

## **IMPAX'S POLICY ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") ISSUES**

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, as diligent investors, 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.

### **ESG and the Impax Investment Process**

ESG analysis is an integral part of our investment process and a wide range of ESG and non-financial information is incorporated into our company research – a process through which all stocks must pass before becoming eligible for inclusion on the 'A-list' of approved stocks. This information includes:

- Environmental, Social and Governance (ESG) processes, policies in place and level of disclosure
- Structure and effectiveness of the Board (independence, tenures, backgrounds, diversity)
- Shareholder friendliness and the protection of shareholder rights (anti-takeover defences)
- Ownership structure and control issues (dominant or majority owner)
- Compensation and incentive structures, alignment with shareholder long term interests and level of disclosure
- Corporate behaviour, reputation and integrity
- Proxy voting and accounting practices

The Impax investment team has a policy of active engagement on ESG issues and regularly meets and engages with the management of investee companies in the course of the ongoing investment process as well as regarding any specific issues of concern.

Impax' ESG engagement with its investee companies is done both independently, on behalf of clients as well as through joint representations with other institutions.

### **ESG Communities and Collective Investor Engagement**

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.
- **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.
- **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.
- **Association for Sustainable & Responsible Investment in Asia (ASRIA)**: A Hong Kong based membership association dedicated to promoting sustainable finance and responsible investment in the Asia-Pacific region.

- **US Sustainable and Responsible Investment (US SIF)**: A US membership association for professionals, firms, institutions and organisations engaged in sustainable and responsible investing.
- **The UK Stewardship Code**: The UK 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.