

## UK Stewardship Code Statement<sup>1</sup>

March 2021

This UK Stewardship Code statement 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”)

which are all collectively defined as “Impax” or the “Firm”.

### Principle 1:

Signatories’ purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Impax Asset Management was founded in 1998 and is a leading investment manager dedicated to investment in companies and assets that are well positioned to benefit from the transition to a more sustainable global economy.

### Our mission is:

- To generate superior, risk-adjusted investment returns from opportunities arising from the transition to a more sustainable economy for clients with a medium to long-term horizon;
- To make a contribution to the development of a sustainable society, particularly by supporting or undertaking relevant research and engaging or collaborating with others; and
- To provide a stimulating, collaborative and supportive workplace for our staff.

### Our values are:

- Be the solution: Our core focus and motivation is to offer solutions. It defines the investment approach we offer our clients, the contribution we make to the broader global community and the attitude we bring to work each day;
- A passion for excellence: We are passionate about our mission and our work. We strive for excellence in everything we do. We hold ourselves to high standards and trust each other to share these aspirations and contribute to the results;
- All voices valued: We make better decisions if we are diverse and inclusive. All voices are welcomed and all voices are heard. We aspire to a dynamic culture that embraces change and inspires the evolution of new ideas; and
- Doing better together: We believe we can do far more, far better, working together as a team. True collaboration means treating others as we want to be treated. We value and respect our colleagues, clients and partners, their families and the wider community. We are all interconnected and cannot hope to succeed alone; and
- Building a common future: We have a responsibility to promote prosperity while protecting the planet. We are committed to sustainable development, and to stewarding our environmental and societal impact for the benefit of current and future generations.

<sup>1</sup>The scope of the UK Stewardship Code statement is firmwide and includes all Impax’s investments, offices and regions.

## We believe that:

- 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 equity;
- These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt; and
- Fundamental analysis which incorporates long-term risks, including environmental, social and governance (ESG) factors, enhances investment decisions.

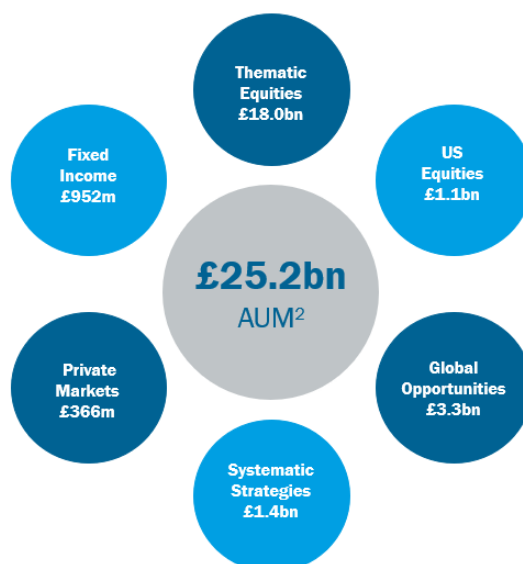
## We invest in companies and assets that are:

- Well positioned to benefit from the transition to a more sustainable global economy; and
- We seek higher quality companies with strong business models that demonstrate sound management of risk.

## We offer:

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

## Assets under management<sup>2</sup>



Impax is head-quartered in London, United Kingdom and has several offices in the United States, including in Portsmouth, New Hampshire. Impax has also offices in Hong Kong and in Dublin, Ireland.

Impax has a collegial working culture, with an experienced team of c. 190 staff with diverse backgrounds, bringing together complementary skills and experience.

## Equality, diversity & inclusion (E,D&I)

Impax firmly believes that the diversity of our people and the promotion of equal opportunities is key to enhancing our success. We actively seek to hire people from different backgrounds who bring divergent skill sets to our business. The differentiated skill sets include: highly experienced portfolio managers, financial analysts with regional and sector expertise, scientists, former business analysts, bankers, venture capitalists, as well as regional and policy specialists. Several of our staff have leadership roles within organisations that promote the transition to a more sustainable economy.

Impax is committed to reflecting our investment beliefs across our own activities to achieve the highest standards of responsible business practice. These standards are embedded and applied globally across all our offices and by all our employees.

<sup>2</sup>As at 31 December 2020

### **Charitable giving and partnerships**

We aim to support organisations that are aligned with our values and encourage our employees to make similar personal commitments. We have established multi-year charitable partnerships with Ashden, ClientEarth and CERES, with whom we have strong synergies. In the UK, Impax promotes tax-efficient payroll giving for its staff through the Charities Aid Foundation 'Give as You Earn' scheme. In 2018, we achieved Platinum status for the first time, with more than 20% of our staff participating in this program. We match all UK and US staff donations up to a certain threshold. Our US division has established a donor advised fund that supports organisations that prioritise women's empowerment, environmental conservation, and local communities. We encourage staff to give their time to community organisations, and we help make that feasible by offering paid service days.

### **Employee-led working groups**

We have several vibrant internal working groups with important purposes aligned with Impax's view of a transition to a more sustainable economy. These groups are led by employees representing all levels of seniority and all parts of the firm and contribute to the culture and social fabric of the company. There is a **Wellbeing** group providing tools, ideas and initiatives for e.g. mindfulness and work-life balance, a **Volunteering** group enabling staff to get involved in charitable initiatives and an **Environment Committee** monitoring and reporting on the environmental performance of the firm's own operations, proposing new environmental policies and objectives, as well as providing ideas for more sustainable ways of life, for instance the "Climate Cooking Club".

### **Contributing to policies shaping the transition to a more sustainable economy**

We regularly contribute to discussions with policy makers on the design and implementation of environmental policy from the perspective of a private market investor. As the timescale for reducing CO<sub>2</sub> emissions and protecting natural resources shortens, it is crucial for investors to participate more closely in policy design so that it results in market-aware interventions which drive new investment.

## **Principle 2:**

Signatories' governance, resources and incentives support stewardship.

The Impax Board of Directors has oversight of the company's strategy and investment activities. One Impax board director is specifically assigned with "Climate responsibility" at the board-level. The day-to-day management and monitoring of the firm's activities are delegated to the Executive Committee, with committee members including those responsible for sustainability, stewardship and Equality, Diversity & Inclusion (E,D&I) at Impax. The Compliance team conducts monitoring and controls of investment processes, while the Product Governance Committee is responsible for ensuring that new and existing investment products adhere to investment regulations and client agreements. The Investment Committee<sup>3</sup> oversees investment activities, performance and risks, with a dedicated ESG and stewardship agenda item. All of these groups and committees have an oversight responsibility of sustainability and stewardship, but the committees dealing with them most directly are the "Impax Lens Committee" and the "ESG & Sustainability Committee".

### **Impax Lens Committee (ILC).**

All Impax's investments and strategies are aligned to the transition to a more sustainable economy. The proprietary "**Impax Sustainability Lens**", captures sustainability risks and opportunities across all economic activities and time horizons. Sub-sectors that have Low Lens Risks and High Lens Opportunities, are set to benefit from a transition to a more sustainable economy and are well positioned for the long term. These well-aligned areas of the economy are sought and prioritised for Impax's investments. The Impax Lens Committee convenes every quarter to assess emerging issues, risks and opportunities and the consequences for the Lens and the various economic activities. The ILC through its "Sector Expert Group Reviews" and meetings, serves to shape how the firm views different activities, sectors, risks and opportunities, in identifying activities that are well-aligned to the transition to a sustainable economy. The outcomes and decisions from the ILC meeting are reported at the Investment Committee meeting. All ILC meetings are minuted and following a set agenda item, stated in its Terms of Reference.

### **ESG and Sustainability Committee (ESC).**

The ESC is a formal committee, convening on a monthly basis, with a set-agenda and a Terms of Reference. The objective of the ESC is the coordination of ESG and stewardship work at Impax. The committee reports significant developments to the Investment Committee.

Impax has c. 55 investment team members globally, of which 8 are specialised in sustainability research, ESG analysis, stewardship and policy advocacy. For listed equities and fixed income, the company-level ESG analysis and engagement are integrated in the investment process and team. The lead investment analysts are responsible for the financial-, and ESG analysis as well as the related engagements of the investee companies under their coverage.

The ESG and sustainability team are responsible for the oversight, coordination and further development of the ESG, sustainability and stewardship approaches and methodologies. The private markets investment team investing in renewable energy infrastructure, such as wind and solar farm construction, have a head of ESG. ESG topics are a standing agenda item at the private markets Investment Committee meeting.

<sup>3</sup>The different departments and asset classes have separate Investment Committee meeting, but ESG is an agenda item in all of them.

There is an on-going exchange of ESG-related information to the investment team to keep abreast of new ESG or stewardship developments. There are standing agenda items for ESG, engagement and policy developments at the investment team meetings and the Investment Committee meetings. In addition, there are more formal training sessions at least once a year relating to new topics of engagement or methods of enhancement of engagement outcomes or related to specific methodology changes or new parameters to review in the ESG analysis. Examples of recent training to the investment team have been how to effectively engage with companies on physical climate risks, Covid-19 related issues linked to human capital management and management remuneration and the functioning of boards in times of the pandemic.

All of Impax's investments are positioned to benefit from the transition to a more sustainable global economy and this approach to investing is the core of Impax's strategy. The incentives of the senior management team and the members of the investment team are aligned to continue to generate good returns to our clients from investments that enable and benefit from the transition to a more sustainable economy. Active stewardship is part of this strategy.

### **Principle 3:**

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

## **Identification of conflicts**

The Impax Board of Directors, in conjunction with Legal, Compliance and business unit heads, take responsibility for implementing systems and controls designed to prevent conflicts of interest. These are outlined in our Global Conflicts Register, which is updated as and when a new conflict is identified and reviewed overall on a periodic basis and at least annually, by both the Executive Committee and the Board of Directors.

Impax is an international group of companies and, as such, these controls and the conflicts register take into account any circumstances which may give rise to a conflict of interest as a result of our structure or business activities in all operating jurisdictions.

## **Types of conflicts**

When identifying conflicts of interest, our staff are trained to consider whether Impax:

- Is likely to make a financial gain, or avoid a loss, at the expense of a client (including the funds managed by the Firm and their investors);
- Has an interest in the outcome of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- Has a financial or other incentive to favour the interests of one client or group of clients over another;
- Carries out the same business as the client; or
- Receives or will receive an inducement from a person other than the client in relation to services provided to the client in the form of monetary or non-monetary benefits or services.

## **Conflict prevention**

Where a potential conflict is identified, Impax will seek to organise its business activities in a manner that prevents the crystallisation of the conflict. This will include the appropriate segregation of functions and business lines such that a level of independence may be achieved. To the extent appropriate to the size and scale of the business functions, this may involve:

- Information barriers to prevent or control the exchange of information between members of staff engaged in activities involving a risk of conflict of interest where the exchange of that information may harm the interests of one or more clients;
- Functional independence and separate supervision of relevant members of staff whose main functions involve carrying out activities or providing services for clients whose interests may conflict, or otherwise represent interests that may conflict;
- A review of remuneration arrangements in the Firm where these might give rise to conflicts of interest in relation to the activities or services provided by the relevant members of staff;
- Reassignment of members of staff to prevent or control the simultaneous or sequential involvement of relevant members of staff in separate services or activities where such involvement may impair the proper management of conflicts of interest; or
- Policies and procedures covering inducements and personal account dealing.

However, it is accepted that, despite the implementation of all appropriate controls to prevent the occurrence, the complete avoidance of all conflicts may not be feasible in a commercial environment.

## Outside business interests

Staff members are required to obtain prior approval from Compliance before engaging in any employment outside of their employment with Impax. Staff members are also required to obtain the prior approval of Compliance before taking an interest in any outside business organisation, and in particular before becoming a director, an officer or adviser to a company or any other entity whether or not it is a paid position. Personal interests must not affect the ability of a member of staff to make judgements or decisions in the best interests of Impax and its clients.

## Conflict management

Where conflicts are unavoidable, Impax will take appropriate measures to mitigate and manage such conflicts in a manner that seeks to ensure that the Group and its staff are not advantaged, and that no client is adversely effected. Our clients' best interests remain paramount.

## Conflict disclosure

Where Impax is not reasonably confident that it is able to manage a particular conflict to adequately protect the interest of a client, the fact of/or sources of conflicts of interest will be clearly disclosed to the client before the Firm undertakes any business. In particular, the disclosure will detail:

- A specific description of the conflicts of interest;
- An explanation of the risks to the client that arise;
- That the organisational and administrative arrangements established by the Firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented; and
- Sufficient detail to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

This disclosure will only be made as a matter of last resort. Further, the fact of the disclosure is not considered to be a mitigant. All the controls detailed in this policy will continue to be applied, in respect of that conflict.

The disclosure will be made via the Terms of Business or periodic reports.

## Conflicts training

All staff receive training in respect of conflicts of interest. In addition, all staff are required to give a periodic undertaking confirming their understanding of the Group's compliance requirements, including disclosing any personal conflicts such as their personal trading activities, the receipt of gifts, benefits or entertainment and outside business interests.

## Examples of potential conflicts of interest and how they are addressed

- **Varying client objectives and interests.**  
Different clients may have different expectations, objectives and priorities regarding stewardship and Impax has a number of investors who are highly focused on stewardship issues and have very specific priorities. At the very outset of the client relationship it is determined how closely the stewardship (proxy voting and engagement) priorities are aligned between the client and Impax. We have a number of clients who have retained their voting rights, in order to follow their specific stewardship objectives. For all other clients, we vote following our voting policies, utilising our ESG analysis and knowledge of the companies in question and local and regional corporate governance best practice. A few of our clients have asked us to confirm how we have voted on specific types of resolutions and some ask us to report regularly on our voting outcomes. Relating to engagement, we follow our policies and processes to identify, prioritise and implement engagement systematically and these are not influenced by investors. We report the outcomes of our voting and engagement outcomes on our website. Some investors have asked for regular reports on both voting and engagement outcomes, pertaining to their investment. Some of our clients have invested with us through separate accounts where their own specific responsible investment objectives are followed and expressed.
- **Impax's shareholder interests.**  
Impax is owned by individuals and financial institutions, each having their own investment, financial and stewardship

objectives, which could create conflicts of interest. Impax's investment process and stewardship activities are conducted following set and publicly disclosed policies and removed from the influence of shareholders.

- **Impax's specific client interests.**  
Impax could be managing investments for e.g. the corporate pension fund of a company that is also owned in one or several of Impax's funds, which could create conflicts of interest. Impax's investment process and stewardship activities are conducted following set and publicly disclosed policies and removed from any influence of specific clients.
- **Impax's employee interests.**  
An Impax employee could own shares or have an interest in a company that is also owned in one or several of Impax's funds, which could create conflicts of interest. Impax has strict checks, controls and reporting regarding trading and ownership of companies and shares by the Impax staff. Impax's investment process and stewardship activities are conducted following set policies and removed from any influence of any employee interests.
- **Impax's corporate investments and interests.**  
Impax does not hold any proprietary positions or conduct any proprietary trading but may make a seed investment into a new Impax fund. When this is the case the fund and the investment is treated like any other client and is subject to the same policies and procedures regarding stewardship that any other client funds would be.
- **Impax's inter-departmental interests.**  
The Impax investing departments outside of the Listed Equity business, such as its Private Equity department, may have ownership or an interest in a company that is an investee company in an Impax Listed Equities fund. There are formal information barrier structures in place between the Impax Listed and Private Equity departments and Impax's investment process and stewardship activities are conducted following set policies and removed from any influence of any inter-departmental interests.

#### **Principle 4:**

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Impax works on ESG engagement collaborations with clients, partners, and industry organisations to promote sustainable investing and ESG considerations across the globe.

In 2015, Impax announced a ground-breaking impact measurement methodology, and has spent considerable time engaging with other managers and data providers. The Firm is a member of the Global Impact Investing Network's Listed Equities workstream to contribute to the standardisation of impact measurement in this asset class.

Impax engages with clients and investors to raise awareness of climate change as a near-term investment risk. For example, over the past four years, Impax has worked to develop a prudent investment approach to managing climate risk in collaboration with Carbon Tracker and Imperial College London. Work completed to date includes analysis of stock level and portfolio level physical climate risk exposure.

Several of Impax's senior staff have leadership roles or sit on the boards of organisations that promote the transition to a more sustainable economy.

- **Ian Simm** (Founder & Chief Executive) – board member of Institutional Investors Group on Climate Change (IIGCC) and UK Government's Energy Innovation Board; Steering Committee member of the UK's Green Finance Institute; former board member of Natural Environment Research Council (NERC).
- **Joseph Keefe** (President of Impax LLC) – former board member of the Forum for Sustainable and Responsible Investment (US SIF).
- **Meg Brown** (Executive Director, Marketing & Business Development) – non-executive director of The Carbon Tracker Initiative.
- **Lisa Beauvilain** (Head of Sustainability & ESG) – part of the Council of Institutional Investors (CII) Corporate Governance Advisory Council.
- **David Richardson** (Executive Director, Client Service & Business Development) - member of the Global Leadership Council & Sustainable Investment Advisory Council of the World Resources Institute; member of the President's Council of CERES.
- **Julie Gorte, Ph.D.** (SVP for Sustainable Investing) – board member of the Endangered Species Coalition, E4theFuture, Clean Production Action and Great Bay Stewards; board chair of the Sustainable Investments Institute; Investment Committee member of the United Nations Environment Programme Finance Initiative.

- **Steve Falci** (Chief Investment Officer of Impax LLC) – board member of the U.S. Forum for Sustainable and Responsible Investment (US SIF) and serves on the board and is the Chair of the Investment Committee for Mercy Investment Services.

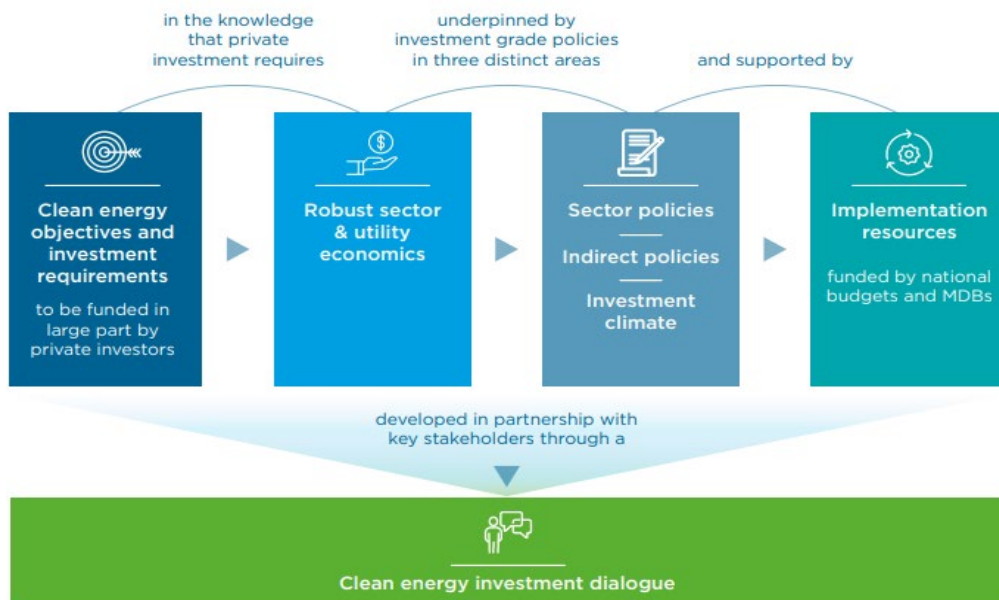
### Climate-related policy advocacy at Impax

The main objective of Impax’s policy advocacy is to influence policy outcomes that support the development of markets for solutions to environmental problems, thereby both maximising the effectiveness of those policies and identifying future investment opportunities.

Impax has dedicated personnel focusing on engagement and advocacy with policy makers to develop clear, consistent "investment grade" environmental and climate policies.

- Meeting the targets agreed in the Paris Agreement will require all governments to stimulate investment into clean energy economies, ideally using their Covid-19 recovery plans to jump-start this transition.
- Most of this investment will need to come from the private sector but efforts to mobilise private finance have so far been a source of frustration - for investors concerned about the lack of project pipeline, for policy makers trying to attract capital at scale, and for multilateral development banks (MDBs) seeking to bridge the gap between these two groups.
- Our Clean Investment Roadmaps framework reflects 20 years’ experience of how policy makers can address this challenge by setting out five key steps they should take:
  1. Agree and publish clear sectoral objectives and investment requirements
  2. Build understanding within government of sector and project economics
  3. Implement investment-grade policy at all levels: sectoral, indirect and investment
  4. Provide implementation resources that address local circumstances and barriers
  5. Initiate a clean investment dialogue at the start of the process

This framework offers a blueprint for the enhanced collaboration between policy and investment communities that will be needed if we are to deliver the climate goals of the Paris Agreement.<sup>4</sup>



<sup>4</sup> <https://impaxam.com/insights-and-news/thought-leadership/clean-investment-roadmaps-a-framework-for-building-clean-energy-economies/>

## Results and outcomes from policy advocacy

### 1. Results of our policy advocacy

- **COP26 Energy Transitions Council:** Impax participated in a number of discussions with BEIS and the Cabinet Office Energy Transitions campaign, which led to the development of the Impax white paper on Clean Investment Roadmaps. The framework discussed in the paper was offered as an input into preparatory work for the COP26 Energy Transition Council which consists of Ministers from 21 countries and met for the first time on 4 December 2020.
- **Bank of England Biennial Exploratory Scenarios:** in March 2020, Impax submitted a response to the discussion paper issued by the Bank of England on financial risks of climate change in which we flagged a number of issues which were taken on in the final approach, including the need for scenarios to focus on a small number of parameters such as carbon price.
- **Green+ Gilt:** in October 2020, Impax was one of 30 investors who supported a proposal by the Green Finance Institute, the Impact Investing Institute and the LSE Grantham Research Institute calling for the UK to issue a Green+ Sovereign Bond. In November 2020, the Chancellor announced the government's commitment to a green sovereign bond by COP26 in November 2021.

### 2. Outcomes from working groups

- **Confederation of British Industry (CBI):** in July 2020, Impax became a member of the CBI where we are a member of Climate Change & Energy Board. We have participated actively in the development of CBI positions on a number of CBI position papers in particular the Green Recovery Roadmap launched in September 2020 at the CBI's first Net-Zero Conference.
- **Climate Financial Risk Forum (co-chaired by the FCA and PRA):** Impax is a member of the Disclosure Working Group which drafted the Disclosures Chapter of the CFRF Phase 1 report published in June 2020.
- **IIGCC Paris Aligned Investment Initiative:** Impax was a member of the Listed Equity and Corporate Fixed Income working group which provided inputs to the draft Net Zero Investment Framework published for consultation in August 2020.
- **Taskforce on Nature-related Financial Disclosure (TNFD):** in July 2020, Impax became a member of the Informal Working Group preparing the ground for the launch of the TNFD in 2021. Impax has provided significant inputs to the Technical Expert Group on the proposed scope of the Taskforce and is a member of the workstream developing a proposed work plan for the TNFD.
- **Energy Transitions Commission (ETC):** during 2020, Ian Simm, Impax's CEO, became one of the 40 commissioners of this global research collaboration on how best to achieve net zero emissions. During 2020, we contributed to the ETC's Making Mission Possible report published in September 2020 as well as participating in working groups developing new global reports on scaling up zero carbon power and a global hydrogen economy.
- **Coalition for Climate Resilient Investment:** Impax was a founder member of this initiative launched in 2019 aimed at fostering the more efficient integration of physical climate risks into investment decision-making. During 2020, Impax was part of the Asset Design & Structure working group developing tools which are due to be published ahead of the COP in November 2021.
- **Centre for Greening Finance and Investment:** in October 2020, Impax submitted an indication of support for a funding application by Oxford University to establish a new research centre. The successful application was announced in January 2021.
- **FAST-Infra:** Impax is a member of this public/private initiative launched in 2020 aimed at scaling up flows of finance into sustainable infrastructure projects in developing countries.

## Strategic engagement priority areas in 2020

- 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
- 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

We saw good progress with diversity-related engagements, especially in the US and to an extent in Asia, but less progress in Europe. There was some progress in climate disclosures globally in 2020, but slow progress relating to the ability to assess physical climate risk, due to the lack of data relating to the physical locations of companies' significant assets. In response, Impax together with a New York-based public plan, engaged in 2020 with 499 of the 500 companies in the S&P 500 regarding climate physical risk. We asked these companies to disclose the physical locations of their significant assets, so that it is possible to assess their exposures to physical hazards created by climate change. Governance engagements that we typically tie to our proxy voting, tends to be the area with slowest progress. 2020 was not different, but we had some good progress with some smaller companies in the US, for instance about declassifying their boards. We find it hardest to achieve progress with governance in our Asian companies.

### Covid-19

During 2020, Impax's engagements had a specific focus on investee companies' management of the global outbreak of Covid-19. Impax's tools, such as the Lens had not specifically predicted or incorporated the risk of a pandemic at this scale, but the Lens does specifically focus on risks such as "supply chain complexity", "health & safety vulnerability" and "labour constraints". Many sectors and activities that suffered from disruption from Covid-19 lock-downs, were those that the Lens recognised as having higher risks in especially these three risk categories. Impax's Covid-19 engagement was initially prioritised for companies with front-line staff, such as food retailers, water and waste utilities and healthcare facilities. Focus was also placed on those with supply complexities, such as auto parts companies. Over the year, there was also a particular focus on compensation practices. Our findings from the engagements were that most companies adapted very well, although some were initially struggling to obtain sufficient PPE-equipment for its front-line staff, which created some delays to operations. We found that there was some acceleration in "reshoring", bringing parts of production and supply chains back to the home region. We found very few cases of egregious pay-practices. In general, companies' responses to Covid-19 were relatively short-term in nature as there was uncertainty regarding outlook and duration of the pandemic. The pandemic gave good reason to refocus efforts on engagements relating to over-boarded directors, where many companies called emergency-meetings several times a month for instance, which is a challenge for those directors stretched thin already in "normal" times. We have published a report on the implications of Covid-19 on the transition to a sustainable economy.<sup>5</sup>

#### *Examples of outcomes from collaborative market initiatives in 2020*

*Impax was part of an almost two-year long project developing a revised reporting standard for the Global Reporting Initiative, (GRI) "Waste" metric, **Waste Standard, GRI 306: Waste 20**<sup>6</sup>. The revised standard was publicly released in May 2020 and the new aspect of the standard asks reporting entities to describe the flow of waste and materials in the reporters activities, including the indirect waste flows, from supply chains and from the end-markets. It also asks reporting entities to identify ways to prevent waste generation in the first place, introducing the concept of "materials/waste circularity" to the waste standard. GRI is the most widely adopted sustainability reporting standard.*

*In the summer 2020, Impax participated in a project with the **PRI** to provide practical case studies about the alignment of companies providing environmental solutions to the **EU Green Taxonomy** and its technical criteria. Impax's and other asset managers' case studies are publicly disclosed, in order to provide practical insights to the marketplace of the challenges and approaches to the alignment work. Impax has developed and maintained an environmental taxonomy for more than 20 years.<sup>7</sup>*

<sup>5</sup>[https://impaxam.com/wp-content/uploads/2020/08/Covid-19\\_Implications\\_on\\_the\\_transition.pdf](https://impaxam.com/wp-content/uploads/2020/08/Covid-19_Implications_on_the_transition.pdf)

<sup>6</sup><https://www.globalreporting.org/how-to-use-the-gri-standards/questions-and-answers/gri-306-waste-2020/>

<sup>7</sup><https://www.unpri.org/policy/eu-sustainable-finance-taxonomy/eu-taxonomy-alignment-case-studies>

## Principle 5:

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

## Stewardship reporting

Impax keeps in-house records of all stewardship activities. All company engagements are recorded in Impax's proprietary data and research platform, "Portal", including dates, issues engaged and discussed, name and title of the investee company representatives, as well as the means of communication with companies, outcomes and next-steps. All voting activity is also recorded and archived.

We report on engagement and voting activity to segregated accounts typically either quarterly or semi-annually, the format and detail of reporting is based on the preferences of investors. For our pooled funds we publish an annual Engagement Report<sup>8</sup> on the Impax website as well as the proxy voting outcomes.<sup>9</sup>

We seek to follow best practices when it comes to stewardship reporting and seek feedback from our clients and stakeholders on what format of stewardship reporting they find most useful. Impax has been focusing on reporting on outcomes of stewardship, for many years. Feedback we have received is to seek to specify where investee companies' improvements following engagement, were specifically driven by Impax and not driven by other shareholders' engagement or happening anyway. In recent years, we have enhanced our engagement reporting to include those aspects.

For proxy vote reporting we have recently extended to reporting on all "significant votes", with an explanation to the votes cast against or abstain, to reflect the EU Shareholder Rights Directive II reporting requirements.

Since 2015 Impax has also been annually measuring and reporting on the positive environmental outcomes and impact generated by our investee companies through their products and services. This impact measurement, including the methodologies, data and calculations are externally assured.<sup>10</sup>

## Impax firmwide policies

All Impax' policies are reviewed and updated on at least an annual basis and are maintained in a centralized repository available to all staff. The policy library is maintained by the global compliance team, with the assistance of members of the administration staff, and assigned to owners throughout the business, as applicable. All Impax policies follow a standard format and review process.

During the policy review process in 2020, many regional policy documents were consolidated into global documents. The "highest common denominator" approach was applied to all of our global policies, i.e., where there are jurisdictional differences in requirements, we have applied the strictest standard from those jurisdictional requirements and adopt it as a group-wide policy.

## Impax's stewardship policy documents and outcome reports

Global listed equities and fixed income ESG policy:

[https://impaxam.com/wp-content/uploads/2021/03/Impax\\_ESG\\_Policy\\_2021.pdf?pwd=7661](https://impaxam.com/wp-content/uploads/2021/03/Impax_ESG_Policy_2021.pdf?pwd=7661)

Private markets ESG policy:

<https://impaxam.com/wp-content/uploads/2021/03/Impax-New-Energy-Strategy-ESG-Policy.pdf?pwd=3841>

Global Engagement policy:

[https://impaxam.com/wp-content/uploads/2021/03/Impax\\_Engagement\\_Policy\\_2021.pdf?pwd=2854](https://impaxam.com/wp-content/uploads/2021/03/Impax_Engagement_Policy_2021.pdf?pwd=2854)

Global Proxy voting policy:

[https://impaxam.com/wp-content/uploads/2021/03/Impax\\_Proxy\\_Voting\\_Policy\\_2021.pdf?pwd=3718](https://impaxam.com/wp-content/uploads/2021/03/Impax_Proxy_Voting_Policy_2021.pdf?pwd=3718)

Engagement activities and outcome reporting<sup>11</sup>:

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

<https://impaxam.com/assets/pdfs/sustainability/pax-engagement-report.pdf?pwd=2827>

Proxy voting activities and outcomes reporting:

<https://impaxam.com/wp-content/uploads/2021/03/Impax-significant-votes-voting-statistics-2020.pdf?pwd=7216><https://impaxam.com/pax-world-funds/proxy-voting/>

<sup>8</sup>[https://impaxam.com/wp-content/uploads/2020/06/Impax\\_Engagement\\_Report\\_2020.pdf?pwd=208](https://impaxam.com/wp-content/uploads/2020/06/Impax_Engagement_Report_2020.pdf?pwd=208)

<https://impaxam.com/assets/pdfs/sustainability/pax-engagement-report.pdf?pwd=2827>

<sup>9</sup><https://impaxam.com/investment-philosophy/environmental-social-and-governance-risk-management/><https://impaxam.com/pax-world-funds/proxy-voting/>.

<sup>10</sup>[https://impaxam.com/wp-content/uploads/2020/09/impax\\_impact\\_environmental\\_impact\\_report-2020.pdf](https://impaxam.com/wp-content/uploads/2020/09/impax_impact_environmental_impact_report-2020.pdf)

<sup>11</sup>Pax World Funds are a US mutual fund range with independent governance.

Impact @ Impax:

[https://impaxam.com/wp-content/uploads/2020/09/impax\\_impact\\_environmental\\_impact\\_report-2020.pdf](https://impaxam.com/wp-content/uploads/2020/09/impax_impact_environmental_impact_report-2020.pdf)

Impax's UK-based listed equity operations, including its voting activities have been audited and received full ISAE 3402 certification (International Standards for Assurance Engagement) every year since the fiscal year ending 30 September 2012. The ISAE 3402 assurance report is available to clients upon request.

**Principle 6:**

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Impax is one of the largest and longest established investors dedicated to investing in the transition to a more sustainable economy, and we manage assets for some of the world's largest investors.

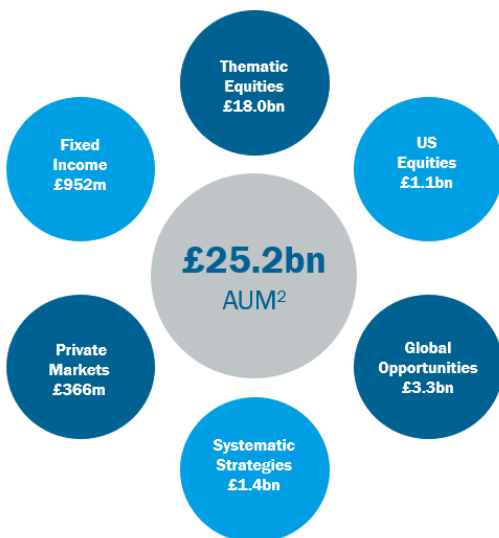
Impax has a global client base with a majority of clients in Europe, with North America accounting for approximately a third of the client base and the remainder in Australia/Asia.

Impax provides investment management and advisory services to a range of client types. This includes managing segregated accounts for institutional clients such as pension funds, endowments and sovereign wealth funds, and acting as sub-manager of white labelled funds on behalf of distributors. Impax also manages its own range of funds.

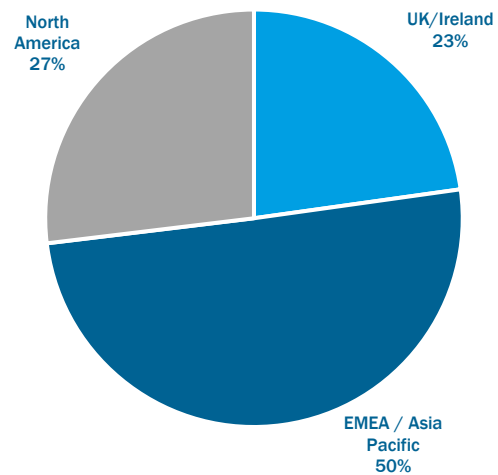
Impax has a total of 69 client accounts as of the end of December 2020 (including segregated accounts, sub-advised funds and managed accounts).

Due to the nature of Impax's retail and commingled funds, the firm does not have full visibility into its entire client base. Known investors in these funds from institutional share classes include but are not limited to endowments, foundations, religious organizations, public defined contribution retirement plans, corporate 401(k) plans, family offices and high net worth individuals.

Impax's assets under management, by asset class<sup>12</sup>



Impax's assets under management, by client domicile<sup>12</sup>

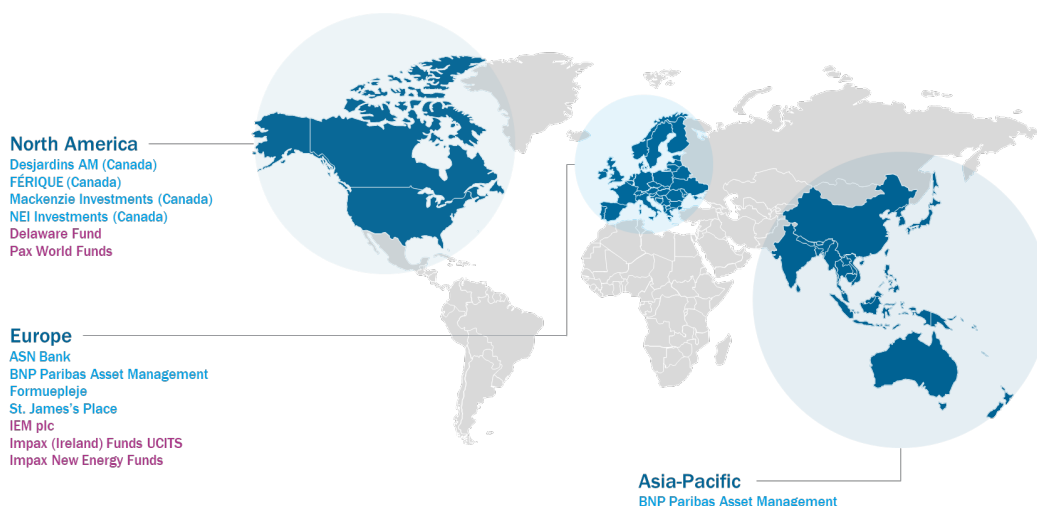


<sup>12</sup>As at 31 December 2020

## Client service

We are committed to outstanding levels of client service with comprehensive and transparent reporting. Impax has a dedicated Client Service team to ensure that clients receive relevant investment information in a timely manner. This team is supported by Impax's broader Marketing, Portfolio Services, Compliance and Accounts teams to provide day-to-day support and regular qualitative and quantitative reporting. Our client teams build long-term relationships and a deep understanding of our clients' needs and expectations.

In the UK and the US, we have specialist teams focused on servicing our institutional and intermediary clients. In addition, throughout continental Europe, Asia and North America, we have successful long-term relationships with a number of distribution partners:



Distribution partners. Distributed directly by Impax.

## Client reporting

Clients typically receive monthly updates on the performance and characteristics of their portfolio. On a quarterly basis, a more detailed report is provided including portfolio manager commentaries. Clients also have access to Impax's impact, engagement and ESG reports, topical white papers, newsletters and blogs, providing further insight into the Impax's investment thesis and areas of research.<sup>13</sup> We also partner with clients on sustainability projects and engagements.

We report engagement and voting activity to segregated accounts typically either quarterly or semi-annually, depending on their needs. We also publish an annual Engagement Report<sup>14</sup> on the Impax website as well as the proxy voting outcomes for pooled funds.<sup>15</sup>

As mentioned in Principle 5, we seek feedback from our clients and stakeholders regarding the format of stewardship reporting they find most useful. Feedback we have received is to seek to specify where investee companies' improvements following engagement, were specifically driven by Impax and not driven by other shareholders' engagement or happening anyway. In recent years, we have enhanced our engagement reporting to include this aspect.

Since 2015 Impax has also been annually measuring and reporting on the positive environmental outcomes and impact generated by our investee companies through their products and services. The impact measurement, including the methodologies, data and calculations are externally assured.<sup>16</sup> This reporting has been particularly well received by our investors as bringing concrete insights into the products and services of the investee companies.

<sup>13</sup><https://impaxam.com/insights-and-news/insights/>

<sup>14</sup>[https://impaxam.com/wp-content/uploads/2020/06/Impax\\_Engagement\\_Report\\_2020.pdf?pwm=208](https://impaxam.com/wp-content/uploads/2020/06/Impax_Engagement_Report_2020.pdf?pwm=208)  
<https://impaxam.com/assets/pdfs/sustainability/pax-engagement-report.pdf?pwm=2827>

<sup>15</sup><https://impaxam.com/investment-philosophy/environmental-social-and-governance-risk-management/> <https://impaxam.com/pax-world-funds/proxy-voting/>

<sup>16</sup>[https://impaxam.com/wp-content/uploads/2020/09/impax\\_impact\\_environmental\\_impact\\_report-2020.pdf](https://impaxam.com/wp-content/uploads/2020/09/impax_impact_environmental_impact_report-2020.pdf)

### Principle 7:

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

The entirety of Impax's assets under management across all asset classes and geographies have ESG analysis and stewardship as an important part of the investment process. This section will describe what ESG and stewardship entails for the various asset classes.

Impax has c. 55 investment team members globally, of which 8 are specialised in sustainability research, ESG analysis, stewardship and policy advocacy. For listed equities and fixed income, the proprietary, company-level ESG analysis and engagement are integrated in the investment process and team.

The lead investment analysts are responsible for the financial and ESG analysis as well as the related engagements of the investee companies under their coverage. The ESG and sustainability team are responsible for the oversight and providing peer-reviewing and scoring of the ESG analysis, coordination of focus areas of engagement and continuous further development of the ESG, sustainability and stewardship approaches and methodologies.

As described in Principle 2, there is an on-going exchange of ESG-related information to the investment team to keep them abreast of new ESG or stewardship developments. There are standing agenda items for ESG, engagement and policy developments at the investment team meetings and the Investment Committee meetings. In addition, there are more formal training sessions at least once a year relating to new topics of engagement or methods of enhancement of engagement outcomes or related to specific methodology changes or new parameters to review in the ESG analysis. Examples of recent training to the investment team have been how to effectively engage with companies on physical climate risks and Covid-19 related issues linked to human capital management and management remuneration and the functioning of boards in times of the pandemic.

The Private markets and Infrastructure 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 Private Equity 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 a Private Equity ESG sub-committee which meet every six months to discuss relevant topics and is responsible for governing the ESG Policy. The ESG committee have representatives from the Private Equity/ Infrastructure team (Commercial, Technical and the Head of the Team), Compliance, Legal and Sustainability and ESG.

## Overview of Impax's sustainable investment approach

All Impax's investments and strategies are aligned to the transition to a more sustainable global economy. Activities with lower sustainability risks and higher opportunities are set to benefit from a transition to a more sustainable, low-carbon economy and are well positioned for the long-term. The Lens is Impax's proprietary tool to identify the areas and activities of investment risk in the short and longer term and also to identify investment opportunities created by unmet societal needs. In the reporting period, in 2020, specific topics analysed through the Lens were biodiversity, hydrogen, forest product climate impacts (risks and opportunities). Upcoming reviews include supply chain risks from digitalisation and the ethics of artificial intelligence. Small working groups will present their findings to the Impax Lens Committee (ILC) and the committee, led by the Impax's Sector Experts and "Lens Scoring Committee", will propose potential changes to Lens scores that the ILC can approve.

ESG analysis is an integral part of the Impax investment process, at the company level. The analysis enables a deeper and broader understanding of our companies, their corporate structures, oversight mechanisms, risk management capabilities and processes and transparency. We seek to understand the character of the companies through our proprietary ESG methodology. The insights from the ESG analysis are then utilised to establish the priorities for engagement with our companies.

Stewardship through active ESG engagement and proxy voting are important parts of the investment process. They enable monitoring of our investee companies more effectively and aim at further enhancing the structures, processes and disclosures of our companies.

## Integrating ESG analysis into the investment process – across asset classes and strategies

**Actively managed listed equity and fixed income:** All companies and other issuers must meet financial and ESG-criteria before entering the Impax universe of investable companies. The investment team members are responsible for integrating ESG analysis into the investment process.

**Screening.** We seek to avoid companies involved in significant controversies that violate global norms related to human rights, labour rights, the environment and corruption. We source information about company involvement in these controversies from external ESG research providers. We have a policy and process in place to identify cases of modern slavery<sup>17</sup>. If we determine a company is the subject of significant normative controversies, it will likely be excluded from investment. We periodically reassess company involvement in ESG and normative controversies. We also generally seek to review our company universe for compliance with international sanctions, as applicable.

1. **ESG analysis.** We conduct a detailed, proprietary ESG analysis of new companies and issuers considered for the investable universe and review the ESG analysis on a periodic basis.
  - We analyse companies' governance structures from a country-perspective, taking into account what constitutes common and best practice for governance in a specific country and identifying potential outliers.
  - We analyse companies' and issuers' environmental and social policies, processes and disclosures identifying the most material risks at a company-level. Materiality is defined as the sustainability issues or risks that may most materially disrupt a company's operations through financial, physical or reputational loss or disruption. We seek investment in companies or issuers that have addressed the material risks with robust policies, processes, management systems and incentives that are scaled appropriately to the importance of the risk.
  - We analyse companies' or issuers' past controversies and seek strong processes and management systems to address and avoid any repeats of past controversies.

We analyse company and issuer disclosures and reports ourselves and use external ESG-research as input and support in our analysis. We use external data as a larger input when establishing the "controversy" element of the ESG analysis.

When all the data is gathered, an ESG report is written and a proprietary ESG score assigned. We do not seek to exclude a certain number or percentage of companies or issuers, but rather seek an absolute level of ESG quality. Where this is not achieved, a company or issuer is excluded from the investable universe. In cases where a company has a low ESG score ("fair"), but is not excluded, the company will have a capped position size in the portfolio, for risk management reasons.

**Systematic strategies:** We have developed two proprietary rating frameworks that employ a quantitative approach to ESG assessment. These frameworks are incorporated into portfolios that use quantitative optimization tools to manage risks relative to market benchmarks and target desired tilts in characteristics. These tilts involve integration of ESG ratings systematically alongside financial factors in portfolio construction through optimization.

1. **Impax Gender Leadership Score:** The Gender Leadership Score is a proprietary framework of gender leadership factors used to determine the constituents and weights of a global investment strategy designed to capture investment returns associated with gender diversity and women's leadership.
2. **Impax Sustainability Score:** The Sustainability Score is a proprietary, relative ranking framework designed to capture information regarding a company's management and performance related to material ESG issues. The framework is used to determine the constituents and weights in US large-cap smart beta portfolios.

**Infrastructure (New Energy)<sup>18</sup>:** Impax is one of the longest established fund managers in the renewable energy sector. Impax follows an industrially focused value-add strategy, investing in renewable power generation and related assets.

Beyond complying with the applicable environmental laws and other permitting procedures, the assessment and mitigation of ESG risks are an integral and necessary consideration of our due diligence processes prior to the acquisition of each investment. Breaches within any ESG parameters would prevent Impax from undertaking an investment. The Investment Committee must review all potential investments on these ESG parameters.

During the acquisition phase our construction and investment managers are responsible for ensuring compliance with health and safety and environmental (EIA) issues, and once acquired this responsibility is handed to technical and commercial teams. Impax's renewable energy private equity investments are managed to meet or exceed environmental permit targets and post-build assessments on permit compliance are performed. We maintain a "risk register" that includes H&S, insurance, contingency and ESG issues.

## Managing climate risks

Climate and carbon are systemic risks for all companies, so climate and carbon risks; transition and physical climate risks are assessed for companies, as part of our proprietary ESG analysis. We will closely assess the company's climate governance, policies, processes, incentives and targets to manage and reduce carbon emission over time. Roughly 75% of Impax's assets under management are invested in environmental and climate solutions and all of our investments are aligned to a transition to more sustainable and low-carbon economy, hence climate opportunities are important and the exposure to climate **transition risks** relatively limited. Impax has however developed a proprietary methodology for assessing transition risk in portfolios, in a forward-looking way, "SmartCarbon<sup>TM</sup>"<sup>19</sup>.

<sup>17</sup>[https://impaxam.com/wp-content/uploads/2021/03/Impax\\_modern\\_slavery\\_statement-23-03-2021.pdf?pwd=6905](https://impaxam.com/wp-content/uploads/2021/03/Impax_modern_slavery_statement-23-03-2021.pdf?pwd=6905)

<sup>18</sup><https://impaxam.com/wp-content/uploads/2021/03/Impax-New-Energy-Strategy-ESG-Policy.pdf?pwd=3841>

<sup>19</sup>White-paper-Impax-SmartCarbonTM-strategy.pdf (impaxam.com)

It is harder to systematically avoid **physical climate risks** through a focus on environmental solutions and the alignment to a transition to a sustainable economy. Physical climate risk is mainly dependent on companies' geographic locations of assets, less on their activities. We are analysing the asset and facility-level physical climate risks of companies to understand the level of exposure to extreme climate events across companies' assets, through a proprietary model focused on 9 key climate hazards, covering chronic (gradual) and acute (extreme event) risks. Any statements regarding these hazards are based on open, external sources of climate projections and climate data. The output is a report that details key asset level exposures by hazard, and an indication of change and relative importance per asset through an asset-hazard heatmap which scores each facility by hazard for both scenarios and across each time point.

We are actively engaging with our investee companies on both transition and physical climate risks, a strategic focus area of our engagements, discussed in more detail in Principle 9.

## Engagement as part of the listed equities and fixed income investment process

Engagement is an important part of the ESG analysis and investment process for listed equities and fixed income. We engage with companies and other issuers when we have identified specific ESG issues or concerns, when we require further information regarding an ESG-aspect (that is not publicly disclosed) and/or to encourage improvement in company ESG policies, processes and disclosures. We also find companies' and other issuers' responses to ESG engagements very informative of company character. We engage individually and together with other investors.

The investment team engages as part of our regular meetings with company management teams, through additional conference calls, meetings or as part of other communications with the broader investment community. Impax may also file shareholder proposals to support these efforts. Increasingly, expert organisations also drive and coordinate investors' engagements on important issues and Impax takes part in these.

We maintain an engagement database where the engagement issues, actions, timings and outcomes are detailed. We review the database regularly and if an issue remains unresolved, we follow-up with the company or issuer in question.

## Engagement as part of the infrastructure (new energy) investment process

### Engagement with investee companies

Impax take an active role in managing all New Energy assets irrespective of their structure and have board representation for all investments ensuring that team members retain responsibility. The Impax 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 as part of the regular reporting processes, which are reviewed by the Asset Management Team, monthly and the Board of Directors or Supervisory Board of all platform investments, quarterly. We have regular communication via email, telephone and meetings with the local teams.

### Engagement with external stakeholders

- Engagement with local experts understanding issues relating to project design and authorities during approval process and local stakeholders necessary to achieve approval.
- Direct engagement with suppliers, project finance providers and off takers for investee companies.
- Local stakeholder engagement including:
  - Engagement with local communities during development, construction and operation phases of the project development; and
  - Subcontracting work to local counterparties where appropriate.

## Proxy voting as part of the listed equities investment process

Proxy voting is a key component in the ongoing dialogue with companies in which we invest. Through implementation of our voting policy, we aim to enhance the long-term value of our shareholdings, foster corporate governance best practices and promote sustainability, accountability and transparency.

Our policy is to vote on all shares held where practicable. Our voting decisions are informed by corporate governance codes and best practice, advisory governance research, and internal research and voting policies.

### **Principle 8:**

Signatories monitor and hold to account managers and/or service providers.

Impax uses external research and service providers as an input in the ESG analysis of listed investments but has developed a proprietary methodology for analysing and scoring companies on ESG quality and does not rely on external research for ESG scores or ratings in our actively managed listed investments. However, they are used in some of our systematic strategies. External research and data are used when monitoring investee companies' behaviour and controversies. This relates both to normative controversies, such as human rights breaches and more common controversies, such as litigation or labour relations. We also use external research providers' data to monitor any potential controversial activities, such as revenue exposure to controversial weapons, fossil fuels or tobacco. We review external ESG research providers on an annual basis, to understand any changes to research methodologies, but also to understand areas of priority for the research providers. In the 2020 reviews with service providers the discussions have centred around the methodologies for the screening of controversial activities, as well as around data availability especially relating to diversity and specifically on the availability of data of ethnic and racial diversity of companies' boards and management teams.

Impax uses a 3rd party electronic proxy voting platform and we assess the 3rd party advisory recommendations for voting. However, we will determine our voting based on our Voting Guidelines and company ESG analysis. Stewardship, including proxy voting and engagement, is not outsourced to external parties or proxy advisors, but conducted fully by Impax's investment team. Impax reviews the proxy advisory firms at least annually, especially to discuss possible process and reporting efficiency improvements, but also to discuss any significant changes to the proxy voting policies of the service provider. In 2020, the review centred around some changes to management remuneration and the scoring of that, as well as discussions about the availability of data of ethnic and racial diversity of companies' boards and management teams. We review the voting outcomes and whether votes have been cast. We have observed improvements to transparency on this aspect in the reporting period, in 2020.

### **Principle 9:**

Signatories engage with issuers to maintain or enhance the value of assets.

Impax 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, 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 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.

Engagement is used both to mitigate risk and to enhance value and investment opportunities.

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; and
- Strengthen investee companies over time; improving quality, processes, transparency and resilience.

## **How we prioritise engagements**

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

### **1. Bottom-up company specific monitoring and dialogue**

As part of our on-going, proprietary company and issuer-level ESG analysis, we identify company-specific matters and risks and actively engage with companies and issuers regarding these matters, as part of monitoring and managing risks. We prioritise engagement for investee companies, where we have identified more significant risk issues and have larger positions.

### **2. 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. We then identify the companies most exposed to the topics in question and focus our engagement on those companies. Where possible, we



use specific performance data related to the strategic engagement topics, as well as the overall ownership in the companies, as parameters for prioritising companies for strategic engagements.

### 3. 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. 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.

## Engagement as part of the listed equities investment process

Engagement is an important part of the ESG analysis and investment process for listed equities. We engage with companies when we have identified specific ESG issues or concerns, when we require further information regarding an ESG aspect (that is not publicly disclosed) and/or to encourage improvement in company ESG-policies, processes and disclosures. We also find companies' responses to ESG engagements very informative of company character. We engage individually and together with other investors.

The investment team engages as part of our regular meetings with company management teams, through additional conference calls, meetings or as part of other communications with the broader investment community. Impax may also file shareholder proposals to support these efforts. Increasingly, expert organisations drive and coordinate investors' engagements on important issues and Impax takes part in these.

We maintain a proprietary database, "Portal" where the engagement issues, objectives, actions, timings and outcomes are detailed. We review the database regularly and if an issue remains unresolved, we follow-up with the company in question.

### Setting engagement objectives:

For the bottom-up, company specific engagements the objective is typically to solve or improve the issue that has been identified and when that objective has been achieved, move to the next objective or pause the engagement.

For the strategic engagement areas, we have set-up specific steps as objectives that we seek to reach with the engagements. The strategic engagement topics have been chosen as they are either new and very significant (like Covid-19 in 2020) or very significant or systemic risk issues that require attention, such as physical climate risks or biodiversity risks.

## Engagement as part of the fixed income investment process

Engagement is a key part of our fixed income ESG process. As both an equity and fixed income manager, Impax benefits from crossover engagements that add insight and can potentially influence our view of an issuer. And since bondholders are an essential source of financing, company management tends to be inclined to maintain good relationships and have meaningful engagement. The benefits are twofold – engagement helps improve our ability to fully vet ESG-related risks and opportunities, and it can help improve an issuer's ESG transparency and performance going forward.

For example, we recently supported a shareholder resolution filed at a large US-based cable company. The resolution sought increased transparency on key sustainability issues. We wrote a letter of support to the company's investor relations team, explaining that comprehensive sustainability reporting is additive to our standard credit analysis and, in our view, may help stem mismanagement of significant regulatory, legal, reputational and financial risk. Nearly a third of shareholders supported the proposal at the company's annual meeting, which is a strong measure of support.

## Engagement as part of the infrastructure (new energy) investment process

### Engagement with investee companies

Impax take an active role in managing all New Energy assets irrespective of their structure and have board representation for all investments ensuring that team members retain responsibility. The Impax 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 as part of the regular reporting processes, which are reviewed by the Asset Management Team, monthly and the Board of Directors or Supervisory Board of all platform investments, quarterly. We have regular communication via email, telephone and meetings with the local teams.

### Engagement with external stakeholders

- Engagement with local experts understanding issues relating to project design and authorities during approval process and local stakeholders necessary to achieve approval.
- Direct engagement with suppliers, project finance providers and off takers for investee companies.
- Local stakeholder engagement including:
  - Engagement with local communities during development, construction and operation phases of the project development; and
  - Subcontracting work to local counterparties where appropriate.

### Engagement activities and outcomes in 2020

This section will present the engagement activities, outcomes and provide engagement examples for 2020.

#### Top down strategic engagement priorities for 2020

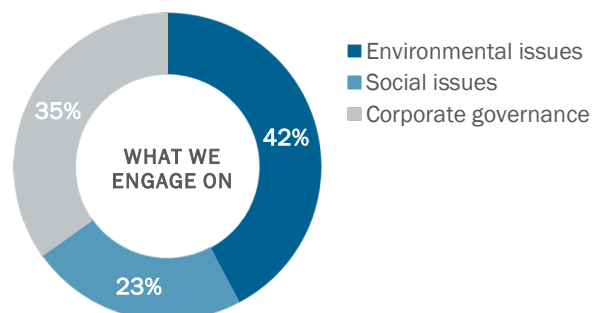
- Climate
  - Processes, management and transparency of climate risks
  - Focus on physical climate risks, including water stress, as part of our TCFD commitment
- ESG processes and transparency
  - Encouraging development of material sustainability processes and disclosures
  - Focus on smaller and 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

### Engagement activities and outcomes

- We had 300 engagement meetings in 2020, over 250 of which were with 185 investee companies.
- With more than 5% of these investee companies we had more than two engagement meetings throughout the year.

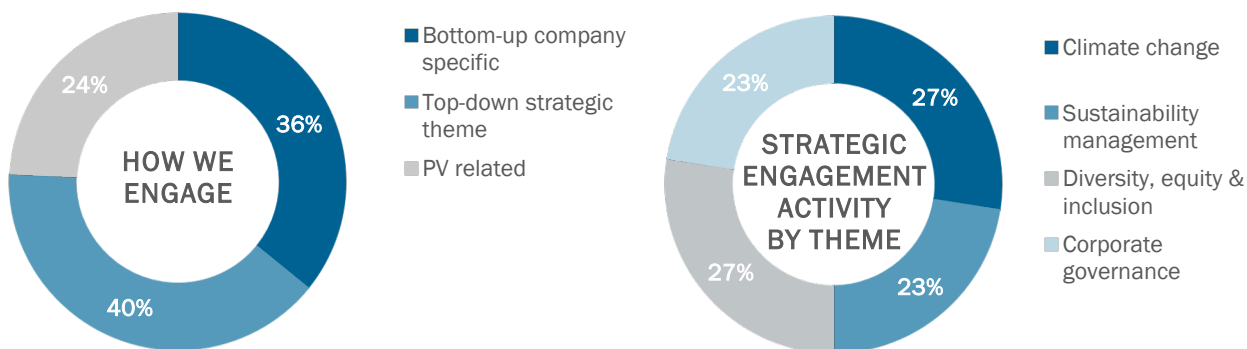
#### What we addressed in 2020 – engagement activity by theme

Most engagements in 2020 were on environmental issues. This was mainly driven by our strategic focus on physical climate risk engagements as well as a particular interest in water and biodiversity related exposure. Also, corporate governance features in many of our engagements, whether related to company-specific matters identified in our ESG analysis, whether as part of our strategic work to strengthen investee companies' governance structures, often the governance engagements were also related to proxy voting.



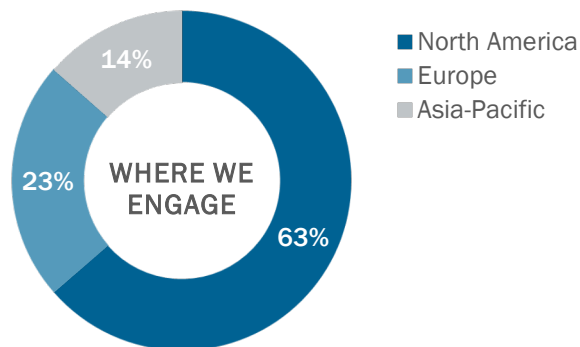
## How we engaged in 2020 – engagement activity type

Most engagements in 2020 were of top-down nature focusing on one or more of the strategic engagement themes for the year. This was mainly driven by our strategic focus on 1) climate change (in particular physical climate risk) as well as 2) diversity, equity and inclusion. Bottom-up company-specific dialogues, remain an important source of insight to enhance our company analysis and to monitor investee companies' performance, quality and character.



## Where we engaged in 2020 – engagement activity by company origin

The predominance of engagements with North American companies is not an intentional skew but rather a by-product of reporting the data at a global level and US companies and issuers constituting some of our listed equity and fixed income portfolios. Also, US companies have never been as forthcoming to engagement dialogues as recently and we hope to see this continue in an effort to strengthen investee processes, structures, transparency and resilience over time. This increased appetite for engagement in North America has also been driven by a significant regulatory and market push in recent years for increased diversity, equity, and inclusion which has propelled forward our engagements on the matter in the region. The North American dominance in the 2020 engagement data also depends on the significant engagement program we undertook with S&P 500 companies to disclose asset-level data, in order for investors to be able to measure their physical climate risks.



## Collaborative engagements in 2020

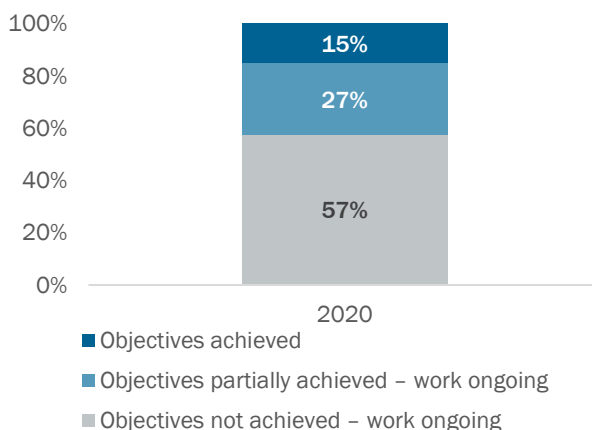
Engagements are regularly conducted together with other investors and partners with or without a lead or coordination from responsible investment organisations. Collaborative engagements are conducted across a number of ESG issues and specific sectors and companies. Collaborative engagements can be prioritised where outreach may particularly benefit from a larger group of shareholder involvement or in cases where an issue is being escalated.

40% of engagements, with over 60 investee companies in 2020 were collaborative engagements. Furthermore, in 40 instances we also engaged collaboratively with non-owned companies.

### Effectiveness of our engagements

We noted positive outcomes in more than **40%** of the companies we engaged with directly related to the engagement objectives set.

In **14%** of cases we believe that this positive outcome was largely driven by Impax’s engagement efforts.



### Engagement cases / examples for 2020:

Listed Equities – engagement examples:

Climate change - Physical Climate Risk (PCR)	
<b>Company name</b>	<b>Becton Dickinson and Company</b>
<b>Sector</b>	Health Care Equipment
<b>Geographic region</b>	US
<b>ESG Score</b>	Average
<b>Period of engagement, with milestone reached in 2020</b>	Impax engaged several times over the course of 2020 with this global medical technology company in order to gain an understanding to what extent the company manages its exposure to physical climate risk and how well-prepared the company is for PCR.
<b>Description of engagement</b>	<p>Engagement objectives are:</p> <ol style="list-style-type: none"> <li>1. To get localised, plant-level data from company (Complete – Jun '20)</li> <li>2. To raise company’s awareness of PCR (Complete – Climate Management Report released 2020)</li> <li>3. To gain insight into company’s PCR exposures (Complete)</li> <li>4. To seek company commitment to risk mitigating processes (Ongoing)</li> </ol> <p>In a November 2020 discussion with the company's Director of Sustainability around the implementation of the findings from the PCR analysis, the company highlighted 4 ways in which they intend to strengthen their risk mitigating processes: 1) Deepen their understanding of the breadth of climate hazards that may impact their business, particularly chronic changes that were not explicitly considered previously; 2) Question existing process adequacy for climate change management beyond extreme weather risks; 3) Discuss new hazards posed with EHS &amp; plant managers, and support existing work done around risk management; and 4) Utilise results in next TCFD/Climate Change Management report.</p>
<b>Outcome of engagement</b>	Ongoing / Company committed – milestone achieved; the issue has then been brought to the attention of the Board. Objectives 1-3 achieved, objective 4 is on-going.

## Environmental - Sustainability Management

<b>Company name</b>	<b>Trimble Inc</b>
<b>Sector</b>	Electronic Equipment & Instruments
<b>Geographic region</b>	US
<b>ESG Score</b>	Good
<b>Period of engagement, with milestone reached in 2020</b>	Impax has been engaging with this company since 2017, focusing on sustainability risk management, disclosures and governance practices; including environmental sustainability management.
<b>Description of engagement</b>	<p>Engagement objectives have been following Impax's long-term, step-by-step approach:</p> <ol style="list-style-type: none"> <li>1. Initially educational; materiality, reporting frameworks, investor-useful data, 2017 (achieved)</li> <li>2. Governance of Sustainability: appointed Head of Sustainability 2020 (achieved) &amp; Sustainability-based performance goals (ongoing, company committed)</li> <li>3. First Sustainability report published, Impax gave feedback, 2018 (achieved)</li> <li>4. Reporting Sustainability data (operational efficiency &amp; material data), (partially achieved, company committed)</li> <li>5. Target-setting (partially achieved, company committed)</li> </ol> <p>As per Impax's recommendations over the course of multiple engagements in recent years, it has been encouraging to see Trimble take another key step towards ensuring overall accountability and oversight of sustainability: In 2020 the company appointed its first Head of Sustainability, an important milestone in Trimble's sustainability journey. Moreover, we appreciate the company's improved CDP disclosure including, for the first time, public commitment to an emission reduction target, something we have engaged intensively on with the company. Further on the target-setting front, in 2020 the company formed an internal team looking into science-based targets and are exploring TCFD disclosure.</p>
<b>Outcome of engagement</b>	Milestone achieved. Ongoing. Next steps: progress in broadening the scope of reporting sustainability data / setting targets, Q3 2021.

## Corporate governance - incl Diversity

<b>Company name</b>	<b>Advanced Drainage Systems</b>
<b>Sector</b>	Building Products
<b>Geographic region</b>	US
<b>ESG Score</b>	Average
<b>Period of engagement, with milestone reached in 2020</b>	Impax has been engaging with this company since 2018, focusing on governance practices.
<b>Description of engagement</b>	<p>Engagement objectives have been following Impax's long-term, step-by-step approach:</p> <ul style="list-style-type: none"> <li>- Initially educational; importance of good governance and diversity to long-term value creation, 2018 (achieved)</li> <li>- Board declassification, 2020 (achieved)</li> <li>- Diversity strategy, data and targets (partially achieved / in progress)</li> </ul> <p>After several conversations on corporate governance focusing mainly on the classified nature of its Board, the company announced in late 2020 that it had decided to declassify its Board of Directors in phases, largely in response to shareholder feedback 'including from Impax'. At the same time the company informed us of the appointment of its first Head of Diversity &amp; Inclusion and confirmed the ongoing work on setting diversity targets.</p>
<b>Outcome of engagement</b>	Milestone achieved. Ongoing / Company committed to continuous improvement achieved step-by-step over several years. Next step is following up on progress in the area of diversity, Q4 2021.

**FIXED INCOME – ENGAGEMENT EXAMPLES:**

Over the course of 2020 we engaged 172 times with 116 corporate issuers of bonds in our fixed income portfolios.

Climate Change & Sustainability Disclosure	
<b>Company name</b>	<b>Charter Communications</b>
<b>Sector</b>	Cable & Satellite
<b>Geographic region</b>	USA
<b>ESG Score</b>	Fair
<b>Period of engagement, with milestone reached in 2020</b>	As a creditor, Impax has been engaging with this company since 2018, as part of a multi-year effort by a large investor group, applying pressure to the company regarding transparency gaps in its sustainability reporting.
<b>Description of engagement</b>	Managing and reporting on sustainability factors, including climate change risks and opportunities, helps companies navigate a business environment characterized by finite natural resources, rapidly changing laws and regulations, and heightened public expectations for corporate accountability. The primary engagement objective was to increase the company’s sustainability reporting.
<b>Outcome of engagement</b>	In 2020, the company published its first CSR report covering its operations for FY2019. The report includes mostly qualitative information about diversity & inclusion, products (accessibility/diversity in programming), facilities/fleet, and sustainability governance. We believe this outcome is an encouraging first step for Charter Communications.

Environmental & Social Policy (Financials)	
<b>Company name</b>	<b>Bank of America</b>
<b>Sector</b>	Diversified Banks
<b>Geographic region</b>	USA
<b>ESG Score</b>	Fair
<b>Period of engagement, with milestone reached in 2020</b>	As a creditor and equity holder, Impax has been engaging with this company multiple times since 2019, as part of a group of stakeholder representatives, applying pressure to the company regarding financing oil and gas exploration and production in a wildlife refuge in Alaska.
<b>Description of engagement</b>	Impax joined a collaborative engagement with Bank of America urging the bank to sign a statement pledging to not finance oil and gas exploration and production in the Arctic National Wildlife Refuge (ANWR) in Alaska. At the time, the bank was the only major bank to not have made that pledge.
<b>Outcome of engagement</b>	In December 2020, Bank of America issued a policy statement prohibiting financing oil and gas exploration and production in ANWR. This result is due to the work of many stakeholder groups, both inside and outside of the investment management industry.

We find that part of the engagement success relates to good ESG engagement practices in general.

#### **General principles for effective ESG engagements**

Tailored preparation: know your company – its specific business model, geographic context, risk & opportunity exposure in operations and value chain, ESG maturity, recent achievements and challenges.

Setting clear objectives: set clear step-by-step objectives to be achieved and approximate timelines (achieving positive outcomes typically takes longer than expected).

Clear business case: why does the engagement topic matter – where needed provide academic and other empirical evidence of the “commercial imperative” or business case for why the engagement area makes sense for the firm.

Outcome focus: strive for concrete changes and improvements, as set-out in the initial objectives.

Right tone: clearly acknowledge progress achieved and look to next steps as opportunities for next steps and further improvements.

Learning curve: work with step-by-step improvement models, starting with the more basic and fundamental issues and moving towards more demanding areas and all the way to best practices – track performance versus objectives set over time.

Constructive dialogue: be a partner or “critical friend”, offer ideas, information, education and solutions observed in the marketplace (peer companies, who are doing this well, how can it be done cost-effectively).

Follow-up process: send follow-up materials promptly and calendarise follow-up meetings with appropriate time intervals.

Escalation: if progress stalls, seek escalation; attempt to meet alternative executives at the company, alternative venues (eg conferences), collaborative interventions (shareholders, organisations, platforms), filing or co-filing shareholder resolutions.

Reporting: clearly highlighting the link between objectives and outcomes, seeking clarity regarding engagements where positive outcomes were achieved mainly due to own interventions, not happening anyway or due to other shareholders’ engagements (avoid potential outcome double-counting or simple “status updating”).

### Principle 10:

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaborative engagements and joint representations with other institutions and investors are an important part of Impax's stewardship work. We initiate collaborative engagements where the engagement and outreach may particularly benefit from a larger group of shareholder involvement or in cases where an issue is being escalated, as discussed in Principle 11. Collaborative engagements can also be preferred and effective when approaching an issue or risk that is affecting a larger group of companies; a sector-level engagement.

40% of engagements, with over 60 investee companies in 2020, were collaborative engagements. In addition, in 40 instances we also engaged collaboratively with non-owned companies.

Examples of significant collaborative engagements in 2020:

1. Together with the a New York-based public plan, we are engaging with 499 of the 500 companies in the S&P 500 regarding physical climate risk. We ask these companies to disclose the physical locations of their significant assets, so that it is possible to assess their exposures to physical hazards created by climate change. So far, we have heard back from and engaged with 62 of the companies. Companies that we felt were still underestimating physical climate risks, for example, those who said that they didn't have any risk because they only leased office space rather than owning it, we encouraged them to encompass business operations in their physical risk calculations, noting that business interruptions could still have material impacts no matter what the ownership of the properties from which companies were operating. We also used these engagements to encourage companies to start reporting their climate risks and opportunities aligned to the TCFD.
2. **FAIRR:** This is a collaborative investor engagement coordinated by FAIRR with 25 global food companies to diversify their protein sources, with a focus on plant-based proteins, to "drive growth, increase profitability, reduce risk exposure and improve their ability to compete and innovate in a resource-constrained world." There is a significant focus on mitigation of climate risk. In 2020, Impax was the lead shareholder in the engagements with 2 companies in 2020. There was very good progress with one of the companies, a Dutch food retailer, setting new targets for healthy and sustainable food offering and ambitious carbon reduction targets.
3. **CA100+:** "The largest ever investor engagement initiative on climate change." We engaged with 160 global companies with significant GHG emissions to accelerate the transition to a low-carbon economy that is more resilient to climate change. Impax is a signatory to this initiative and attended a small number of engagements, but was not leading any, as Impax's ownership of companies that are part of the CA100+ is very limited.
4. **PRI/Ceres:** engagement on soy and cattle: This is a collaborative engagement with 98 companies on behalf of 48 investors aimed at getting companies to report on and be more accountable for the deforestation in their supply chains for soy and cattle. Impax was leading the company engagements on 1 company in 2020.

The complete list of membership organisations that Impax is involved with, can be found in the Appendix.



**Principle 11:**

Signatories, where necessary, escalate stewardship activities to influence issuers.

When significant events occur, we may conduct ESG reviews more frequently and contact the company for further information and clarification. This may result in divestment, engagement, or continued monitoring. Impax has an escalation policy in place, in cases where the management of incidents is not progressing.

If the investee company is unresponsive to engagement relating to an incident (or in general) or we view, upon clarification with the management team, that the company is taking an approach that is significantly increasing shareholder risks and the company is unwilling to consider less risky approaches, we would escalate our activities as follows by:

- Seeking alternative or more senior contacts within the company
- Intervening or engaging together with other institutions or shareholders on the issue
- Highlighting the issue and/or joint-engaging regarding the issue through institutional platforms
- Filing or co-filing resolutions at General Meetings

Ultimately, if the interventions are not successful and we consider that the risk profile of the company has significantly deteriorated or company strategy or governance structures have altered as a consequence of an incident, to a degree where the return outlook and the company's strategy and quality no longer meet our expectations, the company would be excluded from our investable universe and/or sold.

**Examples of escalations in 2020****Pay equity**

Impax was the lead filer of a pay equity shareholder proposal at **Oracle**. The proposal requested that the company issue a report "identifying whether there exists a gender/racial pay gap among its employees, and if so, outline the steps being taken to reduce the gap and support advancement opportunities for women and minorities." (Collaborative, but Impax was lead investor)

Outcome: The proposal went to a shareholder vote at the November 2020 Annual Meeting, receiving substantial support of 46%.

**Board Diversity**

Impax was the lead filer of board diversity shareholder proposal with **T-Mobile**. (Individual engagement)

Outcome: Following dialogue, the company published its Director Selection Guidelines, which articulate the company's commitment requiring diverse candidates be included in all director search pools, on its website and increased disclosure in their 2020 proxy statement around board diversity and workforce diversity efforts. A second female director was appointed to T-Mobile's board in 2020.

**Principle 12:**

Signatories actively exercise their rights and responsibilities.

**Shareholder rights**

Robust shareholder rights ensure that investors are treated fairly and equitably, that management and boards are accountable to owners and that market participants have confidence in the integrity of the capital markets.

Shareholder rights and their extent and detail will vary from one region or market to another. Some markets reward long-term shareholders or larger shareholders, with e.g. increased voting rights, but in general we are invested in the common shares of public companies, in the position of a minority shareholder, with “one share and one vote”. In general, we view the main shareholder rights to be:

- The possibility to attend general meetings and having voting rights;
- A degree of influence over company management selection and remuneration;
- The right to share in the company’s profitability; and
- Pre-emptive rights to newly issued shares.

Impax is an investment manager with a long-term investment horizon, constantly monitoring investee companies’ adherence of minority shareholders’ rights. We are engaging with companies to improve structures, processes and transparency pertaining to shareholder rights, following governance best practices.

**Proxy voting approach at Impax****1. Principles**

Proxy voting is the exercise of voting rights obtained by the firm in the course of its day-to-day investment activities in listed equities, deemed to meet Impax’s investment criteria. It is a key component in the ongoing dialogue with the companies in which the we invest. As such, proxy voting forms an important aspect of Impax’s overall investment process.

Impax is committed to ensuring the consistent exercise of voting rights associated with shares held in investment mandates, where proxy voting has been delegated to Impax. Through the implementation of the proxy voting policy, Impax aims to enhance the long-term value of its shareholdings, foster clear corporate governance best practices and promote greater accountability and transparency in the companies Impax has invested in. Impax also aims to exercise voting rights on all shares held by Impax, where it is in the best interest of its clients and where excessive costs or administrative burdens are not present. It is our policy to vote in all shareholder meetings and on behalf of all investors who have granted the Impax voting rights.

Impax invests in companies in a variety of countries and markets around the globe each year. Each market has unique rules, reporting requirements, and ESG practices and standards. Impax aims to stay abreast of new and emerging issues in these markets, and how they relate to global best practices for ESG issues.

**Main corporate governance principles that we expect from our investee companies**

- Creating sustainable, long-term value for stakeholders
- Protecting shareholder rights
- Maintaining high integrity in corporate behaviour at all times
- Ensuring an independent and efficient board structure
- Aligning corporate incentive structures and remuneration with long-term interests of shareholders
- Disclosing accurate, timely and transparent financial and corporate governance information
- Ensuring strong environmental and social performance and disclosures.

## 2. Environmental, Social and Governance considerations

Impax believes that well-governed companies are attentive to the environmental, social and governance (ESG) concerns that affect shareholders and stakeholders. These companies actively engage with their stakeholders and consider the long-term implications of their actions with a focus on creating durable, sustainable value.

Our ESG criteria helps us identify well-managed companies; while stewardship helps us improve the environmental, social and corporate governance performance of the companies we invest in. Proxy voting is one of the ways we engage with investee companies. Impax seeks to vote proxies consistently with our ESG criteria, which we apply to all companies.

## 3. Processes

Impax's proxy voting is predominantly related to governance issues such as the election of directors, board structures and management remuneration. We maintain dialogue with investee companies throughout the year and frequently engages on proposed governance structures ahead of voting at an AGM or soon after.

- Impax uses a third-party voting platform to facilitate the vote execution, reporting and record keeping. Impax also use third-party service providers, including proxy advisor service providers, to help inform its analysis of relevant proxy issues and proxy votes.
- Impax's proxy voting principles and guidelines are informed by individual country governance codes and best practices, and by advisory governance and internal research.
- Impax applies its voting principles and guidelines with full consideration to a company's circumstances, following internal analysis.
- Votes are cast on shares, where there are no legal, financial or technical constraints.
- Impax does not participate in stock lending.
- Where Impax's proxy voting principles and guidelines or general corporate governance best practice principles are not met, we vote against a resolution and, when practical, attempt to engage with the investee firm before or after the meeting.
- Impax carefully assesses shareholder resolutions and tends to vote for resolutions that are reasonable and would strengthen governance structures, shareholder rights or sustainability processes and disclosures.

## 4. Disclosures

- Proxy voting records:
  - On a quarterly basis Impax publicly discloses on its website a summary of the company's proxy voting activity<sup>20</sup>.
  - On an annual basis Impax publicly discloses on its website all "significant votes" cast<sup>21</sup>.
  - Voting decisions for both past and upcoming meetings for each of the Pax World Funds are disclosed on the Pax World Funds' website<sup>22</sup>.
  - Pax World Funds files a Form N-PX (annual report of proxy voting record) with the U.S. Securities and Exchange Commission annually.
- Proxy voting guidelines: <https://impaxam.com/pax-world-funds/proxy-voting/>
- ESG policy: Impax's ESG policy is publicly disclosed on the Impax website<sup>23</sup>.
- UK Stewardship Code Statement: This statement can be found on the Impax website.
- Client Communications: Impax regularly discusses and reports its stewardship policies and/or activities with its clients. The Manager Reports published include a reference to where further information on the stewardship policies and activities can be found.

<sup>20</sup><https://impaxam.com/wp-content/uploads/2020/10/Impax-summary-voting-statistics-2020.pdf>

<sup>21</sup><https://impaxam.com/wp-content/uploads/2021/03/Impax-significant-votes-voting-statistics-2020.pdf?pwd=7216>. Impax defines "significant votes" as those votes that not just purely procedural, but that are material in describing a company's financial position, corporate governance profile or other corporate structures or processes (whether votes are cast FOR or AGAINST management). This disclosure applies to funds managed by Impax Asset Management Limited, Impax Asset Management Ireland Ltd, Impax Asset Management (AIFM) Ltd.

<sup>22</sup>Pax World Funds are a US mutual fund range with independent governance. <https://impaxam.com/pax-world-funds/proxy-voting/>

<sup>23</sup>[https://impaxam.com/wp-content/uploads/2021/03/Impax\\_ESG\\_Policy\\_2021.pdf?pwd=7661](https://impaxam.com/wp-content/uploads/2021/03/Impax_ESG_Policy_2021.pdf?pwd=7661)

All related public disclosures can be found here:

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

## Global voting statistics in 2020

Impax Asset Management - Firm-wide Proxy Voting Statistics - Calendar year 2020	Impax total
Total number of meetings where it was possible to vote	1,067
Number of meetings in which IAM voted	1,067
Number of meetings in which IAM voted (as a percentage)	100%
Number of management resolutions in which IAM voted	14,664
Number of management resolutions in which IAM voted <u>against management</u> (i.e. <i>against</i> and/or <i>abstained</i> and/or <i>withheld</i> )	4,637
Number of management resolutions in which IAM voted <u>against management</u> (i.e. voted <i>against</i> and/or <i>abstained</i> and/or <i>withheld</i> ) as a percentage of management resolutions voted	31.6%
Number of shareholder resolutions in which IAM voted	378
Number of shareholder resolutions in which IAM voted <i>for</i> i.e. <u>against management</u>	274
Number of shareholder resolutions in which IAM voted <i>for</i> i.e. <u>against management</u> (as a percentage of shareholder resolutions voted)	72.5%

## Examples of voting outcomes in 2020

- Impax voted in favor of a shareholder proposal at **Expeditors International of Washington, Inc** requesting the Board of Directors adopt a policy for improving board and top management diversity. This proposal was approved by a majority of shareholders (52.7%).
- Impax voted in favor of a shareholder proposal at **Fastenal** requesting it issue a report assessing the diversity of its workforce. This proposal was approved by a majority of shareholders (57.7%).
- Impax voted against **CVS Health Corp's** advisory vote on executive compensation due to concerns regarding the structure of the long-term incentive plan and the acceleration of equity grants in lieu of future awards for several NEOs. The proposal failed to garner majority support, earning support of just 24.3%.
- Impax voted against nominating committee members standing for election at **Catchmark Timber Trust** due to concerns about board diversity. Following an engagement with Impax, the company formalized its commitment to board diversity by amending its Governance Guidelines to specify that candidates with a diversity of gender, race and ethnicity should be included in each pool of candidates from which Board nominees are chosen.

## Examples of Impax filing shareholder resolutions in 2020

### Pay equity

Impax co-filed a shareholder proposal with **HCA Healthcare**, requesting the company produce a pay equity report. (Collaborative engagement)

Outcome: Progress- following a productive dialogue, the company increased its public disclosure regarding its commitment to pay equity.

### Executive diversity

Impax co-filed a shareholder proposal with **Tractor Supply Co** requesting that the Board of Directors prepare a report providing its assessment of the current state of its executive leadership team diversity and if and how it plans to make the company's executive leadership team more diverse in terms of race, ethnicity, and gender. (Collaborative Engagement)

Outcome: Progress: following constructive dialogues, the company expanded its diversity disclosures in its 2020 proxy statement and 2020 ESG Report.

### Climate

Impax filed a shareholder proposal with **Paccar** requesting the company adopt goals for increasing its use of renewable energy. (Individual Engagement)

Outcome: Progress- Dialogue included a discussion about setting science-based greenhouse gas emissions targets and various energy efficiency efforts being undertaken by the company. In early 2021, the company formally committed to setting a science-based target.

## APPENDIX

### Impax memberships

- **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 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 US 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.

This report has been reviewed and approved by:

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