Engagement and Policy Advocacy Report 2022

Navigating uncharted risks to the global economy

For Professional clients only

IMPAX Asset Management

Contents

Engagement helps us determine how companies understand their own risk and opportunity landscapes and helps us improve our pricing of risks — particularly emerging ones such as physical climate risks and water availability.

Introduction

Welcome to our fifth annual Engagement and Policy Advocacy report.

2021 was a year that may be remembered for the vaccine-fuelled re-emergence of global society from the depths of the COVID-19 pandemic. It could also prove a historic turning point in the fight against climate change, depending on whether renewed commitments to curb emissions made at the COP26 climate summit translate into meaningful progress.

There is undoubtedly a growing sense of urgency towards addressing our greatest environmental and social challenges. Until very recently, issues like biodiversity loss or entrenched global inequalities have felt too remote, difficult and perhaps even impenetrable to encourage effective action. In contrast, the urgency of addressing climate change has only sharpened, but we are still not on track to meet the Paris goals. Progress must accelerate if we are to mitigate the rising threats to environmental and social stability.

We work to help address these challenges through our engagement and policy advocacy activities, often collaborating with like-minded investors to amplify our voice.

Impax invests in companies that we believe are well positioned to benefit from the transition to a more sustainable economy. We see them as more resilient to the challenges facing global society and better placed to embrace the opportunities associated with solving them, from climate change to overcoming persistent inequality. We are therefore not looking to reform their fundamental business models or redefine their corporate purpose. But they can often still use our advice and encouragement to sharpen that focus, especially in regard to their processes, management systems, target-setting and reporting.

We proactively engage with our portfolio companies, both to help us determine how companies understand and perceive their own risks and opportunities, and to improve how we price these in our investment decision-making process.

Effective engagement also provides an avenue for us to add value by encouraging companies to better manage their risks and to highlight issues that we believe pose the greatest challenges to the

transition to a more sustainable economy. In 2021, we continued to focus on the following core issues:

- climate change
- environmental issues such as pollution and resource depletion
- human capital issues such as diversity, equity, inclusion, environmental justice, and health and safety
- corporate governance

Strongly linked to our engagement work is our voting activity. In 2021, for the second year in row, responsible investment charity ShareAction ranked Impax as the top asset manager in using proxy voting consistently for action on environmental and social issues.[1]

This year's report also includes an enhanced focus on Impax's policy advocacy work, through which we make our voice heard with policymakers. We believe it is crucial for investors to participate closely in the design of public policy and we strive to influence policy outcomes that support the growth of market solutions to environmental and social challenges.

In 2021, our policy advocacy work continued to focus on financing net zero, greening the financial system, and nature and addressing biodiversity loss. In the run-up to the COP26 climate summit, Impax actively contributed to commitments and calls to action that were announced in Glasgow, including the emergence of coalitions committing to ambitious action in key areas such as power, transport, nature and finance.

Realising change often demands patience and persistence. We are committed to helping companies and policymakers navigate the transition to a more sustainable economy and, in so doing, mitigate risks and enhance opportunities for our clients. Engagement and policy advocacy are essential parts of our toolkit.

Lisa Beauvilain,
Executive Director, Head of Sustainability & ESG

Julie Gorte, Ph.D.,
Senior Vice President, Sustainable Investing

1 ShareAction, 2021: Voting Matters 2021. See page 19 for details.

Impax is committed to helping companies and policymakers navigate the transition to a more sustainable economy.

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

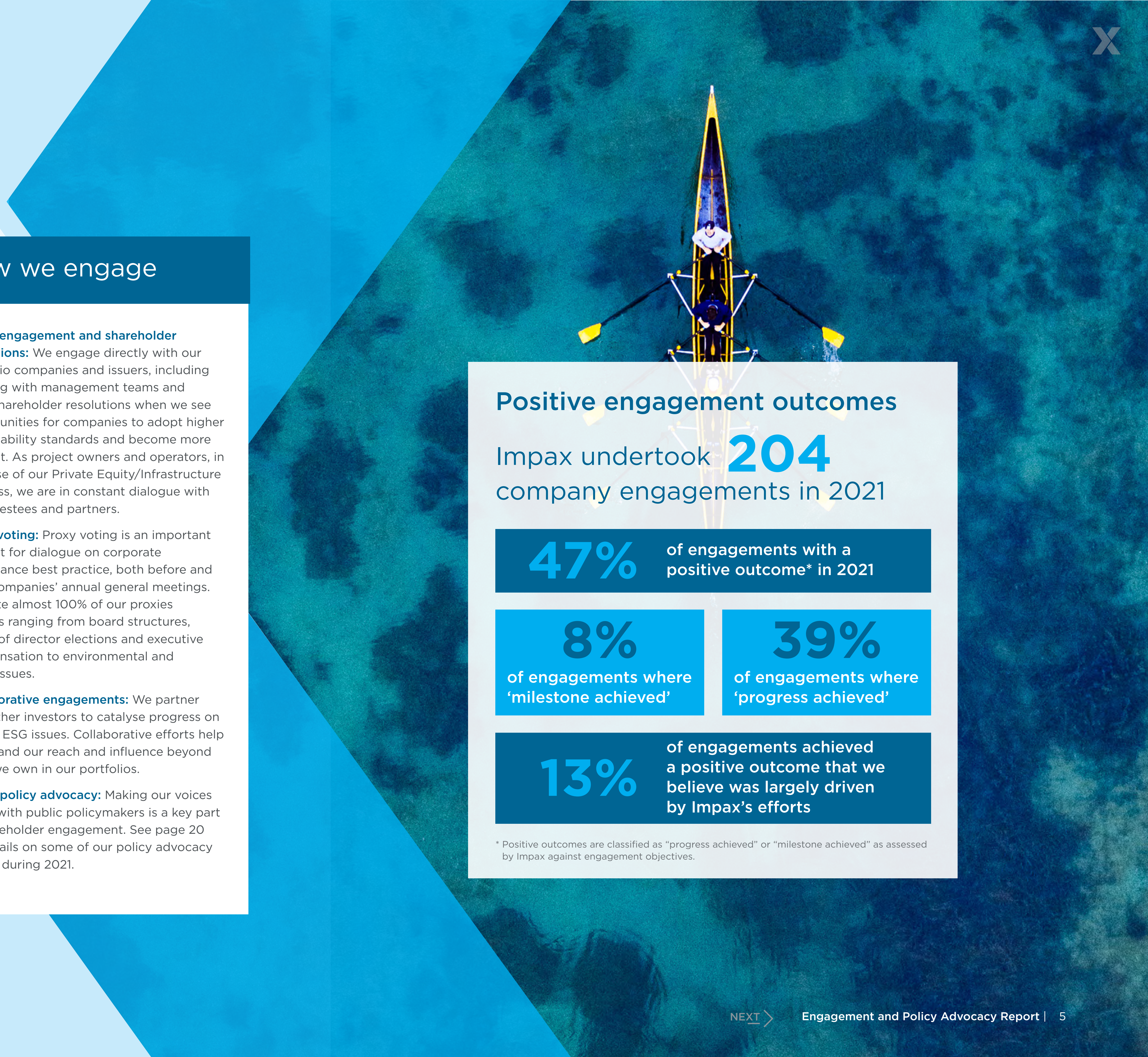
How we engage

Direct engagement and shareholder resolutions: We engage directly with our portfolio companies and issuers, including meeting with management teams and filing shareholder resolutions when we see opportunities for companies to adopt higher sustainability standards and become more resilient. As project owners and operators, in the case of our Private Equity/Infrastructure business, we are in constant dialogue with our investees and partners.

Proxy voting: Proxy voting is an important catalyst for dialogue on corporate governance best practice, both before and after companies' annual general meetings. We vote almost 100% of our proxies on risks ranging from board structures, board of director elections and executive compensation to environmental and social issues.

Collaborative engagements: We partner with other investors to catalyse progress on critical ESG issues. Collaborative efforts help us expand our reach and influence beyond what we own in our portfolios.

Public policy advocacy: Making our voices heard with public policymakers is a key part of stakeholder engagement. See page 20 for details on some of our policy advocacy efforts during 2021.



Positive engagement outcomes

Impax undertook **204** company engagements in 2021

47% of engagements with a positive outcome* in 2021

8% of engagements where 'milestone achieved'

39% of engagements where 'progress achieved'

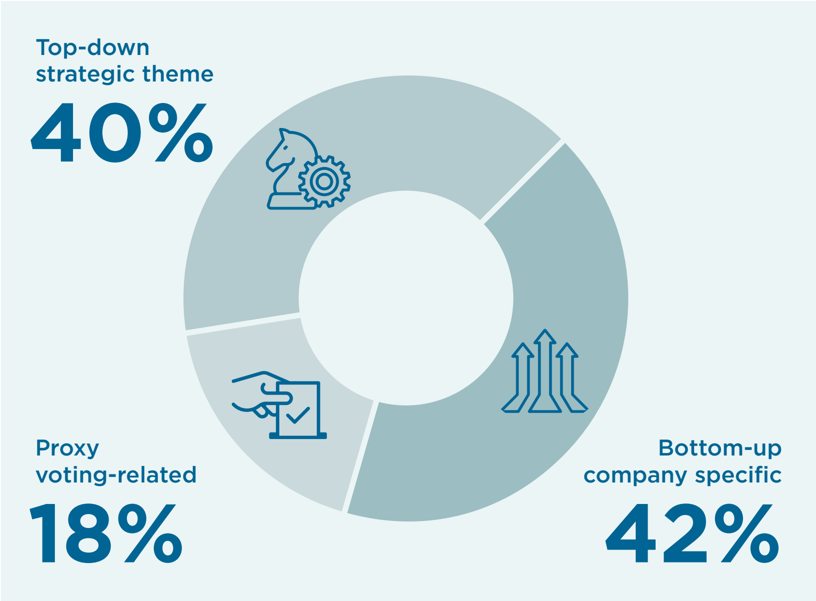
13% of engagements achieved a positive outcome that we believe was largely driven by Impax's efforts

* Positive outcomes are classified as "progress achieved" or "milestone achieved" as assessed by Impax against engagement objectives.

How we identify engagement opportunities

Bottom-up: As part of our ongoing, proprietary company and issuer-level ESG analysis, we identify company- and issuer-specific matters and risks and actively engage with companies and issuers about these matters.

Top-down: Every year we assess and outline the engagement priorities for the next 12 months. These priorities are based on market developments and emerging ESG and sustainability issues that are relevant and material for our companies and issuers. Then we identify the companies and issuers most exposed to the topics in question and focus our engagement on those companies and issuers.



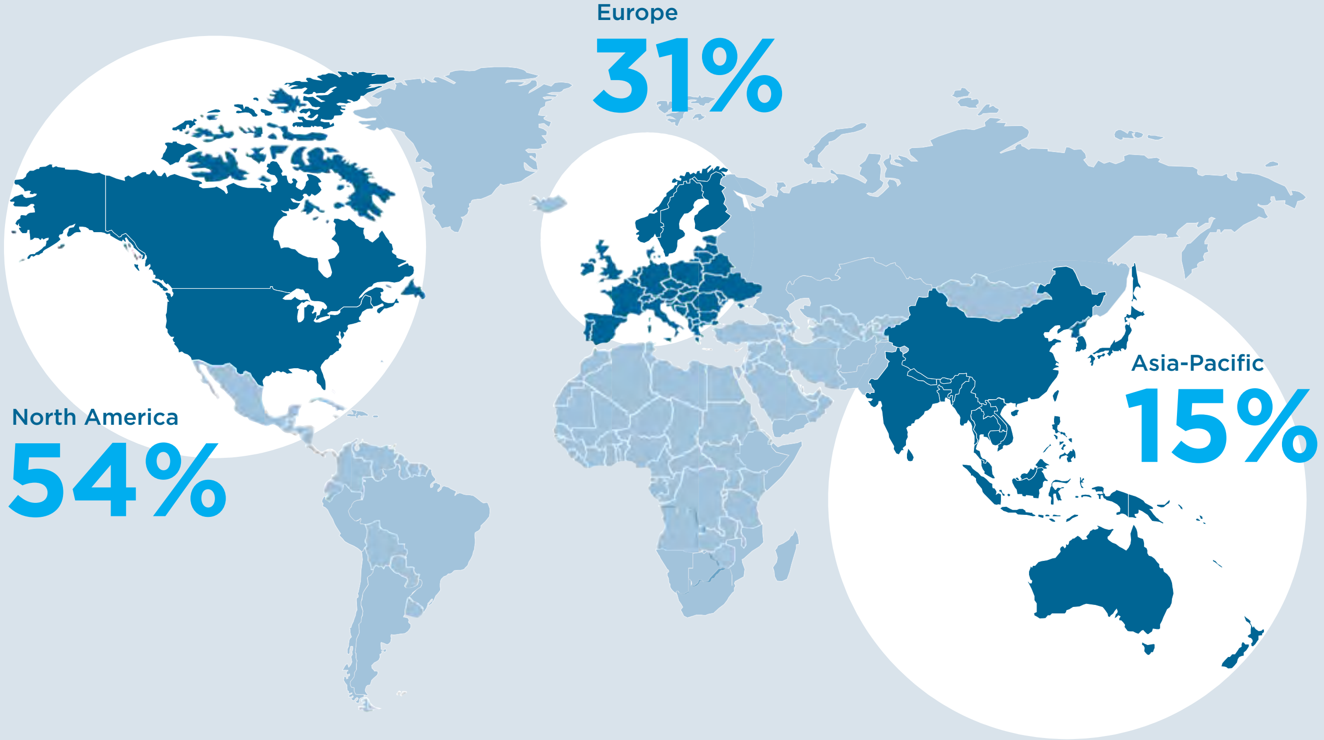
Proxy voting summary for 2021

We vote on issues ranging from board of director elections, executive compensation and capital structure to environmental, social and human capital issues.

1,068	**meetings where Impax voted** (99.5% where it was possible to vote)
272	**shareholder resolutions on which Impax voted**
13,669	**management resolutions on which Impax voted**

Engagement focus areas in 2021

Percentage of total engagements during 2021



Four primary focus areas

Climate
We encouraged companies to hone their processes for, management of and transparency around climate-related physical risks and the risks they face amid the transition to a more sustainable economy.

23% of engagements with companies focused on climate issues

Human Capital Management, including equity, diversity and inclusion (E,D&I)
We engaged with investees about the diversity of their workforce and boards of directors, as well as pay equity, worker safety and environmental justice.

29% of engagements with companies focused human capital management issues

Sustainability Risk Management
We encouraged companies to develop material sustainability processes and disclosures.

17% of engagements with companies focused on sustainability risk management issues

Corporate Governance
We engaged with companies about tax practices and transparency, as well as governance structures and diversity.

32% of engagements with companies focused on corporate governance issues

Q&A: Where next for engagement?

David Loehwing
Head of Sustainability & ESG, North America

Q: Which areas remain key focuses for long-term engagement?

A: Our starting point for engagement is always company specific. Based on our fundamental in-house ESG analysis, specific concerns or areas of weakness can be identified and then form the focus of our engagement work.

However, a couple of years ago we articulated four overarching focus areas: climate, corporate governance, human capital management and sustainability risk management. These remain as relevant as ever.

Climate will, obviously, remain a key engagement theme for us. We will continue to evaluate companies' progress on cutting corporate emissions and will work to better understand companies' exposure to physical climate risks and their efforts to improve resilience to these risks. Also, we place growing emphasis on transition risks and how companies' strategies align with the transition to a more sustainable economy.

Q: Have matters of human capital risen up the agenda?

A: Human capital management has come into sharper focus for two reasons: tight labour markets and racial discrimination.

The 'Great Resignation' prompted by the pandemic has amplified labour shortages and spurred wage inflation in developed economies. The US labour force has shrunk by roughly 4 million people since 2020. With workers having more bargaining power, companies need policies to hire and retain skilled staff, especially in knowledge-intensive sectors such as finance, healthcare and technology, which rely on human capital.

Through our engagements, we are interested in workforce retention rates and policies as well as pay equity data, given the latter's correlation with retention rates. We also seek insights into companies' talent development pipelines: where are tomorrow's leaders coming from and how diverse is the talent pool?

With workers having more bargaining power, companies need policies to hire and retain skilled staff, especially in knowledge-intensive sectors such as finance, healthcare and technology, which rely on human capital.

Equity, diversity and inclusion is not a new area of focus for us — Impax has a long track record of shining a light on gender-related issues, in particular — but we are redoubling our efforts on race and ethnicity. The killing of George Floyd in 2020 and the subsequent uproar are a reminder, if any is needed, that urgent action is needed to address racial bias.

Improving the quality of racial and ethnic data reporting is a priority for us. Disappointingly, some companies have resisted calls for greater transparency on spurious grounds.

Diversity-related targets — which more companies have put in place — help signal the intentionality of company leadership, though they must be ambitious and time-bound. We are looking for year-on-year improvement until a critical point is reached where diversity, in company leadership and workforces, becomes self-reinforcing.

Q: How does the invasion of Ukraine shape our themes for engagement?

A: As of the date of this writing, Impax has no direct holdings in either Russian or Ukrainian equities or fixed income securities, as at 30 June 2022. Companies held within our strategies have only very limited direct revenue exposure to Russia and Ukraine. More broadly, the conflict highlights the importance of two of our long-term engagement topics — clean energy and supply chain resilience.

On the first, we are engaging to understand companies' plans to accelerate renewable energy usage and on advance energy efficiency at a time of supply insecurity, further prioritising the shift away from fossil fuels. There is clear alignment between energy security and climate security.

The invasion and sanctions against Russia have, meanwhile, disrupted supply chains in several industries, including food and electric vehicles.

We are engaging to understand how companies are making their supply chains resilient to the consequences of the war, much as they must ensure they are resilient to the effects of climate change.

Climate engagements

We encourage companies to hone their processes for, management of and transparency around climate-related physical risks and the risks they face amid the transition to a more sustainable economy.

Topics covered

- Emissions reduction
- Physical climate risk
- Climate adaptation solutions
- Deforestation
- RE 100 (an initiative led by the Climate Group bringing together companies committed to using 100% renewable electricity in their global operations)
- EV 100 (an initiative led by the Climate Group bringing together companies committed to accelerating the transition to electric vehicles)

Climate milestone spotlight:
ENN Energy Holdings, China

ESG Topic	Greenhouse gas emissions reporting and physical climate risk
Objectives	1. Start publicly reporting greenhouse gas (GHG) emissions 2. Disclose GHG emissions data to CDP, a charity that runs a global disclosure system for investors, companies and governments to manage their environmental impacts 3. Set GHG emission reduction targets and report on progress 4. Link performance-based executive remuneration to climate targets 5. Disclose localised, plant-level physical location data 6. Raise awareness about physical climate risks 7. Commit to mitigating processes for physical climate risks
Scope and process	Since early 2018, we have had several engagements with ENN Energy Holdings to discuss a range of issues, including sustainability reporting and disclosures, climate risks and corporate governance. Early on, we provided the company with a physical climate risk assessment that ENN used as a starting point for conducting a survey of site managers on their perceived physical climate risks and for carrying out a forward-looking pilot financial impact analysis of extreme weather risks. During two engagements in 2021, we found that the company had made significant improvements. It has improved its ESG disclosures; its GHG emissions reporting is now verified against internationally agreed ISO standards; and the company has set mid-term emissions reduction targets.
Outcomes	Objectives 1, 2, 3, 5 and 6 have been achieved. Objectives 4 and 7 remain ongoing, as at 31 May 2022.

62

Engagements focused on climate change

Progress on addressing climate change must accelerate if we are to mitigate the rising threats to environmental and social stability.

Lisa Beauvilain & Julie Gorte

Human capital management engagements

We engage with investees about the diversity of their senior management teams, boards of directors and workforces, as well as pay equity, paid leave, flexible work policies, and the safety and health of workers, customers and communities.

Topics covered

- Workforce diversity
- Pay equity
- Health and safety
- Human rights
- COVID-19
- Environmental justice

Human capital development milestone spotlight: T-Mobile US, Inc.

ESG Topic	E,D&I
Objectives	1. Clearly define and articulate the Board's commitment to diversity in public reporting 2. Achieve greater levels of board diversity over time
Scope and process	In early 2020, Impax filed a shareholder proposal with the company which, at the time, had only one woman on the Board and no public commitment to board diversity. Following several productive dialogues with management, the company published their Director Selection Guidelines, which make clear that diverse candidates are required in all director search pools. Our feedback was incorporated into its 2020 proxy statement, which included new disclosures on board diversity and D&I. Since November 2020, the company has appointed three women to its board. Building on their 2020 disclosures, we were pleased to observe more comprehensive diversity disclosures in their 2021 proxy statement, and with the publication of their first formal Corporate Social Responsibility report. We held a call in October 2021 to provide our feedback on this report.
Outcomes	Objectives 1 and 2 have been achieved

Q&A: A focus on human capital:

Heather Smith, Senior Sustainability and ESG Analyst, shares her thoughts on why human capital has risen to the top of her team's engagement agenda and why she believes it will remain a key focus in the years to come.

Read the Q&A at impaxam.com/humancapital2022

76

Engagements focused on human capital management

Employee health and safety

Health and safety remains a particularly important focus of engagements in our Private Equity/Infrastructure business, where we own and operate renewable energy assets. During the height of the pandemic, we worked with our portfolio companies and contractors to enhance cleaning procedures and outdoor facilities, to protect the wellbeing of their employees.

Sustainability risk management engagements

We encourage companies to develop material sustainability processes and disclosures.

Topics covered

- Science-based targets
- Policies
- Disclosure
- Reporting
- Processes
- Oversight
- Biodiversity
- GHG emissions
- Environmental impact
- Protein diversification
- Risk management
- Renewable energy

Sustainability risk management milestone spotlight:
Cadence Design Systems, US

ESG Topic	Disclosure and governance
Objectives	1. Raise awareness and understanding of investor-useful data, materiality and reporting frameworks 2. Introduce board-level oversight of sustainability risk management 3. Report sustainability data 4. Introduce sustainability-based company performance goals 5. Publish first sustainability report 6. Set targets for reducing emissions 7. Align executive remuneration with sustainability targets
Scope and process	Impax has been engaging with this company since 2018 to improve its sustainability risk management, disclosures and governance practices, including environmental sustainability management. Over the course of 2021, we engaged with the company expressing our concerns regarding changes to the senior management and board, notably plans to appoint the existing chief executive as chairman and thus increasing board entrenchment and non-independence. In 2021, the company set a target to reduce Scope 1 and 2 emissions by 2030 and set a net-zero target across all operations by 2040. The company is in the process of validating this with the Science Based Targets Initiative. It also signalled its intention to align executive incentive plans with their sustainability goals. While we had an insightful call of the planned board changes with the existing chair, we will continue to engage with the company on this.
Outcomes	Objectives 1, 2, 3, 5 and 6 have been achieved. Objectives 4 and 7 remain ongoing, as at 31 May 2022.

44

Engagements focused on sustainability risk management

Effective engagement provides an avenue for us to add value by encouraging companies to better manage their risks and to press on the issues that we believe pose the greatest challenges to the transition to a more sustainable economy.

Lisa Beauvilain & Julie Gorte

Corporate governance engagements

We engage with companies about tax practices and transparency as well as governance structures and diversity.

Topics covered

- Executive compensation
- Board structure
- Board independence
- Board tenure
- Dual class shares
- Director elections

Governance milestone spotlight:
Kubota, Japan

ESG Topic	Governance practices
Objectives	1. Articulate the importance of good governance and diversity to long-term value creation 2. Improve board diversity
Scope and process	Following our proprietary ESG analysis, we noted low levels of board gender diversity and low board independence which raised concerns over potential entrenchment. We first engaged with the company in 2019 to discuss these issues and expressed our concerns, outlining our desire to see board refreshment and improved gender diversity. In advance of the 2021 AGM, we met again with the company highlighting these expectations. Following the most recent AGM, we have seen significant board refreshment, with three new INEDs being appointed, helping to reduce entrenchment issues. The company have also appointed its first female board director, improving board gender diversity.
Outcomes	Objective 1 has been achieved. Objective 2 remains ongoing, as at 31 May 2022.

84
Engagements focused on corporate governance

Governance in private markets

Active management is a key part of our Private Equity/ Infrastructure business and our team is in constant dialogue with our investee companies. Close attention is paid to establishing good corporate governance structures during acquisition. This can take different forms depending on the size and maturity of the investee company. Some small companies may not have policies in place so they will automatically adopt Impax's standard governance policies and structures.

An example is a recently acquired family-owned Italian solar PV developer with two complementary divisions that perform construction and operation and maintenance services to solar PV, energy efficiency projects and engineering services mostly for public utilities. The company came with a substantial employee base and strong record of developing renewables. Since the acquisition, our team are working with the team to adapt the company's governance structure and prepare for its next phase of growth. We are also working closely with the company to make small changes that, in aggregate, can greatly improve day-to-day business operations, reduce risk and align with Impax's standards.

Shareholder resolutions

Shareholder proposals are essential tools for elevating issues with company management. We file proposals when we see opportunities for companies to adopt higher sustainability standards but where attempts at dialogue with the company have not come to fruition. We include a business case for any action we ask a company to take through a shareholder proposal.

In 2021 we filed or co-filed the following shareholder proposals:

Company name	ESG topic	Request	Outcome
Johnson & Johnson	Racial justice	We requested that the company conduct an independent racial equity audit to assess the effectiveness of its policies and practices on civil rights and E,D&I issues.	The proposal went to shareholder vote in April 2021 and received strong support (34%).
The Walt Disney Company	Pay equity	We requested that the company provide an annual report to the board and shareholders that identifies any gender and/or racial pay gaps among its employees and, if necessary, outline the steps being taken by the company to eliminate disparities and support advancement opportunities for women and minorities.	Resulting dialogue focused on the company's human capital efforts and oversight as well as the evolution of its DE&I efforts, its Covid-19 response and disclosure. It disclosed its EEO-1 report and formally delegated oversight of workforce equity matters to the Board Compensation Committee in 2021.
Hewlett Packard Enterprise	Pay equity	We requested that the company provide an annual report to the board and shareholders that identifies any gender and/or racial pay gaps among its employees and, if necessary, outline the steps being taken by the company to eliminate disparities and support advancement opportunities for women and minorities.	Through dialogue we gained more insight into the company's internal efforts to manage and assess gender and racial pay equity.

Proxy voting

Impax is committed to ensuring the consistent exercise of voting rights associated with shares held in investment mandates, where proxy voting has been delegated to us. Through the implementation of the proxy voting policy, Impax aims to enhance the long-term value of its shareholdings, foster clear corporate governance best practices and promote greater accountability and transparency in the companies we have invested in.

We are pleased to note that general investor interest in proxy voting has increased significantly over the last years, primarily manifesting itself in more detailed and more frequent reporting requests on Impax's proxy voting. To date, we have observed some client interest in enhanced access to proxy voting arrangements. We anticipate that more discussions about this may arise in the future, given recent public enquiries around better alignment between asset managers and asset owners voting objectives and enhanced stewardship dialogue. We welcome that dialogue.

Proxy voting outcomes in 2021

At **Microsoft's** annual meeting, 78% of shareholders supported a proposal requesting that the company conduct an independent review of its workplace sexual harassment policies and provide better disclosure around processes to respond to sexual harassment allegations. A proposal requesting additional pay gap reporting also received significant support of 40%. Impax voted in favor of both proposals. Following the shareholder vote, Microsoft indicated that it would provide expanded disclosure addressing both issues.

Impax voted in favor of two proposals at **Union Pacific Corp** — one requesting EEO-1 workforce demographic data disclosure and another requesting the company publish an annual diversity report. Both proposals received more than 80% shareholder support.

Impax withheld its support from the proposed election of board members at **Natus Medical** due to the absence of racial or ethnic diversity among the directors. We discussed our rationale with company management. In August 2021, the company announced the appointment of two directors who enhanced the overall diversity of the board.

Impax supported a proposal requesting that the **JPMorgan Chase** board of directors oversee a racial equity audit. The proposal garnered support of 40%. In March 2022, the company announced it would conduct a third-party audit of its racial equity commitment.

In ShareAction's Voting Matters 2021 report, Impax's voting record ranked 1st out of 65 asset managers on shareholder proposals covering environment, social and executive pay issues.

The report examined how 65 of the world's largest asset managers voted in 2021 across 146 social and environmental resolutions. ShareAction believes that proxy voting is a core part of an asset manager's fiduciary duty and a key way in which the sector can influence companies on social and environmental issues. ShareAction is a non-profit working to build a global investment sector that takes responsibility for its impacts on people and planet.

Global policy advocacy in 2021

Impax's global policy advocacy activities are led by **Chris Dodwell**, Head of Policy & Advocacy

The principal purpose of Impax's policy advocacy is to support policymakers in the creation of enabling environments which will accelerate the transition to a sustainable economy.

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

Our four priorities for policy advocacy during 2021 were:

- **Achieving net-zero emissions in the real economy:** urge national governments 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
- **Greening the financial system:** ensure that climate risks and opportunities are integrated into investment decisions through effective implementation of the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations
- **Nature and biodiversity loss:** improve understanding of risks of biodiversity loss and nature degradation and accelerating action by policy and investors to restore nature
- **Human capital:** support the development of proposals for consistent, comparable, and decision-useful corporate disclosures on employees' gender, race and ethnicity

Achieving net-zero emissions

A central focus of our activities during 2021 was the COP26 climate summit held in Glasgow in November. We used a range of channels during the year to communicate our objectives and were pleased to see our positions reflected in commitments and calls to action that emerged at Glasgow. Examples included:

- **The Investor Agenda Global Investor Statement to Governments on the Climate Crisis**, which called for governments to strengthen their NDCs to align with a transition to net zero, commit to clear decarbonisation roadmaps for each carbon-intensive sector, implement domestic policies to incentivise private investments, and commit to mandatory climate disclosures aligned with TCFD.
- **The Energy Transitions Commission (ETC) report, 'Keeping 1.5C Alive: Actions for the 2020s'**, which set out the key actions needed sector-by-sector to deliver the goals of the Paris agreement. During 2021, Impax contributed to this report and the ETC's associated detailed sectoral reports on Clean Electrification, Clean Hydrogen and Bioresources.
- **The emergence of "coalitions of the willing" at COP26** that brought together governments, companies and the financial sector to commit to ambitious global action in key sectors, including:
  - *Power:* Impax joined the Powering Past Coal Coalition, which is committed to advancing the transition from unabated coal power generation to clean energy
  - *Transport:* Impax signed the 100% Zero Emissions Vehicles Joint Declaration, committing to hasten the end to internal combustion engine car and van sales by 2040 or earlier, and by 2035 in developed markets

  - ***Agriculture:*** Impax signed the FAIRR Initiative's 'Where's the Beef?' Investor Statement, which highlights the critical need to reduce global GHG emissions from animal-related agriculture
  - ***Nature:*** Impax signed the Finance Sector Commitment to Eliminate Commodity-Driven Deforestation and became a member of the Natural Capital Investment Alliance (see further below)
  - ***Finance:*** Impax became a member of the Net Zero Asset Managers initiative and the Glasgow Financial Alliance on Net Zero (GFANZ), a coalition of financial institutions committed to accelerating the decarbonisation of the global economy

Greening the financial system

We were also active in a wide-range of fora during 2021 aimed at improving the effectiveness of climate-related disclosures, including:

The UK Climate Financial Risk Forum (CFRF), convened by the Financial Conduct Authority (FCA) and Bank of England. Impax was a lead author on the CFRF Climate Data and Metrics report and led the development of the Climate Disclosure Dashboard with the CFRF Disclosures Working Group. The Working Group's recommendations have already been referenced in the FCA's consultation on TCFD implementation and we are hopeful that it will act as the foundation for the ongoing work of the net-zero transition plans within the CFRF and other initiatives.

The US Securities and Exchange Commission (SEC), Impax submitted an extensive comment letter to the SEC outlining our recommendations for corporate climate reporting, including mandatory reporting of Scope 1 and 2 emissions and progress towards mandatory reporting of harder-to-measure Scope 3 emissions; mandatory TCFD reporting; and the disclosure of the physical location of key company assets. We also talked with SEC Chair, Gary Gensler, regarding all of these reporting requirements prior to the finalisation of the regulator's proposed rule.

Demonstrating the impact of our work

We are very pleased to see momentum grow towards the adoption of clear sectoral roadmaps that lay out how national governments plan to meet their net-zero targets, which Impax has long advocated.

In 2020, Impax produced a white paper, Clean Investment Roadmaps, in which we called for governments to make investment opportunities more explicit by breaking down their national climate goals sector-by-sector. During 2021, calls for sectoral roadmaps were included in both the Investor Agenda's Global Investor Statement and the Confederation of British Industry's report 'Financing the transition to a sustainable future', to which Impax was a contributor. The UK's Net Zero Strategy, published in October 2021 and formally communicated to other parties at COP26, provides policy detail on how the UK intends to decarbonise all sectors of the economy to meet its 2050 net-zero target. We now encourage other countries to follow the UK's lead, and improve the quality and ambition of their own strategies ahead of COP27 in November 2022.

Nature and biodiversity loss

We believe the financial sector can play a critical role in addressing environmental degradation by both influencing companies to stop depleting natural resources and by deploying capital into nature-based solutions. An important step is the introduction of the Taskforce on Nature-related Financial Disclosures (TNFD) as a risk management and disclosure framework for organisations to report on nature-related risks. Impax was a member of the Informal Working Group which prepared the ground for the launch of the TNFD in 2021, and is a member of the TNFD Forum which will be road-testing the TNFD framework and recommendations.

During 2021, we contributed to the design of the UN Convention on Biological Diversity's inaugural financial sector workshop and are continuing our work on biodiversity policy ahead of negotiations on the new Global Biodiversity Framework at the UN Biodiversity COP15 summit, due to be held in late 2022.

At the COP26 climate summit in November 2021, Impax joined two investor initiatives aimed at harnessing the potential of nature-based solutions: the Finance Sector Commitment to Eliminate Commodity-Driven Deforestation and the Natural Capital Investment Alliance. The first of these was announced alongside the Glasgow Leaders Declaration on Forests and Land Use, in which 110 countries representing 85% of the planet's forests committed to halt deforestation by 2030. Through the Natural Capital Investment Alliance, we will be working to mobilise investment in nature-based economic solutions, to accelerate the development of nature-related metrics and to encourage effective investor engagement in international and national policy to counter biodiversity loss.

Human capital

In 2021, Impax joined over 60 investor organisations in signing a joint letter to Chairman Gary Gensler of the US Securities and Exchange Commission (SEC) in support of the SEC's plan to develop proposals for consistent, comparable and decision-useful disclosures addressing human capital management. The letter urged the SEC to require companies to publicly disclose their EEO-1 (Equal Employment Opportunity) employer reports documenting the gender, race, and ethnicity of their employees across job categories.

UK Government Net Zero Innovation Board

Impax also applies its environmental markets expertise to stimulate innovation in science and technology. Since May 2019, Ian Simm, our Founder and Chief Executive, has been an independent director on the UK Government's Net Zero Innovation Board.

The Board, which is chaired by the UK Government's chief scientific adviser, provides strategic oversight of government funding of net zero innovation programmes. It brings together senior representatives from relevant government departments, regulators and non-departmental public bodies. Independent members from the private sector bring external commercial, technical and international expertise.

The Board's role is to identify opportunities for enhanced collaboration on both UK and international energy innovation priorities, to ensure that R&D spending is aligned with government net-zero objectives, and to provide clear recommendations to ministers and others across government to address issues it identifies.

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 the IIGCC, a commissioner with the Energy Transitions Commission and an independent director on the Net Zero Innovation Board (see box on page 22).

Lisa Beauvilain
Head of Sustainability & ESG

Member of the Council of Institutional Investors Corporate Governance Advisory Council and the GFANZ Financial Institution Transition Plans workstream.

Meg Brown
Chief Product & Marketing Officer

Non-executive director of The Carbon Tracker Initiative.

Chris Dodwell
Head of Policy & Advocacy

Member of the IIGCC Policy Steering Group, UK Sustainable Investment and Finance Association Policy Committee and GFANZ Net Zero Public Policy workstream.

Steve Falci
Head of Systematic & Multi-Asset Strategies

Board member of the US Forum for Sustainable and Responsible Investment and the Investment Committee for Mercy Investment Services.

Julie Gorte
Senior Vice President for Sustainable Investing

Board member of the Endangered Species Coalition, E4theFuture, Clean Production Action and board chair of the Sustainable Investments Institute.

Darren Johnson
Chief Operating Officer

Ambassador for Investment 20/20 and a board member for the Diversity Project in London.

Policy advocacy priorities for 2022 and beyond

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

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

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

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

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

Partnerships and memberships

In 2021, Impax become a member of The Sustainable Markets Initiative's Natural Capital Investment Alliance (NCIA). As a member of the NCIA, Impax aims to help accelerate the development of natural capital and biodiversity as a mainstream investment theme. We believe the Alliance has the potential to be a hub for engaging the global investment management industry to mobilise capital efficiently and effectively for natural capital opportunities.

Learn more about all our firm's many partnerships and memberships at impaxam.com/about-us/memberships

Important information

The information contained in this confidential document (the "Paper") has been prepared and issued by Impax Asset Management Limited and Impax Asset Management (AIFM) Limited (each of which is authorised and regulated by the Financial Conduct Authority) **OR** Impax Asset Management Ireland Limited which is authorised and regulated by the Central Bank of Ireland.

The Paper is being supplied to you for information purposes only. The statements and opinions expressed are those of the author of this Paper and may not be relied on by any person. The information and any opinions contained in the Paper have been compiled in good faith, but no representation or warranty, express or implied, is made to their accuracy, completeness or correctness. Impax, its officers, employees, representatives and agents expressly advise that they shall not be liable in any respect whatsoever for any loss or damage, whether direct, indirect, consequential or otherwise however arising (whether in negligence or otherwise) out of or in connection with the contents of or any omissions from the Paper.

The Paper does not constitute an offer to sell, purchase, subscribe for or otherwise invest in units or shares of any fund managed by Impax. The Paper may not be relied upon as constituting any form of investment advice and prospective investors are advised to ensure that they obtain appropriate independent professional advice before making any investment in any such fund. Any offering is made only pursuant to the relevant offering document and the relevant subscription application, all of which must be read in their entirety. Prospective investors should review the offering memorandum, including the risk factors in the offering memorandum, before making a decision to invest. This Paper is in no way indicative of how the strategy or any fund will perform, and is not intended as a statement as to the likelihood of Impax achieving particular results in the future. Past performance of a fund or strategy is no guarantee as to its performance in the future. The Paper is not an advertisement and is not intended for public use or distribution.

Where this paper is being made available in the EEA: The Paper is only being made available to and is only directed at persons in member states of the European Economic Area (the "EEA") who are professionals, defined as Eligible Counterparties, or Professional Clients, as defined by the applicable jurisdiction. Under no circumstances should any information contained in this Paper be regarded as an offer or solicitation to deal in investments in any jurisdiction.

Where this paper is being made available in the UK: The Paper is only being made available to and is only directed at persons in the United Kingdom who are professionals, defined as Eligible Counterparties, or Professional Clients, within the meaning of the rules of the Financial Conduct Authority. Under no circumstances should any information contained in this Paper be regarded as an offer or solicitation to deal in investments in any jurisdiction. In the United Kingdom, this material is a financial promotion and has been approved by Impax Asset Management Limited OR Impax Asset Management (AIFM) Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

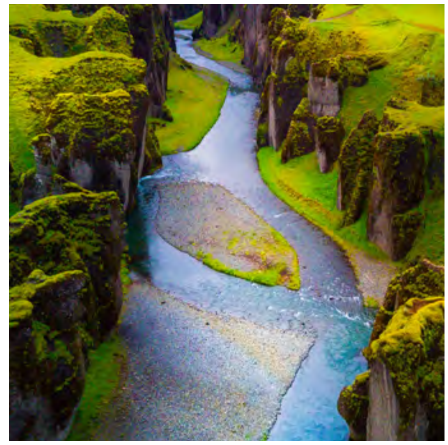
Where this document is being made available in Australia: This Document is being made available by Impax Asset Management Limited. Impax Asset Management Limited is exempt from the requirement to hold an Australian financial services license in respect of the financial services it provides to wholesale investors in Australia and is regulated by the Financial Conduct Authority of the United Kingdom under the laws of the United Kingdom which differ from Australian laws. This document is only to be made available to 'wholesale investors' under the Corporations Act 2001 (Cth) receiving this document in Australia. Impax Asset Management Limited is exempt from the requirement to hold an Australian financial services license by operation of ASIC Class Order 03/1099: UK FCA regulated financial service providers, as modified by ASIC Corporations (Repeal and Transitional) Instrument 2016/396.

Where this document is being made available in Israel: No licence with the ISA. Neither Impax Asset Management Limited nor Impax Asset Management (AIFM) Limited ("**Impax**") have not been licenced by the Israel Securities Authority ("**ISA**") under the Israeli Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "**Investment Advice Law**"). As such, Impax does not hold any insurance in Israel as generally prescribed by the ISA for Israeli-licenced entities.

Where this document is being made available in Canada: The Document is being provided by Impax Asset Management Limited. This entity is not registered as an adviser in Canada and would provide any investment advice to you pursuant either to the terms of the "international adviser exemption" from registration or the "international sub-adviser exemption" from registration in the applicable jurisdiction(s) of Canada. Disclosure about such entity's non-resident and unregistered status in Canada will be provided at the time of onboarding.

EXP 07/23

PREV



Engagement and Policy Advocacy Report 2022

Navigating uncharted risks to the global economy

IMPAX ASSET MANAGEMENT
clientservices@impaxam.com
@ImpaxAM
Impax Asset Management

impaxam.com