

IEM Stewardship Approach

December 2025

Introduction

Impax Environmental Markets plc (“IEM”) invests in companies that are well-aligned in the transition to a more sustainable economy. As IEM is an active shareholder with a longer-term investment horizon, Impax Asset Management (AIFM) Limited, as the Manager¹, has an objective to build long-term relationships with investee companies. The investment process followed by the Manager is focused on a comprehensive understanding of the character and quality of IEM’s companies, including material sustainability issues as well as areas for potential improvement. The Manager, through the stewardship work as part of its investment activities, seeks to contribute to positive outcomes and ultimately positive real-world impact, supporting IEM in seeking to deliver on the positive impact aim of its sustainability objective.

Types of Engagement work undertaken

The Manager’s stewardship and engagement work can be divided into the following types:

Bottom-up company specific engagement

As part of ongoing, proprietary company-level Corporate Resilience, CR (formerly ESG) analysis, the Manager identifies company-specific matters and risks and actively engages with companies regarding these matters, as part of monitoring and managing risks. Engagement with investee companies where more significant risk issues have been identified and/or larger positions are held are prioritised. In addition to risk management, bottom-up company specific engagement is also intended to enhance company value and improve the structures, processes, and disclosures of investee companies.

Top-down thematic engagement

Engagement themes are based on market developments and emerging sustainability issues that are relevant and material for our companies. The current themes include climate (transition risk and physical climate risk), nature, corporate governance, and people (human capital and equity, diversity, and inclusion). Where possible, the Manager uses specific performance data related to the engagement themes, as well as the overall ownership in the companies, as parameters for prioritising companies for thematic engagements. Companies of all sizes are engaged with, including larger companies with the aim of promoting best practices throughout an industry peer group.

While the Manager assesses engagement themes annually, they are often of a long-term nature and do not necessarily change annually.

Proxy voting driven engagement

Proxy voting is predominantly related to governance issues such as the election of directors, board structures and management remuneration, but the Manager also expresses its views on diversity, sustainability management, reporting, and climate. When the Manager has voted against a significant resolution for companies in its active equity strategies, the Manager reaches out to the companies to explain voting rationale and potential enhancements. The Manager is also in dialogue with companies throughout the year to discuss and comment on proposed governance structures and sustainability processes and disclosures by companies.

The Manager can also initiate or support shareholder proposals at annual shareholder meetings to encourage greater corporate transparency around a company’s most significant environmental or social risks based on its sector and activities.

Systematic engagement

The Manager has identified critical and often hard-to-engage areas, with barriers to progress. To remove these impediments, ‘systematic engagement’ is used, which combines company engagement and policy advocacy with the aim of shaping

¹ References to the Manager or Impax in this document refer to Impax Asset Management (AIFM) Limited and, unless the context otherwise requires, Impax Asset Management Limited which has been appointed as a delegate investment manager with respect to IEM. This document may be updated from time to time.

companies' practices through regulatory or policy change. These areas often cover topics that companies may prefer not to disclose and are not mandatory, such as geolocation data for strategic company assets, but investors need the information to fully understand companies' operations and risks.

Engagement as part of the Investment Process

In supporting the delivery of positive impact from Impax's investment activities, the Manager has a stewardship framework in place through which it can achieve positive outcomes and ultimately real-world impact, supporting IEM in seeking to deliver on its sustainability objective to achieve a pre-defined positive, measurable environmental impact.

Engagement is fully integrated in the investment process. Engagement is used both to mitigate risk and to enhance value and investment opportunities.

Engagement allows the Manager to:

- Manage risks by proactively identifying and mitigating issues
- Enhance company analysis: how companies respond to engagement is informative of their character
- Strengthen investee companies over time: improving quality, processes, transparency, and resilience

Engagements are conducted by the Impax investment team, as part of regular meetings with company management teams, or through additional conference calls, meetings, email exchanges or as part of joint communications with the investment community.

In cases where engagements are not progressing as anticipated, the Manager may utilise **escalation** processes, which include seeking meetings with alternative contacts at investee companies, including board directors, seeking engagement together with other shareholders, industry organisations, standard-setters, or regulators, as well as filing or co-filing shareholder resolutions.

Collaborative engagements may be prioritised where outreach may particularly benefit from multiple shareholders' involvement or in cases where an issue is being escalated. Collaborative engagements are conducted across various, material sustainability issues and specific sectors and companies. The Manager does not participate in collaborative engagements that could be interpreted as investors acting in concert.

The Manager will also consider **systematic engagements**, which may require or particularly benefit from simultaneous engagement with standard-setters, regulators, or policy makers, to remove barriers or impediments preventing companies from developing more resilient processes and transparency.

Impax Investment Committee meetings have a monthly standing agenda item "Sustainability and Stewardship," to continuously inform and discuss stewardship issues across the investment team. Members of the Sustainability Centre regularly attend Portfolio Review Meetings to discuss company-specific stewardship priorities and issues with lead analysts and portfolio managers.

Engagement Themes

Climate

- Net Zero alignment and transition plans
 - Investment in alternative energy and energy efficiency.
- Increasing resilience to physical climate risks
 - Improving operational water management and resilience.

Nature

- Nature-related dependencies and impacts
 - Improving resource efficiency by enabling a more circular economy.
 - Improving resource efficiency and waste management, avoidance of waste externalities.
 - Enhancing water quality and avoidance of water pollution.

People

- Corporate Culture
- Human rights

Corporate Governance

- Board composition and structure
- Executive compensation
- Sustainability reporting and assurance

Proxy Voting

Principles

Proxy voting is the exercise of voting rights obtained by the Manager during day-to-day investment activities in listed equities. The Manager exercises shareholder rights through proxy voting on behalf of IEM's shareholders, who have delegated voting to Impax. It is a key component in the ongoing dialogue with the companies in which IEM invests. As such, proxy voting forms an important aspect of the Manager's overall investment process and stewardship work.

The Manager is committed to ensuring the consistent exercise of proxy voting. Through the implementation of this approach and the Impax Proxy Voting Guidelines, the aim is to enhance long-term value of its shareholdings, foster clear corporate governance best practices and promote greater accountability and transparency in the companies in which the Manager has invested in. The aim is to exercise voting rights on all shares held by IEM, where it is in the best interest of shareholders and where excessive costs, or administrative burdens are not present.

The Manager invests in companies in a variety of countries and markets around the globe each year. Each market has unique rules, regulatory requirements, reporting requirements, and sustainability practices and standards. The Manager aims to stay abreast of new and emerging issues in these markets, and how they relate to global best practices for corporate governance structures and sustainability processes and disclosures.

The Manager supports the UK Stewardship Code and complies with its guidelines regarding proxy voting. Impax has been a signatory of the UK Stewardship Code since it was first launched in 2012. In addition, as part of ongoing proprietary company level Corporate Resilience analysis, company-specific matters and risks are identified. As part of monitoring and managing risks, the Manager exercises active ownership and actively votes on and engages with companies regarding these matters.

Corporate Governance Principles Expected of Investee Companies

- Creating sustainable, long-term value for stakeholders
- Protecting shareholder rights
- Maintaining a high integrity in corporate behaviour at all times
- Ensuring an independent and efficient board structure
- Aligning corporate incentive structures and remuneration with long-term interests of shareholders
- Disclosing accurate, timely and transparent financial and corporate governance information
- Ensuring strong environmental and social performance and disclosures

Material Sustainability Considerations

The Manager believes that well-governed companies are attentive to material sustainability and governance concerns that affect shareholders. These companies actively engage with their stakeholders and consider the long-term implications of their actions with a focus on creating durable, sustainable value.

The Managers' company-specific Corporate Resilience analysis helps identify well-managed companies; while stewardship helps to be an influence for improved sustainability and corporate governance performance of the companies in which IEM invests. Proxy voting is one of the ways the Manager engages with investee companies. The Manager seeks to vote proxies consistently within Proxy Voting Guidelines², informed by proprietary Corporate Resilience analysis, which is applied to all companies.

Impax's Processes

² Proxy Voting Guidelines Impax Asset Management: [Proxy Voting Guidelines \(impaxam.com\)](https://www.impaxam.com/proxy-voting-guidelines)

- Proxy voting principles and guidelines are described in the Impax Proxy Voting Guidelines. The Proxy Voting Guidelines govern voting activity and are informed by global governance best practices as well as external and internal sustainability and governance research. Proxy Voting Guidelines are reviewed annually.
- The Manager uses a third-party voting platform to facilitate vote execution, reporting and record keeping. The Manager also uses third-party service providers, including proxy advisor service and research providers, to help inform analysis of relevant proxy issues and proxy votes.
- The Manager applies voting principles and guidelines with full consideration to a company's circumstances, following internal analysis.
- Where proxy voting principles and guidelines or general corporate governance best practice principles are not met, the Manager generally votes against a resolution and will reach out to explain the voting rationale and necessary enhancements.
- The Manager carefully assesses shareholder resolutions and tends to vote for resolutions that are reasonable and would strengthen governance structures, shareholder rights or material sustainability objectives, processes, and disclosures.
- Votes are cast on shares where the Manager does not consider legal, financial, or technical constraints to be excessive or burdensome.

Stewardship Conflicts of Interest

The Manager follows its own policies and processes to identify, prioritise and implement engagement systematically.

The Manager reviews proxy votes to assess the extent, if any, to which there may be a material conflict between the interests of shareholders and Impax's own interests (including those of our affiliates, managers, officers, employees and other connected persons, referred to hereafter as a "Potential Proxy Conflict of Interest").

Proxy voting is conducted in accordance with the Managers' own Proxy Voting Guidelines. If it is determined that a Potential Proxy Conflict of Interest exists, the potential conflict will be promptly reported to Impax's Chief Compliance Officer (the "CCO"). The CCO will then determine whether a Potential Proxy Conflict of Interest exists and is authorised to resolve any such conflict in a manner that is in the collective best interests of all affected clients. The CCO may decide to resolve a Potential Proxy Conflict of Interest in any of the following manners:

- The Manager may elect to engage an independent third party to help determine how the proxy should be voted on; or
- The Manager may elect to establish an internal information barrier between the relevant person(s) that are involved in the potential conflict and the person(s) involved in making the proxy voting decision, to insulate the potential conflict from the proxy vote decision maker.

Stewardship Monitoring and Reporting

The Manager seeks to measure and report the real economy outcomes and impact of stewardship efforts and maintains records of all stewardship activities. Company engagements are recorded in the Manager's engagement database where the engagement issues, actions, timings, outcomes, and current status are detailed. The database is reviewed regularly and followed-up with companies on unresolved issues and next steps. All voting activity is also recorded and archived.

To measure success of our engagement activities, the Manager utilises certain KPIs, which may evolve over time ("Engagement KPIs"). Those may vary or apply to more than one engagement activity and may be both quantitative and qualitative. The Manager determines whether the Engagement KPIs are fit for purpose to measure each investee company engagement activity by reference to the underlying nature of the investee company's activities.

The Manager reports on engagement outcomes and voting activity at the firm-level annually in the [Stewardship and Advocacy report](#) and UK Stewardship Code Statement.

In addition, for the last 10 years, the impact KPIs have been disclosed in IEM's Environmental Impact Report, demonstrating the positive environmental impact from IEM's investee companies' products and services, as per the sustainability objective.

The relevant environmental impact metrics for all portfolio companies are measured where data are available or can be estimated. At the time of calculation, the Manager aims to obtain the most recently available environmental impact data from the investee companies. For the calculation of impact for listed companies, the methodology is based on equity value. Under this approach, the Manager uses the percentage of the equity owned by IEM in each underlying investee company (based on its proportion to total outstanding shares) to measure the environmental benefit attributable to IEM.

The Manager strives to be conservative with estimates to ensure that the positive impact is not overstated and is measured and reported, with rigour and transparency.

The Manager publicly reports on proxy voting on a quarterly and annual basis and has extended proxy vote reporting to all “significant votes,”³ with an explanation of the votes cast against or abstain.

All the publicly disclosed policies and documents can be found here:

[Investment Sustainability & Stewardship - Impax Asset Management](#)

Notwithstanding anything to the contrary in this document, the Manager cannot guarantee that positive outcomes will result from its engagement and stewardship activities and in addition might not be able to prove a causal link between the desired outcomes and its engagement activity alone. There are a variety of factors that might bring about a positive outcome, which might include, but are not limited to, the investee company’s own activities, the contribution of other investors in a given investee company or general market conditions.

Further important information with respect to proxy voting, collaboration and engagement

Impax exercises its proxy voting rights and conducts its global stewardship activities on an independent basis on behalf and in the best interests of its clients, in accordance with Impax investment policies regarding good corporate governance applicable for all investee companies and not to foster a control transaction for any particular company. The application of these policies is predicated on the acquisition and ownership of securities in the ordinary course of business and were and are not acquired or held for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities, and such securities were and are not acquired in connection with or as a participant in any transaction having such purpose or effect.

Where Impax participates in collaborative engagement activities with other shareholders it does so on an independent basis and in accordance with its own policies. The purpose of such collaborative engagements is to facilitate an independent and free exchange of ideas and views among shareholders that relate to seeking improvement of the long-term performance of investee companies and/or changes in investee company practices, without the purpose of acquiring, holding or disposing of securities to effect or influence a change of control in investee companies or as a participant in any transaction having such purpose or effect.

While Impax may consult with other market participants on certain engagement efforts, Impax unilaterally determines whether and to what extent to engage with other stakeholders and all of Impax’s investment decisions are independent and based on its own, unilateral strategy for maximising return on investment.

³ The Manager defines “significant votes” as those votes that are not just purely procedural, but that are material in describing a company’s financial position, corporate governance profile or other corporate structures or processes (whether votes are cast FOR or AGAINST management).