

Engagement Report

2019



IMPAX ASSET MANAGEMENT ENGAGEMENT REPORT



The companies in Impax's listed equity portfolios have been identified as offering solutions to sustainability challenges, with financial returns generated by durable business models which we believe will benefit from the transition to a more sustainable economy.

This is an inherently positive group of companies to work with; as active managers focused on a distinctive investment philosophy we are not needing to work as activists to change the fundamental business models of the companies in which we invest.

Within this context, engagement is an important tool in managing risk and building relationships with investee companies. As we mark our 20th Anniversary year we can reflect on how investee companies have matured with us over the past two decades. This report examines the role that our engagement dialogue with them has contributed to their, and our progress in 2018.

For example, just in the past year we have seen companies respond to requests for greater disclosure on sustainability risk management and reporting, including contributions to industry wide reporting protocols such as the Carbon Disclosure Project. We were also encouraged to hear that one of our Japanese industrial holdings has addressed corporate governance concerns and appointed its first female director – an important step in improving gender diversity within the leadership team of the firm.

We are also proud of our work in collaboration with [FAIRR*](#) and [As You Sow*](#) to seek to reduce the impact of the food value chain by encouraging the use of plant-based protein within food products and alternatives to plastic to wrap them. Both of these topics have caught the attention of consumers, creating material drivers benefitting companies in our investment universe.

Looking forward, as members of [IIGCC*](#) and signatories to the [TCFD*](#), we will continue to ask investee companies to consider, not just the positive impact of their products and services in tackling climate change, but also how they are preparing their businesses for the inevitable risks associated with our changing climate. As signatories to the Statement of Investor Commitment to Support a [Just Transition on Climate Change*](#), we are keen to support work to maximise the social benefits and minimise the downside risks of the transition for workers and communities.

As a growing firm, we are also excited to be working increasingly closely with our colleagues in North America who joined as part of the acquisition of Pax World Management during 2018. For the moment, this report sets out the approach, focus areas and outcomes of our engagement for strategies managed from London; however, having now set joint engagement priorities across the Impax Asset Management Group for 2019, we expect to report on our combined efforts going forward.

Lisa Beauvilain
Head of Sustainability & ESG

*Please see page 6 for more information on collaborative initiatives.

“We are specialists in the transition to a more sustainable economy.”



WHY WE ENGAGE

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

THE TYPES OF ENGAGEMENT AT IMPAX

ESG advisory: Promoting improved practices and transparency on ESG issues. We focus on engagement with companies to strengthen governance structures, introduce sustainability policies, processes and disclosures, for companies to effectively manage their most material ESG-risks. Impax has developed a proprietary cost-effective framework to advise companies on how to develop robust, material and cost-effective sustainability reporting.

Bottom-up company specific monitoring and dialogue: As part of our on-going, proprietary company-level ESG analysis, we identify company-specific issues and risks, and actively engage with companies regarding these issues.

Top-down strategic engagement priorities: Every year we assess and state the engagement priorities for the next 12 months, based on market developments and emerging ESG and sustainability issues that we have identified and that are relevant and material for our companies. We then identify the companies most exposed to the issues in question and focus our engagement on those companies. While we assess our engagement priorities every year they may not change annually; they are often of long-term nature.

Proxy voting: 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 companies before we vote against management's recommendation on AGM resolutions. We also have a number of dialogues with companies during the year to discuss and comment on proposed governance structures and sustainability issues well ahead of AGMs.

Impax is in Tier 1
of the FRC UK
Stewardship Code



Impax achieved A+
stewardship ranking
within the PRI
assessment in 2018

2019 STRATEGIC ENGAGEMENT AREAS

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CLIMATE (Focus on physical climate risks - TCFD)

- Processes, management and transparency of climate risks



ESG PROCESSES AND TRANSPARENCY (Focus on smaller and emerging market companies)

- Encouraging development of material sustainability processes and disclosures



GLOBAL GOVERNANCE BEST PRACTICES (Focus on Asian governance)

- Tax practices and transparency
- Governance structures and diversity



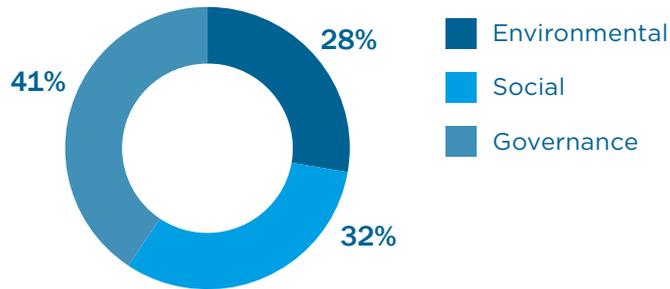
DIVERSITY, GENDER AND PAY EQUITY (Focus on US companies with poor transparency on pay)

- Diversity of senior management teams and boards
- Pay equity

ENGAGEMENT DIALOGUES UNDERTAKEN IN 2018

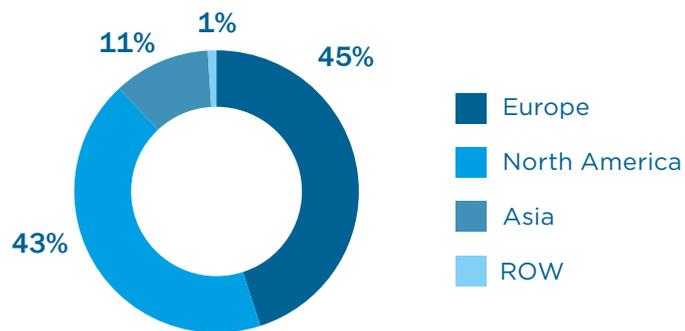
Focus

The large governance weighting in 2018 reflects our focus on engagement on board oversight, entrenchment and diversity, especially in the US.



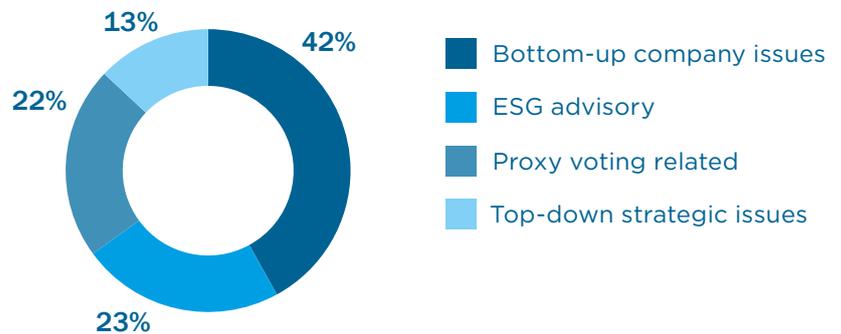
Region

We saw particularly good progress among US companies in 2018 and are starting to see more positive momentum in Asia.



Type

We gave feedback to many (smaller) companies initiating sustainability processes and reporting for the first time, many of which we have engaged with over several years.



PROXY VOTING RECORD IN 2018

Proxy voting acts as a catalyst for dialogue on best practice, both pre- and post-AGMs.

189

Meetings in which Impax voted

2,288

Resolutions on which Impax voted

171

Resolutions on which Impax voted against or abstained

ENGAGEMENT OUTCOMES IN 2018

Approximately one third of our engagements were followed by a tangible positive outcome or improvement in disclosure. For example:

An industrial energy efficiency company, Japan



DURATION

Multiple engagements over the course of 2018.

ENGAGEMENT ACTIVITY

Encouraged company to improve its corporate governance, particularly board diversity.

OUTCOME

Company appointed its first female director in 2018.

A water infrastructure company, US



DURATION

Multiple engagements over the course of 2018.

ENGAGEMENT ACTIVITY

Advised on establishing materiality based sustainability policies, processes and disclosures.

OUTCOME

Company set up a global sustainability steering group and published its first sustainability report in Q4 2018.

A water utility company, Hong Kong



DURATION

Multiple engagements over the course of 2018.

ENGAGEMENT ACTIVITY

Advised on improving sustainability processes and disclosures.
Recommended improving disclosure on climate related risks including disclosing to CDP.
Advised on board structure diversity and effectiveness.

OUTCOME

Company established ESG processes and disclosures; including to CDP in 2018.



Climate change focused initiatives



As a member of [IIGCC](#), we have continued to take part in engagement with governments and policy makers to introduce stable, predictable, and clear environmental policies to encourage environmental investment. Impax is part of the scenario analysis working group and the policy working group.



Our Founder and Chief Executive Ian Simm was one of the first 100 company leaders to publicly support the recommendations of the [taskforce](#). Set up in 2015 and co-chaired by Mark Carney and Mike Bloomberg, the taskforce seeks to “enable stakeholders to understand better concentrations of carbon-related assets in the financial sector, and the financial system’s exposures to climate-related risks.”



The [Ceres](#) Investor Network on Climate Risk and Sustainability comprises over 130 institutional investors, collectively managing over US\$17 trillion, advancing leading investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy. Our Executive Director of Client Service and Business Development, David Richardson, served on their President’s Council in 2018.



Impax has signed the Statement of Investor Commitment to Support a [Just Transition on Climate Change](#). A commitment to contributing to the debate over how the transition to a more sustainable economy can be managed to ensure employees in the fossil fuel economy are successfully redeployed within lower carbon industries to avoid ‘stranded’ jobs and assets.



Impax supported two programmes led by the [Farm Animal Investment Risk and Return](#) initiative relating to antibiotic resistance in farm animals and the growing interest in plant-based sources of protein.



The Plastic Solutions Investor Alliance designed a [company engagement programme](#) focused on global consumer product companies. This sets best practice standards for disclosures and performance against recyclability and reduction targets.



Impax joined [ACGA](#) in 2019 to further focus on collaborative engagement and advocacy with companies and policymakers, to encourage improved governance structures and practices in Asia.



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