

## Engagement at Impax Asset Management

March 2020

Impax Asset Management is a fundamentally driven, active shareholder with a long-term investment horizon. Our objective is to build long-term relationships with investee companies. The Impax investment process is focused on a comprehensive understanding of the character and quality of our companies and issuers, including material environmental, social and governance (ESG) issues as well as areas of potential improvement. We believe it is in the interest of our investors' that we engage with our investee companies and issuers, to minimise risks, protect and enhance shareholder value, promote greater transparency on ESG issues, and encourage companies and issuers to develop and become more resilient over time.

Our stewardship and engagement work can be divided into the following types:

### 1. Promoting improved practices and transparency on ESG issues

We focus on engagement with companies and issuers to strengthen governance structures and introduce sustainability policies, processes and disclosures, as applicable, to effectively manage their most material ESG-risks. Impax has developed a proprietary cost-effective framework to advise companies and issuers on how to develop robust, materiality-based and cost-effective sustainability reporting.

### 2. Bottom-up company specific monitoring and dialogue

As part of our on-going, proprietary company and issuer-level ESG analysis, we identify company- and issuer-specific matters and risks and actively engage with companies and issuers regarding these matters, as part of monitoring and managing risks.

### 3. Top-down strategic engagement priorities

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. We then identify the companies and issuers most exposed to the topics in question and focus our engagement on those companies and issuers. We engage with companies of all sizes, including larger companies with the aim of promoting best practices throughout an industry peer group.

We can also initiate or support shareholder proposals at annual shareholder meetings to encourage greater corporate transparency around a company's most significant environmental or social risks based on its sector and activities. In recent years, we have filed or co-filed shareholder proposals at companies on issues relating to climate change, board diversity, sustainability reporting, pay equity and paid family leave.

While we assess our engagement priorities every year, they are often of a long-term nature and do not necessarily change annually

### 4. Proxy voting and corporate governance

Our proxy voting is predominantly related to governance issues such as the election of directors, board structures and management remuneration. When practicable, we seek to engage with the investee company before voting against management's recommendation on an AGM resolution. We are also in dialogue with companies throughout the year to discuss and comment on proposed governance structures by companies well ahead of AGMs.

## ENGAGEMENT AS PART OF THE INVESTMENT PROCESS

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ESG-analysis and engagement are fully integrated in our investment process. Engagement is used both to mitigate risk and to enhance value and investment opportunities. The investment team is involved in monitoring our companies and issuers and we have policies in place on how to escalate issues, if and when concerns arise.

Engagement allows us to:

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

Engagements are conducted by the Impax investment team, as part of our regular meetings with company management teams, or through additional conference calls, meetings, email exchanges or as part of joint communications with the investment community. Engagements are regularly conducted together with other investors and partners with or without a lead or coordination from responsible investment organisations. Collaborative engagements are conducted across a number of ESG issues and specific sectors and companies. Collaborative engagements can be prioritised where outreach may particularly benefit from a larger group of shareholder involvement or in cases where an issue is being escalated.

The Impax Investment Committee meetings have a standing agenda item “ESG and Engagement”, to continuously inform and discuss engagement issues across the investment teams.

We maintain an engagement database where the engagement issues, actions, timings, outcomes and current status are detailed. We review the database regularly and diarise engagement follow-ups for unresolved issues and next steps.

## TOP DOWN STRATEGIC ENGAGEMENT PRIORITIES FOR 2020:

- Climate
  - Processes, management and transparency of climate risks
  - Focus on physical climate risks, including water stress, as part of our TCFD commitment
- ESG processes and transparency
  - Encouraging development of material sustainability processes and disclosures
  - Focus on smaller and emerging market companies
- Global governance best practices
  - Tax practices and transparency
  - Governance structures and diversity
  - Focus on Asian governance
- Diversity, Pay Equity and Paid Family Leave
  - Diversity of senior management teams and boards
  - Pay equity (pay inequity poses regulatory, litigation and reputational risks; active management of pay equity leads to better diversity outcomes)
  - Progressive paid family leave policies aid in talent recruitment and retention
  - Focus on US companies where regulation supporting pay equity transparency and paid family leave is lacking

## COMMUNICATING OUR ENGAGEMENT WORK

We have disclosed a detailed Stewardship Statement on our website, describing our approach to engagement, proxy voting, managing conflicts of interest and communicating our Stewardship:

<https://impaxam.com/investment-philosophy/environmental-social-and-governance-risk-management/>

We also publicly report on our engagement and proxy voting outcomes:

<https://www.impaxam.com/investment-philosophy/engagement>

Further information regarding Pax World Funds’ engagement work can be found here:

Pax World Annual Impact Report:

<https://impaxam.com/assets/pdfs/sustainability/pax-impact-report-2018.pdf>

Spotlight on Engagement: Climate Change and Gender Diversity:

<https://impaxam.com/assets/pdfs/sustainability/spotlight-gender-diversity.pdf>

<https://impaxam.com/assets/pdfs/sustainability/spotlight-climate-change.pdf>

Pax World Funds – proxy voting history by fund:

<https://impaxam.com/pax-world-funds/proxy-voting/>

## IMPAX MEMBERSHIPS:

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- **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.