

## Engagement at Impax Asset Management

March 2021

This Engagement Policy (the “Policy”) is applicable to all regulated entities of the Impax Group, namely:

- Impax Asset Management Limited (“Ltd”)
  - Impax Asset Management (AIFM) Ltd (“AIFM”)
  - Impax Asset Management Ireland Ltd
  - Impax Asset Management LLC
  - Pax World Funds Series Trust I and
  - Pax World Funds Series Trust III (the “Pax World Funds”); all collectively defined as “Impax” or the “Firm”
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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 2021:

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- Climate
  - Processes, management and transparency of climate risks (transition and physical)
  - 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
- Human Capital Development, including Diversity, Equality & Inclusion
  - Diversity (inclusive of gender, race & ethnicity) of senior management teams, boards and workforce
  - Pay equity (pay inequity poses regulatory, litigation and reputational risks; active management of pay equity leads to better diversity outcomes)
  - Progressive paid family leave and flexible work policies aid in talent recruitment and retention
  - Focus on US companies where regulation supporting pay equity transparency and paid family leave is lacking

The thematic engagement areas for 2021 are Environmental Justice, Biodiversity and Ethics of algorithms and AI.

## COMMUNICATING OUR ENGAGEMENT WORK

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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://impaxam.com/investment-philosophy/engagement/>

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

Pax World Funds' Engagement Report:

<https://impaxam.com/assets/pdfs/sustainability/pax-engagement-report.pdf?pwm=275>

## IMPAX MEMBERSHIPS:

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- **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
- **The Carbon Disclosure Project (CDP):** An independent organisation holding the largest database of corporate climate change information in the world.
- **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
- **Climate Financial Risk Forum (CFRF):** Industry organisation Convened by the FCA and Bank of England/PRA to share best practice on climate risk.
- **Council of Institutional Investors (CII):** Promoting strong governance and shareholder rights standards at public companies.
- **Energy Transitions Commission (ETC):** Energy transition focussed think tank with membership from industry and NGOs.
- **FAIRR:** Initiative promoting more sustainable farming and food production practices.
- **Finance to Accelerate the Sustainable Transition-Infrastructure (FAST-Infra):** Aims to develop a consistent labelling system for sustainable infrastructure 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.
- **Institutional Investors Group on Climate Change (IIGCC):** A forum for collaboration on climate change for European investors.
- **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.
- **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.
- **Just Transition.** Initiative for a just transition to a low carbon economy.

- **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.
- **Principles for Responsible Investment (PRI):** Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- **Shareholder Rights Group:** Working to acquaint regulators and the public with the purpose and value of shareholder engagements.
- **Taskforce 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.
- **Taskforce on Nature-based Financial Disclosures (TNFD):** Initiative developing a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature.
- **Thirty Percent Coalition:** Working to achieve greater board diversity among U.S. companies through collaborative engagements among institutional investor members.
- **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.
- **UK Sustainable Investment and Finance Association (UKSIF):** Provides services and opportunities to align investment profitability with social and environmental responsibility.
- **The US Forum for Sustainable and Responsible Investment (USSIF):** A US based membership association promoting sustainable, responsible and impact investment.