Separate Account Managers in Sustainable and Responsible Investing

**Strategy Profile:**

**Impax Leaders Strategy**

**About This Strategy**

**Assets Under Management (AUM):** $1079.1M (in US$ millions)

**Required Minimum:** $25 million

**Benchmark used:** MSCI ACWI & FTSE EOAS

**Strategy type:** International/Global

**Strategy description:** The Leaders Strategy seeks to achieve sustainable, above market returns over the longer term by investing globally in companies active in the rapidly growing Resource Optimization markets. These markets address a number of long-term macro-economic themes: growing populations, rising living standards, increasing urbanization, rising consumption, and depletion of limited natural resources. Investments are made in quoted companies which provide, utilize, implement or advise upon technology-based systems, products or services in environmental markets. Particularly those with at least 20% or more of revenue, profitability or invested capital in: alternative energy, energy efficiency, water infrastructure and technologies, pollution control, waste management and technologies, environmental support services and sustainable food, agriculture and forestry.

**Strategy web link:** [External Link](https://charts.ussif.org/sam/strategy_profile_display.php?StrategyID=332&)

**About The Company**

**Institution Name:**
Impax Asset Management

**Approach to Sustainable & Responsible Investment:** Impax’s investments are based on the firm’s 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 environmental solutions-oriented companies. The firm’s proprietary investment framework identifies and calibrates the rising risks and expanding opportunities from this transition, and guides Impax’s search for investments that will deliver long term out-performance.

**Total AUM in SRI:** $5358.1M (in US$ millions)

**Research conducted:** Internally

**Researcher name:** Impax's Listed Equity Team

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Specific Screening Information by Category

Environment

- **Climate / Clean Technology: Positive Investment** - In 1999 Impax developed a proprietary global resource optimization equity universe which was then adopted by FTSE in 2007 for their Environmental Market Classification System. To be included in the Leaders universe there must be at least 20% or more of a listed company's revenue, profitability or invested capital within the following sectors: Renewable & Alternative Energy, Energy Efficiency, Water Infrastructure & Technologies, Pollution Control, Waste Management & Technologies, Environmental Support Services, and Food, Agriculture & Forestry.

- **Pollution / Toxics: Positive Investment** - All of Impax's strategies invest in resource optimization solution providers, some of which are actively operating in the high-growth pollution control sector. Within the investment process, Impax has ranked all sectors based on their exposure to risks such as pollution and waste externalities, and hence their inherent risk to controversies from these areas. While no sector is “controversy-risk free”, Impax has no exposure to high risk-sectors such as auto-manufacturers, mining, garment manufacturing or oil & gas. In addition, chemical safety is an important risk for companies across the water sub-sectors and for pollution control companies.

- **Other Environmental: Positive Investment** - All of Impax's strategies invest in resource optimization solution providers actively operating in the high-growth, environmental markets. Impax views compliance with environmental laws, standards and regulations as an absolute minimum and looks for companies to exceed these minimum standards. The greatest risks of breaches, in the firm's view, are for companies operating in jurisdictions with less stringent environmental laws and where enforcement is lacking. Therefore, the investment team looks for robust environmental management systems and processes, specifically addressing the local circumstances.

Social

- **Community Development: Positive Investment** - Impax’s bottom-up assessment of the character of each investee company includes consideration of the social aspect and impact of each company on its community.

- **Diversity & Equal Employment Opportunity: Positive Investment** - Impax evaluates both the company's Board diversity (including relevant backgrounds, experience, diversity, tenures and attendance, "over-boarding", structure of board sub-committees) and screens for social issues such as labor rights. Impax's investment process takes into account social factors such as the UN Global Compact Principles (human rights, labor rights, corruption etc). Companies that are in breach of any of the 10 principles are excluded from the investable universe.

- **Human Rights: Positive Investment** - Impax's screens companies for any violation of human rights, including: fundamental human rights, land rights, Indigenous Peoples’ rights, and freedom of expression. If a company is found to have a violation, it will be excluded from the investable universe. Similarly to Diversity & Equal Employment Opportunity, Impax’s investment process takes into account social factors such as UN Global Compact breaches.

- **Labor Relations: Positive Investment** - Impax incorporates workplace safety and labor relations into the firm's investment process. Similarly to Diversity & Equal Employment Opportunity, Impax’s investment process takes into account social factors such as UN Global Compact breaches.

- **Conflict Risk:** No Investment

Governance

- **Board Issues: Positive Investment** - Impax views governance as the core component from the perspective that policies, processes and management systems regarding environmental and social risks are in themselves part of governance as well. In regards to the Board, one aspect Impax will evaluate is the structure and effectiveness of the Board (relevant backgrounds, experience, diversity, tenures and attendance, "over-boarding", structure of board sub-committees).

- **Executive Pay: Positive Investment** - Impax views governance as the core component from the perspective that policies, processes and management systems regarding environmental and social risks are in themselves part of governance as well. In regards to the executive pay, one aspect Impax will take into account is the compensation and incentive structures, assessing whether they are aligned with shareholder long-term interests and appropriate levels of disclosure.

Products

- **Alcohol:** No Investment

- **Animal Welfare: Positive Investment** - Impax invests in food & agriculture companies which are leading the sector in meeting the growing global demand for higher quality sustainable food with the reassurance of a transparent, traceable production process; which includes attention to animal welfare. In addition, Impax evaluates a company's effect on diverse plant life and animal species, both of which sustain healthy ecosystems and human life.
- **Defense/Weapons**: No Investment
- **Gambling**: No Investment
- **Tobacco**: No Investment

**Other**

- **Other/Qualitative**: ESG analysis is an integral part of Impax’s investment research and process, providing risk mitigation and important insight into the ‘character’ of a company. Impax requires a minimum percentage of a holding’s business content (revenue, profitability, invested capital) to be in the environmental markets. This initial screen is followed by a detailed bottom-up, ESG research process. A wide range of internal and external ESG and non-financial information is incorporated into the firm’s company research process.
- **Shareholder Engagement - Shareholder Resolutions**: Filed or co-filed with companies on environmental, social or governance issues
- **Shareholder Engagement - Private Dialogue**: Conducted with companies on environmental, social or governance issues
- **Proxy Voting**: Actively voted by my institution for this investment strategy in support of environmental, social or governance issues in accordance with formal guidelines