Impax Asset Management Limited

BIPRU Pillar 3 Disclosures 31 December 2021

Introduction

Impax Asset Management Limited (the 'Company' or 'Impax') is regulated by the Financial Conduct Authority ('FCA'). The Company is a BIPRU Limited Licence Investment Firm ('LLIF').

Impax benefits from FCA derogation regarding the Capital Requirements Regulation (CRR) allowing it to carry forward the Capital Requirements Directive (CRD) III rules. Therefore, the following disclosures are in accordance with the requirements of Chapter 11 of the FCA Prudential Sourcebook for Banks, Building Societies, and Investment Firms (BIPRU).

The CRD III framework for the assessment and monitoring of capital adequacy for Impax has three elements:

Pillar 1 sets out the minimum capital requirements to meet the credit, market and operational risks calculated in accordance with set rules;

Pillar 2 is an Internal Capital Adequacy Assessment Process ('ICAAP'), whereby the Group assesses the capital impact of the potential risks faced by the Group and the capital required to cover the risks identified;

Pillar 3 requires the disclosure of specified information about the underlying risk management controls and capital adequacy of the company.

Scope of Application

Impax Asset Management Limited is part of the group of companies headed by Impax Asset Management Group Plc (the 'Impax Group' or the 'Group'). The Group has been granted an investment firm consolidation waiver and accordingly the Pillar 3 disclosures set out in this document are made at the Company level.

Frequency of Disclosures

These disclosures are required to be made at least annually and, if appropriate, some disclosures will be made more frequently as a result of material updates to the company's internal capital adequacy assessment. Impax Asset Management Limited has a financial year-end reporting date of 30 September and disclosures are made as soon as is practicable after finalisation of its Annual Report and Accounts. Disclosures will be made at other dates if appropriate.

Verification, Media and Location

These disclosures explain the basis of preparation of certain capital requirements and provide information about management of specific risks. They do not constitute, in any form, audited financial statements and have been produced solely for the purposes of Pillar 3 disclosure. These disclosures are published on the Group's website within the Investor Relations section: www.impaxam.com/investor-relations/group-documents.

Capital Requirements and Resources

The Company's capital resources are approximately £37.7m as at 30 September 2021.

The Pillar 1 capital requirement is the greater of (i) the Fixed Overheads Requirement and (ii) the sum of the Market and Credit risk requirements. Both measures are calculated in accordance with the criteria set out by the FCA. For Impax the applicable measure is the Fixed Overheads Requirement; the Company's Capital resources are significantly in excess of this requirement.

The Pillar 2 capital requirement is developed using the ICAAP. The process covers the identification and probability of occurrence of the different business and operational risks faced by the Group and an assessment of the capital required to be held against those risks. The process also includes performing stress and scenario analysis to project the financial impact of various stress events, for example a significant equity market downturn. The ICAAP is prepared by the executive management of the Group and then reviewed in detail by the Audit and Risk Committee of the Board of Directors, before final approval by the Board itself.

The Company capital resources are in significantly excess of the maximum capital requirement identified by the ICAAP process.

Risk Management

Impax faces a wide variety of risks, including physical risks to people or property, financial loss, failure of service delivery, information management and damage to the organisation's reputation. Impax is committed to ensuring that an effective risk management system is in place and considers that this is an integral part of its overall governance framework.

Risk Management Roles and Responsibilities

1st Line of Defence	**Risk Ownership - Business Units** • **Top-Down Ownership**: Each Board member has a Statement of Responsibilities which clearly documents their personal accountabilities for overseeing compliance and risk matters within key business functions and for reporting to the Board and/or Management Committees regarding these activities. • **Bottom-up Ownership:** The Board recognise that Impax employees are best positioned to manage business processes and observe the related risks controls. Every member of staff receives training to help them actively identify, monitor and report risks that inherent in their day-to-day activity. Key business units complete Risk Control Self Assessments (RCSAs) on a regular basis to formally document key risks and the effectiveness of related controls.

2nd Line of Defence	**Risk Oversight – Independent Assurance** • The Risk Management Function independently monitors the adequacy of first line risk control environments. This team facilitates Risk Control Self Assessments of business functions, co-ordinates internal control testing by external auditors and oversees the management of any significant control failures. • The Risk Management Function reports to the Audit and Risk Committee of the Impax Asset Management Group Plc Board of Directors (the 'Group Board'). The Audit and Risk Committee Members are all Non-Executive Directors, who monitor risks and the processes in place to control or mitigate those risks and report to the relevant Boards.

3rd Line of Defence	Risk Effectiveness – Internal Audit • The effectiveness of both business units and the Risk Management Function are assessed by an independent Audit Function. These audit reports are presented to the Audit & Risk Committee, which also approves the Group Audit Programme, including the scope and frequency or review.

Risk Appetite

Risk appetite is the amount and type of risk that the Board regards as appropriate for Impax to accept in order to achieve business objectives. The Audit and Risk Committee reviews the risk appetite at least annually before final approval by the Group Board. Impax's risk appetite forms the basis against which business and financial decisions are taken. The principal risks that the Company faces are described below.

Strategic Risks

Strategic Planning and Execution

The Groups strategy, business model, operational plans and corporate governance framework are clearly documented to a high standard.

Regulatory Risks

Material Regulatory Breaches

Internal controls are appropriately designed to prevent and/or detect regulatory breaches, make corrective improvements to prevent reoccurrence and to report such matters in a timely manner.

Regulatory Capital

The Treasury Committee ensures a capital buffer of at least 10% in excess of regulatory requirements.

Facilitation of Financial Crime

Due diligence is undertaken on external counterparties to minimise the possibility that the Group is used to facilitate financial crimes, such as money laundering or terrorist financing.

Operational Risks

Change and Transformation

Senior stakeholders carefully manage change initiatives and transformation projects including significant changes to structures, processes, and systems to achieve growth objectives.

Investment Process

Investment teams have established robust investment processes, including appropriate risk controls. Investment staff are required to perform their roles with high standards of market conduct and professional judgement, to reduce the number of trade and transaction errors.

Cyber-Security, Data Protection & Business Resilience

The controls necessary to safeguard both corporate and client information security are regularly reviewed, including the appropriateness of cyber insurance.

Service Provider Resilience

An effective vendor oversight programme seeks to mitigate the impact of external risks originating from third parties, including critical technology providers and outsourced service providers.

Unwanted Staff Turnover

The potential loss of staff is mitigated through competitive remuneration and good HR practices.

Key Person Continuity

Certain individuals posing key-person risks are required to maintain hand-over documents, nominate internal successors for immediate coverage and/or have external succession plans.

Client Concentration

The combined revenue from certain client groupings have soft limits imposed.

Loss of Key Clients

Client retention is maximised through a high standard of client care, monitoring, and preventative action.

Market Risks

Management Fee Volatility

Listed Equity management fees are based on assets under management which exposed to market risk. The Company has chosen not to hedge this risk.

Seed Investment

Hedges against market movements for seed investments are approved by the Board. The Treasury Committee regularly monitors these hedges and reports to the Board on their effectiveness.

Fund Performance

Investment risk exposure is accepted in order to generate investment returns for investors. This is carefully managed by Portfolio Managers, in accordance with investment mandates and the investment process.

Liquidity Risks

Fund Liquidity

All funds are managed in a way that ensures there is appropriate liquidity to handle levels of redemption that could be reasonably expected and to rebalance a portfolio to meet investment management objectives. This risk is managed by Portfolio Managers and independently monitored by a Liquidity Forum, with soft alerts highlighted to an Investment Committee.

Corporate Liquidity

Sufficient liquid assets are held to support severe but plausible stress tests, and that the minimum amount is available as determined by the Internal Capital Adequacy Assessment Process (ICAAP) or Internal Capital and Risk Assessment (ICARA).

Fund Capacity

The Capacity Forum estimates and reviews the capacity available to each listed equity strategy, enabling a Product Governance Committee to balance internal ambitions to generate new AUM while continuing to preserve the alpha-generating capability for existing clients in the strategies.

Credit risk

Corporate Cash Counterparty Default

The Treasury Committee regularly monitors the firm's external treasury counterparties (including banks, other credit institutions and money market funds), responding to changes in credit ratings. Counterparties must be pre-approved and maximum concentration limits are imposed by the Board.

Private Equity Fund Credit Risk

Private Equity investors are subject to appropriate due diligence to gain comfort over their capacity to meet future commitments. Investors should be, upon admission, be deemed to have a strong capacity to meet drawdowns.

Private Equity Counterparty Default

The Private Equity Transaction Team carry out appropriate due diligence on counterparties and structure transactions to minimise the risk of default by an acquirer of assets from the funds.

Cash balances held by Private Equity funds are minimised, holding only cash required for operational needs, which are in the best interests of clients. Cash is held by a reputable counterparty and balances are monitored by Finance.

Remuneration

The Impax Group also includes a subsidiary which is an EU Alternative Investment Fund Manager and is therefore subject to the Remuneration Codes (the 'Codes') for both BIPRU and AIFM firms. Certain of the Group's staff work for both the BIPRU and AIFM firm. The Codes govern the remuneration policies of regulated firms and aim to ensure that firms establish, implement and maintain remuneration policies, procedures and practices that promote effective risk management.

The Impax Group provides investment management services on both a discretionary and advisory basis and does not trade on its own account apart from seeding new investment funds. It is conservative in its approach to risk taking and has a comprehensive framework of systems and controls in place.

The remuneration policies are set on a Group wide basis and are managed and reviewed by the Impax Asset Management Group Plc Remuneration Committee. The Committee has established and implemented policies which meet the requirements of the Codes as applicable to the size of the Group and are considered to be appropriate given the nature and scope of the business.

In addition to fixed remuneration, the Group operates a non-contractual bonus scheme including cash and equity elements. The bonus scheme is determined according to and paid from net profits. Performance criteria are taken into account when determining performance related remuneration and include adherence to investment and risk management processes. Overall remuneration in terms of base salaries and bonus levels are reviewed annually by the Board of Directors of Impax Asset Management Group plc.

Under the FCA's issued guidance on proportionality (the BIPRU Remuneration Code (SYSC 19C), the AIFM Remuneration Code (SYSC 19B) & Pillar 3 disclosures on Remuneration (BIPRU 11)), we have determined that Impax is not regarded as a significant institution. Impax's remuneration disclosure is in accordance with the FCA's guidance for proportionality level three.

Remuneration, as defined in the Codes, allocated to the Company for Remuneration Code Staff who provide services to the Company within its sole business area of investment management, in respect of performance for the year ended 30 September 2021, was £7,491k.

Remuneration, as defined in the Codes, allocated to the Company for senior management, in respect of performance for the year ended 30 September 2021, was £4,403k.

Further details of annual remuneration and the remuneration policy and the composition of the Remuneration Committee are included in the Impax Asset Management Group plc and Impax Asset Management Limited Annual Report and Accounts.