Impact report from Impax Asset Management shows broad improvement in environmental performance

Most environmental impact metrics improve, as Impax listed equity and renewables strategies offer 2°C-aligned investment opportunities, and waste, water and local air pollution benefits

Impax Asset Management has published its fifth annual report disclosing the environmental impacts of its investments. *Impact @ Impax* quantifies the volume of carbon emissions avoided, water treated, saved or provided, waste recovered or treated, renewable energy generated, and, in Asia, coal use displaced in 2018 for each US$10 million of investment in Impax's three main listed equity strategies and its renewable energy private equity strategy.

All four strategies demonstrate significant positive environmental impact and are aligned with the Paris Agreement goal to hold global warming to no more than 2°C above pre-industrial levels.

Overall, the strategies demonstrate improved impact performance year-on-year. For the three listed equity strategies – Leaders, Specialists and Asia-Pacific – nine of the 12 metrics tracked show greater environmental impact per dollar invested since the last report was published, in 2018. Three metrics declined.

Greatest impact in Asia

The Asia-Pacific strategy, which invests in companies based in the region providing environmental solutions, proved to be the most impactful per dollar invested, reflecting the particular resource and pollution challenges faced in that part of the world. For example, every US$10 million of investment led to 11,300 megalitres of water treated, saved or provided (up from 6,660 megalitres in 2017) and 3,460 tonnes of materials recovered, or waste treated (compared with 2,920 tonnes the previous year).

By investing in renewable energy and natural gas distribution, it also avoided the burning of 5,400 tonnes of coal (4,000 tonnes in 2017), helping to address the chronic air pollution problems faced by many Asian cities. In terms of health impacts, this is equivalent to 100 people, on 20 cigarettes a day, giving up smoking.

The Specialists strategy – which invests in environmental markets-focused companies – delivered greater impact than the Leaders strategy, reflecting the latter's less concentrated exposure to environmental markets themes. To qualify for the former, companies need to derive at least 50% of their revenues from environmental products or services; for the latter, the threshold is 20%.

Of the three listed equity strategies, the Specialists strategy led to the largest volume of CO_2 avoided, at 5,200 tonnes of carbon dioxide (CO_2) equivalent for every US$10 million invested. This figure takes into account not only direct displacement, such as from an investee company building renewable energy capacity, but also indirect effects from the use of products or services that enable customers to emit less carbon.

Carbon baselines get tougher

However, the volume of CO_2 avoided fell year on year for the Specialists and Asia-Pacific strategies (although it rose for the Leaders strategy). This was the result of changes in portfolio composition (the sale of a recycling company on valuation grounds, for example) as well as improvements to reporting by companies and to the measurement methodology, which allow for a more accurate quantification of the impacts involved.

For the renewable energy strategy, the volume of power generated per US$10 million of investment increased by 9.6%. However, the net CO_2 emissions displaced fell by 10.8%. This is because the electricity markets in which the strategy invests are becoming cleaner and less carbon-intensive, creating a tougher benchmark against which to measure the contribution of additional renewable energy generation.

Impact in context

The 2019 report puts the strategies' impact in context. For example, it compares their performance with what is needed to meet the Paris climate change goals. To be compatible with a 2°C scenario, a US$10m of investment in the global economy today should emit between 800 and 1,700 tonnes of CO_2 each year, and between 700 and 1,500 tonnes to meet the 1.5°C ceiling. All four Impax strategies, on the other hand, deliver negative emissions.

The report also shows how Impax's listed equity strategies, including water and sustainable food and agriculture, deliver against the UN Sustainable Development Goals. In addition, it includes a number of anonymised case studies demonstrating the impact of individual companies, using a framework developed by the Impact Management Project.

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For a full copy of the Impact @ Impax report please contact Karen Wagg at Impax Asset Management.

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About Impax

Founded in 1998, Impax is a specialist asset manager, with approximately GBP£14.5 billion /US$18.4 billion[1] in both listed and real asset strategies, investing in the opportunities arising from the transition to a more sustainable global economy.

We believe that capital markets will be shaped profoundly by global sustainability challenges, including climate change, pollution and essential investments in human capital, infrastructure and resource efficiency. These trends will drive growth for well- positioned companies and create risks for those unable or unwilling to adapt.

We seek to invest in higher quality companies with strong business models that demonstrate sound management of risk.

Impax offers a well-rounded suite of investment solutions spanning multiple asset classes seeking superior risk-adjusted returns over the medium to long term.

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[1]As of 30 June 2019