

Impax New Energy Strategy

Environmental, Social and Governance Policy

March 2021



Introduction

Impax is a specialist asset manager, investing in the opportunities arising from the transition to a more sustainable global economy.

We believe:

Capital markets will be shaped profoundly by global sustainability challenges, particularly climate change, environmental pollution, natural resource constraints, demographic and human capital issues such as diversity, inclusion and gender equality. 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 shift to a more sustainable global economy. We seek higher quality companies with strong business models and governance that demonstrate sound management of risk.

We offer:

A well-rounded suite of investment solutions spanning multiple asset classes aiming to deliver superior risk-adjusted returns over the medium to long term.

Core values:

In order to reach our goals we follow our 5 core values:



The New Energy Strategy

The New Energy Strategy invests in the build out of renewable energy projects and adjacent renewables sectors including renewables enabling infrastructure, such as battery storage, and demand side opportunities, such as electric vehicle charging stations. Investments are made in Europe through the acquisition of single projects and investments in local development platforms which employ country teams. The environmental benefits of the strategy are clearly attributable to the financing provided to develop new renewable energy infrastructure assets which displace traditional, polluting power generation technologies, while also investing in an effort to maximise financial risk-adjusted returns for clients.

Key focus areas

As a manager we have a duty to protect the funds entrusted to us and other interests of our investors while acting responsibly and with integrity. Therefore, we focus on the key objectives of:

- Protecting investments against threats and maximising opportunities and investment returns;
- Managing long-term risks; and
- Utilising the investments towards a positive impact on society.

The New Energy Strategy aims to implement best in class practices across its business operations and fund investments. To achieve our goals, we incorporate ESG matters into our business practices and believe that these factors can have an impact on reducing long-term risks and driving positive impacts on society and financial performance.

UN Sustainable Development Goals (SDGs)

The SDGs, agreed in 2015, comprise a series of 17 sets of social and environmental goals to be met by 2030. Investors are increasingly interested in understanding the extent to which their investments are contributing to the attainment of the SDGs. Impax have completed a mapping exercise to show how our strategies align with these goals when considering revenue exposure to related activities. The New Energy Strategy is 100% exposed to SDG 7, Affordable and Clean Energy.

Sustainable Finance Disclosure Regulation (SFDR)

With respect to Impax's New Energy investment fund(s) which are being marketed to prospective investors as at or following 10 March 2021, this ESG Policy also serves as the New Energy Strategy's sustainability risk and due diligence policy for the purposes of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (known as the Sustainable Finance Disclosure Regulation or "SFDR"), and for the purposes of SFDR describes (i) the manner in which sustainability risks are integrated into investment decision making, and (ii) how Impax considers the principal adverse impacts of its investment decisions on sustainability factors¹.

In addition, Impax has reviewed its remuneration policy in accordance with the requirements of Article 5 of SFDR to ensure consistency with the integration of sustainability risks. Central to our remuneration policy is the promotion of sound and effective risk management and avoiding an environment which rewards or encourages excessive risk-taking. Our remuneration policy has been extended beyond financial risks to encompass sustainability risks. In summary, relevant individuals who are involved in implementing and/or overseeing Impax strategies will be assessed in this respect as part of the determination of variable remuneration awards by reference to their risk-adjusted performance. Impax does not have any quantitative sustainability-focused performance targets at either a portfolio or asset level and therefore this is a qualitative assessment in respect of adherence to Impax's internal procedures for integration of sustainability risks as outlined above.

Objectives

The main goals to integrate our ESG Policy into the investment analysis, decision making and ongoing active management are to:

- Manage risk in relation to ESG topics;
- Impact positively on the financial performance of investments; and
- Maintain accountability and align interest of all stakeholders.

To reach these goals, we want to place equal importance and focus on the environmental, social, and governance criteria. Therefore, we have set objectives within each pillar of ESG, to help us reach our larger goals:

¹ "Pre-contractual disclosures" as described under SFDR, are in addition where required, made available to prospective investors prior to their investment in Impax's New Energy investment fund(s). Certain articles within SFDR (including Article 4 of SFDR) require regulatory technical standards to be published, to supplement the high-level requirements within SFDR. As at 10 March 2021, those regulatory technical standards have not yet come into force. As such, this ESG Policy adopts the approach of principles-based compliance with respect to SFDR (including Article 4 thereof), will need to be reviewed and updated once the regulatory technical standards are finalised, and may otherwise be updated from time to time. References to "Impax" in this ESG Policy are to Impax Asset Management Limited and/or Impax Asset Management (AIFM) Limited.

Environmental	Social	Governance
<ul style="list-style-type: none"> ✓ Contribute towards a sustainable & carbon neutral economy ✓ Minimise environmental impact including biodiversity, noise and waste ✓ Adhere to legal, regulatory and permitting requirements ✓ Optimise natural resources 	<ul style="list-style-type: none"> ✓ Good human capital management processes throughout structure and protection of employees ✓ Focus on community engagement and impact on local community 	<ul style="list-style-type: none"> ✓ Follow ethical business practices ✓ Implement antibribery and corruption policies and other compliance procedures across the entire investment portfolio ✓ Establish independence within board compositions, accountable management and robust investment structures which align and engage investee companies with their shareholders and the fund's investors

Implementation

As a signatory of the PRI, we ensure that all investment decisions factor into the following six principles:

1. Incorporate ESG issues into investment analysis and decision making;
2. Be active owners and incorporate ESG issues into ownership policies and practices;
3. Seek appropriate disclosure on ESG issues by the entities in which we invest;
4. Promote acceptance and implementation of the principles within the investment industry;
5. Work together to enhance our effectiveness in implementing the principles; and
6. Report on our activities and progress towards implementing the principles.

ESG during the staged investment process



Integration of ESG factors throughout the entire investment cycle allows us to create well governed assets maintaining high social and environmental standards which helps us in seeking to drive value and achieve our objective of generating the best risk adjusted returns.

ESG during the investment due diligence phase

Beyond complying with the applicable environmental laws and other permitting procedures, identifying and understanding potential ESG risks and opportunities are an integral and key part of the due diligence process for each investment².

While many managers must assess ESG at entry to an investment, the New Energy Team, given the typical stage of entry and the type of development teams being acquired, is able to design the ESG strategy for each asset in line with our standard ESG credentials.

We take into account principal adverse impact indicators by having a large, explicit exclusion list for investments we do not consider, for example:

² Sustainability risks are defined within the SFDR as an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. This ESG Policy sets out our approach to sustainability risks, and the basis on which Impax seeks to avoid harmful activities and principal adverse impact indicators on the basis of principles-based compliance with SFDR.

- Companies and counterparties involved in controversies that violate global norms related to:
 - Human rights
 - Labour
 - Environment
 - Bribery and corruption;
- Activities involving forced or child labour;
- Activities involving destruction or damage to critical habitats;
- Structures and companies without transparent tax strategies and practice; and
- Fossil fuel (thermal coal, oil and gas) exploration & production and refining & processing.

We complete compliance checks and seek to include clauses in all contracts prohibiting violations of the law, anti-bribery and corruption, modern slavery, and tax evasion before engaging with counterparties.

Our Transaction Team identify all additional positive environmental and social opportunities of the investment, as ways to enhance value and develop effective and appropriate governance structures which align interests between parties and incorporate them into the investment strategy.

Before making an investment, the Investment Committee must review all potential investments on these ESG parameters.

ESG during the ownership phase

ESG continues to be a key focus following the completion of an investment throughout the fund's ownership of an asset and is fully integrated during the onboarding process. Our ESG practices follow the processes and structures defined during the investment phase and assets are integrated into our risk register as well as our review and reporting processes.

We take an active role in managing all our assets irrespective of their structure and have board representation for all investments ensuring that New Energy Team members retain responsibility.

The Asset Management Team is responsible for managing ESG matters post acquisition including establishing policies and procedures and setting up reporting functions. Business plans are developed for investee companies and key performance indicators (KPIs) are reported monthly which are reviewed by the Asset Management Team and the Board of Directors, or Supervisory Board of all platform investments, quarterly.

ESG across the investment project phase³

	Platform Investment Company	Development	Construction	Operations
Environmental	<ul style="list-style-type: none"> Environmental policy Reporting on KPI metrics 	<ul style="list-style-type: none"> Analyse project's environmental regulatory requirements Environmental Impact Assessment (EIA) or other equivalent environmental studies Impact mitigation plan 	<ul style="list-style-type: none"> Outputs from environmental studies and impact mitigation plans incorporated into construction plans Compliance with environmental regulations during construction and sign off before commencing operations Compliance with project permit requirements and sign off before commencing operations 	<ul style="list-style-type: none"> Technical data monitoring and impact reporting quantifying and disclosing environmental benefit Waste and water management incorporated into operational plans Ongoing protection of flora and fauna, habitat, bird and bat protection requirements via operating plants monitoring programme
Social	<ul style="list-style-type: none"> HR policy Health & safety policy and monitoring Reporting on KPI metrics 	<ul style="list-style-type: none"> Local regulatory requirements and permitting Local employment impact of project Socio and economic impact of the project 	<ul style="list-style-type: none"> Health & safety policy and emergency response procedures and compliance. Regular reporting and review Compliance with employment regulations and safety standards Local employment impact Dialogue and work with local stakeholders (local communities and landowners, councils and other regulators) 	<ul style="list-style-type: none"> Health & safety and emergency response procedures and compliance. Regular reporting and review Compliance with employment regulations and safety standards Local employment impact Dialogue and work with local stakeholders (local communities and landowners, councils and other regulators)
Governance	<ul style="list-style-type: none"> HR, ABC and anti-money laundering policies Appointment of Impax and non-executive directors and adopt appropriate management structures and incentives to align interests Establish effective reporting and investment structures and audits (accounting and tax). Majority investment structures are preferred 	<ul style="list-style-type: none"> Establish appropriate board composition and oversight ABC and anti-money laundering checks of all suppliers and other regulatory compliance requirements Initial due diligence and oversight of service providers compliance 	<ul style="list-style-type: none"> Establish appropriate board composition and oversight ABC and anti-money laundering checks of all suppliers and other regulatory compliance requirements Initial due diligence and oversight of service providers compliance 	<ul style="list-style-type: none"> Establish appropriate board composition and oversight ABC and anti-money laundering checks of all suppliers and other regulatory compliance requirements Implementation and review of management systems Monitor and control regulatory compliance Initial due diligence and oversight of service providers compliance

Governance of the ESG Policy

The New Energy Team has a dedicated Head of ESG, who is also Head of Commercial Asset Management, ensuring comprehensive integration and monitoring of the Policy. The Head of ESG is an ESG Observer on the Investment Committee, responsible for ensuring that investment decisions comply with the ESG Policy and other relevant rules and regulations relating to ESG topics.

There is an ESG sub-committee which meet every six months to discuss relevant topics and is responsible for governing the ESG Policy. The ESG sub-committee have representatives from the New Energy Team (Commercial, Technical and the Head of the Team), Compliance, Legal and Sustainability and ESG.

The ESG Policy will be reviewed annually by the Team's Head of ESG and the ESG sub-committee and updated where necessary.

³ Source: Impax.

Reporting



Competency and training

Our Team's Head of ESG has undergone specific training to develop knowledge and the skills required to integrate ESG factors into the investment process.

We receive regular briefings and attend seminar on relevant topics and are supported by our in-house Compliance Team and Impax's Head of Sustainability and ESG.

Internal training is provided to other team members to ensure that everyone is up to date on latest developments and current best practice relating to ESG topics. These sessions are held as required, but as a minimum should be every six months.

We work with our portfolio investment companies to ensure that they comply with the same standards and if necessary, provide training or appoint advisers in the relevant country.

Alignment with ESG focused organisations

Impax is striving to be best in class and has signed up to various other organisations both to foster the transition to a sustainable economy and the integration and evolution of ESG investing:

- **Principles for Responsible Investment:** PRI aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership. Impax has been a signatory since 2008. Impax's Private Equity/Infrastructure business received an A+ rating (the highest rating) in the 2019 and 2020 reports.
- **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.
- **UK Sustainable Investment and Finance Association (UKSIF):** Provides services and opportunities to align investment profitability with social and environmental responsibility.
- **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.
- **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.
- **The Coronavirus Reponses Statement:** Impax is a signatory to the investor statement on coronavirus response which seeks to ensure investee companies take a long-term view regarding their employees and wider stakeholders in managing their business through the crisis.

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