IMPAX Environmental Markets plc

Sustainability Impact

Sustainability Disclosure Requirements (SDR) – Pre-Contractual Disclosure

Label

Impax Environmental Markets plc ("IEM") has been labelled as a Sustainability Impact product.

Investment and sustainability objective

The investment objective of IEM is to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water, and waste. Investments are made predominantly in quoted companies which provide, utilise, implement, or advise upon technology-based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management (which includes sustainable food, agriculture and forestry).

IEM follows a thematic approach which means that it invests in companies providing solutions to specific environmental challenges.

To qualify for IEM's investable universe, companies must provide solutions within the environmental markets described above and must generate at least 50% of their revenues from systems, products or services in such environmental markets.

The intended impacts of each of the environmental markets are as follows: alternative energy and energy efficiency – addressing climate change; waste technology and resource management – improving resource efficiency by enabling a more circular economy; and water treatment and pollution control – access to clean water, increasing water availability and quality through water technology and infrastructure.

Investment policy and strategy

IEM's investment policy is focused on the three above-mentioned primary environmental markets. Investments are selected on an individual basis, but each investment is categorised according to those environmental markets, as set out below in more detail:

(i) Alternative energy and energy efficiency. In the alternative energy and energy efficiency sector, IEM may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- wind turbine manufacturing;
- solar panel manufacturing and integration;
- renewable energy developers and independent power producers;
- biofuels;
- meters, utility software and demand side management;
- industrial energy efficiency;
- buildings energy efficiency;
- transport energy efficiency;
- businesses relating to the trading of carbon and other environmental assets; and;
- fuel cells, flywheels, superconductors, supercapacitors and other new energy technologies.

(ii) Waste technologies and resource management. In the waste technologies and resource management sector, IEM may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- recycling equipment and systems;
- recycling of commodities including metals, plastics, oils, paper and vehicles;
- integrated waste management;
- hazardous waste management;
- sustainable food, agriculture and forestry; and
- environmental consultancy.

(iii) Water treatment and pollution control. In the water treatment and pollution control sector, IEM may invest in businesses that are principally, but not exclusively, exposed to the following areas:

- water treatment technologies involved in filtration, purification and separation;
- water infrastructure including pumps, valves and actuators;
- environmental sensing, testing and monitoring; and
- air pollution control technologies.

IEM seeks to address these themes by investing in companies where at least 50% of the underlying revenues are generated by sales of systems, products or services that provide solutions in the environmental markets as specified above.

To identify and determine the sustainability characteristics of the investee companies, Impax Asset Management (AIFM) Limited (the "Investment Manager") uses a clearly defined and proprietary in-house taxonomy (the "Environmental Markets Taxonomy").

As the Environmental Markets Taxonomy evolves, it is regularly reviewed and informed by the Investment Manager's Thematic Universe Working Group which includes evidence-based input and research development.

The exposure of a stock to revenue resulting from relevant activities is assessed pre-investment and is confirmed and documented by the Investment Manager. As the environmental markets have expanded, there have been new universe entrants (for example resulting from IPOs, spinouts and companies identified by the Investment Manager's research), as well as companies leaving the universe due to both merger and acquisition activity, and due to the de-emphasis of environmental activity within businesses' product portfolios. The Investment Manager monitors such changes on an ongoing basis. In addition, the revenue screen process is rerun periodically, currently annually.

The Investment Manager, on behalf of IEM, will invest a minimum of 70% of its gross asset value in accordance with the sustainability objective. Where a company passes the 50% revenue test, the whole value of the holding in the company will count towards this 70% test (i.e., the 70% test is calculated on a "pass/fail" basis). Outside of this threshold, cash, cash equivalents, derivative transactions, and exchange traded or money market funds, may be (but are not required to be) used for treasury or liquidity purposes, or for hedging/efficient portfolio management purposes.

The 50% revenue test is the standard for measuring sustainability in accordance with the FCA Sustainability Disclosure Requirements. This test is used as a reference to determine the eligible assets that IEM invests in in accordance with IEM's sustainability objective. The Investment Manager has obtained from its compliance function an independent assessment which has confirmed that the standard is fit for purpose and appropriate for selecting IEM's assets by taking into account (i) the nature and ongoing review of the Environmental Markets Taxonomy used as the relevant taxonomy to determine the sustainability of the eligible assets and (ii) how the 50% threshold remains relevant as a minimum hurdle rate, by considering the nature of the activities of such assets as well as research supporting that such threshold is appropriate to apply to companies contributing to the global green economy.

With the intention of mitigating the potential for the sustainability objective to result in material negative environmental or social outcomes, the Investment Manager carries out the following actions:

Norms-based screening

Compliance with global norms is an investment requirement. The Investment Manager uses a Global Standards Screening which assesses the investee companies' impact on stakeholders and the extent to which an investee company causes, contributes or is linked to violations of international norms and standards. The underlying research provides assessments covering the OECD Guidelines for Multinational Enterprises and the UN's Global Compact Principles, as well as International Labour Organization's Conventions, and the UN Guiding Principles on Business and Human Rights. In addition, the Investment Manager seeks to exclude all companies with any involvement in controversial weapons from investment. In using screens, the Investment Manager may (but is not obliged to) interrogate the screen information and override it if there is a reasonable basis in its judgement for doing so.

Impax Fossil Fuel Policy

The Investment Manager has a fossil fuel policy in place. In an effort to mitigate or eliminate risks, the Investment Manager will only invest in energy and utility companies where it has determined that the companies have credible plans to attain the goal of net zero greenhouse gas emissions by 2050 or sooner, and in line with the Investment Manager's fossil fuel policy, details of which are available here (Fossil Fuel Policy - Impax Asset Management (impaxam.com)).

Fundamental ESG analysis

The Investment Manager uses proprietary, fundamental ESG analysis to assess an investee company's eligibility for investment. The ESG analysis aims to identify the quality of governance structures, the most material environmental harms for a company and assesses how well these harms are addressed and managed, as well as the management of human capital and climate risks. Additionally, the Investment Manager assesses any past controversies identified. A proprietary aggregate ESG score is then assigned for each company, based on a tiering system. The highest rated will be those assessed as managing the risks identified as part of the ESG analysis most effectively. The lowest rated will be assessed as not managing ESG risks to a standard acceptable enough to warrant investment and will be excluded from eligibility for IEM investment. Companies managing such risks at a lower, but still acceptable, standard and which are not deemed to cause significant harm will be subject to a weighting cap within the portfolio for risk management purposes. The Investment Manager considers it important to engage with companies and to analyse company disclosures and reports. The ESG process is proprietary to the Investment Manager, although the Investment Manager uses external ESG-research as an input. Fundamental ESG analysis continues post investment with periodic evaluations and updates of the overall ESG scoring of companies, with a peer review approach in place.

While the Investment Manager seeks to manage sustainability risks via the above processes, there is still a risk of a negative effect on social and/or environmental outcomes. For example, the Investment Manager's potential investment in a company that produces solar panels might have a negative effect on the environment by way of polluting. By way of an additional example, the Investment Manager's potential investment in an industrials company that provides solutions to waste management might, as part of its business operations, result in the production of GHG emissions.

Engagement and proxy voting

The Investment Manager, a UK Stewardship Code signatory, is an active shareholder with a longer-term investment horizon. Engagement is used in the context of gaining investment insights, mitigating risk, enhancing value and investment opportunities as well as contributing to positive outcomes (see further below under section "Investor Stewardship" and "Theory of Change"). The investment team is involved in monitoring IEM's investee companies and the Investment Manager has policies in place on how to escalate issues, if and when concerns arise.

With respect to proxy voting, the Investment Manager's engagement is predominantly related to governance issues such as the election of directors, board structures and management remuneration. When practicable, the Investment Manager seeks to engage with the investee company before voting against management's recommendation on an AGM resolution. The Investment Manager is also in dialogue

with the investee companies throughout the year to discuss and comment on proposed governance structures and material sustainability issues and processes.

Delegation

To the extent Impax Asset Management (AIFM) Limited delegates its investment management services with respect to IEM to its affiliate Impax Asset Management Limited, references to the "Investment Manager" in this document shall be construed as references to Impax Asset Management Limited, unless the context otherwise requires.

Sustainability metrics

The Investment Manager uses the following Key Performance Indications ("KPIs"), to monitor and demonstrate IEM's performance and progress towards meeting its sustainability objective. Those KPIs may evolve over time. The output from the KPIs will fluctuate year to year based on investments held.

- **Alternative energy and energy efficiency** - Addressing climate change:
  - Avoided GHG emissions (tCO2e): The Investment Manager mainly relies on investee companies' reported data and makes estimates when avoided emissions are not reported. Where investee companies report their own data on avoided emissions, the Investment Manager assesses the reliability of their methodology. The robustness of an investee company's methodology is assessed to determine whether the data is appropriate and can be used in Investment Manager calculations. If an investee company has provided insufficient transparency on their methodology, its avoided emissions claims may not be considered;
  - Renewable electricity generated (MWh): Renewable electricity generated is calculated as the number of MWh of renewable electricity generated by investee companies. When renewable energy generation is not explicitly reported, CDP data may be used for those investee companies assumed as self-generating renewable energy and returning excess electricity to the grid. The Investment Manager calculates the difference between self-generated renewable energy and internal consumption to estimate the quantity of electricity sold to the grid by the investee company in question.
- **Waste technology and resource management** - Improving resource efficiency by enabling a more circular economy:
  - Materials recovered / waste treated (tonnes): The calculation of 'materials recovered, and waste treated' is based on the total number of tonnes of materials (mostly expressed as 'tonnes of waste treated, recovered or materials recycled') either reported or estimated by the investee companies. This methodology encompasses a broad range of activities, from waste collection and treatment to the recycling of materials, all of which contribute to the circular economy.
    - Material recovered: This includes companies that contribute significantly to the circular economy by recovering and recycling materials. A key example is the paper packaging industry, which utilises recycled materials as inputs.
    - Waste treated: This category primarily includes companies involved in the waste collection and treatment value chain, particularly those handling hazardous waste. Proper disposal of hazardous waste is critical to minimising environmental impact and preventing toxic substances from leaking into the water, air and soil. The companies within this category play a vital role in ensuring safe and effective waste treatment processes.
- **Water treatment and pollution control** - Access to clean water, increasing water availability and quality through water technology and infrastructure:
  - Water provided / saved / treated (megalitres): Water saved, treated, or provided is calculated as the total number of megalitres of water saved, treated, or provided by an investee company, primarily focusing on specific industries like water distribution and water technology. These KPIs are typically self-reported by investee companies through their sustainability reports, annual reports and websites, particularly water 'treated', and water 'provided'. If self-reported data is unavailable, estimates may be made leveraging additional external industry data.

Investor stewardship

In supporting the delivery of positive impact from the Investment Manager's investment activities, the Investment 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.

For more information on how the Investment Manager contributes to the delivery of positive outcomes through its stewardship activities, please see the "Methods Used to Measure and Demonstrate Impact" Section.

Escalation plan

Insufficient performance towards the sustainability objective may take the following forms:

1) **IEM's assets not demonstrating sufficient performance towards the sustainability objective individually** as a result of an investee company no longer meeting the sustainability standard supporting the sustainability objective by falling below the 50% minimum revenue threshold, due to for example, merger and acquisition activity, or de-emphasis of environmental solutions activity within the business as a whole;

   ➡ Actions the Investment Manager will take in accordance with the escalation plan:

   Exiting a stock below the thematic threshold:

   - *Notification Period:* Following the annual re-run of the revenue screen process, the applicable team will receive a formal notification from the Investment Manager's Sustainability Centre (the "SC") indicating that the stock has fallen below the universe eligibility threshold. This will trigger a 90-day period during which the Investment Manager must exit the position and no further purchases are permitted. The thematic data will be updated in the Investment Manager's systems after the exit is completed.
   - *Dependence on Public Information:* The Investment Manager's analysis in this regard relies exclusively on publicly available data. In the case of a corporate action that significantly alters the investee company's structure, the Investment Manager will defer action until the formal annual report is released, detailing the new revenue mix. The investee company's position will be reassessed based on this new information during the following annual thematic update cycle. If it is found to fall below the minimum eligibility threshold, the Investment Manager has 90 days to exit the position, post-SC notification.
   - *Non-Material Corporate Actions:* If following such annual thematic update, the investee company's drop below the universe eligibility threshold results purely from a change in the business mix, absent any significant corporate actions, a formal notification from the SC will also initiate a 90-day period for the Investment Manager to exit the position.

2) **IEM's assets not demonstrating sufficient performance towards the desired sustainability outcomes as measured via the Engagement KPIs (as defined below):**

   ➡ Actions the Investment Manager will take in accordance with the escalation plan:

   - In cases where engagements are not progressing as anticipated, the Investment Manager may utilise its escalation processes, which may include seeking meetings with alternative contacts at the 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.

3) **IEM's assets not demonstrating sufficient performance towards the sustainability objective in aggregate, as a portfolio** i.e., where over the course of a representative multi-year time horizon (in line with the long-term nature of the investment horizon) the portfolio demonstrates insufficient performance towards the impact aim of the sustainability objective as indicated by the metrics - the KPIs which are intended to demonstrate progress towards the sustainability objective.

➡ Actions the Investment Manager will take in accordance with the escalation plan:

- Investigation by the Investment Manager's Sustainability Centre;
- Escalation to the Product & New Business Committee, as the noted diminishing performance trend on the KPIs may indicate the product is failing to fulfil its sustainability objective;
- Escalation to IEM's board;
- If this is confirmed to be the case, the Investment Manager and, as required, IEM's board will engage to put measures in place in an effort to resolve the issue, as informed by qualitative judgement, including but not limited to engagement and/or divestment.

Theory of change

The below sets out the Investment Manager's theory of change, i.e., how the Investment Manager expects its investment activities and IEM's assets to contribute to meeting the positive impact aim of the sustainability objective.

Activities contributing to positive impact:

1. IEM's **contribution via the investee companies** to positive impact via their **products and services**:

   IEM's assets - the investee companies in the IEM portfolio - contribute to measurable positive environmental outcomes via the products and services they provide which are solutions to pressing environmental challenges in the following way:

   Environmental challenge: Climate Change

Environmental solution:	Addressing climate change. The current energy mix has adverse environmental impacts across the value chain and change is needed from governments, corporations and consumers. Energy supply that is dominated, or reliant, on fossil fuels will not address the global climate change challenge. By generating renewable electricity, demand for fossil fuel-fired generating capacity can be reduced, thereby lowering CO_2 emissions in markets where companies operate and delivering progress towards national net-zero targets which are set to reduce the impact of climate change. There are also other associated problems relating to air quality in urban environments and use of mining finite minerals as a resource, which should also be considered in the context of decarbonising energy supply and using resources more efficiently. By investing in a variety of technologies that enhance energy efficiency, this will help rationalise the use of such finite resources.
Environmental Markets activities:	Alternative energy and energy efficiency.
Relevant measures/KPIs:	Avoided GHG emissions (tCo_2e); Renewable electricity generated (MWh).

With respect to alternative energy and energy efficiency, the Environmental Markets Taxonomy captures positive impact capabilities around:

- Energy generation (including electricity) from renewable sources such as solar, wind, geothermal, bioenergy, waste and water;
- Equipment, products and other associated services facilitating renewable energy generation;
- Technologies, and assets, with the ability to decarbonise and clean-up fossil fuel intensive energy generation;
- Smart, efficient and digital-ready electricity grids, power storage and efficient lighting – all of which will help lower electricity consumption as global populations rise;
- Technology that promotes resource-efficient products, and services, in industrial processes.

Environmental challenge: Linear economy / Resource inefficiency

Environmental solution:	Improving resource efficiency by enabling a more circular economy. This is achieved by creating a sustainable closed loop economy which has a lower environmental impact in four ways: uses less natural resources, improves biodiversity, generates less GHG emissions and produces less waste by extracting more value out of existing materials and products. The waste sector has evolved into the circular economy theme, which reflects efforts to create a more sustainable closed-loop economy with a dramatically lower impact than the existing 'take-make-dispose' linear economic model.
Environmental Markets activities:	Waste technology and resource management.
Relevant measures/KPIs:	Materials recovered/waste treated (tonnes).

With respect to waste technology and resource management the Environmental Markets Taxonomy captures positive impact capabilities around:

- Sophisticated design software tools; those are needed to create circular product design.
- Online software platforms; those platforms are key to the development and scale up of the sharing economy, e.g. fashion sharing and resale online platforms.
- Relevant hardware including hazardous waste management and recycling equipment/ technologies such as:
  - Reverse vending machines - a critical tool for implementing deposit schemes for drinks containers, which enable recovery of containers for recycling;
  - Laser sorters which enable more accurate and efficient sorting of waste materials, which improves recycling rates and waste management.
- Key disruptive materials, which include:
  - Certain bio-plastics which are derived from bio-based materials and are much more biodegradable than traditional plastics;
  - Materials with a higher recycled content such as composite decking, scrap steel used in electric arc furnace (EAF) steelmaking and recycled commodities such as zinc and aluminium, which have a much lower carbon footprint that their mined equivalents.

Environmental challenge: Access to clean water

Environmental solution:	Increase water availability and quality through water technology and infrastructure. The world's water resources are under considerable strain, with an increasing gap between the supply and demand of water. Moreover, there are rising concerns about water quality and the stability of water infrastructure globally. Companies providing water solutions are critical to tackling global water challenges. For, example, smart irrigation offers a way for advanced technical analysis to be employed in the reduction of water used within the agricultural industry.
Environmental Markets activities:	Water treatment and pollution control.
Relevant measures/KPIs:	Volume of water provided/saved/treated (megalitres).

With respect to water treatment, access to water and pollution control, the Environmental Markets Taxonomy captures positive impact capabilities around:

- Water Distribution & Infrastructure – helping to provide water to communities around the world;
- Water Efficiency – improving and reducing the society's reliance on water through a wide variety of solutions which enable a sparing use of the resource, limiting the water being wasted;
- Water Treatment – treating wastewater from different sources or getting feedwater to a high drinking water quality standard;
- Water Utilities - companies that operate water treatment and supply infrastructure, providing potable water or wastewater and sewage services.

2. The **Investment Manager's contribution** to positive impact via its investment activities:

   As further demonstrated in the sub-section below under "2. Measuring and demonstrating the Investment Manager's Contribution to Positive Impact", the Investment 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 the sustainability objective.

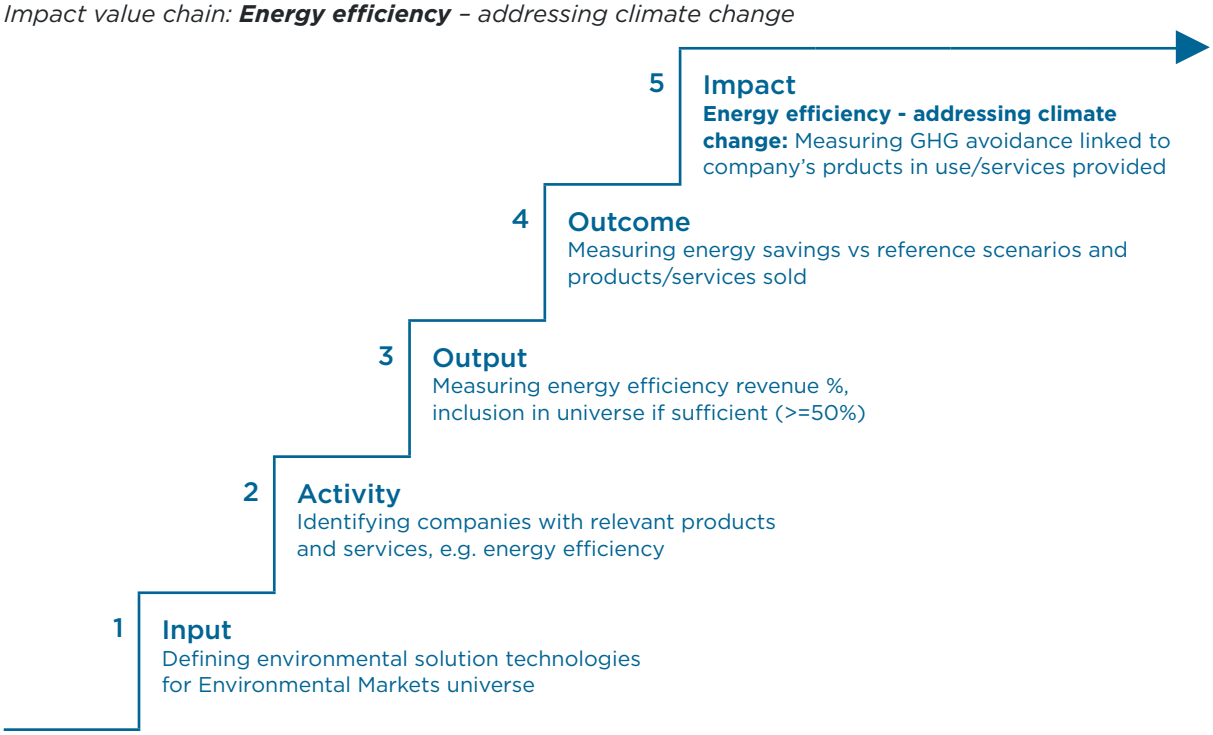
Methods used to measure and demonstrate impact

1. Measuring and demonstrating **investee company contribution** to positive impact:

   An impact value chain has been developed for each of the four KPIs that capture progress towards the sustainability objective. Those value chains underpin IEM's sustainability objective to benefit from growth in environmental markets through investment in environmental solutions, using the Environmental Markets Taxonomy, which is expected to evolve over time. Each **impact value chain** illustrates how the Investment Manager's Environmental Markets Taxonomy and related company revenue analysis (i.e., the sustainability standard) and the impact analysis link to the intended measurable positive impact, via a 5-step framework: Input, Activity, Output, Outcome, Impact. Each step further deepens the analysis and measurement of impact.

Environmental challenge: Climate Change

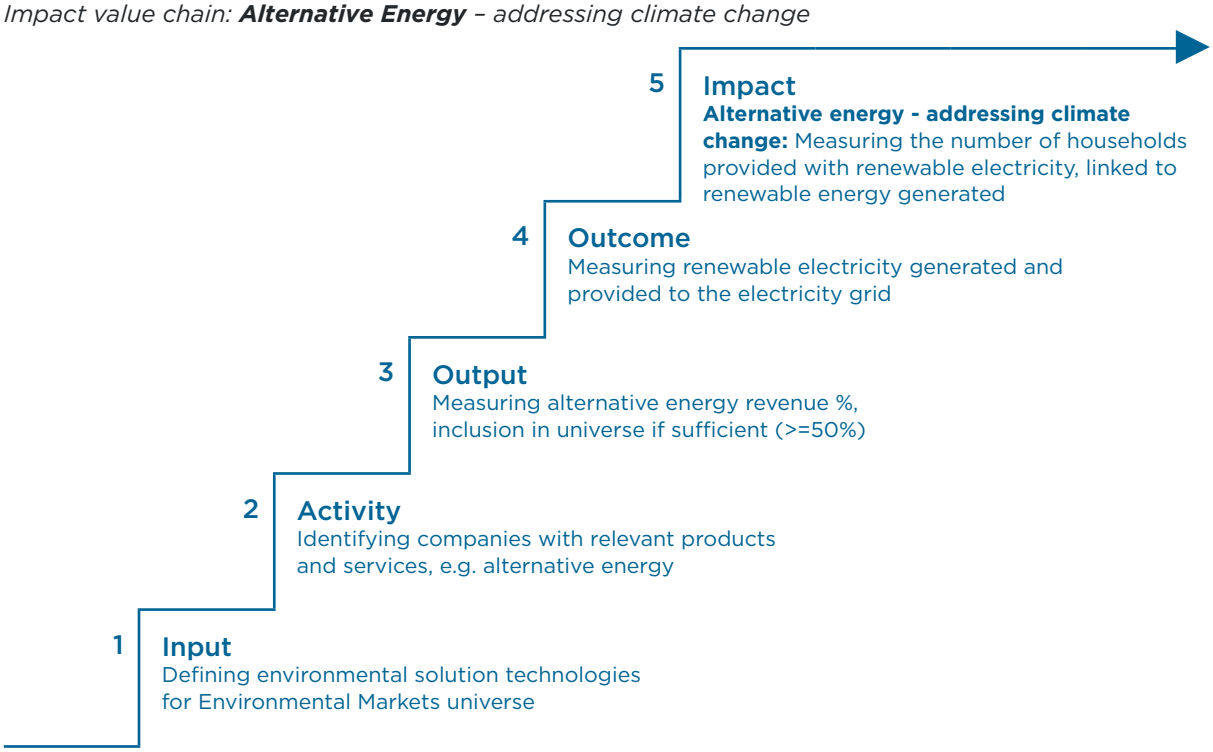
Impact value chain: ***Energy efficiency*** *– addressing climate change*



Source: Impax Asset Management, April 2024

Relevant measures/KPIs: KPI 1) Avoided GHG emissions (tCo_2e);

Impact value chain: ***Alternative Energy*** *– addressing climate change*

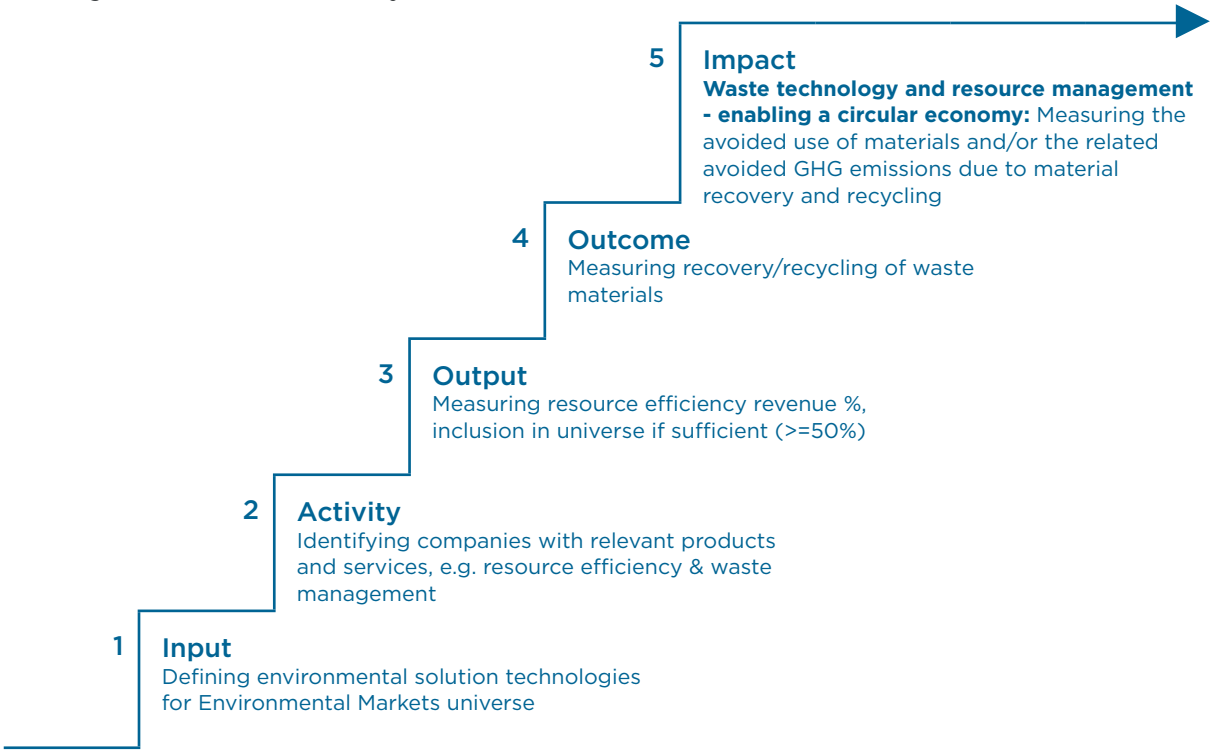


Source: Impax Asset Management, April 2024

Relevant measures/KPIs: KPI 2) Renewable electricity generated (MWh);

Environmental challenge: Linear economy / Resource inefficiency

Impact value chain: ***Waste technology and resource management*** *– improving resource efficiency by enabling a more circular economy.*

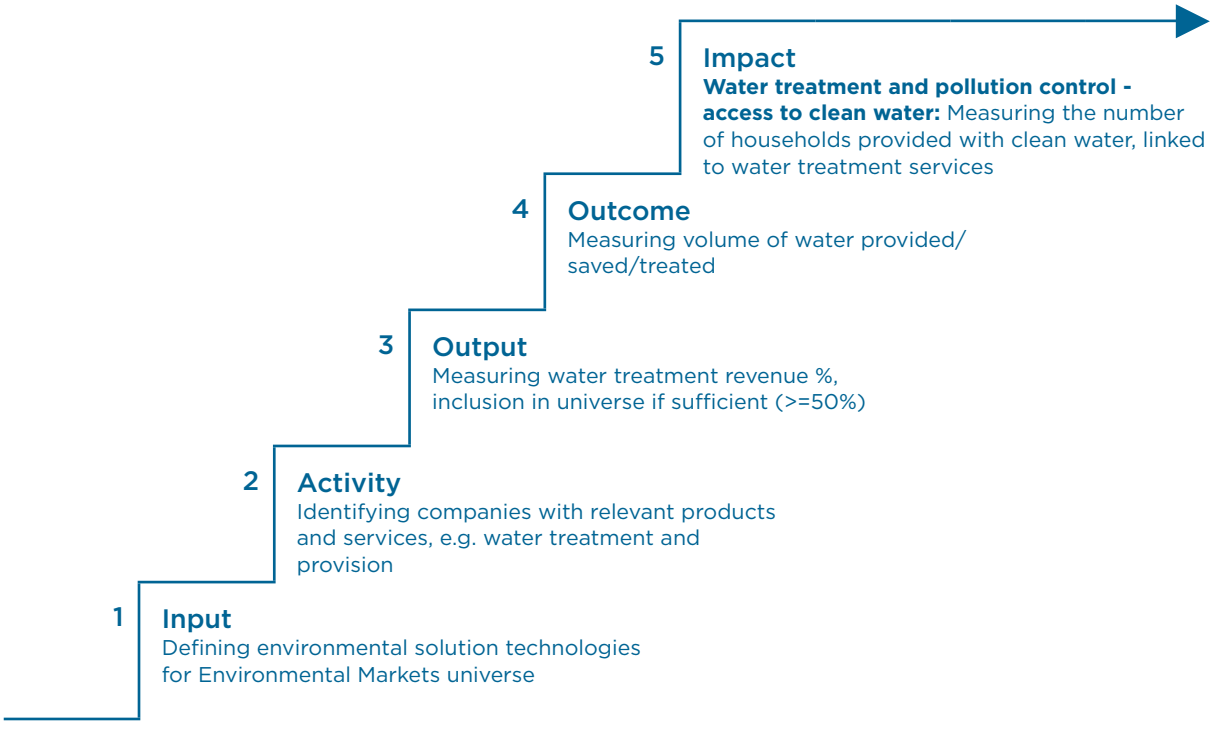


Source: Impax Asset Management, April 2024

Relevant measures/KPIs: KPI 3) Materials recovered/waste treated (tonnes)

Environmental challenge: Access to clean water

Impact value chain: ***Water treatment and pollution control -*** *access to clean water, increasing water availability and quality through water technology and infrastructure*



Relevant measures/KPIs: KPI 4) Volume of water provided/saved/treated (Megalitres)

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 Investment Manager's impact data, calculation and methodology have been externally assured (limited assurance) by a third-party assurance service provider each year.

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 Investment Manager aims to obtain the most recently available environmental impact data from the investee companies. For the calculation of impact for listed companies, the Investment Manager's methodology is based on equity value. Under this approach, the Investment 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 Investment 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.

2. Measuring and demonstrating the **Investment Manager's contribution** to positive impact:

The Investment Manager's contribution is delivered through engagement activities. To measure success of its engagement activities, the Investment Manager is utilising 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 Investment 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 Investment Manager's investment activities, through engagement, contribute to achieving positive environmental impact and support the sustainability objective in the following illustrative ways:

Sustainability Objective - intended outcomes in accordance with the theory of change	**Examples of Investee Company Engagement Activities**	**Examples of KPIs relevant to Investee Company Engagement**
Climate Alternative energy and energy efficiency – addressing climate change	The Investment Manager engaged with an agricultural products & services company to address climate change by mitigating transition climate risks in a) its operations, by reducing GHG emissions through greater adoption of alternative energy and energy efficiency measures; and b) the downstream value chain by providing waste-to-energy renewable fuel solutions (alternative energy) to its customers.	• tonnes Co_2e GHG emissions (Scopes 1, 2 and 3); • tonnes Co_2e avoided GHG emissions.
Waste Resource efficiency by enabling a more circular economy	The Investment Manager engaged with a logistics pallet manufacturer to mitigate dependencies and help reduce negative effects as well as contribute to the company maximising positive impacts relating to biodiversity, which in turn would strengthen its position in the market and maintain and expand its revenues.	• % product portfolio from certified sources or reused/recycled materials; • tonnes materials reused/ recycled; • tonnes Co_2e avoided GHG emissions.

Sustainability Objective - intended outcomes in accordance with the theory of change	Examples of Investee Company Engagement Activities	Examples of KPIs relevant to Investee Company Engagement
Water Access to clean water, increasing water availability and quality	The Investment Manager engagement with a water utilities company to address water leakage across their systems and infrastructure (non-revenue water), to prevent environmentally significant water losses and increase sustainable availability of water for efficient provision.	• % water leakage; • volume of water saved/provided.
Climate, Waste, Water	The Investment Manager engaged with a number of investee companies on their sustainability governance and discussed how improving board and management oversight as well as achieving incentive alignment will help maximise the delivery of the sustainability outcomes	• board level oversight of the investee company's climate/water/waste related impacts; • management long term incentive plans linked to the investee company's performance on climate/ water/waste related sustainability targets.

The Investment Manager monitors and publicly reports on the outcomes of its engagement activities, using metrics such as '% of engagement dialogues where progress was achieved against the set engagement objectives' and '% of engagement dialogues where the set engagement objectives were achieved'.

Notwithstanding anything to the contrary in this document, the Investment 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.

Certain risk factors

While the Investment Manager seeks to manage risks via the processes described under the "Investment Policy and Strategy" section, there is still a risk of a negative effect on the value of an investment (and hence on the net asset value of IEM and on its returns). Thematic, sustainability strategies may take risks or eliminate exposures found in other strategies or broad market benchmarks that may cause performance to diverge from the performance of these other strategies or market benchmarks, which may have an effect on IEM's financial risk and return, including on the assets, financial and earnings position of IEM and on the reputation of the investee company.

Sustainability risks can affect all known types of risk (for example, market risk, liquidity risk, counterparty risk and operational risk), and as a factor, contribute to the materiality of these risk types. Thematic, sustainability strategies will be subject to the risks associated with their underlying investments' asset classes. Further, the demand within certain markets or sectors that a thematic, sustainability strategy targets may not develop as forecasted or may develop more slowly than anticipated.

IEM's investments may be susceptible to various factors that may impact their businesses or operations, including changes to laws and regulations, costs associated with government budgetary constraints that impact publicly funded projects and clean energy initiatives, the effects of general economic conditions throughout the world, and increased competition from other providers of services.

The Investment Manager depends in some cases on incomplete, inaccurate, or unavailable data. In these instances, the Investment Manager seeks to compensate by active engagement with investee companies directly. The risk remains that a company may be incorrectly included or excluded in the IEM portfolio, and that despite efforts to the contrary there may be negative impacts associated with investments.

Governance risks are those which are associated with the quality, effectiveness, and process for the oversight of day-to-day management of companies in which IEM may invest or otherwise have exposure. Such risks may arise in respect of the investee company itself, its affiliates or in its supply chain. The Investment Manager also seeks to ensure that investee companies follow good governance practices.

IEM may invest in companies that do not reflect the beliefs and values of any particular investor.

This document does not include sufficient detail to enable the recipient to make an informed decision. Please refer to the latest annual report (available here: IEM-annual-report-2023.pdf) which sets out the investment objective, policy, maximum leverage and certain risk factors faced by IEM. Further information is available here http://impaxenvironmentalmarkets.co.uk/how-to-invest/.