

## Engagement at Impax Asset Management

Impax Asset Management is an active shareholder, focused on underlying fundamentals with a long-term investment horizon. We seek to build long-term relationships with our investee companies. Our investment process is focused on thoroughly understanding the character and quality of our companies, (financial and non-financial) the risks and the areas of potential improvement. We believe it is in our investors' interest that we engage with our investee companies, to seek to minimise risks, protect and enhance shareholder value and encourage companies to develop and become more resilient over time.

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

### 1. Engagement with smaller companies

We focus on smaller companies to strengthen governance structures, introduce sustainability policies, processes and disclosures, for companies to manage effectively their most material ESG-risks. Impax has developed a proprietary cost-effective framework to advise companies on how to develop robust, material and cost-effective sustainability reporting.

### 2. Longer-term strategic engagement priorities

Every year we assess and state the engagement priorities for the next 12 months, based on market developments and emerging ESG and sustainability issues that we have identified and that are relevant and material for our companies. We then identify the companies most exposed to the issues in question and focus our engagement on those companies. While we assess these priorities every year, they may not change annually; they are often of long-term nature.

### 3. Collaborative engagement

We regularly engage on ESG issues, specific sectors and companies together with other investors and partners with or without a lead or coordination from responsible investment organisations. These are collaborative engagements where outreach may particularly benefit from a larger group of shareholder involvement or in cases where an issue is being escalated.

### 4. Pre- or post AGM engagement

We engage with many of our companies either before or after AGM and proxy voting. Engagement is predominantly related to governance and issues such as election of directors, board structures and management remuneration. Where we vote against an AGM resolution, we aim to inform the company before the AGM, or at least after the AGM.

### 5. Company due diligence

As part of our 10-step company analysis, we often engage with companies to find information and clarification regarding specific governance issues, environmental and/or social risks that have not been clearly addressed, explained or disclosed by the company. This is part of our on-going monitoring of our companies.

## Engagement as part of the investment process

ES -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 we have policies in place on how to escalate issues, if and/or when concerns arise.

Engagement allows us to:

- Manage risks; proactively identify and mitigate issues
- Enhance company analysis; how companies respond to engagement is highly informative and this information is included in our ESG-analysis and our proprietary ESG-scoring of our companies
- Strengthen our investee companies over time; improving transparency, quality, processes and resilience

We engage as part of our regular meetings with company management teams, or through additional conference calls, meetings or emails or as part of joint communications with the investment community.

Our weekly Investment Committee has a standing agenda item "Engagement", to inform and discuss engagement issues continuously across the investment team.

## Communicating our engagement work

We maintain an engagement database where the engagement issues, actions, timings and outcomes and current status are detailed. We review the database regularly and if an issue remains unresolved, we follow-up with the company in question.

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

[http://www.impaxam.com/sites/default/files/Impax\\_UK\\_Stewardship\\_Code\\_Statement\\_Update%20FINAL%20OCT%202016.pdf](http://www.impaxam.com/sites/default/files/Impax_UK_Stewardship_Code_Statement_Update%20FINAL%20OCT%202016.pdf)

We also report publically on our engagement and proxy voting work:

<http://www.impaxam.com/about-us/environmental-social-governance-issues>

## Engagement focus issues for 2016/2017

- **Entrenched Boards**
  - Boards with average tenures of >10 years and no new directors in the last five years
  - Companies with entrenched boards often lack sustainability processes
  - Focus on US companies
- **Board diversity**
  - Boards lacking diversity regarding gender and/or competencies
  - Focus on Japanese companies
- **Water risk management (most material sub-sectors)**
  - Understanding water risk exposures at local or basin-level, water performance
  - Focus on companies in the water utilities and food sub-sectors
- **Sustainability processes, small companies**
  - Providing companies with guidance to develop sustainability processes and reporting
  - Focus on smaller US companies

## Impax memberships

- **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.
- **The 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.
- **USSIF:** A US based membership association promoting sustainable, responsible and impact investment.
- **Global Impact Investing Network (GIIN):** The largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing.