



Impax welcomes the recommendations from the Task Force on Climate-related Financial Disclosures

London, 14 December 2016 - Impax Asset Management ("Impax") the specialist investment manager focused on environmental markets and related resource efficiency sectors, today welcomed the recommendations outlined in the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD" or "the Task Force") on best practice for company reporting.

Ian Simm, Chief Executive, commented:

"We welcome the Task Force's ambition to bring consistency and transparency to companies' environmental reporting and hope that these recommendations will be widely adopted. This report is a call to action to companies to provide investors with the information they need to make informed decisions on climate risk. Pension fund trustees now have a clear framework for assessing climate risk and ensuring that their fiduciary duties in this area can be fulfilled."

"Impax has published several papers on climate risk in investment portfolios over recent years which have built on the concept that climate change is a measurable investment risk, not an uncertainty. Our climate risk model is, we believe, one of the first to use scenarios for the potential impairment of company cash flows, an approach recommended by the Task Force."

The Impax approach and key assumptions are summarised [here](#),

Our latest update on climate change investment risk can be accessed [here](#).

- The risk for investors today is principally around government intervention to limit emissions, not a changing climate;
- Carbon foot-printing is an inappropriate way to measure this risk (and using it may actually increase the risk in a portfolio);
- Companies owning fossil fuel assets are most at risk;
- By using scenarios of government intervention, Impax estimates the financial impact of climate risk on the future cash flows of individual companies;
- There is evidence that this financial impact isn't reflected in today's valuations, i.e. many fossil fuel stocks may be overvalued. There is a strong parallel here in listed US coal stocks, whose aggregate value has dropped by more than 90% since 2011.

Ian Simm added:

"We have been running three model portfolios based on the MSCI World Index, which reduce fossil fuel exposure to varying degrees, and in order to preserve energy price (factor) exposure, replace it with Energy Efficiency stocks. The models have been rebalanced four times over the past year in response to MSCI index weightings and updates to our proprietary fossil fuel risk analysis. Our model currently indicates a larger shift into Energy Efficiency from fossil fuel (exploration and production companies) than one year ago."

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Notes to Editors - About Impax Asset Management

Impax Asset Management is a leading investment firm, managing and advising on approximately £4.9bn* primarily for institutional clients through both listed and private equity strategies.

The Company's investments are based on the strong conviction that population dynamics, resource scarcity, inadequate infrastructure and environmental constraints will profoundly shape global markets, creating investment risks and opportunities. Impax expects that these trends, reflecting the transition towards a more sustainable global economy, will drive earnings growth for well-positioned companies. Impax's proprietary investment framework identifies and calibrates the rising risks and expanding opportunities from this transition, and guides the search for investments that will deliver long term outperformance.

*As of 30 November 2016

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