

# Stewardship and Advocacy Report 2023

Forging relationships for the transition to a sustainable economy





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An aerial photograph of a landscape featuring a river, a dense forest, and agricultural fields. A large blue geometric overlay is on the left side of the image, containing white text. In the top right corner, there is a small blue 'X' logo.

Through our stewardship and advocacy activities, we work to help address environmental and social challenges, and manage risks arising from them.



# Introduction

## Welcome to our sixth annual Stewardship and Advocacy Report.

As an investor focused on the transition to a more sustainable global economy, Impax devotes great energy and resources to its relationships with investee companies, peers and policymakers. Stewardship and advocacy are the twin levers that we can pull to influence change and help address the systemic risks facing our investee companies and the real economy.

2022 was another busy and encouraging year for our Sustainability & Stewardship and Policy & Advocacy teams. This report provides a snapshot into the activities, from industry-leading voting performance to leadership roles in industry groups and initiatives.

The two teams collaborate increasingly closely in pursuit of joint priorities in common areas of focus. We therefore structure this report according to the four overarching pillars of our stewardship and advocacy activities: **climate, nature, people** and **governance**.

For each pillar, we demonstrate our stewardship activities by showcasing some of our engagement dialogues with investee companies, proxy voting

activities and shareholder proposals. While 2022 was a record year for shareholder proposals at US companies, in a reflection of the current US political climate, it also saw a rise in shareholder proposals expressing scepticism of companies' efforts to address ESG-related risks and opportunities.

Stewardship at Impax means being actively engaged, not activist investors. We proactively engage with the companies held across Impax portfolios and strategies, often over many years, encouraging them to adopt best practices, improve disclosures and address any concerns. As a long-term partner, we help ensure companies are attuned to the risks and opportunities presented by the transition to a more sustainable economy. Effective engagement plays a key role in developing a comprehensive understanding of the character and quality of our investee companies – something of critical importance to the Impax investment process.

Alongside our stewardship activities, we look to shape better policy – and accelerate the transition to a more sustainable economy – through our advocacy work. For each pillar in this report, we highlight our achievements and contributions during 2022 across a range of initiatives.

As part of our long-term focus on climate, as detailed in our 2022 Taskforce on Climate-related Financial Disclosures Report, we have played an active role in the Glasgow Financial Alliance for Net Zero (GFANZ) continuing to advocate for greening the real economy – as opposed to



Through long-term partnerships with the companies held across our strategies, we help ensure they are attuned to the risks and opportunities presented by the transition to a more sustainable economy.



**Lisa Beauvilain**  
Global Head of  
Sustainability &  
Stewardship



**Chris Dodwell**  
Head of Policy  
& Advocacy

We continue to address these challenges by taking action to reduce systemic risks through our stewardship and advocacy work, which we are pleased to report on here.

simply decarbonising our investment portfolios. In November 2022, we also made our initial target disclosure under the Net Zero Asset Managers (NZAM) initiative, where we aim for 100% of “committed” assets under management (AUM) to be “transition aligned” or “transition aligning” by 2030.<sup>1</sup> We are pursuing this target through our stewardship and advocacy activities, rather than by simply decarbonising and divestment.

Through our advocacy activities we collaborate closely with a broad network, including the scientific community, not-for-profit organisations and academic institutions. During 2022, we supported a research project to examine what drives companies to protect biodiversity within their operations and supply chains. In recognition of the systemic risks posed by biodiversity loss, nature has taken on new significance as a standalone pillar of our stewardship and advocacy activities. Our objectives for company engagement and policy advocacy have been codified in our new Nature,

Biodiversity and Deforestation policy.

Going forward, we are more formally coordinating our stewardship and advocacy activities to realise shared objectives and galvanise change. On the following pages, we outline our stewardship and advocacy framework that shows how our intentional inputs and activities can translate into tangible, real-world impact at company and industry levels. Ultimately, we aspire for our efforts and influence to reduce risks and maximise opportunities for investors.

Addressing the environmental and social challenges facing global society undoubtedly commands a growing sense of urgency among investors. Progress must accelerate and scale up if we are to mitigate the rising threats to ecological, social and financial stability. We continue to address these challenges by taking action to reduce systemic risks through our stewardship and advocacy work, which we are pleased to report on here.

<sup>1</sup> Aim for 100% of committed AUM being climate resilient and within the categories “transition aligned” or “transition aligning” related to climate management and processes by 2030. Impax’s initial commitment under the NZAM initiative consists of all actively managed listed equities and private equity investments, which represented 92% of assets under management (AUM) as of 31 December 2021.





# Stewardship and advocacy for real-economy impact

Impax believes that significant, positive real-world impact can be achieved through disciplined and well-structured stewardship and advocacy efforts.

When it comes to stewardship, this means utilizing fundamental underlying analysis, setting appropriate engagement objectives, prioritizing the right companies for outreach, preparing for engagement meetings, following up and escalating where progress is not achieved. Escalation typically involves engaging with other shareholders and/or filing or co-filing shareholder proposals.

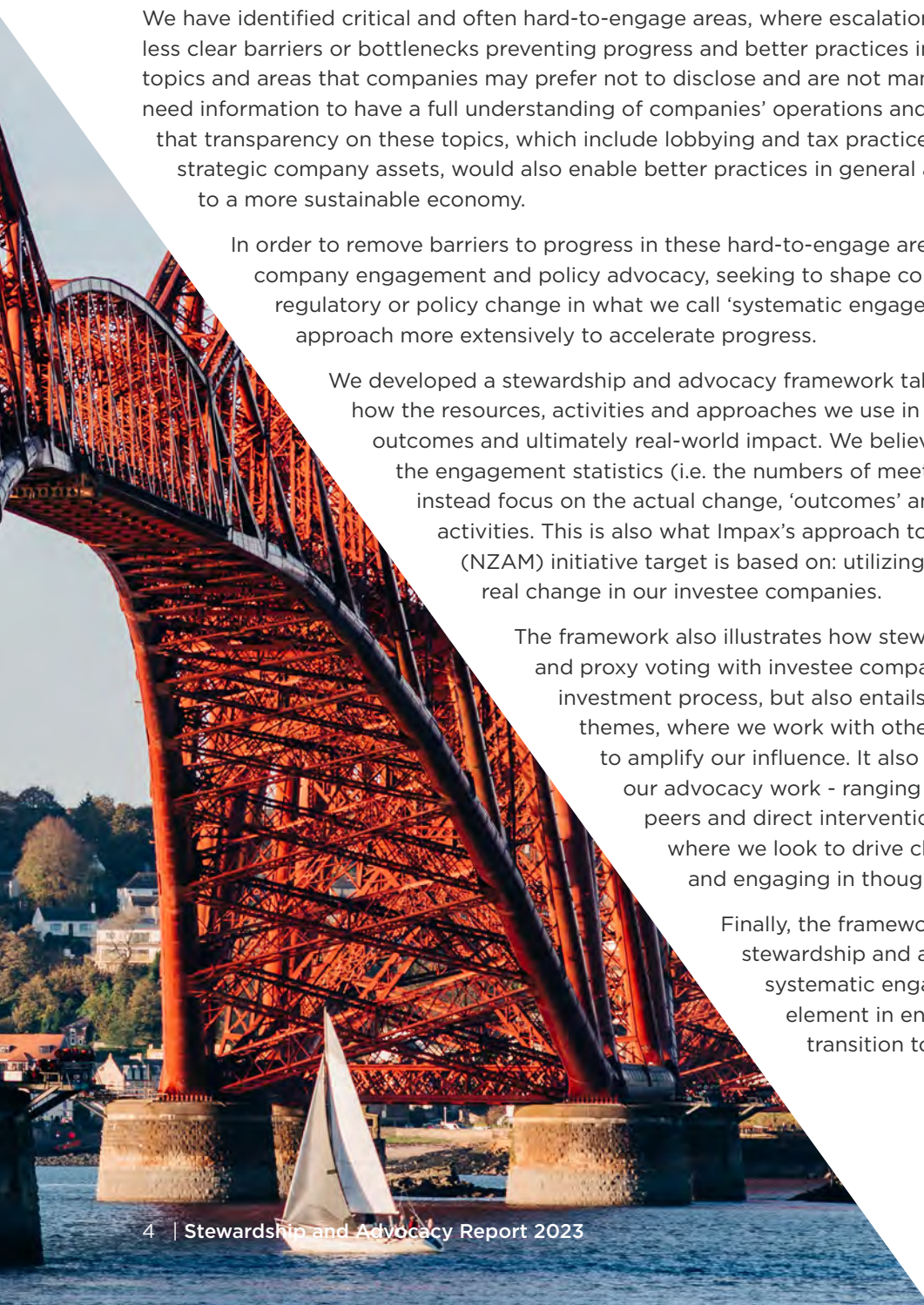
We have identified critical and often hard-to-engage areas, where escalation is insufficient, with more or less clear barriers or bottlenecks preventing progress and better practices in companies. These are often topics and areas that companies may prefer not to disclose and are not mandatory, but where investors need information to have a full understanding of companies' operations and risk management. We believe that transparency on these topics, which include lobbying and tax practices, as well as geolocation data for strategic company assets, would also enable better practices in general and help accelerate the transition to a more sustainable economy.

In order to remove barriers to progress in these hard-to-engage areas, we have started combining company engagement and policy advocacy, seeking to shape company practices through regulatory or policy change in what we call 'systematic engagement'. We foresee using this approach more extensively to accelerate progress.

We developed a stewardship and advocacy framework table on page 5 to illustrate how the resources, activities and approaches we use in our work can achieve positive outcomes and ultimately real-world impact. We believe it is important to go beyond the engagement statistics (i.e. the numbers of meetings held with companies) and instead focus on the actual change, 'outcomes' and 'impact' achieved through our activities. This is also what Impax's approach to the Net Zero Asset Managers' (NZAM) initiative target is based on: utilizing stewardship and advocacy for real change in our investee companies.

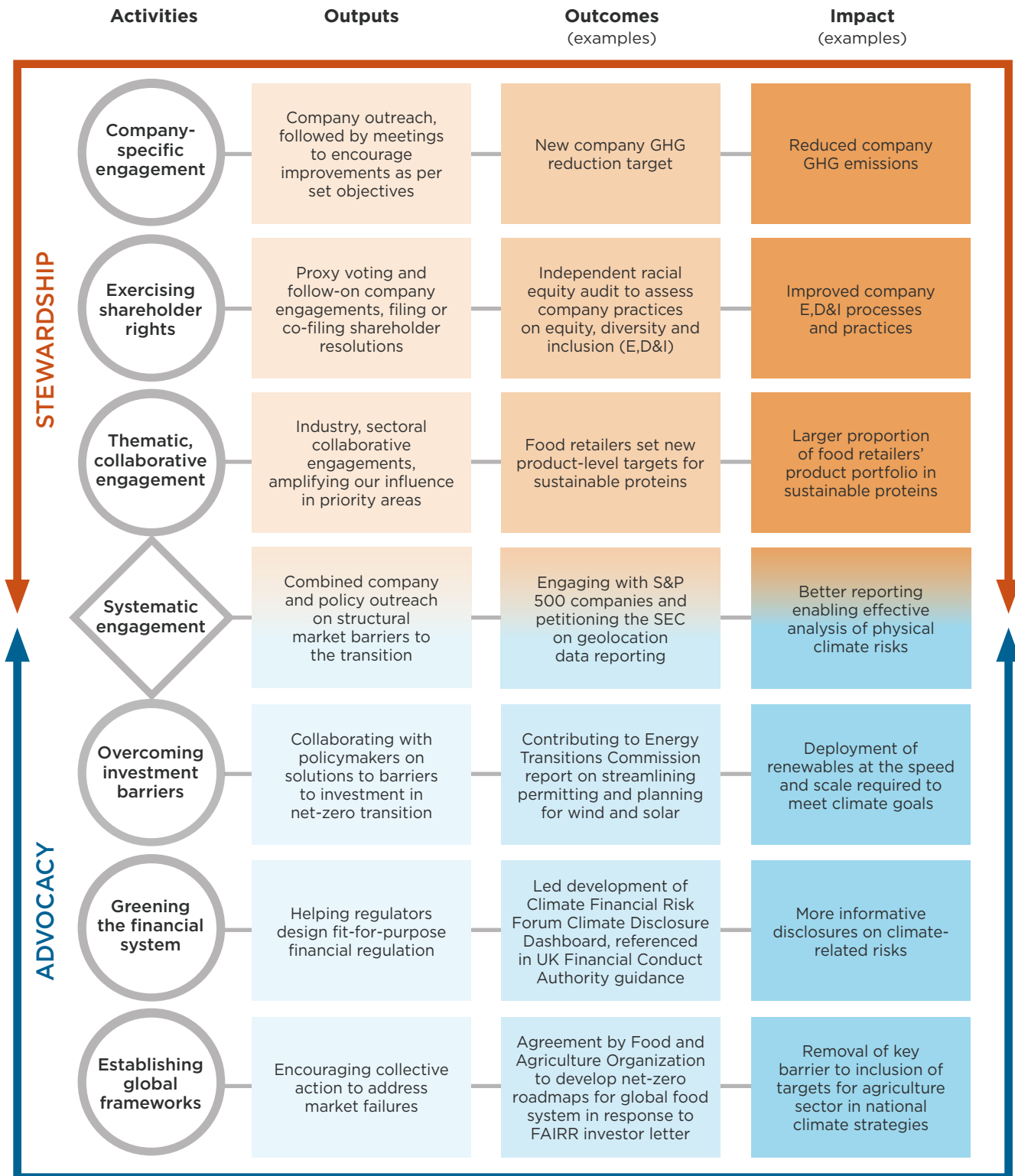
The framework also illustrates how stewardship is about our engagement and proxy voting with investee companies, a critical part of the investment process, but also entails focusing on engagement themes, where we work with other investors and organisations to amplify our influence. It also outlines the critical elements of our advocacy work - ranging from collective action alongside peers and direct intervention on policy, to leadership roles where we look to drive change by steering industry groups and engaging in thought leadership activities.

Finally, the framework makes clear how our stewardship and advocacy come together in systematic engagement - in our view a critical element in enabling and accelerating the transition to a more sustainable economy.





## Pursuing real-world outcomes and impact through stewardship and advocacy activities



Inputs to the process include the Impax Sustainability & Stewardship and Policy & Advocacy teams, Impax lead analysts, other shareholders and external industry groups.



## Why we engage

Engagement helps us both mitigate risk and enhance value and investment opportunities. The Impax investment process relies on a comprehensive understanding of the character and quality of our investee companies, including material environmental, social and governance (ESG) issues as well as areas of potential improvement. We believe it is in the interests of our investors that we engage with our investee companies to help minimise risks, support and enhance shareholder value, promote greater transparency on ESG issues and encourage companies and issuers to become more resilient over time.

### Engagement can help enable us to:

- manage risks by proactively identifying and mitigating issues
- understand a company's character better, which lends insight about its quality and resilience
- strengthen companies over time by improving quality, processes, transparency and resilience

## How we engage

**Company engagement:** We meet with management teams when we see opportunities for companies to become more resilient and strengthen material environmental, social, and governance (ESG) processes, structures and disclosures.

**Proxy voting:** We view proxy voting as an important catalyst for dialogue on corporate governance best practice, both before and after companies' annual general meetings. We vote on issues ranging from board structures, board of director elections and executive compensation to environmental and social issues.

**Shareholder resolutions:** We initiate or support shareholder proposals at annual shareholder meetings to encourage greater corporate transparency around companies' most significant environmental or social risks.

**Thematic engagement:** We identify the most important themes and topics to engage on every year and prioritise companies for the engagements.

**Collaborative engagement:** We collaborate with other investors and partners to catalyze progress on critical ESG issues across specific companies and sectors.

**Systematic engagement:** We seek to identify structural hurdles within sectors and industries and can engage both companies and policy makers to advocate for frameworks, policies or regulations that advance the transition to a more sustainable economy.



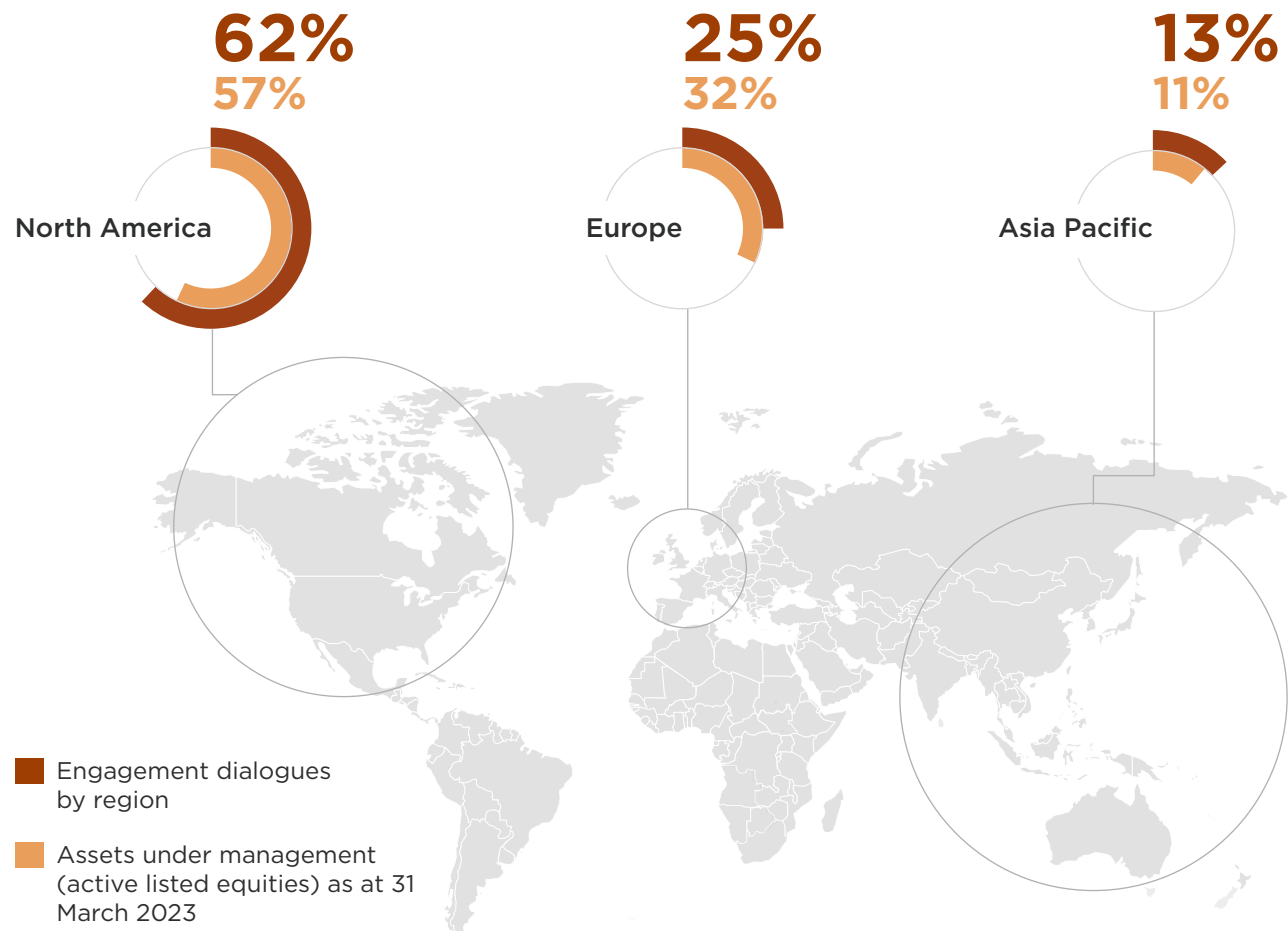
# Where we engaged in 2022

Our engagement dialogues by region broadly reflect the geographical distribution of our investee companies.

US companies have been more willing to engage in recent years. We hope to see this continue as a way to strengthen investee processes, structures, transparency and resilience over time. This increased appetite for engagement in North America has also been driven by a significant regulatory and market push in recent years for enhanced E,D&I, which has propelled forward our engagements. Maintaining engagements with US companies will continue to be an important part of our stewardship activities, particularly given the divisive political climate in which there is some pushback against the value of ESG factors and processes. The relatively smaller proportion of engagements with European companies reflects the more advanced ESG practices within the region.

During the year, we dedicated additional resources to our engagement activity in the Asia-Pacific (APAC) region with the hire of a Head of Sustainability & Stewardship, APAC. While the proportion of APAC engagements closely matches our holdings, we continue to increase our efforts in this region in 2023, as corporate governance practices and broader company ESG processes and disclosures are less mature.

## Total engagements in 2022





# Engagement outcomes in 2022

We have chosen this year to formally distinguish between “outreach activities” where we make a request of a company without response, and “engagement dialogues” where we have a back-and-forth with decision makers. We only report this year on the outcomes of engagement dialogues.

**160** engagement dialogues in 2022

**43%** had positive outcomes<sup>2</sup>

**11%** achieved ‘milestones’

**13%**  
of engagements had a positive outcome that we believe was largely driven by Impax’s efforts

<sup>2</sup> Positive outcomes are classified as “progress achieved” or “milestone achieved” as assessed by Impax against its engagement objectives

**1st**

in ShareAction's  
"Voting Matters  
Report"

Awarded for consistently voting in favour of key environmental and social shareholder proposals in 2020, 2021 and 2022.<sup>3</sup>

## Proxy voting summary for 2022

# 1,094

meetings where Impax voted (99.9% where it was possible to vote)

# 10%

management resolutions which Impax voted against (1,371/13,967)

# 75%

shareholder resolutions which Impax supported (303/406)

Shareholder proposals have grown more sophisticated over recent years and general investor interest in proxy voting has increased significantly, a trend we believe will continue.

Impax's approach to shareholder proposals continues to be recognised. We ranked first in ShareAction's "Voting Matters Report" for consistently voting in favour of key environmental and social shareholder proposals in 2020, 2021 and 2022.

Our voting decisions follow the Impax Proxy Voting Guidelines, bringing consistency and transparency to our approach.

<sup>3</sup> ShareAction, Ranking asset managers' voting performance. Voting Matters, Feb. 2023 for the 2022 period. With an overall score of 100%, Impax ranked 1st out of 68 asset managers. Voting Matters, Dec. 2021 for the 2021 period. With an overall score of 99%, Impax ranked 1st out of 66 asset managers. Voting Matters, Dec. 2020 for the 2020 period (9/19-8/20). With an overall score of 100%, Impax ranked 1st out of 60 asset managers. Full details and voting criteria can be found at: [shareaction.org/reports/voting-matters-2022](https://shareaction.org/reports/voting-matters-2022)



# Pillars of stewardship and advocacy

In 2022, we remained focused on climate, people and corporate governance in our stewardship activities.

Building on previous reports, we have structured this report around our four top-down thematic stewardship pillars. Since the focus of our advocacy work aligns with our stewardship activities, we report on them both in each section.

Given our increasing focus on biodiversity and nature in 2022, we have adopted this as a standalone pillar for engagement going forward. Companies and policymakers alike have also become more focused on their dependencies and impacts on nature.

## Climate

Transition risks, physical climate risks, greening the financial system

## Nature

Biodiversity, deforestation, water quality

## People

Human capital, equity, diversity and inclusion

## Governance

Board structure, executive compensation, shareholder rights



Our stewardship and advocacy activities fall into **four broad categories**



# Climate



Climate-related risks and opportunities are likely to be significant drivers of investment performance across the global economy for decades to come. Climate risks are systemic for all companies, so both transition and physical climate risks are important topics of our stewardship and advocacy activities.

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## Engagement

### A focus on transition risk

The Net Zero Asset Managers (NZAM) initiative, which Impax joined in 2021, reflects a formal commitment by signatories to support the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

In 2022, Impax announced its 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.<sup>4</sup> We believe our ongoing stewardship activity will play a significant role in helping us achieve this target through direct and collaborative company engagement, incorporating climate into voting decisions and, where relevant, policy advocacy.

In line with our NZAM commitment, we have committed to engage with all in-scope companies and incorporate climate-related voting guidelines for companies not yet transition aligned. We encourage companies to hone their management of and transparency around climate-related risks within the transition to a more sustainable economy.

<sup>4</sup> See page 3.



# 33%

of engagements in 2022  
focused on 'Climate'

Ambitious GHG reduction targets

Net-zero, climate-resilient  
transition plans

Physical climate risks

## A focus on physical climate risk

Our initial physical climate risk engagement outreach in 2020 with a New York-based public retirement plan. We asked US-listed companies in the S&P 500 index to disclose the physical location of their significant assets and encouraged companies to start reporting their climate risks and opportunities in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD).

Following more detailed engagements with a smaller number of companies in 2021, we chose in 2022 to focus specifically on companies in the semiconductor industry. Semiconductor production is very water intensive and sensitive to the quality of its water supply. Like many other industrial sectors, it is vulnerable to the impacts of heat and wildfire, which along with water scarcity and flooding can impact the reliability of the electric grid.

We are following up with several semiconductor producers in the S&P 500 to discuss how they measure their exposure to physical risks, particularly those related to water (both droughts and floods), and what steps they are taking to increase their resilience to these hazards.



## Proxy voting

Increasingly, proxy voting has become an important lever in advancing climate issues with companies.

Climate was once again a major focus in the 2022 proxy season. Shareholder proposals have evolved from a focus on disclosures to requests that companies commit to more concrete actions on GHG emission reduction targets and net-zero alignment, fossil fuel financing and lobbying alignment.

Impax believes that oversight of climate risk resides primarily with the board committees and directors responsible for risk and audit. When we identify companies that have not yet taken meaningful steps to address climate risks with resilient and transition-aligned management processes, we will generally vote against members of the Audit Committee.

We supported **97%** of climate-related shareholder proposals in 2022.



### Shareholder proposal: JM Smucker

We filed a shareholder proposal with JM Smucker, maker of Folgers, Dunkin' and Cafe Bustelo brand coffees, requesting that the company describe its work to mitigate potential short, medium and long-term supply chain disruption.

The proposal followed our outreach on physical climate risk in 2021, and highlighted the company's exposure to risks associated with hurricanes and weather at coffee production facilities

**Outcome:** The company was responsive and agreed to disclose information regarding business continuity plans for its coffee business in its upcoming CDP submission. JM Smucker will also disclose information on continuity for its consumer and other businesses over the next two years, and we will continue the dialogue moving forward.



## Advocacy

Our climate-related advocacy activity in 2022 was focused on three themes:

- Financing the transition to net zero
- Greening the financial system
- Guidance on net-zero transition plans

### Initiatives



#### Financing the net-zero transition in the real economy

**Energy Transition Commission (ETC):** During 2022, we focused our contribution to the ETC's work on their Financing Net Zero report, published in March 2023. We welcomed the ETC's conclusion that the critical action to unleash investment is for governments to put in place well-designed real economy policy frameworks. These frameworks should include a clear strategic vision, address the green premium challenge, reduce downside risks and remove supply-side bottlenecks.

**Confederation of British Industry (CBI):** Impax is an active participant in the CBI's Decarbonisation and Sustainable Finance workstreams. During 2022, we contributed to the CBI's responses to the Independent Review of Net Zero and the consultation on the update to the UK's Green Finance Strategy. In September 2022, Impax's CEO, Ian Simm, was appointed as chair of the CBI's Decarbonisation Council, which plays a key role in driving policy creation and engagement with a wide range of external stakeholders.



#### Greening the financial system

**UK Climate Financial Risk Forum (CFRF):** We chaired the Disclosures workstream of the CFRF Disclosures, Data and Metrics working group which published its updated Climate Disclosure Dashboard in March 2023. We were also active members of the CFRF's 'Transition to Net Zero' Working Group which worked to help financial institutions mobilise investment for climate solutions.

**UK and US financial regulations:** We engaged proactively with regulators to develop regulation focused on sustainable finance in the UK and we submitted comments on three proposed rules put forward by the Securities and Exchange Commission (the Climate Change Disclosure, Enhanced Disclosures and Names rules).

**International Sustainability Standards Board (ISSB):** We suggested to the ISSB in our July consultation that their definition of materiality should include double materiality (the importance of moving beyond corporate enterprise value at risk in sustainability reporting), and location-specific reporting, a critical perspective for physical climate risk and biodiversity. The ISSB recently chose to remove the term 'enterprise value' from its standards and use a definition that accommodates double materiality



#### Guidance on net-zero transition planning

**Glasgow Financial Alliance for Net Zero (GFANZ):** Following the announcement at the COP26 climate summit that disclosure of transition plans was to become mandatory, we were selected to participate in the GFANZ workstream on this topic. We contributed to its guidance on Financial Institution Net-zero Transition Plans published in November 2022.



Achieving net zero emissions in the real economy remains one of our priorities for policy advocacy.

## Climate advocacy: COP27 and beyond

Building on our programme of work around the COP26 climate summit in Glasgow in 2021, Impax attended its successor COP27, held in Egypt in November 2022. The summit served as a milestone for many of the initiatives in which Impax is closely involved, including real-economy policy frameworks, climate-related disclosures and investment in adaptation and resilience.

### Designing effective real economy policy frameworks

**National net-zero roadmaps:** Through our involvement in the Institutional Investors Group on Climate Change (IIGCC), we contributed to the development of the 2022 Global Investor Statement to Governments on the Climate Crisis, which included calls for governments to implement domestic policies need to achieve strengthened 2030 targets. At COP27, we were invited to share our perspectives on the role of national policies in attracting private finance with negotiators and policy leaders.

**Global agriculture net-zero roadmap:** During 2022, we supported the FAIRR Foundation's engagement with the UN Food & Agriculture Organisation (FAO) to encourage them to develop a net-zero, nature-positive roadmap for the global food system. We were delighted to take part in a side event at COP27 where the FAO announced their intention to develop such a roadmap in time for COP28 in late 2023.

**Halting and reversing forest loss:** Deforestation was high on the agenda in Egypt and we were pleased to see the establishment of the Forests and Climate Leaders' Partnership which will meet twice a year to track action on the COP26 commitment to halt deforestation by 2030. As well as supporting the activities of the Finance Sector Deforestation Action initiative, we shared our views on policy frameworks for tackling deforestation during the COP27 Terra Carta Action Forum organised by the Sustainable Markets Initiative.

### Improving the quality of climate-related disclosures

**Financial impacts of physical climate risks:** During COP27, the UK Centre for Greening Finance and Investment at the University of Oxford published the outcome of their collaboration with Impax on developing a consistent methodology for translating future climate changes into quantitative inputs for financial models.

**Guidance on transition plans for financial institutions:** We were pleased to be invited to participate in the work of the UK's Transition Plan Taskforce, whose pioneering disclosure framework was launched at COP27, setting out recommendations for companies and financial institutions to develop gold-standard transition plans.

### Scaling up investment into adaptation and resilience

**Encouraging corporate adaptation:** We contributed to the development of the IIGCC's proposed Climate Resilience Investment Framework, which encourages adaptation by outlining steps that investors can take to encourage companies to develop more effective adaptation plans. We presented our views on the framework at a 'implementation lab' at COP27, and were pleased to see aspects of this work reflected in the Sharm El-Sheikh Adaptation Agenda launched at COP27, including the call for 2,000 of the world's largest companies to develop actionable adaptation plans.



## Climate milestone spotlight: **Cryoport**

### Transition risk – GHG emissions management

US-listed Cryoport is a leading cold chain logistics and transportation provider for the life sciences industry.

#### **Engagement objectives**

1. Start collecting GHG emissions data (achieved, compiled GHG baseline data in 2021).
2. Disclose to CDP (achieved, first response submitted in 2022).
3. Publicly report GHG data in annual reporting (achieved in 2022, first sustainability framework established, initial reporting is aligned to TCFD).
4. Set reduction targets and report on progress (in progress, targets are currently under consideration by the company as a next step).

Impax has been engaging with this company since 2021, through its significant growth during the COVID-19 pandemic (from micro to nearly mid-cap) and into the process of embarking on its first formal ESG programme.

#### **Progress & outcomes**

We outlined four engagement objectives around collection, disclosure and reporting of GHG data. The company compiled its first GHG baseline data in 2021, disclosed this data to CDP in 2022, and publicly reported it in alignment with the TCFD. We are continuing to engage with the company to establish emissions reduction targets.

Since our initial engagement with Cryoport on climate risk in 2021, we have seen encouraging improvements in the company's climate risk management framework, GHG disclosures and climate risk reporting in 2022. Target setting is underway and expected in 2023.



Cryoport has improved  
its climate risk  
management, GHG  
disclosures and reporting  
in 2022



# Climate milestone spotlight: Giant Manufacturing

## Transition risk – GHG emissions management

Taiwan-listed Giant is one of the world's largest bicycle designers and manufacturers.

### Engagement objectives

1. Start collecting GHG emissions data (achieved, compiled Scope 1 & 2 baseline data in 2020)
2. Publicly report GHG data in annual reporting (in progress, initial reporting achieved in 2021, still lacks some detail)
3. Collect Scope 3 emissions data (achieved, carbon inventory for Scope 3 emissions compiled)
4. Disclose to CDP (achieved, first response submitted in 2022)
5. Set reduction targets and report on progress (Impax to engage in 2023 as next step)

Impax first engaged with Giant in 2019 after identifying poor ESG risk management processes and disclosures. While the company replied with a timeline for ESG improvements, we were dissatisfied with the company's initial response.

Following initial engagement on climate risk management, Giant has made efforts to develop its Scope 1 and 2 emissions baseline, collecting data primarily for its two manufacturing facilities in Taiwan, and has since received an ISO 14064 certificate for quantifying these emissions. The company disclosed its GHG emissions (in English) in its 2021 Annual Report. Though lacking some detail, the report also disclosed material environmental data on water consumption and total waste generation for the first time.

### Progress & outcomes

In 2022, Impax followed up with the company on progress around its GHG reporting. The company informed us that they had finished a more robust Scope 1, 2 and 3 emissions inventory and were in the process of undertaking an independent review of the data. Since then, the company submitted its first response to CDP in 2022 and plans to initiate more transparent ESG reporting in 2023. Impax will continue to engage on GHG emissions disclosures and monitor absolute reductions and science-based target setting in line with international best practice frameworks.



We encourage our investee companies to hone their management of and transparency around climate-related risks





# Nature

As a specialist investor in the transition to a more sustainable economy, Impax has long paid attention to nature and the risks associated with biodiversity loss, deforestation and the degradation of ecosystems. Yet there remains limited information about how companies are addressing these risks.

We are encouraged by ambitious plans agreed at the COP15 biodiversity summit in December 2022, to address biodiversity loss by 2030. The important role of companies and investors is reflected in the following targets: encourage and enable businesses to reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks and promote sustainable production.

In 2022, Impax formalised a standalone Nature, Biodiversity and Deforestation policy which defines our approach to managing nature-related risks in our investments and outlines the objectives for engagement with investee companies and issuers, as well as our approach to addressing these aspects through policy and advocacy.

## Engagement

We take a multi-pronged approach to our nature-related engagement activity. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has identified five direct drivers of biodiversity loss which provide a framework for our engagement activity most relevant to specific investee companies (below).<sup>5</sup>

We are currently prioritising companies that are earlier in the process of understanding their nature-related risks and encouraging these companies to undertake robust assessments of their nature-related dependencies and impacts. We are also encouraging companies to publicly disclose geolocation data to enable relevant risk assessments in line with our approach to improving location-specific physical climate risk assessment.

**The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has identified these five direct drivers of biodiversity loss:**



**Land-use change**



<sup>5</sup> The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, Models of drivers of biodiversity and ecosystem change





“

We need policies that protect nature. We need to put a price on compromising biodiversity the way the Kyoto Protocol put a price on emitting carbon.

Julie Gorte

Natural resource use / exploitation



Climate change



Pollution



Invasive species





## Research focus

In late 2022, Impax supported a research project to examine what drives companies to invest in actions that protect biodiversity within their operations and supply chains, and to what extent their actions can be scaled up through the deployment of private investment capital.<sup>6</sup>

The research, produced by independent academics from Imperial College London and supplemented by input from Impax, explored five case studies from different sectors: agriculture, cities, energy, insurance and water.

### The analysis yielded three key conclusions:

1. Biodiversity concerns were not the primary drivers for corporate action in the cases that were examined. Unless required by regulation, companies only took action to protect biodiversity where it delivered broader corporate objectives such as improving supply chain resilience.
2. Drivers of action varied by case study. For example, sustainable sourcing emerged as a primary driver where products rely on the natural environment.
3. The scale of corporate action to protect biodiversity today is limited.



Building on these conclusions, the report identifies actions which can encourage and enable nature-positive investments, including:

- Governments should address market failure – and the ‘global commons’ nature of biodiversity – through stronger regulation and incentives for corporate action
- Companies must improve how they report and share information on efforts to limit their impact on biodiversity and restore nature.
- Further research is needed into how private investments can be leveraged by public funding or philanthropy, policies that price the value of biodiversity effectively, and cost-benefit analysis of biodiversity-positive business models.

<sup>6</sup> Impax, 2023: Protecting biodiversity: incentives for corporate action.

# Advocacy

## Initiatives



### Finance Sector Deforestation Action (FSDA)

Impax became a founding member of FSDA at its launch at COP26. Signatories to the FSDA have committed to best efforts to eliminate forest-risk agricultural commodity-driven deforestation activities at companies in our investment portfolios. They do this through individual and collective action to assess exposure to deforestation risk, establish investment policies addressing those risks, deepen engagement with the highest-risk holdings and engage on public policy necessary to avoid the risks and impacts of deforestation. As part of the implementation of our commitments under FSDA during 2022, Impax developed and published our Impax Policy on Nature, Biodiversity, and Deforestation, worked with other signatories to engage priority companies and joined the Investor Policy Dialogue on Deforestation consumer countries workstream.



### Natural Capital Investment Alliance (NCIA)

At COP26 in November 2021, Impax joined the NCIA which had been created earlier that year by HRH The Prince of Wales through his Sustainable Markets Initiative. Impax's objective in joining the NCIA was to mobilise investment in nature-based solutions, to accelerate the development of nature-related metrics and to encourage effective investor engagement in international and national policy to counter biodiversity loss. During 2022, Impax acted as co-chair of the NCIA's Policy, Industry and Government Liaison workstream, helping to develop a map of the policy landscape relating to natural capital which informed the NCIA's position for the UN COP15 biodiversity summit. We also participated in the NCIA's Metrics and Disclosures workstream and spoke at the Natural Capital Investment Summit organised by NCIA in October 2022 at Kew Gardens.



### Business for Nature (BfN)

Impax supported Business for Nature in developing its position on the priorities for COP15. These included adopting a clear and simple mission to halt and reverse biodiversity loss by 2030, making corporate assessment and disclosure of impacts and dependencies on nature mandatory and strengthening specific targets on the reform of environmentally harmful subsidies. Impax became an early signatory to Business for Nature's Make it Mandatory campaign which was launched ahead of COP15. We were therefore very pleased that the Global Biodiversity Framework agreed at COP15 in December 2022 addressed all the priorities identified by Business for Nature and look forward to working on the Framework's implementation.



### Taskforce on Nature-related Financial Disclosures (TNFD)

Throughout 2022, Impax continued to contribute to the work of the TNFD Forum including speaking at the launch of the TNFD Consultation Group of the UK convened by the Green Finance Institute (GFI). We are currently pilot testing the beta version of the TNFD Framework and hosting an asset manager roundtable to exchange views on the Framework and inform consultation responses on its recommendations.



# People

The importance of diversity and corporate culture to long-term company performance and risk management is increasingly being recognised. We engage with investee companies on the diversity of their senior management teams, boards of directors and workforces, as well as their E,D&I processes and disclosures, talent recruitment and retention, and health and wellness policies.

## Engagement

### A focus on challenges arising from the pandemic

The complex global challenges during and following from the COVID-19 pandemic included labour shortages, healthcare crises and limited access to family and dependent care.

Impax engaged with and monitored companies particularly exposed to these challenges. This not only helped us understand how companies are managing risks, but also signalled that Impax appreciates the importance of these complex issues and highlighted the value of transparency, especially in times of crisis.

**2020-2021**

### COVID-related health & safety engagement

**Spring 2020:** We engaged with companies in essential sectors, whose frontline workers had greater exposure to COVID-19. Companies explained their safety measures and procurement plans for protective equipment.

**2021:** Our engagements focused on support for staff (including paid leave and healthcare) in the communications, leisure, retail and healthcare sectors.

**Early 2022**

### Labour constraints engagement

**Early 2022:** Once the pandemic eased and economies began reopening, many companies had difficulty retaining and hiring staff. We engaged with companies in more labour-intensive and specialist sectors, like technology and industrials, requesting they disclose certain key performance indicators (KPIs) linked to human capital. Companies responded with concrete actions looking for new sources and pools of talent.



# 39%

of engagements in 2022  
focused on 'People'

Human capital management

Employee health and wellness

Leadership and workforce diversity

**Late  
2022**

### Post-pandemic health and wellness outreach

**Late 2022:** Amid the mental health consequences of unprecedented and prolonged social distancing, we reached out to over 140 US companies asking how they are supporting employee health and wellness in areas including mental health services and family-friendly policies like child- and eldercare. These engagements are still ongoing, and remain a focus in 2023, but we have observed that companies are taking a comprehensive and thoughtful approach to these issues.

**2023**

### The cost-of-living crisis

The next step in understanding how companies are managing ongoing challenges from the pandemic is a focus on the 'cost-of-living crisis'. We are now engaging to understand how companies, especially in sectors with hourly or lower-income staff such as healthcare and food services, are supporting employees in a climate of high and persistent inflation.



## Proxy voting

With issues related to human capital and social justice coming into sharper focus for many in recent years, E,D&I continued as a major theme in 2022.

Shareholder proposals sought enhanced disclosure across many areas, including the composition of companies' workforces, management teams and boards, pay equity, sexual harassment and racial justice.

After they were first introduced in the US in 2021, the number of proposals focused on racial justice tripled in 2022, with eight receiving majority support. Racial justice proposals ask companies to examine how they may combat (or perpetuate) systemic racism through a racial equity audit, conducted by an independent third party. A racial equity audit examines the external impact a company has on minority communities and may uncover blind spots an internal assessment could miss. In 2022, Impax supported racial justice proposals that won majority support at Apple, Johnson & Johnson (which Impax co-filed), Home Depot and Stericycle. Each of these companies has since agreed to conduct the requested audits.



We supported **86%** of human capital and E,D&I-related shareholder proposals in 2022.



### Shareholder proposal: Johnson & Johnson

In the US, the COVID-19 pandemic and calls for racial justice brought issues relating to health equity into sharper focus. In 2021 and 2022, Impax co-filed a shareholder proposal at Johnson & Johnson - a maker of healthcare products - requesting that it conduct an independent racial equity audit. While the company has made progress with respect to E,D&I, we believed an independent assessment of its relevant policies and practices could be valuable, helping it identify opportunities to improve its racial impact, through its practices and its products.

**Outcome:** The company discussed the proposal with proponents in several meetings held over 2021 and 2022, but the proposal went to a shareholder vote twice. In April 2021, it received strong support (34%) for a first-year proposal. In April 2022 the proposal was approved by shareholders with 63% support. The company announced in its 2023 proxy statement that it would conduct the requested audit, and the first phase is underway.

# Advocacy

## Initiatives



### Board diversity, Japan

Impax has engaged with Japanese companies regarding gender diversity on boards for many years. During 2022, Impax signed an Asian Corporate Governance Association (ACGA) coordinated gender diversity letter to the Japanese Financial Standards Authority (FSA) and the Tokyo Stock Exchange (TSE) to promote female representation on Japanese company boards. The letter was later submitted by the FSA to the Japanese State Council. In April 2023, the Japanese prime minister announced that the boards of all companies listed on the TSE Prime market (approximately 1,800 of the largest companies in Japan) should have 30% female directors by 2030, a major step forward.



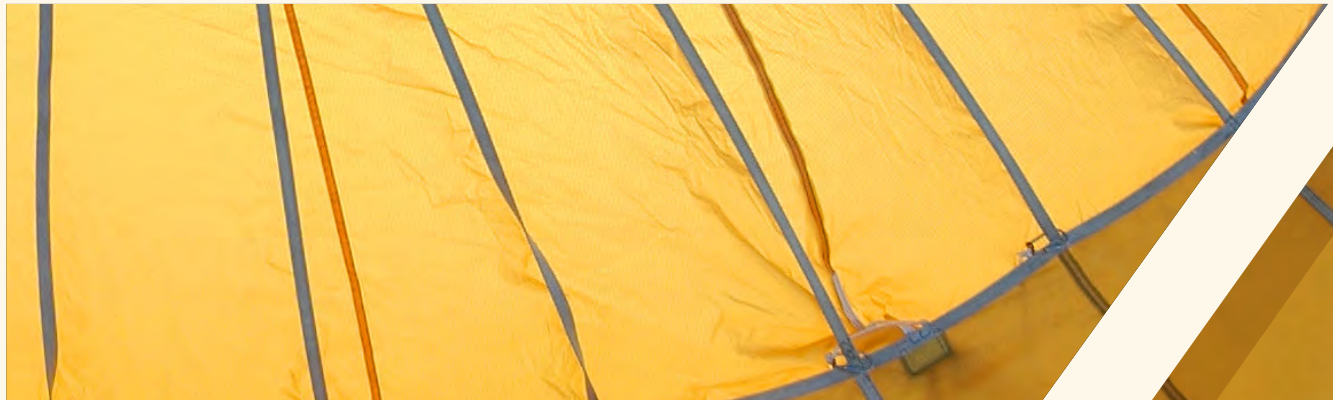
### Financing a Just Transition Alliance (FJTA)

Impax has been a member of the FJTA, coordinated by the Grantham Research Institute on Climate Change and Environment, since its launch in 2018. During 2022, Impax contributed to the development of the FJTA report, *Making Transition Plans Just*, which will help financial institutions to incorporate the social dimension of climate action into their net-zero transition plans. The Transition Plan Taskforce subsequently included a reference to the FJTA report in its November 2022 Implementation Guidance and has announced that it would launch a Just Transition working group to consider interdependencies with social impacts in more detail.



### Russell 3000 Board Diversity disclosure initiative

Impax continued its participation in the Russell 3000 Board Diversity disclosure initiative in 2022, led by the Illinois State Treasurer, that seeks improved disclosure of board diversity inclusive of gender, race and ethnicity. As of 2022, more than 2,200 US-listed companies in the Russell 3000 Index were identified as disclosing the board's racial, ethnic and gender diversity in aggregate or by individual director. This is up from 292 companies in 2020 when the initiative launched.





## People milestone spotlight: **The Walt Disney Company**

### E,D&I policies and disclosures

US-listed Disney is a leading global media and entertainment conglomerate

#### **Engagement objectives**

1. Improve understanding of management's approach to human capital and E,D&I (achieved)
2. Disclose quantitative E,D&I data (achieved)

Impax has been engaging with Disney since 2020, focusing on human capital and E,D&I topics.

In 2022, Impax met with Disney to learn about recent human capital and E,D&I initiatives with a particular focus on employee health and wellness. The engagements were held after the company's annual meeting, at which a shareholder proposal on pay gap reporting won majority support (a topic we had raised with Disney in earlier dialogues). Our meetings provided insights into the company's approach to returning to the office post-COVID, employee engagement and wellness, and the complexities of managing a large, diverse workforce. Impax provided feedback on new disclosures over the last year and considerations for future disclosures.

#### **Progress & outcomes**

In September 2022, Disney published its adjusted pay data by race and gender for first time. Its analysis showed that women are paid nearly identically to men, and Asian, Black and Hispanic workers are all paid nearly the same as White workers. The company also committed to additional disclosure over time, including with respect to unadjusted pay data.





In 2022, Disney  
disclosed its adjusted  
pay data by race and  
gender for the first time



## People milestone spotlight: **Xinyi Solar Holdings**

### Board diversity and independence

Hong Kong-listed Xinyi is a leading photovoltaic glass manufacturer and solar farm developer

#### **Engagement objectives**

1. Raise awareness of the benefits of improved board diversity to long-term value creation (achieved).
2. Communicate voting guidelines regarding no female representation on the Board, 2020 & 2021. Enhanced dialogue with the company (achieved).
3. Improve board diversity (improving, first female director appointed in 2022).

Impax has been engaging with this company since 2019, with the main objective of improving its governance practices, including board independence and diversity.

While the company acknowledged our initial concerns around the lack of board diversity, we voted against Nominating Committee members in 2020 and followed up with further engagement. Initially the company expressed no plans to improve board composition or independence, with no female directors on the board. The company reiterated that female representation within their wider industry was low, and it remained challenging to recruit qualified female employees or directors. Impax remained disappointed with this outcome and again voted against the Nominating Committee members at the 2021 annual meeting, re-emphasising to the company our belief in the importance of diverse representation for long-term value creation.

#### **Progress & outcomes**

We were pleased to see the nomination of the company's first female independent director to the board at the company's 2022 annual meeting, following multiple years of engagement and votes against board directors. Board independence remains low however, and we continue to engage with the company on this issue.



We engage with investee companies on the diversity of their senior management teams, boards of directors and workforces



## Fixed income: shaping new social bond issuances

As we are a specialist asset manager with many years' experience with impact bonds, companies and underwriters seek input from Impax on eligible projects, issuance structures, disclosure and reporting for these securities.

During the structuring of a bond offering, Impax may have the opportunity to engage with companies and underwriters about the inclusion of certain terms and conditions. Impax focuses its engagement on the specific projects that qualify for the use of proceeds for these offerings, as well as the environmental and social performance indicators for green, social and sustainability-linked bond offerings. In 2022, we participated in several such meetings, including a presentation and Q&A session with Fannie Mae about their new social index, which was designed to respond to prior investor feedback by providing more insights into the company's social-purpose mortgage-backed securities programme.



## People and private markets: managing forced labour risks

Active management is a key part of our private markets business and Impax's PE/Infrastructure team is in constant dialogue with its investee companies.

The team formed a joint venture partnership "Greenfinch" to support the installation of decentralised energy generation via rooftop solar panels, batteries and smart meters in Germany. During due diligence the PE/Infrastructure team noted that one of Greenfinch's panel installers had sourced a small number of panels from a company whose supply chain had been linked to allegations of forced labour in Xinjiang. The PE/Infrastructure team raised this concern and engaged with Greenfinch's management team on the topic of forced labour, educating them about the risks present in the supply chain and current international regulations that could impact panel supply in the future.

As a result of this, Greenfinch has implemented more stringent supplier standards focused on engagement and traceability. Furthermore, together with senior members of the Greenfinch team, the PE/Infrastructure team formed a working group to engage other panel suppliers on forced labour. This group has already engaged with one of the world's largest suppliers and pushed them to provide

further details about the transparency of its supply chains.

Based on its work with Greenfinch, the PE/Infrastructure team has developed a supplier due diligence framework that the team has applied to all its investee companies. This has helped investee companies to engage with suppliers and address forced labour risks in a meaningful way.

As Impax owns a significant stake in each of our PE/Infrastructure holdings we can be active managers, with team members on each board.

The PE/Infrastructure team's working group on forced labour has engaged with one of the world's largest solar panel suppliers about the transparency of its supply chain



# Governance

Effective corporate governance is key to companies navigating the opportunities and risks arising from the transition to a more sustainable economy. We engage with our investee companies to improve their governance structures.

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## Engagement

We expect high standards of corporate governance from our investee companies and engage where we believe performance could improve.

### Principles of sound corporate governance:

- Creating sustainable, long-term value for stakeholders
- Protecting shareholder rights
- Maintaining high-integrity corporate behaviour
- Ensuring an independent and efficient board structure
- Aligning corporate incentive structures and remuneration with long-term interests of shareholders
- Disclosing accurate, timely and transparent financial and corporate governance information
- Ensuring strong environmental and social performance and disclosures



# 28%

of engagements in 2022  
focused on 'Governance'

Board independence

Executive compensation

Oversight of sustainability/ESG risks

## A focus on Asia

Progress with Asian companies continued to be relatively slow in 2022, especially relating to governance engagements. We have found that with Asian companies, good, long-term relations and trust may be the best basis for success in engagements. During the year, we dedicated additional resource to our engagement activity in the APAC region with the hire of a Head of Sustainability & Stewardship, APAC, and will continue to increase our efforts in this region in 2023.



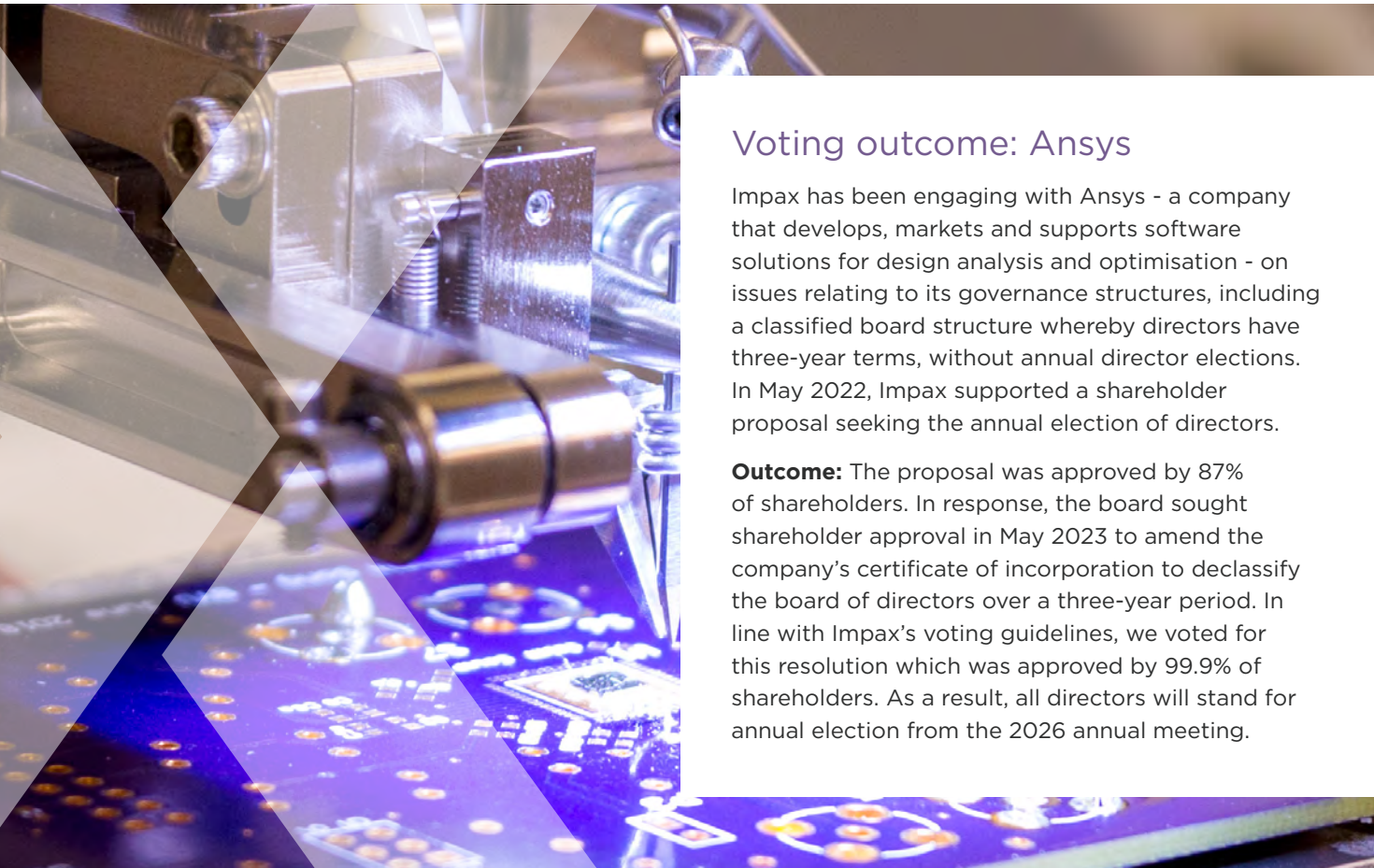
## Proxy voting

We maintain dialogue with investee companies throughout the year and frequently engage on proposed governance structures ahead of voting at an annual meeting or soon after.

Topics often include board structure and independence, executive compensation and shareholder rights. We also express our views on diversity, sustainability management and reporting and climate through our votes on management and shareholder resolutions.

In 2022, votes against management resolutions were higher in Asia and Latin America, a reflection of the relative immaturity of governance codes and structures in these regions. Common issues resulting in votes against individual board directors include lower levels of board independence, insufficient levels of gender diversity and directors' over-commitment.

We supported **65%** of 211 corporate governance-related shareholder proposals in 2022.<sup>7</sup>



### Voting outcome: Ansys

Impax has been engaging with Ansys - a company that develops, markets and supports software solutions for design analysis and optimisation - on issues relating to its governance structures, including a classified board structure whereby directors have three-year terms, without annual director elections. In May 2022, Impax supported a shareholder proposal seeking the annual election of directors.

**Outcome:** The proposal was approved by 87% of shareholders. In response, the board sought shareholder approval in May 2023 to amend the company's certificate of incorporation to declassify the board of directors over a three-year period. In line with Impax's voting guidelines, we voted for this resolution which was approved by 99.9% of shareholders. As a result, all directors will stand for annual election from the 2026 annual meeting.

<sup>7</sup> Our support for governance-related shareholder proposals was lower than our support for climate and human capital/E,D&I-related proposals in 2022. We observed a greater proportion of proposals here where either the rationale behind the proposal was unclear or the proponent did not make a compelling case for how changes would ultimately strengthen the company's practices and benefit shareholders.



# Advocacy

## Initiatives

### **Asian Corporate Governance Association (ACGA)**

Through its membership in ACGA, Impax has been able to enhance its knowledge and understanding of Asian governance issues and more effectively engage with regulators and companies in the region regarding governance. In 2022, Impax continued its engagement with ACGA. Our Head of Sustainability and Stewardship, APAC chaired the China Working Group, which represents over 50 investors with more than US\$30 trillion in assets under management. The primary objective of the working group is to engage with regulators, companies and other stakeholders in China. The collaborative approach with other shareholders under the expert leadership of ACGA serves as the next lever to initiate company-level change and will be discussed in forthcoming investee engagement dialogues in 2023.





## Governance milestone spotlight: **IQVIA**

### Board structure, shareholder rights and executive compensation

US-listed IQVIA is a leading pharmaceuticals and clinical research company.

#### **Engagement objectives**

1. Improve board structure including independence and board declassification (achieved, 2022)
2. Improve board diversity across multiple dimensions of diversity, including gender, race, ethnicity, nationality, skills/expertise (improving, progress in 2022)
3. Improve shareholder rights, historically limited (improving)
4. Improve executive compensation (limited progress, engagement ongoing)

Since 2017, we have voted against various board members and management proposals to express our concern on board independence, classification and diversity, executive compensation and supermajority vote provisions.

We communicated our voting rationale to the company and had our first governance-related call in 2020 focused on board structure and composition. In 2020, the company appointed two new independent directors, and committed to improving the board's gender diversity to at least 30%. At the 2021 annual meeting, we supported a proposal to remove supermajority voting rights. We also shared our rationale for voting against the Nominating Committee chair, since board gender diversity remained under 25%.

#### **Progress & outcomes**

The company appointed two independent female directors, improving board independence to 91% and diversity to 36%. As a result of a shareholder proposal supported by Impax, the board will be declassified - meaning board members will face an annual re-election process - over a three-year period.

After many years of engagement and proxy votes against management, we have seen a number of positive outcomes in the company's board structure, achieving objectives 1, 2 and 3 above, with ongoing engagement on objective 4.



IQVIA has improved board independence and diversity and adopted annual director elections.



## Amplifying our voice

Several of Impax's senior staff have leadership roles or sit on the boards of organisations with an objective to promote the transition to a more sustainable and inclusive economy, including:



**Ian Simm**  
Founder & Chief Executive

Board member of Institutional Investors Group on Climate Change (IIGCC); board member UK Government Net Zero Innovation Board; a commissioner with the Energy Transitions Commission; Chair of the CBI's Decarbonisation Council; member of the International Energy Agency (IEA) Finance Industry Advisory Board.



**Lisa Beauvilain**  
Global Head of Sustainability & Stewardship

Member of the Nominations Board, Kemira Oyj; member of the Financial Institution Transition Plans workstream, Glasgow Financial Alliance for Net Zero (GFANZ); member of the Technical Reference Group, International Sustainability Standards Board, (ISSB); Member of the Steering Committee, Diversity Project.



**Catherine Bremner**  
Chief Strategy & Operations Officer

Board member of the Met Office and Chair of its Remuneration Committee. Senior Associate for the Public and Third Sector Academy for Sustainable Finance at the University of Oxford; member of the Advisory Board for the University of Chicago's Market Shaping Accelerator.



**Chris Dodwell**  
Head of Policy & Advocacy

Committee member of UK Sustainable Investment and Finance Association Policy Committee and IIGCC Policy Advisory Group; co-chair Transition Plan Taskforce asset manager working group and Natural Capital Investment Alliance policy working group; lead author of Climate Financial Risk Forum's Climate Disclosures Dashboard; steering group member UK Climate Finance Accelerator; Climate Change Commissioner, London Borough of Hammersmith & Fulham.



**Charlie Donovan**  
Senior Economic Advisor

Visiting Professor of Sustainable Finance at the Foster School of Business at the University of Washington; academic co-chair of the Coalition for Climate Resilient Investment.



**Steve Falci**

Head of Systematic & Multi-Asset Strategies

Board member of the Investment Committee for Mercy Investment Services.



**Ed Farrington**

Head of Distribution, North America

Board member of the Travis Roy Foundation; the World Surf League advisory board; and the sustainability advisory board at the University of New Hampshire; chairs the board of the Levitate Foundation.



**Julie Gorte, Ph.D.**

Senior Vice President for Sustainable Investing

Board member of the Endangered Species Coalition, E4theFuture, Clean Production Action and the Forum for Sustainable and Responsible Investment (US SIF); board chair of the Sustainable Investments Institute.



**Darren Johnson**

Global Chief Operating Officer

Board member at St Mungo's; investment advisory board of Comic Relief; co-founder of TalkAboutBlack; CIC board of the Diversity Project; standing committee for Investment 20/20, providing school leavers and graduates from non-traditional backgrounds with opportunities in asset management.



**Nana Li**

Head of Sustainability & Stewardship, Asia Pacific

Member of the Financial Capital Committee at the International Corporate Governance Network (ICGN); member of the ESG Committee at Women in Finance Asia (WiFA); member of the Caixin China ESG30 Forum; chair of the China Working Group at Asian Corporate Governance Association (ACGA).



**Leah Wood**

Global Head of Marketing & Client Experience

Member of Ceres President's Council.



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## Partnerships and memberships

Impax works collaboratively with its peers to support the expansion of sustainable finance.

Learn more about Impax's current partnerships and memberships on our website, at:  
[impaxam.com/about-us/memberships](https://impaxam.com/about-us/memberships).





## Stewardship and Advocacy Report 2023

Forging relationships for the  
transition to a sustainable economy

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