



Impax Asset Management Group plc

The UK Stewardship Code

The Stewardship 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.

Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at general meetings. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire. It provides an opportunity to build a critical mass of UK and overseas investors committed to the high quality dialogue with companies needed to underpin good governance. By creating a sound basis of engagement it should create a much needed stronger link between governance and the investment process, and lend greater substance to the concept of “comply or explain” as applied by listed companies. The FRC therefore sees it as complementary to the UK Corporate Governance Code for listed companies, as revised in June 2010.

Institutional investors should:

- 1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.**
- 2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**
- 3. Monitor their investee companies.**
- 4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.**
- 5. Be willing to act collectively with other investors where appropriate.**
- 6. Have a clear policy on voting and disclosure of voting activity.**
- 7. Report periodically on their stewardship and voting activities.**

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

By investing in the environmental and energy sectors, Impax’ objective is to generate the best, risk adjusted returns for clients while acting responsibly and with integrity at all times. Our core expertise is within the environmental sector, however, we take a close interest in ensuring effective governance of our investee companies. We also believe that a thorough understanding of environmental, social and governance (ESG) issues is likely to enhance our perspectives on both the opportunities and risks offered by individual investments.

Impax regularly engages with investee companies regarding specific ESG issues that have become concerns, both independently and on behalf of clients, as well as or through joint representations with other institutions.

Impax’ Investment Process and ESG

ESG analysis is an integral part of the Impax investment process. Our listed securities investment process incorporates ESG parameters into the investment analysis of companies through a thorough examination of company management, governance, ownership, risks and ESG disclosures. Each company must be approved by the investment committee on these criteria before it enters the Impax list of investable stocks.

Our proxy voting policy

Impax' policy is to vote on all shares held, where in the best interest of clients. We never automatically vote for boards, but carefully assess the structure, composition, independence and effectiveness of the board. The UK Corporate Governance Code, ISS/Riskmetrics governance research, as well as research by the ESG analyst and the relevant fund manager, stand as guidelines in the voting process. Impax uses ISS/RiskMetrics as a research tool and voting platform for proxy voting; it provides us with governance research with publicly disclosed best practice governance policies.

Impax will be publicly disclosing a summary of our proxy voting records on a quarterly basis, from January 1, 2011.

For more detail, please view our proxy voting policy (from January 1, 2011) and ESG policy on our website.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

In its operations, Impax does not expect to often encounter conflicts of interest in relation to stewardship, but is continually monitoring for this and has procedures in place to deal with conflicts if they arise.

Principle 3

Institutional investors should monitor their investee companies.

By investing in the environmental and energy sectors, Impax' objective is to generate the best, risk adjusted returns for clients while acting responsibly and with integrity at all times. Our core expertise is within the environmental sector, however, we take a close interest in ensuring effective governance of our investee companies. We also believe that a thorough understanding of environmental, social and governance (ESG) issues is likely to enhance our perspectives on both the opportunities and risks offered by individual investments.

Meeting with investee companies

In our ongoing investment process we meet regularly with the management of investee companies to discuss both operational, financial and ESG issues facing the companies.

Proxy voting

Impax' policy is to vote on all shares held, where in the best interest of clients. We never automatically vote for boards, but carefully assess the structure, composition, independence and effectiveness of the board. The UK Corporate Governance Code, ISS/Riskmetrics governance research, as well as research by the ESG analyst and the relevant fund manager, stand as guidelines in the voting process. Impax uses ISS/RiskMetrics as a research tool and voting platform for proxy voting; it provides us with governance research with publicly disclosed best practice governance policies.

Engaging with investee companies

Impax regularly engages with investee companies regarding specific ESG issues that have become concerns, both independently and on behalf of clients, as well as or through joint representations with other institutions.

Retaining records

Records of all investee company engagements are retained, as well as of private meetings held with companies, all votes cast, and of reasons for voting against the investee company's management, for abstaining, or for voting with management.

Impax invests globally, therefore attending Annual General Meetings of investee companies is not always practical, but we attempt to attend where possible.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Impax regularly engages with investee companies regarding specific ESG issues that have become concerns, both independently and on behalf of clients, as well as or through joint representations with other institutions.

Initial contact is taken with company top management regarding items of concern. Impax is additionally intervening jointly with other institutions on particular issues, e.g. the recent “Greening the solar sector”-initiative. Impax also views using our proxy voting power to oppose a board or a resolution not abiding with governance guidelines, as an important tool of engagement.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

The Impax team values the opportunity to debate ESG issues and the role of ESG analysis in the investment decision making with other investors and to participate in collective investor engagement. We are therefore members of (or signatories to) the following:

- United Nations Principles for Responsible Investment (UN PRI): Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- Institutional Investors Group on Climate Change (IIGCC): A forum for collaboration on climate change for European investors.
- The Carbon Disclosure Project (CDP): An independent organisation holding the largest database of corporate climate change information in the world.
- UK Sustainable Investment and Finance Association (UKSIF): Provides services and opportunities to align investment profitability with social and environmental responsibility.

Intervening jointly with other institutions on particular issues, recent examples:

- Investor Network on Climate Change/CERES led initiative, Impax among 57 investors signing letters to 27 oil and gas companies and 26 insurance companies, requesting these to improve disclosure on risk management, after the BP oil spill in the Gulf of Mexico, August 2010.
- Silicon Valley Toxics Coalition/Henderson Global Investors led initiative, Impax among 15 investors signing letters to 12 solar PV module manufacturers urging them to improve their environmental disclosures, September 2010.
- IIGCC led initiative, Impax among 259 investors urging governments to take action on Climate Change ahead of the UNFCCC climate summit in Cancun, November 2010.

Impax has disclosed its policy on collective engagement on its website.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Proxy voting is a key component in the ongoing dialogue with companies in which we invest. As such, voting is an important aspect of Impax Asset Management's investment process. We are committed to ensuring consistent exercise of voting rights associated with shares held in investment mandates where proxy voting has been delegated to us. Through implementation of our voting policy, we aim to enhance the long-term value of our shareholdings and to foster corporate governance best practices. We strive to vote in the best interest of our clients.

- Impax' policy is to vote on all shares held, where in the best interest of clients.
- Impax never automatically votes for boards, but carefully assesses the structure, composition, independence and effectiveness of the board. The UK Corporate Governance Code, ISS/Riskmetrics governance research, as well as research by the ESG analyst and the relevant fund manager, stand as guidelines in the voting process.
- Impax uses ISS/RiskMetrics as a research tool and voting platform for proxy voting; it provides us with governance research with publicly disclosed best practice governance policies.

For more detail, please view our proxy voting policy on our website, from January 1, 2011.

Impax will be publicly disclosing a summary of our proxy voting records on a quarterly basis, from January 1, 2011.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

Impax will be publicly disclosing a summary of our proxy voting records on a quarterly basis, from January 1, 2011.

Impax has regular meetings with its clients or their representatives and at those meetings, as well as in the monthly "Managers Reports" significant stewardship activity is reported and discussed.