Impax Asset Management Limited

MIFIDPRU Public Disclosure

For the Financial year:
1 October 2021 to 30 September 2022

Applicable with effect from:
30 June 2023

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1 Public Disclosure

1.1 Introduction

The Investment Firm Prudential Regime ('IFPR') is the FCA's prudential regime for MiFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. The IFPR came into effect on 1 January 2022 and its provisions apply to Impax Asset Management Limited (the "Firm"") as an FCA authorised and regulated firm.

The Firm is a specialist asset manager investing in the transition to a more sustainable global economy and seeks to be the leading investment manager in this area. Impax establishes and seeks to grow a small number of scalable products and to sustain excellent investment performance. It markets these products predominantly to larger investors who can deploy a significant quantity of capital. To achieve these objectives, Impax recognises the importance of attracting outstanding investment talent and retaining a core senior management team whose interests are aligned with those of shareholders.

The Firm is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8. The disclosure document covers all aspects of the disclosure requirements within the scope of the MIFIDPRU rules applicable to non-small and non-interconnected ('Non-SNI') investment firms.

The Firm is a member of a UK Consolidation Group. The disclosures have been prepared on an individual basis. The Firm believes that its qualitative disclosures are appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities. This disclosure has been approved for disclosure by the Board of the Firm (the "Board").

The annual audited accounts of the Firm set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

This document does not constitute any form of financial statement on behalf of the Firm. The information contained herein has been subject to internal review but has not been audited by the Firm's external auditors.

1.2 Objectives

This document sets out the public disclosure under MIFIDPRU 8 for the Firm as of 30 September 2022, which is the Firm's accounting reference date.

As a MIFIDPRU investment firm, the Firm must establish and implement disclosure requirements to provide investors, stakeholders and wider market participants with an insight into how the Firm is run.

1.3 Disclosure timing requirements

The Firm is required to publicly disclose the information specified in this document on an annual basis on the date it publishes its annual financial statements, which is on or before 30 June 2023.

The Firm will consider making more frequent public disclosure where particular circumstances demand it, for example, in the event of a major change to its business model or where a merger has taken place.

1.4 Disclosure Validation

The Firm is committed to having robust internal controls to ensure the completeness, accuracy, and compliance with the relevant public disclosure regulatory requirements.

This document has been subject to internal governance and verification process, and approval by the Board to ensure compliance with the regulatory requirements contained in MIFIDPRU 8.

As a Non-SNI firm, the public disclosure document contains the following key areas:

- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration.

2 Governance arrangements disclosure

2.1 Governance Framework

The Board is the Governing Body of the Firm. It meets regularly and as at the date hereof is comprised of:

- Sally Bridgeland
- Ian R Simm
- Bruce Jenkyn-Jones
- Daniel von Preyss
- Catherine Bremner
- Karen Cockburn

The role of the Board is to provide oversight and take responsibility for the strategic leadership of the Firm within a framework of good corporate governance and prudent and effective controls which enables risk to be assessed and managed, including appropriate segregation of duties of the Senior Management Functions in accordance with the Senior Management and Certification Regime ('SM&CR') and management of conflicts of interest. The Board sets the structure in place for the Firm to meet its objectives and reviews management performance. The Board sets and oversees the Firm's values and standards and ensures that its obligations to its shareholders, its clients and others are understood.

A review of the performance of the Board takes place annually and all staff are reviewed annually in respect of competence and fitness and propriety.

The Board discharges daily management and oversight responsibility for the business supported by other key members of the senior management team within the Firm.

The Firm seeks regulatory approval prior to appointments to the Board under the SM&CR. All Board members are registered and listed on the FCA Register.

2.2 Overview of the Board Committees

The Firm has not formed any stand-alone committees due to its size. As the firm is a wholly owned subsidiary of Impax Asset Management Group plc (the "Impax Group"), the Firm relies upon Impax Group's committees (the "Group Committees"). The purpose of the Group Committees along with their respective scopes of duties and responsibilities are formalised in their individual Terms of Reference.

The following Group Committees are in place:

- Audit and Risk Committee
- Remuneration Committee
- Executive Committee
- Enterprise Risk Committee
- Investment Committee
- Treasury Committee

- Valuation Committee
- Best Execution Committee
- New Business Committee
- Product Governance Committee
- Environmental Committee
- Conduct and Disciplinary Committee
- Compliance Committee

2.3 Directorships

The following information relates to the appointments of Directors of the Firm held in both executive and/or non-executive functions, including any Directorships held at external, commercial organisations as at 24 May 2023:

Role	Name	Number of other external directorships
Chair and Independent Director	Sally Bridgeland	7
Director	Ian R Simm	0
Director	Bruce Jenkyn-Jones	0
Director	Daniel von Preyss	0
Director	Catherine Bremner (appointed: 18 February 2022)	0
Director	Charles D Ridge (resigned: 6 January 2023)	0
Director	Mary Alexander (appointed: 13 December 2022, resigned: 5 May 2023)	0
Director	Karen Cockburn (appointed: 6 January 2023)	1

2.4 Diversity

The Firm values the innovation and creativity that diversity of thought brings to the organisation and understands that diversity, equality and inclusion play a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering higher standards of conduct and success of the Firm. The Firm is committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything the Firm does.

One of the Firm's objectives is to ensure that the composition of the Board is always suitable for it to be an effective decision-making body and to provide successful oversight and stewardship. Suitability of the members of the Board is reassessed periodically, in line with the requirements of the SM&CR. The Directors are appointed in accordance with the following suitability criteria:

- Being of good repute;
- Being able to act with honesty, integrity and independence of mind;

- Overseeing, monitoring and challenging management decision-making effectively;
- Disclosing any financial or non-financial interests that could create potential conflicts of interest;
- Possessing sufficient knowledge, skills and experience to perform their duties;
- Being able to commit sufficient time to perform management body functions in a supervisory context; and
- Not being restricted from taking up the position by any regulatory requirement.

The assessment of an individual's adequate knowledge, skills and experience will consider:

- The role and duties of the position and the required capabilities;
- The knowledge and skills attained through education, training and practice;
- The practical and professional experience gained in previous positions; and
- The knowledge and skills acquired and demonstrated by the professional conduct of the member of the Board.

2.5 Equity, Diversity & Inclusion Policy

The Firm believes that the transition to a more sustainable economy is closely linked to the transition to a more equitable society. Equity, diversity and inclusion ("E,D&I") are critical to the Firm's own organisation, to the success of the companies in which it invests, and in creating opportunity in the communities in which it operates. The Firm and the Impax Group is committed to using the tools it has as investors to address discrimination and inequity.

Investments

The Firm invests in companies that are well positioned from the transition to a more sustainable economy, including companies that are leaders on human capital issues such as E,D&I. Impax is a pioneer in gender lens investing. The Firm withholds votes from companies that we believe lack sufficient diversity on their boards. The Firm engages with the companies in its investment portfolios to press for greater diversity on their leadership teams and equal pay for all staff irrespective of gender or race.

Business

The Firm's E,D&I vision is to continue to build an inclusive, equitable culture where everyone feels they belong, are valued as an individual, and can thrive. Impax remains focused on increasing the number of women and racial and ethnic minorities, especially at senior levels, and to equal pay across the Firm.

The Firm's priorities include:

- Setting goals and providing tools for managers to promote accountability for E,D&I progress;
- Extending the potential talent pool in recruitment and engaging with recruiters with a strong track record when it comes to diversity; and
- Gathering data directly and confidentially from employees across different facets of diversity and analysing results.

Partnerships and Social Impact

The Firm partners with organisations focused on E,D&I, spotlighting the unique challenges faced by women and minorities within its industry. The Firm offers young people from socially diverse backgrounds the opportunity to work in the investment management space. Impax also encourage colleagues to play an active role in the community – for the benefit of both the Firm's business and wider society.

3 Own funds disclosure

3.1 Composition of Regulatory Own Funds

The Firm's own funds consist of CET1 capital, Additional Tier 1 capital, and Tier 2 Capital. As at the Firm's financial year end on 30 September 2022, the Firm complied with all capital requirements.

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	38,008	
2	TIER 1 CAPITAL	38,008	
3	COMMON EQUITY TIER 1 CAPITAL	38,008	
4	Fully paid-up capital instruments	10	Note 12
5	Share premium		
6	Retained earnings	61,852	
7	Accumulated other comprehensive income		
8	Other reserves	19,298	
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(43,152)	Note 7 (deferred tax), Note 9 (investments), directors report (foreseeable dividend)
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		

28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

3.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below describes the reconciliation with own funds in the balance sheet as at 30 September 2022, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets – *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Investments	1	N/A	Item 11
2	Deferred tax asset	2,151	N/A	Item 11
3	Trade and other receivables	29,866	N/A	
4	Current tax asset	80	N/A	
5	Cash invested in money market funds	53,396	N/A	
6	Cash and cash equivalents	37,542	N/A	
	Total Assets	123,036	N/A	
Liabilities – *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Trade and other payables	41,876	N/A	
	Total Liabilities	41,876	N/A	
Shareholders' Equity				
1	Called up share capital	10	N/A	Item 4
2	Capital redemption reserve	180	N/A	Item 8
3	Capital contribution reserve	19,118	N/A	Item 8
	Retained earnings	61,852	N/A	Item 6
	Total Shareholders' Equity	81,160	N/A	

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4 Own funds requirements disclosure

4.1 Own funds requirement

The Firm is required to disclose the K-factor requirement (‘KFR’) and the fixed overheads requirement (‘FOR’) amounts in relation to its compliance with the own funds requirements set out in MIFIDPRU 4.3, based on the audited financial statements for the year ended 30 September 2022.

		£,’000
K-factor	Sum of K-AUM, K-CMH and K-ASA	6,183
	Sum of K-COH and K-DTF	--
	SUM of K-NPR, K-CMG and K-CON	--
	Total K-factor	6,183
FOR		10,178

4.2 Compliance with Overall Financial Adequacy Rule

In line with the provisions relating to the Overall Financial Adequacy Rule (‘OFAR’) set out in MIFIDPRU 7.4.7R, the Firm is also required to disclose its approach to assessing the adequacy of the Firm’s own funds.

ICARA process

Within the annual ICARA process, the Firm is required to identify and assess the following:

- any material/key risks that arise from its activities;
- any material harms that may be caused to the clients, the market or the Firm itself as a result of its activities; and
- whether, at all times, the Firm has sufficient own funds and liquid resources to meet the Overall Financial OFAR.

The OFAR requires that the Firm holds own funds and liquid assets which are adequate (both in amount and quality) to ensure that:

- the Firm can remain financially viable throughout the economic cycle and be able to address any material potential harm; and
- the Firm’s business can be wound down in an orderly manner with minimal impact on consumers and other market participants.

The process of embedding the ICARA process within the Firm has been completed and the adequacy of the ICARA process will be reviewed on an annual basis thereafter, or more frequently, should there be any material change to the business risk profile or business model.

The ICARA process encompasses various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms;
- business model planning and forecasting;
- recovery and wind-down planning;
- assessing the adequacy of financial resources; and
- assessing the overall effectiveness of the risk management of the Firm.

As part of the ICARA process, the Firm establishes its own funds threshold requirement and its liquid assets threshold requirement to comply with the OFAR and to ensure the Firm can remain viable, addressing any potential harm from ongoing activities, and can wind-down in an orderly way. For harms not adequately mitigated through existing systems and controls, the Firm assesses whether additional own funds and/or liquid assets are required.

The recovery action planning contains appropriate recovery actions to restore own funds and/or liquid resources to avoid breaching threshold requirements and early-warning-indicators (‘EWIs’) to assist the Firm when approaching trigger levels and set out credible actions to help reverse or repair any adverse trends.

The wind-down planning includes triggers (own funds and liquid assets) and timelines. The Firm considers different scenarios that could cause a need to wind-down the business. These underlying drivers could result in the need for different resources (financial and non-financial) during the wind-down period. The Firm sets resources aside so that sufficient own funds and liquid assets are available at all times to enable an orderly wind-down.

Risk management

The Firm maintains a formally documented Risk Register that is established based upon its business plan and approved by the Board. Each risk within the Risk Register is cross-referenced to possible ICARA harms (client, market, firm) and assessed to determine its materiality to the Firm. A description of the controls put in place to mitigate each risk is also included.

The Board defines the Firm’s risk appetite, which reflects Impax Asset Management Limited’s appetite in relation to all identified material risks and is therefore aligned to the Risk Register. The Firm’s overall risk appetite must be such that its own fund and liquidity requirements, as captured in the ICARA process, are maintained within its risk bearing capacity or capital resources. All material risks identified in the Risk Register are assessed to determine appropriate own funds and liquidity reserves. Regular stress testing and scenario analysis is undertaken to ensure these reserves are sufficient to meet current and future obligations under a variety of stressed conditions.

Own funds adequacy

The Firm assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. In maintaining the Firm’s own funds requirements within the risk appetite, EWIs have been established. These are agreed as part of the annual own funds planning process and reviewed annually.

Levels of own funds usage against limit are regularly monitored and reported at least quarterly.

Liquid assets adequacy

The Firm has an established liquidity risk management framework based on the Firm’s approved liquidity risk appetite in order to ensure that:

- the basic liquid asset requirement (‘BLAR’) is met; and
- the liquid assets threshold requirement is determined.

The Firm further assesses its compliance with liquid asset threshold requirement which is based on the sum of BLAR and an additional liquid asset requirement determined during the ICARA process, to ensure liquidity adequacy in stressed conditions and during an orderly wind-down as part of its OFAR compliance from a liquidity perspective.

Liquidity risks are identified through ongoing liquidity management and monitoring, which contribute to the development of the Firm’s liquidity risk management framework and formulating stress testing scenario design and key assumptions.

The Firm’s monitoring and reporting of its liquidity position is undertaken through established reporting against the key liquidity metrics. Any triggers or breaches would be escalated in line with the escalation framework.

5. Remuneration

5.1 Transitional Provisions

In accordance with the transitional provisions for public disclosure requirements contained in rule 12.8 of MIFIDPRU TP12, for the financial year that ended on 30 September 2022, Impax continues to comply with remuneration disclosures requirements as they applied to Impax prior to 1 January 2022.

5.2 Remuneration Code Disclosure

For remuneration purposes, Impax Group includes a subsidiary which is authorised as an Alternative Investment Fund Manager ("AIFM") and is subject to the FCA's AIFM remuneration code set out in SYSC 19B (the "19B Code") in relation to the alternative investment funds ("AIFs") which it manages. FCA SYSC 19C.1.1A provides that a full-scope UK AIFM that complies with SYSC 19B will also comply with SYSC 19C.

ESMA's guidelines of 31 March 2016 (ESMA/2016//411) paragraph 30 provide that where staff are subject to different sectoral principles, they may be remunerated by applying the sectoral remuneration principles which are deemed more effective for achieving the outcomes of discouraging inappropriate risk taking and aligning the interest of the relevant individuals with those of investors in the funds or other portfolios they manage.

On this basis, Impax has determined to apply the AIFMD remuneration rules to its business generally, with such adjustments as it may consider appropriate in the event of any inconsistency between different sectorial provisions.

5.3 Remuneration Committee

Impax Asset Management Group plc has an independent Remuneration Committee comprising entirely of Non-Executive Directors. The Committee has general oversight of all remuneration arrangements for all staff of the Group and it considers all material elements of remuneration policy, remuneration itself and incentives with reference to independent remuneration research and professional advice.

Among its duties, the Committee is responsible for all elements of the remuneration of its executive Directors and Chair and is responsible for determining the firm's policy relating to the payment and deferral of any bonus, compensation payment, equity options or other discretionary sum to any partner or employee of the Impax Group. In making remuneration decisions, the Remuneration Committee has regard to all aspects of employee performance including any potentially excessive risk taking from a financial and a non-financial perspective.

The Impax Group entities provides investment management services on both a discretionary and advisory basis and do not trade on 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 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.

5.4 Code Staff & Link Between Pay and Performance

As at 30 September 2022, the Impax Group had 272 staff, of which 9 were Code staff at the Firm. In addition to fixed remuneration, the Impax 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. There is a Remuneration Risk Adjustment Policy in place to ensure that remuneration is appropriately aligned to the level of risk exposure.

Overall remuneration in terms of base salaries and bonus levels are reviewed annually by the Board of Directors of Impax Group. 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)), it has been determined that Impax is not regarded as a significant institution.

5.5 Remuneration Figures

The following table sets out total remuneration for the 30 September 2022 financial year end for all Code staff at the Firm. The total remuneration figures include fixed and variable elements of remuneration.

	Fixed	Variable	Total
	£000's	£000's	£000's
Code Staff	£2,051	£7,535	£9,586

Further details of annual remuneration, the remuneration policy and the composition of the Remuneration Committee are included in the Impax Group and the Firm's Annual Report and Accounts.