

Integrating environmental, social and corporate governance (ESG) analysis in the investment process

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Impax invests in companies and assets that are well positioned to benefit from the transition to a more sustainable economy.

We believe that:

- Capital markets will be shaped profoundly by global sustainability challenges including climate change, environmental pollution, natural resource constraints, demographic and human capital issues such as diversity, inclusion and gender equity.
- These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt.
- Fundamental analysis which incorporates long-term risks, including environmental, social and governance (ESG) factors, enhances investment decisions.

We invest in companies and assets that are well positioned to benefit from the transition to a more sustainable global economy.

Impax offers a well-rounded suite of investment solutions spanning multiple asset classes seeking superior risk-adjusted returns over the medium to long-term. We seek higher quality companies with strong business models that demonstrate sound management of risk.

OVERVIEW OF IMPAX ESG ANALYSIS AND TOOLS

ESG-analysis is an integral part of the Impax investment process. Our actively managed Listed Equities and Fixed Income investment processes incorporate proprietary ESG-parameters into the fundamental investment analysis of the companies and issuers in our investable universe. Our smart beta investment processes systematically incorporate proprietary ESG ratings alongside financial factors in portfolio construction through optimization.

- 1. Normative Screens.** We seek to avoid companies involved in significant controversies that violate global norms related to human rights, labour, environment and corruption. We source information about company involvement in these controversies from external ESG research providers. If Impax determines a company is the subject of significant ESG controversy, it will likely be excluded from investment. We periodically reassess company involvement in ESG controversies.
- 2. Impax ESG-analysis.** We conduct a detailed, proprietary ESG-analysis of new companies and issuers considered for the investable universe and review the ESG-analysis on a periodic basis. The analysis includes a thorough examination of company management, board structures, shareholder rights, ownership and corporate structures. We attempt to identify the most material environmental and social risks for a company or issuer and assess how well these risks are addressed and managed through robust policies, processes, management systems and incentives as well as adequate disclosure, as applicable. Additionally, we assess any past controversies. We then assign a proprietary ESG-rating for each company. If a company scores below our threshold-level, it will be automatically excluded from our investable universe. We view it as important to engage with companies and issuers for a full picture and analyse company and issuer disclosures and reports ourselves, and while we use external ESG-research as input and support in our analysis, we establish our own, proprietary ESG-score and view.
- 3. Hong Kong / China Governance Analysis.** For Hong Kong and China-based companies, we have established a further "Governance Analysis" taking into account specific regional governance circumstance and challenges. We have identified five governance metrics that companies must have in place, in order to enter our investable universe.

INTEGRATING ESG-ANALYSIS INTO THE INVESTMENT PROCESS – ACROSS ASSET CLASSES AND STRATEGIES

Actively Managed Listed Equity and Fixed Income: All companies and other issuers must meet financial and ESG-criteria before entering the Impax universe of investable companies. The investment team members are responsible for integrating ESG analysis into the investment process.

1. We analyse companies' governance structures from a country-perspective, taking into account what constitutes common and best practice for governance in a specific country and identifying potential outliers.
2. We analyse companies' and issuers' environmental and social policies, processes and disclosures identifying the most material risks. We seek investment in companies or issuers that have addressed the material risks, with robust processes and management systems scaled appropriately to the importance of the risk.
3. We analyse companies' or issuers' past controversies and seek strong processes and management systems to address and avoid any repeats of past controversies.

When all the data is gathered, we write an ESG-report and assign a proprietary ESG-score. Depending on the asset class and investment strategy, our ESG analysis may include additional levels of detail. We do not seek to exclude a certain number or percentage of companies or issuers, but rather seek an absolute level of ESG-quality. Where this is not achieved, a company or issuer is excluded from the investable universe.

Smart Beta: We have developed two proprietary rating frameworks that employ a quantitative approach to ESG assessment. These frameworks are incorporated into portfolios that use quantitative optimization tools to manage risks relative to market benchmarks and target desired tilts in characteristics. These tilts involve integration of ESG ratings systematically alongside financial factors in portfolio construction through optimization.

1. Impax Gender Leadership Score: The Gender Leadership Score is a proprietary framework of gender leadership factors used to determine the constituents and weights of a global investment strategy designed to capture investment returns associated with gender diversity and women's leadership.
2. Impax Sustainability Score: The Sustainability Score is a proprietary, relative ranking framework designed to capture information regarding a company's management and performance related to material ESG issues. The framework is used to determine the constituents and weights in U.S. large-cap smart beta portfolios.

Infrastructure (New Energy): Impax is one of the longest established fund managers in the large and rapidly growing renewable energy sector. Impax follows an industrially focused value-add strategy, investing in renewable power generation and related assets.

Beyond complying with the applicable environmental laws and other permitting procedures, the assessment and mitigation of ESG risks are an integral and necessary consideration of our due diligence processes prior to the acquisition of each investment. Breaches within any ESG-parameters would prevent us from undertaking an investment. Our Investment Committee must review all potential investments on these ESG-parameters.

During the acquisition phase our construction and investment managers are responsible for ensuring compliance with health and safety and environmental (EIA) issues, and once acquired this responsibility is handed to technical and commercial teams. Impax's renewable energy private equity investments are managed to meet or exceed environmental permit targets and post-build assessments on permit compliance are performed. We maintain a "risk register" that includes H&S, insurance, contingency and ESG issues. These are reviewed at the firm-wide Risk Committee quarterly and any material ESG factors are noted on the agenda of the Limited Partner Committee and Annual meetings of our Private Equity funds.

ENGAGEMENT AS PART OF THE LISTED EQUITIES AND FIXED INCOME INVESTMENT PROCESS

Engagement is an important part of the ESG-analysis and investment process for listed equities and fixed income. We engage with companies and other issuers when we have identified specific ESG-issues or concerns, when we require further information regarding an ESG-aspect (that is not publicly disclosed) and/or to encourage improvement in company ESG-policies, processes and disclosures. We also find companies' and other issuers' responses to ESG engagements very informative of company character. We engage individually and together with other investors.

The investment team engages as part of our regular meetings with company management teams, through additional conference calls, meetings or as part of other communications with the broader investment community. Impax may also file shareholder proposals to support these efforts. Increasingly, expert organisations drive and coordinate investors' engagements on important issues and Impax takes part in these.

We maintain an engagement database where the engagement issues, actions, timings and outcomes are detailed. We review the database regularly and if an issue remains unresolved, we follow-up with the company or issuer in question.

PROXY VOTING AS PART OF THE LISTED EQUITIES INVESTMENT PROCESS

Proxy voting is a key component in the ongoing dialogue with companies in which we invest. Through implementation of our voting policy, we aim to enhance the long-term value of our shareholdings, foster corporate governance best practices and promote sustainability, accountability and transparency.

Our policy is to vote on all shares held where practicable. Our voting decisions are informed by corporate governance codes and best practice, advisory governance research, and internal research and voting policies.

Impax discloses a more detailed proxy voting policy and a quarterly summary of its proxy voting records on the Impax website, as part of our commitment to the UK Stewardship Code. The Pax World Funds' Proxy Voting Guidelines, voting decisions for both past and upcoming meetings for each of the funds are disclosed on the Impax website.

IMPAX MEMBERSHIPS:

- **Principles for Responsible Investment (PRI):** Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- **Institutional Investors Group on Climate Change (IIGCC):** A forum for collaboration on climate change for European investors.
- **Investor Network on Climate Risk (INCR):** Partners with investors worldwide to advance investment opportunities and reduce material risks posed by sustainability challenges such as global climate change and water scarcity.
- **The Carbon Disclosure Project (CDP):** An independent organisation holding the largest database of corporate climate change information in the world.
- **Council of Institutional Investors (CII):** Promoting strong governance and shareholder rights standards at public companies.
- **Asian Corporate Governance Association (ACGA):** An independent organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia
- **UK Sustainable Investment and Finance Association (UKSIF):** Provides services and opportunities to align investment profitability with social and environmental responsibility.
- **The Forum for Sustainable and Responsible Investment (USSIF):** A US based membership association promoting sustainable, responsible and impact investment.
- **Global Impact Investing Network (GIIN):** The largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.
- **The UK Stewardship Code:** The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

- **Thirty Percent Coalition:** Working to achieve greater board diversity among U.S. companies through collaborative engagements among institutional investor members.
- **Ceres:** An organization working with investors and companies to build sustainability leadership and drive solutions throughout the economy. Ceres addresses topics climate change, water scarcity and pollution, and human rights abuses
- **Interfaith Centre on Corporate Responsibility (ICCR):** Network of shareholders engaging companies on ESG issues.
- **Investor Environmental Health Network (IEHN):** Conducts analysis and investor engagements on environmental topics.
- **Shareholder Rights Group:** Working to acquaint regulators and the public with the purpose and value of shareholder engagements.
- **United Nations Environment Programme Finance Initiative (UNEP FI):** A global partnership established between the United Nations Environment Program and the financial sector.
- **Northeast Investors Diversity Initiative:** An organization working to achieve greater board diversity among companies headquartered in the US Northeast through collaborative engagements with institutional investors.