this report in our investment processes and engagement activities. We have included additional information on the methodologies behind our metrics and the improvements and refinements made over

the last year.

Finally, in light of the growing pressure on financial institutions to disclose their exposure to nature-related risks, we have included an appendix (page 70) setting out how we are integrating those risks into our investment processes, ahead of more detailed reporting for 2025 as an early adopter of the recommendations of the Taskforce on Nature-related Financial Disclosures (“TNFD”).



Lisa Beauvilain
Global Head of Sustainability & Stewardship,
Co-Head of the Sustainability Centre



Chris Dodwell
Global Head of Policy & Advocacy,
Co-Head of the Sustainability Centre



2023 Highlights

Investments



49%

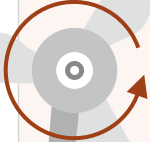
AUM invested in 'climate solutions'⁶



92%

AUM committed under NZAM that has 'transition aligned/aligning' climate management and disclosures⁶

Operational



97%

electricity from renewable sources across Impax offices⁶



2030 target is 100%



2024 Winner

Best Asset Manager
Sustainable Investing Awards

Stewardship & Advocacy



25%

of engagement dialogues focused on climate-related issues in 2023⁷



91%

climate-related shareholder proposals supported in 2023

Early adopter of TNFD recommendations

Became a member of Nature Action 100+

Contributed to TPT asset management sector guidance



6 As at 31 December 2023. See page 14 for our definition of 'transition aligned/aligning'.

7 Our other areas of priority for stewardship and advocacy activities are Governance, Nature and People. See our Stewardship and Advocacy Report 2024 for details of our activities in 2023.

Scope and structure of this report

This Climate Report has been produced in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) regulations and takes into account the TCFD’s Supplemental Guidance for the Financial Sector.

The intention of this report is to provide Impax investors and other stakeholders with a clear picture of how we are integrating climate-related risks and opportunities into our business strategy, our internal processes and our engagement activities. This includes how we are seeking to reduce systemic and idiosyncratic climate-related risks associated with the transition to a low-greenhouse gas (“GHG”) emission, climate-resilient economy (the “climate transition”). We outline how we do this by engaging with investee companies, industry peers, policymakers and other stakeholders, and by investing in companies whose activities support the climate transition.

To demonstrate our commitment to improving climate-related disclosures, we have also taken into account the disclosure guidance recently published by the TPT, including the TPT Disclosure Framework and its Asset Managers Sector Guidance.⁸ Our strategy is well aligned with the ‘strategic and rounded approach’ to transition planning proposed by the TPT, which recommends that companies should consider the following: decarbonising their operations and value chains; responding to climate-related risks and opportunities; and contributing to the climate transition.

As a step towards preparing our own transition plan, and in an effort to streamline reporting, we have chosen to address the recommendations of both the TCFD and the TPT in a single report. This allows us to provide our stakeholders with decision-useful information aligned with potential future regulation in a more accessible way. For the same reasons, where possible, we have incorporated references to other Impax reports and disclosures (in particular our UK Stewardship Code Statement and Stewardship and Advocacy Report 2024), rather than replicating their content in this report.

Structure of this report

The report is structured under the five elements proposed by the TPT: strategy, implementation (of that strategy in our investments, operations and risk management), engagement (with investee companies and other stakeholders), governance, and metrics and targets. For ease of reference, we have set out at the beginning of each section the specific TCFD and TPT disclosures which it addresses.

We have also provided a summary of our disclosures against the TCFD’s recommended disclosures on governance, strategy, risk management and metrics and targets in a TCFD Disclosures Summary table which follows this section.

Entity and product-level reporting

The following entities within the Impax Group, as a result of being regulated by the UK Financial Conduct Authority (“FCA”), are required to publish their own separate TCFD entity-level reports pursuant to the ESG Sourcebook rules issued by the FCA. These entities predominantly rely on this Report in the publication of their own reports:

- Impax Asset Management (AIFM) Limited (“AIFM”)
- Impax Asset Management Limited (“IAML”)

In addition, AIFM is required to publish a product-level TCFD report in respect of the following UK-listed investment trust:

- Impax Environmental Markets plc

In the interest of greater transparency, we will also be publishing equivalent data for each of Impax’s strategies on a voluntary basis, in line with the content included in the FCA’s product-level reporting requirements, on the Impax website.

⁸ See TPT, October 2023: Disclosure Framework and TPT, April 2024: Asset Managers Sector Guidance. The TPT guidance draws on the transition plan components identified by GFANZ in its transition plan guidance, supporting international convergence.



Summary TCFD disclosures

TCFD pillar: Governance

See Section 4

Recommended disclosures

- a) Describe the Board's oversight of climate-related risks and opportunities.
- b) Describe the management's role in assessing and managing climate-related risks.

Summary of Impax disclosure

- The Board is responsible for governing and overseeing Impax's strategy and providing an oversight, control and monitoring role of its operations and risks. The Audit & Risk Committee is responsible for oversight of audit and risk management, including climate and sustainability risk management. A Non-Executive Director is Board Observer of the employee-led Environment Group, which provides input and advice to support decision making on Impax's operational climate policies, performance and targets. **See Section 4.1**
- Management and monitoring of climate-related risks and opportunities, including implementing the TCFD recommendations, is delegated to senior management, specifically the Management Committee. Senior management is represented on investment committees, which oversee the Company's investment activities, investment performance and risk management, and regularly address climate-related issues. In October 2023, the Impax Sustainability Centre was established as a centre of excellence providing services, tools and knowledge to the firm and our clients. **See Section 4.2**

TCFD pillar: Strategy

See Section 1

Recommended disclosures

- a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
- b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
- c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Summary of Impax disclosure

- Impax's business model is aligned towards the transition to a more sustainable economy, which is more resource efficient, achieves deep reductions in GHG emissions and is positioned to provide substantial long-term benefits to society, such as a healthier environment. As a result, our exposure to climate risks is, in most cases, the opposite of investment portfolios with high exposure to the conventional energy value chain. **See Section 1.1**
- The principal climate-related risks we face, as investors focused on the transition to a more sustainable economy, are related to a slower pace of transition. We have presented the material climate-related risks and opportunities identified over different timeframes, their potential impact and our strategy for mitigating those risks. **See Section 1.2**
- We consider that Impax is well-positioned to benefit from the climate transition and to realise the opportunities associated with more ambitious climate scenarios. We have identified a range of business risks associated with a slower transition and have incorporated measures within our investment process and engagement activities to ensure that our strategy remains resilient to them. **See Section 1.2**



TCFD pillar: Risk management

See Sections 2 and 3

Recommended disclosures

- a) Describe the organisation's processes for identifying and assessing climate-related risks.
- b) Describe the organisation's processes for managing climate-related risks.
- c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Summary of Impax disclosure

- Climate risk has been embedded into our investment process, our engagements with investee companies and other stakeholders and our business operations. **See Sections 2.1 and 3**
- We integrate climate and other material risks into the investment process for all of Impax's AUM, across all asset classes and geographies, through company-, issuer- or project-level ESG analysis. To identify markets for potential investment, we have developed proprietary tools, including the Impax Sustainability Lens and our Environmental Markets taxonomy, which integrate climate-related risks and opportunities. We undertake fundamental analysis at the company level including specific climate change assessments to analyse companies' exposure and preparedness for transition and physical risks through evaluation of their disclosures, targets, management practices and performance. We also apply Impax's Fossil Fuel Policy to mitigate or eliminate climate-related risks associated with investing in companies with fossil fuel-related assets and activities. **See Section 2.1**
- We view engagement as a key part of our strategy for managing climate-related risks and supporting the transition to a low-GHG emission, climate-resilient economy. We proactively engage with investee companies, encouraging them to adopt best practices such as targets for emission reductions, improve disclosures of climate risks and opportunities and address concerns regarding physical risk and adaptation. Working together with industry peers is a key part of our stewardship work, both through collaborative engagement and active participation in industry working groups. Through our advocacy work, we look to shape better policy and accelerate the transition by engaging directly with policy makers, collaborating closely with academics and publishing our insights to influence wider public debate. **See Section 3**
- While our operational GHG emissions and transition risks are low, we are committed to monitoring and reducing our operational emissions, including setting a target to source 100% of our electricity from renewable sources by 2030, increasing energy efficiency and reducing business travel emissions. The physical risks facing our offices, which vary by location, remain relatively low. We manage these through our business continuity plan which includes measures to allow the company to operate from multiple remote locations. **See Section 2.2**
- Climate risk has been formally included in the Company's key risk register, making it subject to independent oversight and assurance from the Enterprise Risk team. Two climate-related risks are identified: first, physical risks to Impax operations, and second, risks arising from any failure to appropriately integrate climate risk into investment-related decisions. **See Section 2.3**



TCFD pillar: **Metrics and targets**

See Section 5

Recommended disclosures

- a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b) Disclose Scope 1, 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.
- c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Summary of Impax disclosure

Investments Sections 5.1, 5.2 and 5.3

- The key metrics we use are: % AUM invested in 'transition aligned/aligning' companies; % AUM invested in 'climate solutions'; avoided emissions; financed emissions (various metrics identified by the FCA); exposure to carbon risk; and exposure to acute risks hazards and vulnerability/resilience. We provide details of methodologies used in Section 5.
- Our NZAM target is to aim for 100% of our 'Committed AUM' (see page 14) to be 'climate resilient' and within the categories 'transition aligned' or 'transition aligning' by 2030. As of 31 December 2023, the distribution of committed AUM was 92% transition aligned or aligning, 8% 'non-aligned', with 49% of Impax's 'Committed AUM' invested in companies or assets providing 'climate solutions'. The avoided emissions associated with our Active Listed Equities strategies (91% of AUM) were 230 tCO₂e/US\$1mn invested.
- The financed emissions associated with Impax's total AUM during the Period were: Scope 1 & 2 emissions 2.9m tCO₂e; Scope 3 emissions 8.4m tCO₂e; total carbon footprint 250 tCO₂e/US\$1mn invested.
- Exposure to carbon risk: our estimate of Active Listed Equities strategies' exposure to heightened carbon risk under the ambitious NGFS Net Zero 2050 scenario is 11% in 2030, rising to 17% in 2050.
- Exposure to physical risks: our analysis of exposure to acute risks hazards (extreme heat and precipitation, drought, cyclones and floods) and scores for vulnerability and resilience for each Impax strategy are set out in **Section 5.3.2**.
- The relevant metrics of in-scope AUM relating to the two FCA-regulated entities in the Impax group (AIFM and IAML) can be found in their accompanying entity-level reports.

Operations See Section 5.4

- Emissions arising from our operations were: direct (Scope 1, natural gas) 23 tCO₂e; indirect (Scope 2, electricity consumed market-based approach) 77 tCO₂e; business travel (Scope 3) 477 tCO₂e.
- We have set a target to source 100% of our electricity from renewable sources across all Impax offices by 2030. At the end of 2023, the figure stood at 97%.



1

Strategy



1. Strategy

Structure

In line with the TCFD recommendations, this section describes climate-related risks and opportunities, their impact on Impax’s business and strategy and the resilience of Impax’s strategy taking into consideration our approach to scenario analysis.

In line with the TPT guidance, this section sets out our strategy for responding and contributing to the climate transition through our investment strategy and processes, our engagement with investee companies, peers and policymakers, and our own business operations. This includes reducing the financed GHG emissions associated with our investment activities; managing climate-related risks and capturing climate-related opportunities; and using available levers to embed and accelerate the climate transition by supporting the climate transition in the real economy.

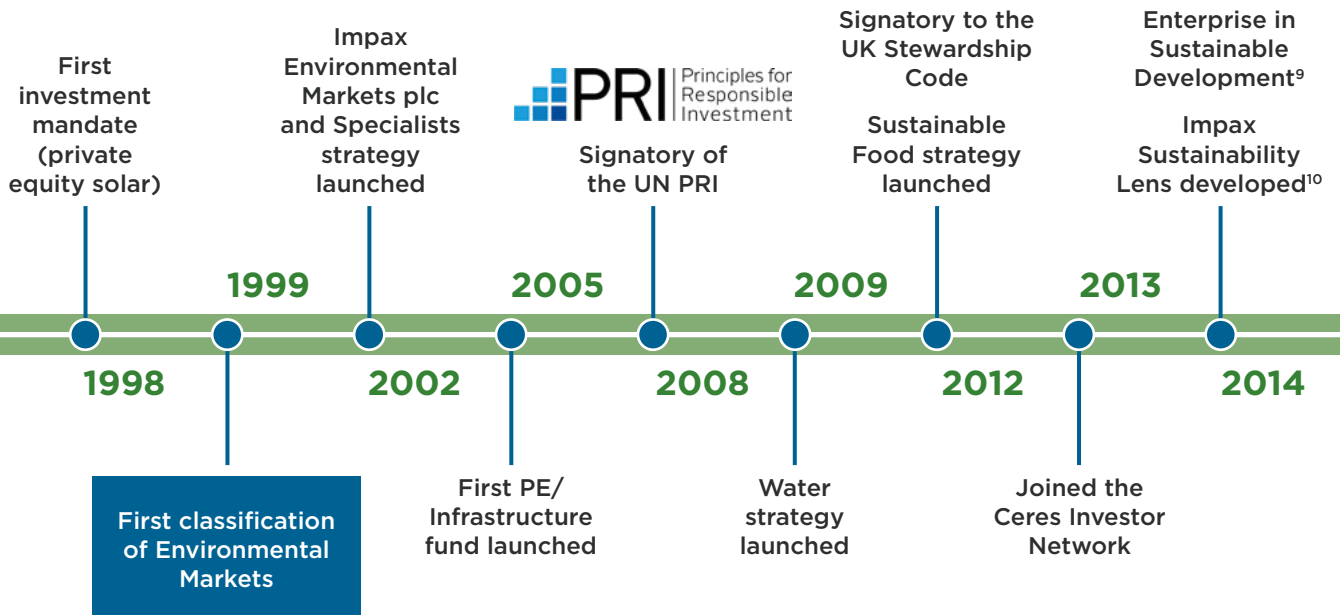
Evolution of Impax’s approach

Impax’s approach to the climate transition within its investment approach and processes has evolved over more than 25 years since its founding in 1998. Major milestones in this process have included:



First Queen’s Award for Enterprise in Sustainable Development⁹

Impax Sustainability Lens developed¹⁰



9 We were first awarded a Queen’s Award for Enterprise in Sustainable Development in 2014, in recognition of our pioneering role in supporting the expansion of companies and projects that contribute to the development of a more sustainable society. We are proud to have won the award again in 2020 and in 2024, now renamed the King’s Award for Enterprise.

10 Please see Section 2.1.1 (page 22) for more details.

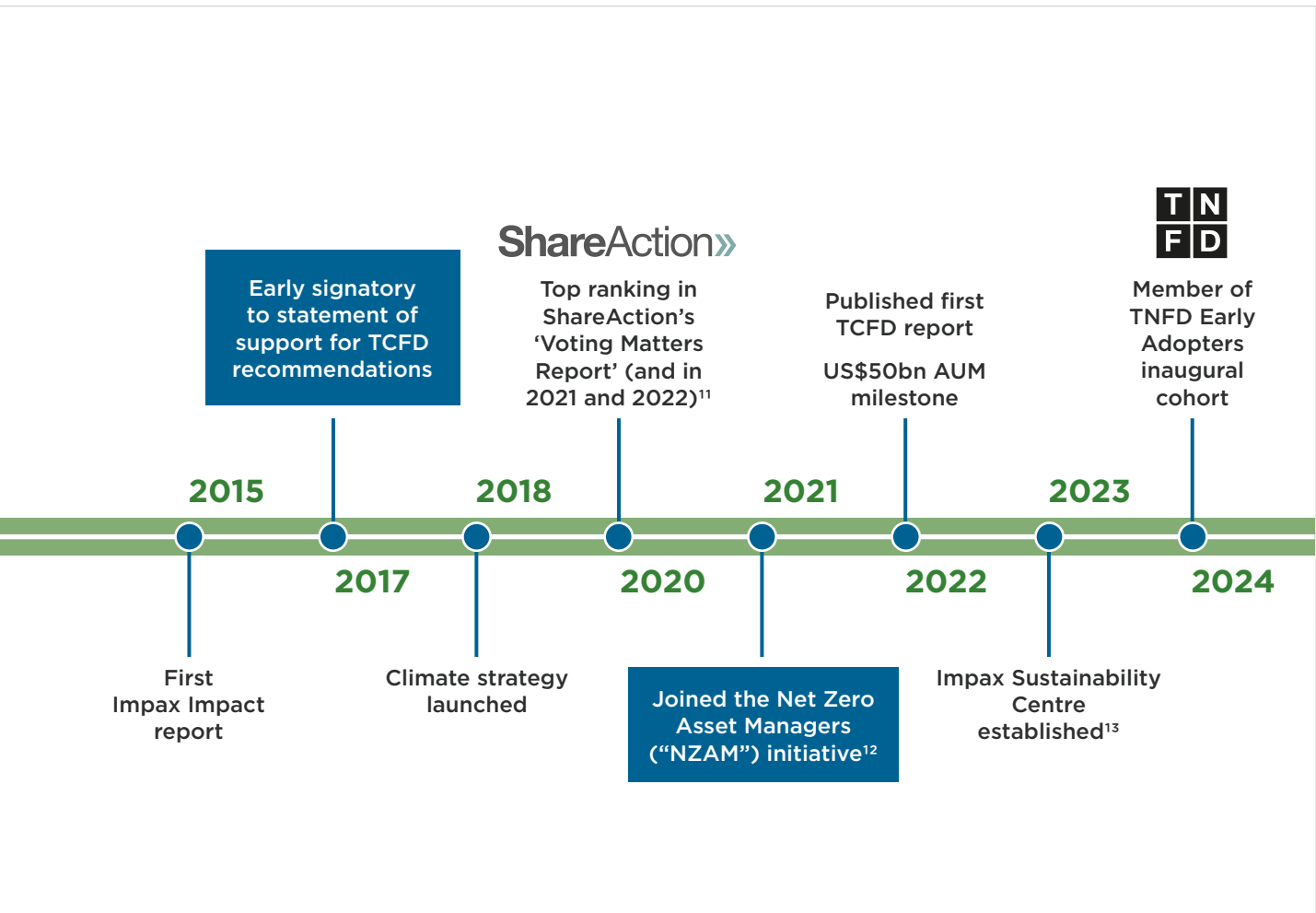
1.1 Impax’s approach to the climate transition

As a specialist investor in the transition to a more sustainable economy, a detailed and sophisticated appreciation of the risks and opportunities arising from climate change is central to Impax’s mission and our investment philosophy.

Founded in 1998, Impax has pioneered investment in the transition to a more sustainable global economy across asset classes and is today one of the largest investment managers dedicated to this area.

Investment philosophy:

- We believe that capital markets will be shaped profoundly by global sustainability challenges, including climate change.
- We invest in companies and assets that we believe are well positioned to benefit from the transition to a more sustainable economy.
- We seek to invest in higher quality companies, with strong business models and governance, that demonstrate sound management of risk whilst being able to adapt intelligently to changing conditions.¹⁴



11 In ShareAction’s *Voting Matters 2020* report, Impax’s voting record ranked first out of 60 of the world’s largest asset managers on 102 shareholder resolutions on climate change, climate-related lobbying and social issues.

12 Please see Section 1.1 (page 13) for more details.

13 Please see Section 4.2 (page 44) for more details.

14 For more information on our investment philosophy, please see our website.



Mission statement:

- To generate strong, risk-adjusted investment returns from investing in the opportunities and risks arising from the transition to a more sustainable economy for clients with a medium to long-term horizon.
- To contribute to the development of a sustainable society, particularly by supporting or undertaking relevant research and engaging or collaborating with others.
- To provide a stimulating, collaborative and supportive workplace for our staff.

We consider that the asset management sector as a whole can best contribute to meeting the goals of the Paris Agreement in the following ways:

- 1. Integrating climate risk into our investment decisions:** adjusting portfolios and using tools to minimise exposure to transition and physical risks.
- 2. Investing in climate solutions:** through a range of asset classes in both public and private markets.
- 3. Engaging with investee companies and policymakers:** identifying companies to engage with on their targets, disclosures and the details of their transition plans; encouraging policymakers to implement policies which will accelerate the climate transition.

We demonstrate the first and second elements above in our Investment Strategy (see summary below and Sections 2.1 and 2.2 for more detail) and the third in our Engagement Strategy (see summary below and Section 3 for more detail).

Impax’s climate targets

As a signatory of the NZAM initiative, Impax supports the goal of net-zero emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

As part of that initiative, we have adopted a target that 100% of our assets covered by the NZAM commitment – being all actively managed listed equities and private markets investments (our “Committed AUM”) – will be deployed into ‘transition aligned’ or ‘transition aligning’ investments by 2030, with 50% in ‘transition aligned’ investments by 2025.¹⁵ We also commit to reporting annually on the percentage of our investments invested in ‘climate solutions’ and the avoided emissions associated with those investments.

Our headline numbers for our NZAM commitments in 2023 in terms of our Committed AUM were:

- 92% in ‘transition aligned / aligning’ investments
- 49% invested in companies or assets providing ‘climate solutions’
- Avoided emissions 230 tCO₂e/\$1mn invested (in Active Listed Equities strategies)

We set out more detail on these metrics and targets, and related methodologies, in Section 5 from page 50.

Next, we set out how we deliver our objectives, as a specialist investor in the transition to a more sustainable economy, through our investment, engagement and operational strategies.

15 ‘Transition aligned’ and climate resilient management processes of investee companies include: 1) robust sector-relevant near- and long-term GHG reduction targets to a net-zero pathway (externally verified by, for example, SBTi); 2) management strategies and processes that enable climate and GHG target achievement (for example, capex spending, climate-linked management compensation); and 3) climate transparency and appropriate risk pricing (TCFD-aligned reporting).

‘Transition aligning’ companies have initiated climate risk management processes and have respective commitments in place but have not fully formalised and internalised these yet as part of a long-term net-zero corporate strategy.

Where companies are ‘not aligned’ to a climate resilient net-zero pathway, climate risk management processes have not yet been initiated, are significantly underdeveloped, or have notably stalled or deteriorated.



a) Investment strategy

Investing in the climate transition

At the core of our investment strategy is a recognition of the disruptive forces caused by climate change, and the benefits of aligning to a sustainable, low-carbon and climate-resilient economy. We recognise that activities with lower sustainability-related risks, including lower climate-related risks, are set to benefit from the climate transition. Low-carbon and climate-resilient activities are less at risk of disruption from changing consumer preferences and regulation that seeks to mitigate and adapt to biodiversity loss and global warming. Impax's investment strategies intentionally seek out companies that are well-positioned to enable and navigate this transition.

Our product suite invests in and enables the climate transition by identifying companies that are providing environmental solutions or adopting sustainable practices. Our Listed Equities product range is split into Thematic and Sustainability Lens strategies. Our Thematic strategies seek to invest in companies providing solutions to environmental and social challenges. This includes our Climate strategy, launched in 2018, which invests in companies that generate at least 50% of their underlying revenue from sales of products or services that constitute climate solutions, including both climate mitigation and adaptation. Our Sustainability Lens strategies meanwhile seek to achieve long-term capital growth by investing in companies benefiting from the transition to a more sustainable global economy. Our Private Markets business invests in renewable energy infrastructure, by bringing new assets into and through construction, thus adding new renewable energy capacity into the local and national grids. Finally, we are currently in the process of reviewing and updating the sustainability framework processes for fixed income. See Section 2.2 (page 30) for further details.

Pricing in climate risks

We recognise that the path to a low-GHG emissions, climate-resilient economy is constantly evolving, creating financially material risks and opportunities that diverge across sectors and regions. The first UN global stocktake on climate action, concluded in 2023, showed that we are far off track from achieving the Paris Agreement's goal of limiting global warming to 1.5°C in this century.¹⁶ The impacts of a slow and uncoordinated policy response are ultimately being felt in rising global temperatures, more severe natural disasters, and the loss of ecosystems. In 2023, the US had a record number of climate-related disasters – 28 – costing at least US\$1bn.¹⁷ We recognise that inaction today is likely to lead to heightened transition risks, due to disruptive and sudden policy shifts in the future to address the challenges of climate change and biodiversity loss, and rising costs from physical climate risks.

To account for the complexity of the transition, our investment approach is grounded on understanding and pricing in a company's exposure to climate-related risks and opportunities amidst wider disruptive forces. Evaluation at a thematic, sub-industry and company level helps us to grasp the specific and ecosystem-wide challenges and opportunities that our investments face. We utilise proprietary tools such as the Environmental Market taxonomy and the Sustainability Lens to inform our identification of companies enabling the transition. In addition to this idea generation, we conduct in-depth, fundamental research which integrates material environmental, social and governance ("ESG") analysis to guide all investment decisions. This analysis enables a deeper and more integrated understanding of investee companies' overall risk profiles, with transition and physical climate related risks, as well as their risk management capabilities and processes, being evaluated alongside traditional risk factors. See Section 2.1 (page 22) for further details.

¹⁶ UN Framework Convention on Climate Change, 13 December 2023: Outcome of the first global stocktake

¹⁷ National Oceanic and Atmospheric Administration, January 2024: 2023 - A historic year of U.S. billion-dollar weather and climate disasters



b) Engagement strategy

As an investor focused on the transition to a more sustainable global economy, we view engagement as a key part of our strategy for managing climate-related risks and delivering risk-adjusted returns to our clients.

We have identified three priority themes for climate-related engagement: managing transition risks; managing physical risks and enhancing adaptation; and improving climate-related disclosures.

We pursue our objectives through engagement with investee companies (see Section 3.1 on page 35), asset owner clients (see Section 3.2 on page 37), industry peers (see Section 3.3 on page 38) and policymakers and civil society (see Section 3.4 on page 39).

c) Operational strategy

We are committed to monitoring and reducing our own operational emissions as well as understanding and limiting our exposure to physical climate risks.

As an asset manager, our principal contribution to the climate transition is through our investment and engagement strategy. Nonetheless, we recognise the importance of our global business operations as part of our climate strategy.

We have set a target of sourcing 100% of our electricity from renewable sources by 2030 and are seeking opportunities to maximise the energy efficiency of our offices. We also look to minimise business-related travel emissions, our largest source of operational emissions. We have assessed the physical risks facing our offices, which vary by location, and remain relatively low. We manage these through our business continuity plan which includes measures to allow the company to operate from multiple remote locations. Further information on our operational strategy is set out in Section 2.2 (page 30).

1.2 Climate-related risks and opportunities

As set out above, we believe that Impax's business model is aligned towards a transition in the global economy that is more resource efficient, less GHG emissions-intensive and is positioned to provide substantial long-term benefits to society, such as a healthier environment.

The principal climate-related risks we face, as investors focused on this transition are related to a slower pace of transition. We are aware of, and seek to prepare for, future states of the world in which the drivers of the transition proceed more slowly than expected, or even go in reverse. Nonetheless, it remains our conviction that technological innovation, government policy, consumer preferences and social norms will drive fundamental change over the long term.

Impax's approach to climate-related scenario analysis

Climate scenario analysis is an important tool for testing the resilience of our business model to an inherently uncertain future. Impax has, for many years, employed senior specialists with experience working for national governments, leading consultancies and distinguished academic institutions on climate economics. It is from this perspective that we are investigating how best to complement the work that is ongoing within the Network for Greening the Financial System ("NGFS"), the International Energy Agency ("IEA") and other institutions.

Amongst the drivers that influence the pace of the ongoing climate transition, there are a range of macroeconomic factors and socio-political dynamics that we believe are not yet sufficiently developed in typical scenario analysis. While more advanced integrated assessment models ("IAMs") and IPCC scenarios have sought to improve their capacity to capture the interactions between the real economy, financial markets and national politics, they remain insufficient for sophisticated business planning, especially over shorter durations (for example, the next one to five years). At a macroeconomic level, key considerations include fossil fuel price volatility, interest rate expectations and inflation. At the political level, factors include international trade policy, monetary and interest rate policy, infrastructure planning and permits, and the public acceptability of shifting tax burdens.

In April 2024, Impax conducted an internal workshop with senior members of our investment team to explore the implications of recent work conducted by the University of Exeter on, short-term, decision-useful, climate scenarios. A summary of their ongoing work can be found in the September 2023 report *'No Time to Lose - New Scenario Narratives for Action on Climate Change'*. The workshop informed the identification and assessment of climate-related risks summarised in Table 1a (page 19) and has generated concrete next steps for incorporating more granular climate scenarios into our macroeconomic overlays and risk management processes.

In addition to the use of scenario analysis at a strategic level, we have developed a proprietary approach and tools for integrating both physical climate risks and carbon pricing into our investment process and engagement activities. As described further in Section 2.1 (page 22), these approaches incorporate a range of climate scenarios including 2°C or lower scenarios.



Impax's material climate-related risks and opportunities

The evaluation of climate-related risks and opportunities is central to our business and financial planning decisions, including our investment in data, human resources and product development.

In Tables 1a and 1b on pages 19 and 20, we present the material risks and opportunities respectively that we have identified over the short (0 to 5 years), medium (0 to 10 years) and long term (0 to 15 years), their potential impact on the organisation and our strategy for mitigating those risks or realising those opportunities (which are set out in more detail in Sections 2 and 3).

Given that our investment strategies seek to achieve strong risk-adjusted returns from the transition to a more sustainable economy, the directionality of our exposure to climate risks will in many cases be the opposite of what would be expected from investment portfolios with high exposure to the conventional energy value chain. For example, our strategies are generally positioned to benefit from what we perceive to be misplaced market expectations about the cost-competitiveness of key clean energy technologies and the impact of national policy commitments.

We believe that Impax's strategy is well-positioned to benefit from the climate transition and to realise the opportunities associated with more ambitious climate scenarios, including a 2°C or lower scenario. We have identified a range of business risks related to a slower transition and have incorporated measures within our investment process and engagement activities to ensure that our strategy remains resilient to them.

For example, we have worked to expand our Climate Opportunities taxonomy over the last year to reflect the growing scale of adaptation solutions required as the impacts of climate change grow (see page 28 for details).

Whilst we have yet to develop a standalone transition plan, our overall business strategy already encompasses the components of transition plan guidance issued by the GFANZ and the approach recommended by the TPT.^{18, 19} As a step towards preparing our own transition plan, we have therefore taken into account the TPT's guidance in developing this report, including structuring it around the five elements of the TPT's Disclosure Framework.²⁰

Table 1a: Impax's key climate-related risks

Table 1a, shown on page 19, illustrates our assessment of climate-related risks (including both transition split into policy, technology, market and litigation risks and physical risks) relevant to Impax, their potential financial impacts and possible mitigation actions.

Table 1b: Impax's key climate-related opportunities

Table 1b, shown on page 20, illustrates our assessment of climate-related opportunities relevant to Impax, potential financial impacts and actions to realise them.

18 GFANZ, 2022: Financial Institution Net-zero Transition Plans

19 See page 17 of TPT Disclosure Framework, October 2023.

20 Including the TPT Asset Managers Sector Guidance, April 2024.



Table 1a: Impax’s key climate-related risks

	Risk identified	Potential financial impact on investee companies (or Impax where shown)	Risk mitigation strategy	Time horizon	Impact on Impax ²¹
Policy	Increasing uncertainty around climate policies with countries slowing or reversing ambition	<ul style="list-style-type: none"> Lower sales growth across product lines reliant on policy support Higher uncertainty over future returns delays capital investment decisions by companies 	<ul style="list-style-type: none"> Management of single policy risks Regular updates to company valuations using proprietary investment tools that track policies Engagement with investee companies on risk mitigation measures Engagement with policymakers to ensure consistent policy signals 	0 - 10 years	High
	Increase in trade protectionism across environmental solutions disrupts supply chains	<ul style="list-style-type: none"> Increase in operating costs and lower market demand for protected goods 	<ul style="list-style-type: none"> Regular updates to company valuations using proprietary investment tools that track policies Engagement with investee companies on risk mitigation measures In-house macro framework captures evolving view of geopolitical risks 	0 - 10 years	Medium
	Costs of increasing financial regulation	<ul style="list-style-type: none"> Impax faces higher costs of regulatory compliance (risk to Impax) 	<ul style="list-style-type: none"> Engagement with regulators to encourage interoperability of sustainable financial regulation 	0 - 5 years	Medium
Technology	Lower carbon technologies take longer to scale, with cost reductions occurring more slowly than anticipated	<ul style="list-style-type: none"> Lower profit margins and slower demand growth for some low-carbon technologies 	<ul style="list-style-type: none"> Update view of sub-sector risks via our investment processes and tools 	0 - 10 years	Low
Market	Inflation/interest rate shocks	<ul style="list-style-type: none"> Higher cost of capital increases the cost of capital expenditures associated with climate solutions, reducing sales growth 	<ul style="list-style-type: none"> Update macro framework and view of sub-sector risks via our investment processes and tools Company specific assessment of risks based on business model 	0 - 5 years	Medium
	Low fossil fuel prices (coal, oil and natural gas)	<ul style="list-style-type: none"> Reduces relative competitiveness of low-carbon technologies, reducing sales growth 	<ul style="list-style-type: none"> Engagement with policymakers to reduce fossil fuel subsidies Update macro framework and view of sub-sector risks via our investment processes and tools 	0 - 10 years	High
Reputation	Performance is negatively affected by the challenges facing the climate transition and scale up of environment solutions	<ul style="list-style-type: none"> Lower financial returns lead key clients to withdraw assets, leading to a reduction in net client AUM (risk to Impax) 	<ul style="list-style-type: none"> Active management of investment portfolios through business cycles Sustainability client advisory function to support clients and communicate our view on secular drivers of the transition 	0 - 15 years	High
Acute & chronic events	Extreme weather events (droughts, flooding, wildfires) negatively impact infrastructure	<ul style="list-style-type: none"> Increase in operating costs due to damage to property Higher food prices drive higher inflation and lower GDP growth Decreased productivity due to health & safety concerns 	<ul style="list-style-type: none"> Engagement with investee companies to improve disclosure and management of physical climate risks Identify opportunities for investment in adaptation to physical risks 	0 - 15 years	Medium

21 We assess impact qualitatively based on the scope of companies in our investment universe that are affected by a risk or opportunity, or the extent to which a risk or opportunity affects multiple Impax business functions, combined with a judgement of the degree to which a risk can be mitigated (or an opportunity realised).



Table 1b: Impax's key climate-related opportunities

	Risk identified	Potential financial impact on investee companies (or Impax where shown)	Risk mitigation strategy	Time horizon	Impact on Impax ²¹
Policy	Climate policies increase with a focus on green industrial policy and local manufacturing of climate solutions	<ul style="list-style-type: none"> Lower operating and capital costs for companies benefitting from green industrial policy incentives 	<ul style="list-style-type: none"> Identify companies benefitting from policy developments via our investment tools and processes 	0 - 10 years	High
Litigation	Increase in litigation against politicians and companies due to their lack of action on global warming	<ul style="list-style-type: none"> Improves relative performance of companies that are taking action relative to their industry 	<ul style="list-style-type: none"> Evaluate litigation risks within our transition risk assessments, at company and GICs sub-industry level to identify companies that are well positioned relative to peers 	0 - 10 years	Low
Technology	Continued innovation makes low-carbon technologies cheaper than incumbents, spurring adoption	<ul style="list-style-type: none"> Higher sales growth for manufacturers of climate solutions 	<ul style="list-style-type: none"> Update view of sub-sector opportunities and market penetration via our investment processes and tools 	0 - 15 yrs	Medium
Market	Consumers place an increasing value on sustainable consumption	<ul style="list-style-type: none"> Higher revenues for sustainable goods and services, and higher demand for companies supporting the transition 	<ul style="list-style-type: none"> Identify companies benefitting from consumer driven price and demand uplift via our investment tools and sectoral working groups 	5 - 10 yrs	Medium
Reputation	Greenwashing concerns and market volatility increase demand for specialist investors with a track record investing in environmental solutions	<ul style="list-style-type: none"> Increase in client AUM due to Impax's credibility and experience as an investor in the transition to a more sustainable economy 	<ul style="list-style-type: none"> Communicate Impax's track record, expertise and differentiated approach across asset classes to meet client demand 	0 - 10 yrs	High
Acute & chronic events	Extreme weather events increase demand for adaptation solutions across multiple sectors (i.e. agriculture, healthcare, insurance)	<ul style="list-style-type: none"> Increase in sales growth of adaptation solutions, such as healthcare solutions required due to higher pollution 	<ul style="list-style-type: none"> Impax's Climate Opportunities taxonomy is used to identify companies across multiple sectors that benefit from the greater need for climate adaptation and resilience 	0 - 15 yrs	Medium

21 We assess impact qualitatively based on the scope of companies in our investment universe that are affected by a risk or opportunity, or the extent to which a risk or opportunity affects multiple Impax business functions, combined with a judgement of the degree to which a risk can be mitigated (or an opportunity realised).



2

Implementation

Investment, operations
& risk management





2. Implementation

Investments, operations & risk management

Structure

In line with the TCFD's recommendations, this section forms part of our Risk Management disclosures, specifically on our processes for identifying and assessing climate-related risks, managing those risks and how these processes are integrated into our overall risk management framework.

In line with the TPT guidance, this section sets out the actions which we are taking to deliver our climate transition strategy (set out in Section 1) through our investment process, product strategy and investment policies, as well as in our business operations.

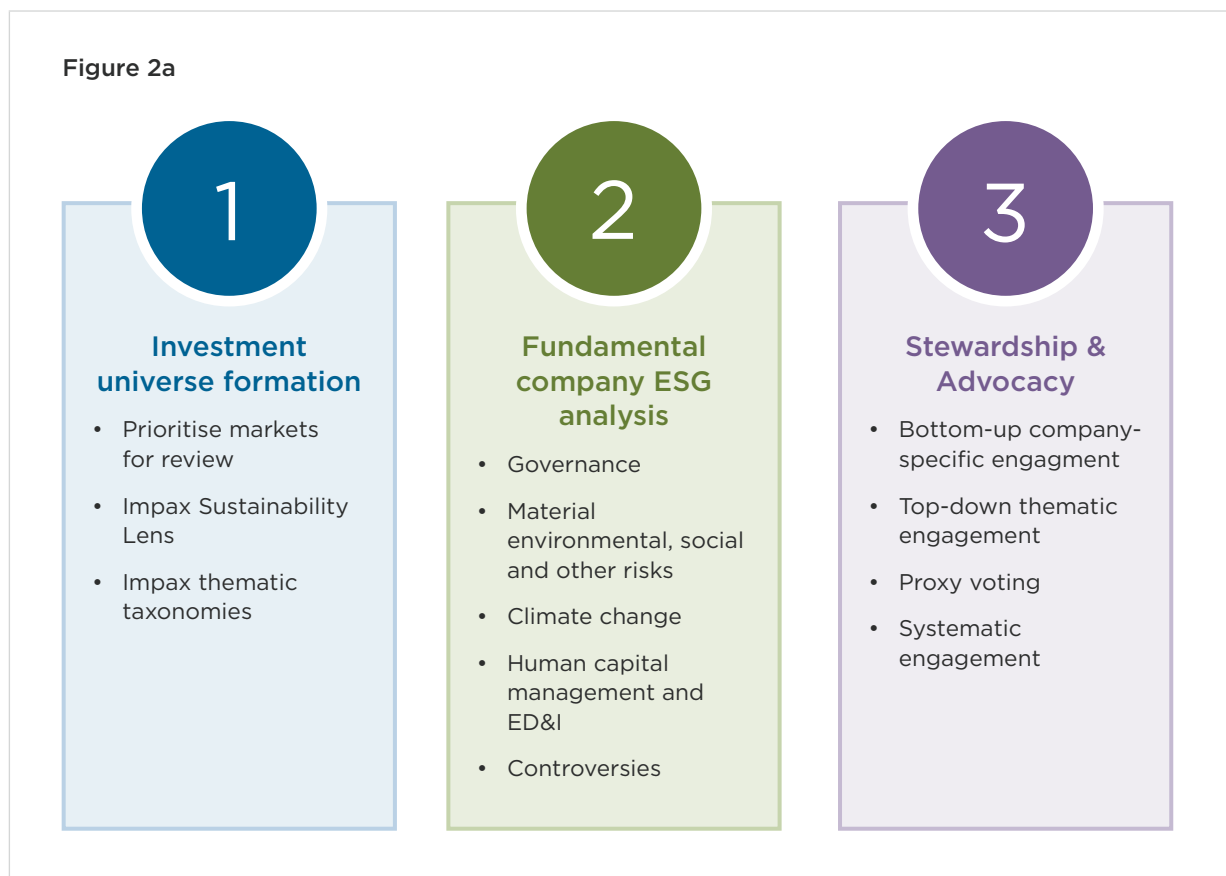
2.1 Investment strategy

2.1.1 Investment process

Integration of climate-related risks into our investment process

We integrate climate and other material risks into the investment process for all of Impax's assets under management, across all asset classes and geographies, through company-, issuer- or project-level ESG analysis.

For Impax's active listed investments, our investment approach consists of three main steps which are summarised in Figure 2a, below. Further details of our investment process can be found in our UK Stewardship Code Statement 2024.²²



²² See Principle 7, ESG Integration, on page 29 of our UK Stewardship Code Statement, April 2024

The Private Markets investment process follows a similar three-step approach that is tailored to investing in renewable energy infrastructure.

A. Prioritising markets for review and investment

Impax's investments and strategies are aligned to the transition to a more sustainable global economy. It is our guiding conviction that activities with lower sustainability risks and higher opportunities are set to benefit from the climate transition and are well positioned for the long-term. Our investment solutions are driven by proprietary idea generation tools that help the investment teams identify the highest opportunity sectors and companies with the lowest physical and transition risks. See below for details on Impax's Sustainability Lens and Environmental Markets taxonomy.

Our Private Markets business has one investment strategy, the New Energy Fund series, which is dedicated to investing in predominately European renewable energy infrastructure. We develop, construct, operate and sell wind, solar, small-scale hydro electricity generation, energy efficiency and decentralised generation projects. As such, the strategy is inherently aligned to capitalising on opportunities that arise from the climate transition.

Impax's Sustainability Lens

Impax's proprietary Sustainability Lens analyses the risks and opportunities created by the transition to a more sustainable economy and highlights areas of the market exposed to a range of social and environmental tailwinds and headwinds. Within the Lens, Impax scores each of around 160 MSCI GICS sub-industries based on eight opportunity and nine risk categories, and based on these scores sub-industries are rated as 'high', 'neutral' or 'low' for both risk and opportunity. Ratings include transition climate risk, physical climate risk, nature and biodiversity risks, and the opportunities to address climate change and resource efficiency, as well as other environmental and social risks and opportunities.

Internal sector and sustainability experts advise on the sub-sector risk and opportunities scoring, which leads to an overall sub-sector-level risk and opportunities rating. These groups, which are subsets of the investment team with sector and sustainability expertise, meet quarterly to review the most material social and environmental risks facing each sub-industry and update scores accordingly.

The Lens is overseen by the Impax Lens Committee ("ILC"), which is responsible for guidance and oversight of the Lens risk and opportunity analysis and ensuring that the portfolio of our 'Core' listed equities strategies reflects the investment philosophy within the Lens.

Impax's Environmental Markets taxonomy

We have been developing our proprietary universe of environmental stocks since early 1999, with ideas sourced through internal research of sector and geographical developments as well as through a wide and deep network of contacts. The investment universe represents a key part of Impax's intellectual property and is managed internally through a robust process.

Environmental Markets have expanded significantly over the past 25 years. The Impax Environmental Markets taxonomy currently represents around 2,500 companies, each classified within one of six thematic areas (see Figure 2b on page 24). To be included in the investable universe, companies must generate at least 20% of their revenues in themes defined by our proprietary thematic taxonomies. This threshold is evaluated by the analyst responsible for the stock, and confirmed and documented by a member of the Sustainability Centre. The universe is continuously monitored and regularly updated. We have a range of thematic strategies, based on our proprietary thematic environmental and social taxonomies or universes, outlined on page 27.

Figure 2b: Our classification of Environmental Markets



Energy

Alternative energy

- Hydrogen
- Biofuels
- Wind
- Solar
- Developers & independent power producers

Energy management & efficiency

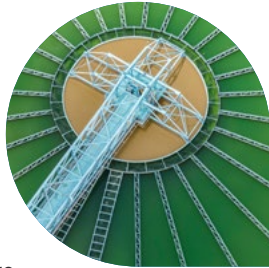
- Smart grids
- Industrial, consumer & buildings efficiency
- Power storage and un-interruptible power supply
- Lighting



Water

Water infrastructure & technologies

- Distribution & infrastructure
- Treatment
- Efficiency
- Utilities



Smart environment

Environmental services & resources

- R&D & consultancies
- Finance & investment
- Testing & monitoring
- Pollution control

Digital infrastructure

- Efficient IT
- Cloud computing
- Digital collaboration solutions
- Environmental resources



Clean and efficient transport

Transport solutions

- Advanced aviation
- Advanced shipping
- Railways
- E-bikes & bicycles
- Buses & coaches
- Road vehicles & devices
- Pollution reduction
- Shared mobility



Circular economy

Resource efficiency & waste management

- General & hazardous waste management
- Recycled, recyclable products & biomaterials
- Resource circularity & efficiency
- Technologies



Sustainable food

Sustainable food & agriculture

- Organic & alternative
- Technology & logistics
- Safety & packaging
- Agri- & aquaculture
- Forestry





B. Fundamental ESG analysis at the company level

In advance of the assessment of climate-related risks as part of ESG analysis, we apply Impax's Fossil Fuel Policy (detailed in Section 2.1.3 on page 29), which was developed to mitigate climate-related risks associated with investing in companies with fossil fuel-related assets, activities or exposure. Under this policy, the Sustainability Centre evaluates whether companies have credible plans for climate risk mitigation to determine eligibility for investment. To determine if a company indeed has a credible plan, focus is placed on companies' plans of phase-outs or divestments of fossil fuel assets, the resilience of their operations and processes, as well as some regional differences in the pace of the climate transition.

The next step is fundamental analysis at the company level. This includes in-depth financial research and analysis as well as proprietary ESG analysis, which is an integral part of the investment process. The five pillars of Impax's proprietary ESG score are as follows:

- Corporate governance
- Material environmental and social risk management
- Climate change
- Human capital and equity, diversity & inclusion ("E,D&I")
- Controversies

This analysis enables a deeper and broader understanding of the character of our companies, their corporate structures, oversight mechanisms, risk management capabilities, processes and transparency.

For the climate change pillar, we assess companies' exposure to and preparedness for transition and physical risks through evaluation of their disclosures, targets, management practices and performance. As part of the climate transition analysis, each company is also assessed and categorised on an ongoing basis for its net-zero alignment ('aligned', 'aligning' and 'non-aligned'). A more detailed description of the climate analysis in Impax's ESG methodology follows on page 26.

For active listed investments, the lead investment analysts for each investee company are responsible for financial and ESG analysis, as well as related engagements. The Sustainability Centre team is responsible for the oversight, peer review and scoring of the ESG analysis, coordination of focus areas of engagement and continuous development of Impax's ESG, sustainability and stewardship approaches and methodologies.

We analyse company disclosures and reports and use external ESG research as inputs to, and support for, our analysis. When all inputs are gathered for each company, the lead analyst writes an ESG report and assigns a proprietary ESG score for each of the five pillars within our ESG analysis (including climate change), as well as an overall ESG score. This analysis is updated on an annual basis for existing holdings. The ESG process across Impax's active and systematic listed investments is described in Impax's ESG Policy.²³

Similarly in our Private Markets business, understanding climate-related risks and opportunities is a key part of our ESG analysis. This initial analysis is undertaken by the Transaction team and presented to the Investment Committee as part of the due diligence process. As we typically take majority stakes and always have control rights, we are able to design a bespoke ESG strategy for all of our investments which is implemented from inception. Using our initial ESG analysis, the PE/Infrastructure team seeks to mitigate key ESG risks through structuring by ensuring investee companies implement Impax policies and procedures. The Asset Management team is responsible for helping our investee companies to implement the ESG strategy throughout the ownership phase through to exit, supported by the Transaction Team with oversight provided by the Head of Asset Management and Sustainability. The ESG process across Impax's Private Markets investments is described in the Impax New Energy Strategy ESG Policy.²⁴

²³ See Impax, April 2024: Integrating environmental, social and corporate governance (ESG) analysis in the investment process

²⁴ See Impax, December 2023: Impax New Energy Strategy - Environmental, Social and Governance Policy



For fixed income investments, issuers are currently subject to the proprietary ESG evaluations described above. However, we are currently in the process of reviewing and updating the sustainability framework processes for fixed income, including screening, industry tiering, ESG-analysis and engagement, due to ongoing developments in the firm's overall business development strategy.

Climate-related risk assessment and management

The key components of our approach to assessing the climate-related transition and physical risks facing investee or prospective investee companies are set out below.

Transition risks

The transition risks we assess at the company level include:

- Disclosure: Rigour of measurement and transparency of reporting of climate risk exposure and management, including GHG emissions across all scopes, in absolute and relative intensity terms
- Management: Establishment of climate-aware management systems; capital expenditure investment in energy efficiency and renewable energy; management compensation tied to climate outcomes
- Target-setting: Robustness of targets, including whether they are science-based and include short-, medium- and longer-term time horizons, Paris alignment with sectoral pathways to net zero, and external verification
- Performance: Outcomes achieved from climate-aware management and target-setting

As described in Section 5.3.1 on page 59, we have developed a proprietary carbon risk model to assess our investee companies' exposure to carbon risk. We use this analysis to identify specific companies with high exposure to transition risks with whom we then engage to encourage improved management of those risks.

In our Private Markets investment strategy, transition risks are considered during the due diligence phase. Where required, mitigation measures may be implemented in an investee company's bespoke ESG strategy.

Physical risks

The physical risks we assess at the company level include:

- Disclosure of company key locations, including strategic plants and facilities
- Assessment of the proportion of company facilities exposed to physical climate risks
- Climate risk assessment undertaken with scenario analysis, ideally quantifying financial impacts from physical climate risks
- Actions planned or taken to improve physical climate risk resilience or adaptation

For both our Active Listed Equities and Private Markets investments, we have used scenario analysis to assess our investee companies' exposure to acute physical risks (see Section 5.3.2 on page 61 for details).

Our assessment tool is used to flag companies facing elevated physical risks to inform additional examination of that risk and our engagement work.



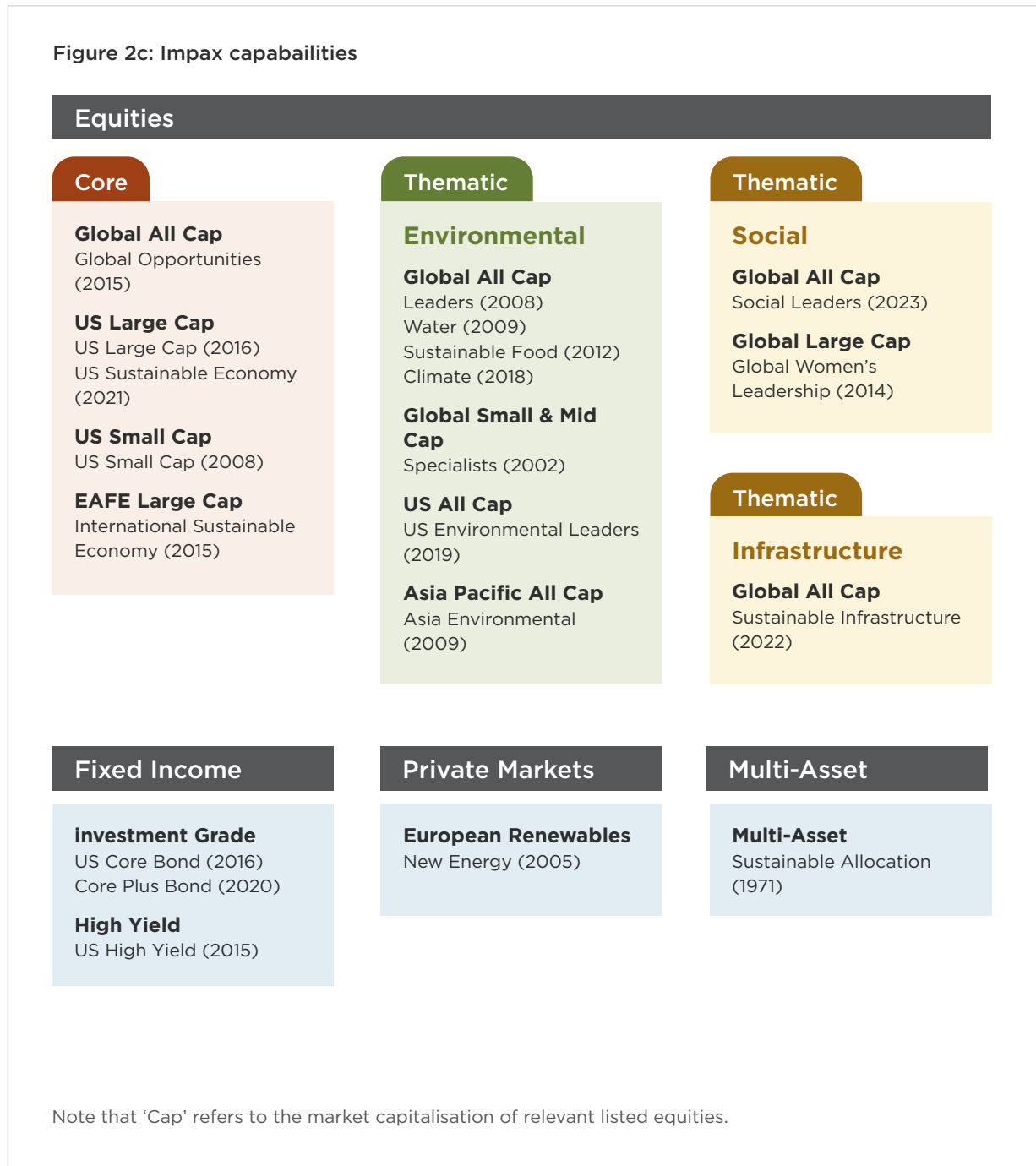
C. Stewardship and engagement

ESG analysis and engagement are integrated in our investment process. Insights from our ESG analysis help us to establish priorities for company-level engagements, which are used both to mitigate risk and to enhance value and investment opportunities. Full details on our stewardship approach and how we integrate climate-related issues into our stewardship and engagement activities are set out in Section 3 (from page 33).

2.1.2 Products and Services

Our product suite invests in and enables the climate transition by identifying companies that are providing environmental solutions or adopting sustainable practices.

Our full set of investment products is set out in Figure 2c below:





Thematic strategies, which represent the majority of our AUM, seek to achieve sustainable, above-market returns across a range of environmental and social themes. These are underpinned by our proprietary Environment Markets taxonomy and associated universe of stocks (see page 24).

Our Core listed equities strategies, which are based on our proprietary Sustainability Lens framework (see page 23), seek to achieve long-term capital growth by investing in companies benefiting from the transition to a more sustainable global economy. This includes our largest strategy by AUM, Global Opportunities, whose AUM stood at £9.8bn as at 31 December 2023.

Climate strategy

In 2018, we launched our Climate thematic equities strategy which aims to invest globally in listed companies with demonstrable exposure to products and services enabling mitigation of climate change or adaptation to its consequences. To identify these companies across a diverse range of sub-sectors, we developed a Climate Opportunities taxonomy and investment universe split into two overarching themes: Mitigation and Adaptation. The focus on adaptation opportunities is discussed in more detail below.

As at 31 December 2023, our Climate Opportunities investment universe encompassed approximately 1,400 securities. As at 31 December 2023, the AUM of our Climate strategy stood at £2.9bn.

Capturing the adaptation opportunity

Adaptation offers investment opportunities in technologies and systems that improve our resilience to acute physical climate risks like floods, droughts, wildfire, extreme precipitation, cyclones and hurricanes, and to chronic risks like extreme heat, sea level rise, and the expanding geographic distribution of diseases and pests.

To capture these opportunities, we have classified adaptation into two broad categories: primary adaptation and secondary adaptation.²⁵

- Primary adaptation is focused on addressing the immediate impacts of climate change such as stronger storms, rising sea levels and extreme heat. Improving the resilience of electricity grids is one example of an investable area: we see opportunities to invest in solutions that enhance the resilience of the energy network while enhancing integration of renewables, such as back-up power and storage.
- Secondary adaptation, meanwhile, encompasses solutions that help the global economy to respond and adapt to the indirect impacts of a changing climate. Examples of investable opportunities include human health resilience: we see opportunities for companies that help prevent and treat climate-related infectious diseases and conditions through better diagnostics, therapies and vaccines.

²⁵ We have been contributing to developing best practice in measuring and monitoring physical climate risks by co-chairing the CFRF's Adaptation Working Group. See Section 3.4 (page 40) for more details.



Private Markets: New Energy strategy

With nearly 20 years of experience investing in European renewable energy infrastructure, we are one of the longest-established private markets managers in this space. We launched our first fund in the New Energy Fund series in 2005, and successfully finished fundraising for our fourth fund in January 2024. Whilst we have retained our sector focus, we have evolved the strategy in response to new developments in the rapidly growing renewable energy market. Typically partnering with local developers, we aim to amass material portfolios of operating assets to sell to long-term strategic and financial buyers. We work with our investee companies to develop new renewable energy projects, bringing them into and through construction, thus increasing the local grid's renewable energy capacity.

2.1.3 Policies and conditions

We have developed a range of firm-wide policies which we use in the delivery of our investment and engagement strategies.

Full details of the stewardship and sustainability-related policies are set out in our UK Stewardship Code Statement 2024, together with information about the Sustainability Policy Committee which is responsible for their oversight, reviews and approval.

Policies with high relevance to climate-related risks and opportunities include:

Fossil Fuel Policy

This policy aims to mitigate climate-related risks associated with investing in companies with fossil fuel-related assets and activities. Such risks include government intervention to regulate GHGs, changes in consumer preferences, technological developments and other liabilities, like stranded asset risks, in addition to reputational and litigation risks.

Under the policy, which covers all Impax investment strategies as at June 2024, we will not invest in companies that derive any revenues or profits from fossil fuel exploration and production as we believe they face significant climate transition risks.²⁶ Nor will we invest in companies that generate more than 5% of their revenues or profits from refining, processing, storing, transporting and distributing fossil fuels, unless we have determined that they have credible plans for climate risk mitigation aligned with the climate transition. Further details can be found on our website.

Approach to Nature, Biodiversity, and Deforestation

This updated policy, published in February 2024, describes our approach to managing nature-related risks in our investments. It outlines the objectives for our engagement with investee companies and issuers and our approach to addressing these aspects through policy advocacy. This policy is outlined in detail on page 70.

²⁶ The Fossil Fuel Policy does not apply to:

- Companies with indirect exposure to fossil fuels such as automotives, transport, industrials and financials.
- Companies providing transitional air quality solutions, such as emerging market utility, storage or distribution companies, e.g., replacing coal in regions where coal represents a high proportion of the energy mix in the grid system.



2.2 Operations

Transition risks

As a people-based business, our GHG emissions are very low relative to our financed emissions. Our exposure to transition risks relating to business operations is very low. Nonetheless, we are committed to monitoring and reducing our own operational emissions across Scope 1, Scope 2 (emissions relating to electricity consumption) and Scope 3 (largely business travel).

- We have set a target to source 100% of our electricity from renewable sources across all Impax offices (from electricity use) by 2030. The company-wide figure stood at 97% as at 31 December 2023. See Section 5.4.2 (page 68) for more details.
- All offices are in shared buildings where energy efficiency measures are centrally managed and largely out of our control. However, the London headquarters are in a certified green building (rated “excellent” by BREEAM and managed by an ISO 14001-aligned building management system) and we have been adjusting systems to minimise inefficiencies and seek energy-saving opportunities.²⁷
- Air travel has historically been Impax’s largest source of operational emissions. See Section 5.4.2 (page 68) for details of our Scope 3 emissions targets.

Physical risks

Our assessment of climate-related risks relating to our operations concluded that the physical risks facing our offices remain relatively low. Key risks identified and assessed vary by office location:

- **Drought risk and water stress (London and Dublin):** while drought risk and water stress are high across the metropolitan areas where Impax offices are based, most significantly in London, our water risks are moderate and more indirect as an office-based company.
- **Major storms (US and Hong Kong):** major storm risk is notable, and expected to increase, for our US (Portsmouth, New Hampshire and New York City) and Hong Kong offices, with rising sea levels elevating coastal flooding risks.
- **Typhoons (Tokyo):** our Japan office faces the risk of typhoons.

Overall, the assessment indicated that the main operational risks are associated with connecting infrastructure and transportation systems on which employees depend. Our principal risk management measure is our business continuity plan which includes measures that address recovery locations, systems recovery and the recovery of critical business functions in the event of these and other operational risks. The COVID-19 pandemic provided a real-life demonstration of our ability to successfully operate from multiple remote locations anywhere that a secure internet connection is present.

27 BREEAM stands for the Building Research Establishment Environmental Assessment Methodology. The accreditation is administered by the Building Research Establishment.

2.3 Integration of climate risks into the risk management framework

Climate risk has been formally recorded on our key risk register, making it subject to independent oversight and assurance from the Enterprise Risk Committee. This committee reports into the Audit & Risk Committee (“ARC”), which is comprised of independent Non-Executive Directors of the Board. (See Section 4.1 (page 43) for details on board oversight of sustainability risk management.)

Two operational climate-related risks are defined: first, physical risks to Impax operations; and second, risks arising from any failure to appropriately integrate climate risk into investment decisions. Both are monitored and measured through the incident management process.

Work continues to fully integrate climate-related risks into the risk management framework, which is based on the ‘three lines of defence’ model. We are currently looking to expand the key performance indicators used to evaluate the impact of climate-related transition and physical risks on our business and investment strategy, in alignment with the risks identified through our climate scenario analysis in Table 1a (page 19).

The framework enables risk identification, risk measurement, risk mitigation, risk monitoring and reporting, thereby ensuring a holistic and integrated risk management culture. Under this framework, respective business units lead in identifying, assessing and managing relevant risks – the ‘first line’, Compliance and Risk functions then provide independent challenge – the ‘second line’, Internal audit then provides independent assurance of risk management – the ‘third line’. The framework is overseen by the ARC and adheres to the ISO 31000 standard.





3

Engagement

Investee companies &
other stakeholders

3. Engagement

Investee companies & other stakeholders

Structure

In line with the TCFD's recommendations, this section forms part of our Risk Management disclosures, specifically on our processes for managing climate-related risks.

In line with the TPT's recommended disclosures for asset managers, we set out how we engage with the following key stakeholder groups: investee companies; asset owner clients; industry peers; and government, public sector, communities and civil society.

As an introduction, we outline two cross-cutting elements of our engagement approach: the Impax stewardship and advocacy framework and our approach to multi-stakeholder engagement, or 'systematic engagement' (see below).

Impax stewardship and advocacy framework

Over recent years, we have developed a stewardship and advocacy framework that demonstrates how intentional inputs and activities can translate into tangible real-world impacts at company and industry level.

This encompasses a stewardship impact value chain, identifying a more detailed articulation of the stewardship inputs (for example, resources and working groups) and actions (such as research, collaborations and escalations) that will be most effective in achieving the outcomes set in our engagement objectives (for example, company target-setting, capex investment) and observing the real-economy impact from this work (for instance, GHG emissions reductions). Using stewardship and advocacy to pursue real economy change and impact in our investee companies is at the core of our approach to the NZAM initiative and our target-setting. Our approach is illustrated in Figure 3a on page 34.








Systematic engagement

In addition to regular engagement with investee companies, policymakers and industry peers, we have identified critical and often hard-to-engage areas where many kinds of institutions – public and private sectors, non-profits and academia – need to make key contributions. We call this broad, thematic approach 'systematic engagement' which combines company engagement, policy advocacy and thought leadership with the aim of shaping companies' practices through regulatory or policy change.

As a recent example of systematic engagement, we have engaged with regulators, investors and companies, often in partnership with other shareholders, over the past four years to improve the disclosure of major physical assets that might face physical climate risks. Please see pages 6 to 9 of our Stewardship & Advocacy Report 2024 for details.



Figure 3a: Stewardship impact value chain

	Activities	Outputs	Outcomes (examples)	Impact (examples)	
Advocacy	Establishing global frameworks 	Collective approach to market failures	Food and Agriculture Organization (“FAO”) roadmap for net-zero global food system	GHG agriculture targets in Nationally Determined Contributions (“NDCs”)	Advocacy
	Greening the financial system 	Helping regulators design financial regulation	CFRF Climate Disclosure Dashboard	Decision-useful disclosures on climate-risks	
	Overcoming investment barriers 	Sectoral policies to scale up net-zero investment	Energy Transitions Commission proposals on streamlining planning and permitting	Faster deployment of wind and solar projects	
	Systematic engagement 	Combined company and policy outreach	Engaging with S&P 500 companies and SEC on geolocation data	Enabling analysis of physical climate risks	
Stewardship	Thematic, collaborative engagement 	Amplifying influence with collaborative engagements	Sustainable protein product targets set by food retailers	More sustainable product offering	Stewardship
	Exercising shareholder rights 	Proxy voting and engagement, filing shareholder resolutions	Racial equity audit conducted	Improved company E,D&I processes and practices	
	Company-specific engagement 	Outreach and meetings to encourage improvements	GHG reduction target set	Reduced company GHG emissions	

Inputs to the process include the Impax Sustainability Centre team, investment analysts, other shareholders and external industry groups.



3.1 Engagement with investee companies

Engagement as part of the Listed Investments investment process

As part of our investment approach, we believe it is in the interests of our investors that we engage with our investee companies to minimise risks, protect and enhance shareholder value, to promote greater transparency on material environmental and social issues, and to encourage companies and issuers to develop and become more resilient over time.

Engagement can help us to:

- Manage risks by proactively identifying, monitoring and mitigating issues
- Enhance company analysis – how companies respond to engagement is informative of their character
- Strengthen investee companies over time; improving quality, processes, transparency and resilience

Our investee companies' business models, products and services are generally aligned with the transition to a more sustainable economy. This means that our engagements are usually not focused on changing companies' strategies or business models, but rather seeking to influence how the companies are operating and the structures, processes and disclosures they have in place.

There are three main sources for the prioritisation of our investee company engagements. Firstly, bottom-up, company-specific engagements, the objective is typically to solve or improve an issue that has been identified as part of ESG analysis. Secondly, top-down, thematic engagement areas, which are set each year and companies most materially exposed to the themes are prioritised for engagement, with specific steps as objectives that we seek to reach with engagements. Thirdly, our proxy voting activities lead to outreach and dialogue with our investee companies. Additionally, we engage with companies on emerging topics or sectoral issues as well.

Further details of our approach to climate-related engagement with investee companies, including our proxy voting and individual company engagement examples, can be found in our Stewardship and Advocacy Report 2024 and our UK Stewardship Code Statement 2024.

A focus on both transition and physical risks

Climate risks are systemic for all companies, hence both transition and physical climate risks are assessed as part of our proprietary ESG analysis. We assess companies' climate governance, policies, processes, strategies, incentives and target-setting to manage climate transition risks and GHG reduction in the real economy. We classify all our owned active listed companies into 'aligned', 'aligning' or 'non-aligned' to net zero (see page 14).

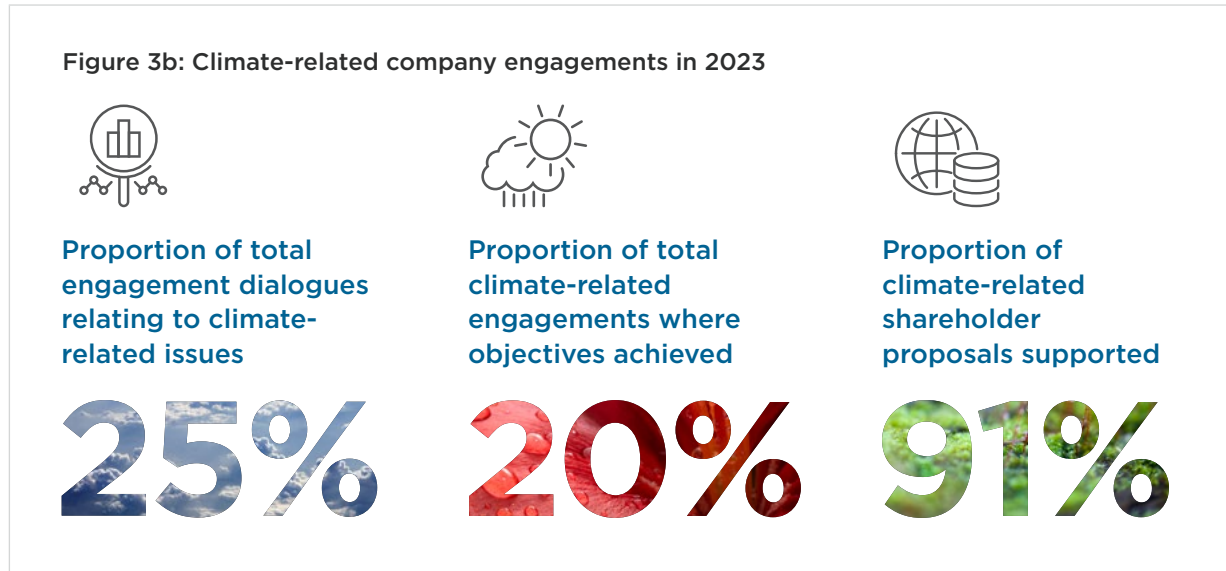
Transition risk: In the NZAM target set in 2022, we announced our ambition for 100% of Committed AUM to be climate resilient and for investee companies to be 'transition aligned' or 'transition aligning' in their climate management and processes by 2030. We believe our stewardship activity will play a significant role in helping us achieve that target through direct and collaborative company engagement, incorporating climate into voting decisions and, where relevant, policy advocacy.

Physical climate risk: Since 2020, Impax has been engaging with a group of institutional investors to encourage companies to start reporting their climate risks and opportunities aligned to the TCFD. Please see our Stewardship & Advocacy Report 2024 for details of this work.



Climate-related engagements in 2023

In 2023, Impax undertook 158 engagement dialogues – a discussion with, or response from, a company on a specific or range of ESG-related issues – with 115 companies. Of these, one-quarter focused on climate-related issues, including transition and physical climate risks. We also supported 50 climate-related shareholder proposals during the Period.



In line with our NZAM commitment, in 2023, we contacted investee companies identified as not having taken meaningful steps to address climate risks with resilient and transition-aligned management processes. As outlined in our proxy voting guidelines, we communicated our view that climate risk oversight resides primarily with the board committees and directors responsible for risk and audit. Where we see insufficient progress in the development of climate risk management processes, we vote against the Chair and Chair of the Audit and Risk Committee, or best equivalent director.

In addition to company-specific engagements and proxy voting relating to our NZAM commitment, we have also been active in collaborative engagements on net zero with clients, other shareholders and industry organisations. Next steps include considering systematic engagements on net zero, combining company engagements and policy advocacy, especially related to our Asian holdings, where we observe a larger proportion of our transition ‘non-aligned’ companies.

For examples of our climate-related engagements during the Period, please see pages 20 to 25 of our Stewardship & Advocacy Report 2024.

Engagement as part of the Private Markets investment process

Investments held by the Private Markets funds are typically through majority stakes, but always with control rights. We take an active role in managing all investments and have board representation. The team is responsible for identifying and then managing ESG-related matters post-acquisition, including:

- Effective control rights and alignment of interests
- Establishing or developing existing policies and procedures in line with Impax’s standards
- Setting up communication and (financial, ESG and technical) reporting functions

Business plans are agreed as part of the acquisition process and are updated annually. Key performance indicators are regularly reported, which are reviewed by Impax and the Board of Directors or Supervisory Board of all platform investments. We have regular communication via email, telephone and virtual and in-person meetings with local teams.

3.2 Engagement with asset owner clients

Impax is one of the largest and longest-established investors dedicated to investing in the transition to a more sustainable economy. We manage assets for some of the world's largest asset owners and are committed to outstanding levels of client service, with comprehensive and transparent reporting. Details of our client base and types are set out in our UK Stewardship Code Statement 2024.²⁸

Our clients receive annual climate-related sustainability reporting at a firm-level on impact outcomes associated with our investment strategies and on our stewardship and advocacy activities. In addition, each client receives a bespoke, account-specific Sustainability Report with a comprehensive overview of the impact and engagement outcomes for their portfolio.

We believe that adopting a partnership approach with our clients leads to stronger long-term relationships and better outcomes for both parties. Partnership activity can cover a broad range of collaborations and draws upon expertise from across our diverse teams, including:

- Collaborative engagements projects, including topics such as net zero and biodiversity
- Providing important, emerging portfolio insights of opportunities and risks, including climate change
- Topical briefs on sustainability trends, engagement and stewardship norms/best practices, and sustainability-related governmental policies and regulations
- Insights into Impax's investment research (such as our physical climate risk models)
- Joint policy advocacy collaboration
- Dedicated client-driven research projects
- Educational presentations to key stakeholders of our clients, such as trustees, sustainability teams/committees, boards of directors or end investors
- Access to in-house experts/thought leaders



28 See Principle 6 on page 25 of our UK Stewardship Code Statement 2024.



3.3 Engagement through industry initiatives

Collaborative engagements and joint representations with other institutions and investors are an important aspect of our stewardship work.

During 2023, about 18% of our engagement dialogues with 24 investee companies were collaborative engagements. A review of our collaborative partnerships and memberships, for better alignment with our thematic priorities, led to Impax joining several new collaborative engagement initiatives in 2023 on climate and nature (included because of the contribution of deforestation to global emissions).

Impax was an active member of the following collaborative engagement initiatives:

- **Institutional Investors Group on Climate Change (“IIGCC”) Net Zero Engagement Initiative:** We participated in a group engagement with Linde, a US industrial gas and engineering company on its net-zero transition plan. See page 25 of our Stewardship and Advocacy Report 2024 for details.
- **Nature Action 100:** Impax is participating in five of the Nature Action 100 company engagements. The initiative has established a set of six investor expectations pertaining to corporate ambitions, impact (assessment), targets, implementation, governance and engagement with stakeholders.
- **Finance Sector Deforestation Action (“FSDA”) initiative:** Impax is a member of the Investor Strategic Working Group through which we helped refine and extend engagements with companies exposed to deforestation risk.

Impax also plays an active role in a wide range of industry association working groups addressing market-wide and systemic risks.²⁹ During 2023, we were actively involved (including holding leadership positions) in the following industry working groups focussed on climate-related issues:

- **Ceres:** working groups on Policy, Paris Aligned Investment, Valuing Water, Land Use and Climate, Accounting and Carbon Asset Risk
- **Confederation of British Industry (“CBI”):** Net Zero Committee (Chair), Net Zero Working Group, Sustainable Finance Working Group
- **GFANZ:** workstreams on Mainstream Transition Finance, Energy & Real Economy and Public Policy
- **IIGCC:** Policy Advisory Group, UK Policy Working Group (co-chair), EU Real Economy Working Group
- **Investor Policy Dialogue on Deforestation:** Consumer Countries Working Group (co-chair)
- **Principles for Responsible Investment (“PRI”):** Global Policy Reference Group, PRI Spring, Sustainable Systems Investment Managers Reference Group
- **Sustainable Markets Initiative:** Asset Manager/Asset Owner Taskforce
- **UK Sustainable Investment and Finance Association (“UKSIF”):** Policy Committee

Further information on our approach to engagement with industry initiatives can be found on pages 26 or our Stewardship and Advocacy Report 2024 and in our UK Stewardship Code Statement 2024.

29 A full list of Impax memberships can be found in the Appendix to our UK Stewardship Code Statement 2024 Statement.



3.4 Engagement with government, public sector, communities and civil society

The principal purpose of our policy advocacy work is to support policymakers in the creation of enabling environments which will accelerate the transition to a more sustainable economy.

We are active across a range of channels, ranging from traditional reactive approaches – including as an active member of industry associations, responding to consultations and participating in issue-specific initiatives and sign-on letters – to more innovative pro-active interventions, such as publishing Impax’s perspectives and commentaries, funding research, piloting new approaches, partnering with clients, and bilateral discussions with policymakers.

GFANZ selected Impax’s approach to policy advocacy as a case study for inclusion in its Recommendations and Guidance on Financial Institution Net-zero Transition Plans, published in November 2022.

Policy advocacy

Our four priority areas for policy advocacy are set out below. Highlights from our 2023 activities are detailed in our Stewardship & Advocacy Report 2024.

1. **Financing net-zero:** The core message of this workstream is that national governments need to adopt net-zero goals and ambitious Nationally Determined Contributions (“NDCs”), underpinned by sectoral pathways and dialogues with investors on detailed policies needed to attract private capital.
2. **Physical climate risks and adaptation:** In recognition of the need to increase action to manage the physical impacts of climate change, we decided in 2023 to report separately on our activities to engage policymakers and investors in this increasing area of focus.
3. **Climate-related financial reporting:** The core aim of this workstream is to ensure that climate risks and opportunities are integrated into investment decisions including through effective implementation of the TCFD recommendations and the disclosure of engagement and advocacy activities to accelerate the climate transition.
4. **Nature:** A key objective of this work is to encourage governments to develop policy frameworks which support the goal of halting and reversing deforestation and land degradation by 2030 by engaging with governments in producer and consumer countries.³⁰

Thought leadership

For many years, Impax has published its perspectives and commentaries in reports, blogs and opinion pieces to raise awareness on a broad array of topics linked to sustainability and the transition to a more sustainable economy. We often collaborate with expert organisations, academic partners and clients in development of these thought leadership publications.

Examples of our thought leadership relating to climate change published during 2023 are detailed in our Stewardship & Advocacy Report 2024.

³⁰ For more information on policy advocacy relating to broader nature-related themes, please see page 70.



Academic partnerships

Impax has collaborated with a range of academic institutions in our sustainability research and policy advocacy.

As well as the recent collaboration with academics from the University of Exeter on climate scenarios (outlined in Section 1.2 on page 17), we worked closely with the Met Office, the University of Leeds and the University of Oxford during 2023 as part of the CFRF Adaptation Working Group, which we co-chair. The working group has reviewed best practices in measuring and monitoring physical climate risks by mapping asset-level data against hazard data in order to build out resilient business models. It has developed use-cases for what good resilience looks like in various financial sub-sectors including banking, insurance and asset management. The working group has reviewed approaches to address gaps in physical risk data, incentivising deals through better identification of risks and opportunities for adaptation, and how to improve disclosures from the private sector. Initial conclusions are due to be published in the summer of 2024.³¹

Impax in the community

One of our five company values is 'Building a common future'. This recognises that we have a responsibility to promote prosperity while protecting the planet. We are committed to sustainable development and to stewarding our environmental and societal impact for the benefit of current and future generations.

Impax supports a small number of strategic community partners which align to our mission as specialists in the transition to a more sustainable economy. These partners support issues related to the environment and social inclusion, with a particular focus on education and green skills.

Five of our current partners, Ashden, Ceres, ClientEarth, Groundwork UK and the Hope Program are focused on climate-related issues. Ashden promotes innovations in climate solutions through the Impax-sponsored Ashden Award for Energy Innovation. Impax has partnered with Ceres, the leading US NGO addressing the world's greatest sustainability challenges through collaborations with leaders in business, government and finance, for more than nine years. For Groundwork UK and the Hope Program, we support initiatives to help disadvantaged young people find work in the green economy in the North of England and in New York City.³²

31 Climate Financial Risk Forum, 2024: Adaptation Working Group – Session 4. Publication pending, as of June 2024.

32 Further details of our charitable partners and community activities can be found in Principle 1 on page 5 of our UK Stewardship Code Statement 2024.



4

Governance





4. Governance

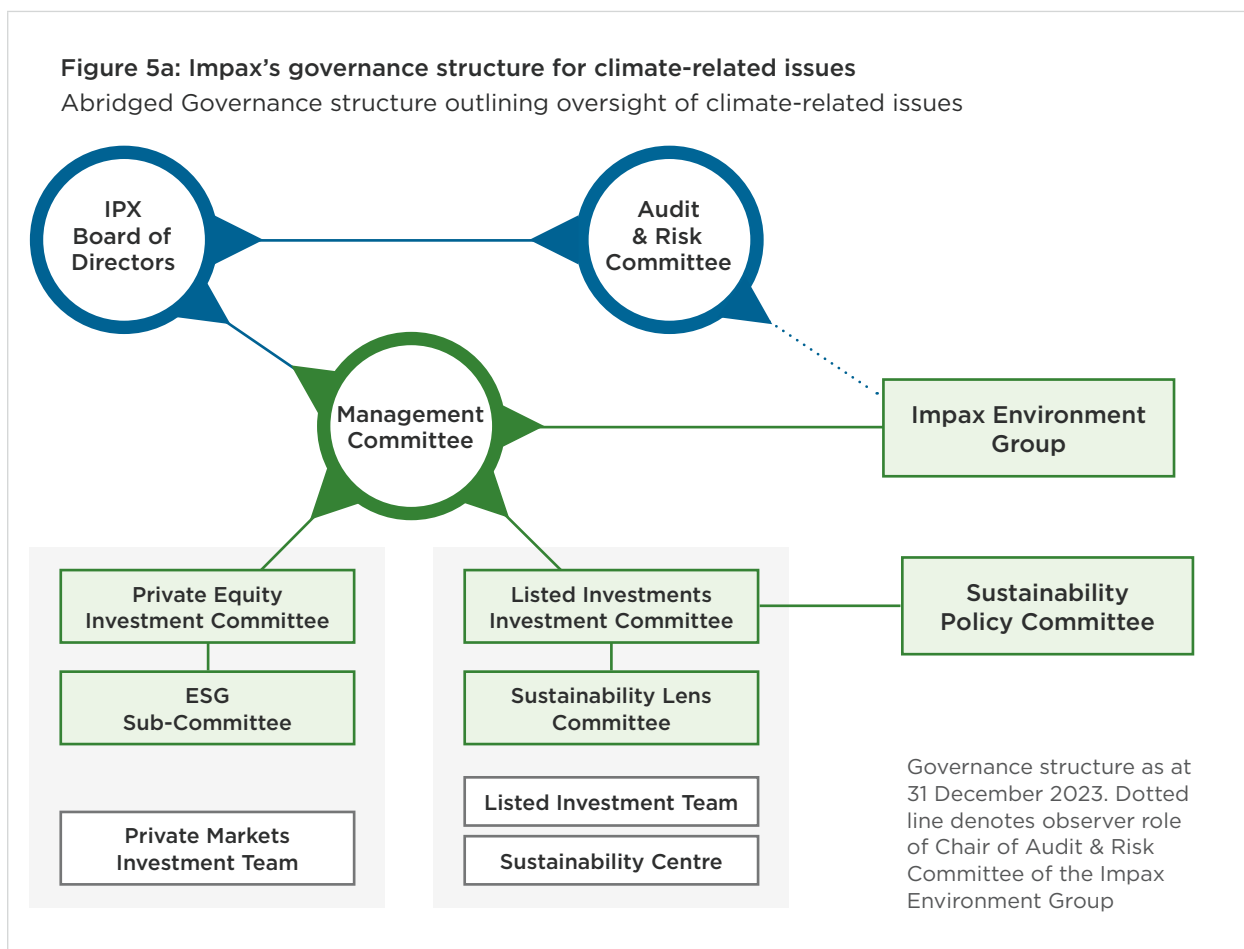
Structure

In line with TCFD’s recommended disclosures, this section sets out how we have embedded climate-related issues, risks and opportunities within our governance structures and organisational arrangements, including board oversight and the role of management and internal committees in assessing and managing climate-related risks.

In line with the TPT’s recommended disclosures, we also include information on how we have aligned our culture, incentives and remuneration with the climate transition and actions that we are taking to assess, maintain and build the skills, competencies and knowledge needed to achieve our strategy.

Key elements of our approach are as follows:

- As a pioneer and specialist investor in the transition to a more sustainable economy, including in climate solutions, our team has long-standing and deep experience in the transition at a sectoral and regional level
- Our investment team is supported by our Sustainability Centre which, as of 2023, brings together experts in climate risk and opportunity analysis, stewardship and advocacy
- Sustainability and climate risk analysis continue to be fully integrated within the investment process and across our business functions
- To support continued knowledge sharing within and outside of Impax, the Sustainability Centre coordinates and leads in-house trainings, thematic debates and sustainability focused insights





4.1 Board oversight

The Board is responsible for governing and overseeing the company’s strategy and providing an oversight, control and monitoring role of its operations and risks. The key elements of this approach are as follows:

- The ARC, which is comprised of independent Non-Executive Directors of the Board, is responsible for the oversight of audit and risk management across Impax, including climate and sustainability risk management, on behalf of the Board. ARC is supported by the Enterprise Risk Committee, which is responsible for oversight of risk management across each of the company’s regulated entities.
- A Non-Executive Director is Board Observer of the employee-led Environment Group, which provides input and advice to support decision making on Impax’s operational climate policies, performance and targets.
- The Board discusses climate-related issues as part of wider discussions at periodic meetings when the topics arise, and at least annually as part of its review of risk appetite statements.
- The senior management team – which, through the Management Committee and the Chief Executive – reports to the Board and Board Committees, is responsible for managing and monitoring climate-related risks and opportunities.

Audit & Risk Committee (“ARC”)

Committee details	Chair: Non-Executive Director (Annette Wilson, since 1 December 2023) Membership: Non-Executive Directors ³³
Committee description	The Committee is responsible for overseeing financial reporting, external audit, risk management, internal audit, whistleblowing incidents, fraud prevention or detection, and internal controls.

³³ Membership, as at 28 June 2024: Annette Wilson (chair), Julia Bond, Lindsey Brace Martinez, Lyle Logan and Simon O’Regan.



4.2 Management roles, responsibilities and accountability

The key features of the governance structure are as follows:

- Senior management, specifically the Management Committee, is responsible for the management and monitoring of climate-related risks and opportunities, including implementing the TCFD recommendations.
- Although not a standing agenda item, climate-related risks are discussed as part of wider discussions at monthly Management Committee meetings and at Senior Leadership Team meetings (every two months), for instance as and when there are new environmental policies or targets to discuss and approve.
- Specialists across the firm are responsible for identifying climate-related risks at a sector and thematic level via dedicated committees, most notably the Sustainability Lens Committee and the Sustainability Policy Committee.
- The Private Markets division has its own Investment Committee and ESG Sub-Committee.
- The Impax Sustainability Centre oversees and supports the integration of sustainability within the investment process and the management of sustainability-related risks, both via the investment teams and specialist committees. Further information on the Sustainability Centre is set out on page 46.

Management Committee

Committee details	Chair: Founder & Chief Executive Membership: Impax senior executives
Committee description	The Committee assists the Chief Executive in designing, facilitating and overseeing the actions necessary to deliver Impax’s business plan. The Committee meets monthly.

Listed Investments Investment Committee

Committee details	Chair: Chief Investment Officer (Listed Equities) Membership: Senior members of Impax investment teams
Committee description	The Committee oversees investment activities, investment performance and risk management, and regularly addresses climate-related issues. The Committee meets every fortnight.

Sustainability Lens Committee

Committee details	Chair: Chief Investment Officer (Listed Equities) and Global Head of Sustainability & Stewardship Membership: Impax’s leading sustainability experts
Committee description	The Committee assesses emerging issues, risks and opportunities, and their consequences for the Impax Sustainability Lens and for various economic activities. Outcomes and decisions from the meeting are reported at the Investment Committee meeting. The Committee meets every quarter.



Sustainability Policy Committee

Committee details	Chair: President, North America Membership: Impax staff, including legal and compliance representatives
Committee description	The Committee oversees, reviews and approves Impax’s ESG, sustainability and stewardship-related policies and positions. Significant policy developments are reported to the Investment Committee. The Committee meets as required.

Environment Group

Committee details	Chair: Head of Sustainability & Stewardship, North America and Senior Associate, Sustainability & Stewardship Membership: Impax staff, with a Board observer
Committee description	The Group is responsible for measuring, monitoring and reporting on the environmental and climate performance of Impax’s operations, as well as proposing firm-level environmental and climate policies, management systems and targets. It reports to the Management Committee and provides an annual update to the Board. The Group meets every quarter.

Private Equity / Infrastructure Investment Committee

Committee details	Chair: Founder & Chief Executive Membership: ³⁴ Head of the PE/Infrastructure Team, Head of the Transaction Team (PE/Infrastructure). Head of Asset Management & Sustainability (PE/Infrastructure), with an independent observer. Two independent, non-voting members who have held senior management positions in the infrastructure sector. ³⁵
Committee description	The Committee approves all investment and divestment proposals for the Impax New Energy Investors Funds. The Committee ensures that all investment decisions are made in compliance with the relevant Fund’s investment policy, Limited Partnership Agreement and investor side letters. The PE/Infrastructure Team’s Head of Sustainability is an ESG Observer on the Investment Committee, responsible for ensuring that investment decisions comply with the ESG Policy and other relevant rules and regulations relating to ESG topics, including climate. The Committee meets as required.

ESG Sub-Committee (PE/Infrastructure)

Committee details	Chair: Head of Asset Management & Sustainability (PE/Infrastructure) Membership: Representatives from the PE/Infrastructure Team (Technical and the Head of the Team), Compliance, Legal and Sustainability Centre
Committee description	The Sub-Committee discusses relevant topics, including climate, and is responsible for governing the PE/Infrastructure ESG Policy. The Committee meets every six months.

34 This is the Investment Committee for Impax New Energy Investors IV SCSp

35 The two independent members of the Committee are Barbara Boos and Michael Gerrard, as at 28 June 2024.



Impax Sustainability Centre

In October 2023, we established the Impax Sustainability Centre bringing together our Sustainability & Stewardship and Policy & Advocacy teams into a centre of excellence. The Centre provides services, knowledge, tools and expertise on investing in the transition to a more sustainable economy to our investment teams as well as the broader organisation.

The team has grown in recent years, bringing in policy, stewardship and quantitative skills and experience from public, private and academic sectors. This enables the Centre to provide thought leadership on how technology, policy and market drivers will continue to disrupt sectors in which we invest and to engage effectively across our value chain to manage risks and opportunities created by these disruptions.

Bringing the functions of the existing teams into a single unit provides:

- A joined-up approach to planning, delivery and reporting of engagement work with companies and policymakers
- Increased focus and resources for the development of thought leadership, both in terms of integrating insights into our investment process and sharing them externally
- Further development of research partnerships with clients, academics and other stakeholders
- More structured and systematic approach to sustainability training and development for staff, including for the investment team

The Sustainability Centre's activities are organised across four pillars outlined below:³⁶



36 Further information on the Sustainability Centre can be found in Principle 2 on page 8 of our UK Stewardship Code Statement 2024.

4.3 Culture

An integrated approach to climate-related risks and opportunities

Sustainability and climate risk analysis continue to be fully integrated within Impax's investment process and across our business functions. One of our greatest strengths as a specialist investor is that, across all teams and business functions, there is an understanding of our material climate-related risks and opportunities as part of day-to-day discussions and business decisions.

We encourage shared responsibility throughout our processes. For instance, investment team members are both responsible for proprietary in-house ESG analysis and involved in all climate-related engagements with investee companies under their coverage within Impax's actively managed portfolios. The investment team work closely with the Sustainability Centre, which is responsible for the oversight, peer-review and scoring of the ESG analysis, coordination of engagement themes and continuous development of climate risk analysis approaches.

Further details of Impax's investment beliefs, mission statement and values can be found in our UK Stewardship Code Statement 2024.³⁷

4.4 Incentives and remuneration

The incentives of the senior management team and all members of the investment team and the Sustainability Centre are aligned to Impax's strategy of investing in the transition to a more sustainable economy.

Staff remuneration is governed by the Remuneration Committee whose purpose is to ensure that employees are fairly rewarded for their individual contribution to the overall company performance, while ensuring that remuneration packages do not promote undue risk taking.

For example, the Chief Executive has an individual performance scorecard comprising Financial & Quantitative objectives (60%) and Strategic & Qualitative objectives (40%). The latter includes a metric on "E,D&I and environment" with performance measures on "Firm-wide E,D&I targets; net CO₂ emissions".³⁸

All listed investment analysts and portfolio managers have three components to their remuneration: performance, stock/issuer analysis and coverage, and collaboration and culture, including E,D&I. The second component explicitly references high-quality ESG analysis, sustainability-driven idea generation, and effective engagement work with investee companies.

Remuneration for members of the Sustainability Centre is determined by their performance against objectives related to the four pillars outlined on page 46, plus contributions to internal objectives (for example, E,D&I, and team- and firm-level collaboration).

All members of the PE/Infrastructure team are responsible for integrating ESG through the investment lifecycle, from initial due diligence through to exit. Every member of the team has at least one outcome-focused ESG objective as part of their annual performance goals.

37 See Principle 1 on page 2 of our UK Stewardship Code Statement 2024.

38 Impax Asset Management, December 2023: Annual Report & Accounts 2023, page 123.



4.5 Skills, competencies and training

Skills and competencies

Impax has approximately 90 investment team members across its global offices with a further 18 members of the Sustainability Centre who specialise in sustainability research, ESG analysis, stewardship, and policy research and advocacy. This makes it one of the largest and longest established investment teams dedicated to and focused exclusively on the transition to a more sustainable economy.

The investment team is made up of individuals with diverse backgrounds and deep sectoral expertise on a broad range of activities critical for the transition, such as healthcare, financials, infrastructure, technology and agriculture.

Processes for the assessment and management of climate-related risks and opportunities meanwhile benefit from extensive in-house expertise on climate throughout the organisation. As well as having trained climate scientists on the investment team, a team of experts in climate change, environmental and energy policy sits within the Sustainability Centre.

Several members of the Executive Committee also have leadership roles or sit on the boards of organisations that have an objective to promote the transition to a more sustainable economy.³⁹ These roles are detailed on page 58 of our Stewardship & Advocacy Report 2024.

Training

To support continued knowledge sharing within and outside of Impax, the Sustainability Centre coordinates and leads in-house training, thematic debates and sustainability-focused insights. Examples from 2023 include:

- An eight-module internal sustainability training programme developed and delivered to colleagues, covering areas such as company-level ESG-analysis, stewardship, policy advocacy, net zero and impact measurement. These training modules are available for all staff on the firm's online training platform.
- A quarterly series of thematic, internal head-to-head discussions to share learnings across the firm via discussions with internal and external experts. Topics have included carbon markets and the role of carbon capture, usage and storage ("CCUS") in the climate transition.
- Insights on the climate transition published for external audiences on our website and in third party media. See page 28 of the Stewardship & Advocacy Report 2024 for climate-related examples.
- Tailored training on sustainability and ESG-related topics for members of the PE/Infrastructure team specifically relating to private markets. A key focus was continuing to enhance the way in which SFDR and the EU taxonomy are considered in the investment process. Separately, the PE/Infrastructure team's Head of Asset Management and Sustainability also provides training to investee company staff to ensure ESG and sustainability best practices are fully integrated throughout the Private Markets investment portfolio.

The Sustainability Centre has an objective to further develop its in-house sustainability learning and development programme.

³⁹ For further details of external roles held by Impax senior staff, please see Principle 4 on page 19 of our UK Stewardship Code Statement 2024.



5

Metrics and targets





5. Metrics and targets

A note on data limitations

We recognise that climate-related data is frequently based on estimates or proxy data and, as a result, provides an imperfect view of portfolio exposures or risks. The data we rely on can also change materially from one year to the next, as data quality and availability improves, or estimation methods change. We continue to engage companies on enhanced decision-useful public disclosures, advocate for harmonisation and greater standardisation of reporting practices within the financial industry, and work to make sure that the data we use is as accurate as possible. We also emphasise that any outputs should be interpreted as approximate and not precise.

Structure

In line with the TCFD recommendations, this section discloses the metrics that we use to assess climate-related risks and opportunities and Scope 1, 2 and 3 GHG emissions, and describes our climate targets and our performance against those targets. In line with the FCA ESG Sourcebook, we have included information on financed emissions according to the mandatory metrics and additional metrics that we consider useful for investors alongside information on methodologies.

Given that we have yet to develop a full transition plan or considered how best to monitor its progress, we have not included any additional metrics recommended by the TPT Guidance.

In our previous climate-related disclosures, published in 2022 and 2023, we disclosed metrics using the use cases identified in the Climate Disclosures Dashboard developed by the CFRF:⁴⁰ namely transition risks, physical risks, financed emissions, financing the transition and engagement. Building on that approach, we have evolved our approach to reporting metrics and targets as follows:

- Identifying the principal ways in which Impax uses the different metrics included in this report (see below)
- Giving greater prominence to our targets and commitments under NZAM
- Providing comparative information between our investment strategies where possible
- Embedding our engagement metrics alongside related narrative in Section 3

Use cases for metrics included in this report

Metric	Use cases
Transition 'aligned' & 'aligning' / 'non-aligned'	<ul style="list-style-type: none"> • Monitoring companies' NZAM target process for prioritising engagements • Investment process (input into ESG analysis / scoring)
Investments in climate solutions	<ul style="list-style-type: none"> • Investment process (input into investment universe formation) and key sustainability indicators ("KSIs") • Client reporting
Avoided GHG emissions	<ul style="list-style-type: none"> • Investment process (input into investment universe formation and KSIs) • Impact measurement / methodology development • Client reporting
Financed emissions	<ul style="list-style-type: none"> • Regulatory compliance • Client reporting
Exposure to carbon risk	<ul style="list-style-type: none"> • Investment process (input into ESG analysis) • Prioritising companies for thematic engagement
Exposure to physical risks	<ul style="list-style-type: none"> • Investment process (input into ESG analysis) • Prioritising companies for thematic engagement
Engagement metrics	<ul style="list-style-type: none"> • Monitoring effectiveness of company engagement • Client reporting
Operational metrics	<ul style="list-style-type: none"> • Monitoring progress against operational targets • Regulatory reporting

40 See CFRF Guide 2023: Climate Disclosures Dashboard 2.0 (fca.org.uk)



This section is structured as follows, with key metrics highlighted:

Investments		
5.1	Financing the transition	
5.1.1	Net-zero target (NZAM): Transition alignment - 'aligned' & 'aligning'/'non-aligned'	% AUM
5.1.2	Exposure to 'climate solutions'	% AUM
5.1.3	Avoided GHG emissions	tCO ₂ e/US\$1mn invested
5.2	Financed emissions (FCA mandatory metrics)	
	Scope 1 & 2 emissions	tCO ₂ e
	Scope 3 emissions (FCA mandatory)	tCO ₂ e
	Total GHG emissions	tCO ₂ e
	Total carbon footprint	tCO ₂ e/US\$1mn invested
	WACI (weighted average carbon intensity) Scope 1 & 2	tCO ₂ e/US\$1mn revenue
	WACI Scope 1, 2 & 3	tCO ₂ e/US\$1mn revenue
5.3	Climate-related risks	
5.3.1	Exposure to carbon risk	% portfolio AUM
5.3.2	Exposure to physical risks	% portfolio AUM
5.4	Operations	
5.4.1	Operational emissions (Scope 1, 2 & 3)	tCO ₂ e
5.4.2	Environmental targets	% renewable electricity
5.4.3	Exposure to physical risks	n/a

The figures included in this section have been externally assured where stated. Where figures have not been externally assured, they have been subject to internal peer review undertaken by Impax colleagues who are not involved in their calculation.



Investments

5.1 Financing the transition

5.1.1 Net-zero target (NZAM): Transition alignment

We believe that climate action by financial institutions (including the adoption of net-zero targets) should focus on how to accelerate the climate transition in the real economy (for example, by encouraging companies to reduce emissions from their operations and supply chains), rather than on portfolio-level decarbonisation, which may not result in any reduction in global GHG emissions. Stewardship, including engagement with investee companies and effective proxy voting, is therefore a critical tool in pursuing real-economy decarbonisation.

We joined the NZAM initiative in October 2021 and made our Initial Target Disclosure in November 2022.

Our target: We aim for 100% of our Committed AUM to be within the categories of ‘transition aligned’ or ‘transition aligning’, related to climate management and processes by 2030.

Committed AUM

Our initial NZAM commitment covered all actively managed listed equities and private markets investments. As of 31 December 2023, the committed scope was **89%** of total AUM, representing US\$42.9bn.⁴¹ The remaining AUM not covered under our NZAM commitment consists of listed equities in systematic strategies, advisory accounts, fixed income issuers and cash, for which transition alignment analysis has either not yet been completed or methodologies for transition alignment are not available. Over time we plan to increase the proportion of AUM committed.

Progress towards the target: The distribution of Committed AUM in in transition ‘aligned’, ‘aligning’ and ‘non-aligned’ categories, as of 31 December 2023, stood at:⁴²

Net zero transition alignment		2023	2022	2021*
Aligned & aligning	Share of Committed AUM	92%	92%	92%
Non-aligned	Share of Committed AUM	8%	8%	8%

* Baseline.

Source: Impax analysis, as at 31 December 2023.

In addition to tracking the percentage of ‘non-aligned’, AUM in regard to net zero and climate resilience, we monitor the companies that aren’t ‘on-aligned’ for stewardship purposes. Two years on from our baseline assessment against this target, we continue to find higher levels of ‘non-alignment’ among smaller companies and companies based in Asia. This is due to their climate risk management processes and disclosures often being less advanced, in contrast to a general trend of gradual improvement in climate risk management practices. Results at the portfolio level over shorter time horizons may also vary due to portfolio construction and turnover.

41 Impax analysis, as at 31 December 2023.

42 **‘Transition aligned’** and climate resilient management processes of investee companies include: 1) robust sector-relevant near- and long-term GHG reduction targets to a net-zero pathway (externally verified by, for example, SBTi); 2) management strategies and processes that enable climate and GHG target achievement (for example, capex spending, climate-linked management compensation); and 3) climate transparency and appropriate risk pricing (TCFD-aligned reporting).

‘Transition aligning’ companies have initiated climate risk management processes and have respective commitments in place but have not fully formalised and internalised these yet as part of a long-term net-zero corporate strategy.

Where companies are **‘not aligned’** to a climate resilient net-zero pathway, climate risk management processes have not yet been initiated, are significantly underdeveloped, or have notably stalled or deteriorated.

2) management strategies and processes that enable climate and GHG target achievement (for example, capex spending, climate-linked management compensation); and 3) climate transparency and appropriate risk pricing (TCFD-aligned reporting).



Methodology (net-zero transition alignment)

We have assessed the alignment of our portfolio companies' climate management and processes to the net-zero transition based on the PAII Net-Zero Investment Framework ("NZIF"). Our approach is also aligned with the GFANZ Financial Institution Net-zero Transition Plan ("NZTP") guidance.⁴³

Assessing our investee companies' target setting and supportive climate risk management plans is a key element of determining their status in terms of climate management processes and disclosures related to the climate transition. We actively engage with our investee companies, with our 'asks' highlighted by our 'net zero transition alignment' definition. That includes the setting of actionable absolute near- and long-term science-based GHG emission reduction targets (i.e. in line with at least a 'well-below 2°C' scenario), on a trajectory with value-chain net zero, ideally approved by the Science Based Targets initiative ("SBTi").

Our 2030 target under NZAM has been approved by IIGCC, a founding partner of the NZAM initiative. IIGCC assessed that our target followed the PAII Net Zero Investment Framework.

We do not use the approach commonly known as implied temperature rise for assessing climate alignment. We do not generally believe that using implied temperature measurements, especially by external research providers, (with often limited information) at individual company levels is scientifically rigorous. In assessing the portfolios' climate transition alignment and the rigour of underlying investee companies' climate management processes, our team does consider individual companies' alignment with specific temperature targets (1.5°C, well-below 2°C, 2°C).

5.1.2 Investments in climate solutions

As part of our commitment to the climate transition, we committed to reporting on the level of our investment in 'climate solutions' (as defined below).

As at 31 December 2023, **49%** of Impax's Committed AUM was invested in 'climate solutions' provided by investee companies and private market assets, representing a total investment of US\$21.3bn.⁴⁴

This year, in further refinement of our commitment to invest in and report on climate solutions, and consistent with our proprietary thematic revenue exposure analysis, we account specifically for the share of investee companies' revenues from 'climate solutions' that we are invested in.

Methodology (climate solutions)

To be classified as 'climate solutions' under Impax's proprietary Climate Opportunities taxonomy, companies must have a demonstrable exposure to products and services enabling mitigation of climate change or adaptation to its consequences. Further information about the Climate Opportunities taxonomy can be found in Section 2.1.2 on page 28.

43 GFANZ, November 2022: Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance

44 Impax analysis, at 31 December 2023. Investment-related AUM excludes cash. Please note that these data have not been externally assured but undergone internal verification.



5.1.3 Avoided GHG emissions

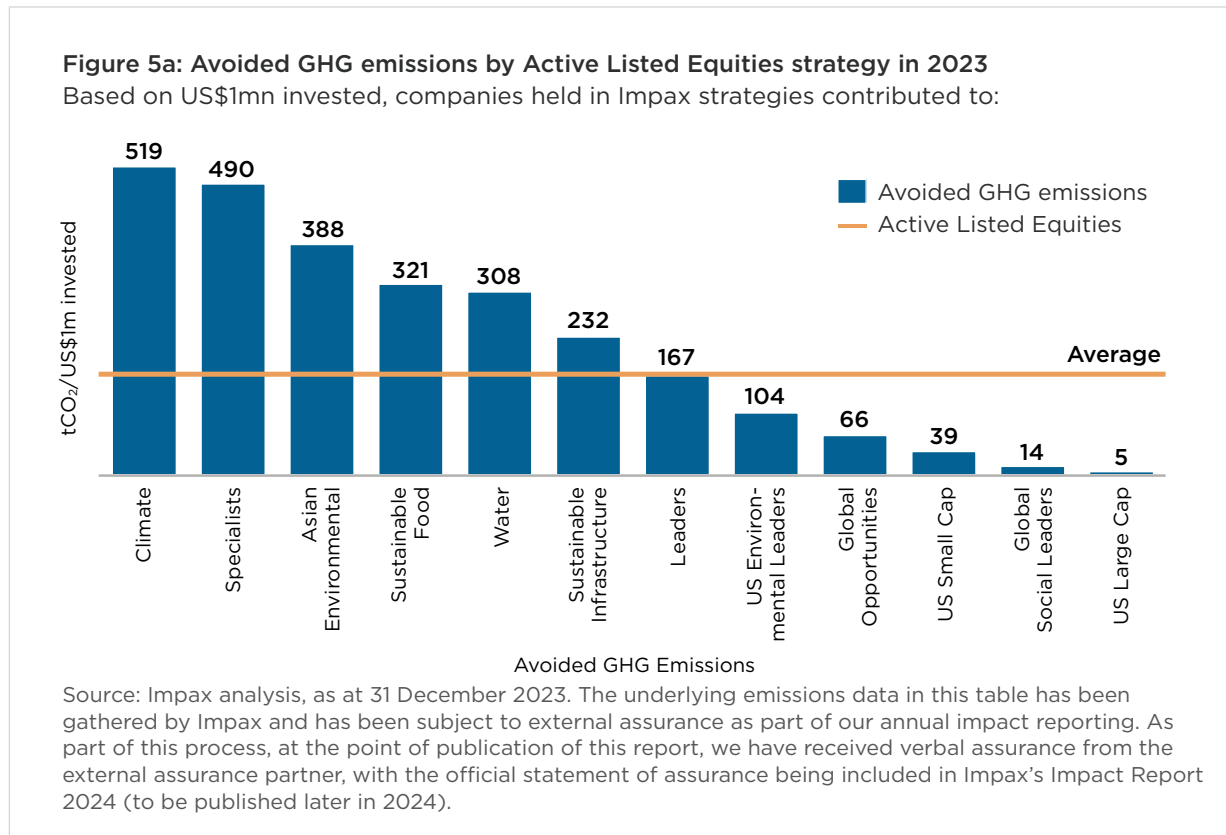
We believe the concept of ‘avoided emissions’ – which allows us to calculate the positive impact that a company’s product or service has on society is a useful one. It is a highly relevant metric for measuring the real-world impact of climate solutions through the use of products or services that either fully substitute higher-emitting alternatives, such as renewable energy displacing coal generation, or through products or services that provide incremental energy or resource efficiency gains. In April 2023, G7 nations affirmed the usefulness of the avoided emissions concept to mobilise capital to climate solutions.⁴⁵

Avoided emissions for our active listed equities strategies and private markets investments, which accounted for 91% and 2% of total AUM respectively, as at the end of 2023, were as follows:

Avoided GHG emissions		2023	2022	2021
Active Listed Equities	tCO ₂ e / US\$1mn invested	230	270	218
Private Markets	tCO ₂ e / US\$1mn invested	86	80	-

Source: Impax analysis, as at 31 December 2023. The underlying emissions data in this table has been gathered by Impax and has been subject to external assurance as part of our annual impact reporting. As part of this process, at the point of publication of this report, we have received verbal assurance from the external assurance partner, with the official statement of assurance being included in Impax’s Impact Report 2024 (to be published later in 2024). Note that these figures relate to assets owned by the Private Markets funds as at 31 December 2023. This excludes assets which have been exited over the course of the Period.

We calculate and report, at a portfolio level, the avoided GHG emissions associated with the products and services of companies held in Impax strategies in 2023, based on US\$1mn invested in each respective strategy, in Figure 5a. Our reporting in the below figure captures avoided GHG emissions for investment strategies that account for 92% of Impax’s total AUM, as at 31 December 2023.



There can be no assurance that impact results in the future will be comparable to the results presented herein. Impax impact calculations are based on strategy AUM and portfolio holdings as at 31 December 2023.

45 G7 Ministers’ Meeting on Climate, Energy and Environment, April 2023: Ministers’ Communiqué.



Methodology – avoided emissions

Active Listed Equities

We have been measuring the environmental impact, including emissions and avoided emissions, associated with the activities of companies held in Impax portfolios since 2015. We continue to evolve and refine our impact reporting to align with emerging best practice, and work closely with expert organisations and peers to try to improve standardisation of reporting. Each year since 2015, we have engaged a third party to provide external assurance of our impact measurement methodology, data and calculations. Please see our Impact Report 2023 for further details and examples of our approach to reporting climate impact.⁴⁶

We use companies' own estimates of avoided emissions as a starting point, where available. We mostly rely on companies' own reporting assumptions and methodologies on avoided emissions, where disclosed, but evaluate whether they are rigorous in their use of baseline scenarios, life cycle emissions approaches and value chain attribution method. Where we estimate companies' avoided emissions ourselves, our assumptions broadly align with the five steps highlighted by the recently published guidelines on assessing avoided emissions by the World Business Council for Sustainable Development ("WBCSD").⁴⁷

For missing GHG avoidance data, industry or academic data has been sought to estimate realistic assumptions, including baselines relating to environmental performance and impact. In cases where robust data could not be found, zero impact is reported for a company. We continue to make the case for stronger reporting through our engagement work.

Private Markets

Avoided GHG emissions are calculated based on actual production from the operating renewable energy assets. Impax's impact methodology is based on equity value and carbon avoided relative to country-specific grid electricity generation. Data is as at 31 December 2023 using the IEA emission factors database.

⁴⁶ Impax Impact Report 2023.

⁴⁷ See Guidance on Avoided Emissions ([wbcsd.org](https://www.wbcsd.org)).



5.2 Financed emissions

GHG emissions, total carbon footprint and weighted average carbon intensity (WACI)

Table 5b below includes both absolute and intensity-based metrics for the financed GHG emissions of Impax's Active Listed Equities strategies during the Period. Table 5c (also below) shows financed emissions data for our Private Markets investments.

Table 5b: Financed GHG emissions – Active Listed Equities

Metrics	Unit	2023	2022	2021
Scope 1 & 2 emissions	Million tCO ₂ e	2.9	3.0	3.5
Scope 3 emissions	Million tCO ₂ e	8.4	7.4	6.4
Total GHG emissions (Scope 1, 2 & 3)	Million tCO ₂ e	11.4	10.4	9.9
Total carbon footprint (Scope 1, 2 & 3)	tCO ₂ e / US\$1mn invested	250	257	188
WACI (Scope 1, 2)	tCO ₂ e / US\$1mn revenue	125	131	141
WACI (Scope 1, 2 & 3)	tCO ₂ e / US\$1mn revenue	479	456	436

Source: Impax analysis, as at 31 December 2023. The underlying emissions data in this table has been gathered by Impax and has been subject to external assurance as part of our annual impact reporting. As part of this process, at the point of publication of this report, we have received verbal assurance from the external assurance partner, with the official statement of assurance being included in Impax's Impact Report 2024 (to be published later in 2024).

Table 5c: Financed GHG emissions – Private Markets

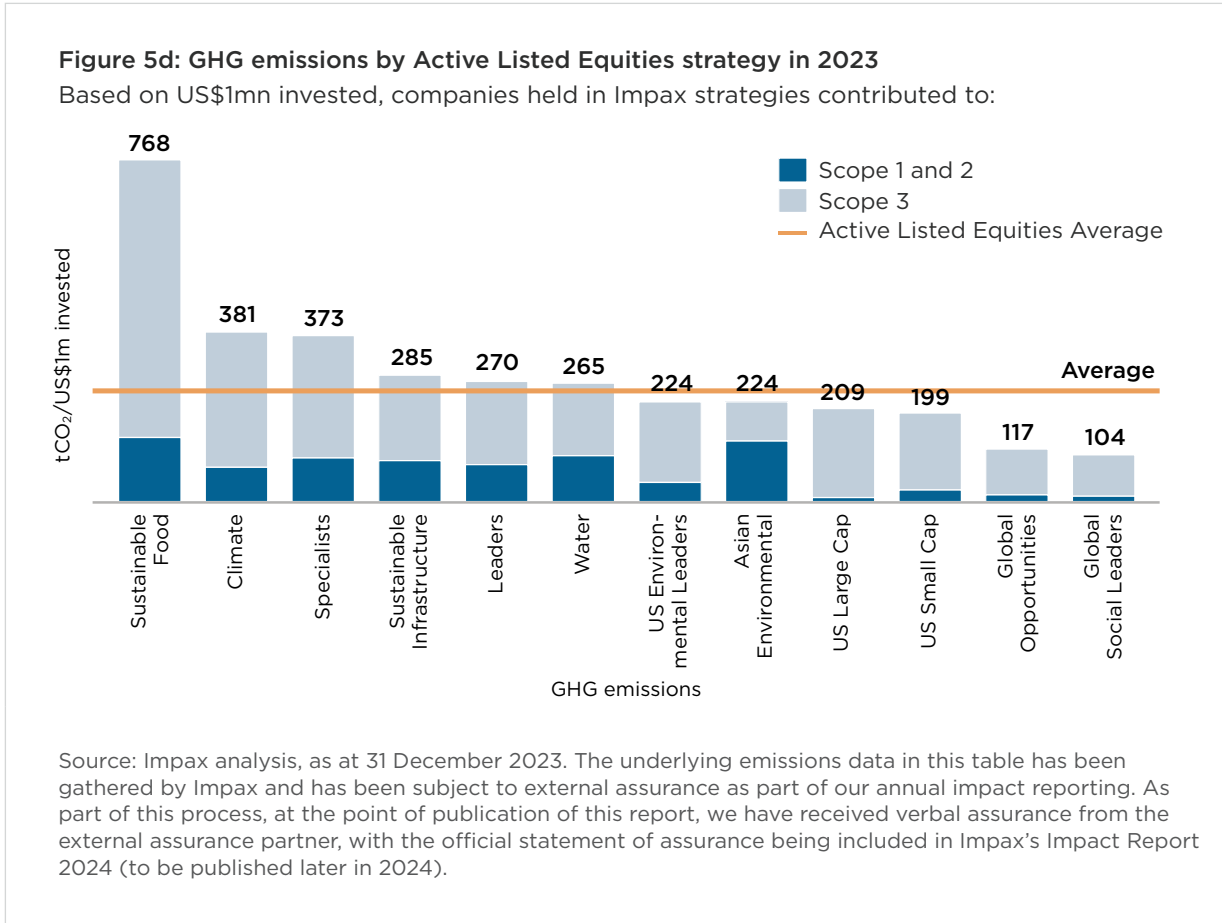
Metrics	Unit	2023	2022
Scope 1 & 2 emissions	tCO ₂ e	954	323
Scope 3 emissions	tCO ₂ e	694	587
Total GHG emissions (Scope 1, 2 & 3) ⁴⁸	tCO ₂ e	4,948	2,482
Total carbon footprint (Scope 1, 2 & 3)	tCO ₂ e / US\$1m invested	11	8

Source: Impax analysis, as at 31 December 2023. The underlying emissions data in this table has been gathered by Impax and externally validated.

48 Including lifecycle emissions which are not accounted for in the reported Scope 1, 2 and 3 emissions



We calculate and report, at a portfolio level, the GHG emissions associated with the companies held in Impax strategies in 2023, based on US\$1mn invested in each strategy, in Figure 5d below. Our reporting captures GHG emissions for investment strategies that account for 92% of Impax’s total AUM, as at 31 December 2023. Emissions are separated into Scopes 1 and 2 (combined) and Scope 3.



Finally, Table 5e (below) shows financed emissions data for our Systematic Listed Equities investments, which comprised 5% of Impax AUM, as at the end of 2023.

Table 5e: Financed GHG emissions – Systematic Listed Equities

Metrics	Unit	2023
Scope 1 & 2 emissions	Thousand tCO ₂ e	135
Scope 3 emissions	Thousand tCO ₂ e	728
Total GHG emissions (Scope 1, 2 & 3)	Thousand tCO ₂ e	863
Total carbon footprint (Scope 1, 2 & 3)	tCO ₂ e / US\$1mn invested	57
WACI (Scope 1, 2)	tCO ₂ e / US\$1mn revenue	81
WACI (Scope 1, 2 & 3)	tCO ₂ e / US\$1mn revenue	678

Source: Impax analysis, incorporating data sourced from MSCI, portfolio holdings as at 31 December 2023.



Methodology – financed emissions

The ‘Scope 1&2 emissions’, ‘Scope 3 emissions’ and ‘Total GHG emissions’ metrics represent the respective absolute GHG emissions associated with Impax’s investment, expressed in tCO₂e. The ‘Total carbon footprint’ metric represents the total carbon emissions associated with Impax’s investment normalised by the investment’s market value, expressed in tCO₂e per US\$1mn invested. The ‘WACI (Scope 1, 2)’ and ‘WACI (Scope 1, 2 & 3)’ metrics represent the exposure to carbon-intensive companies, expressed in tCO₂e per US\$1mn revenue.

Active Listed Equities

We have gathered all GHG emissions data disclosed by our investee companies, estimating Scope 1 and 2 emissions where those are not reported.⁴⁹ For missing Scope 1 and 2 data, we have used a Bloomberg methodology that estimates emissions based on a precise peer grouping of companies. We do not use estimates for Scope 3 emissions, for which data disclosed by companies remains patchy and we continue to make the case for stronger reporting through engagement.

Direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2) were included in our analysis. Scope 2 emissions included in analysis are market-based where this information is available. Other indirect emissions (Scope 3, for example, air travel and waste) are also included where available. GHG emissions are measured in CO₂ equivalents, which includes GHG emissions from methane and nitrous oxide, or CO₂ depending on data availability.

Private Markets

This data represents a combination of actual GHG data collected directly from investee companies and/or projects and estimated lifecycle emissions data. Lifecycle emissions are an estimate of the emissions generated over the life of a specific technology, calculated using a technology emissions factor. It is not possible to split lifecycle emissions between Scope 1, 2 and 3 at this stage, therefore they are included in the total. The source for the solar emissions factor is the IPCC. The source for wind is taken from turbine manufacturers; where this is not available, we use IPCC data. For hydropower, we use hydroelectric emissions factors published by the Norwegian Water Resources and Energy Directorate (“NVE”).

Systematic Listed Equities

The financed emissions metrics for Impax’s Systematic Listed Equities strategies have been calculated using Scope 1, 2 and 3 GHG emissions data sourced from MSCI.

49 67% of the Active Listed Equities holdings assessed as part of our most recent impact reporting reported Scope 3 emissions data that were used in our calculations.

5.3 Climate-related risk metrics

We are intentionally not presenting a Value at Risk (VaR) analysis in this report. While VaR is an important tool in risk management across financial services (and especially for banks), we do not see it as the ideal tool for climate risk assessment in asset management. Indeed, there is a risk that the use of VaR methodologies would create a sense of false certainty regarding the estimation of climate financial risks.

We believe that estimating the financial risks associated with climate change is a prime example of 'radical uncertainty'. Given the highly idiosyncratic nature of those risks today, we believe an aggregation to Value-at-Risk at the product level provides only a limited amount of decision-useful information to our investment and risk management teams.

Below, we outline how we assess our portfolio companies' exposure to carbon risk and physical climate risks, respectively.

5.3.1 Exposure to carbon risk

The following analysis is an output of Impax's carbon risk model, which incorporates carbon prices from the seven scenarios defined by the Network for Greening the Financial System ("NGFS") outlined in the methodology below.⁵⁰ Carbon prices refer to the rate of carbon tax and price of emissions permits.

Under a 'Net Zero 2050' NGFS scenario, we estimate that 11% of Impax current Active Listed Equities holdings will face 'heightened carbon risk' by 2030.⁵¹ The same estimation is 17% by 2050 (see Table 5f below). Assets facing 'heightened carbon risk' are those that have a potential reduction in earnings before income and tax ("EBIT") of greater than 30%.

Table 5f below shows the strategy-level exposure to 'heightened carbon risk' under this 'Net Zero 2050' NGFS scenario. This is calculated as the sum of portfolio weights for assets with a potential EBIT reduction greater than 30% by 2030 and 2050, respectively.

Table 5f: Exposure to carbon risk by Active Listed Equities strategy

Strategy	Heightened Carbon Risk 2030 (%)	Heightened Carbon Risk 2050 (%)
Asian Environmental	13	23
Climate	8	18
Global Opportunities	5	7
Global Social Leaders	2	8
Leaders	18	22
Specialists	17	27
Sustainable Food	19	42
Sustainable Infrastructure	16	29
US Large Cap	3	6
US Leaders	16	22
US Small Cap	13	20
Water	11	18
Active Listed Equities (overall)	11	17

Source: Impax analysis, portfolio holdings as at 31 December 2023. Strategy data is reported on a GIPS composite basis.

⁵⁰ NGFS Scenarios Portal

⁵¹ Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net-zero CO₂ emissions around 2050.



We have also analysed the carbon risk contribution by sector for our Active Listed Equities strategies, calculated as the product sum of portfolio weights and potential EBIT reduction of assets in each sector by 2030 and 2050, respectively. This analysis is illustrated in Tables 5g and 5h (both below), where GICS sectors are highlighted as a function of both the respective strategy's allocation in the sector and that sector's emissions.

Table 5g: Carbon risk sector contribution heatmap by Active Listed Equities strategy - 2030

2030	Water	US Small Cap	US Leaders	US Large Cap	Sustainable Infrastructure	Sustainable Food	Specialists	Leaders	Global Social Leaders	Global Opportunities	Climate	Asian Environmental
GICS Sector												
Information Technology												
Real Estate												
Health Care												
Industrials												
Consumer Staples												
Materials												
Communication Services												
Financials												
Utilities												
Consumer Discretionary												
Energy												

Source: Impax analysis, portfolio holdings as at 31 December 2023. Strategy data is reported on a GIPS composite basis. The darker the shading, the greater the risk that carbon pricing under the 'Net Zero 2050' NGFS scenario poses to the GICS sector and investment strategy.

Table 5h: Carbon risk sector contribution heatmap by Active Listed Equities strategy - 2050

2050	Water	US Small Cap	US Leaders	US Large Cap	Sustainable Infrastructure	Sustainable Food	Specialists	Leaders	Global Social Leaders	Global Opportunities	Climate	Asian Environmental
GICS Sector												
Information Technology												
Real Estate												
Health Care												
Industrials												
Consumer Staples												
Materials												
Communication Services												
Financials												
Utilities												
Consumer Discretionary												
Energy												

Source: Impax analysis, portfolio holdings as at 31 December 2023. Strategy data is reported on a GIPS composite basis. The darker the shading, the greater the risk that carbon pricing under the 'Net Zero 2050' NGFS scenario poses to the GICS sector and investment strategy.



Methodology (exposure to carbon risk)

This analysis is an output of Impax's updated carbon risk model, a proprietary tool that incorporates the carbon price path of seven scenarios published by the NGFS. These are: 'Net Zero 2050', 'Low Demand', 'Below 2 Degrees', 'Delayed Transition', 'Nationally Determined Contributions', 'Current Policies', 'Fragmented World'. By incorporating all scenarios, the model can now better avoid overestimating companies' potential EBIT reductions due to carbon pricing – a potential consequence of focusing on only most ambitious scenario ('Net Zero 2050').

The tool calculates individual companies' potential EBIT reduction due to carbon pricing based on their Scope 1 and 2 emissions. We now calculate potential EBIT reductions as a single year value at the end of two discrete time periods, 2030 and 2050, to provide both short-term and long-term views. Our earlier model used 2025, a now redundant time horizon, as the basis for estimation.

The assumed carbon prices (expressed in US\$/tonne CO₂) for each NGFS scenario and time horizon are sourced directly from NGFS for 'OECD & EU' and 'Global' separately. The underlying emissions data is sourced from a proprietary Impax model, which draws upon Scope 1 and 2 emissions data gathered from publicly available company disclosures. The underlying EBIT data refers to the latest full financial year of individual companies.

The tool now also incorporates the concept of 'cost pass-through', a mechanism by which individual companies increase the prices of products and/or services in an effort to maintain rates of profitability. For the outputs shown above, a cost pass-through of 80% has been assumed across all sectors. However, the tool does not incorporate the price elasticity of demand of individual companies and changes in demand for products or services due to price increases are, therefore, not accounted for.

5.3.2 Exposure to physical risks

(a) Active Listed Equities

Analysis of our Active Listed Equities strategies' exposure to physical climate risks entails three elements:

- Average annual exposure ("AAE") to three acute risk hazards (extreme heat, extreme precipitation, and drought) under three CMIP6 IPCC climate scenarios (SSP1-1.9, SSP2-4.5, SSP3-7.0).⁵² Our analysis is summarised in Table 5i on page 62.
- A forecast of exposure to acute risks from cyclones and floods (river and coastal) in 2030, expressed as exposure to 'high risk' assets.⁵³ Our analysis is summarised in Table 5j on page 62.
- A metric of strategies' vulnerability/resilience in form of a proprietary Impax Vulnerability Score reflecting a combination of investee companies' physical climate risk practices,⁵⁴ sub-industry level materiality of physical climate risks,⁵⁵ and country-level readiness/vulnerability.⁵⁶ Our analysis is summarised in Table 5k on page 63.

52 World Climate Research Programme, 2024: Coupled Model Intercomparison Project and the IPCC. CMIP6 is the latest phase of collaboration under the Coupled Model Intercomparison Project (CMIP). CMIP6 climate model data provide the foundation for the IPCC's Sixth Assessment Reports.

53 'High risk' assets are those expected to be impacted significantly in the event of the reference hazard.

54 Impax fundamental ESG analysis

55 Impax Sustainability Lens

56 Notre Dame Global Adaptation Initiative, May 2023: Country Index

**Table 5i: Scenario analysis on Average Annual Exposure (AAE) to acute risks in 2020 to 2039, by strategy**

	Extreme heat	Precipitation	Drought
	Portfolio weighted average total number of days per year exposed	Portfolio weighted average total number of days per year exposed	Portfolio weighted average number of consecutive dry days experienced in a geography per year
Asian Environmental	14	3	42
Climate	8	2	33
Global Opportunities	8	3	31
Global Social Leaders	8	2	31
Leaders	8	3	32
Specialists	8	3	34
Sustainable Food	10	2	34
Sustainable Infrastructure	5	3	28
US Large Cap	8	3	32
US Leaders	8	1	32
US Small Cap	6	1	30
Water	7	3	32
Active Listed Equities (overall)	8	3	32

Source: Impax analysis, incorporating open-source data, portfolio holdings as at 31 December 2023. Strategy data is reported on a GIPS composite basis.

Table 5j: Forecast of exposure to acute risks in 2030

	Cyclone	Flood ⁵⁷
	Portfolio weighted average exposure (%) to 'High risk' assets	Portfolio weighted average exposure (%) to 'High risk' assets
Asian Environmental	48%	12%
Climate	38%	7%
Global Opportunities	30%	10%
Global Social Leaders	28%	7%
Leaders	41%	8%
Specialists	35%	7%
Sustainable Food	31%	9%
Sustainable Infrastructure	39%	8%
US Large Cap	38%	7%
US Leaders	40%	5%
US Small Cap	29%	5%
Water	33%	9%
Active Listed Equities (overall)	35%	9%

Source: Impax analysis, incorporating data sourced from Bloomberg, portfolio holdings as at 31 December 2023. Strategy data is reported on a GIPS composite basis.

57 Factors in acute risks from river floods and coastal floods



Table 5k: Impax Vulnerability Score by strategy

	Company practices	Sub-industry materiality	Country vulnerability	Impax Vulnerability Score
	Portfolio weighted average PCR score in stock-level Impax Fundamental ESG Analysis (1-5)	Portfolio weighted average PCR score in sub-industry-level Impax Sustainability Lens (1-5)	Portfolio weighted average quintile score in country-level ND-GAIN Country Index (1-5)	
Asian Environmental	3	3	3	M-H
Climate	3	3	2	M
Global Opportunities	2	3	2	L-M
Global Social Leaders	3	3	2	M
Leaders	3	3	2	M
Specialists	3	3	2	M-H
Sustainable Food	3	4	2	M-H
Sustainable Infrastructure	2	3	2	L-M
US Large Cap	3	2	2	L-M
US Leaders	3	3	2	M
US Small Cap	4	3	1	M-H
Water	3	3	2	M-H
Active Listed Equities (overall)	3	3	2	M

Key

- M-H = Moderate-heightened
- M = Moderate
- L-M = Low-moderate

Source: Impax analysis, as at 31 December 2023. Strategy data is reported on a GIPS composite basis. Quintile scores for each of the above three elements are averaged to derive an overall proprietary Impax Vulnerability Score, on a five-point basis translated to a qualitative relative ‘vulnerability’ flag. In this context, ‘Moderate-heightened’ sits just above ‘Moderate’ on the underlying five-point scale.



(b) Private Markets

Within our Private Markets business, Impax invests in renewable energy infrastructure through its New Energy Funds. The objective of these funds is to invest in the renewable energy infrastructure sector, such as solar, wind and hydro power, as well as energy transmission, storage and distribution where the core activities are related to the renewable power sector. Given the long-term nature of these assets, physical climate risks have the potential to impact the investment returns of these funds (see analysis in Table 5I, below). However, we are able to consider these risks as part of the permitting process and adjust site design plans accordingly.

Table 5I: Private Markets – exposure to physical climate risks

Asset location (Country)	Technology	Physical climate risk identified	Current	Optimistic		Ambitious		Business as usual		Impact
				20 years	+20 years change	20 years	+20 years change	20 years	+20 years change	
Germany	Wind	Water stress	H	M	↓	N/A	N/A	M	↓	L
Germany	Wind	Water stress	L	M	↑	N/A	N/A	M	↑	L
Germany	Wind	Water stress	L	L	–	N/A	N/A	M	↑	L
Germany	Wind	Water stress	L	LM	↑	LM	↑	M	↑	L
Spain	Solar	High heat	M	H	↑	H	↑	H	↑	L
Spain	Solar	Water stress	H	VH	↑	VH	↑	VH	↑	L
France	Wind	Water stress	L	LM	↑	N/A	N/A	LM	↑	L
France	Wind	Water stress	L	LM	↑	N/A	N/A	LM	↑	L
France	Wind	Flood risk	L	L	–	L	–	LM	↑	L
France	Wind	Water stress	M	VH	↑	N/A	N/A	VH	↑	L
France	Wind	Drought risk	H	H	–	H	–	L	↓	L
France	Wind	Cyclone risk	L	L	–	L	–	LM	↑	L
Italy	Solar	Water stress	L	VH	↑	N/A	N/A	VH	↑	M
USA	Solar	Water stress	L	H	↑	N/A	N/A	H	↑	L

Key
 VH = very high M = medium L = low N/A = not applicable
 H = high M-L = medium-low VL = very low

Source: Impax analysis, as at 31 December 2023.



Methodology (exposure to physical risks)

Active Listed Equities

Scenario analysis on Average Annual Exposure (AAE) to acute risks in 2020 to 2039

For all of our Active Listed Equities holdings as at end 2023, we collected data representing their respective asset locations by country in 30 major economies, using various sources and revenue exposure where no data was unavailable.⁵⁸ This was overlaid with climate data on three hazards: extreme heat, extreme precipitation and drought sourced from the World Bank, representing a time period from 2020 to 2039.^{59, 60, 61} This data was used to calculate an “Average Annual Exposure” metric for each investee company which describes the extent to which over an average year, these hazards could impact each company and/or asset. This exposure metric is calculated across three CMIP6 (latest generation) scenarios (SSP1-1.9, SSP2-4.5, SSP3-7.0). Given the limited time horizon (2020 to 2039), we noted minimal variation in the acute risk exposures under the three distinct scenarios, applying an average probability interval (50th percentile). We do not expect a significant level of variability across the three scenarios presented over the time period assessed given the effect of already-baked-in warming. However, we wanted to explore three scenarios, the first of which represents ambition with regards to the full, complete and efficient climate transition which may result in warming kept to around 1.5°C in the long term, although unlikely (SSP1-1.6). Secondly, an optimistic scenario is employed which can be viewed as in-line with 2°C of warming out to 2050 (SSP2-4.5). Finally, an upper bound is established with the climate responses within the SSP3-7.0 scenario.

The numbers presented in Table 5I (page 64) are based on an average of the three scenarios. For the analyses of all the acute risks, the average probability interval (50th percentile) is applied to scenarios SSP1-1.6 and SSP2-4.5, and the highest probability interval (90th percentile) is applied to the SSP3-7.0 scenario, to provide a representative range of outcomes, an approach and decision taken, based on collaboration with other members of the financial services industry. Note, the extreme precipitation data presented draws out the highest exposure figure in each of the strategies’ portfolios in order to understand the extremes of this highly relevant hazard.

Given the reliance on country-level information, it is clear that a limitation of this methodology is that sub-national granularity is lost. We will look to develop this over time as we improve the quality and completeness of our asset-level data, but believe that country-level exposure remains a relevant proxy, especially given the general and international diversification of a majority of the holdings assessed.

58 Where there was no specific country-level location data available, revenue (%) by geography was used as a proxy
 59 ‘Extreme Heat’ days are defined as those with greater than 35°C on the World Bank Heat Index (a measure that considers temperature and humidity). This measure is therefore a higher bar than a simple measure of temperature, which may partially explain the magnitude being lower than we may have expected. See World Bank metadata

60 ‘Extreme Precipitation’ days are defined as those with greater than 50mm of rainfall. See World Bank metadata (2021)

61 Expressed as a maximum number of consecutive dry days per year. See above for metadata document source.



Forecast of exposure to acute risks in 2030

For other acute risks, a forecast is provided of exposure in 2030 to the following risks: cyclones and floods (accounting for both river floods and coastal floods). This is expressed as exposure to 'high risk' assets — those expected to be impacted significantly in the event of the reference hazard.

Forecasted exposure to cyclone risk in 2030 is notably rather high. It does however reflect the binary nature of cyclone risks: if there is exposure to cyclones, the risk will likely be high (i.e., no low risk exposure to hurricanes).

For both AAE and forecasted acute risks, there are some instances where asset-level information was unavailable through any of our data collection approaches. For these companies, an average of the overall sample was applied.

Scope of the analysis: In future analyses, we will explore wildfire and cold-snap acute risks in the portfolio level analyses having lacked the specificity of data required to analyse these hazards in this report. The acute risks explored relate directly to the chronic development of the essential climate variables temperature and precipitation. We choose not to disclose average temperature or precipitation increases as the ability to draw direct impacts from these numbers is limited at the portfolio level. We do however retain the ability to explore this on an asset-by-asset basis.

Impax Vulnerability Score

Investee company vulnerability or resilience to physical climate risks is expressed in a proprietary Impax Vulnerability Score reflecting a combination of 1) investee companies' physical climate risk practices,⁶² 2) sub-industry level materiality of physical climate risks,⁶³ and 3) country-level readiness/vulnerability (i.e., the relevant macroeconomic context).⁶⁴ Quintile scores for each of these three elements are averaged to derive an overall proprietary vulnerability score, on a five-point basis translated to a qualitative relative vulnerability 'flag'.

Private Markets

To assess location-specific physical risks, we have developed a proprietary physical climate risk tool that applies the updated CMIP6 RCP-scenarios: specifically, the SSP1-2.6, SSP3-7.0 and SSP5-8.5 scenarios, where possible. The following metrics are assessed: temperature change, precipitation change, water stress, drought risk, flood risk, cyclone risk and wildfire risk.

Our methodology views physical climate risk as a function of hazard, exposure and vulnerability. Hazard refers to a climate event (acute) or chronic change in climate and is assessed using downscaled global data from the CMIP6 projections. Exposure is assessed using the exact locations of each asset, and vulnerability is assessed qualitatively on a project-by-project basis. Where necessary, it is possible to leverage alternative and highly localised datasets to contextualise results further.

62 Impax fundamental ESG analysis. Scoring of a company's physical climate risk practices in the proprietary stock-level (1-5 score; 1 best practice > 5 worst)

63 Impax fundamental ESG analysis. GICS sub-industry level-physical climate risk score (1-5 score; 1 low risk > 5 high) underpinning the Climate Change risk in the Impax Sustainability Lens tool

64 Notre Dame Global Adaptation Initiative, May 2023: Country Index. Country index dataset turned into quintiles (1-5; Q1 lowest vulnerability > Q5 highest)



5.4 Operations

5.4.1 Operational metrics

Company GHG emissions for the Period (January to December 2023)

GHG emissions	Unit	2023 ⁶⁵	2022	Change (%)
Direct (Scope 1, natural gas)	tCO ₂ e	22	27	-21%
Indirect (Scope 2, electricity consumed, location-based approach)	tCO ₂ e	77	74	5%
Indirect (Scope 2, electricity consumed, market-based approach)	tCO ₂ e	25	4	519%
Value chain (Scope 3, Category 6: business travel only) ⁶⁶	tCO ₂ e	477	495	-4%
Impax total (Scope 1,2 & 3; market-based approach)	tCO ₂ e	524	526	0%

The Company's total global energy consumption over the Period was 458 MWh, unchanged from the previous Period.⁶⁷ Our Japan office opened in 2023 and has been added to our reporting scope. Offsetting this, gas consumption was lower year-on-year in our New Hampshire office, due to a warmer-than-average winter.

The Company's total emissions (Scopes 1, 2 and 3) stayed relatively constant during the Period. The increase in market-based Scope 2 emissions in 2023 resulted from the unexpected winding down of our renewable energy provider in New Hampshire. In October 2023, we switched to an alternative renewable energy provider. Our London and New Hampshire offices accounted for 47% and 49% of total energy consumption during the Period, respectively.

Methodology – operational GHG emissions

Scope 1 and 2 emissions

Electricity, and where relevant gas, consumption data has been collected from our London, New Hampshire, Hong Kong and Tokyo offices. Given our new and shared office space in New York, we estimated our monthly electricity consumption figure using the only available invoice data. In our new Dublin office, we have estimated our electricity consumption based on monthly consumption data from corresponding months in the previous reporting period as an electricity meter is yet to be installed. We have used International Energy Agency (“IEA”) (2023), UK Department for Environment, Food and Rural Affairs (“DEFRA”) (2023), Emissions and Generation Resource Integrated Database (“eGRID”) (2022), Green-e (2023) and European Residual Mixes (2022) emissions factors respectively, as appropriate.

Scope 3 business travel emissions

Scope 3 data includes business travel by air and rail for all employees based in our London, Hong Kong, Tokyo and Dublin offices for the Period. However, travel by US-based employees has only been incorporated for the period from October to December 2023 since the rollout of an expanded corporate travel platform.

65 2023 operational emissions have been externally assured to a Limited level by ERM Certification and Verification Services Limited (“ERM CVS”), in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised).

66 The Scope 3 GHG emissions reported here are exclusive of financed emissions, which are reported separately under Investments further above in this chapter.

67 Reporting in line with Streamlined Energy and Carbon Reporting requirements (SECR). This total global energy consumption figure has been externally assured to a Limited level by ERM CVS.



All distance data provided by our third-party corporate travel provider for 2023 has been used to calculate associated business travel emissions, by applying the relevant UK Government Department for Energy Security and Net Zero (“DESNZ”) and former Department for Business, Energy and Industrial Strategy (“BEIS”) emissions factors (including radiative forcing) by flight distance (domestic, short-haul, long-haul and international) and flight class (economy, premium economy and business). While business travel by hire cars and buses is limited, staff expense these journeys retrospectively and we have not been able to capture associated travel or emissions data of these journeys.

Where missing or erroneous travel origin or destination data has been identified, we have estimated the distance by manually updating the correct location to our dataset and online estimations of associated distances.

5.4.2 Company environmental targets

Impax has the following firm-wide, operational environmental targets in place:

- **Scope 2 emissions target:** To source 100% of our electricity from renewable sources across all Impax offices (from electricity use). The company-wide figure stood at 97% at the end of the Period.
- **Scope 3 emissions target:** Air travel has historically been Impax’s largest source of operational emissions, and we now look to substitute short-haul air travel by rail or coach where possible. We also favour video conference meetings whenever practicable. With the rollout of our global business travel platform in 2023, we are now collecting a baseline of firmwide business travel data to inform the target-setting process for our Scope 3 business travel emissions.

5.4.3 Operational climate risk assessment and management

Transition risks

As outlined in Section 2.2 (page 30), we are committed to monitoring and reducing our own operational emissions across Scope 1, Scope 2 (emissions relating to electricity consumption) and Scope 3 (largely business travel), including in our offices.

Physical risks

Our assessment of climate-related risks relating to our operations concluded that the physical risks facing our offices remain relatively low. Please see Section 2.2 (page 30) for more details.



Appendix





Impax approach to nature, biodiversity and deforestation

Climate change and nature are closely interlinked. Climate change is playing in accelerating biodiversity loss, and nature-based solutions have the potential to mitigate future climate impacts. Pressure is growing on financial institutions to disclose their exposure to nature-related risks and to integrate it as a financial risk into their investment processes, as evidenced by the launch of the TNFD's recommendations in 2023.

The alleviation of pressures on nature and biodiversity have always been strongly aligned with Impax's investment philosophy and processes, as a specialist investor in the transition to a more sustainable economy. With rising awareness of the scale of nature-related risks, we have increased our activities in this area and in 2022 published a standalone Nature, Biodiversity and Deforestation Policy. Our updated and extended Nature, Biodiversity and Deforestation Approach ("NBD Approach") followed in February 2024.⁶⁸ This describes our approach to managing nature-related risks in our investments, alongside the objectives of both our company engagement and our policy advocacy on nature-related issues.

We believe that the TNFD's recommendations will play an essential role in aligning financial flows to a nature-positive transition by providing a risk management and disclosure framework for organisations to report on nature-related dependencies, impacts, risks and opportunities. We have been a strong supporter of the TNFD since its inception and participated in the Informal Working Group that drew up its terms of reference. We contributed to the work of the TNFD Forum including pilot-testing the beta version of the TNFD Framework and hosting an asset manager roundtable as part of the consultation on the draft framework. Following the launch of the TNFD Recommendations in September 2023, we became an early adopter, committing to report on our own nature-related risks for 2025.

As a step towards combining TCFD and TNFD reporting in the future, we set out a summary of how we integrate nature-related risks into our investment process under our NDB Approach, below.

Listed equities and fixed income

1 Identifying and assessing nature-related risks and opportunities

Nature-related risks: dependency and impact

We assess nature-related risks by conducting top-down analysis to identify at-risk economic activities and respective value chains using external research tools including ENCORE. Related findings have been reflected in the Impax Sustainability Lens, where we have identified resource and biodiversity dependence and potential negative impacts relating to natural resources and natural ecosystems.

As a member of the Finance Sector Deforestation Action ("FSDA") initiative, we are committed to working towards eliminating agricultural commodity-driven tropical deforestation risks for 'forest risk' sectors in our investment portfolios by 2025, on a best efforts basis. We use external tools and benchmarks to support our assessments of deforestation risk, including Global Canopy's Forest 500 Benchmark Report.

Nature-related opportunities

The TNFD recognises the need for and opportunity in investment with evidence of material mitigation of nature-related risk. We are currently evaluating the extent to which activities of companies held in our Environmental Markets strategies contribute to addressing the five direct drivers of biodiversity identified by the Intergovernmental Panel on Biodiversity and Ecosystem Services ("IPBES"). Our thinking is outlined in a recent Insights article, *Investing to address biodiversity loss*.⁶⁹

68 Impax, February 2024: Impax's Approach to Nature, Biodiversity, and Deforestation

69 Impax, March 2024: Investing to address biodiversity loss



Enhanced research capacity: metrics and data

During 2023, we onboarded a biodiversity and nature data provider in order to enhance our capabilities in:

- Assessing the biodiversity and nature-related dependencies and impact of Impax's investee companies
- Quantifying biodiversity and nature-related dependencies and impacts at the company level
- Providing disclosures in line with TNFD and client reporting needs
- Undertaking internal research on biodiversity and nature-related risks and opportunities.

This will also allow us to identify companies with operating locations in or near Key Biodiversity Areas.

2 Managing nature-related risks in the investment process

We integrate sustainability-related risks into our investment process as outlined in Section 2.1 (page 22).

In relation to our stewardship activities, we have been particularly encouraged to see more investors undertaking efforts to reduce biodiversity loss. We have joined several groups — including Nature Action 100, the Investor Policy Dialogue on Deforestation and PRI Spring — that are working to address commodity-driven tropical deforestation, which will be necessary to solve both climate and biodiversity challenges. See our Stewardship and Advocacy Report 2024 for highlights of our nature-related stewardship activities in 2023.

Private Markets

The Private Markets investment process follows a similar approach to integrating nature-related risks that is tailored to investing in renewable energy infrastructure. As nature is a location-specific issue, we analyse each site's exact location, considering habitats and biomes affected by the project's design, assembly and infrastructure as part of the permitting process. Necessary mitigating factors are considered as part of site designs during the planning stage, which are implemented and monitored during construction and operational phases. Our approach to engagement as part of the Private Markets investment process is outlined in Section 3.1 (page 36).

Governance

We have fully integrated nature-related risks into the governance structure and processes used for other sustainability risks, including climate, as outlined in Section 4 (page 42).



Third party review of data

Independent Limited Assurance Report to Impax Asset Management

ERM Certification and Verification Services Limited (“ERM CVS”) was engaged by Impax Asset Management Limited (“Impax”) to provide limited assurance in relation to the selected information set out below and presented in Impax Asset Management Group plc’s Climate Report 2024 (the “Report”).

Engagement summary	
Scope of our assurance engagement	<p>Whether the data for the following selected disclosures, are fairly presented in section 5.4.1 of the Report, in all material respects, in accordance with the reporting criteria.</p> <ul style="list-style-type: none"> Total Scope 1 direct GHG emissions [tCO₂e] Total Scope 2 indirect GHG emissions – location based [tCO₂e] Total Scope 2 indirect GHG emissions – market based [tCO₂e] Scope 3 GHG emissions for Category 6: Business Travel [tCO₂e] Total global energy consumption [MWh] <p>Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Report.</p>
Reporting period	1 January 2023 – 31 December 2023
Reporting criteria	<ul style="list-style-type: none"> Impax’s basis of reporting as described in the ‘Methodology’ section of section 5.4.1 of the Report. The GHG Protocol Corporate Accounting and Reporting Standards (WBCSD/WRI Revised Edition 2015) for Scope 1 and Scope 2 GHG emissions. GHG Protocol Scope 2 Guidance (An amendment to the GHG Protocol Corporate Standard (WRI 2015) for Scope 2 GHG emissions. The Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WBCSD/WRI 2011) for Scope 3 GHG emissions. Streamlined Energy Carbon Reporting (SECR) requirements for the Total global energy consumption data.
Assurance standard and level of assurance	<p>We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and in accordance with ISAE 3410 for Greenhouse Gas data issued by the International Auditing and Assurance Standards Board.</p> <p>The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.</p>
Respective responsibilities	<p>Impax is responsible for preparing the Report and for the collection and presentation of the information within it, and for the designing, implementing and maintaining of internal controls relevant to the preparation and presentation of the Report.</p> <p>ERM CVS’ responsibility is to provide a conclusion to Impax on the agreed scope based on our engagement terms with Impax, the assurance activities performed and exercising our professional judgement.</p>



Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the 2023 data and information for the disclosures listed under 'Scope' above are not fairly presented in the Report, in all material respects, in accordance with the reporting criteria.

Emphasis of matter

Without affecting our conclusion, which is not modified, we draw attention to the explanatory information in 'Methodology' section of section 5.4.1 of the Report relating to the completeness of Scope 3 GHG emissions for Category 6: Business Travel for Impax's US-based employees, as well as the limitations around data collection processes for hired cars and buses.

Our assurance activities

Considering the level of assurance and our assessment of the risk of material misstatement of the selected disclosures, multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Evaluating the appropriateness of the reporting criteria for the selected disclosures;
- Interviewing management representatives responsible for managing the selected issues;
- Interviewing relevant staff to understand and evaluate the management systems and processes (including internal review and control processes) used for collecting and reporting the selected disclosures;
- Reviewing of a sample of qualitative and quantitative evidence supporting the reported information at a corporate level;
- Performing an analytical review of the year-end data submitted by Impax's offices included in the consolidated 2023 data for the selected disclosures which included testing the completeness and mathematical accuracy of conversions and calculations, and consolidation in line with the stated reporting boundary;
- Evaluating the conversion and emission factors and assumptions used; and
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. Our assurance activities did not include assessing or auditing any financial information relating to the value of Impax's investments or individual holdings. It is important to understand our assurance conclusions in this context. Our work was undertaken virtually at Impax's Head Office in the UK.

Our independence, integrity and quality control

ERM CVS is an independent certification and verification body accredited by UKAS to ISO 17021:2015. Accordingly we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a Code of Conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of the IESBA Code relating to assurance engagements.

ERM CVS has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to Impax Asset Management Group plc in any respect.



Gareth Manning
Partner, Corporate Assurance
London, United Kingdom

26 June 2024

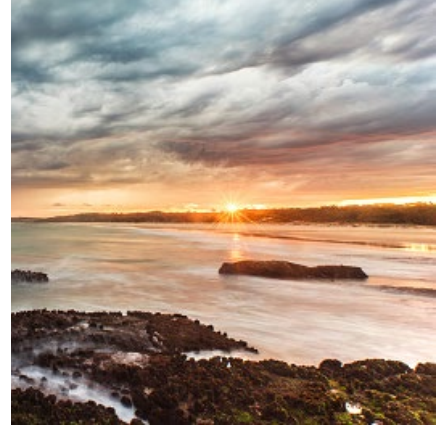
On behalf of:

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Glossary of terms

AUM	Assets under management
AAE	Average Annual Exposure
AIFM	Alternative Investment Fund Manager
ARC	Audit and Risk Committee
CBI	Confederation of British Industry
CCUS	Carbon capture, usage, and storage
CFRF	Climate Financial Risk Forum
Climate transition	The transition to a low-GHG emission, climate-resilient economy
Committed AUM	AUM covered by the NZAM commitment
EBIT	Earnings before interest and taxes
ESG	Environmental, Social, Governance
FCA	Financial Conduct Authority
FSDA	Financial Sector Deforestation Action
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
GICS	Global Industry Classification Standard
IAMs	Integrated assessment models
IAML	Impax Asset Management Limited
IEA	International Energy Agency
IEM	Impax Environmental Markets
IIGCC	Institutional Investors Group on Climate Change
ILC	Impax Lens Committee
IPCC	Intergovernmental Panel on Climate Change
MSCI	Morgan Stanley Capital International
NDCs	Nationally Determined Contributions
NGFS	Network for Greening the Financing System
NGO	Non-governmental organisation
NVE	Norwegian Water Resources and Energy Directorate
NZAM	Net Zero Asset Managers initiative
NZIF	Net Zero Investment Framework
NZTP	Net Zero Transition Plan
OECD	Organisation for Economic Cooperation and Development
PAII	Paris Aligned Asset Owners
PE	Private Equity
PRI	Principles for Responsible Investment
SBTI	Science Based Targets initiative
SEC	US Securities and Exchange Commission
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPT	Transition Plan Taskforce
UKSIF	UK Sustainable Investment and Finance Association
VaR	Value at Risk
WACI	Weighted Average Carbon Intensity
WBCSD	World Business Council for Sustainable Development



Impax Climate Report 2024

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