

## Engagement at Impax Asset Management

April 2022

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

- Impax Asset Management Limited (“Ltd”),
  - Impax Asset Management (AIFM) Ltd (“AIFM”),
  - Impax Asset Management Ireland Ltd, and
  - Impax Asset Management LLC; all collectively defined as “Impax” or the “Firm”
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Impax Asset Management is a fundamentally driven, active shareholder with a long-term investment horizon. Our objective is to build long-term relationships with investee companies. The Impax investment process is focused on a comprehensive understanding of the character and quality of our companies and issuers, including material environmental, social and governance (ESG) issues as well as areas of potential improvement. We believe it is in the interest of our investors’ that we engage with our investee companies and issuers, to minimise risks, protect and enhance shareholder value, promote greater transparency on ESG issues, and encourage companies and issuers to develop and become more resilient over time.

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

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

As part of our on-going, proprietary company and issuer-level ESG analysis, we identify company- and issuer-specific matters and risks and actively engage with companies and issuers regarding these matters, as part of monitoring and managing risks. 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 and issuers. The current areas of priority are climate, sustainability processes and reporting, corporate governance practices, and human capital including equity, diversity and inclusion. We then identify the companies and issuers most exposed to the topics in question and focus our engagement on those companies and issuers. We engage with companies of all sizes, including larger companies with the aim of promoting best practices throughout an industry peer group.

While we assess our engagement priorities every year, they are often of a long-term nature and do not necessarily change annually.

### 3. Proxy voting driven engagements

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. In recent years, we have filed or co-filed shareholder proposals at companies on issues relating to climate change, board diversity, pay equity and racial justice.

## ENGAGEMENT AS PART OF THE INVESTMENT PROCESS

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ESG-analysis and engagement are fully integrated in our investment process. Engagement is used both to mitigate risk and to enhance value and investment opportunities. The investment team is involved in monitoring our companies and issuers and we have policies in place on how to escalate issues, if and when concerns arise.

Engagement allows us to:

- Manage risks by proactively identifying and mitigating issues
- Enhance company analysis; how companies respond to engagement is informative of their character
- Strengthen investee companies over time; improving quality, processes, transparency and resilience

Engagements are conducted by the Impax investment team, as part of our regular meetings with company management teams, or through additional conference calls, meetings, email exchanges or as part of joint communications with the investment community. We regularly collaborate with other investors and partners on engagements, 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. Impax will not participate in collaborative engagements that could be interpreted as investors acting in concert.

The Impax Investment Committee meetings have a standing agenda item “ESG and Engagement”, to continuously inform and discuss engagement issues across the investment teams.

We maintain an engagement database where the engagement issues, actions, timings, outcomes and current status are detailed. We review the database regularly and diarise engagement follow-ups for unresolved issues and next steps.

In cases where engagements are not progressing as anticipated, we will utilise our escalation processes, which include seeking meetings with alternative contacts at investee companies, including board directors, seeking engagement together with other shareholders and filing or co-filing shareholder resolutions.

## TOP-DOWN STRATEGIC ENGAGEMENT PRIORITIES FOR 2022:

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- Climate
  - Processes, management and transparency of climate risks (transition and physical)
  - Focus on physical climate risks, including water stress, as part of our TCFD commitment
  - Special attention to disclosure of geo-location data of companies’ assets and facilities
- ESG Sustainability processes and reporting
  - Encouraging development of material sustainability processes and disclosures
  - Focus on smaller and emerging market companies
- Global governance best practices
  - Governance structures
  - Focus on Asian governance
- Human Capital, including Equity, Diversity & Inclusion
  - Diversity (inclusive of gender, race & ethnicity) of senior management teams, boards and workforce
  - Encouraging policies, processes and programs that create pathways for diverse talent to advance and support an inclusive workplace
  - Progressive paid family leave and flexible work policies aid in talent recruitment and retention
  - Human capital management in the context of extreme labour constraints, following from the Covid-19 pandemic

The thematic engagement areas for 2022 are Biodiversity, improved disclosures relating to corporate supply chains and related geo-locations, and Ethics of algorithms and AI.

## COMMUNICATING OUR ENGAGEMENT WORK

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We have disclosed a detailed Stewardship Statement on our website, describing our approach to engagement, proxy voting, managing conflicts of interest and communicating our Stewardship:

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

We also publicly report on our engagement and proxy voting outcomes:

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

## IMPAX MEMBERSHIPS:

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- **Asian Corporate Governance Association (ACGA):** An independent organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.
- **The Carbon Disclosure Project (CDP):** An independent organisation holding the largest database of corporate climate change information in the world.
- **Ceres:** An organization working with investors and companies to build sustainability leadership and drive solutions throughout the economy. Ceres addresses topics climate change, water scarcity and pollution, and human rights abuses.
- **Climate Financial Risk Forum (CFRF):** Industry organisation Convened by the FCA and Bank of England/PRA to share best practice on climate risk.
- **Coalition for Climate Resilient Investment (CCRI):** A private sector-led organization developing tools, solutions and financial instruments to support integration of physical climate risks in investment decision-making.
- **Confederation of British Industry (CBI):** A membership organization for over 190,000 UK businesses.
- **Council of Institutional Investors (CII):** Promoting strong governance and shareholder rights standards at public companies.
- **Energy Transitions Commission (ETC):** Energy transition focused 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.
- **Financing a Just Transition Alliance (FJTA):** Aims to translate commitment to a just transition across the financial sector into real world impact in terms of ensuring workers and communities are not left behind.
- **Glasgow Financial Alliance for Net Zero (GFANZ):** Unites net-zero financial sector-specific alliances from across the globe into one industry-wide strategic alliance.
- **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.
- **Natural Capital Investment Alliance (NCIA):** A central hub for global corporations and financial institutions seeking to scale-up their investments into Natural Capital, in support of biodiversity restoration.
- **Net Zero Asset Managers Initiative (NZAM):** An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.
- **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.
- **ShareAction Investor Decarbonisation Initiative:** Aims to bring together investors to accelerate corporate action on climate change in high-carbon sectors.
- **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.
- **Women's Empowerment Principles:** A set of Principles offering guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community.