IMPAX Environmental Markets plc

Annual Report & Accounts

For the year ended 31 December 2023

Contents

IEM at a Glance

IEM Overview

Impax Environmental Markets plc (“IEM” or the “Company") is founded on the belief that, with insatiable demand for higher living standards on a finite planet, companies enabling the cleaner and more efficient delivery of basic needs – such as power, water and food – or mitigating environmental risks like pollution and climate change, will grow earnings faster than the global economy over the long-term.

IEM provides its shareholders with exposure to this exciting growth story. The Company invests in a well-researched and diversified portfolio of fast-growing, globally-listed companies providing innovative solutions to environmental challenges or improving resource efficiency. IEM’s investment opportunity set is also likely to expand rapidly as regulation, technological innovation, and consumer preferences accelerate demand for sustainable solutions. The Board believes this approach can deliver superior risk-adjusted returns over the long-term.

IEM has recently experienced a period of weaker performance as a result of sharply rising interest rates and economic uncertainty. However, the underlying earnings of IEM’s portfolio companies remain robust with excellent prospects for growth. As the shift to a more sustainable economy accelerates, IEM should benefit from many positive trends, including requirements for countries to improve energy security, the drive by thousands of companies to achieve “net zero” targets, and regulations such as the US Inflation Reduction Act, which support US domestic manufacturing in emerging industries.

The Manager

The Manager of IEM, Impax Asset Management (AIFM) Limited (the "Manager", or "Impax"), uses a proprietary classification system to define these higher growth markets. This approach has been in place since IEM was founded in 2002 and is curated by a dedicated Impax team.

As of today, the system identifies six sectors: Energy, Clean and efficient transport, Water, Circular economy, Smart environment and Sustainable food. The range of activities included has naturally grown as technologies advance and more industries look to address material environmental challenges.

To qualify for IEM’s investable universe, a company must derive at least 50% of its revenues from these Environmental Markets. As a result, IEM’s investments are predominantly in small and medium-sized companies, which tend to focus their business models on fewer activities.

The Manager then follows a rigorous, performance-focused process based on bottom-up research to invest in proven and profitable companies. The breadth of the Environmental Markets opportunity set enables Impax to create a diversified portfolio spanning traditional sector boundaries. Once a company is purchased, its share price is continually monitored within the context of a live ‘valuation range’ which incorporates worst and best-case assumptions.

The Manager also maintains an active dialogue with executive management. Doing so is an important part of the investment process, and helps promote greater transparency around ESG and sustainability issues. Engagement outcomes, company valuations, as well as portfolio risk metrics and the macro-outlook, all inform buy and sell decisions.

The Portfolio

The IEM portfolio is built with a focus on financial returns, and its long-term performance against global equity markets remains compelling.

Reflecting this, the investment managers are personally invested in the Company. Two of IEM’s three co-portfolio managers – Bruce Jenkyn-Jones and Jon Forster – have worked together since its launch in 2002, while Fotis Chatzimichalakis has worked on IEM since 2015. IEM also benefits from competitive fees and a committed Board, which in 2023 authorised the Manager to increase gearing to reflect the high conviction and low valuations across the portfolio. Since IEM's shares began to trade at a discount in 2022, the Board has bought back shares at a steady rate. All buybacks were accretive to the Company.

Additionally, by focusing on Environmental Markets, the portfolio generates outcomes beyond financial returns. Annually, for each £10m invested, enough clean, renewable energy is generated to power 360 homes and the equivalent of 1,410 households’ water consumption and 240 tonnes of domestic waste are saved. In addition, whilst the Manager does not target them in the investment process, 84% of revenues generated by portfolio companies were covered by United Nations sustainable development goals in 2023.

Investment Objective

The investment objective of Impax Environmental Markets plc 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).

Financial Information
At 31 December 2023

434.9p
Net asset value ("NAV") per ordinary share with debt at bookcost
(2022: 419.5p)

434.3p
NAV per ordinary share with debt at fair value[1,2]
(2022: 419.5p)

7.9%
Ordinary share price discount to NAV[2,3]
(2022: 0.0%)

400.0p
Ordinary share price
(2022: 419.5p)

0.83%
Ongoing charges[2]
(2022: 0.81%)

£1,221m
Net assets
(2022: £1,276m)

Performance Summary[4]
For the year ended 31 December 2023
% change

4.5%
NAV total return per ordinary share[2,3]
(2022: -15.0%)

-3.7%
Share price total return per ordinary share[2]
(2022: -22.8%)

Comparator Benchmarks

15.3%
MSCI AC World index[5]
(2022: -8.1%)

18.3%
FTSE ET100 index[5]
(2022: -20.1%)

Alternative performance measures ("APMs")

The disclosures as indicated in footnote 2 are considered to represent the Company's APMs. Definitions of these APMs and other performance measures used by the Company, together with how these measures have been calculated, can be found on pages 97 and 98.

1 For 31 December 2022 and before, the NAV with debt at fair value approximated to the NAV with debt at bookcost. Consequently only one NAV was reported.
2 These are alternative performance measures.
3 With debt at fair value.
4 Total returns in sterling for the year to 31 December.
5 Source: Bloomberg and FactSet.

Chairman's Statement

Glen Suarez
Chairman

Dear Shareholder

I took over as Chairman of the Company at last year's AGM so this is my first full year as Chairman. I thought it would be helpful to restate the case for investing in the Company after the past two difficult years. In short, I believe with the Manager that prospects for the Company are stronger today than they have ever been.

Impax Environmental Markets plc seeks to achieve sustainable, above-market returns over the longer-term by investing globally in companies that are developing innovative solutions to the resource challenges that we face.

The portfolio of global equities is diversified. While just under 50% of holdings are listed in the US, the Company also has exposure to Europe (24%), the UK (9%) and India (3%). These investments are across a broad range of sectors as detailed on page 24.

As discussed in the following pages, the Company's portfolio in 2023 underperformed the broader equity markets. Such periods of short term underperformance are not unusual given the nature of IEM's investment philosophy and approach, particularly in periods of rising interest rates. This is discussed further in the Manager's Report on pages 9 to 18. However, history shows that, in the long-term, what matters most for shareholder returns is growth in earnings of the portfolio's companies - and given the nature of investee companies' profitability and expected revenue growth the Manager strongly believes that there is significant potential for the Company to generate very attractive returns for shareholders in the future.

The Investment Case

The hypothesis underpinning IEM's investment strategy is that companies providing solutions for the world's most pressing environmental challenges, across a diverse range of end markets, will deliver financial outperformance. There are many drivers for this, some of which are regulatory, and others which result from changing customer preferences and social factors. In many cases, our portfolio companies are providing solutions that are cost effective and technically better than the less-sustainable alternatives they are replacing.

Renewable energy is a case in point. Improvements in technology, economies of scale and greater experience in building, operating and maintaining renewable energy systems mean that the costs of wind and solar power generation have fallen dramatically in recent years. They are now the cheapest sources of new-build electricity generation in the vast majority of the world, according to Bloomberg New Energy Finance.[1] In more than half of the world, new wind and solar plants are cheaper than existing fossil fuel power generation sources. In these areas, it costs less to build new renewables facilities than it does to cover the operating costs of coal- and gas-fired plants that have already been built. Regardless of their contribution to reducing carbon emissions and the reduction of local air pollution, renewables increasingly make sense in pure economic terms, presenting an attractive long-term investment opportunity for investors like IEM. The UK, with its extensive offshore resources, is potentially one of the biggest beneficiaries of this with significant potential for exports.

Similar cost reductions are underway in battery technologies that can help to address the challenge of intermittent output from wind and solar facilities. Wind and solar plants can improve their reliability by using batteries to store and sell excess power during periods of high demand. Batteries are already providing valuable – and often lucrative – grid-balancing services, and can help ease bottlenecks in electricity distribution networks, deferring or avoiding costly upgrades. Again, this is creating enormous demand. The International Energy Agency is forecasting a 75% growth in investment in battery energy storage from 2022 to 2023, to $35 billion; under its net-zero scenario, it sees the market growing 35-fold by 2030.[2]

1 https://rmi.org/wp-content/uploads/dlm_uploads/2023/07/rmi_x_change_electricity_2023.pdf.
2 https://www.iea.org/energy-system/electricity/grid-scale-storage.

Then there is the global food system, which produces around a third of greenhouse gas emissions.[1] It also consumes millions of tonnes of chemical fertilisers and pesticides and causes 80% of deforestation. Not only is there a clear environmental case for more sustainable agriculture, there is also a compelling business case. Precision agriculture, using satellite imaging and artificial intelligence, can help farmers precisely plan planting, irrigation, and fertiliser and pesticide use. It can cut the use of costly inputs and increase yields and quality, thus boosting profitability whilst cutting agriculture's environmental impacts. Companies providing these services present a clear growth opportunity.

Beyond this, the revolution in AI is likely to be one of the big drivers of profit growth in portfolio companies in which we invest. As it currently stands, 8% of the Company's portfolio is invested in stocks which are likely to benefit from the AI revolution. This is discussed further in the Manager's Report.

As the global debate around greenhouse gas emissions evolves, it is important to highlight that the IEM portfolio will have some exposure to fossil fuels. The Board feels that, within IEM's mandate (which is discussed more fully on page 26), a modest amount of such exposure is acceptable, but only where an investee company is making a contribution to a reduction in pollutants and has a credible plan to transition away from fossil fuels.

Performance

The growth in the Company is the result of robust performance over the longer-term. However, the past two years of challenging macroeconomic conditions have reversed some of these gains.

For the year ended 31 December 2023, the Company's net asset value returned 4.5%, underperforming both its global equities comparator index (the MSCI All Country World Index, "MSCI ACWI") return of 15.3%, and its environmental markets comparator index (the FTSE Environmental Technology 100 Index, "FTSE ET100") return of 18.3%.

The share price total return decreased by 3.7%. This reflected the widening of the Company's discount during the year by 8% as discussed in the Premium and Discount Control section.

In any investment strategy, periods of underperformance are to be expected. Since early 2022, central banks have been aggressively increasing interest rates to fight inflation. IEM looks to invest in smaller companies which are growing. Higher interest rates have a two-fold effect. First, they increase the discount rate applied to future earnings. This lowers the premium afforded to 'growth' companies relative to slower-growing companies already producing substantial cash earnings. Second, these small and growing businesses often borrow to help fund that growth. As interest rates rise, so too does their cost of debt. While IEM looks to avoid stocks with excessive debt burdens, markets have reacted to higher rates indiscriminately, selling first and asking questions later.

These headwinds overwhelm the tailwind of strong earnings growth in the short term. However, the sharp pullback in valuations seen across these areas more than corrects for some of the premiums reached in preceding years. Moreover, inflation has fallen substantially around the world, and markets are pricing in the likelihood of interest rates plateauing or beginning to fall.

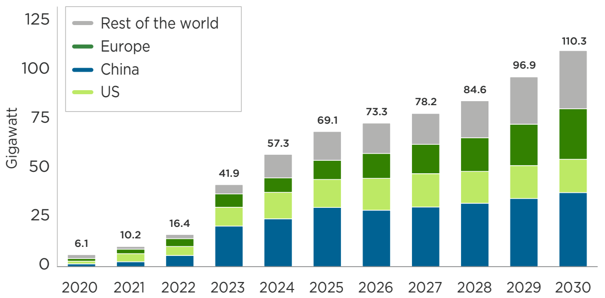
Dividend

IEM's net revenue return for the year was £14.4 million, compared with £13.3 million in 2022.

IEM's dividend policy, as approved by shareholders at the May 2023 AGM, is to declare two dividends each year. On 28 July 2023, the Board announced a first interim dividend for this financial year of 1.7 pence per share, which was paid on 1 September. The second interim dividend of 2.9 pence per share was declared on 2 February 2024 and paid on 15 March 2024. The total dividend per share paid for 2023 is therefore 4.6 pence per share, an increase of 15% on the 4.0 pence paid in respect of 2022.

Rapid charging

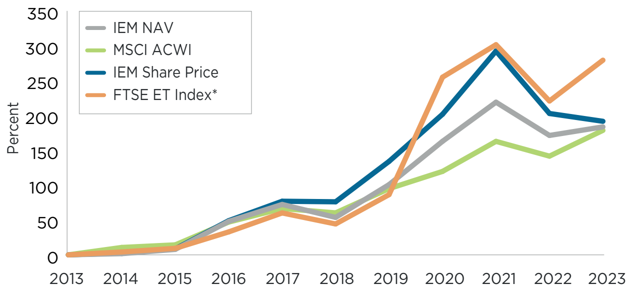
Annual new energy storage capacity is expected to almost treble by 2030 (GW)



Source: IEA. License: CC BY 4.0 as at 10 July 2023.

10 year cumulative performance

Total return



Source: Bloomberg as at 31 December 2023.

1 https://news.un.org/en/story/2021/03/1086822.

* FTSE ET50 Index until 31 December 2013 and then FTSE ET100 Index thereafter

"The hypothesis underpinning IEM's investment strategy is that companies providing solutions for the world's most pressing environmental challenges, across a diverse range of end markets, will deliver financial outperformance."

It remains the Board's intention to pay out substantially all earnings by way of dividends, the quantum of which is affected both by the level of dividends received by the Company and by the number of shares in issue at the relevant record date. The Board does not expect dividends to form a significant proportion of total return in the near future.

Gearing

The Board and Manager believe that gearing, or the ability to borrow capital to invest, is an attractive feature of investment trusts and can enhance long-term performance. In 2014, when the gearing facility was put in place, the Board and Manager agreed the Company could borrow up to 10% of net assets. On 6 September 2023 the existing five year £50.3 million facilities with Scotiabank came up for renewal which, due to IEM's growth, represented net gearing of only 3% at that time.

As discussed in the Half-yearly Report, the Board, after extensive discussions with the Manager, based in part on compelling portfolio valuation, decided to put in place a mix of structural fixed and floating rate debt which had a mix of maturity dates and interest rates. The Company accordingly placed €60 million of privately placed notes ("Notes") with Pricoa Private Capital (part of PGIM, Inc), which were predominantly used to repay the pre-existing Scotiabank debt facilities. It also put in place a new £80.35 million facility with Scotiabank - a two-year multi-currency revolving credit facility, floating at reference rate plus 1.6% of which was fully drawn down in Euros (€40.9 million) in September 2023. The Scotiabank facility includes provision for an additional £45 million drawings as an uncommitted "accordion", with final availability subject to approval by Scotiabank. The Notes documentation provides scope for US $59.834 million additional note issuance.

The Notes break down is set out below:

Principal amount	Maturity	Interest rate
€20m	7y	Floating: 6m EURIBOR +1.35%
€30m	10y	Fixed: 4.48%
€10m	12y	Fixed: 4.63%

As a consequence of the Company's change to borrowings as set out above, at the close of the year the Company's net gearing was 6.2%. This was higher than the 2.1% of net gearing at year end 2022. In summary, total year end borrowings have a weighted maturity of 6.4 years and a mix of 40% fixed and 60% floating interest rate debt.

Premium and Discount Control

The premium or discount at which the shares trade to the underlying NAV is actively monitored by the Board and the Company's corporate brokers.

At 31 December 2023, the Company's shares traded at a discount to net asset value, with debt at fair value of 7.9%. At the previous year end, shares were trading at NAV with no discount or premium. During the year the shares traded between a premium to NAV of 1.3% and a discount of 10.4% with an average of 5.1%.

In the first half of 2023, the shares continued to trade close to NAV, but the discount widened in the second half as investors withdrew from the UK market. This affected almost all investment trusts in the UK market. During the year, the Company bought back some 23.1 million shares, representing 7.3% of the issued share capital at the start of the year. The Board will continue to exercise its authority to buy back or issue shares depending on the circumstances in the interests of shareholders.

Following this year's buybacks, there were 281.1 million shares in issue at the year end (2022: 304.2 million) with 24.5 million (2022: 1.4 million) shares held in treasury.

The Manager

In Impax, the Company has an investment management firm which has a long and successful track record. It has been investing in Environmental Markets for 26 years. As it has grown, Impax has recruited strategically to increase the breadth and depth of its knowledge and capabilities as a firm. This includes analysts who are experts in their sector. A more detailed explanation of the Manager's investment process and philosophy is set out on pages 26 to 28.

The Board undertakes both an ongoing and formal annual review of the investment and other performance metrics of the Manager, and believes that it is in the best interests of shareholders to continue with the Manager.

Fees

Following discussions with the Manager, the Board is pleased to announce the addition of a new tier to the fee structure. From 1 January 2024, net assets in the Company of over £1.4 billion will have a fee of 0.45% pa. The complete fee structure is outlined below.

IEM's Fee Structure - per annum	
Up to £475m NAV	0.90%
Between £475m and below £1.4bn NAV	0.65%
Above £1.4b NAV	0.45%

The Board

As previously mentioned, I took over as Chairman following the AGM in May 2023.

I would like to thank my predecessor as Chairman, John Scott, as well as Vicky Hastings for the services that they provided to the Company and to shareholders over the past 10 years.

In May 2023, we welcomed Guy Walker to the Board. He brings a wealth of market and industry knowledge and experience. We also welcomed Elizabeth Surkovic to the Board at the beginning of 2024. She has worked in environmental policy making and regulation in the private and public sectors. Details of their resumes are set out on pages 52 and 53.

I would like to thank my fellow directors for the time contribution and the judgement they have brought to bear on the issues affecting the Company this year.

Board Diversity

The Board recognises the importance and value of diversity on the Board. I am pleased to report that the Board meets the FCA Listing Rules targets on gender diversity, female representation in a senior role, and ethnic representation on the Board.

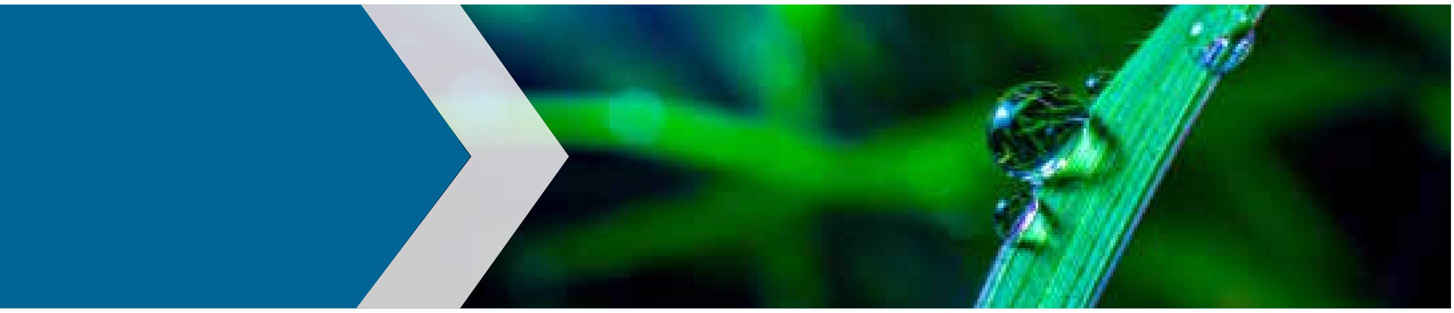
Annual General Meeting ("AGM")

This year's annual general meeting will be held at 7th Floor, 30 Panton Street, London, SW1Y 4AJ on 20 May 2024 at 3.00pm. Shareholders are being asked to approve two additional special resolutions this year: the adoption of new articles of association and the cancellation of the share premium account. Further information on these two items of business can be found on pages 105 to 107.

We are pleased to invite shareholders to attend the AGM in person to meet the Board and the investment managers. There will be a presentation and the opportunity to ask questions. Shareholders are welcome to join through our website at www.impaxenvironmentalmarkets.co.uk. As is our normal practice, there will be live voting for those physically present at the AGM. We are not able to offer live voting via the website, and we therefore request all shareholders, and particularly those who cannot attend physically, to submit their votes by proxy, ahead of the deadline of 3.00pm on 16 May 2024, to ensure that their vote counts at the AGM.

Shareholders' questions for either the Board or the investment managers should be submitted to clientservices@impaxam.com by 3.00pm on 17 May 2024. IEM's website at www.impaxenvironmentalmarkets.co.uk can be used to access more insights and also subscribe for regular communications.

Chairman's Statement continued



Outlook

Higher interest rates have led many investors to sour on the environmental markets theme as part of the wider 'risk-off' mood that has weighed on sentiment towards smaller companies more broadly. With interest rates set to head downwards, the Board and the Manager are confident that this sentiment will similarly change direction. In the meantime, the shares of many companies in IEM's investment universe have been substantially derated by the market. This can create valuable opportunities for an investment manager with long-term horizons.

The Company's investment hypothesis remains firmly in place. Across the end-markets that it addresses, policy and regulation continue to put growing pressure on companies to emit less carbon, become more energy efficient, produce less waste and reduce their impacts on the natural environment. Consumer preferences are also moving towards more sustainable products and services, at competitive price points.

This emphasis on cost-competitiveness is fundamental to successful investing in environmental markets. IEM seeks well-managed, disciplined companies that combine a focus on sustainability with economically profitable business propositions and with attractive investment upside. Such companies will deliver financial outperformance. As Chairman, I will maintain a relentless focus on that performance, and challenge the Manager to ensure we generate positive investment returns for our shareholders over the long-term.

Glen Suarez, Chairman
10 April 2024

Manager's Report

Jon Forster

Fotis Chatzimichalakis

Bruce Jenkyn-Jones

Global Equities in 2023

Markets provided a challenging backdrop for performance in 2023. Investor sentiment was dominated by expectations around inflation, rising interest rates and their potential impact on the real economy. Alongside macroeconomic uncertainty, increasing geopolitical risk also drove more defensive positioning. Lastly, widespread enthusiasm for Artificial Intelligence ("AI") concentrated performance in a handful of mega-cap technology names. As a result, equity markets delivered positive, albeit volatile returns.

Equity markets once again remained in thrall to central banks. Focused mainly on the US Federal Reserve ("Fed"), investors swung sharply between optimism that the interest rate cycle was peaking and concern that central banks would raise rates too far. Having appeared to accept fully the prospect of "higher for longer" rates in October, lower US Consumer Price Index data and resilient economic activity in November prompted a strong year-end rally. Expectations are now for a soft economic landing and multiple rate cuts through 2024.

A higher cost of capital weighed on some key areas of portfolio exposure. Sectors exposed to long duration financing, such as Independent Power Producers and Solar Energy, faced some of the biggest headwinds. Fears of an economic slowdown also hampered sectors with more cyclical characteristics such as Industrials and Materials, to which the Company has significant exposure. Smaller companies, which are perceived to be more geared towards the economic cycle, also meaningfully underperformed larger ones. These smaller companies make up around 83% of the portfolio and have contributed to a notable derating in the portfolio's valuation premium.

Investors have also taken more defensive positions because of geopolitical uncertainty.[1] Although Russia's invasion of Ukraine has largely ceased to drive up inflation, the conflict remains a source of tension. Similarly, diplomatic tensions between the US and China continue to have read-across to globally important sectors such as semiconductor manufacturing. More recently, October's attack by Hamas on Israel, and subsequent fighting in Gaza, have led to an escalation of tensions across the Middle East. The initial spike in oil prices subsided rapidly, but with some trade ships now avoiding the Red Sea – driving up prices and journey times – there is clear inflationary potential should the conflict spiral further.

The extent of these challenges partly explains why positive equity returns this year have been concentrated in a handful of stocks. However, the public launch of Chat-GPT also spurred a wave of enthusiasm for companies with AI exposure. Having fallen dramatically in 2022, shares in the so-called "Magnificent Seven" (Microsoft, Amazon, Nvidia, Alphabet, Meta, Apple and Tesla) delivered around half of the MSCI ACWI's gains, making relative outperformance without them difficult. Strong sentiment was further compounded by their ability to generate strong margins and growth despite high interest rates.

In addition to these top-down factors, several sector-specific trends played out across the portfolio. Independent Power Producers ("IPPs") of renewable energy not only faced rapidly rising interest rates, but also higher costs for labour and materials, just as power prices declined. For solar energy companies with residential exposure such as **SolarEdge**, higher interest rates translated into greater financing costs for consumers. In the US, this was combined with a new regulatory regime for the state of California (the country's largest solar market), while Europe dealt with Chinese oversupply. Destocking also proved to be an issue for natural ingredients companies. Having built up inventory during the Covid-19 pandemic, often at elevated cost, companies like **DSM Firmenich**, **Corbion** and **Croda** struggled with softer demand from health care, consumer goods and cosmetics end markets.

There are signs that these challenges are starting to abate. The interest rate trajectory already appears more supportive for smaller companies with a growth tilt, in which IEM invests. Likewise, many IPPs are demonstrating their ability to generate returns above the cost of capital. In Ingredients, there are signs that destocking is finally coming to an end. Solar end markets may continue to endure some headwinds in the near-term, but the economics remain sound. As a result, heading into 2024, the investment managers have high conviction in a portfolio in which debt is low, valuations remain attractive and the thesis for environmental markets is stronger than ever.

1 As at 31 December 2023.

Key Developments and Drivers for Environmental Markets

The Company is founded on the belief that amid rising environmental challenges, companies enabling the cleaner and more efficient delivery of basic needs – such as power, water and food – or mitigating environmental risks like pollution and climate change, will grow earnings faster than the global economy over the long-term.

In recent years, a combination of rapidly rising interest rates, increased cost of living and heightened geopolitical risk has presented a challenge to this thesis. However, during the Covid-19 pandemic, the share prices of many companies exposed to structural growth opportunities – be they sustainability-related solutions or digitalisation – arguably overestimated the durability of increased demand in the medium-term. However, as conditions normalise, it is clear that the long-term trajectory of both increasing demand and support for environmental solutions remains intact.

Electrification

Some of the lowest-hanging fruit to reduce greenhouse gas ("GHG") emissions can be delivered through electrification. Powering processes with electricity can deliver dramatic efficiency gains, with some estimates concluding that electrifying global energy systems could reduce total energy demand by around 40%.[1]

Yet many "non-power" sectors still rely on fossil fuels as a source of energy. Even in a developed market like the US, electricity accounts for only slightly more than one-third of primary energy consumption.[2]

The decarbonisation opportunity therefore lies in broadening electricity's use cases across sectors. According to the IEA, emissions from transport, buildings, and industry account for 56% of all CO_2 globally.[3] While Electric Vehicles ("EVs") are now commonplace, global penetration remains low. By contrast, the electrification of heating and cooling, through heat pumps, and the electrification of industrial processes, is in its infancy.

Within Industrials, the Company has exposure to this theme through holdings like UK-listed **Spirax Sarco**. The company's core business is to help industrial customers make more efficient use of steam in their manufacturing process, thereby reducing costs and emissions. Acquisitions of electrical heating companies in recent years positions the company to participate in a broader electrification of industry.

By partnering closely with clients, Spirax's engineers embed themselves within operations to improve efficiency and lower energy usage. For example, working with a subsidiary of the multinational drinks company Diageo, Spirax overhauled existing boiler infrastructure to reduce emissions across direct operations.[4] With only 5% of industrial heat generated from electricity,[5] there is significant growth potential for such applications.

Electrification also has the potential to transform the energy used in buildings. Portfolio holding **NIBE Industrier**

1 The world will need less energy after the energy transition (sustainabilitybynumbers.com).
2 US Energy Information Agency, 2022.
3 Global energy-related CO2 emissions by sector – Charts – Data & Statistics - IEA .
4 Our impact | Spirax Sarco Engineering plc.
5 Investor Presentation March 2023 (spiraxsarcoengineering.com).

produces heat pumps for residential and commercial use, which draw on ambient thermal energy and use electricity to transfer this into heating systems. Russia's invasion of Ukraine in 2022 exposed the geopolitical and economic vulnerabilities of fossil fuel dependence, boosting uptake for alternative solutions like NIBE's. According to the IEA, global sales of heat pumps grew by 11% in 2022.[1] In the near-term, normalisation of subsidies and increased competition may present some headwinds, but long-term growth potential remains strong. NIBE's products are complemented by those of another portfolio holding **Kingspan**, whose insulation helps to reduce the aggregate level of energy required for both heating and cooling.

The pace of electrification has increased most rapidly in areas where technological advances have made it most compelling. In transport, the battery packs that power EVs now cost about one-tenth of what they did 15 years ago.[2] As a result, almost one-fifth of new cars sold globally in 2023 are expected to be EVs.[3] While concerns about the cost of living have slowed EVs' growth of late, with continuing cost reductions enabled by technological innovation and wider adoption, EVs could hit price parity with internal combustion engine models in Europe over the course of 2024.[4]

The rise of EVs, alongside the increasing penetration of technology across transportation, underpins our investment thesis in **Littelfuse**. The US-based manufacturer of circuit protection and sensing devices currently derives around a third of its revenues from transportation end markets. Alongside passenger vehicles, this includes construction equipment, public transport, and EV charging infrastructure. As electrification continues to disrupt vehicle manufacturing, Littelfuse's products play a vital role in helping to improve the safety, reliability, and efficiency of electric systems.

As these sectors electrify, demand for sustainable electricity will increase. The EU Commission expects European power demand to rise 60% between now and 2030,[5] with renewables contributing much of the supply. This long-term driver underpins the investment case for all our renewables holdings, which account for c.11% of the portfolio.

At the same time, a range of 'midstream' technologies will play an important role in storing, transforming and delivering clean power to end users. Electricity grids originally designed to connect consumers to local power stations will need to become larger and more flexible. They will also need to connect across greater distances, with greater penetration of renewables increasing the need to move power from where it is generated to where it is consumed. Energy storage facilities and smart demand-side management will likewise need to increase to deal with renewable power's intermittency.

This additional investment is required over and above increasingly vital maintenance spend. By way of example, the U.S. Department of Energy found that 70% of U.S. transmission lines are more than 25 years old in its last network-infrastructure review in 2015. Lines typically have a 50 year lifespan, after which efficiency drops off and operating costs rise. In this vein, November 2023 saw the EU announce its "Grid Action Plan", which seeks to ease permitting for transmission and distribution networks, improve financing and reduce grid interconnection queues.

This long-term infrastructure development is central to Impax's investment case for **Prysmian**. Listed in Italy, the company manufactures electrical cables for the power grid, as well as fibre optics. Prysmian has market-leading positions across a range of segments, but particularly in high voltage transmission. These cables are used to transmit electricity large distances with minimal energy loss, for example when connecting renewables to the grid. Prysmian's significant exposure to the US and European markets make it a likely beneficiary from government stimulus.

Artificial Intelligence

The launch of Chat-GPT in November 2022 unleashed a wave of public enthusiasm for artificial intelligence ("AI"). Its biggest beneficiary has been Nvidia (not held), a designer of graphics processing units ("GPUs") and related services whose computing technology enables the processing of large language models ("LLMs"). Market sentiment has been matched by financial fundamentals, with the company recording year on year revenue growth of 265% in the quarter ended January 2024. IEM has no direct exposure to AI development. The manager's investable universe is focused on companies which derive at least 50% of their revenues from Environmental Markets, the bulk of which are small and mid-cap companies. AI is undoubtedly a powerful technology that will shape many sectors. However, the resources required and resulting network advantages conferred mean that today's leading efforts are dominated by mega-cap technology companies such as Microsoft (through OpenAI), Alphabet or Meta. Nevertheless, IEM does hold companies with indirect AI exposure. These stocks either provide products and services for organisations developing AI, or actively employ AI in their business models. As a result, their shares have performed well over the Company's financial year. By way of example, **Monolithic Power Systems** ("MPS") is a leading analogue semiconductor company. AI's complex computational processes require a greater and more precise delivery of power. MPS' integrated chip component systems provide this, at the same time as reducing energy consumption for customers. This makes them critical for data centres, as well as helping to improve efficiency across a wide range of end markets such as personal computing, autos and industry. As a leading supplier to Nvidia, MPS has been a key beneficiary from the recent surge in investment. The

1 Global heat pump sales continue double-digit growth – Analysis - IEA.
2 Office of Energy Efficiency and Renewable Energy, 4 October 2021: DOE Estimates That Electric Vehicle Battery Pack Costs in 2021 are 87% Lower than in 2008.
3 IEA, 2023: Electric vehicles.
4 Rocky Mountain Institute, September 2023.
5 EU Commission announces electricity grid action plan | Reuters.

Manager's Report continued

portfolio also holds two companies which are already integrating AI into their business offering. The software companies **PTC** and **Altair Engineering** are leaders in computer-aided design ("CAD") and computer-aided engineering ("CAE"), respectively. PTC's solutions are used during the design, operation, and maintenance phase of complex products; while Altair's focus on simulation and generative design. By leveraging AI and machine learning, both companies are able to offer a range of IIOT ("Industrial Internet of Things") solutions; data-driven capabilities that combine industrial connectivity and real-time data analytics to improve and optimise the design and manufacturing process.

Solar

Within the Company's portfolio, the solar energy sector faced some of the strongest headwinds in 2023. A combination of higher interest rates, new US regulation, and inventory destocking interacted with a sharp drop in European power prices. As a result, many stocks which had reached all-time highs in the wake of Russia's invasion of Ukraine fell sharply.

Higher interest rates reduce demand for residential solar by raising the cost of financing. In the US in particular, most domestic solar installations are paid for with a long-term loan. Higher upfront prices have been lifted further by soaring wage costs for installation. In Europe, the price of electricity has plummeted from recent peaks – see chart below. This dynamic creates an increasingly long and unappealing payback period – how long it takes the system to pay itself off.

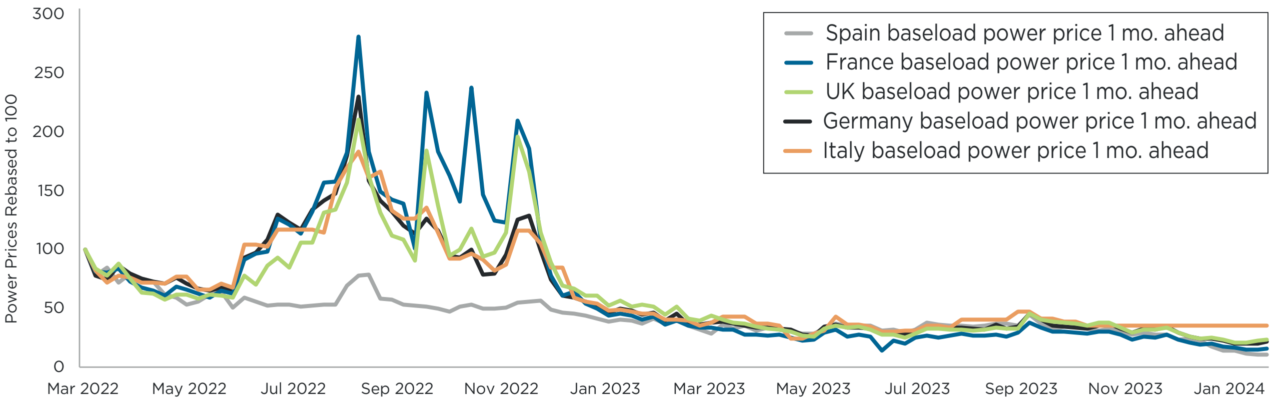
This payback period drew particular focus in the US state of California. New state regulations known as Net Energy Metering ("NEM") 3.0 became effective in April 2023, and cut the export price for new systems by 75%, while also requiring the installation of a battery as storage.[1] California matters because it represents almost two-fifths of the US residential solar installed base and has historically set the trend for US solar regulation.[2]

Companies with European solar exposure were insulated from this regulatory headwind, and saw less impact from higher rates given lower levels of financing. However, unlike the US, Europe's market can fall victim to Chinese oversupply. In 2023, Chinese manufacturers dumped an estimated 40GW of excess inventory (equivalent to a year's worth of installations) into Europe.[3] This effectively crushed pricing power even while underlying demand remained robust.

However, after a difficult year, the fundamental drivers for long-term growth in solar energy remain in place. These include incentives to decarbonise, higher household electricity consumption and a drive for self-sufficiency. In 2023, Bloomberg New Energy Finance ("BNEF") estimates that new global solar PV installations will total 413GW — four-fifths more than in 2022 and far exceeding recent expectations (see chart on next page).

Historically, investing in solar stocks has required a distinctly contrarian mindset. Market participants are flighty, with the type of short term focus usually reserved for hedge funds and speculators. The extent of the recent sell-off therefore occasions another look at the space. Companies with market-leading technology have quality business models and barriers to entry high enough to benefit from the industry's long-term growth.

European Baseload Power Prices
normalised to 100 as of 8 March 2022



Source: Bloomberg. As at 31 March 2024

1 Kennedy, R., 4 Nov 2022: California set to release anti-rooftop solar net metering plan. PV Magazine.
2 Solar Energy Industries Association / Wood Mackenzie Power & Renewables, September 2023: U.S. Solar Market Insight 2023 Q3.
3 Bellini, E. & Kennedy, R., 20 July 2023: European warehouses store 40 GW of unsold solar panels. PV Magazine.

> "Broad public support for environmental solutions also remains high, particularly when the financial and geopolitical benefits are made clear."

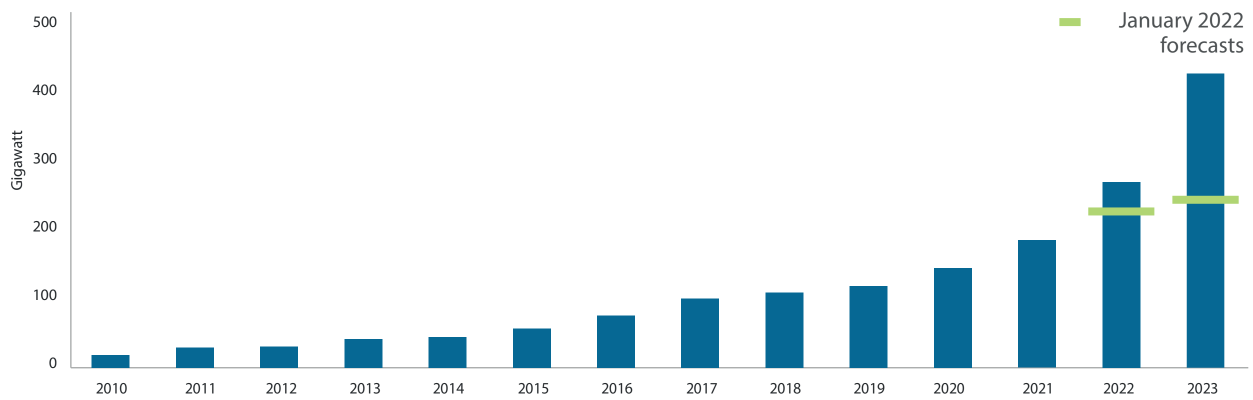
Likewise, not every player in the market is succumbing to price competition arising from mass, low-cost Chinese manufacturing. Indeed, some companies are benefiting as lower prices for commoditised products increase aggregate solar demand, without the corresponding increase in supply for specialist components. This is the thesis which underpins the Company's position in **SolarEdge**, a US-listed producer of optimisers and related components, and continues to inform the manager's scrutiny of the investable universe.

Policy

Recent macroeconomic and geopolitical changes have put an increased focus on energy security and the cost of living. As a result, policy measures which seek to create a more sustainable economy but involve upfront costs have been the victim of political pushback. In the UK, the most notable example came in September 2023, when Prime Minister Rishi Sunak rolled back the deadline for selling new petrol and diesel cars, as well as the phasing out of gas boilers.

Solar roll-out eclipses expectations

Annual global solar photovoltaic installations (gigawatts)



Source: BNEF, November 2023. 2023 is forecast data, as at 30 November 2023.

Manager's Report continued

This trend has been seen across geographies and partly reflects the vaulting ambition of targets set during COVID-19 – a time of lower economic activity and more stable geopolitics. However, it also reflects politicians' willingness to use sustainability policy as a wedge issue on the campaign trail, even if the impact is limited in practice.

Across the board, incidences of real and direct policy change have thus far been limited with few long-term strategic shifts. Such developments ultimately amount to an understandable delay but do not change the destination. Existing regulations, consumer demand and corporate strategy also continue to be effective drivers of growth for environmental markets. Indeed, business leaders remain focused on competing long-term and some of the most vocal opponents of the UK Government's measures were the car manufacturers.[1]

Broad public support for environmental solutions also remains high, particularly when the financial and geopolitical benefits are made clear. This continued level of policy support for environmental markets was evident at COP 28, November's UN conference on climate change held in Dubai. The meeting produced an historic agreement on the need to "transition away from fossil fuels in energy systems".[2] Over 130 countries also endorsed the Global Renewables and Energy Pledge to triple renewable energy capacity and double the rate of energy efficiency improvements to 2030, specifically calling attention to permitting and ensuring cross-border grid interconnections.[3]

The event was also a testament to the power of collective engagement. As part of the Farm Animal Investment Risk and Return Initiative ("FAIRR") initiative, Impax is one of several stakeholders that has campaigned for a greater focus on the role food systems play in climate change. Historically absent from COP agreements, this year saw a whole day devoted to food and agriculture.

At COP 28, the UN's Food and Agriculture Organisation launched a road map to bring the world's food production in line with global climate goals.[3]
A corresponding declaration on sustainable agriculture also demonstrated that governments are increasingly willing to co-opt entire sectors into their national plans for decarbonisation. With over 13% of IEM's portfolio invested in companies deriving revenues from Sustainable Food and Agriculture, these initiatives further strengthen the Manager's conviction in the long-term growth prospects of the sector.

Looking forward, one of the biggest determinants of environmental policy is likely to be the US Presidential Election. At the time of writing, Donald Trump is the presumed Republican candidate, and has made his opposition to the Inflation Reduction Act – which provides funding, as well as broader legislative support for renewable energy – well known.

Impax views Donald Trump's chances of frustrating the legislation as limited. Doing so would require a comprehensive victory in the Senate and Congress, while also reversing significant spending and job creation in many Republican states. Since passage of the Inflation Reduction Act in 2022, more than US$160bn has been committed by the private sector to new clean energy manufacturing facilities in states that often or sometimes have Republican congressional majorities.[4] State-level political dynamics will matter too. Today, 17 US states have legally binding 100% clean energy targets.[4] These cannot be undone at the federal level. Nevertheless, the prospect will continue to hang over relevant sectors until November 2024 at least, affecting valuations accordingly.

1 E.ON boss hits out at Sunak's plan to row back on net zero policies.
2 COP28: Landmark summit takes direct aim at fossil fuels - BBC News.
3 Summary_GCA_COP28.pdf (unfccc.int).
4 Lawrence Berkeley National Laboratory, June 2023: U.S. State Renewables Portfolio & Clean Electricity Standards: 2023 Status Update.

Absolute performance contributors and detractors

The Company's net asset value ("NAV") delivered positive absolute returns of 4.5% in 2023. However, this lagged the MSCI All Country World Index ("MSCI ACWI"), a broad reflection of global equity markets, by 10.8%.

Crucially, the bulk of this difference was driven by stocks not held in the portfolio. Net returns from owned companies was in fact positive, although sizeable positive contributions from positions in construction and digital infrastructure were partially offset by holdings in the solar, renewable IPPs and natural ingredients sectors.

This relative underperformance was driven by a combination of top-down macroeconomic factors, extreme market concentration and a handful of sector-specific headwinds.

IEM has no exposure to the Magnificent Seven, accounting for a performance headwind of 7.7%. These companies benefitted from a combination of market enthusiasm for AI, as well as their ability to generate strong margins and defensive growth despite high interest rates. While the Company could hold Tesla on account of its EV and renewables exposure, the investment managers view its governance practices as inadequate. The remaining stocks fail to meet the investment process requirement of having at least 50% of revenues from Environmental Markets.

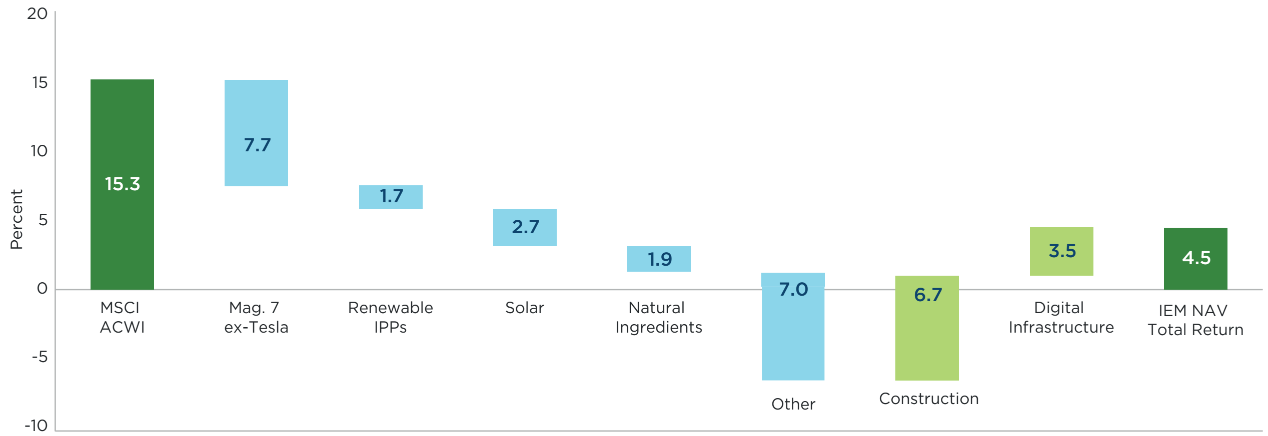
Within the portfolio, companies operating in the Solar Energy sector delivered some of the strongest negative returns. As discussed above, higher interest rates pushed out payback periods for customers financing the capital expenditure of a new system, just as fossil fuel prices came down from their 2022 highs. At the same time, new legislation in California has served to weaken US demand, while in Europe massive Chinese over-supply has left almost no pricing power to boost margins. Consequently, **SolarEdge Technologies** and **Xinyi Solar** have made some of the largest negative contributions to performance.

Investing in the solar sector requires a contrarian approach. Investor time horizons are typically short-term, with an almost total focus on growth. Across the industry, near-term visibility on underlying demand remains uncertain. Having added to positions mid-way through the year, this uncertainty compounded poor performance. Given the sector's longer-term drivers and the superior profitability of these positions, the investment managers continue to hold both names, but are monitoring progress on headwinds before increasing exposure further.

The portfolio's IPP holdings also delivered some of the weakest absolute performance for the year. The sector saw rising project costs, perceived lower future returns, and at the margin, the increasing yield on offer from bonds, all weigh on investor sentiment. Within the portfolio the share prices of companies like **Northland Power**, **Terna Energy**, and **EDP Renovaveis** fell to levels which not only discounted the value of pipeline projects, but even existing operational assets.

Such moves reflect an intensely top-down market focused on headline-driven sentiment, rather than recognising portfolio holdings' stated strategies and still resilient spreads above their cost of capital. Northland Power, for example, expects to initiate few new projects in the coming years and will instead focus on operating and selling down its assets with a view to boosting cash returns. The tail end of 2023 saw the share prices of both IPP and solar names rally. Yet these gains were driven entirely by interest rate expectations, with financial fundamentals a potential further catalyst to the upside.

IEM Performance 2023:
Macro Headwinds and Sector Specific Challenges



Source: Bloomberg as at 31 December 2023.

Natural ingredients companies represent the third significant group of stocks to weaken performance. As identified in the interim report, **DSM-Firmenich** continued to suffer from low vitamin volumes and pricing across animal and human nutrition. China's weaker than expected reopening has led to a flood of cheap vitamin production without the corresponding demand. **Croda**, conversely, has been hit by weaker personal care markets while **Corbion** faced lower demand for polylactic acid for bioplastics, with a focus in the industry on lower-cost alternatives.

As 2023 progressed, conversations with investee companies' management repeatedly saw executives point to worsening demand transparency from end clients as a result of the COVID-19 pandemic. Additions to these holdings earlier in the year thus proved too soon, despite the robust fundamentals of each company. Nonetheless, there are now signs that this temporary destocking dynamic has largely played out.

By contrast absolute returns for the year have been negative. Pockets of the portfolio have demonstrated the long-term resilience that one would expect from a Company with diverse exposure to environmental markets. The two biggest areas of positivity were the Digital Infrastructure sector and companies with exposure to US construction.

In Digital Infrastructure, the portfolio benefited from strong performance in industrial software holdings **PTC** and **Altair**. The two US-listed companies produce computer-assisted design (CAD) and simulation software, respectively. Given their central role in modern manufacturing, both names have benefited from solid growth in recurring subscription revenues, as well as continued penetration across industrial markets.

Monolithic Power Systems, a producer of power management solutions, also boosted performance. The company delivered robust earnings growth, with meaningful tailwinds from its exposure to AI, where it is chief supplier to Nvidia – the leading producer of graphical processing units used in AI systems.

US 30-year mortgage rates briefly hit 8% in 2023.[1] Despite this, US construction proved one of the strongest performance areas for the portfolio, confounding many commentators' expectations at the start of the year. In the US, mortgages are applied to the property (rather than the owner) and cannot be transferred. Thus, while higher rates did cause demand to drop, supply also collapsed as homeowners chose to move on to more affordable arrangements. With new home construction still suppressed post pandemic, an easing of building supply chains made for ideal trading conditions.

Across IEM there is c.20% aggregate exposure to construction as at 31 December 2023. This exposure is diversified by region, category (residential, commercial and infrastructure) as well as type (new build vs refurbishment). While residential construction's surprising strength drew the bulk of market commentary, municipal and commercial end markets also proved robust. Companies which performed strongly include **Pentair** and **Zurn Elkay Water Solutions,** with the former's acquisition of Manitowoc Ice providing additional diversification in the form of exposure to the food sector. Other strong performers included wood plastic composite decking company **Azek** and HVAC manufacturer **Lennox,** which benefit from refurbishing as well as new build activity.

Relative Performance Analysis

Performance relative to MSCI ACWI	12 Months ended 31 December 2023 %
NAV total return	4.5
MSCI ACWI total return	15.3
Relative performance	(10.8)
Analysis of relative performance:	
Portfolio total return	5.3
MSCI ACWI total return	15.3
Portfolio underperformance	(10.0)
Borrowing:	
Gearing effect	0.2
Finance costs	(0.3)
Management fee	(0.8)
Other expenses	(0.1)
Trading Costs	(0.1)
Share transactions:	
Buybacks	0.4
Tax	(0.1)
Total relative NAV performance	**(10.8)**

Performance relative to FTSE ET100	12 Months ended 31 December 2023 %
NAV total return	4.5
FTSE ET100 total return	18.3
Relative performance	(13.8)
Analysis of relative performance:	
Portfolio total return	5.3
FTSE ET100 total return	18.3
Portfolio underperformance	(13.0)
Borrowing:	
Gearing effect	0.2
Finance costs	(0.3)
Management fee	(0.8)
Other expenses	(0.1)
Trading Costs	(0.1)
Share transactions:	
Buybacks	0.4
Tax	(0.1)
Total relative NAV performance	**(13.8)**

1 Bloomberg as at 31 December 2023.

Portfolio positioning, activity, valuation and risk

At the end of the year, IEM's portfolio comprised 63 listed holdings. Portfolio detail is provided on pages 22 to 23 and positioning by sector and region is set out on page 24.

The Company's positioning is in line with what was presented in the Half-yearly Report. The portfolio maintains a balance of high-quality cyclical and defensive business models across a broad range of environmental markets. In terms of activity, cheaper valuations have enabled the Manager to continue taking new positions in more cyclical businesses with strong long-term fundamentals, as well as adding selectively to defensive names. The investment managers have also been looking for new holdings with exposure to Asia over the year.

Having initiated a position in **Kingspan** in the first half of 2023, the team added a further three positions in cyclical companies whose valuations had derated substantially. **Shimano** is the world's leading manufacturer of bicycle components, and its shares traded significantly lower after strong performance during Covid-19. Shimano's products can lower emissions by displacing combustion engines, as well as benefiting human health through increased exercise. The purchase was funded by exiting **Giant**, a Taiwanese bicycle manufacturer, where the manager perceived limited further upside.

Prysmian manufactures electrical wires for the power grid, as well as fibre optic cables. Rapid growth in renewables, as well as the electrification of power systems, heating and transport are driving substantial investment in the grid. With significant market share, particularly in the more operationally demanding High Voltage segment, the team believes Prysmian is well-placed to benefit.

Lastly, the Company switched its holding in **Smurfit Kappa** for a position in **Mondi**. This was triggered by Smurfit's announcement in September that it intended to acquire WestRock, a rival. Some synergies are immediately evident, however there is little clarity on management's strategy to lift returns above Westrock's current cost of capital. In addition, while both Smurfit and Mondi operate in the paper and packaging sector, the latter is a net producer giving it greater pricing stability and security of supply as cyclical demand picks up.

On the defensive side of the portfolio, the Manager bought a position in **Steris**. The company is a leading provider of sterilisation equipment and related services for the healthcare industry whose growth is underpinned by several secular tailwinds such as ageing populations and greater sterilisation outsourcing. Steris also delivers industry leading water savings in its products.

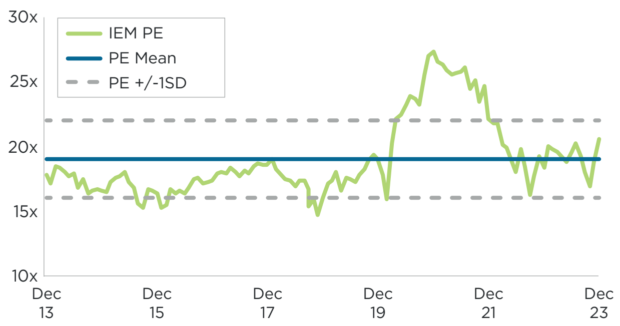
The Company also initiated a position in **Veralto**, a spin-out from US testing and analysis company Danaher. The new business is focused on providing quality control services for the water, food, and pharmaceutical markets. As part of Danaher, the company established a track record of high margin recurring business and strong growth.

Lastly, 2023 saw the Manager modestly increase the portfolio's Asian exposure with two transactions in the first half of the year. In the more defensive consumer market, IEM purchased **Dabur India**. As documented previously, Dabur is a leading supplier of natural ingredients with strong market share in fast growing markets. The Company also purchased **Shenzhen Innovance Technology**, a producer of industrial automation products and electrical motors for EVs. The holding marks the Company's first foray into the Chinese A-share market, which has been under pressure in 2023. However, the company's track record of growth, compounded with the still abundant domestic opportunity made for an attractive entry point.

Valuation and Gearing

Regarding valuation, over the course of 2023 the portfolio occupied a fairly narrow range for its next 12 months' (or forward) price-to-earnings (PE) ratio. Starting the year at 18.4x, the portfolio actually finished slightly higher at 20.7x. However, this ratio dropped sharply at several points during the year when markets took the view that higher interest rates would have a greater impact on smaller companies. The figure is also skewed by portfolio holdings where short term downward revisions to earnings have not necessarily fed through to the share price.

Historical PE[1]

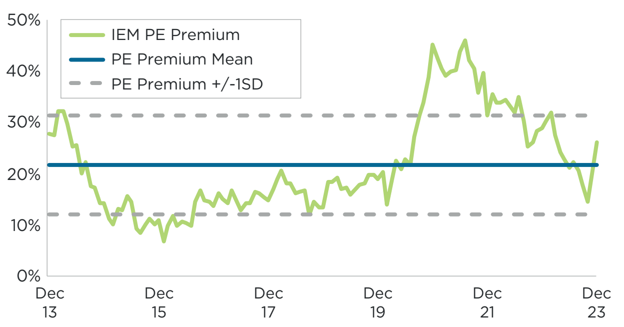


Source: Bloomberg as at 31 December 2023.

1 PEG ratio: PE next 12 months to LTG (long-term growth) estimate.

More significant was the relative PE premium for the portfolio compared to the broad MSCI ACWI of equities, which fell steadily over the course of the year. Starting the year at around 29%, the relative premium fell to 26%. Despite rallying sharply in latter months as interest rate expectations changed, this premium remains in line with long-term average levels. Yet public policy and technological developments have made the investment case for environmental markets stronger than ever.

PE premium[1]



Source: Bloomberg as at 31 December 2023.

Compelling valuations were a key driver of the Board and Manager's decision to refinance and increase gearing towards the end of the year. Absolute and relative PE premiums were at an historic low even as underlying investment cases remained robust. The Manager thus perceived meaningful upside potential, more than sufficient to compensate for an increase in the overall cost of debt. Moreover, central banks – led by the US Federal Reserve – have indicated their willingness to cut interest rates from current levels. Electing to increase gearing with a combination of fixed and floating debt should allow the Company to benefit from any drop in rates.

Outlook

The Manager does not pick stocks on the basis of macroeconomic forecasting. However, macro trends should be more supportive. This contrasts sharply to 2023 when macro concerns and higher interest rates made for meaningful headwinds. While the Fed has pushed back on the date of a cut, interest rates are expected to fall. If economic data also remains resilient, it should further benefit the Company's small and mid-cap exposure. Even in the event of a mild recession, the consistent returns profiles of IEM's holdings should bear out.

Secondly, underlying earnings growth in the portfolio is expected to be robust. This is particularly the case in companies whose earnings have been depressed by short term headwinds. For example, there are clear signs of destocking across natural ingredients companies coming to an end. Geopolitics remain a potential risk factor, particularly from inflationary shipping disruptions in the Suez Canal. The team is monitoring any impact closely.

Lastly, the Manager believes valuations continue to be attractive. The portfolio's premium relative to the MSCI ACWI is around the ten-year average, with shares in the Company itself trading at a further discount to NAV. As January showed, the macro backdrop will still drive sentiment in the short term, but the holdings are demonstrating their ability to operate successfully in a world of higher rates and costs. As fundamentals continue to improve, they should exert an increasingly positive influence on the holdings' share prices within the IEM portfolio.

Investment Managers

Jon Forster
Fotis Chatzimichalakis
Bruce Jenkyn-Jones
10 April 2024

1 PE Premium: using PE NTM vs MSCI ACWI.

"IEM invests in a well-researched and diversified portfolio of fast-growing, listed companies providing innovative solutions to environmental challenges."

Ten Largest Investments

As at 31 December 2023

1

2.9%

of net assets

(2022: 1.7%)

EDP RENOVAVEIS - Portugal | www.edpr.com

EDPR is a renewable energy company which engages in the development, construction, and operation of wind farms and solar plants. It is a leading renewable energy developer with high quality assets in Europe and the US and with a deep pipeline in Europe and the Americas. EDP ranks fourth globally in terms of ownership of renewables assets. It is a market leader with an excellent operating history for existing plants, an ongoing ability to reduce costs, and has an effective asset rotation strategy that takes advantage of demand for operating assets.

2

2.8%

of net assets

(2022: 2.4%)

PENTAIR - United States | www.pentair.com

Pentair is an American company focused on water treatment, having disposed of its electrical business in 2018. The company's operations comprise of three divisions: Pool, Water Solutions and Industrial Flow & Technologies. Pentair's products address a range of residential, commercial, industrial, infrastructure and agricultural end markets. Its sales are focused on providing more energy and water-efficient systems including variable speed, intelligent pumps for pools and biological commercial filter equipment for fish farming. Pentair should benefit from a continuing global drive, from both an environmental and economic perspective, to implement smart and sustainable water solutions across a wide range of end markets.

3

2.7%

of net assets

(2022: 2.6%)

STERICYCLE - United States | www.stericycle.com

Stericycle provides regulated medical waste management services, offering waste collection, transportation, treatment, and disposal to healthcare organisations and commercial businesses worldwide. As the US market share leader of Medical Waste, Stericycle operates a broad margin business with stable, recurring revenues in a highly regulated industry, one with high barriers to entry where waste must be disposed of to the greatest technical standards to avoid health and environmental risks. The company is also a meaningful player in the disposal of confidential documents, providing shredding services which ensure high recycling and less incineration. The US secure information destruction market is large, fragmented, and increasingly highly regulated, with potential for further consolidation. With new management in place since 2019, the company has made substantial progress turning the business around to refocus on core US medical waste and secure information destruction services, which should drive margin expansion and deleveraging.

4

2.6%

of net assets

(2022: 2.2%)

AALBERTS - Netherlands | www.aalberts.com

Aalberts is a Dutch manufacturer of industrial products, with a focus on mission-critical products that enhance sustainability. The company develops and sells its various technologies through two business segments: Building Technology – which enhances energy efficiency with hydronic flow control and integrated piping for water or gas management – and Industrial Technology - which delivers mechatronics and fluid regulation technology, as well as surface technologies. These divisions cater to four key end markets: sustainable transportation, semiconductor efficiency, eco-friendly buildings and industrial niches. The company stands to benefit from growing worldwide demand for more sustainable buildings, via both new build and refurbishment demand. From a water perspective, its products address the need to preserve, re-use and reduce water usage.

5

2.6%

of net assets

(2022: 2.5%)

SPIRAX-SARCO ENGINEERING - United Kingdom | www.spiraxsarco.com

Spirax-Sarco Engineering is a world leader in the control and efficient use of steam, electrical thermal energy solutions and peristaltic pumping and associated fluid path technologies. Its Steam Specialties and Electric Thermal Solutions businesses provide products and expertise that improve production efficiency and help customers meet their environmental sustainability targets. Its diverse end markets and broad customer base underpin its resilience. 50% of Group revenue is derived from defensive, less cyclical, end markets such as food, pharmaceuticals and water & wastewater, and 85% of Group revenue is derived from annual maintenance and operating budgets, rather than large projects from capex budgets.

6

2.6%

of net assets
(2022: 2.8%)

PTC - United States | www.ptc.com

PTC provides software solutions that are deployed in industrial design and manufacturing. The company's software is used to design products (computer-aided design – CAD), monitor how they are being manufactured and manage them throughout their lifetime (product lifecycle management). Importantly, PTC's industrial connectivity platform allows customers to connect 'smart' devices and analyse associated data enabling applications like remote monitoring and predictive maintenance. Operating in a market with high barriers to entry and low customer turnover, using its established market position, PTC is emerging as a leader in industrial 'Internet of Things' and benefitting from high recurring revenues.

7

2.3%

of net assets
(2022: 2.9%)

CLEAN HARBORS - United States | www.cleanharbors.com

Clean Harbors is a market leader in the US hazardous waste sector with a robust market position and pricing power in a business with high barriers to entry. It provides collection, transportation, recycling, treatment and disposal services and holds dominant positions in waste to energy plants, where new permits are becoming rare. It is also a leading responder to emergency clean-ups, for example post extreme weather events such as hurricanes and for the COVID-19 pandemic.

8

2.3%

of net assets
(2022: 2.8%)

EUROFINS SCIENTIFIC - France | www.eurofins.com

Eurofins Scientific is a life sciences company that is a world leader in food testing, with related business lines in feed and environmental testing, as well as agriscience and pharma. Eurofins Scientific's business model taps into strong growth in the demand for testing globally, particularly as regulations continue to tighten to address climate change, pollution and evolving healthcare challenges. Eurofins can deliver increasingly sophisticated and differentiated solutions to a variety of end markets. This mid-sized European company has a presence in 44 countries and has grown significantly through acquisitions, focusing on long-term value creation.

9

2.2%

(2022: 2.3%)

NORTHLAND POWER - Canada | www.northlandpower.com

Northland owns, or has economic interests in, power generation facilities in Canada, the United States and Germany. Its assets produce electricity from renewable energy sources – such as solar, wind and biomass – and natural gas. The company maintains an active development and construction program for additional new power generation opportunities and is now the fourth largest developer of offshore wind globally. Northland has a solid project development track record as well as a solid future pipeline, which should drive growth.

10

2.2%

of net assets
(2022: 1.8%)

REPLIGEN - United States | www.repligen.com

Repligen is a bioprocessing company focused on the development, production and commercialisation of innovative products used to manufacture biologic drugs. Its customers are spread across the life sciences, contract manufacturing and global biopharmaceutical end markets.

From a sustainability perspective, Repligen's products increase the resource efficiency and flexibility of biological drug manufacturing. This can lead to water savings of up to 90% and energy savings of up to 30%. Additionally, drug manufacturers can use Repligen's products to achieve faster time-to-market, while ensuring that the highest drug quality and safety standards are upheld.

Repligen's focus makes it the only listed "pure-play" bioprocessing company with exposure to one of the faster growing parts of healthcare. The company has 80% of revenues coming from consumables, a strong balance sheet and a track record of introducing new products to the market that address bottlenecks and grow to become industry-standards.

Today, Repligen is well diversified across Proteins, Chromatography, Filtration and Process Analytics. Many of its products are still relatively early in their adoption cycle and are benefitting from strong growth momentum. The company has grown its direct-to-customer product offering through internal innovation and accretive acquisitions of assets that leverage Repligen's internal capabilities and expand customer and geographic scope.

Details of Individual Holdings

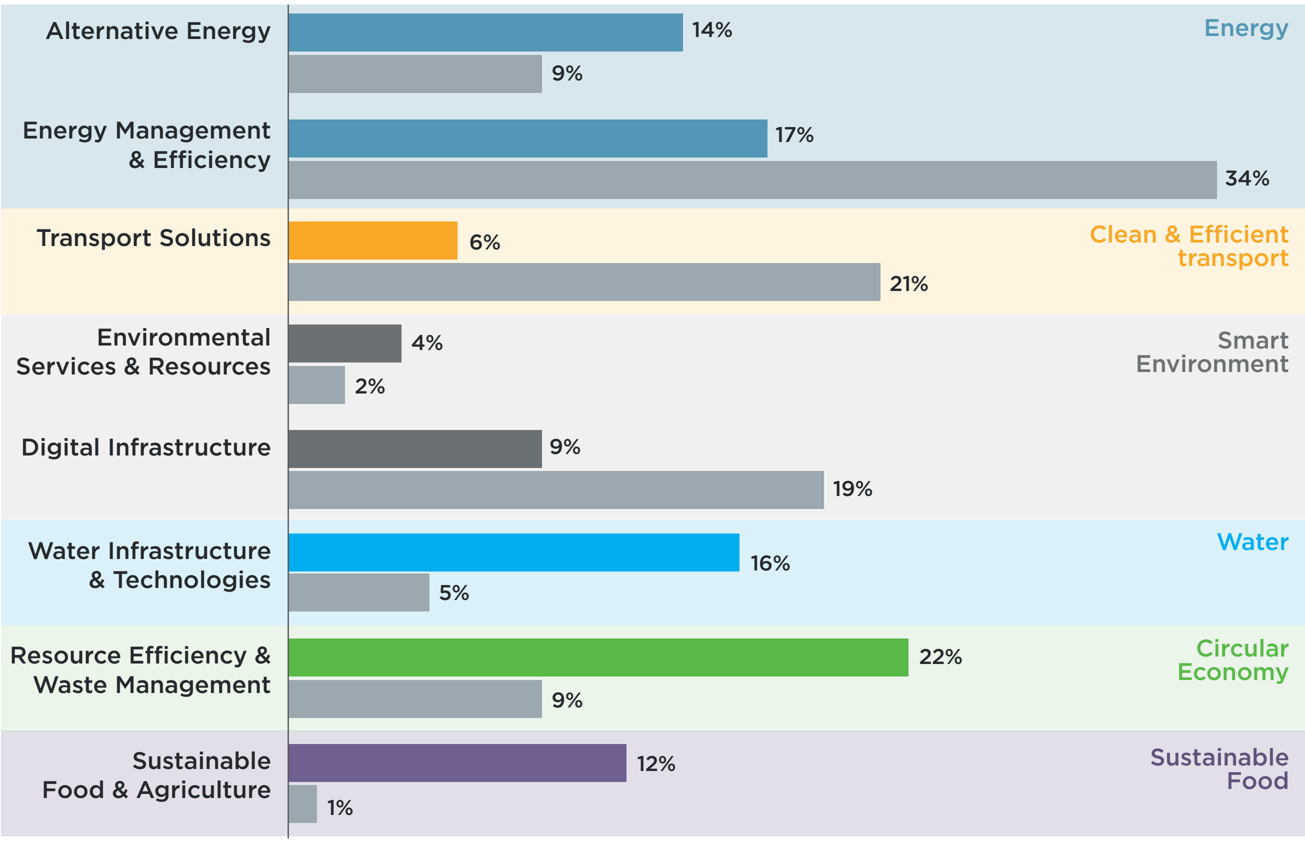
At 31 December 2023 Company	Sector	Country of main listing	Market value £'000	% of net assets
EDP Renovaveis	Alternative Energy	Portugal	35,361	2.9
Pentair	Water Infrastructure & Technologies	United States	34,157	2.8
Stericycle	Resource Efficiency & Waste Management	United States	33,438	2.7
Aalberts	Water Infrastructure & Technologies	Netherlands	32,036	2.6
Spirax-Sarco Engineering	Energy Management & Efficiency	United Kingdom	31,958	2.6
PTC	Digital Infrastructure	United States	31,745	2.6
Clean Harbors	Resource Efficiency & Waste Management	United States	28,148	2.3
Eurofins Scientific	Environmental Services & Resources	France	27,703	2.3
Northland Power	Alternative Energy	Canada	27,337	2.2
Repligen	Resource Efficiency & Waste Management	United States	27,274	2.2
Top ten holdings			**309,157**	**25.2**
DSM-Firmenich	Sustainable Food & Agriculture	Netherlands	26,880	2.2
Ormat Technologies	Alternative Energy	United States	26,730	2.2
Kingspan Group	Energy Management & Efficiency	Ireland	26,426	2.2
Croda International	Resource Efficiency & Waste Management	United Kingdom	26,403	2.2
Vestas Wind Systems	Alternative Energy	Denmark	26,360	2.2
Monolithic Power Systems	Digital Infrastructure	United States	26,283	2.2
Littelfuse	Energy Management & Efficiency	United States	26,185	2.1
Rayonier	Sustainable Food & Agriculture	United States	25,960	2.1
Graphic Packaging	Sustainable Food & Agriculture	United States	25,398	2.1
Brambles	Resource Efficiency & Waste Management	Australia	25,347	2.1
Top twenty holdings			**571,129**	**46.8**
Bucher Industries	Sustainable Food & Agriculture	Switzerland	24,684	2.0
Altair Engineering	Digital Infrastructure	United States	24,285	2.0
LEM Holding	Energy Management & Efficiency	Switzerland	23,574	1.9
Shenzhen Inovance Technology	Energy Management & Efficiency	China	23,394	1.9
Advanced Drainage Systems	Water Infrastructure & Technologies	United States	23,004	1.9
Signify	Energy Management & Efficiency	Netherlands	22,560	1.9
Darling Ingredients	Resource Efficiency & Waste Management	United States	22,309	1.8
Borregaard	Resource Efficiency & Waste Management	Norway	22,111	1.8
Prysmian	Energy Management & Efficiency	Italy	21,350	1.7
CIA Saneamento Basico	Water Infrastructure & Technologies	Brazil	20,826	1.7
Top thirty holdings			**799,226**	**65.4**
Rational	Sustainable Food & Agriculture	Germany	20,820	1.7
American Water Works	Water Infrastructure & Technologies	United States	20,800	1.7
STERIS	Resource Efficiency & Waste Management	United States	20,004	1.6
Trimble	Digital Infrastructure	United States	19,919	1.6
Dabur India	Resource Efficiency & Waste Management	India	19,829	1.6
Watts Water Technologies	Water Infrastructure & Technologies	United States	19,609	1.6
AZEK	Resource Efficiency & Waste Management	United States	19,560	1.6
Generac Holdings	Energy Management & Efficiency	United States	19,496	1.6
Mondi	Sustainable Food & Agriculture	United Kingdom	19,414	1.6
Lennox International	Energy Management & Efficiency	United States	18,752	1.5
Top forty holdings			**997,429**	**81.5**

At 31 December 2023 Company	Sector	Country of main listing	Market value £'000	% of net assets
Descartes Systems	Digital Infrastructure	Canada	18,461	1.5
Herc Holdings	Resource Efficiency & Waste Management	United States	18,379	1.5
Corbion	Sustainable Food & Agriculture	Netherlands	17,922	1.5
DiscoverIE Group	Transport Solutions	United Kingdom	17,830	1.5
Zurn Elkay Water Solutions	Water Infrastructure & Technologies	United States	17,633	1.5
Shimano	Transport Solutions	Japan	16,840	1.4
Advantech	Energy Management & Efficiency	Taiwan	16,604	1.4
Terna Energy	Alternative Energy	Greece	16,490	1.3
Indraprastha Gas	Alternative Energy	India	16,150	1.3
Donaldson	Transport Solutions	United States	16,048	1.3
Top fifty holdings			**1,169,786**	**95.7**
Badger Meter	Water Infrastructure & Technologies	United States	14,666	1.2
Xinyi Solar Holdings	Alternative Energy	China	13,613	1.1
Veralto	Environmental Services & Resources	United States	12,840	1.1
Coway	Water Infrastructure & Technologies	South Korea	12,483	1.0
SolarEdge Technologies	Alternative Energy	United States	12,427	1.0
NIBE Industrier	Energy Management & Efficiency	Sweden	11,863	1.0
Lenzing	Resource Efficiency & Waste Management	Austria	10,497	0.9
Norma Group	Water Infrastructure & Technologies	Germany	10,325	0.8
Porvair	Environmental Services & Resources	United Kingdom	10,217	0.8
CryoPort	Resource Efficiency & Waste Management	United States	8,599	0.7
Top sixty holdings			**1,287,316**	**105.3**
Blackline Safety	Environmental Services & Resources	Canada	4,361	0.3
Amiad Water Systems	Water Infrastructure & Technologies	Israel	2,837	0.2
Dialight	Energy Management & Efficiency	United Kingdom	1,333	0.1
Portfolio total			**1,295,847**	**105.9**
Cash			16,804	1.4
Net current liabilities excluding cash			(3,030)	(0.2)
Non-current liabilities			(87,137)	(7.1)
Net assets			**1,222,484**	**100.0**

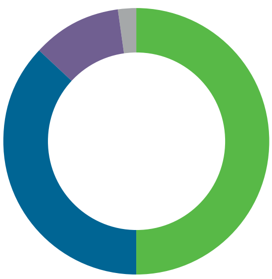
Structure of the Portfolio
As at 31 December 2023

IEM holdings are represented by the top bar throughout the chart.
FTSE ET100 Index is represented by the bottom bar throughout the chart.

Breakdown by environmental sector

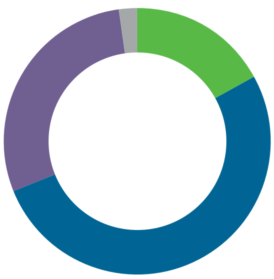


Breakdown by region



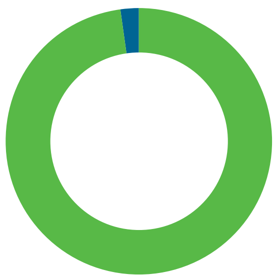
- North America, 50%
- Europe, 37%
- Asia Pacific, 11%
- Rest of World, 2%

Breakdown by market capitalisation



- Large Cap (US$20bn to US$200bn), 17%
- Mid Cap (US$5bn to US$20bn), 52%
- Small Cap (US$0.5bn to US$5bn), 29%
- Micro Cap (less than US$0.5bn), 2%

Breakdown by company profitability



- Profitable, 98%
- Unprofitable, 2%

Environmental Markets

Why are environmental markets likely to outperform?

The world is facing growing environmental challenges. The Manager, Impax Asset Management Limited (AIFM) ("Impax") and the Board both believe that companies providing solutions to help mitigate negative environmental impact and deliver basic needs in a cleaner and more efficient manner will grow faster than the global economy over the long-term.

There is evidence that long-term performance is driven by sales and earnings growth rather than interest rates. This suggests that short term performance headwinds caused by interest rate changes are less important to long-term, value-driven shareholders. Additionally, sectors like environmental markets that have long-term sustained earnings growth, will ultimately grow faster than other sectors.

The Company offers shareholders a way to benefit from this theme. IEM invests in a well-researched and diversified portfolio of fast-growing, listed companies providing innovative solutions to environmental challenges. The Board and the Manager believe this can deliver superior risk-adjusted returns over the long-term.

This investment opportunity set is also likely to expand as regulation, technological innovation and consumer preferences accelerate demand for sustainable solutions.

To identify companies operating in these higher growth areas, the Manager uses a clearly defined and proprietary classification system. This has been in place since IEM was founded in 2002 and has naturally evolved as more industries look to address material environmental challenges.

Today, the classification system comprises of six "Environmental Market" sectors spanning Energy, Clean and efficient transport, Water, Circular economy (resource efficiency and waste management), Smart environment and Sustainable food. These are the sectors which the Manager believes have the highest potential for earnings growth. The breadth of this opportunity set enables the Manager to create a diversified portfolio spanning traditional sector boundaries.

IEM portfolio's exposure to these environmental sectors can be found on the page opposite.

The Impax Environmental Markets Classification System

Energy

Alternative energy	Energy management & efficiency
Hydrogen	Smart grids
Biofuels	Industrial, consumer & buildings efficiency
Wind	Power storage and un-interruptible power supply
Solar	Lighting
Developers & independent power producers	

Clean and efficient transport

Transport solutions	
Advanced aviation	Buses & coaches
Advanced shipping	Road vehicles & devices
Railways	Pollution reduction
E-bikes & bicycles	Shared mobility

Smart environment

Environmental services & resources	Digital infrastructure
R&D & consultancies	Efficient IT
Finance & investment	Cloud computing
Testing & monitoring	Digital collaboration solutions
Pollution control	
Environmental resources	

Water

Water infrastructure & technologies
Distribution & infrastructure
Treatment
Efficiency
Utilities

Circular economy

Resource efficiency & waste management
General & hazardous waste management
Recycled, recyclable products & biomaterials
Resource circularity & efficiency
Technologies

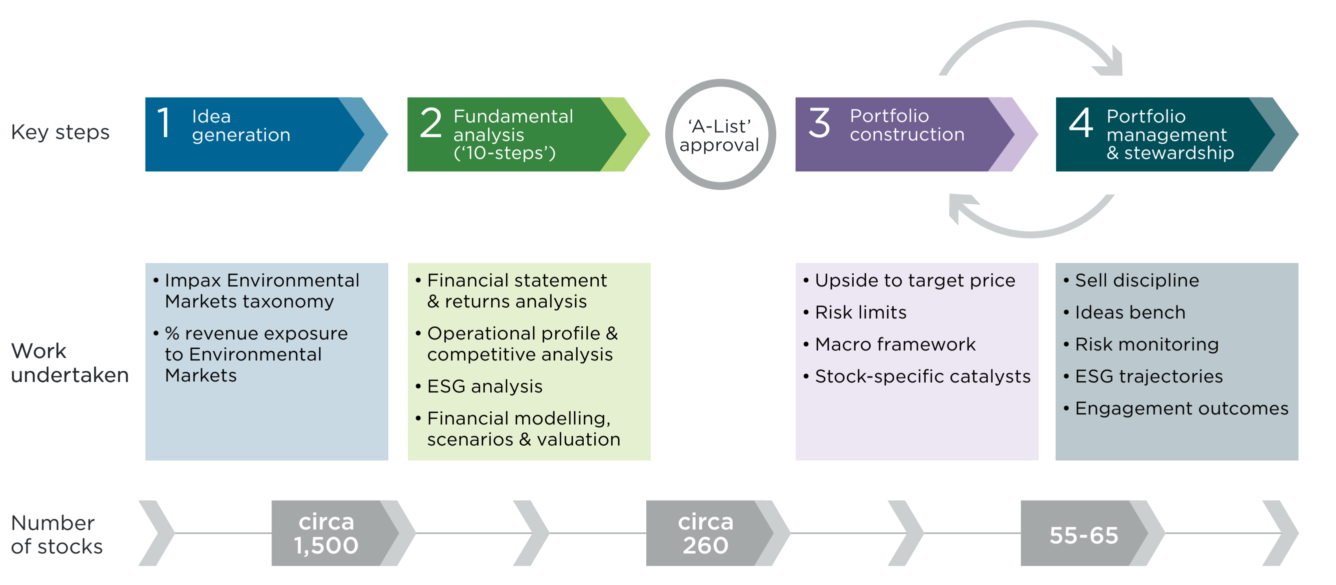
Sustainable food

Sustainable food & agriculture	
Organic & alternative	Agri- & aquaculture
Technology & logistics	Forestry
Safety & packaging	

How the Manager invests in Environmental Markets

In pursuit of its investment objective IEM aims to generate long-term outperformance of global equity markets in a risk-controlled manner.

To achieve this, the Manager uses the Environmental Markets classification system to identify innovative companies providing pure-play solutions to environmental challenges. The Manager then follows a rigorous, performance-focused process based on bottom-up research to invest in proven and profitable companies. Engagement is a key tool for informing investment decisions as well as stewarding client capital.



Data as at 31 December 2023.

The first step in the Manager's investment process is **Idea Generation**. This consists of defining the Environmental Markets opportunity set and sectors, followed by creating a universe of listed companies serving these sectors.

To qualify for IEM's investable universe, **companies must generate at least 50% of their revenues from products or services in Environmental Markets** as detailed above. This "pure play" threshold means that investments are typically made in small and mid-cap companies, which tend to have a greater degree of focus within their business models. As at 31 December 2023, the IEM portfolio's weighted average revenue exposure to Environmental Markets was approximately 84%.

Once a company within the investable universe is identified as being of interest, it is subject to Impax's "**10-step analysis**". This follows a time-tested investment process to identify profitable companies with robust business models that demonstrate sound management of risk. This includes bottom-up fundamental research of market structure, competitive advantage, business model and strategy, financial performance, valuation and Environmental, Social and Governance ("ESG") factors. The latter is a key tool for identifying quality businesses and managing material risks, conducted in accordance with IEM's ESG Policy. This can be found on the website www.impaxenvironmentalmarkets.co.uk.

This analysis is then subject to peer review. Stocks which successfully pass this stage are included on the Manager's "A-list" of investable companies. Investment managers are free to buy positions from this list subject to upside to target price and relevant portfolio requirements.

Portfolio Construction is the responsibility of the investment managers who have ultimate decision-making authority and accountability. The core focus is on "bottom up" stock picking, supported by a team of analysts, with a view to identifying long-term winners and investing in them for the long-term, subject to valuation. In addition, the Manager uses "top down" overlays considering the macro environment and developments in Environmental Markets. The aim is to create a balanced and diversified portfolio where upside to target price is considered alongside risk profile.

The Manager has a range of soft and hard limits on individual position sizes, and exposures to volatile sectors and regions, all with a view to managing risk.

Once a company is purchased, **portfolio management and stewardship** are central both to mitigate risk and enhance shareholder value. Each investee company is continually monitored within the context of a live 'valuation range' which incorporates worst and best-case assumptions. Sell discipline is based on company valuations, portfolio risk metrics, the macro-outlook and engagement outcomes.

Stewardship, engagement and exercise of voting powers at Impax

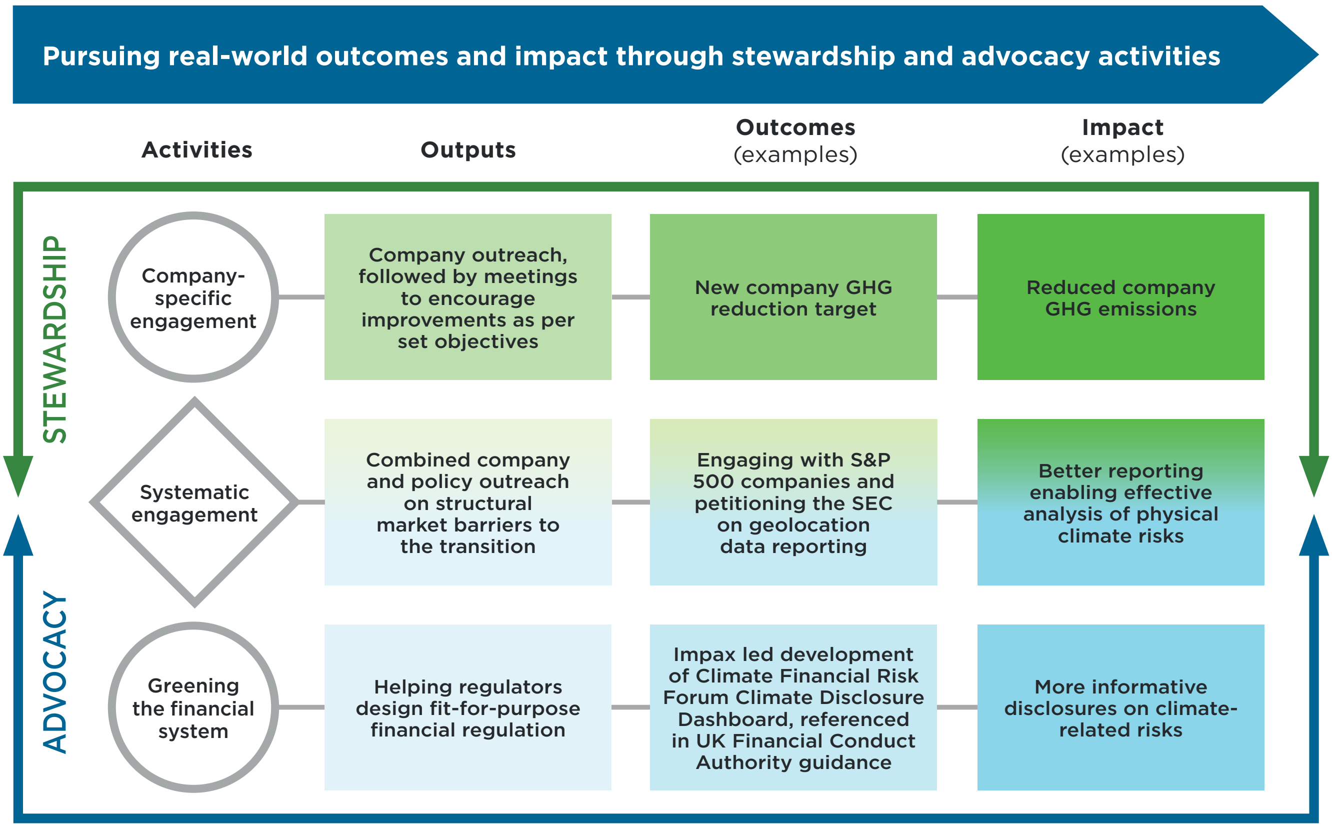
Impax maintains an active dialogue with the executive management of all companies held in the portfolio. Stewardship through active ESG engagement and proxy voting are an important component of the investment process. Impax believes that it is in investors' interests to promote greater transparency around ESG and sustainability issues.

Stewardship at Impax means being actively engaged investors. The Manager engages with the companies held in the IEM portfolio, encouraging them to adopt best practices, improve disclosures and address other concerns raised. As long-term shareholders the Manager helps ensure investee companies are attuned to the opportunities offered by the transition to a more sustainable economy.

Impax is a proud signatory to the UK Stewardship Code,[1] which sets high stewardship standards for those investing money on behalf of savers and pensioners, and those that support them. As a successful applicant again in 2023, Impax demonstrated commitment to the Codes' principles. The Impax Stewardship Code Statement can be found on the website www.impaxenvironmentalmarkets.co.uk.

Impax's voting statistics for IEM are shown on page 38.

Engagement and exercise of voting powers: Stewardship and Advocacy Framework



1 Annually firms must submit a Stewardship Report explaining how the Code has been applied over the past 12 months. Once the report is approved by the Financial Reporting Council, firms become signatories to the code.

How the Manager invests in Environmental Markets (continued)

Impax believes that significant, real-world impact can be achieved through disciplined and well-structured stewardship and advocacy efforts. To speed up the pace of change, Impax increasingly combines company engagement and policy advocacy, seeking to shape regulatory or policy change in what is called 'systematic engagement'. Impax has developed the Stewardship and Advocacy Framework summarised on page 27 to illustrate how the resources, activities and approaches that may be used to achieve positive outcomes and, ultimately, real-world impact.

In addition to engaging directly with investee companies and voting at AGM's, Impax works with other investors and organisations to increase our influence. This advocacy work ranges from collective action alongside peers and direct intervention on policy, to taking the lead by steering industry groups and sharing innovative insights and ideas. See page 38 for engagement statistics for the Company.

Impax's net-zero initiatives

The Net Zero Asset Managers ("NZAM") initiative, which Impax joined in 2021, reflects a formal commitment by signatories to support the goal of net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. In November 2022, Impax made its initial target disclosure under the NZAM initiative. Impax aims for 100% of committed AUM to be climate resilient and for investee companies to be 'transition aligned' or 'transition aligning' in their climate management and processes by 2030. In this context, 'transition aligned' also includes the need to adapt to climate impacts. Further information on how Impax views environmental metrics can be found on page 35.

Task Force on Climate-related Financial disclosures ("TCFD")

Reporting standards continue to advance, broadening and deepening the information that is available for shareholders and other stakeholders. Impax is an advocate of this and welcomes the reporting recommendations presented by the TCFD,[1] which is becoming a global standard for reporting climate risks and opportunities.

The Task Force on Climate-related Financial Disclosures ("TCFD") recommendations provide a framework intended to help investors and others in the financial community better understand and assess climate-related risks and opportunities. They are structured around four pillars: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets.

Ahead of requirements under Financial Conduct Authority ("FCA") Rules, Impax produced its first Climate Report using the TCFD framework in 2023 for the 12-month period from 1 October 2022.

1 The TCFD's recommendations remain applicable even though the TCFD was disbanded in late 2023. The FSB has asked the IFRS Foundation to take over the monitoring of the progress of companies' climate-related disclosures.

Engagement with Stericycle, US – Climate Risk Net Zero Transition

Impax has engaged with Stericycle (2.7% of portfolio) since 2019 on various ESG-related risks. In line with Impax's Net Zero Asset Manager's ("NZAM") commitment, Impax targeted several investee companies with material climate-related risks and lagging in development of resilient and transition-aligned management processes. Also, as part of this commitment, climate resilience considerations have been incorporated into our voting guidelines. The Manager has communicated to IEM's investee companies the intention to increase expectations in coming years.

Objectives

1.
Disclose Scope 1&2 GHG emissions (achieved, 2020)

2.
Disclose Scope 3 GHG emissions (in progress)

3.
Set science-based emissions reduction targets (in progress)

4.
Develop robust net zero transition plan (ongoing)

As part of their commitment to develop a decarbonisation plan for their UK operations, Stericycle confirmed that it has set Scope 1 and Scope 2 emissions reduction targets to be published later in the year. The company confirmed that climate-related issues are overseen at board level with active dialogue on these topics following the creation of an ESG steering committee in 2022.

Impax will continue to monitor progress and will review the company's "UK Carbon Reduction Plan" before the next engagement, which is planned for 2024.

Annual Spotlight:

Sustainable Food Production

More conscious consumption creates opportunities for innovative partners to the food industry

Among natural processes used by humans for thousands of years, fermentation has arguably been one of the most significant. By enabling food and drink to be preserved and transported, it has been described as a cornerstone of modern civilisation. Food preservation techniques continue to advance and using natural ingredients in innovative and sustainable ways present a great opportunity for investors in environmental markets.

Today, half of the dietary energy intake in higher-income countries comes from ultra-processed food products.[1] The negative health impacts of modern diets – and of many food additives – are increasingly understood and acknowledged. Perhaps less widely recognised are the environmental implications of a meat-intensive food system that generates just over one-quarter of global greenhouse gas (GHG) emissions – an impact exacerbated by avoidable food waste.[2]

It is the Manager's conviction that companies looking to improve the efficiency and sustainability of their food production will turn to natural ingredients and processes. At the same time, consumer preferences will continue to become more environmentally conscious, encouraged by government policies.

Lowering the environmental impact of food production

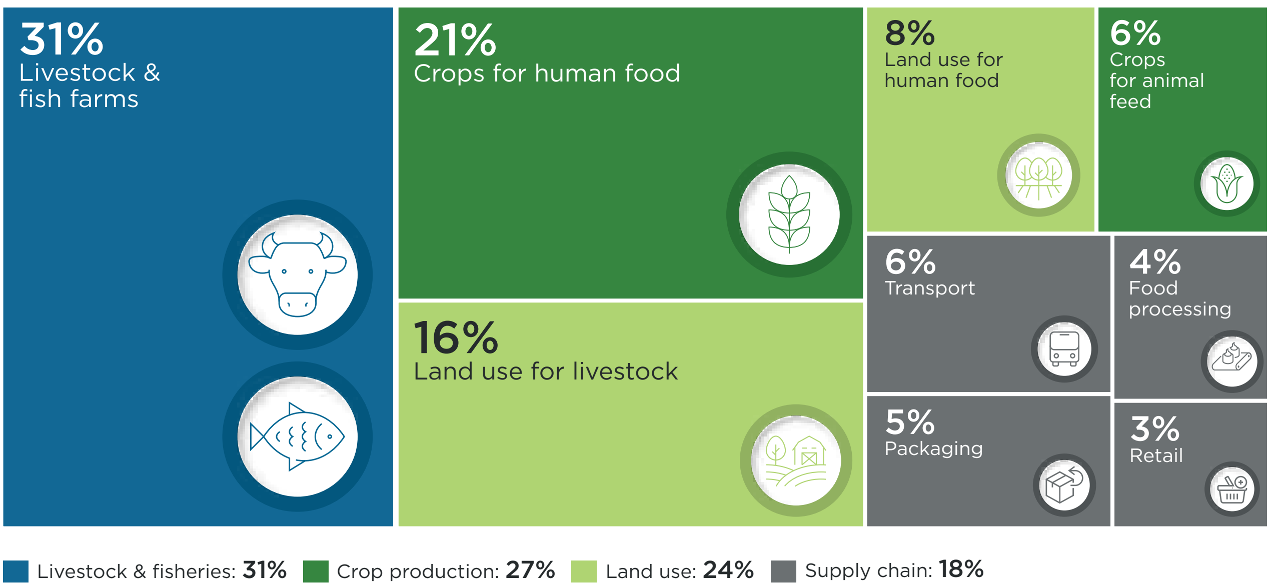
Foods derived from natural ingredients generally use fewer resources than ultra-processed foods and generate less hazardous waste during their production. Natural food colourings derived from turmeric, beetroot, carrot or safflower are, for example, considered less harmful to the environment than synthetic food dyes, which are mostly derived from petroleum.[3]

Natural ingredients could also be key to reducing the environmental footprint of animal farming which, when taking into account crops used for animal feed, accounts for 37% of the GHG emissions associated with food production.[4] Increasingly, natural enzymes – proteins that break down complex foods into simpler molecules – are being added to animal feed to improve livestock digestion.

DSM-Firmenich produces bio-based nutritional ingredients, including enzymes and vitamins, that can replace synthetic or chemical additives in animal and human food. One of the company's innovative feed additives can reduce the methane emissions associated with beef and dairy products by 45% and 30%, respectively, by suppressing the enzyme that triggers methane production in cattle's rumen.[5] DSM-Firmenich's products can improve animal digestion and health more broadly, helping livestock to grow more efficiently with less feed – thereby reducing input-related GHG emissions.

Hungry for resources

Global greenhouse gas emissions from food production



Source: Poore, J. and Nemecek, T., 2018: Reducing food's environmental impacts through producers and consumers, Science.

1 Monteiro, C.A., et al., 2019. Ultra-processed foods: what they are and how to identify them. Public Health Nutrition.
2 Poore, J. and Nemecek, T., 2018: Reducing food's environmental impacts through producers and consumers, Science.
3 BBC, 2021: The truth about processed foods' environmental impact.
4 Poore, J. and Nemecek, T., 2018: Reducing food's environmental impacts through producers and consumers, Science.
5 DSM, 2023: Background information on Bovaer.

Cutting waste by preserving food for longer

As much as 17% of the world's food is wasted, contributing to the environmental impacts of food production as well as to elevated food prices.[1] Some food waste is inevitable, of course. Being easier to break down, natural ingredients have a much lower impact on groundwater and soil when surplus food finds it way to composting or landfill.

Too much food goes to waste unnecessarily. Extending the shelf life of products can make a major difference, and natural ingredients and processes can again offer solutions.

Certain natural ingredients, including vinegar, citrus fruits and rosemary, have antimicrobial and antioxidant properties, meaning they can be used to preserve food for longer. They can substitute for synthetic preservatives that have uncertain effects on long-term human health: the addition of nitrates to processed meats has been linked to colon cancer, for example.[2]

Dutch food and biochemicals company **Corbion** employs natural fermentation-based preservation methods to keep food fresh for longer.[3] The company's vinegar-based solutions are used by its partners to protect their food products from listeria and other pathogens, extending shelf lives and even enhancing flavour.

Evolving consumer tastes and government policies

Impax perceives two overarching drivers of long-term opportunities for companies that supply innovative natural ingredients that can enable better environmental outcomes and reduce food waste.

First: evolving consumer demand

Consumers are increasingly environmentally-conscious in their food choices, particularly younger generations.[4] A 2023 survey of US consumers found 42% said they always or usually consider the environment impacts of their food purchases – double the proportion in 2019.[5]

Second: supportive government policy

There are several national initiatives to address food waste. The US, Japan, Australia and others have set targets to halve food loss by 2030. Some countries have enacted legislation. Spain, for instance, has mandated that companies throughout the food supply chain (except for small shops) must have food waste reduction plans.[6]

The UN Food and Agriculture Organisation has developed a roadmap for the global agri-food system to align with the goal of limiting global warming to 1.5°C. Impax believes well-designed sectoral net-zero roadmaps can help companies to plan for the transition and help investors better identify risks and opportunities arising from it.

1 UN Environment Programme, 2021: Food Waste Index Report 2021.
2 Queen's University Belfast, 2019: Strongest link yet between nitrites and cancer - but 'not all processed meat has same risk'.
3 Corbion, 2023: Solutions for natural preservation and food safety.
4 McKinsey, 2022: Hungry and confused: The winding road to conscious eating.
5 Kearney, 2023: Four scenarios for the rapid adoption of climavorism.
6 La Moncloa, 2022: Government of Spain approves pioneering law against food waste.

Fertile ground for innovation

Consumption habits are evolving and people are demanding more natural, healthier foods with lower environmental impacts. Environmental concerns and climate targets encourage governments to reinforce this using regulation and incentives.

As the transition to a more sustainable economy continues, the Manager believes that innovative applications of natural ingredients and processes can increasingly add value and capture a growing share of the global food market. As solutions scale up, the companies behind them can play a valuable role in making human diets less harmful to the planet.

Case Studies: DSM-Firmenich

Sustainable Agriculture, Netherlands, (2.2% of portfolio)

Firmenich, a Dutch specialist in fragrances and taste. The resulting business spans four divisions: Food & Beverage; Perfumery & Beauty; Health, Nutrition & Care; and Animal Nutrition & Health. DSM-Firmenich's growth across these four areas is driven by three long-term trends. First, consumers are looking for food with a superior nutritional profile and ways to supplement their diets. Second, manufacturers of consumer goods are meanwhile replacing synthetic or chemical additives with natural and bio-based ingredients. Third, in agriculture, there is focus on longer-term sustainability challenges like lowering livestock emissions and sustainable aquaculture. The company's diversified end markets and high value-add products support high returns on capital, solid free cashflow generation and lower earnings volatility. The merger itself also creates scope for cross-selling and room for margin expansion.

Environmental benefit

The company's products help improve livestock health and improve efficacy of feed conversion. This lowers input-related waste, mitigates emissions, and limits harmful by-products of cultivation, including excessive antibiotics usage. The company also works to reduce methane from animal farming. Its human nutrition activities, mostly utilising naturally-derived ingredients (cultures and enzymes), also contribute to improved health and wellbeing.

Impact achieved

DSM-Firmenich's GHG emission-reducing products, including an animal feed additive, a fruit processing enzyme and a blend of vitamins, enzymes and biotics for animal feed, helped avoid 1.26 mn tonnes of CO_2 in 2023.

IEM Environmental Impact Reporting

Beyond the pursuit of financial returns, IEM also monitors the impact that investee companies have on the environment. To enable us to do this in a systematic way a number of polices and processes have been created by the Manager. These include monitoring greenhouse gasses (“GHG”), calculating the Weighted Average Carbon Intensity (“WACI”) and monitoring exposure across the UN Sustainable Development Goals (“SDGs”).

IEM Environmental Impact Report

Whilst it is crucial to monitor the environmental impact of IEM's investee companies, there are no impact targets around which the Manager seeks to build the portfolio.

The environmental impacts noted below are the measurable output of IEM's investment objective implemented using Impax's investment process. The focus on companies delivering environmental solutions naturally results in environmental benefits which Impax quantifies at the end of each year on the basis of the most recent portfolio company disclosures available.

Environmental impact of investee companies in 2022[1]

Based on £10m invested, companies held in the IEM portfolio contributed to:

	Total	Equivalent Annual Impact
Renewable electricity generated	1,580 MWh	440 Households' electricity consumption
Materials recovered/ waste treated	300 tonnes	310 Households' waste output
Water provided/saved/ treated	240 megalitres	1,780 Households' water consumption

Over the past year, the Manager reviewed its approach to reporting greenhouse gas ("GHG") emissions to improve transparency and reflect the latest industry guidance.[2] The Manager will provide, as it has done in the past, information on the GHG emissions of the companies in which IEM invests, broken down by Scope 1 & 2 and Scope 3 emissions,[3] as well as the avoided GHG emissions arising from the portfolio companies' products and services.

GHG emissions impact of portfolio companies in 2022[1] (tCO_2)

Based on £10m invested, companies held in the IEM portfolio contributed to:

	Total
Total GHG emissions	4,680 tCO_2
Scope 1 & 2	820 tCO_2
Scope 3	3,860 tCO_2
Avoided GHG emissions	6,070 tCO_2

Avoided GHG emissions equivalent to: 3,900 cars taken off the road

1 Latest year available.
2 Primary guidance comes from the Sustainable Finance Disclosures Regulation (SFDR).
3 Scope 1: Direct emissions that are owned by a company; Scope 2: emissions released into the atmosphere from the use of purchased energy Scope 3: emissions include all other indirect emissions that occur across the value chain and are outside a company's direct control.

ENVIRONMENTAL IMPACT - COMPANY EXAMPLE

Brambles

Resource Efficiency & Waste Management, Australia (2.1% of portfolio holdings)

Brambles is an Australian logistics solutions company which focuses on the outsourced management of reusable pallets, crates and containers – predominantly for supermarket and food supply chains. The company is the global leader in pallet and container pooling or outsourcing, with approximately 345 million pallets, crates and containers through a network of more than 750 service centres, with dominant market share in most global markets.

Brambles' services form the invisible backbone of global supply chains, primarily serving the fast-moving consumer goods, fresh produce, beverage and retail markets, but also automotive and general manufacturing customers. Brambles' ambition is to pioneer a truly regenerative supply chain, breaking the link between consumption and harm to the environment, by providing optimised logistics solutions. The company's pallets are collected, cleaned, repaired and reused, succinctly demonstrating the concept of a circular economy. This pooling method is more efficient and lowers pallet disposal wastage. In 2020, the company achieved its target for 100% of its largest pallet service centres achieving zero wood waste going to landfill. Brambles continues to innovate on closing the resource usage loop for its products, including working with third-party and outsourced plants.

In addition, Brambles sources 100% of its electricity needs worldwide from renewable energy systems. Brambles notes in its most recent sustainability report that by using its pallets, customers saved 2.5 million tCO_2, (more than offsetting overall company emissions of 1.6m tCO_2 at the group level) and 1.5 million tons of materials and waste were prevented from going to the landfill.

See Brambles Sustainability Report for further information: https://www.brambles.com/sustainability.

IEM Mapped to UN Sustainable Development Goals[1]

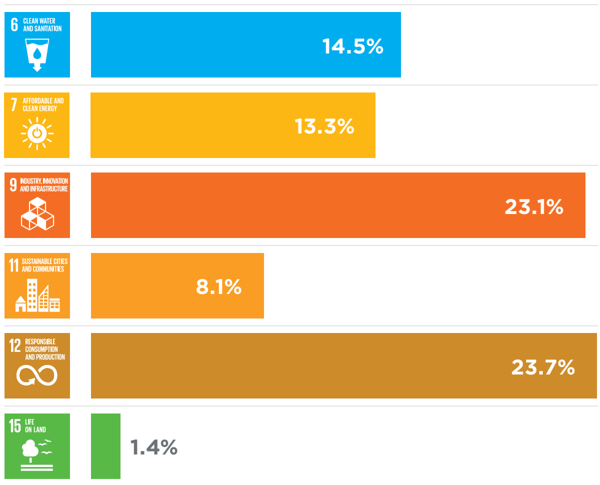
The UN Sustainable Development Goals (SDGs) encompass 17 sets of targets to be met by the world's economies by 2030. The SDGs have been increasingly adopted by investors as a tool for evaluating impact outcomes.

The nature of Impax's investment philosophy results in meaningful exposure to the SDGs as an intrinsic effect of the investment process. Impax's investment process does not analyse alignment with SDGs as an investment objective or component of portfolio construction. Instead, the SDG framework is used to understand which portfolio companies are involved in activities that contribute towards addressing these critical global challenges, as a mapping and reporting exercise.

Reporting standards for environmental markets are continuously evolving. From 2025 the International Sustainability Standards Board (ISSB), which is an independent body that develops and approves environmental reporting standards issued its inaugural standards – IFRS SI and IFRS S2 – in 2023. These will facilitate standardising climate-related risk and opportunities disclosures.

The bar chart illustrates the mapping of exposure to SDGs based on revenue exposure to environmental markets. At 31 December 2023, IEM's greatest linkage was to goals 12, 9 and 6.

IEM has 84% revenue exposure to SDGs:



Total 84%

- Goal 12, Responsible Consumption & Production, which relates to holdings in sustainable and efficient agriculture, and recycling and value-added waste processing;
- Goal 9, Industry Innovation & Infrastructure, which relates to holdings in industrial energy efficiency; and
- Goal 6, Clean Water & Sanitation, which relates to holdings in water utilities and infrastructure.

1 Source: Impax Asset Management. IEM holdings as at 31 December 2023 and UNSDG classification metrics as at 31 December 2022. Figures are based on Impax internal data. Impax's investment process does not identify alignment with SDGs as a specific objective. Instead, the nature of Impax's investment philosophy results in some meaningful revenue exposure within IEM. Numbers may not sum up due to rounding. For further information, please visit https://www.un.org/sustainabledevelopment/sustainable-development-goals.

IEM Climate-Related Disclosure

Task Force on Climate-related Financial disclosures ("TCFD")

As an Investment Trust, IEM is not currently subject to the Listing Rule requirement regarding TCFD reporting. IEM is, however, a keen supporter of the ambitions of both the TCFD and the Financial Reporting Council ("FRC"). This, IEM's third annual Climate Disclosure, reports what is relevant for IEM under each of the four pillars of TCFD, though not all of the recommended disclosures with each pillar are addressed. This is because not all recommendations are applicable to investment companies. In addition, this is a voluntary disclosure for IEM where this information will help asset owners, including IEM and its shareholders, better assess these risks and support sound investment decisions.

1. Governance

The assessment and management of climate-related risks and opportunities are underpinned by extensive in-house expertise and appropriate governance structures of the Manager.

The IEM Board is responsible for the oversight of climate risks and opportunities. However, the control and management of climate-related investment activities is delegated to Impax as the Manager.

During 2023, the Board's Sustainability Reporting Committee met once. The Committee receives reporting from Impax regarding its sustainability activities as they relate to IEM, the outcomes of such activities and sustainability metrics, as well as proposed IEM reporting.

2. Strategy

IEM is focused on the investment opportunities arising from the transition to a more sustainable economy. This includes the transition to a net-zero climate resilient economy.

Environmental, including climate-related risks and opportunities have been at the core of IEM's investment strategy for two decades. The majority of the environmental solutions offered by IEM's investee companies focus on climate-related challenges, like climate mitigation solutions and climate adaption solutions.

The strategy is not only about addressing risks, but also about identifying opportunities. Impax's work in this area is described on pages 25 to 27, and also within Impax's own TCFD report. The near and long-term risks, and opportunities for environmental investing, as they relate to IEM, are discussed in the Chairman's Statement and Manager's Report.

The Board reviews the Manager's process in assessing the impact and resilience of IEM's investments and their operations, as well as the operations of IEM's key service providers, and uses these to shape strategy to ensure the potential risk impact and likelihood are within IEM's risk appetite.

3. Risk management

As the Manager, Impax looks to identify, assess and manage physical and transition risks that could undermine the performance of IEM's investee companies. The Manager also has processes in place to manage operational climate risk.

Climate risk assessment

Impax assesses climate and other material risks through integrated company-level ESG analysis that informs investment decisions. More information on ESG analysis can be found on the Company's website www.impaxenvironmentalmarkets.co.uk.

Climate risk management

Impax has adopted a climate scenario developed by the Network for Greening the Financial System ("NGFS") to assess how IEM's investee companies' earnings might be impacted by the evolution of carbon prices. Carbon pricing includes costs associated with emissions trading systems globally as well as carbon taxes. The Manager's carbon pricing model aims to estimate the impact of carbon pricing on companies' future global earnings before interest and tax, accounting for their Scope 1 and Scope 2 emissions.

4. Metrics and targets

IEM believes that the asset management sector can contribute to the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, through the accurate pricing of climate risk in investment decisions, through engagement and advocacy work, and by investing in climate solutions.

Financing the transition

Measuring the GHG emissions and avoided emissions associated with the products and services of IEM's investee companies demonstrates their contributions to the transition to a lower-carbon economy.[1] More information can be found on page 36.

Emissions are separated into Scopes 1 and 2 – which include direct and indirect emissions from energy produced and consumed by investee companies –

1 To evaluate the real-world impact of climate solutions, Impax looks to compare the GHG emissions arising from the use of companies' products or services with the GHG emissions generated in a world where that product does not exist. The Manager looks to use companies' own estimates of avoided emissions as a starting point, where available. Impax mostly relies on companies' own reporting assumptions and methodologies on avoided emissions, where disclosed, but evaluate whether they are rigorous in their use of baseline scenarios, life-cycle emissions approaches and value chain attribution method. Where companies' avoided emissions are estimated by the Manager, the assumptions broadly align with the five steps highlighted by the recently published guidelines on assessing avoided emissions by the World Business Council for Sustainable Development ("WBCSD").

and Scope 3 – which includes indirect emissions from investee companies' supply chains and products in use.

Financed emissions

Financed emissions impact can be analysed through weighted average carbon intensity ("WACI")[1] and through CO_2 emissions, which are viewed through the lens of Scopes 1, 2 and 3.[2]

The table below sets out the WACI of IEM.

Weighted Average Carbon Intensity (WACI) – IEM

WACI (Scope 1, 2)	tCO_2e / US$1m revenue	90

Source: Sustainalytics, as at 29 December 2023.

CO_2 emissions have been reported by IEM since 2015 and are shown in the Environmental Impact Report on page 33.

Impax Proprietary Methodology for planetary impact

The measurement of impact, including carbon impact, is an evolving discipline in the financial industry. Since 2014, Impax has developed and enhanced its proprietary methodology to measure the planetary impact of investee companies. The distinguishing characteristics of Impax's approach are 1) to consider and include avoided emissions from the use of products and services by investee companies, and 2) the Impax investment team uses a process of direct engagement with companies to obtain additional data and context for impact metrics, as mentioned on page 27.

While the revenue denominator for WACI is a relatively easy and publicly available figure for each company, the emissions picture in the numerator is still evolving. Variance in this part of the fraction, particularly with Scope 3 emissions, but in some cases also within Scope 1 and 2 data, or availability of any of these, accounts for the broad range of WACI numbers among those providers and investment managers who calculate it.

METRICS: Operation related climate and carbon metrics

IEM has no Scope 1 (direct emissions) or Scope 2 (emissions related to electricity consumption) emissions. However, in the course of operating its business, key service providers have Scope 1 and 2 emissions. As such, the Board has set out below the Scope 1 and 2 emissions attributable to its main service provider, Impax. This attribution apportions Impax's London office emissions to IEM, based on IEM's net asset value as a percentage of Impax's London-managed assets. No Scope 3 emissions were attributable from Impax because it hosts all board meetings at its offices.

Impax has gathered all GHG emissions data disclosed by IEM's investee companies, estimating Scope 1 and 2 emissions where those are not reported. Impax does not use estimates for Scope 3 emissions, for which data disclosed by companies remains patchy.

Impax Asset Management CO_2 Emissions

	2023 attributable to IEM plc Kg CO_2e	2022 attributable to IEM plc Kg CO_2e
Scope 1&2	61	77
Scope 3	0	0
TOTAL	**61**	**77**

Source: Impax Asset Management

IEM has Scope 3 emissions due to business travel. The CO_2 emissions for 2023 were 5,120 Kg CO_2e (2022: 842 Kg CO_2e). The increase in Scope 3 emissions from 2022 is due to only two meetings taking place in person in 2022 due to the Covid-19 pandemic.

Details of the methodology used

Reporting according to the GHG Protocol: Scope 2 emissions figure stated above follows the market-based accounting methodology. Source of emission factors applied to calculate emissions from electricity consumption is IEA (2021) UK electricity grid mix emission factor. Scope 3 (travel) emissions figure stated above follows the distance-based methodology. Source of emission factors applied to calculate emissions of travel is the UK Government Greenhouse Gas Reporting: Conversion Factors 2023.[3]

TARGETS: Operations related targets

The Board is pleased that Impax's London office is a certified 'green' building (rated 'excellent' by BREEAM (Building Research Establishment Environmental Assessment Method) and managed by an ISO 14001 aligned Building Management System. The Board other key service providers have begun to report on their Scope 1 and 2 emissions at least annually, including any steps taken to reduce emissions. This will continues to enhance IEM's reporting of operations-related climate and carbon metrics.

1 Weighted Average Carbon Intensity ("WACI") is the ratio of: tons of CO_2 equivalent carbon emitted (tCO_2) / revenues.
2 Scope 1: Direct emissions that are owned by a company; Scope 2: emissions released into the atmosphere from the use of purchased energy Scope 3: emissions include all other indirect emissions that occur across the value chain and are outside a company's direct control.
3 https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023.

Transition Alignment of IEM portfolio

As discussed on page 28, as part of Impax's commitments as a signatory to the NZAM initiative, Impax has assessed the alignment of IEM's portfolio with the transition to a net-zero economy. Impax has defined three categories of companies' climate management and processes:[1]

- **'Transition aligned'** climate management processes of investee companies include appropriate climate risk pricing, robust climate target-setting, for example, adopted the Science Based Targets Initiative (SBTi) and TCFD-aligned climate reporting. These processes align with the highest scoring tiers for climate as part of IEM's ESG analysis.
- **'Transition aligning'** are companies with moderate climate resilience and climate transition management and processes that have been committed to or initiated but have not been fully developed. This aligns with the middle scoring tier for climate as part of the ESG analysis.
- **'Transition non-aligned'** companies have weaker climate resilience and weak or non-existent climate transition management processes. This aligns with the lower scoring tiers for climate.

IEM's portfolio in these categories[1]

	2023	2022
Transition Aligned	**29%**	28%
Transition Aligning	**51%**	56%
Total Transition Aligned/Aligning	**80%**	84%
Transition Non-Aligned	**20%**	16%

Source: Impax Asset Management analysis, as at 31 December. Portfolio weights excluding cash. May not sum to 100% due to rounding. 2022 percentages have been changed from the figures report previously, reflecting an enhancement to the methodology employed.

In the latest assessment of IEM's holdings' net-zero alignment, higher levels of 'non-alignment' were found among smaller companies and companies based in Asia, compared to the benchmark assessment. This is due to their climate risk management processes and disclosures often being less mature, in contrast to a general trend of gradual improvement in climate risk management practices. Results at the portfolio level over shorter time horizons may also vary due to portfolio construction and turnover.

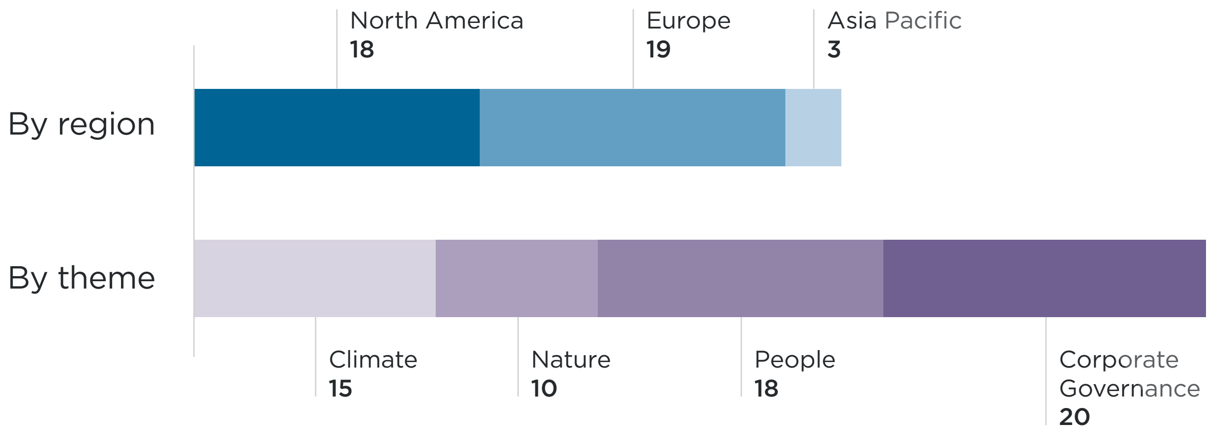
Engagement: Impax's engagement strategy has an enhanced effort in objective-led engagements with companies that do not yet have robust climate resilient and transition-aligned climate management and processes. The Manager increasingly seeks more systematic engagement opportunities; collaborative engagements, engagements with elements of policy advocacy, where relevant, to further enhance positive outcomes.

Proxy Voting: Impax believes that oversight of climate risk resides primarily with the portfolio companies board committees and directors responsible for risk and audit. When companies are identified to have not yet taken meaningful steps to address climate risks with resilient and transition-aligned management processes, the Manager will generally vote against members of the Audit Committee.

1 See Impax's TCFD for more information on methodology https://impaxam.com/investment-philosophy/environmental-social-and-governance-risk-management/.

IEM Stewardship, Engagement and Proxy Voting

40 engagement dialogues with 28 portfolio companies.



More than one theme was covered in some meetings, therefore the total sum of engagements will equal more than 40.

Engagement Themes

Climate: to encourage companies to hone their management of climate-related risks.

Nature: to engage with companies on their dependencies and impacts on biodiversity and nature.

People: to engage with companies about the diversity of their boards of directors, senior management teams, and workforces, as well as pay equity, employee health and wellness, and talent recruitment and development.

Governance: to engage with companies on governance structures. Topics covered include board independence, executive compensation and shareholder rights.

Proxy Voting

Impax, on behalf of IEM, voted at all meetings where they were able to exercise IEM's vote, voting at 69 meetings and on 752 management resolutions and 4 shareholder resolutions. The Board regularly reviews the voting decisions made by Impax on IEM's behalf.

Summary statistics	2023
Total number of meetings where it was possible to vote	**69**
Number of meetings in which Impax voted	69
Number of meetings in which Impax voted (as a percentage)	100%
Number of management resolutions in which Impax voted	752
Number of management resolutions in which Impax voted against and/or abstained and/or withheld	80
Number of management resolutions in which Impax voted against and/or abstained and/or withheld (as a percentage of management resolutions voted)	10.6%
Number of shareholder resolutions in which Impax voted	4
Number of shareholder resolutions in which Impax supported	3
Number of shareholder resolutions in which Impax supported (as a percentage of shareholder resolutions voted)	75%

Whilst it is usual for the Manager to vote in line with investee companies' resolutions, the Manager will vote against and/ or abstain from resolutions which are not consistent with the Manager's, and the Company's, stewardship position. Examples in the year included: the board or committees not meeting independence standards, insufficient diversity on the board and remuneration concerns.

Engagement examples

Governance

Badger Meter Inc. (United States, 1.2% of portfolio) manufactures and markets flow measurement and control products. Impax has been engaging with Badger Meter on issues relating to its governance structures and board diversity since 2018.

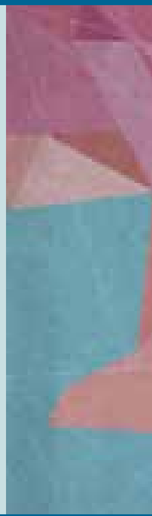
Objectives:

1. Improve board gender diversity (in progress)
2. Appoint Lead Independent Director (achieved)

Progress and outcomes

Impax engages regularly on governance-related issues ahead of and after company AGMs to communicate our voting intention and rationales. In 2022 Impax began engaging with Badger specifically on increasing Board diversity. Impax followed up further with engagement on this issue and the company has since appointed two additional female directors to the board, with experience in finance/audit, supply chain and digitalisation. This has increased board gender diversity to 30%.

Given the company's combined CEO/Chairman role, Impax engaged on board succession planning and the appointment of a new Lead Independent Director (LID) as the current LID was not standing for re-election at the 2023 AGM. This discussion clarified and informed Impax's most recent vote decision based on the company's commitment to appoint a new Lead Independent Director after the AGM.



Nature

Borregaard (Norway, 1.8% of portfolio) is a supplier of specialised biochemicals, identified as a target for engagement given the company's material dependencies and impacts on nature.

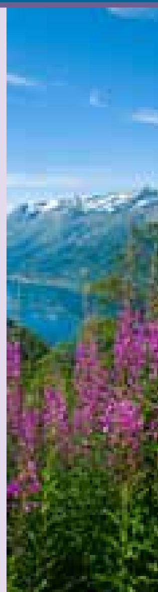
Objectives:

In line with the Taskforce for Nature-related Financial Disclosures (TNFD) framework:

1. Understand Borregaard's nature-related dependencies and impacts (achieved)
2. Identify nature-related risks and opportunities (in progress)
3. Improve nature-related disclosures in line with the TNFD framework (in progress)
4. Set science-based targets for nature (in progress)

Progress and outcomes

Borregaard demonstrated that its approach to managing nature-related risks is relatively advanced. Given its key dependency on wood, the company has set a target of sourcing 100% certified wood and achieved a 98% certification rate in 2022. In terms of impacts, the company demonstrated progress on several effluent and waste reduction initiatives from its plants, which are progressing against clear performance measures. As an early adopter of the TNFD framework, the company published its first TNFD disclosures in 2023. Borregaard plans to set science-based targets for nature and is seeking guidance on credible approaches as a first step. The company is currently updating their 2023 disclosures (to be published in 2024) which will combine their TNFD and TCFD reporting.



Climate

Clean Harbors (United States, 2.3% of portfolio) provides collection, transportation, recycling, treatment, and disposal services and holds dominant positions in incinerators and landfills.

Impax engaged with Clean Harbors as part of Impax's 2023 priority outreach on climate risk. Impax discussed its voting guidelines on climate and raised expectations in line with the NZAM commitment.

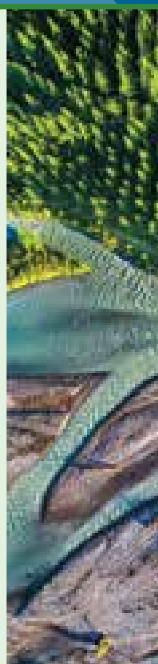
Objectives:

1. Disclose Scope 1&2 GHG emissions (achieved, 2022)
2. Disclose Scope 3 GHG emissions (in progress)
3. Set science-based emissions reduction targets (in progress)
4. Develop robust net zero transition plan (not started)

Progress and outcomes

Clean Harbors has made progress in disclosing its GHG emissions, by publishing it's first report in 2022 including reporting a first set of disclosures to CDP.[1] The company is currently estimating its Scope 3 emissions and is working on creating a more holistic Scope 3 baseline. Clean Harbors is seeking to increase its renewable sourcing and has integrated identification and management of climate-related risks into its risk management process. Clean Harbors is laying out a path for goal setting and Impax advised using the Science Based Targets Initiative ("SBTI") framework to guide the target-setting process. Impax will continue to monitor Clean Harbor's progress and engage on this topic.

1 The Carbon Disclosure Project ("CDP") is an international non-profit organisation based in the United Kingdom, Japan, India, China, Germany, Brazil and the United States that helps companies, cities, states, regions and public authorities disclose their environmental impact.



Investment Policy, Results and Other Information

Company purpose and values

The Company's core values are integrity, accountability and transparency. These values are the cornerstone of creating and preserving shareholder value through investing in companies delivering solutions to environmental challenges.

Strategy and business model

Impax Environmental Markets plc is an investment company and its investment objective and policy are set out below. Any material change to the investment policy requires shareholder approval.

The Company is governed by a Board of Directors (the "Board"), all of whom are non-executive, and it has no employees. The business model adopted by the Board to achieve the Company's objective has been to contract the services of Impax Asset Management (AIFM) Limited (the "Manager") as its alternative investment fund manager to manage the portfolio in accordance with the Board's strategy and under its oversight. The portfolio managers responsible for the day-to-day management of the portfolio are Jon Forster, Bruce Jenkyn-Jones and Fotis Chatzimichalakis. The Board monitors adherence to the Company's investment policy and regularly reviews the Company's performance in meeting its investment objective.

All administrative support is provided by third parties under the oversight of the Board. Company secretarial and administration services have been delegated to Apex Listed Companies Services (UK) Limited (formerly Sanne Fund Services (UK) Limited) ("Apex" or the "Administrator"); depositary and custody services to BNP Paribas Securities Services ("BNP Paribas"); registrar services to Link Group ("Link"); and the Company's broker is Investec Bank plc.

The Board reviews the performance of the Manager and its other key service providers on an ongoing basis.

Investment objective and policy

The Company's objective 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).

(i) Investment Process Asset allocation

Investments are selected on an individual basis, but each investment is categorised according to three primary environmental markets that are the focus of the Company's investment policy.

Alternative energy and energy efficiency

In the alternative energy and energy efficiency sector, the Company 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.

Waste technologies and resource management

In the waste technologies and resource management sector, the Company 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.

Water treatment and pollution control

In the water treatment and pollution control sector, the Company 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.

(ii) Risk diversification

The Company has the following maximum exposures in place in order to ensure that there is a reasonable diversification of risk in the Company's portfolio:

(a) not more than 10% of the Company's net assets will be invested in any one company at the time of investment; and

(b) the Company will not make an investment if as a consequence of that investment individual holdings of 5% or more would in aggregate represent more than 40% of net assets.

The Company does not have prescriptive limits on the maximum amounts that can be invested in the sub-sectors listed above. The Directors believe that the imposition of such limits could impact on efficient portfolio management.

(iii) Gearing

The Board has authorised the Manager to utilise short-term borrowings of up to 10% of net assets in order to provide liquidity for efficient portfolio management where the Manager sees fit. The Company has the flexibility to enable it to take out long-term borrowings in appropriate circumstances. Any long-term borrowings and any borrowings in excess of 10% of net assets require the separate authorisation of the Board.

The borrowings of the Company shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to one third of the aggregate of:

(a) the amount paid up on the issued share capital of the Company; and

(b) the total of the capital and revenue reserves of the Company, including any share premium account, capital redemption reserve and credit balance on the profit loss account as shown in the latest audited balance sheet and income statement of the Company subject to certain adjustments detailed in the Company's Articles of Association.

Asset allocation at year end

The breakdown of the structure of the portfolio at the Company's year-end is shown on page 24.

Dividend policy and dividends

Dividend policy

The Directors typically expect the Company to generate returns in the form of capital gains rather than revenue.

It is the Company's policy to pay out substantially all earnings by way of dividend for each year, with dividends mainly financed from current year net income and, since 2020, to declare two dividends each year.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

Dividends declared for the year ended 31 December 2023

The Board recognises that as the Company issues and/or buys back shares through the year, this has an effect on earnings per share if a single dividend is paid annually, irrespective of timing.

In order to be fair to all shareholders the Board paid an interim dividend at the half-year stage, and declared a second interim dividend, in lieu of final, paid shortly after the year end. This also has the advantage that shareholders receive their dividends earlier than when a final dividend is paid after the AGM. It is the Board's intention to continue with the declaration of two dividends each year. Shareholders will be given an opportunity to vote on the Company's dividend policy at the forthcoming AGM. The vote is advisory and is set out as ordinary resolution 4 in the Notice of Meeting.

Results and dividend

The Company's revenue return after tax for the year amounted to £14,416,000 (2022: £13,272,000). During the year, the Company paid a first interim dividend of 1.7 pence per share ("pps") (2022: 1.5 pps), totalling £5,032,000. On 2 February 2024, the Directors declared that the Company would pay on 15 March 2024 a second interim dividend of 2.9 pps (2022: 2.5 pps), totalling £7,983,000 based on the ordinary shares in issue at the record date, 9 February 2024. In total, the dividend paid for the year is 4.6 pps, an increase of 15% on the prior year total dividend of 4.0 pps.

The Company made a capital gain after tax of £34,081,000 (2022: capital loss of £237,542,000). Therefore, the total return after tax for the Company was a profit of £48,497,000 (2022: loss of £224,270,000).

Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) Achievement of NAV and share price growth over the long-term

The Board monitors both the absolute and relative NAV and share price performance and compares the performance of the Company against the MSCI ACWI and FTSE ET100 indices on a total return basis. A review of performance is undertaken at each quarterly Board meeting and the reasons for relative under and over performance against various comparators is discussed. The Chairman's Statement on pages 4 to 8 incorporates a review of the highlights during year. The Manager's Report on pages 9 to 18 highlights investments made during the year and how performance has been achieved.

(ii) Maintenance of a reasonable level of premium or discount of share price to NAV

The Manager and the Company's broker monitor the premium or discount and keep the Board updated as and when appropriate. At quarterly Board meetings, the Board reviews the premium or discount in the period since the previous meeting on both an absolute basis and in comparison with other investment trusts with a similar mandate. The Board has issued a statement on premium/discount control on page 6. The Board sets parameters under which the Company's shares can be sold or bought back. The Company's shares traded at an average discount to NAV of 5.1% during the year ended 31 December 2023 and within a range of a share price premium to NAV of 1.3% to a discount of 10.4%. At the year end the shares traded at a discount of 7.9% . Since the year end, and to the last practicable date prior to the publication of this report, the Company's shares have traded in the discount range of 7,9% to 11.0%. Details of any ordinary shares issued and bought back since the year end are shown in note 12.

(iii) Maintenance of reasonable level of ongoing charges

The Board also reviews expenditure formally at its quarterly Board meetings. The Board reviews the fees payable to the Company's main service providers on an annual basis. The Board considers the ongoing charge to be reasonable in comparison to peers. The Company's ongoing charges figure was 0.83% (2022: 0.81%). This is calculated in accordance with the AIC methodology and disclosed as an APM on page 99.

Investment performance to 31 December 2023

	1 Year	3 Years	5 Years	10 Years
NAV of the Company[1,2]	4.5%	7.9%	84.5%	183.6%
Share price of the Company[1,2]	-3.7%	-3.4%	65.6%	191.6%
MSCI ACWI[2]	15.3%	26.8%	73.9%	178.6%
FTSE ET100[2]	18.3%	6.9%	162.8%	279.3%

Note: MSCI index is total net return (dividends reinvested net of withholding tax), FTSE index is total return (dividends reinvested gross of withholding tax), both in sterling terms.
1 These are considered to be APMs.
2 Total return.

Principal risks and uncertainties

The Board is responsible for the management of risks faced by the Company and, through delegation to the Audit Committee, has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. The Audit Committee carries out, at least annually, a robust assessment of the principal risks and uncertainties and reviews ongoing monitoring of both controls risks and controls. This ensures heightened and emerging risks are identified outside of the normal cycle of Board and Audit Committee meetings.

Risks are documented on a risk register, grouped into four main categories: Strategic and Business Objective Risks; Investment Management Risks; Operations – Service Providers Risks; and Compliance, Regulatory and Corporate Governance Risks. Risks are then rated before and after mitigating controls by impact and likelihood of occurrence, with the assessed ratings charted on risk matrices. The risk register is reviewed on an ongoing basis in an attempt to capture all risks and to ensure appropriate mitigation is in place. Reviews take into account changing factors including, but not restricted to, changes to markets (both macro and micro), stakeholders, operations, regulation and emerging risks.

The top risks identified by this process are set out in the following section, and the Board considers these to be the principal risks of the Company.

The Board considered the risks posed by global economic conditions including higher inflation and interest rates and disruption to supply chains as a result of the wars in Ukraine and the Middle East, with updates on market impact and operational resilience received from the Manager, Administrator and other key service providers. The Board is satisfied that the key service providers had, and continue to have, the ability to continue their operations efficiently in a remote or virtual working environment.

The Manager continues to provide regular updates to the Board on the financial impacts on the portfolio performance and investee companies, as well as the long-term effects and opportunities for the sectors in which the Company invests.

Emerging risks are considered by the Board at its quarterly meetings and by the Audit Committee as part of its risk management and internal control review. Failure to identify emerging risks may cause reactive actions rather than being proactive and the Company could be forced to change its structure, objective or strategy and, in worst case, could cause the Company to become unviable or otherwise fail.

The experience and knowledge of the Directors is invaluable in consideration of emerging risks, as are update papers and advice received from the Board's key service providers such as the Company's Manager, broker, Company Secretary and auditor. The AIC also provides regular updates and draws members' attention to forthcoming industry and/or regulatory issues.

Trend: Increasing ↑ Neutral ↔ Reducing ↓

Potential risk	Mitigation	Trend
Strategic and business objective risks		
Economic and market risks		
Price movements of the Company's investments are highly correlated to the performance of global equities in general and small and mid-cap equities in particular. Falls in stock markets are likely to adversely affect the performance of the Company's investments. Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events and trends can substantially and adversely affect the value of investments. Market risk includes the potential impact of events which are outside the Company's control such as the war in the Middle East and the ongoing war in Ukraine. The Company holds a significant part of its portfolio in companies with small market capitalisations, which are likely to be subject to higher valuation uncertainties and liquidity risks than larger capitalisation securities. The Company may also invest in unquoted securities which generally have greater valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.	There are inherent risks involved in stock selection. The Manager is experienced and employs its expertise in selecting the stocks in which the Company invests. The Manager spreads the investment risk over a wide portfolio of investments in its three main sectors: energy, water and waste, as well as geographically. At year end, the Company held investments in 63 companies and the largest holding represented 2.9% of net assets. The Manager will not normally hedge against foreign currency movements, but the Manager takes account of the risk when making investment decisions. Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts. The high risk rating remains unchanged; this reflects continued uncertainty in markets, though for changed reasons. Interest rates have stabilised and inflation reduced but geo-political uncertainty continues to remain high.	↔
Environmental markets		
The Company invests in companies operating in environmental markets. Such companies carry risks that governments may alter the regulatory and financial support for environmental improvement, costs of technology may not fall, capital spending by their customers is reduced or deferred and their products or services are not adopted.	The Company invests in a broad portfolio of investments which are spread amongst several environmental market sectors. The Manager has a rigorous investment process which takes into account relevant factors prior to investment decisions taking place. As well as reviews of the portfolio and relevant industry matters at quarterly Board meetings, the Board has an annual strategy day at which the overall strategy of the Company is discussed.	↔
Share price trades at excessive discount to net asset value		
It is in the long-term interests of shareholders that shares do not trade at a significant discount to net asset value. Investor demand for the Company's shares may fall, causing the discount to widen.	The Board monitors the level of premium/discount and receives regular shareholder feedback from the Company's Manager and broker. The Board has the power, granted by shareholders, to buy back shares when in the best interests of the Company, and this should reduce supply of shares and thus reduce or stop widening of the discount and may reduce volatility.	↔

Investment Policy, Results and Other Information continued

Potential risk	Mitigation	Trend
Strategic and business objective risks		
Financing risk		
The Company may borrow money for investment purposes. If investment markets fall in value, any borrowing will enhance the level of loss. Capacity constraints on the availability of desirable companies for investment may mean the Company is unable to achieve the level of gearing wanted.	The Board has authorised the Manager to use its discretion to utilise gearing up to 10% of net assets. Any borrowing above this level requires Board approval. Borrowing facilities are renewed on a cost effective and timely basis. The Manager keeps under regular review the opportunities for enhancing returns by the prudent use of gearing. The risk rating decreased following the successful refinancing of the Company's revolving credit facility.	↓
Investment Management		
Underperformance of the Investment Manager		
Consistent long-term underperformance by the investment manager may lead to poor performance of the Company compared to its benchmark comparators and peers, a widening of discount to NAV, a reduction in capital and dissatisfied shareholders.	At each board meeting the investment manager reports on the performance of the Company including comparisons to its peers and benchmark comparators. The Board considers various portfolio metrics including top contributors and detractors to performance, sub-sector and regional performance, investment rationale, valuation and growth statistics, key activity in the period, attribution analysis, portfolio positioning and risk, and the Manager's outlook. The Board considers the rationale behind new additions, for which the Manager provides details including the environmental benefit. The Board also considers the macro and geopolitical risks and uncertainties that effect the portfolio and the Company. The risk rating increased as the likelihood of long-term underperformance increased following a second year of underperformance.	↑
Operations – service providers risks		
Failure or breach of Information Technology (IT) - including cyber-security, and physical security risks		
Failure of IT or physical security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. In addition, unauthorised physical access to buildings could lead to damage or loss of equipment. The underlying risks primarily exist in the third party service providers to whom the Company has outsourced its depositary, registration, administration and investment management activities.	The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks including their alignment with industry standards, their physical and data security procedures and their business continuity planning. The Board meets with its key service providers at each board meeting and directors often engage with service providers intraboard.	↔

Potential risk	Mitigation	Trend
Operational risk		
The Board has contractually delegated to third party service providers the management of the investment portfolio, and services covering: depositary and custody; registrar; company secretarial and fund accounting. The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third party service providers. Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records (including cyber security risk) could prevent the accurate reporting and monitoring of the Company's financial position.	Due diligence is undertaken before contracts are entered into with third party service providers, taking into account the quality and cost of services offered, including policies and procedures, and risk management and controls systems in operation in so far as they are relevant to the Company. Thereafter, the performance of the provider is subject to regular review and report to the Board. The Board monitors key persons as part of this oversight. The control of risks related to the Company's business areas is described in detail in the corporate governance report on page 64. The risk rating was increased due to organisational and personnel changes at the Company's company secretarial provider.	↑

Whilst not being identified as principal risks after mitigation controls are applied, other relevant risks to the Company include the following:

Potential risk	Mitigation	Trend
Strategic and business objective risks		
Global pandemic risk		
The rapid spread of infectious disease may cause governments to implement policies to restrict the gathering, interaction or movement of people and take other measures as deemed appropriate to prevent its spread, causing disruption to markets generally, investee companies, the operations of the Company and its key service providers.	The Manager spreads the investment risk over a wide portfolio of investments. Risk analysis includes scenario analysis of possible negative market events. The Company's key service providers report periodically to the Board on their business continuity plans and procedures. The Board monitors the adequacy of controls in place at the key service providers and their planned response to an extended period of disruption, to ensure that the impact to the Company is limited. During times of elevated volatility and market stress, the Company's closed-end fund structure protects it from the liquidity requirements that can arise for open-ended funds.	↔
Physical climate change risk		
While efforts to mitigate climate change continue, the physical impacts are already emerging in the form of changing weather patterns. Extreme weather events can result in flooding, drought, fires and storm damage, potentially impairing the operations of an investee company at a certain location, or impacting locations of companies within their supply chain.	Physical climate change risk is still an emerging topic for investors as well as for the management teams of investee companies. It has been a focus area of research and engagement by the Manager to identify companies particularly exposed to this risk and to open a dialogue with them on management options. Details of engagement with investee companies are given on pages 38 and 39. The Company invests in a broad portfolio of companies which are spread geographically, limiting the impact of location specific weather events.	↔

Investment Policy, Results and Other Information continued

Potential risk	Mitigation	Trend
Investment management risks		
Financial risks		
The Company's investment activities expose it to a variety of financial risks which include foreign currency risk, portfolio liquidity risk and interest rate risk. The Company invests in securities and has borrowings which are not denominated or quoted in sterling. Movements of exchange rates between sterling and other currencies in which the Company's investments are denominated may have an unfavourable effect on the return on the investments made by the Company. The Company's main exposure is its floating-rate €20m seven-year Note and its €40m revolving credit facility, details of which are shown in Note 11.	The Manager does not actively hedge against foreign currency movements affecting the value of its investments, although the Manager takes account of this risk when making investment decisions. Non-sterling borrowings will effectively hedge non-sterling investments for matching currencies. The Company invests in range of global listed equities and the Manager monitors the foreign currency exposure and liquidity of holdings within the portfolio and reports on these to the Board at each meeting. Interest rate risk on borrowing was reduced by fixing two of the Notes. Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts.	
Regulatory risks		
Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares. Breaches of the Companies Act 2006 could result in financial penalties or legal proceedings against the Company or its Directors. Failure of the Manager to meet its regulatory obligations could have adverse consequences on the Company.	The Company has contracted out relevant services to appropriately qualified professionals, who monitor, and report to the Board on regulatory compliance. In addition, the Company's broker, auditor, Company Secretary and Manager provide the Board with regulatory updates on a regular basis. The Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.	

Viability statement

The continuation of the Company is subject to the approval of shareholders every three years. The continuation of the Company was approved at the Company's 2022 AGM with 99.99% votes in favour of the continuation resolution. The next vote will take place at the Company's 2025 AGM.

The Directors have assessed the viability of the Company for the period to 31 December 2028 (the "Viability Period"). The Board believes that the Viability Period, being approximately five years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy, the principal risks outlined above and its gearing. The Board have also assumed that shareholders will approve the continuation of the Company on each continuation resolution proposed during the Viability Period. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the Viability Period.

The Board reviewed the Company's income and expenditure projections and other funding requirements in normal and worst case market conditions. The level of the ongoing charges is dependent to a large extent on the level of net assets, the most significant contributor being the investment management fee. The Company's income from investments and cash from the sale of investments (which are readily realisable) provide substantial cover to the Company's operating expenses, and any other expenditure likely to be faced by the Company over the Viability Period. Such expenditure to include buybacks of shares in order to operate the Company's discount control policy and repayment of the Company's borrowings, which at the date of this report represented less than 6.8% of the Company's investments.

In its assessment of the prospects of the Company, the Board considered each of the principal risks and uncertainties and the liquidity and solvency of the Company.

Engaging with IEM Stakeholders

Section 172 of the Companies Act 2006 requires the Board to act in the way that they consider would most likely promote the success of the Company for the benefit of all stakeholders, taking into consideration the interests of stakeholders in their decision-making and to share how they have discharged this duty.

The Company's mission is to help its shareholders benefit from growth in companies operating in the fast growing Environmental and Resource Efficiency Markets.

The Company's values – integrity, accountability and transparency – mean that the Board has always worked hard to communicate effectively with the Company's stakeholders. This is a two-way process and the feedback received from our stakeholders is highly valued and factored into our decision making.

The Company has a range of stakeholders and this section maps out who they are and what the Board believe their key interests to be, how the Company enables engagement with stakeholders and highlights results that have consequently arisen during the year.

Shareholders & financial advisers

Investment performance (NAV) - Investment performance is monitored in relation to the Company's objective and to the investment policy and strategy (further information can be found on page 41 describing the Key Performance Indicators). The Board receives regular reports from the Manager on the composition, investment activities and performance of the portfolio and the wider marketplace in which the Company operates. The Board discusses the portfolio at each Board meeting and maintains a constructive dialogue between meetings as well. A representative of the Manager additionally attends quarterly Board meetings.

2023 Highlights: The Company's NAV per share on a total return basis increased by 4.5%, compared to a rise in the MSCI ACWI of 15.3%, the Company's equity comparator index. The Company's NAV underperformed its environmental markets comparator, the FTSE ET100, which rose by 18.3% over the year.

Share Price, Liquidity & Premium/Discount - The Board also reviews and discusses detailed reports from the Manager and other key service providers, including the broker and financial advisers, in relation to the Company's share performance, trading and liquidity as well as the register of shareholders composition and changes. The Board takes a proactive approach to managing the premium and discount.

2023 Highlights: The Company's share price total return fell by 3.7% for the year. This fall was a result of the discount widening by 8% during the year, though mainly in the second half as investors withdrew from the UK market in general. The share price traded between a premium of 1.3% and a discount of 10.4% during the year. The Board has therefore acted to limit the volatility of the share price by buying back shares as and when appropriate. At 31 December 2023 the Company's share price traded at a 8.0% discount to NAV.

ESG & Sustainability - The Manager conducts fundamental analysis which incorporates long-term risks, including Environmental, Social & Governance ("ESG") factors. Its reporting to the Board goes beyond financial returns to include environmental impact, corporate engagement and stewardship. The Manager maintains regular dialogue with both investee and potential investee companies and reports back on these conversations to the Board. As described on page 48, the Board and Manager believe engagement with the investee companies is positive, beneficial and welcomed and that consistent exercise of voting rights is a key activity in the dialogue with companies invested. The Board has oversight of the quality of the ESG management in its quarterly Board meetings, along with an annual meeting with the Head of Sustainability & ESG.

2023 Highlights: The Sustainability Reporting Committee met once during the year. Further details on the committee and its activities are given on page 60. As set out on page 28, the Company has continued to enhance its TCFD reporting.

Strategy - The strategy of the Company is reviewed by the Board on a continuing basis at every Board meeting. In addition, once a year the Board undertakes a strategy day, inviting representatives from key service providers, as well as its PR company, to look ahead and present new ideas and improvements that the Board can consider. Whilst feedback from shareholders is sought on a continual basis, the Board requests the Company's broker and investment manager to provide detailed analysis and feedback from shareholders in order that it can be addressed during this meeting. The Board's strategy and performance is validated by shareholders through a triennial vote on the continuation of the Company and the Board encourages shareholders to take part in this vote.

2023 Highlights: During the year, the Board, with the Manager, reviewed the gearing and available borrowing facilities. Consequently, the Company issued €60m of structural debt and increased its short term borrowings. At its strategy day, the Board discussed with the Manager current headwinds to performance as well as the continuing discount to NAV. Different marketing and sales strategies were considered with a view to closing the discount to NAV.

Regular Communication - Meetings with financial advisers and our shareholders help us to understand their needs and concerns. As described under Shareholder Relations and Annual General Meeting on page 54, the Board welcomes direct feedback from shareholders throughout the year. Additionally, the Board maintains regular contact with shareholders through the Manager and broker's programme of shareholder and financial adviser meetings, who

Engaging with IEM Stakeholders continued

report back to the Board on shareholder sentiment, questions, or concerns for the Board's consideration.

The Board believes that shareholders and financial advisers can make informed decisions only if they have access to relevant information on a timely basis. To provide the transparency that the Board seeks with shareholders, a variety of communication channels and methods of communication are used.

The Company's website – www.impaxenvironmentalmarkets.co.uk is considered an essential communication channel and information hub for shareholders. As such, it includes full details of the investment objective, supporting philosophy and investment performance along with news, opinions, disclosures, results and key information documents, as well as information about the Board, its Committees and other governance matters.

The annual and interim reports and accounts are published on the Company's website and are available in hard copy on request. The date of the Annual General Meeting is published in advance (online and within the annual report). Shareholders are encouraged to raise questions either at or in advance of this meeting.

Factsheets and market commentary, which provided performance information, inclusive of geographic and sector exposure and the top ten holdings, are published monthly. The full portfolio holdings are made available quarterly in arrears; both are available on the Company's website.

The Company continues to expand and enhance the content of its engagement and advocacy results, and on the environmental impact of its investment strategy.

2023 Highlights: The Board was pleased to hold the AGM in person with an option to listen in online. Shareholders were welcome to come along, to meet the Board and to ask any questions. Additionally, the Manager began publishing a monthly performance commentary which includes a market review, portfolio review and outlook. This can be found on the IEM website at www.impaxenvironmentalmarketsco.uk.

Board Succession Planning - The composition of the Board and succession planning is led by the Nomination Committee with changes managed in order to provide regular refreshment, good diversity and a high level of relevant skills as set out in its report on page 60.

2023 Highlights: Mr Glen Suarez replaced Mr John Scott as Chairman at the conclusion of the 2023 AGM. Mrs Vicky Hastings also retired at the conclusion of the 2023 AGM. Mr Guy Walker joined the Board on 17 May 2023. Mrs Elizabeth Surkovic was appointed to the Board with effect from 1 January 2024.

Investment manager

Partnership - The Board has developed a strong relationship with the Manager, aligned in the mission to seek to deliver consistent outcomes for our clients and superior financial returns over the long-term.

2023 Highlights: As previously referred to, the Board worked closely with the Manager to put in place new borrowing facilities.

The Board also worked closely with the Manager to enhance the Company's messaging. One output from this is "IEM at a glance" on page 1.

Effective 1 January 2024, the Board and the Manager have agreed a revised fee structure with a reduced rate applying on net assets greater than £1.4 billion. Further details are given on page 7.

Impact on the wider community and environment - The Board and the Manager support the transition to a low-carbon economy, primarily through investment decisions, company engagement and collaboration with stakeholders.

2023 Highlights: The Company's Environmental Impact Reporting has continued to be developed in partnership with the Manager. This is set out on pages 32 to 37 and includes the Company's Climate-related reporting and mapping to UN Sustainable Development Goals.

Consumer Duty - Under the FCA's Consumer Duty rules, the Manager completed its first fair value assessment during the year. More details are shown on page 56. The Company was assessed by the Manager as "Highest Fair Value Achieved", its top rating.

As this was the first year of assessment, the Board gained an understanding of the Manager's basis of assessment and no concerns were identified with either the assessment method or the outcome of the assessment.

Investee companies

Long-term Investment, Collaboration, Engagement - The Manager is a long-term investor and develops strong relationships with many of our investee companies, including access to key individuals. This engagement is collaborative, with investee companies having access to the sustainability expertise of the Manager's Head of Sustainability & ESG. The Manager maintains regular dialogue with both investee and potential investee companies and reports back on these conversations to the Board. The Board and the Manager believe engagement with the investee companies is positive, beneficial and welcomed, and that consistent exercise of voting rights is a key activity in the dialogue with companies invested.

ESG Considerations - The Board has oversight of the Manager's ESG management at its quarterly Board meetings, along with an annual meeting with the Head of Sustainability & ESG. The Manager engages with companies to minimise risks, protect shareholder value, promote greater transparency and encourage companies to become more resilient over time. The Manager takes a supportive rather than activist approach and, as a leader in the field of environmental impact, often works in collaboration with other asset managers or organisations.

2023 Highlights: During 2023, the Manager continued to have regular dialogue with management of investee and potential investee companies in person, virtually or a hybrid of both. The engagement, proxy voting and stewardship activities undertaken, including examples of outcomes of the Manager's engagement with investee companies, are published on pages 38 to 39.

Service providers

Productive and Collaborative Working Relationships - The Board, either directly or through the Manager, seeks to develop deep relationships and regularly engages with our service providers, including ensuring that they reflect our values around social inclusion, sustainability, and the environment. The performance of our key service providers is regularly monitored and set against KPIs. The Company wants to ensure, and assesses on a regular basis, that appointments remain in the best interests of our stakeholders.

Reputation Management - The Board has high standards and looks to maintain its reputation for delivering to those standards for its shareholders. Monitoring and reviews have an integral role in providing oversight and informing the Board's decision making. Reviews include updates in relation to the provider and their operations, their policies and control environment, new regulations from the auditor and company secretary, changes to market sentiment and practice from the broker and changes to the portfolio and broader market performance from the Manager.

Communications - Service providers are also responsible for monitoring the markets in which they operate and communicating updates to the Board; for instance, the company secretary will monitor regulatory changes and make the Board aware of these. Regular meetings with our service providers, in particular the Manager, are essential if we are to monitor and seek feedback from them.

Impact on the wider community and environment - In line with the Board's intention to report under the TCFD framework, the Board encouraged its key service providers to consider and evaluate their environmental impact, and has reported the Manager's CO_2 emissions for the second time this year.

2023 Highlights: In addition to the Board's normal review of key service providers, the Board concluded its review of fees for the registrar which resulted in a significant reduction.

Other Information

Modern slavery disclosure

The Company aims to act to the highest standards and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is an important part of corporate good governance.

As an investment trust the Company does not offer goods or services to consumers and deals predominantly with professional advisers and service providers in the financial services industry. As such the Board considers that the Company is out of scope of the Modern Slavery Act 2015. A statement by the Manager under the Act has been published on the website at **www.impaxenvironmentalmarkets.co.uk**

Environmental matters

The Company has no employees, physical assets, property or operations of its own, does not provide goods or services and does not have its own customers. It follows that the Company has little to no direct environmental impact. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

As an investment trust the fundamental environmental impact the Company makes is indirectly through the investments in its portfolio. Further details can be found above under the heading **IEM Environmental Impact Report.**

Social, community and human rights issues

The Manager screens the Company's investable universe as part of the Environmental Social and Governance analysis for any breaches of the principles of the UN Global Compact, including human rights, labour rights, environmental breaches and corruption. Any non-compliant companies are excluded from investment.

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Prevention of the facilitation of tax evasion

The Board has a zero-tolerance approach to the criminal facilitation of tax evasion.

Employees

The Company has no employees. As at 31 December 2023, the Company had four Directors, of whom two are male and two female. Effective 1 January 2024 a fifth Director, who is female, was appointed to the Board.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on pages 4 to 8..

Strategic Report

The Strategic Report set out on pages 3 to 50 of this Annual Report was approved by the Board of Directors on 10 April 2024.

For and on behalf of the Board

Glen Suarez
Chairman
10 April 2024

Governance

In this section

Board of Directors

Glen Suarez

Chairman of the Board, Management Engagement Committee and Sustainability Reporting Committee

Appointed 1 October 2022
Appointed Chairman on 17 May 2023

Mr Suarez is currently chairman of Knight Vinke Asset Management, having previously held the roles of CIO and Deputy CEO. He is a non-executive director of BlackRock Throgmorton Trust plc and a senior adviser to FMAP Limited, a consultancy founded by Lord Maude which advises governments on the implementation of public sector reform.

Mr Suarez was chairman of The Edinburgh Investment Trust plc from 2017 to 2022, having joined the board in 2013. He was co-chair of the Capital Markets Advisory Committee, an independent body advising on accounting issues and standards between 2014 and 2020. Before this, he was a Partner in Soditic Limited and head of European energy, infrastructure and utilities investment banking business at Morgan Stanley.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Royal Society of Arts.

Mr Suarez brings significant investment trust experience to the Board as well as a deep knowledge of markets and of the investment process.

Aine Kelly

Senior Independent Director and Chairman of the Nomination Committee

Appointed 15 November 2016

Miss Kelly is an Independent Impact Investing Consultant. Miss Kelly worked as Head of Financial Sector and Investor Engagement at Big Society Capital from 2013-2016, followed by three years as a consultant on The Impact Management Project. She spent the previous four years at Barclays Wealth and prior to that she worked 16 years in investment banking at Kleinwort Benson, JP Morgan and Citigroup. Miss Kelly has a wide experience of introducing new investment opportunities to investors and has covered UK, European and Asian equity markets. Miss Kelly has worked in London, New York and Zurich and is currently based in Ireland.

Miss Kelly is a member of the External Board of Advisors of Cork University Business School.

Miss Kelly's background brings a new approach to the boardroom with a focus on both the financial integrity of investment decisions and their long-term impact.

Stephanie Eastment

Chairman of the Audit Committee

Appointed 1 July 2019

Mrs Eastment is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Chartered Governance Institute with over 30 years' experience of the financial services industry. She qualified with KPMG and worked at Wardley and UBS in finance and corporate governance before moving to Invesco, where she worked for 22 years ending as Head of Accounts and Company Secretariat for Specialist Funds, which included investment trusts. She retired from Invesco in 2018 to pursue a non-executive director career using her wide knowledge and experience. She is also a member of the AIC's Technical Committee.

Mrs Eastment is a non-executive director and audit committee Chairman of Murray Income Trust plc, Herald Investment Trust plc and Alternative Income REIT plc and a non-executive director of RBS Collective Investment Funds Limited.

Mrs Eastment's financial, technical and oversight experience and knowledge strengthens the Board's financial and risk oversight not only as a director, but as the audit committee Chairman.

Guy Walker

Chairman of the Remuneration Committee

Appointed 17 May 2023

Mr Walker is currently senior independent director at JPMorgan European Growth & Income plc, having joined them in 2021. He was previously managing director UK & European Equities at UBS Asset Management and before that he held various roles at Schroder Investment Management, including as non-executive director of Schroder Pension Trustee Limited, global head of ESG investment and head of equity research. He helped to set up the Investor Forum in 2014 and still acts as a senior adviser to it.

Mr Walker holds an MBA from the London Business School, an MA in Finance and Investment and a BSc in Engineering Science from the University of Exeter.

Mr Walker's experience and abilities enables him to challenge both the Board and the Manager on the rigour of their processes and thinking, especially on long-term matters.

All directors are members of the Audit, Nomination, Remuneration, Management Engagement and Sustainability Reporting Committees.

All directors are considered independent by the Board.

Investment Managers

Elizabeth Surkovic

Non-executive Director
Appointed 1 January 2024

Mrs Surkovic is head of policy at the Royal Society. She has worked for 30 years in environmental policy making and regulation in the private and public sectors and is now focussed on the interface of science and policy. This background and experience provides her with a deep knowledge of many of the areas supporting environmental technology investments. During her career, she has been at the forefront of developing and delivering environmental policy in Europe and the UK as well as working globally with groups such as OECD.

Prior to working at the Royal Society, she was a senior civil servant for HM Government in several Departments. Before joining the civil service, Mrs Surkovic was a Director of the Chemical Industries Association. She is a continuing policy fellow at University of Cambridge's Centre for Science and Policy and a member of its admissions board.

Mrs Surkovic holds a B.Sc. in Biochemistry from Birmingham University.

Mrs Surkovic's background and expertise enable her to provide guidance to the Board on ESG and environmental technology matters in particular.

Bruce Jenkyn-Jones

Chief Investment Officer (CIO), Listed Equities, Executive Director

Bruce serves as Impax's Chief Investment Officer, Listed Investments. Bruce is one of Impax Asset Management's longest-serving employees. He developed the firm's listed equities business and the division's investment thesis. He is responsible for overseeing and enhancing all aspects of the listed investments business, including monitoring performance, ensuring regulatory compliance, and spearheading product design. Bruce is a co-Portfolio Manager of the Specialists and Climate strategies.

Before joining Impax in 1999, Bruce worked as a utilities analyst at Bankers Trust and as an environmental consultant for Environmental Resources Management.

An Oxford graduate with a bachelor's degree in Chemistry, Bruce also holds a master's in Environmental Engineering Technology, and an MBA from IESE Business School in Barcelona.

Jon Forster

Senior Portfolio Manager, Managing Director

Jon co-manages Impax Asset Management's Specialists and Climate strategies. Specialising in new energy, water, and waste support services, he researches stocks globally with a focus on the industrials and utilities sectors.

He has been part of the Impax team for over twenty years, having first joined in 2000 from Alchemy Partners where he had spent two years providing consultancy work to their portfolio management team. He began his career in 1994 at HSBC Investment Bank working on their acquisitions team.

Jon has a bachelor's degree in German and Management Studies from Leeds University.

Fotis Chatzimichalakis

Portfolio Manager

Fotis is a member of Impax Asset Management's portfolio management team, where he researches stocks globally, focusing on the information technology and industrials sectors.

Fotis originally joined Impax as an intern in 2015, initially working in the listed equities team. He has held his current role since 2021. Prior to joining the firm, he had an internship at Barchester Green Investment.

A CFA Charterholder, Fotis also holds the Investment Management Certificate. He has master's degree in Civil Engineering from the National Technical University of Athens and a master's degree in Sustainable Energy Systems from the University of Edinburgh.

Directors' Report

The Directors present their report and accounts for the year ended 31 December 2023.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 50.

Corporate governance

The Corporate Governance Statement on pages 59 to 62 forms part of this report.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2023.

Alternative investment fund managers directive ("AIFMD")

The Company is classified as an Alternative Investment Fund under AIFMD and is therefore required to have an Alternative Investment Fund Manager ("AIFM"). Impax Asset Management (AIFM) Limited is the AIFM of the Company. The AIFM has received its authorisation to act as an AIFM from the FCA. The AIFM must ensure that an annual report containing certain information on the Company is made available to investors each financial year. The investment funds sourcebook of the FCA details the requirements of the annual report. All the information required by those rules is included in this Annual Report or will be made available on the AIFM's website (www.impaxam.com).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period which is the year ended 30 September 2023. These disclosures are available on the AIFM's website or are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD (see APMs on pages 97 to 98). These methods are known as the gross method and the commitment method. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end follows:

	Gross method	Commitment method
Maximum leverage limit (set by the AIFM)	130%	130%
Actual leverage at 31 December 2023	106%	107%

Shareholder relations and annual general meeting

The Board encourages all shareholders to attend the AGM and generally seeks to provide twenty one clear days' notice of that meeting.

The Notice of AGM sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Board also welcomes direct feedback from shareholders. The Chairman is available to meet shareholders and may be contacted by email at chairman@impaxenvironmentalmarkets.co.uk.

This year's AGM will be held at 3.00pm on 20 May 2024 and the Chairman's Statement on page 7 sets out the arrangements for the meeting. Shareholders are encouraged to attend the AGM and will have the opportunity to hear a presentation from the Manager, and ask questions of the Board and the Manager. The Manager's presentation will be available to view on the Company's website after the AGM. All shareholders are advised to submit their proxy forms in advance of the AGM. Details of how shareholders can cast their votes can be found in the Notes to the Notice of Meeting on pages 102 to 104. Shareholders' questions for either the Board or the investment managers should be submitted to clientservices@impaxam.com by midday on 16 May 2024.

Continuation vote

The Articles of Association require that an ordinary resolution be proposed at every third AGM of the Company that the Company should continue as an investment trust for a further three-year period. The next vote for the continuation of the Company will be proposed at the AGM to be held in 2025. In the event that such a resolution is not passed, the directors are required to draw up proposals for shareholders' approval for the voluntary liquidation or unitisation or other reorganisation of the Company, which would require a special resolution of shareholders.

Special business of the AGM

Authority to issue and purchase own shares

On 22 January 2019, the Board announced that it remains fully committed to using its powers, including those to issue and buyback shares, in a proactive manner with the aim of seeing the shares, in normal market conditions, trading close to NAV on a consistent and long-term basis.

The Board intends to continue to exercise its powers if approved by shareholders as part of its premium/discount policy.

The authority to allot shares granted at the last AGM held on 16 May 2023 will expire at the conclusion of the forthcoming AGM.

The Board recommends that the Company be granted a new authority to allot up to a maximum of 2,693,200 ordinary shares (representing approximately 10% of the shares in issue at 10 April 2024, the latest practicable date before publication of this report) and to dis-apply pre-emption rights when allotting those ordinary shares and/or selling shares from treasury. Ordinary resolution 12 and special resolution 13 will be put to shareholders at the AGM. Shares will be issued under this authority only at the Board's discretion and when it is deemed to be in the best interests of shareholders as a whole to do so. The advantages are to lower the Company's ongoing charges as expenses are diluted and, in the short term, to address volatility in the share price.

The maximum number of ordinary shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the ordinary shares on a rolling previous 12-month basis at the time of admission of the shares.

The authority for the Company to purchase its own shares as granted at the AGM held on 16 May 2023 will expire at the conclusion of the forthcoming AGM. During the year ended 31 December 2023, 23,052,000 ordinary shares, representing 7.6% of issued share capital at the start of the year, were repurchased into treasury for a total cost of £89,315,000 after purchase costs of £452,000, and none were subsequently re-issued. Directors recommend that a new authority to purchase up to 4,037,107 ordinary shares (subject to the condition that not more than 14.99% of the ordinary shares in issue at the date of the AGM are purchased) be granted and special resolution 14 to that effect will be put to the AGM. Any ordinary shares purchased will either be cancelled or, if the Directors so determine, held in treasury. Shares are purchased at the discretion of the Board and when it is deemed to be in the best interests of shareholders. Shares will be purchased for cancellation or for treasury only when the shares are trading at a discount to the Net Asset Value.

The Companies Act 2006 allows companies to hold shares acquired by way of market purchases as treasury shares, rather than having to cancel them. This gives the Company the ability to sell ordinary shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. At the year end and at the date of this report, 24,508,500 and 36,303,500 shares respectively were held in treasury.

Notice of general meetings

Special resolution 15 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. The Company is currently able to call General Meetings, other than an AGM, on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have given their prior approval.

Special resolution 15 seeks such approval, which would be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

The Company will ensure that it offers the facility for shareholders to vote by electronic means, and that this facility is accessible to all shareholders, if it is to call general meetings on 14 days' notice. Short notice of this kind will be used by the Board only under appropriate circumstances.

Adoption of new articles of association

Special resolution 16 seeks shareholder approval to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Existing Articles"). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

i. provisions enabling the Company to hold wholly virtual or hybrid shareholder meetings using electronic means (as well as physical shareholder meetings);

ii. amendments in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU) as transposed into UK law;

iii. amendments in response to the introduction of international tax regimes (notably FATCA and the Common Reporting Standard) requiring the exchange of information with tax authorities;

iv. providing the Board with the flexibility to change the Company's name by way of Board resolution;

v. including provisions which require all directors to retire at each AGM (and, if they wish, to offer themselves for re-election) in line with the recommended corporate governance regime in the UK, and provisions dealing with the potential situation whereby no Directors are re-elected at an AGM; and

vi. updating the provisions for the payment of dividends to include the use of any approved funds transfer system and to enable the Company to specify which payment method(s) will be used by the Company in respect of any dividend.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on pages 105 to 107 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best interests of shareholders for hybrid or virtual-only meetings to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The full terms of the proposed amendments to the Company's articles of association are available for inspection at the National Storage Mechanism located at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and on the Company's website, www.impaxenvironmentalmarkets.co.uk from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Proposed cancellation of the share premium account

Special resolution 17 seeks shareholder approval for the cancellation of the Company's share premium account.

The Company has a substantial non-distributable share premium account. The cancellation of which, subject to the confirmation of the Court, will be credited to a distributable reserve to provide the Board with flexibility to use such distributable reserves should it wish to do so for shareholder distributions (such as buybacks) in the future. Cancellation of the share premium account has previously been done by the Company in December 2002 and July 2009.

Further details are set out in the appendix to the AGM Notice (on pages 105 to 107 of this document).

Market information

The Company's Ordinary Shares are premium listed on the London Stock Exchange ("LSE"). The NAV per ordinary share is calculated in sterling for each business day that the LSE is open for business. The daily NAV per ordinary share is published through a regulatory information service.

Borrowings

The Company has in place a mixture of fixed and floating rate debt totalling £88.6 million (2022: £51.6 million).

On 1 September 2023, the Company closed and settled €60m privately placed notes (the "Notes") issued to funds managed by Pricoa Private Capital.

The Notes consist of three tranches as follows:

- €20m maturing on 1 September 2030 with a floating coupon of Euribor + 1.35%
- €30m maturing on 1 September 2033 with a fixed coupon of 4.48%; and
- €10m maturing on 1 September 2035 with a fixed coupon of 4.63%.

The proceeds of the Notes were used to repay the five-year fixed rate multi-currency US$20 million and £15 million loans and £20 million multi-currency revolving credit facility ("RCF") provided by The Bank of Nova Scotia, London Branch ("Scotiabank") which matured on 6 September 2023.

The Company put in place a new two-year £80m multi-currency RCF with Scotiabank on 6 September 2023. At the year end, €40,943,000 (equivalent to £35m) is drawn down.

The RCF is secured by a floating charge over the assets of the Company and this floating charge has been extended to the Notes, so that the two rank pari passu.

Retail distribution of investment company shares via financial advisers and other third party promoters

As a result of the Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to retail investors, certain investment products are classified as "non-mainstream pooled investment products" and face restrictions on their promotion to retail investors.

The Company has concluded that the distribution of its shares, being shares in an investment trust, is not restricted as a result of the FCA rules described above.

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by financial advisers to retail investors and intends to continue to do so for the foreseeable future.

Manager

Impax Asset Management (AIFM) Limited ("Impax") has been appointed as the Company's Investment Manager (the "Manager").

The Manager is appointed under a contract subject to twelve months' notice.

The Manager is entitled to remuneration each month at a rate equivalent to one-twelfth of 0.9% on the Company's net assets up to and including the first £475 million and 0.65% on net assets in excess of £475 million.

Effective 1 January 2024, the Manager is entitled to remuneration each month at a rate equivalent to one-twelfth of 0.9% on the Company's net assets up to and including the first £475 million; 0.65% on net assets between £475 million and £1.4 billion; and 0.45% on net assets in excess of £1.4 billion.

The Board confirms that it has reviewed whether to retain Impax as the Manager of the Company. It has been concluded that, given the Manager's depth of knowledge in the sector and the long-term growth and strong performance record of the Company, it is in the best interests of shareholders as a whole to continue with Impax's engagement.

Consumer Duty

The FCA's Consumer Duty rules comprise a fundamental component of the FCA's consumer protection strategy and aim to improve outcomes for retail customers across the entire financial services industry through the assessment of various outcomes, one of which is an assessment of whether a product provides value. Under the Consumer Duty, the Manager is the product manufacturer of the Company. The Manager completed a fair value assessment during the year. Using a newly developed assessment methodology, the Manager evaluated the Company and made an assessment of the value it provides to investors concluding that the Company should be given its top rating of "Highest Fair Value Achieved".

Capital structure and voting rights

At the year end, the Company's issued share capital comprised 305,623,539 ordinary shares, with 24,508,500 ordinary shares held in treasury.

Since the year end, the Company bought back into treasury 11,795,000 ordinary shares. At 10 April 2024, the latest practicable date before publication of this report, there were 305,623,539 ordinary shares in issue with 36,303,500 ordinary shares held in treasury.

Each ordinary share held entitles the holder to one vote. All shares carry equal voting rights and there are no restrictions on those voting rights.

Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

There are no restrictions on the transfer of shares, nor are there any limitations or special rights associated with the ordinary shares.

Notifiable interest

As at 31 December 2023 and 10 April 2024, the Directors have been formally notified of the following shareholdings comprising 3% or more of the issued share capital of the Company.

Company	Holding of ordinary shares - as at 31 December 2023	% Holding - as at 31 December 2023	Holding of ordinary shares - as at 10 April 2024	% Holding - as at 10 April 2024
Rathbones Investment Management Ltd	32,181,059	11.1	32,398,984	12.0
Brewin Dolphin	13,112,066	4.3	13,112,066	4.3
Joseph Rowntree Charitable Trust	10,267,260	3.4	10,267,260	3.4

Political donations

There were no political donations made during the financial year to 31 December 2023 (2022: nil).

Disclosure required by listing rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that, other than the allotment of equity securities for cash (LR 9.8.4(7)) in the prior year which is detailed in note 12 to the financial statements, all such reporting applied only to nonapplicable events for the year ended 31 December 2023.

Financial instruments

Further information regarding the Company's financial instruments and related policies and a consideration of its liquidity and other financing risks are in Notes 2 and 16 to the financial statements.

Future trends

Details of the main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Manager's Report section of this Strategic Report on pages 1 to 50. Further details as to the risks affecting the Company are set out in the 'Principal Risks and Uncertainties' on pages 42 to 46.

Directors' indemnities

Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company has indemnified each of the Directors against all liabilities which each director may suffer or incur arising out of or in connection with any claim made or proceedings taken against them, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by them, on the grounds of their negligence, default, breach of duty or breach of trust, in relation to the Company or any Associated Company. The indemnities would provide financial support from the Company after the level of cover provided by the Company's Directors' and Officers' insurance policy has been fully utilised.

Going concern

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 December 2023, the Company held £16.8 million (2022: £26.3million) in cash and £1,295.8 million (2022: £1,302.6 million) in quoted investments. The Company's audited net assets with debt at fair value at 31 December 2023 totalled £1,221.1 million (2022: £1,275.9 million).

Directors' Report continued

The Board has considered the Company's debt and related covenants. The main liability of the Company is its borrowings of £88.6 million (2022: £51.6 million) which is covered 13 times (2022: 24 times) by the net assets, which is well in excess of the level of cover required by the borrowing covenants (see note 11 to the financial statements).

The total ongoing expenses (excluding taxation and finance costs) for the year ended 31 December 2023 were £10.4 million (2022: £10.7 million), which represented approximately 0.83% (2022: 0.81%) of average net assets during the year. The Board considered the Company's estimated income in both normal and worst case market conditions and concluded that the Company had sufficient liquidity to meet its ongoing expenses. The Board also considered the liquidity of the Company's investments and it is estimated that approximately 92 % (2022: 92%) by value of the quoted investments held at the year end could be realised in one month under normal market conditions.

At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

The Directors have considered the impact of continuing high inflation and interest rates and possible recession, as well as the war in Ukraine, the conflict in Gaza and the tensions between China and Taiwan and the US and China, on the Company's portfolio of investments and that any future prolonged and deep market decline would likely lead to falling values in the Company's investments and/or reduced dividend receipts. However, as explained above, the Company has more than sufficient liquidity available to meet its expected future obligations. In addition, the Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will continue to maintain service levels throughout future pandemics.

The Directors also recognise that the continuation of the Company is subject to the approval of shareholders every three years. The continuation vote held at the AGM in May 2022 passed with 99.99% of votes in favour. The next continuation vote will take place at the 2025 AGM.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) the Director has taken all steps that he or she ought to have taken as director to make himself or herself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Appointment of auditor

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint BDO LLP as the Company's auditor will be put forward at the forthcoming AGM on 20 May 2024.

By order of the Board

Martin Darragh
For and on behalf of
Apex Listed Companies Services (UK) Limited
Company Secretary
10 April 2024

Corporate Governance

Introduction

This Corporate Governance statement forms part of the Directors' Report.

The Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of The UK Corporate Governance Code 2018 (the "UK Code"), as issued by the Financial Reporting Council ("FRC"). The UK Code can be viewed on the FRC's website.

The Board has considered the principles and provisions of the AIC Code of Corporate Governance 2019 (the "AIC Code") which addresses those set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company, as an investment trust.

The Board considers that reporting against the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive (provision 14);
- the need for an internal audit function (provision 25); and
- executive Directors' remuneration (provision 33).

The Board considers these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions, other than the need for an internal audit function specific to the Company, which has been addressed on page 68.

The Board

Composition

At the date of this report the Board consists of five non-executive directors. The Chairman is Glen Suarez, and the Directors are Aine Kelly, Stephanie Eastment, Guy Walker and Liz Surkovic . Miss Kelly is the Senior Independent Director and the Nomination Committee Chairman, Mrs Eastment is the Audit Committee Chairman and Mr Walker is the Remuneration Committee Chairman. Mr Suarez is the Sustainability Reporting Committee Chairman.

All the above directors served throughout the year except for Mr Walker who was appointed on 17 May 2023 and Mrs Surkovic who was appointed on 1 January 2024.

The Board believes that during the year ended 31 December 2023 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given on pages 52 and 53.

In line with the AIC Code, the Board has decided that each Director should be subject to annual re-election by shareholders, although Mr Walker and Mrs Surkovic will stand for election for the first time, having been appointed on 17 May 2023 and 1 January 2024 respectively.

The Board recommends all the Directors for either re-election or election for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Director will receive an induction and relevant training is available to Directors on an ongoing basis.

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Board committees

The Board decides upon the membership and chairmanship of its committees. Each Committee has adopted formal terms of reference, which are reviewed at least annually, and copies of these are available on the Company's website or on request from the Company Secretary.

Audit committee

A report on pages 67 and 68 provides details of the role and composition of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

Remuneration committee

All of the Directors are members and Guy Walker is the Chairman. The Remuneration Committee has been established to meet formally on at least an annual basis to review the remuneration policy of the Company and consider the fees of the non-executive directors. No changes were proposed to the Company's remuneration policy. Following its review of fees, the Committee recommended an increase in the Directors' fees in order to ensure market rate remuneration. Details of the review conducted of the fees of non-executive directors is given on page 64.

The Directors' Remuneration Implementation Report is included on pages 64 to 66.

Corporate Governance continued

Management Engagement Committee ("MEC")

All of the Directors are members and Mr Suarez is the Chairman of the MEC. The MEC has been established to conduct a formal annual review of the Manager, assessing investment and other performance, the level and method of the Manager's remuneration and the continued appointment of the Manager as investment manager to the Company. The MEC met and reviewed the Manager's performance and remuneration structure. In conclusion the Committee's recommendation to the Board was that it was in the best interests of shareholders as a whole to continue with the Manager's engagement. Following a review of the management fee arrangements, a new fee structure was agreed effective 1 January 2024. (See page 7 for further details).

The Board also completed a review of the fees paid to the Registrar which has resulted in a reduction in the rate of fees for registrar services, effective 1 January 2023.

Nomination committee

All of the Directors are members and Miss Kelly is the Chairman. The Nomination Committee reviews the structure, size and composition of the Board and it identifies and puts forward candidates for the office of director of the Company. The Nomination Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job.

The Board has formulated a succession plan which is reviewed and maintained through the Nomination Committee to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

During the year, Miss Kelly was asked to lead two separate recruitment processes for new directors to replace Mrs Hastings who retired at the 2023 AGM and Mr Hurd who retired on 31 December 2022. The Board engaged the services of recruitment specialists Tyzack for both. Tyzack are independent of both the Company and the individual directors. After an extensive search and thorough recruitment process, the Committee firstly recommended Mr Walker to the Board. He was appointed on 17 May 2023. With Mr Walker on the Board, the second search resulted in the appointment of Mrs Surkovic to the Board on 1 January 2024.

Sustainability reporting committee

All of the Directors are members and Mr Suarez is the Chairman. The Sustainability Reporting Committee receives reports from the Manager regarding its sustainability activities as they relate to the Company's portfolio, the outcomes of such activities and its sustainability metrics. The Committee reviews and discusses the relevance of such activities and metrics in meeting the Company's sustainability reporting obligations and stakeholders' expectations, makes recommendations to the Board, and oversees the Company's regulatory and voluntary sustainability reporting. During the year, the Committee considered the disclosures made in the Half-yearly report and proposed significant changes to the disclosures to be made in the annual report.

Meeting attendance

The following table sets out the scheduled meetings Directors attended in the year to 31 December 2023. In addition to the meetings shown below, a Board strategy meeting was held and there were also Board and committee ad-hoc meetings to deal with administrative matters, the formal approval of documents, the refinancing during the year and the recruitment of two new directors.

	Board	Audit committee	Remuneration committee	Management engagement committee	Nomination committee	Sustainability reporting committee
Number of meetings	5	4	1	1	2	1
Glen Suarez	5	4	1	1	2	1
Stephanie Eastment	5	4	1	1	2	1
Aine Kelly	5	4	1	1	2	1
Guy Walker*	2	2	1	1	2	–
John Scott**	3	2	n/a	n/a	n/a	n/a
Vicky Hastings**	3	2	n/a	n/a	n/a	n/a

* Mr Walker has attended all meetings since his appointment on 17 May 2023.
** Mr Scott and Mrs Hastings attended all meetings up to their retirement on 16 May 2023.

Board diversity

The Board's policy on diversity is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity and ethnicity. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Manager. Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, and especially during the recruitment process, so as to ensure it is aligned with the Company's strategic priorities. The performance appraisal process is described below.

The Board believes its composition is appropriate for the Company's circumstances. In line with the Board's succession planning and tenure policy, or should strategic priorities change, the Board will review and, if required, adjust its composition.

Implementation of the Board's Diversity Policy

In the 2022 annual report, the Board chose to report on a voluntary basis against the targets set out in the FCA's Listing Rules 9.8.6R(9)(a). These require that at least 40% of individuals on the board are women; at least one individual on the board is from a minority ethnic background; and at least one of the senior board positions of Chairman, SID, CEO and CFO is held by a woman.

At 31 December 2023 the Board comprised four non-executive directors. All three of the targets were met: there were two women on the Board (50%); one director is ethnically diverse; and the SID is a woman.

Even though the targets have been met, the Board had followed AIC guidance such that the tables below record 'not applicable' under the senior positions target. This guidance is relevant as the Company is externally managed and does not have any executive staff – specifically it does not have either a CEO or CFO. It is also noted that the Board considers that the Chairman of the Audit Committee of an investment company is a senior position, and this is held by a woman. Thus, the Board considers that the Company has two women in senior board positions.

Board as at 31 December 2023

The following information has been provided by each director. As the Company has no employees, no information is included for executive management. The Board has resolved that the Company's year end date be the most appropriate date for disclosure purposes.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	50	n/a
Women	2	50	n/a

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority-white groups	3	75	n/a
Minority ethnic	1	25	n/a

Since 31 December 2023, the Board has appointed a fifth Director. Effective 1 January 2024, the Board consists of 60% of women and 40% of men, with four Directors (80%) who are white British or other white (including minority-white groups) and one Director (20%) who is minority ethnic.

Tenure policy

It is the Board's policy that all Directors, including the Chairman, shall normally have tenure limited to nine years from the date of their election by shareholders at the AGM following their appointment to the Board, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders. This is also subject to the Director's re-election annually by shareholders. The Board considers that this policy encourages regular refreshment and is conducive to fostering diversity.

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the Committees and individual Directors. During the year an internal board evaluation process was led by Miss Kelly, reviewing the performance of each of the Directors, the Board as a whole and the Committees. A programme consisting of open and closed ended questions was used as the basis for the appraisal and the results discussed with the Board. A separate appraisal of the Chairman was carried out and the Senior Independent Director reported its results to the Chairman. The results of the most recent performance evaluation were positive and demonstrated that the Directors showed the necessary commitment and possessed the required skill sets for the effective fulfilment of their duties.

An external board evaluation will take place in 2024. This will be two years since the previous external evaluation, due to the Committee agreeing that it was not appropriate to undertake an external evaluation during the first year of Mr Suarez's tenure as Chairman.

Internal control

The Board is responsible for establishing the Company's system of internal controls and for monitoring their effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board, through the Audit Committee, regularly reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company's significant risks. If any significant failings or weaknesses are identified the Board, and where required the Manager, ensure that necessary action is taken to remedy the failings. During the year the Board – through the Audit Committee – undertook a comprehensive review of the Company's risk management framework and controls. Risks are documented into four main risk categories and the top risks schedule together with emerging risks, are considered at every Board meeting. Following its review, the Board is not aware of any significant failings or weaknesses arising in the year under review.

The Board believes that the existing arrangements, including those set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

Financial aspects of internal control

These are detailed in the Report of the Audit Committee.

Other aspects of internal control

The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Manager and the Company's Administrator and the Company Secretary.

The Board has agreed policies with the Manager on key operational issues. The Manager reports in writing to the Board on operational and compliance issues, and otherwise as necessary. The Manager reports direct to the Audit Committee concerning the internal controls applicable to the Manager's dealing, investment and general office procedures.

The Directors receive and consider monthly reports from the Administrator, giving details of all holdings in the portfolio, investment transactions and the financial position of the Company. The Administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures and company secretarial matters. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The contacts with the Manager and the Administrator enable the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored regularly and a formal review, utilising a detailed risk assessment programme, takes place at least annually. This includes consideration of relevant service provider internal controls reports. There are no significant findings to report from the review.

Principal risks

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

Directors' Remuneration Policy

Background

The remuneration policy (the "Policy") must be put forward for shareholder approval at a maximum interval of three years. The Policy was last approved by shareholders at the AGM held on 20 May 2021. Accordingly, the Policy will be put forward for approval by shareholders at the forthcoming AGM and will continue in force until the AGM to be held in 2027. The Policy set out below is materially unchanged from the previous remuneration policy with the only changes being minor rewording for simplicity.

The provisions set out in the Policy apply until they are next submitted for shareholder approval. In the event of any proposed material variation to the Policy, shareholder approval will be sought for the proposed new policy prior to its implementation. The Policy sets out the principles the Company follows in remunerating Directors and the result of the shareholder vote on the Policy is binding on the Company. The Remuneration Committee will take account of any views expressed by shareholders in formulating this policy.

All the Directors are non-executive directors and the Company has no other employees.

The remuneration policy

Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by shareholders, are subject to annual re-election.

Fees

Directors' fees should be reviewed annually; such review may not result in any change. The annual review should ensure remuneration supports the strategic objectives of the Company, reflects directors' duties and responsibilities, and the time commitment required by each director to carry out their roles effectively. In setting fees, the Board has regard to the need to recruit and retain directors with appropriate knowledge and experience, the fees paid to directors of the Company's peers and industry practice.

Directors' fees are subject to the aggregate annual limit set out in the Company's Articles of Association (the "Articles"), which is £250,000 following shareholder approval for an increase from £200,000 at the 2022 AGM. The aggregate limit of Directors' fees in the Articles can be amended only by an ordinary resolution put to shareholders at a general meeting.

Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits.

Directors' fees are paid at fixed annual rates and do not have any variable elements. Directors are also entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a director of the Company and cease on the date of termination of appointment. New directors will be paid at the same rate as existing directors. Directors are not entitled to compensation for loss of office, and there is no notice period upon early termination of appointment.

No incentive fees will be paid to any person to encourage them to become a director of the Company. The Company may, however, pay fees to external agencies to assist the Board in the search and selection of directors or in reviewing remuneration. Where a consultant is appointed, the consultant shall be identified in the annual report alongside a statement about any other connection it has with the Company or individual Directors. Independent judgement will be exercised when evaluating the advice of external third parties.

Statement of consideration of conditions elsewhere in the Company

As stated above, the Company has no employees. Therefore, the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Policy

This Policy will be reviewed on an annual basis by the Remuneration Committee and any changes approved by the Board. As part of the review, the Remuneration Committee will consider whether the Policy supports the long-term success of the Company and takes into consideration all relevant regulatory requirements. Any material change to the Policy must be approved by shareholders.

Effective date

The Policy is effective from the date of approval by shareholders.

Current and future policy

Component	Director	Purpose of reward	Operation
Annual fee	Chairman of the Board	For services as Chairman of a plc	Determined by the Board
Annual fee	Other Directors	For services as non-executive directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit Committee	For additional responsibility and time commitment	Determined by the Board
Additional fee	Senior Independent Director	For additional responsibility and time commitment	Determined by the Board
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

Directors' Remuneration Implementation Report

This Directors' Remuneration Implementation Report (the "Report") has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulation 2013. An ordinary resolution for the approval of this Report will be put forward at the forthcoming AGM.

The Report is put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the Report is non-binding on the Company, although it gives shareholders an opportunity to express their views, which will be taken into account by the Board and the Remuneration Committee.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is shown on page 70.

Remuneration Committee

The Remuneration Committee comprises the whole Board. Further detail on the duties of the Remuneration Committee can be found in the Corporate Governance statement on pages 59 and 60.

The Board carried out a review of Directors' annual fees during the year with regard to the latest inflation rates, measured by the increase in the Consumer Prices Index, and taking into account peer group comparisons by sector and market capitalisation. Following this review, it was agreed that with effect from 1 January 2024, annual fees would be increased to £48,000 for the Chairman, and £32,000 for the Directors of the Company, with additional amounts of £8,000 and £3,200 payable to the Audit Committee Chairman and the Senior Independent Director, respectively, to reflect the extra responsibility and work required by those roles.

The Remuneration Committee believes that the level of increase and resulting fees appropriately reflects prevailing market rates for an investment trust of the Company's complexity and size, the increasing complexity of regulation and resultant time spent by the Directors on Company matters, and will also enable the Company to attract appropriately experienced additional Directors in the future. Due to the size and nature of the Company, it was not deemed necessary to use a remuneration consultant although the Remuneration Committee did review peer group information on Directors' fees and took this into account in its deliberations.

The maximum level of fees payable, in aggregate, to the Directors of the Company is currently £250,000 per annum. This maximum was approved by shareholders at the Company's AGM held in 2022. The Company's Remuneration Policy, which was approved by shareholders at the AGM held on 20 May 2021, states that the remuneration of Directors should be fair and reasonable in relation to the duties, responsibilities and time commitment of Directors; be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board.

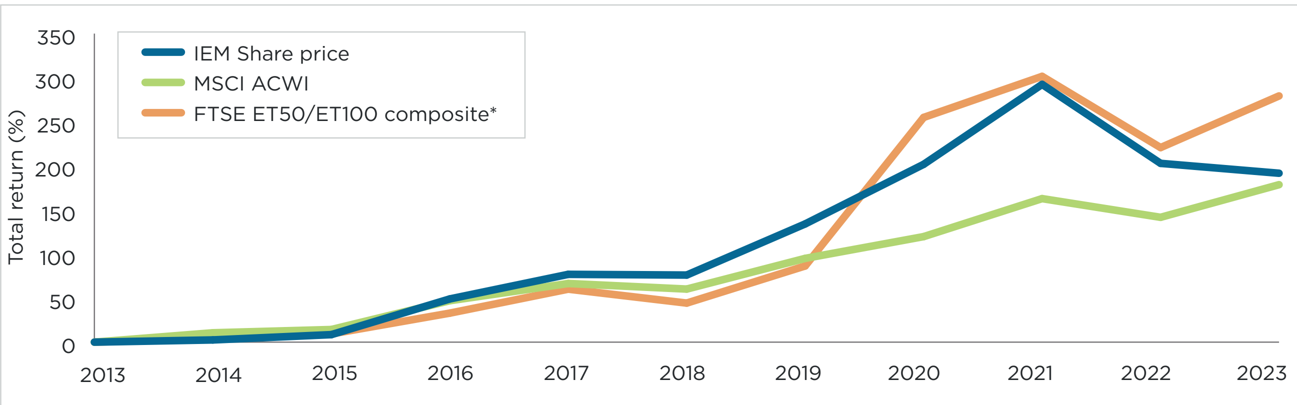
Directors' appointment letters and shareholding rights

The Directors have appointment letters which do not provide for any specific term. The Directors are not entitled to compensation on loss of office. There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares.

Performance

The following chart shows the performance of the Company's share price by comparison to two relevant indices on a total return basis. The Company does not have a specific benchmark but has deemed the MSCI ACWI Index and the FTSE ET100 Index to be the most appropriate comparators for this report.

Total return performance



* FTSE ET50 Index until 31 December 2013 and then FTSE ET100 Index thereafter.

Directors' emoluments for the year (audited)

The Directors who served during the year received the following remuneration for qualifying services.

	2023			2022		
	Fees £	Taxable benefits £	Total £	Fees £	Taxable benefits £	Total £
Glen Suarez – appointed 1 October 2022	39,596	8,121	47,717	7,000	1,983	8,983
Stephanie Eastment	37,500	520	38,020	35,000	259	35,259
Aine Kelly	33,000	2,330	35,330	30,800	801	31,601
Guy Walker – appointed 17 May 2023	18,769	–	18,769	–	–	–
Nicholas Hurd– retired 31 December 2022	–	–	–	28,000	–	28,000
John Scott – retired 16 May 2023	17,077	–	17,077	42,000	–	42,000
Vicky Hastings – retired 16 May 2023	11,385	–	11,385	28,000	–	28,000
Total	**157,327**	**10,971**	**168,298**	**170,800**	**3,043**	**173,843**

Annual percentage change in Directors' remuneration (unaudited)

The table below sets out the annual percentage change in Directors' fees for the past four years.

	Year ended 31 December 2023 %	Year ended 31 December 2022 %	Year ended 31 December 2021 %	Year ended 31 December 2020 %
Glen Suarez – appointed 1 October 2022[1]	465.7	Note A	n/a	n/a
Stephanie Eastment[2]	7.1	5.1	11.0	155.5
Aine Kelly[3]	7.1	5.1	12.75	10.6
Guy Walker – appointed 17 May 2023	Note A	–	–	–
Nicholas Hurd – retired 31 December 2022	–	Note A	Note A	–
John Scott – retired 16 May 2023	Note A	5.2	2.5	10.6
Vicky Hastings – retired 16 May 2023	Note A	5.1	2.5	10.6

Note A No annual percentage change is presented in year of appointment or year of retirement/resignation.

1 The increase in fee reflects the fact that Mr Suarez joined the Board part way through 2022 and became Chairman of the Board part way through 2023. Mr Suarez's fee increase would have been 7.1% had he been Chairman of the Board for the whole of the period from 2022 to 2023.

2 The increases for 2020 and 2021 reflect the fact that Mrs Eastment joined the Board part way through 2019 and became Chairman of the Audit Committee part way through 2020. Mrs Eastment's fee increase in 2021 and 2020 would have been 2.5% and 13.5%, respectively, had she been Chairman of the Audit Committee for the whole of the period from 2019 to 2021.

3 The increase for 2021 reflects the fact that an additional fee for the Senior Independent Director of £2,665 was introduced from 1 January 2021. Without the additional fee, Miss Kelly's fee increase would have been 2.5%.

There are no other taxable benefits payable by the Company save for certain expenses which may be deemed to be taxable such as travel expenses. Percentage changes for taxable benefits have not been shown in the table above. None of the above fees was paid to third parties.

The resolution to approve the Remuneration Report contained in the Annual Report for the year ended 31 December 2022 was put forward at the AGM held on 16 May 2023. The resolution was passed with 99.62% of the shares voted (representing 135,046,926 ordinary shares) being in favour of the resolution, 0.38% against (representing 521,445 ordinary shares) and 51,754 votes withheld.

The Directors' Remuneration Policy was last put forward at the AGM held on 20 May 2021. The resolution was passed with 99.93% of the shares voted (representing 143,969,060 ordinary shares) being in favour, against 0.07% (representing 94,069 ordinary shares) and votes withheld 42,693.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to shareholders by way of dividends and the management fees and other expenses incurred by the Company.

	2023 £'000	2022 £'000	Difference %
Spend on Directors' fees	157	171	(8.2)%
Management fees and other expenses	10,424	10,715	(2.7)%
Dividends paid to shareholders – note 9 to the financial statements	12,636	9,039	39.8%

The disclosure of the information in the table above is required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of management fees and other expenses which have been included to show the total operating expenses of the Company.

Directors' holdings (audited)

At 31 December 2023 the Directors had the following holdings in the Company (beneficial unless stated).

	Ordinary shares at 31 December 2023	Ordinary shares at 31 December 2022
Glen Suarez	23,375	–
Stephanie Eastment*	15,000	13,200
Aine Kelly	16,000	16,000
Guy Walker	17,580	–

* 8,500 held non-beneficially; shares held by connected person.

As at the date of her appointment, Mrs Surkovic held 1,257 ordinary shares which were purchased between the announcement of her appointment on 5 December 2023 and her appointment taking effect on 1 January 2024. There have been no purchases of shares by any of the other Directors since the year end.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Report and Remuneration Policy summarises, as applicable, for the year to 31 December 2023:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions have been taken.

Guy Walker

Chairman of the Remuneration Committee

10 April 2024

Report of the Audit Committee

The Audit Committee

As Chairman of the Audit Committee (the "Committee"), I am pleased to present the Committee's report to shareholders for the year ended 31 December 2023.

Composition

All of the Directors are members of the Committee.

In accordance with the UK Code, the Chairman of the Board should not be a member. However, the AIC Code permits the Chairman to be a member of, but not chair, the Committee if they were independent on appointment - which the Chairman was and in the Board's view continues to be. In view of the size of the Board the Directors feel it is appropriate for him to continue as a member, so that the Committee can continue to benefit from his experience and knowledge.

The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. As a Chartered Accountant, the Chairman of the Committee has recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector.

Role and responsibilities

The main role and responsibilities of the Committee are set out in the Committee's terms of reference. The terms are updated annually and are available on the Company's website or on request from the Company Secretary.

The Committee meets formally at least twice a year for the purpose, amongst other things, of advising the Board on the appointment, effectiveness, independence, objectivity and remuneration of the external auditor.

The Committee monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The Committee also reviews the Company's risk management, internal financial controls and internal control systems and reviews the Manager's whistleblowing arrangements.

The provision of non-audit services by the auditor are reviewed against the Committee's policy described below.

Meetings

There were three Committee meetings during the year ended 31 December 2023. In addition, the Committee met the auditor, without any other party present, for a private discussion and the Chairman of the Committee met with the auditor prior to the half-yearly and annual Committee meetings.

Committee evaluation

The Committee's activities fell within the scope of the review of Board effectiveness performed in the year.

Details of this process can be found under 'Performance Appraisal' on page 62.

Financial statements and significant accounting matters

The Committee reviewed the financial statements and considered the following significant accounting matters in relation to the Company's financial statements for the year ended 31 December 2023.

Valuation and existence of investments

The accuracy of the valuation of the investment portfolio and verification of ownership of the investments is the most material matter in the production of the financial statements. The Company holds all but one of its assets in listed investments. Listed investments are valued using stock exchange prices provided by independent pricing sources. The Depositary confirmed that at the year end the accounting records recorded all investment holdings and that these had been agreed to custodian records. The Depositary is responsible for financial restitution for the loss of financial investments held in custody, and the Committee received assurance from the Depositary that all investments were held in custody.

Recognition of income

Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Committee reviewed the Administrator's procedures for recognition of income in the year.

As part of the annual report review, the Committee:

- obtained assurances from the Manager and the Administrator that the financial statements had been prepared appropriately;
- reviewed the procedures in place for the calculation of management fees;
- reviewed the basis of allocating management fees and finance costs to capital and agreed that allocating 75% of such costs to capital remained an appropriate basis. The assessment involved an analysis of the expected split of the Company's future long-term returns as well as a review of past returns;
- reviewed the consistency of, and any changes to, accounting policies;
- reviewed the tax compliance of the Company during the year with the eligibility conditions and ongoing requirements in order for investment trust status to be maintained;
- reviewed the Company's financial resources and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report on page 57; and
- concluded that the annual report for the year ended 31 December 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reached this conclusion through a process of review of the document and

enquiries to the various parties involved in the production of the annual report, and the external auditor's report thereon.

In addition to the above, during the year the Committee reviewed the half-yearly report.

The Committee reported the results of this work, including its assessment that the annual report is fair, balanced and understandable, to the Board.

External auditor

This year's audit was the fifth performed by BDO LLP ("BDO"), and by Peter Smith as engagement partner, since BDO was appointed on 21 May 2019, following an audit tender process earlier in 2019.

Effectiveness of audit

The next competitive audit tender will occur prior to the financial year ending 31 December 2029 in line with legal requirements.

The Committee reviewed the audit planning and the standing, skills and experience of the firm and the audit team. Other than in respect of a matter noted in the Independence section of the auditor's report on page 70, which is also disclosed in the provision of non-audit services section which follows, BDO has confirmed that it remains independent of the Company and has complied with relevant auditing standards.

No significant modifications were required to the external audit approach. The Committee received a presentation of the audit plan from the external auditor prior to the commencement of the 2023 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Committee received feedback from the Manager and Administrator regarding the effectiveness of the external audit process.

The Committee is satisfied that BDO has provided effective independent challenge in carrying out its responsibilities. After due consideration, the Committee recommended the re-appointment of BDO and their re-appointment will be put forward to the Company's shareholders at the 2024 AGM.

The Committee is satisfied that it has met the requirements of the Financial Reporting Council's new standard 'Audit Committees and the External Audit: Minimum Standard' issued in May 2023 during the year.

Provision of non-audit services

The Committee has a policy on the supply of any non-audit services provided by the external auditor. This was reviewed during the year and no changes were required. Under the policy, non-audit services are considered on a case-by case basis and may only be provided to the Company if such services meet the requirements of the standard, including: at a reasonable and competitive cost; do not constitute a conflict of interest for the auditor; and all non-audit services must be approved in advance.

During the course of the audit, it was identified that during the year a service to develop a model to enable calculation of the fair value of the Notes had been outsourced, without the Board's or the Committee's knowledge, to BDO USA by the Company's Administrator. As a result, a non-audit service to the value of US$14,500 was contracted between BDO USA and Apex Fund Holdings LLC. As the Company was the ultimate beneficiary of this service, this represented a prohibited service for the Company's auditor, BDO LLP. Further details of this are set out in the Independence section of the Independent Auditor's Report to the Members of the Company on page 70, which sets out the steps BDO undertook in order to be able to conclude that the threat to its independence was non-significant in relation to the Company's 2023 audit. Further to detailed discussions, the Board are in concurrence that the auditor's actions satisfactorily address the consequences of the breach and that the auditor remains independent.

The Company's financial statements do not use the model. The model is used to calculate the Company's Net Asset Value ("NAV") with debt at fair value; this is an Alternative Performance Measure, the calculation of which is set out on page 98. As a discrete exercise, the Board instructed an independent debt valuation specialist firm to calculate the fair value of the Notes at 31 December 2023. The NAV with debt at fair value resulting from this was not materially different from the NAV with debt at fair value calculated using the model.

Other than the above, no non-audit services were provided by the auditor during the year (2022: none provided).

Internal audit

The Committee has considered the need for an internal audit function and considered that this is not appropriate given the nature and circumstances of the Company. The Committee keeps the need for an internal function under annual review. The Manager reports the key conclusions of its internal audit report to the Company's Committee. The Committee obtains an understanding of the internal controls in place at both the Manager and Administrator by reviewing the relevant internal control reports issued by their independent auditors.

Stephanie Eastment
Audit Committee Chairman

10 April 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.impaxenvironmentalmarkets.co.uk and www.impaxam.com websites which are maintained by the Company's Manager, Impax Asset Management (AIFM) Limited ("Impax"). The work carried out by the auditor does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

The Directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Glen Suarez
Chairman

10 April 2024

Independent Auditor's Report

to the members of Impax Environmental Markets plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with *United Kingdom Generally Accepted Accounting Practice*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of *Impax Environmental Markets plc* (the 'Company') for the year ended *31 December 2023* which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 21 May 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including reappointments is 5 years, covering the years ended 31 December 2019 to 31 December 2023.

During the year it was identified that BDO USA, a separate BDO Member Firm had provided Valuation services to the entity, through the Administrator, Apex Listed Companies Services (UK) Limited and Apex Fund Holdings LLC. As such, this constitutes a service which is not permitted to be provided to a Public Interest Entity which is also an audited entity under paragraph 5.40 of the FRC Ethical Standard (2019). The service was provided during the financial year ended 31 December 2023, however was billed in the financial year ended 31 December 2024 and had fees of less than $14,500. As a safeguard to the Audit, the Valuations model produced by BDO USA has been disregarded and not used in the preparation of the Financial Statements and Annual Report. As such, the services provided by BDO USA have had no effect on Impax Environmental Markets PLC's Financial Statements. We have therefore removed any threats to independence arising from the provision of this non-audit service and, in our professional judgment, we confirm that based on our assessment of the breach and additional safeguards implemented following the identification of the breach, our integrity and objectivity as Auditor has not been compromised. We believe that an Objective, Reasonable and Informed Third Party would also conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. Those charged with governance at the entity have concurred with this view.

Other than the matter noted above, we remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. No other non-audit services prohibited by the FRC's Ethical Standard (2019) were provided to the entity.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the current economic environment of high inflation and interest rates, by reviewing the information used by the Directors in completing their assessment.
- Assessing the liquidity of the investment portfolio, which underpins the ability to meet the future obligations and operating expenses for a period of 12 months from the date of approval of these financial statements.
- Challenging the reasonableness of the Director's assumptions and judgements made in their forecasts by performing multiple downside scenarios testing to analyse the headroom in loan covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	2023	2022
Valuation and ownership of quoted investments	✓	✓

	Company financial statements as a whole
Materiality	£12.2m (2022: £12.7m) based on 1% (2022: 1%) of Net assets

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 2 on page 86) The investment portfolio at year end comprised investments which are carried at fair value through profit or loss. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore, we considered the valuation and ownership of quoted investments to be the most significant audit area as the quoted investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	**We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures:** • Confirmed the year-end bid price was used by agreeing to externally quoted prices; • Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value by considering the realisation period for individual holdings. • Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date; and • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. **Key observations** **Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of quoted investments was not appropriate.**

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Independent Auditor's Report to the members of Impax Environmental Markets plc (the "Company") continued

Materiality	Company financial statements 2023 £m	Company financial statements 2022 £m
Materiality	**12.2**	**12.7**
Basis for determining materiality	**1% of Net assets**	**1% of Net assets**
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
Performance materiality	9.1	9.5
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered several factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower testing threshold

We have determined that for net revenue returns on ordinary activities before taxation, a misstatement of less than materiality for the financial statements, could influence the economic decisions of users as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £1,600,000 (2022: £1,600,000) which is based on 10% (2022: 10%) of net revenue returns on ordinary activities before taxation.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £244,000 (2022: £255,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report & accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 57; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 46.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 68; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 42; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 62; and • The section describing the work of the audit committee set out on page 67.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates.
- Discussion with the investment manager and those charged with governance and Audit Committee; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and the Company's qualification as an Investment Trust under UK tax legislation, as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation.
- Enquiries of the investment manager and those charged with governance relating to the existence of any non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust Status.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the investment manager and those charged with governance regarding any known or suspected instances of fraud.
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the area most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- Recalculating investment management fees in total.
- Obtaining independent confirmation of bank balances; and
- Testing material period end journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
10 April 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

In this section

Income Statement

	Notes	Year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	2	–	43,767	43,767	–	(226,293)	(226,293)
Net foreign exchange losses		–	(464)	(464)	–	(2,778)	(2,778)
Income	3	20,279	–	20,279	20,160	–	20,160
Investment management fee	4	(2,320)	(6,960)	(9,280)	(2,420)	(7,258)	(9,678)
Other expenses	5	(1,143)	–	(1,143)	(1,037)	–	(1,037)
Return/(loss) on ordinary activities before finance costs and taxation		**16,816**	**36,343**	**53,159**	**16,703**	**(236,329)**	**(219,626)**
Finance costs	6	(799)	(2,395)	(3,194)	(475)	(1,424)	(1,899)
Return/(loss) on ordinary activities before taxation		**16,017**	**33,948**	**49,965**	**16,228**	**(237,753)**	**(221,525)**
Taxation	7	(1,601)	133	(1,468)	(2,956)	211	(2,745)
Return/(loss) on ordinary activities after taxation		**14,416**	**34,081**	**48,497**	**13,272**	**(237,542)**	**(224,270)**
Return/(loss) per ordinary share	8	4.86p	11.49p	16.35p	4.37p	(78.18p)	(73.81p)

The total column of the Income Statement is the profit and loss account of the Company.

The supplementary revenue and capital columns are provided for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

Return on ordinary activities after taxation is also the "Total comprehensive income for the year".

The notes on pages 80 to 94 form part of these financial statements.

Balance Sheet

	Notes	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Fixed assets			
Investments at fair value through profit or loss	2	1,295,847	1,302,605
Current assets			
Dividends receivable		586	512
Taxation recoverable		39	90
Other debtors		166	108
Cash and cash equivalents		16,804	26,327
		17,595	**27,037**
Creditors: amounts falling due within one year			
Trade and other payables	10	(3,821)	(1,929)
Bank loans and revolving credit facility	11	–	(51,606)
		(3,821)	**(53,535)**
Net current assets/ (liabilities)		**13,774**	**(26,498)**
Total assets less current liabilities		**1,309,621**	**1,276,107**
Creditors: amounts falling due after more than one year			
Capital gains tax provision	7	(40)	(169)
Notes	11	(51,785)	–
Revolving credit facility	11	(35,312)	–
Net assets		**1,222,484**	**1,275,938**
Capital and reserves: equity			
Share capital	12	30,562	30,562
Share premium account		423,098	423,098
Capital redemption reserve		9,877	9,877
Share purchase reserve		52,557	141,872
Capital reserve	13	691,454	657,373
Revenue reserve		14,936	13,156
Shareholders' funds		**1,222,484**	**1,275,938**
Net assets per ordinary share - debt at bookcost	14	**434.87p**	**419.49p**
Net assets per ordinary share - debt at fair value	14	**434.34p**	**419.49p**

Approved by the Board of Directors and authorised for issue on 10 April 2024 and signed on their behalf by:

Glen Suarez, Chairman

Impax Environmental Market plc incorporated in England with registered number 4348393.

The notes on pages 80 to 94 form part of these financial statements.

Statement of Changes in Equity

Year ended 31 December 2023	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2023		30,562	423,098	9,877	141,872	657,373	13,156	1,275,938
Dividends paid	9	–	–	–	–	–	(12,636)	(12,636)
Cost of share buybacks	12	–	–	–	(89,315)	–	–	(89,315)
Return for the year		–	–	–	–	34,081	14,416	48,497
Closing equity as at 31 December 2023		**30,562**	**423,098**	**9,877**	**52,557**	**691,454**	**14,936**	**1,222,484**

Year ended 31 December 2022	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2022		29,806	388,262	9,877	147,855	894,915	8,923	1,479,638
Dividends paid	9	–	–	–	–	–	(9,039)	(9,039)
Net proceeds from issue of new shares	12	756	34,162	–	–	–	–	34,918
Net proceeds of shares sold from treasury	12	–	674	–	6,904	–	–	7,578
Cost of share buybacks	12	–	–	–	(12,887)	–	–	(12,887)
(Loss)/return for the year		–	–	–	–	(237,542)	13,272	(224,270)
Closing equity as at 31 December 2022		**30,562**	**423,098**	**9,877**	**141,872**	**657,373**	**13,156**	**1,275,938**

The Company's distributable reserves consists of the Share purchase reserve, Capital reserve attributable to realised profits and Revenue reserve.

The notes on pages 80 to 94 form part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating activities			
Return/(loss) on ordinary activities before finance costs and taxation		53,159	(219,626)
Less: Tax deducted at source on income from investments		(1,597)	(3,155)
Foreign exchange losses		464	2,775
Adjustment for (gains)/losses on investments		(43,767)	226,293
Special dividends received as capital		132	393
Scrip dividend received		(323)	–
Increase in other debtors		(81)	(413)
Increase/(decrease) in other creditors		583	(1,142)
Net cash flow from operating activities		**8,570**	**5,125**
Investing activities			
Sale of investments		478,935	313,189
Purchase of investments		(428,547)	(338,730)
Net cash flow from/(used in) investing		**50,388**	**(25,541)**
Financing activities			
Equity dividends paid	9	(12,636)	(9,039)
Proceeds from Notes and revolving credit facility		86,099	–
Repayment of revolving credit facility and bank loan		(50,744)	(282)
Finance costs paid		(1,885)	(1,864)
Net proceeds from issue of new shares	12	–	34,918
Net proceeds of shares sold from treasury	12	–	7,578
Cost of share buybacks	12	(89,315)	(12,887)
Net cash flow (used in)/from financing		**(68,481)**	**18,424**
Decrease in cash		**(9,523)**	**(1,992)**
Cash and cash equivalents at start of year		**26,327**	**28,319**
Cash and cash equivalents at end of year		**16,804**	**26,327**

Cash inflow includes dividend income received during the year ended 31 December 2023 of £19,285,000 (2022: £20,348,000) and bank interest of £646,000 (2022: £205,000).

Changes in net debt

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Net debt at start of year	(25,279)	(20,794)
Decrease in cash and cash equivalents	(9,523)	(1,992)
Foreign exchange movements	(136)	(2,775)
Proceeds from Notes and revolving credit facility	(86,099)	–
Repayment of revolving credit facility and bank loan	50,744	282
Net debt at end of year	**(70,293)**	**(25,279)**

The notes on pages 80 to 94 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006.

The accounts have been prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

(a) Basis of accounting

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice 'Financial statements of investment trust companies and venture capital trusts' ('SORP') issued by the Association of Investment Companies in July 2022.

The accounts have been prepared on a going concern basis. Details of the Directors assessment of the going concern status of the Company, which considered the adequacy of the Company's resources and the macroeconomic backdrop such as higher inflation and interest rates and possible recession, are given on page 57.

Amounts in the accounts have been rounded to the nearest £'000 unless otherwise stated.

(b) Investments

Securities of companies quoted on regulated stock exchanges and the Company's holdings in unquoted companies have been classified as 'at fair value through profit or loss' and are initially recognised on the trade date and measured at fair value in accordance with sections 11 and 12 of FRS 102. Investments are measured at subsequent reporting dates at fair value by reference to their market bid prices. Any unquoted investments are measured at fair value which is determined by the Directors in accordance with the International Private Equity and Venture Capital guidelines.

Changes in fair value are included in the Income Statement as a capital item.

(c) Reporting currency

The accounts are presented in sterling which is the functional currency of the Company. Sterling is the reference currency for this UK registered and listed company.

(d) Income from investments

Investment income from shares is accounted for when the Company's right to receive the income is established, which is usually considered to be the ex-dividend date. Overseas income is grossed up at the appropriate rate of tax but UK dividend income is not grossed up for tax credits.

Special dividends are assessed on their individual merits and may be credited to the Income Statement as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. The ordinary element of scrip dividends received in lieu of cash dividends is recognised as revenue. Any enhancement above the cash dividend is treated as capital.

Scrip dividends received in lieu of cash dividends are recognised as revenue except for any excess above the cash dividend, which is recognised as capital.

All other investment income is credited to the Income Statement as a revenue item.

(e) Nature and purpose of equity and reserves:

Share capital represents the 10p nominal value of the issued share capital.

The share premium account arose from the net proceeds of new shares and from the excess proceeds received on the sale of shares from treasury over the repurchase cost.

The capital redemption reserve represents the nominal value of shares repurchased for cancellation.

The share purchase reserve was created following shareholders' approval and confirmation of the Court, through the cancellation and transfer of £44,125,000 in December 2002 and £246,486,789 in July 2009 from the share premium account. This reserve may only be used for share repurchases, both into treasury or for cancellation. When shares are subsequently reissued from treasury, the amount equal to their repurchase cost is reflected in this reserve, with any proceeds in excess of the repurchase cost transferred to the share premium account.

The capital reserve reflects any:

- gains or losses on the disposal of investments;
- exchange movements of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital column of the income statement; and
- expenses which are capital in nature

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

The revenue reserve reflects cumulative income and expenditure recognised in the revenue column of the Income Statement less cumulative dividends paid, and is distributable by way of dividend.

The Company's distributable reserves consists of the share purchase reserve, the capital reserve attributable to realised profits and the revenue reserve. The share purchase reserve may only be used for share repurchases, both into treasury or for cancellation.

(f) Expenses and finance costs

All expenses are accounted for on an accruals basis. Expenses are recognised through the Income Statement as revenue items except as follows:

Management fee

In accordance with the Company's stated policy and the Directors' expectation of the split of future returns, three quarters of the investment management fee are charged as a capital item in the Income Statement. There is no performance fee arrangement with the Manager.

1 Accounting policies continued

Finance costs
Finance costs include interest payable and direct loan costs. In accordance with Directors' expectation of the split of future returns, three quarters of finance costs are charged as capital items in the Income Statement. Arrangement costs for revolving credit facilities and Notes are amortised over the term of the borrowing.

Transaction costs
Transaction costs incurred on the acquisition and disposal of investments are charged to the Income Statement as a capital item.

(g) Taxation
Irrecoverable taxation on dividends is recognised on an accruals basis in the Income Statement.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(h) Foreign currency translation
All transactions and income in foreign currencies are translated into sterling at the rates of exchange on the dates of such transactions or income recognition. Monetary assets and liabilities and financial instruments carried at fair value denominated in foreign currency are translated into sterling at the rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as either a capital or revenue item depending on the nature of the gain or loss.

(i) Financial liabilities
Notes and other borrowings are initially recorded at the proceeds received net of direct issue costs and subsequently measured at amortised cost.

(j) Cash and cash equivalents
Cash comprises cash in hand and demand deposits. Cash equivalents include bank overdrafts repayable on demand and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Estimates and assumptions
The preparation of financial statements requires the Directors to make estimates and assumptions that affect items reported in the Balance Sheet and Income Statement. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

The assumptions regarding the valuation of unquoted financial instruments are disclosed in note 2 and of the Company's borrowing in note 11.

(l) Dividend payable
Final dividends payable to equity shareholders are recognised in the financial statements when they have been approved by shareholders and become a liability of the Company. Interim dividends payable are recognised in the period in which they are paid. The capital reserve and revenue reserve may be used to fund dividend distributions.

(m) Treasury shares
Treasury shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to share premium account. No gain or loss is recognised in the financial statements on transactions in treasury shares.

2 Investments at fair value through profit or loss

	2023 £'000	2022 £'000
(a) Summary of valuation		
Analysis of closing balance:		
UK quoted securities	107,156	88,985
Overseas quoted securities	1,188,691	1,213,620
Total investments	**1,295,847**	**1,302,605**
(b) Movements during the year:		
Opening balance of investments, at cost	1,122,306	1,031,903
Additions, at cost	428,182	338,730
Disposals, at cost	(399,201)	(248,327)
Cost of investments at 31 December	**1,151,287**	**1,122,306**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	180,299	471,847
Unrealised losses on investments held	(35,739)	(291,548)
Balance of capital reserve – investments held at 31 December	144,560	180,299
Fair value of investments at 31 December	**1,295,847**	**1,302,605**
(c) Gains/(losses) on investments in year (per Income Statement)		
Gain on disposal of investments[1]	79,982	65,492
Net transaction costs	(608)	(630)
Special dividends received as capital	132	393
Unrealised losses on investments held	(35,739)	(291,548)
Gains/(losses) on investments	**43,767**	**(226,293)**

[1] Gain on bookcost at purchase date upon disposal.

During the year, the Company incurred transaction costs on purchases totalling in aggregate £684,000 (2022: £588,000) and on disposals totalling in aggregate £453,000 (2022: £313,000). Following MiFID II, the Manager has rebated £530,000 (2022: £271,000) in respect of transaction research costs for the year ended 31 December 2023. Transaction costs are recorded in the capital column of the Income Statement.

The Company received £478,935,000 (2022: £327,757,000) from investments sold in the year. The bookcost of these investments when they were purchased was £399,201,000 (2022: £262,265,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

During the year special dividends of £132,000 (2022: £393,000) were recognised on an ex-dividend basis and treated as capital.

Classification of financial instruments

FRS 102 requires classification of financial instruments within the fair value hierarchy be determined by reference to the source of inputs used to derive the fair value and the lowest level input that is significant to the fair value measurement as a whole. The classifications and their descriptions are below:

Level 1
The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Holdings in companies with no quoted prices. Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3
Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

2 Investments at fair value through profit or loss continued

The classification of the Company's investments held at fair value is detailed in the table below:

				31 December 2023				31 December 2022
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit or loss								
- Quoted	1,295,847	–	–	1,295,847	1,302,605	–	–	1,302,605
	1,295,847	**–**	**–**	**1,295,847**	**1,302,605**	**–**	**–**	**1,302,605**

The Company held no unquoted investments during the year or at the year end. In the prior year, the Company's one unquoted investment, which had been valued at £582,000 at 31 December 2021, was written down in full.

3 Income

	2023 £'000	2022 £'000
Dividends from UK listed investments	1,401	2,295
Dividends from overseas listed investments	17,909	17,660
Scrip dividends received	323	–
Bank interest received	646	205
Total Income	**20,279**	**20,160**

Dividends from overseas listed investments includes special dividends classified as revenue of £75,000 (2022: £283,000).

4 Investment management fee

			2023			2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**2,320**	**6,960**	**9,280**	**2,420**	**7,258**	**9,678**

Details of the investment management fee are given on page 56. At 31 December 2023, investment management fee accrued were £2,225,000 (£1,601,000).

Notes to the Financial Statements continued

5 Other expenses

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Secretary and administrator fees	266	–	266	250	–	250
Depositary fees*	95	–	95	104	–	104
Depositary fees refund*	–	–	–	(66)	–	(66)
Custody fees*	179	–	179	170	–	170
Custody fees refund*	–	–	–	(55)	–	(55)
Directors' fees- see below	158	–	158	171	–	171
Directors' expenses	11	–	11	3	–	4
Directors' other costs- see below	4	–	4	9	–	8
Directors' D&O insurance	15	–	15	16	–	16
Director recruitment fees	20	–	20	20	–	20
Broker retainer	24	–	24	24	–	24
Auditor's fee#	48	–	48	42	–	42
Tax advisor fees	10	–	10	9	–	9
Association of Investment Companies	22	–	22	21	–	21
Registrar's fees	64	–	64	119	–	119
Marketing fees	68	–	68	61	–	61
FCA and listing fees	113	–	113	107	–	107
Printing fees	37	–	37	30	–	30
Other expenses	9	–	9	2	–	2
	1,143	**–**	**1,143**	**1,037**	**–**	**1,037**

Full detail of Directors' fees for the year is provided in the Directors' Remuneration Implementation Report on page 65. Employer's National Insurance for Directors' fees is included as appropriate in Directors' other costs. At 31 December 2023, Directors' fees, Directors' expenses and national insurance fees outstanding were £nil (2022: £7,000).

* Refunds of £66,000 and £55,000 were received respectively for Depositary and Custody fees charged in 2021 due to revised Depository and Custody fee rates being retrospectively applied from 1 January 2021.

The auditor's fee for the audit of these financial statements was £47,500, and the VAT on this is included in other expenses.

6 Finance costs

			2023			2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest						
Interest on bank loans and repaid revolving credit facility ("RCF")	263	787	1,050	471	1,414	1,885
Interest on current RCF	318	952	1,270	–	–	–
Interest on Notes	205	616	821	–	–	–
	786	**2,355**	**3,141**	**471**	**1,414**	**1,885**
Direct finance costs						
Bank loans and repaid RCF	3	9	12	4	10	14
Revolving credit facility	9	29	38	–	–	–
Notes	1	2	3	–	–	–
	13	**40**	**53**	**4**	**10**	**14**
Total	**799**	**2,395**	**3,194**	**475**	**1,424**	**1,899**

The Company refinanced its borrowings in the year, details of which are set out in note 11. The Notes and revolving credit facility arrangement costs amounted to £252,000 and £217,000 respectively. These direct finance costs are amortised over the life of each of the Notes and the facility.

7 Taxation

(a) Analysis of charge in the year

			2023			2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	1,601	–	1,601	2,956	59	3,015
Decrease in CGT provision	–	(133)	(133)	–	(270)	(270)
Taxation	**1,601**	**(133)**	**1,468**	**2,956**	**(211)**	**2,745**

(b) Factors affecting total tax charge for the year:

The effective UK corporation tax rate applicable to the company for the year is 23.5% (2022: 19%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company.

The differences are explained below:

	2023 £'000	2022 £'000
Return/(loss) on ordinary activities before taxation	49,965	(221,525)
Corporation tax at 23.5% (2022: 19%)	11,742	(42,090)
Effects of:		
Non-taxable UK dividend income	(329)	(436)
Non-taxable overseas dividend income	(4,285)	(3,355)
Movement in unutilised management expenses	2,449	2,036
Non-taxable interest income	(152)	(39)
Movement on non-trade relationship deficits	751	361
(Gains)/losses on investments not taxable	(10,285)	42,995
Loss in foreign currency movement	109	528
Capital gains tax provision movement	(133)	(270)
Overseas taxation	1,601	3,015
Total tax charge for the year	**1,468**	**2,745**

(c) Investment companies which have been approved by the HM Revenue & Customs under section 1158 of the Corporation Tax Act 2010 are exempt from tax on capital gains. Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation of investments.

(d) The capital gains tax provision represents an estimate of the amount of tax provisionally payable by the Company on direct investment in Indian equities. It is calculated based on the long-term or short term nature of the investments and the unrealised gain thereon at the applicable tax rate at the year end.

Movements on the capital gains tax provision for the year

	2023 £'000	2022 £'000
Provision brought forward	169	579
Capital gains tax paid	4	(140)
Decrease in provision in year	(133)	(270)
Provision carried forward	**40**	**169**

(e) The Company has unrelieved excess management expenses and non-trade relationship deficits of £103,393,000 (2022: £90,423,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised. The unrecognised deferred tax asset calculated using a rate of 25% (2022: 25%) amounts to £25,848,000 (2022: £22,606,000).

Notes to the Financial Statements continued

8 Return per share

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Revenue return after taxation (£'000s)	14,416	13,272
Capital return/(loss) after taxation (£'000s)	34,081	(237,542)
Total net return/(loss) after tax (£'000s)	**48,497**	**(224,270)**
Weighted average number of ordinary shares	296,596,976	303,853,145

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each year.

There is no dilution to return per share as the Company has only ordinary shares in issue.

9 Dividends

(a) Dividends paid in the year

	Rate	2023 £'000	Rate	2022 £'000
Interim in lieu of final for the previous year	2.50p	7,604	1.50	4,471
First interim for the current year	1.70p	5,032	1.50	4,568
	4.20p	**12,636**	**3.00p**	**9,039**

(b) Dividends paid and payable in respect of the financial year, which is the basis on which the requirements of s1158-1159 of the Corporation Tax Act 2010 are considered

	Rate	2023 £'000	Rate	2022 £'000
First interim for the current year	1.70p	5,032	1.50p	4,568
Second interim in lieu of final for the current year	2.90p	7,983	2.50p	7,604
	4.60p	**13,015**	**4.00p**	**12,172**

The Board declared two dividends in respect of the year and expects to continue paying two dividends annually.

10 Trade and other payables

	2023 £'000	2022 £'000
Finance costs payable	1,442	133
Accrued management fee	2,225	1,601
Other accrued expenses	154	195
Total	**3,821**	**1,929**

11 Notes and credit facilities

On 1 September 2023, the Company closed and settled €60m privately placed notes (the "Notes") issued to funds managed by Pricoa Private Capital.

The Notes consist of three tranches as follows:

- €20m maturing on 1 September 2030 with a floating coupon of Euribor + 1.35%
- €30m maturing on 1 September 2033 with a fixed coupon of 4.48%; and
- €10m maturing on 1 September 2035 with a fixed coupon of 4.63%.

The proceeds of the Notes were used to repay the five-year fixed rate multi-currency US$20 million and £15 million loans and £20 million multi-currency revolving credit facility ("RCF") provided by The Bank of Nova Scotia, London Branch ("Scotiabank") which matured on 6 September 2023.

In addition to the Notes referred to above, the Company put in place a new two-year £80m multi-currency floating rate RCF with Scotiabank, expiring on 6 September 2025. The RCF has a non-utilisation fee of 52.5 basis points on £35m. On 6 September 2023 an amount of €40,943,000 (equivalent to £35m) was drawn down for 6 months under the RCF with a floating interest rate priced at the relevant reference rate plus a margin of 1.6%.

The RCF is secured by a floating charge over the assets of the Company and this floating charge has been extended to the Notes, so that the two lenders rank pari passu.

A summary of the Company's borrowings follows.

			2023		2022
	Interest rate	Loan currency amount	Bookcost £'000	Loan currency amount	Bookcost £'000
Notes – Fixed and floating rate					
Series A – Floating 2030	Euribor + 1.35%	€20,000,000	17,263	–	–
Series B – Fixed 2033	4.48%	€30,000,000	25,892	–	–
Series C - Fixed 2035	4.63%	€10,000,000	8,630	–	–
			51,785	**–**	**–**
Bank Loans – Fixed Rate					
Sterling	2.910%	–	–	£15,000,000	15,000
Non-sterling	4.504%	–	–	$20,000,000	16,531
			–		**31,531**
RCF - floating rate					
Sterling	Six month SOFR +1.7%	–	–	£10,000,000	10,000
Non-sterling	Six month SONIA +1.7%	–	–	$12,185,017	10,075
	Six month EURIBOR +1.6%	€40,943,000	35,312	–	–
			87,097		**51,606**

11 Notes and credit facilities continued

The maturity profile of the Notes and credit facility follows:

Payable at 31 December	2023 Bookcost £'000	2022 Bookcost £'000
Bank loans payable less than one year	–	31,531
Notes payable after more than one year	51,785	–
Revolving credit facility payable less than one year	–	20,075
Revolving credit facility payable after more than one year	35,312	–
	87,097	**51,606**

The Company's Notes and revolving credit facility contain the following covenants:

1) Adjusted asset coverage should not be less than 4:1 in respect of the revolving credit facility;
2) Borrowings expressed as a percentage of adjusted assets shall not exceed 35% in respect of the Notes;
3) Net Asset Value should not be less than £260,000,000; and
4) The maximum permitted borrowing should not exceed that permitted in the Company's Articles of Association as described in the Gearing section of the Investment Policy on page 41.

There were no breaches of any covenants either in the year just ended or the prior year.

12 Share capital

	2023		2022	
	Number	£'000	Number	£'000
Issued and fully paid shares of 10p each				
Brought forward	304,167,039	30,416	298,061,439	29,806
New shares issued in year	–	–	7,562,100	756
Shares bought back and held in treasury	(23,052,000)	(2,305)	(3,119,400)	(312)
Treasury shares issued in year	–	–	1,662,900	166
Carried forward	**281,115,039**	**28,111**	**304,167,039**	**30,416**
Treasury shares of 10p each				
Brought forward	1,456,500	146	–	–
Shares bought back and held in treasury	23,052,000	2,305	3,119,400	312
Issued in year	–	–	(1,662,900)	(166)
Carried forward	**24,508,500**	**2,451**	**1,456,500**	**146**
Share capital	**305,623,539**	**30,562**	**305,623,539**	**30,562**

During the year, the total cost of shares bought back was £89,315,000 (2022: 12,887,000) after purchase costs of £452,000 (2022: £90,000). The Company issued no shares during the year. In 2022, the Company received net proceeds of £34,918,000 after issue costs of £208,000 from the issue of new shares, and net proceeds of £7,578,000 after issue costs of £91,000 from the issue of treasury shares.

As at 10 April 2024, the latest practicable date before publication of this report, a further 11,795,000 ordinary shares have been bought back at a total cost of £45,942,000 after purchase costs of £319,000.

13 Capital reserve

Realised capital reserve

	2023 £'000	2022 £'000
Opening balance	477,074	423,068
Gains on disposal of investments	79,982	65,492
Net transaction costs	(608)	(630)
Net foreign exchange losses	(464)	(2,778)
Investment management fee charged to capital	(6,960)	(7,258)
Finance costs charged to capital	(2,395)	(1,424)
Special dividends received as capital	132	393
Taxation credit to capital	133	211
Balance at 31 December	**546,894**	**477,074**

Unrealised gains on investments

	2023 £'000	2022 £'000
Unrealised gains brought forward	180,299	471,847
Unrealised (loss)/gains on investments held	(35,733)	(291,548)
Unrealised gains carried forward	**144,560**	**180,299**
Capital reserve balance at 31 December	**691,454**	**657,373**

14 Net Asset Value per ordinary share

The net asset value per ordinary share at the year end are shown below. These were calculated using 281,115,039 (2022: 304,167,039) ordinary shares in issue.

	2023 Net asset value attributable		2022 Net asset value attributable	
	£'000	pence	£'000	pence
Net asset value – Debt at par value	1,222,073	434.72	1,275,938	419.49
Add: amortised costs of borrowing	411	0.15	–	–
Net Asset value – Debt at bookcost	**1,222,484**	**434.87**	**1,275,938**	**419.49**

A reconciliation of shareholders funds using debt at fair value is shown in the Alternative Performance Measures on page 98. In prior periods, the value of debt at par value was a fair approximation of the value of debt at bookcost.

15 Transactions with the Manager and related party transactions

Details of the management contract can be found in the Directors' Report on page 56. Fees payable to the Manager are detailed in note 4 on page 83. Since 1 January 2018, the Manager has agreed to rebate commission which relates to research fees to the Company with such amount disclosed in note 2.

The Directors' fees are disclosed in note 5 and the Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 66.

Notes to the Financial Statements continued

16 Financial risk management

As an investment trust, the Company invests in equities for the long-term so as to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste, as stated in the Company's investment objective which can be found on page 40. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk, and other price risk), credit risk and liquidity risk and the Directors' approach to the management of them is set out below. These metrics are monitored by the AIFM. The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

Market risks

The potential market risks are (i) currency risk, (ii) interest rate risk, and (iii) other price risk. Each is considered in turn below.

(i) Currency risk

The Company invests in global equity markets and therefore is exposed to currency risk as it affects the value of the shares in the base currency. These currency exposures are not hedged. The Manager monitors currency exposure as part of its investment process. Currency exposures for the Company as at 31 December 2023 are detailed in the table at the end of this note.

Currency sensitivity

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 31 December 2023.

	2023 %change[1]	2022 %change[1]
Australian Dollar	5.3%	(4.7%)
Canadian Dollar	2.8%	(4.2%)
Chinese Yuan	9.0%	–
Danish Krone	2.3%	(4.9%)
Euro	2.1%	(5.0%)
Hong Kong Dollar	5.6%	(10.6%)
Indian Rupee	6.5%	(1.1%)
Israeli Shekel	8.2%	1.3%
Japanese Yen	13.4%	–
Korean Won	8.1%	(5.4%)
Norwegian Krone	8.8%	(0.5%)
Swedish Krona	1.6%	3.1%
Swiss Franc	(4.3%)	(9.3%)
Taiwanese Dollar	5.5%	(1.4%)
US Dollar	5.6%	(10.7%)

1 Percentage change of Sterling against local currency from 1 January to 31 December.

16 Financial risk management continued

Based on the financial assets and liabilities at 31 December 2023 and all other things being equal, if sterling had strengthened by 10%, the profit after taxation for the year ended 31 December 2023 and the Company's net assets at 31 December 2023 would have decreased by the amounts shown in the table below. If sterling had weakened by 10% this would have had the opposite effect.

	2023 Potential effect £'000	2022 Potential effect £'000
Australian Dollar	2,535	3,335
Canadian Dollar	5,026	5,606
Chinese Yuan	2,339	–
Danish Krone	2,636	2,777
Euro	17,983	25,237
Hong Kong Dollar	1,361	1,955
Indian Rupee	3,598	2,249
Israeli Shekel	284	461
Japanese Yen	1,694	–
Korean Won	1,248	1,486
Norwegian Krone	2,211	2,336
Swedish Krona	1,186	2,135
Swiss Franc	4,826	5,655
Taiwanese Dollar	1,691	6,451
US Dollar	61,677	59,587
Total	**110,295**	**119,270**

(ii) Interest rate risk

The Company had a mix of fixed and floating rate borrowings for both this and the preceding year. The Company's borrowings are shown in note 11, including detailing those borrowings which are floating and subject to interest rate risk. In addition, that note and the Chairman's Statement sets out the significant change to borrowings on 6 September 2023.

In summary,

From 1 January 2022 to 6 September 2023 the Company's had in place a £20 million multi-currency revolving credit facility based on a floating reference interest rate plus a margin of 1.70% per annum.

From 1 September 2023, the Company put in place a two-year £80 million multi-currency revolving credit facility based on a floating reference interest rate plus a margin of 1.60% per annum, of which €40,943,000 (equivalent to £35m) was drawn down; and from 6 September 2023, the Company put in place a seven-year €20 million Note at a rate of Euribor + 1.35%

If rates had increased or decreased by 350 basis points the impact to the Company's profit or loss would be:

		2023 Profit or loss		2022 Profit or loss	
		350 bps increase	350 bps decrease	350 bps increase	350 bps decrease
31 December					
Non-sterling Note	€20,000,000	(607)	607	–	–
Non-sterling revolving credit facility	€40,943,000	(1,242)	1,242	–	–
	$12,185,017	–	–	(353)	353
Sterling revolving credit facility	£10,000,000	–	–	(350)	350

16 Financial risk management continued

(iii) Other price risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. The Company is well diversified across different sub-sectors and geographies and has a volatility level similar to global stock market indices such as the MSCI ACWI Index to which the Company has had an annualised tracking error of 7.5% (2022: 6.8%) over the ten year period to 31 December 2023. The historic 3-year (annualised) volatility of the Company to 31 December 2023 is 17.1% (2022: 19.9%).

At the year end the Company held investments with an aggregate market value of £1,295,847,000 (2022: £1,302,605,000). All other things being equal, the effect of a 10% increase or decrease in the share prices of the investments held at the year end would have been an increase or decrease of £129,584,700 (2022: £130,260,500) in the profit after taxation for the year ended 31 December 2023 and the Company's net assets at 31 December 2023.

Overall sensitivity

The Manager has used the Parametric VaR to calculate value at risk ('VAR'). This model has been used to estimate the maximum expected loss from the portfolio held at 31 December 2023 over 1 day, 5 day, 10 day and 21 day periods given the historical performance of the fund over the previous five years. The data in the previous five years is analysed under discrete periods to provide 1 in 10, 1 in 20 and 1 in 100 possible outcomes. The results of the analysis are shown below.

	2023 Expected as percentage at limit		2022 Expected as percentage at limit	
	1 in 20 (95%)	1 in 100 (99%)	1 in 20 (95%)	1 in 100 (99%)
1 day return	1.83	2.59	1.87	2.64
5 day return	4.10	5.80	4.18	5.91
10 day return	5.80	8.20	5.90	8.35
21 day return	8.40	11.89	8.76	12.39

The above analysis has been based on the following main assumptions:

- The distribution of share price returns will be the same in the future as they were in the past.
- The portfolio weightings will remain as they were at 31 December 2023.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 4.1% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 2.59% or more on any given day.

Credit risks

BNP Paribas Securities Services (the 'Depositary') has been appointed as custodian and depositary to the Company.

Cash at bank at 31 December 2023 included £16,095,000 (2022: £25,835,000) held in its bank accounts at the Depositary. The Company also held £709,000 (2022: £492,000) in its accounts with NatWest Group plc. The Board has established guidelines that, under normal circumstances, the maximum level of cash to be held at any one bank should be the lower of i) 5% of the Company's net assets and ii) £30 million. These are guidelines and there may be instances when this amount is exceeded for short periods of time.

Substantially all of the assets of the Company at the year end were held by the Depositary or sub-custodians of the Depositary. Bankruptcy or insolvency of the Depositary or its sub-custodians may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Depositary segregates the Company's assets from its own assets and only uses sub-custodians on its approved list of sub-custodians. At the year end, the Depositary held £1,295,847,000 (2022: £1,302,605,000) in respect of quoted investments.

The credit rating of the Depositary, which is a Fitch rating of A+, was reviewed at the time of appointment and is reviewed on a regular basis by the Manager and/or the Board.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis.

There is credit risk on dividends receivable during the time between recognition of the income entitlement and actual receipt of dividend.

16 Financial risk management continued

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations for financial liabilities as they fall due. This risk is minimised because a majority of the Company's investments are in readily realisable securities which can be sold to meet funding commitments. The maturity profile analysis of the Company's financial liabilities is shown below. The Company does not have derivative financial liabilities and the amounts shown are undiscounted.

Financial liabilities by maturity at the year end are shown below on an undiscounted basis:

				2023			2022
	Within 1 year £'000	Within 1-3 years £'000	More than 3 years £'000	Total £'000	Within 1 year £'000	Within 1-3 years £'000	Total £'000
Notes and bank loans	–	–	52,014	52,014	31,531	–	31,531
Revolving credit facility	–	35,494	–	35,494	20,075	–	20,075
Interest cash flows on Notes and bank loans	2,280	6,640	12,358	21,278	887	–	887
Interest cash flows on revolving credit facility	1,883	1,412	–	3,295	794		794
Cash flows on other creditors	2,379	–	–	2,379	1,796	–	1,796
	6,542	**43,546**	**64,372**	**114,460**	**55,083**	**–**	**55,083**

Notes to the Financial Statements continued

16 Financial risk management continued

Financial assets and liabilities

All liabilities carrying amount approximates fair value.

The Company's financial assets and liabilities at 31 December 2023 comprised:

			2023			2022
	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
Investments						
Australian Dollar	–	25,347	25,347	–	33,347	33,347
Canadian Dollar	–	50,159	50,159	–	55,901	55,901
Chinese Yuan		23,394	23,394	–	–	–
Danish Krone	–	26,360	26,360	–	27,769	27,769
Euro	–	268,371	268,371	–	252,369	252,369
Hong Kong Dollar	–	13,613	13,613	–	19,548	19,548
Indian Rupee	–	35,979	35,979	–	23,074	23,074
Israeli Shekel	–	2,837	2,837	–	4,608	4,608
Japanese Yen	–	16,840	16,840	–	–	–
Korean Won	–	12,483	12,483	–	14,856	14,856
Norwegian Krone	–	22,111	22,111	–	23,356	23,356
Sterling	–	107,156	107,156	–	88,985	88,985
Swedish Krona	–	11,863	11,863	–	21,346	21,346
Swiss Franc	–	48,258	48,258	–	56,551	56,551
Taiwanese Dollar	–	16,604	16,604	–	64,511	64,511
US Dollar	–	614,472	614,472	–	616,384	616,384
	–	**1,295,847**	**1,295,847**	**–**	**1,302,605**	**1,302,605**
Other assets and liabilities						
Cash and cash equivalents						
Sterling	14,612	–	14,612	23,705	–	23,705
Taiwanese Dollar	303	–	303	14	–	14
US Dollar	1,889	–	1,889	2,608	–	2,608
	16,804	**–**	**16,804**	**26,327**	**–**	**26,327**
Short term net (creditors)/debtors						
Sterling	–	(2,234)	(2,234)	(25,000)	(1,588)	(26,588)
Canadian Dollar	–	97	97	–	68	68
Euro	–	(1,442)	(1,442)	–	–	–
Japanese Yen	–	98	98	–	–	–
US Dollar	–	411	411	(26,606)	211	(26,395)
	–	**(3,070)**	**(3,070)**	**(51,606)**	**(1,309)**	**(52,915)**
Long-term creditors						
Euro	(87,097)	–	(87,097)	–	–	–
Total	**(70,293)**	**1,292,777**	**1,222,484**	**(25,279)**	**1,301,296**	**1,276,017**

Capital management

The Company considers its capital to consist of its share capital of ordinary shares of 10p each, its distributable reserves and its borrowings.

At 31 December 2023 there were 305,623,539 ordinary shares in issue (2022: 305,623,539) of which 24,508,500 ordinary shares were held in Treasury (2022: 1,456,500).

The Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings. Further details on share issues during the year and the Company's policies for issuing further shares and buying back shares (including the Company's premium/discount control policy) can be found in the Directors' Report.

The Company's policy on borrowings is detailed in the Directors' Report.

Investor Information

In this section

10 Year Financial Record (unaudited)

As at 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net assets (Debt at fair value) (£ millions)[1,2]	374	372	465	507	450	657	1,093	1,480	1,276	1,221
NAV (Debt at fair value) per ordinary share[1,2]	169.8p	178.6p	243.4p	281.6p	249.6p	321.8p	411.2p	496.4p	419.5p	434.3p
Share price	152.8p	160.0p	218.0p	256.5p	253.0p	333.0p	422.5p	547.0p	419.5p	400.0p
Premium/(discount)[1,2]	(10.2%)	(10.4%)	(10.4%)	(8.9%)	1.4%	3.5%	2.7%	10.2%	0.0%	(7.9)%

Year ended 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NAV (Debt at fair value) return[1,2,3]	1.7%	6.0%	37.3%	16.4%	(10.8%)	30.6%	31.0%	21.3%	(15.0%)	4.5%
Share price return[1,3]	2.5%	5.8%	37.4%	18.7%	(0.4%)	32.9%	28.9%	30.1%	(22.8%)	(3.7)%
MSCI ACWI Index[4]	10.6%	3.3%	28.7%	13.2%	(3.8%)	21.7%	12.7%	19.6%	(8.1%)	15.3%
FTSE ET100[4]	4.1%	5.0%	21.9%	20.2%	(9.9%)	29.2%	90.3%	13.1%	(20.1%)	18.3%
Revenue return per Ordinary share[5]	1.5p	1.5p	2.0p	2.8p	3.2p	3.6p	2.2p	3.3p	4.4p	4.8p
Dividends[6]	1.4p	1.45p	1.95p	2.50p	3.0p	3.0p	2.3p	2.8p	4.0p	4.6p
Ongoing charges[2]	1.12%	1.11%	1.13%	1.05%	1.04%	1.02%	0.95%	0.85%	0.81%	0.83%

Notes
1 These are considered to be APMs.
2 Net asset value with debt at fair value from 2023. Prior to 2023, debt was valued at bookcost which approximated fair value.
3 Total return (discrete annual returns) – source: Morningstar up to 2016, Bloomberg 2017 thereafter (except year 2018).
4 Net total return (dividends reinvested net of withholding tax) for MSCI indices and total return for FTSE indices (discrete annual returns).
5 Revenue return / ordinary share is based upon the revenue return for the year to 31 December and the weighted average number of ordinary shares in issue (excluding Treasury shares) during the year.
6 Total dividends payable in respect of the year.

Total returns to 31 December 2023

	NAV[1]	Share price[1]	MSCI ACWI Index	FTSE ET100 Index
1 year	4.5%	(3.7)%	15.3%	18.3%
2 years	(11.1)%	(25.7)%	6.0%	(5.5)%
3 years	7.9%	(3.4)%	26.8%	6.9%
4 years	41.2%	24.6%	42.9%	103.4%
5 years	84.5%	65.6%	73.9%	162.8%
6 years	64.6%	64.9%	67.3%	136.8%
7 years	91.6%	95.7%	89.4%	185.3%
8 years	163.1	168.8%	143.7%	246.9%
9 years	178.7	184.5%	151.8%	264.2%
10 years	183.6%	191.6%	178.6%	279.3%

Notes
1 These are considered to be APMs.

Alternative Performance Measures ("APMs") (unaudited)

APMs are often used to describe the performance of investment companies although they are not specifically defined under FRS 102. The Directors assess the Company's performance against a range of criteria which are viewed as relevant to both the Company and its market sector. APM calculations for the Company are shown below.

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

At 31 December		Page	2023	2022
Total assets less cash/cash equivalents (£'000)	a	n/a	1,296,637	1,303,315
Net assets (Debt at fair value/bookcost) (£'000)	b	77	1,220,980	1,275,938
Gearing (net)	(a÷b)-1		**6.2%**	**2.1%**

Leverage

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("AIF") is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Ongoing charges

A measure, expressed as a percentage of daily net asset value (debt at fair value) during the year, of the regular, recurring annual costs of running an investment company.

Year end 31 December		Page	2023	2022
Average NAV (£'000)	a	n/a	1,253,409	1,321,438
Investment management fee (£'000)	B	83	9,280	9,678
Other expenses (£'000)	c	84	1,143	1,037
	(b+c)÷a		**0.83%**	**0.81%**

Premium/Discount

The amount, expressed as a percentage, by which the share price is more/less than the Net Asset Value per ordinary share.

At 31 December		Page	2023	2022
NAV per ordinary share (Debt at bookcost) (p)	a	3	434.87	419.49
Share price (p)	b	3	400.00	419.50
(Discount)/premium	(b÷a)-1		**(8.0)%**	**0.0%**

At 31 December		Page	2023	2022
NAV per ordinary share (Debt at fair value) (p)	a	3	434.34	419.49
Share price (p)	b	3	400.00	419.50
(Discount)/premium	(b÷a)-1		**(7.9)%**	**0.0%**

Alternative Performance Measures ("APMs") continued

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its ordinary shares on the ex-dividend date.

Year ended 31 December 2023		Page	Share price	NAV (Debt at fair value)	NAV (Debt at bookcost)
Opening at 1 January 2023 (p)	a	n/a	419.49	419.49	419.49
Closing at 31 December 2023 (p)	b	3	400.00	434.34	434.87
Dividend/income adjustment factor[1]	c	n/a	1.0099	1.0093	1.0090
Adjusted closing (d = b x c)	d	n/a	403.98	438.38	438.80
Total return	(d÷a)-1		**-3.7%**	**4.5%**	**4.6%**

Year ended 31 December 2022		Page	Share price	NAV (Debt at fair value)	NAV (Debt at bookcost)
Opening at 1 January 2022 (p)	a	n/a	547.00	496.42	469.42
Closing at 31 December 2022 (p)	b	3	419.50	419.49	419.49
Dividend/income adjustment factor[1]	c	n/a	1.0066	1.0059	1.0059
Adjusted closing (d = b x c)	d	n/a	422.28	421.96	421.96
Total return	(d÷a)-1		**(22.8)%**	**(15.0)%**	**(15.0)%**

1 The dividend adjustment factor is calculated on the assumption that dividends paid out by the Company are reinvested into the shares of the Company at NAV at the ex-dividend date.

Net asset value – debt at fair value

The net asset value per ordinary share with debt at fair value at the year end are shown below. These were calculated using 281,115,039(2022: 304,167,039) ordinary shares in issue.

	2023 Net asset value attributable		2022 Net asset value attributable	
	£'000	pence	£'000	pence
Net asset value – Debt at bookcost	1,222,484	434.87	**1,275,938**	**419.49**
Add: Notes and RCF par value	87,097	30.98		
Less: Notes and RCF par value	(88,601)	(31.51)		
Net Asset value – Debt at fair value	**1,220,980**	**434.34**		

In prior periods the Company's bankloans and RCF were valued at bookcost which approximated to fair value. For the year ended 2022 bank loans and RCF was valued at £51,606,000.

The fair value of the Notes is derived by aggregating the discounted value of future cashflows, being the contractual interest payments and the repayment of capital at maturity as each falls due. The discount rate for each tranche reflects the yield from the Euro Benchmark curve of similar maturity for each tranche and the spread of similar credit rated loans as observed via the ICE Bank of America Merrill Lynch Fixed Income Index.

The fair value of the Notes is calculated daily for the purposes of the daily NAV. The basis of this is set out above. A separate valuation was undertaken by an independent debt valuation specialist firm and the NAV with debt at fair value using the valuer's mid point valuation was not materially different from the NAV with debt at fair value in the table above, being within 0.2%.

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) Impax Environmental Markets plc is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
the Company	Impax Environmental Markets plc ("IEM").
Custodian	An entity that is appointed to safeguard a company's assets.
Discount/premium	The amount, expressed as a percentage, by which the share price is less/more than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of a company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
FTSE ET100/FTSE ET50	FTSE ET100/FTSE ET50 is a combination of the FTSE ET100 and FTSE ET50 indices. FTSE ET50 data is used for the period to 31 December 2013 and FTSE ET100 data is used for the period from 1 January 2014. The FTSE ET (Environmental Technology) 50 and 100 indices comprise, respectively, the 50 and 100 largest pure play (i.e. deriving at least 50% of their business from environmental markets and technologies) environmental technology companies globally, by full market capital.
Gearing effect	The effect of borrowing on a company's returns.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Liquidity	The extent to which investments can be sold at short notice.
Net assets or net asset value ("NAV")	An investment company's assets less its liabilities.
Ordinary shares	The Company's ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Relative performance	Measurement of returns relative to an index.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Tracking error	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Directors, Manager and Advisers

DIRECTORS
Glen Suarez (Chairman)
Stephanie Eastment (Audit Committee Chair)
Aine Kelly (Senior Independent Director)
Guy Walker
Elizabeth Surkovic

INVESTMENT MANAGER
Impax Asset Management (AIFM) Limited
7th Floor
30 Panton Street
London
SW1Y 4AJ

BROKER
Investec Bank plc
30 Gresham Street
London
EC2V 7QP

REGISTERED OFFICE*
6th Floor
125 London Wall
London
EC2Y 5AS

Registered in England no. 4348393
www.impaxenvironmentalmarkets.co.uk

DEPOSITARY AND CUSTODIAN
BNP Paribas Securities Services
10 Harewood Avenue
London
NW1 6AA

SECRETARY & ADMINISTRATOR
Apex Listed Companies Services (UK) Limited
6th Floor,
125 London Wall
London
EC2Y 5AS

REGISTRAR
Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL

AUDITOR
BDO LLP
55 Baker Street
London W1U 7EU

Link Group (a trading name of Link Market Services Limited and Link Market Services Trustees Limited) may be able to provide you with a range of services relating to your shareholding. To learn more about the services available to you please visit the shareholder portal at www.signalshares.com or call +44 (0) 371 664 0300.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate.

Link Group are open between 08:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

You can also write to Link Group at the address above.

Details of how to contact the Registrar in regards to the Annual General Meeting are given the Notes to the Notice of AGM on pages 102 to 104.

Notice of Annual General Meeting

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Impax Environmental Markets plc will be held at 7th floor, 30 Panton Street, London, SW1Y 4AJ on 20 May 2024 at 3.00 pm for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 17 will be proposed as special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2023.
2. To approve the Directors' Remuneration Policy included in the Annual Report for the year ended 31 December 2023.
3. To approve the Directors' Remuneration Report included in the Annual Report for the year ended 31 December 2023.
4. To approve the Company's Distribution Policy.
5. To re-elect Glen Suarez as a director of the Company.
6. To re-elect Aine Kelly as a director of the Company.
7. To re-elect Stephanie Eastment as a director of the Company.
8. To elect Guy Walker as a director of the Company.
9. To elect Elizabeth Surkovic as a director of the Company.
10. To re-appoint BDO LLP as auditor to the Company.
11. To authorise the Audit Committee to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
12. That:

    (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £2,693,200 or, if less, the amount that represents 10 per cent. of the nominal value of the Company's issued share capital (excluding treasury shares) on the date on which this resolution is passed; and

    (b) the authority given by this resolution:

    (i) shall be in addition to all pre-existing authorities under section 551 of the Act; and

    (ii) unless renewed, revoked or varied in accordance with the Act, shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 or, if earlier, on the expiry of 15 months from the date of passing of this resolution save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry and the Directors may allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company in pursuance of such an offer or agreement as if such authority had not expired.

13. That, subject to the passing of resolution 12 set out in the Notice of Annual General Meeting dated 10 April 2024 (the "Allotment Authority"), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:

    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £2,693,200 or, if less, the amount that represents 10 per cent. of the nominal value of the Company's issued share capital (excluding treasury shares) on the date on which this resolution is passed;

    (b) shall be in addition to all pre-existing powers under sections 570 and 573 of the Act; and

    (c) shall expire at the same time as the Allotment Authority, save that the Company may, before expiry of the power conferred on the Directors by this resolution, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such an offer or agreement as if such power had not expired.

14. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 10p each, provided that:

    (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 40,371,073 (representing 14.99% of the Company's issued ordinary share capital (excluding shares held in treasury) at the date of the notice of this meeting);

Notice of Annual General Meeting continued

(b) the minimum price (exclusive of any expenses) which may be paid for an ordinary share is 10p;

(c) the maximum price (excluding expenses) which may be paid for an ordinary share is not more than the higher of (i) 5% above the average of the middle market quotations for the ordinary shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the ordinary shares;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2025 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

15. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

16. That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

17. That, (i) subject to the sanction of the High Court of Justice in England and Wales (the "**Court**"), the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be cancelled; and (ii) the amount of the share premium account so cancelled be credited to a reserve of the Company.

By order of the Board

Martin Darragh
For and on behalf of Apex Listed Companies Services (UK) Limited
Company Secretary
10 April 2024

Registered Office:

6th Floor,
125 London Wall,
London, EC2Y 5AS

Notes to the Notice of AGM

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.impaxenvironmentalmarkets.co.uk.

Entitlement to attend and vote

2. Only those holders of ordinary shares registered on the Company's register of members at 3.00pm on 16 May 2024 or, if this meeting is adjourned, at the close of business on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting.

Appointment of proxies

3. Members entitled to vote at the meeting (in accordance with Note 2 above) are entitled to appoint a proxy to vote in their place. However, in view of the format of the meeting, shareholders should appoint the "Chairman of the Meeting" as their proxy rather than another person who will not be permitted to attend. If you wish to appoint a proxy, please follow the instructions at note 6 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding.

4. You can appoint the Chairman of the Meeting as your proxy using the voting methods in notes 6 and 7.

5. You can instruct your proxy how to vote on each resolution by marking the resolutions For and Against using the voting methods stated in notes 6 and 7. If you wish to abstain from voting on any resolution, please mark these resolutions withheld. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

Appointment of proxy

6. You can vote either:

- by logging on to www.signalshares.com and following the instructions;
- you may request a hard copy form of proxy directly from the registrars, Link Group on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group at Central Square, 29 Wellington Street, Leeds, LS1 4DL by 3.00pm on 16 May 2024.

Appointment of proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

   It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that this CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 3.00 pm on 16 May 2024 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Group no later than 48 hours before the rescheduled meeting.

Appointment of a proxy through Proxymity

8. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged no later than 48 hours before the time of the Annual General Meeting, in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. Proxymity will then contract with your underlying institutional account holder directly to accept their vote instructions through the platform.

Termination of proxy appointments

9. In order to revoke a proxy instruction, you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Notice of Annual General Meeting continued

In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

If you submit more than one valid proxy appointment in respect of the same ordinary shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Nominated persons

10. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Articles of Association

11. The full terms of the proposed amendments to the Company's articles of association are available for inspection at the National Storage Mechanism located at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and on the Company's website, www.impaxenvironmentalmarkets.co.uk from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Questions at the meeting

12. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued shares and total voting rights

13. The total number of shares in issue in the Company is 305,623,539 ordinary shares of 10p each, including 36,303,500 ordinary shares held in treasury. Therefore, the total number of ordinary shares with voting rights is 269,320,039. On a vote by a show of hands, every holder of ordinary shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of ordinary shares who is present in person or by proxy shall have one vote for every ordinary share held by him.

Communication

14. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

- calling the Link Group shareholder helpline on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays; or
- in writing to Link Group.

You may not use any electronic address provided either in this Notice of Meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Appendix

1) Summary of the principal amendments to the Company's articles of association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 16 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments which are likely to be of interest to shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the National Storage Mechanism located at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and on the Company's website, www.impaxenvironmentalmarkets.co.uk from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Hybrid/virtual-only shareholder meetings

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) ("AIFMD") as incorporated into UK law by the European Union (Withdrawal) Act 2018 and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the "AIFM Regulations")

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFM Regulations and all applicable rules and regulations implementing the AIFMD. The proposed new provisions are as follows:

(i) the Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

(ii) the New Articles stipulate that the valuation of the Company's assets will be performed in accordance with prevailing accounting standards, the AIFM Regulations, or such other accounting standards, bases, policies and procedures as the Board may determine from time to time. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with the Company's international tax reporting obligations, including, without limitation, under or in relation to FATCA, the Common Reporting Standard and the European Union's Directive on Administrative Cooperation ("**Tax Reporting Requirements**").

The Existing Articles are being amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its Tax Reporting Requirements. The Existing Articles will also be amended to provide that (i) where any member fails to supply the relevant information to the Company within the relevant time period, the member will be deemed to have forfeited their shares and (ii) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, the Common Reporting Standard or any similar laws as such liability would be to the detriment of shareholders as a whole. Where a member is deemed to have forfeited their shares under these provisions, the Company may dispose of the relevant shares at the best price reasonably obtainable and pay the net proceeds of such disposal to the former member.

Appendix continued

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including:

i. removing references in the Existing Articles to legislation which has been repealed;

ii. providing the Board with the flexibility to change the Company's name by way of Board resolution;

iii. clarifying and expanding upon the Board's ability to take steps to deal with shares that are held in uncertificated form (i.e. in the CREST system) in circumstances where the Company is entitled to sell or otherwise transfer any of such shares in accordance with the Articles;

iv. simplifying the procedure in respect of untraced shareholders by removing the requirement for the Company to publish newspaper advertisements;

v. removing the requirement to return the net proceeds of sale of shares belonging to untraced shareholders and any associated unclaimed dividends;

vi. amending the provisions to enable the Company to hold shareholder meetings across two (or more) physical locations in the event that all shareholders cannot be accommodated in a single physical location on the day of a meeting;

vii. expanding the circumstances under which the chair of a shareholder meeting may adjourn the meeting without the consent of the meeting, including where the health, safety or wellbeing of those entitled to attend would be put at risk by their attendance at the meeting;

viii. removing the provisions which confer a casting vote on the chair at a shareholder meeting;

ix. including provisions which require all directors to retire at each AGM (and, if they wish, to offer themselves for re-election) in line with the recommended corporate governance regime in the UK, and provisions dealing with the potential situation whereby no Directors are re-elected at an AGM;

x. expanding the provisions which allow the Board to immediately remove a Director from office; and

xi. updating the provisions for the payment of dividends to include the use of any approved funds transfer system and to enable the Company to specify which payment method(s) will be used by the Company in respect of any dividend.

These changes generally reflect modern best practice and may assist in relieving certain administrative burdens on the Company.

2) Cancellation of the Share Premium Account

Resolution 17 is a special resolution to cancel the entire amount standing to the credit of the Company's share premium account ("**Share Premium Account**"). The cancellation of the Share Premium Account is proposed to be completed by means of a court-approved capital reduction as described below (the "**Capital Reduction**") subject to the passing of Resolution 17.

Background to the Capital Reduction

The Company has built up a substantial share premium account owing to the high level of historic issuance of the shares. This account is non-distributable. The Company may cancel the share premium account with such amount credited to a reserve of the Company following: (a) approval from the shareholders of the Company by special resolution; (b) the confirmation of the High Court of Justice in England and Wales (the "**Court**"); (c) the registration of the Court's order approving the Capital Reduction (the "**Court Order**") and (d) the Capital Reduction not otherwise being unlawful.

The Board believes that the Capital Reduction will provide a significant pool of reserves which can be used in future, if required, to fund share buybacks in accordance with applicable law.

Procedure for completing the Capital Reduction

Shareholder approval

Section 641 of the Companies Act 2006 provides that any reduction of the share premium account must be approved by the Company's shareholders by a special resolution.

Court approval

In addition to the approval of the shareholders, the Capital Reduction requires the approval of the Court. Accordingly, following approval of the Capital Reduction by shareholders at the AGM, an application will be made to the Court in order to confirm and approve the Capital Reduction.

Creditor protection

In providing its approval, the Court may require protection for the creditors of the Company (if any) whose debts remain outstanding on the relevant date, except in the case of creditors (including contingent creditors) that have consented to the Capital Reduction. Any such creditor protection may include seeking the consent of the Company's creditors to the Capital Reduction or the provision by the Company to the Court of an undertaking to deposit a sum of money into a blocked account created for the purpose of discharging, in due course, any amounts owing to the non-consenting creditors of the Company.

Court hearing

The Company intends that an application will be made to the Court to approve the Capital Reduction as soon as is reasonably practicable after the AGM, provided that Resolution 17 is approved by shareholders.

Provided that the Capital Reduction is approved by shareholders and the Court, and subject to any direction given by the Court in confirming the Capital Reduction and/or the terms of any undertaking given by the Company in relation to the reserve which arise, the amounts standing to the credit of the Share Premium Account will be cancelled and credited to a distributable reserve of the Company. As with the previous share premium account cancellations it is intended that the proceeds of the cancellation will be credited to the Company's distributable share purchase reserve. The distributable reserves so created would then be available to be applied, in accordance with Part 23 of the Companies Act 2006, for the purposes of future share buybacks.

Right to abandon

If the special resolutions to approve the Capital Reduction are not passed by the requisite majority of shareholders at the AGM or Court approval is not obtained, the Capital Reduction will not proceed.

The Board reserves the right to abandon or to discontinue (in whole or in part) the application to the Court in the event that the Board considered the terms on which the Capital Reduction would be (or would likely to be) confirmed by the Court, would not be in the best interests of the Company and/or the shareholders as a whole. The Board has undertaken a thorough review of the Company's liabilities (including contingent liabilities) and considers that the Company will be able to satisfy the Court that, as at the date on which the Court Order relating to the Capital Reduction and the statement of capital in respect of the Capital Reduction are registered by the Registrar of Companies at Companies House and the Capital Reduction therefore becomes effective, the Company's creditors will either have consented to the Capital Reduction or be sufficiently protected.

Designed and
printed by:

perivan.com

Annual Report & Accounts

For the year ended
31 December 2023

IMPAX ENVIRONMENTAL MARKETS PLC

clientservices@impaxam.com
Impax Environmental Markets plc

impaxenvironmentalmarkets.co.uk

IMPAX ASSET MANAGEMENT

clientservices@impaxam.com
Impax Asset Management

impaxam.com

CARBON BALANCED PAPER
WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP024124

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C021017

This report is printed on Nautilus Superwhite recycled.

The paper stock is manufactured from FSC Recycled 100% post-consumer waste pulp.

It is manufactured in accordance with ISO certified standards for environmental, quality and energy management and is Carbon Balanced.