IMPAX Environmental Markets plc

Annual Report & Accounts

For the year ended 31 December 2024

aic Shareholder Communication Awards 2024 WINNER

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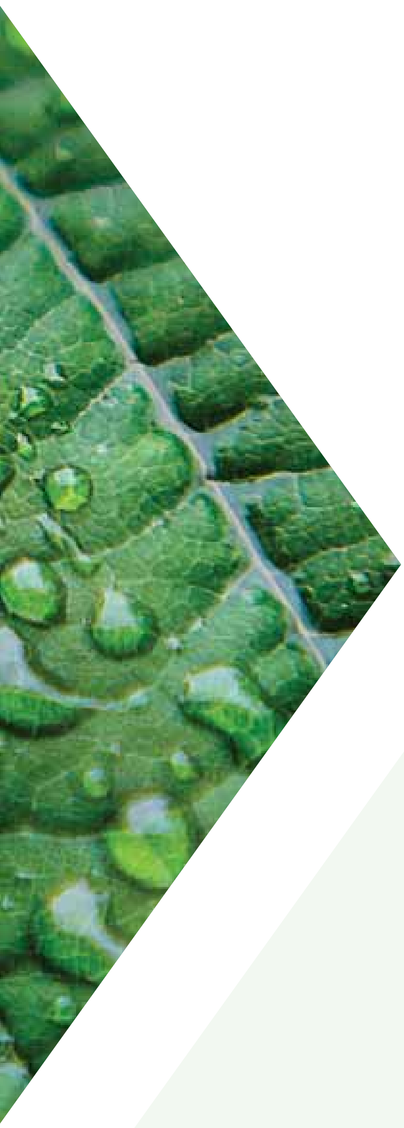
IEM at a Glance



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, can 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, listed businesses. IEM's Board of Directors (the "Board") believes that investing in these companies can deliver superior risk-adjusted returns over the long-term. This thesis is borne out in the superior earnings growth portfolio companies have delivered compared to global equity markets over the past decade. Looking forward, IEM continues to benefit from an expanding opportunity set of investable companies harnessing structural drivers. These include the digitalisation of industrial supply chains, rising demand for cost-efficient electricity and the increasingly urgent need for climate change adaptation.

This thesis is borne out in IEM's portfolio. Earnings delivered by portfolio companies over the past decade have surpassed those of broader global equity markets. However, like all equity investments, IEM's short-term performance can be influenced by macroeconomic issues and sentiment.

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 'Environmental Markets'. This approach has been in place since IEM was founded in 2002 and is overseen by a dedicated Impax team.

Today the classification system is made up of six sectors: Energy, Clean and Efficient Transport, Water, Circular Economy, Smart Environment and Sustainable Food. The range of activities included has naturally grown over the years as technologies advance and more industries begin to address the environmental challenges which they face.

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 the companies in which it invests. Doing so is central to optimising shareholder returns, helping to promote greater transparency around corporate issues and risk. Engagement outcomes, company valuations, as well as portfolio risk metrics and the macro-outlook, all inform buy and sell decisions.

The Company

IEM's goal is to deliver financial returns for shareholders. It benefits from an active, committed Board, as well as competitive fees. Additionally, the investment managers are personally invested, thus aligning themselves financially with shareholders.

By IEM focusing on Environmental Markets, the portfolio generates outcomes beyond financial returns. Annually, for each £1 million invested, enough clean, renewable energy is generated to power 70 homes, and the equivalent of 422 households' water consumption and 17 tonnes of domestic waste are saved. Whilst the Manager does not target the UN Sustainable Development Goals in the investment process, 81% of portfolio company revenues were aligned with them in 2024.

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 2024

428.6p
Net asset value ("NAV") per ordinary share with debt at bookcost
(2023: 434.9p)

427.6p
NAV per ordinary share with debt at fair value[1]
(2023: 434.3p)

9.8%
Ordinary share price discount to NAV[1,3]
(2023: Discount 7.9%)

385.5p
Ordinary share price
(2023: 400.0p)

0.84%
Ongoing charges[1]
(2023: 0.83%)

£1,026m
Net assets with debt at fair value[1,3]
(2023: £1,221m)

Scan here for access to Impax Environmental Market plc's website, which will have the Company's latest Annual Report and the Circular and Notice for the 2025 Annual General Meeting.

Performance Summary[2]
For the year ended 31 December 2024

% change

–0.4%
NAV total return per ordinary share[1,3]
(2023: 4.5%)

–2.6%
Share price total return per ordinary share[1]
(2023: -3.7%)

Comparator Benchmarks

19.6%
MSCI AC World index[4]
(2023: 15.3%)

16.8%
FTSE ET100 index[4]
(2023: 18.3%)

Alternative performance measures ("APMs")

The disclosures as indicated in footnote 1 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 page 100.

1 These are alternative performance measures ("APMs").
2 Total returns in sterling for the year to 31 December 2024.
3 With debt at fair value.
4 Source: Bloomberg and FactSet.

Chairman's Statement

Glen Suarez
Chairman

> *"IEM offers broad spectrum exposure to one of the most significant and enduring themes of this century."*

Dear Shareholder,

The business of investment is never straightforward and so 2024 has proved. But while the last twelve months have seen challenges, future opportunities firmly present themselves for IEM.

Over the course of the year, the Board undertook a thorough review of IEM's investment proposition and strategy. We concluded that the fundamental investment hypothesis on which the Company's strategy is based, namely that companies operating in "Environmental Markets"[1] will outperform the broader market over the long term regardless of public policy, remains robust. To give you just one example, increasing air temperatures, particularly in summer, are boosting demand for air-conditioning globally and that demand will continue regardless of politics and public policy.

The Company's goal is to produce long-term returns and it is only to be expected that there will be temporary periods when returns fluctuate either side of those of global equities. Investing ultimately is a long term game of hard work and patience.

Performance

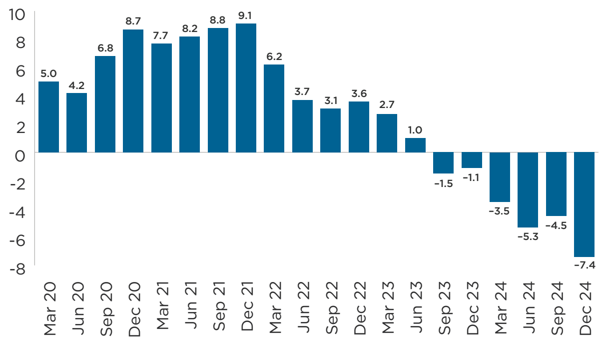
For the year ended 31 December 2024, the Company's net asset value fell 0.4%, while the global equities comparator index (the MSCI All Country World Index, "MSCI ACWI") returned 19.6%. The share price total return decreased by 2.6%. This reflected the widening of the Company's discount during the year by 1.9%, as discussed in the "Discount" section below.

The Board acknowledges IEM's short-term share price performance over the period, but we are encouraged that the underlying earnings of our portfolio companies are growing faster than the benchmark. Our review of IEM's offering underlined continued investor appetite for its unique proposition as a diversified Environmental Markets investment which provides exposure to global opportunities. This recognises that it is uncorrelated to the 'Magnificent Seven', which have disproportionately skewed the performance of the equity markets over the past few years.[2]

The Magnificent Seven, fossil fuel and most financial businesses are not eligible for inclusion in our portfolio as they do not meet IEM's key criterion – portfolio companies should be "pure play" companies which derive at least 50% of their revenues from the environmental markets as we have defined them. Despite this, at the sector level there were robust gains in construction and digital infrastructure.

When considering shareholder returns over time, we see a different picture to the one when looking at a single snapshot such as this annual report's one year time period. As an example, the graph below, showing rolling 5-year returns over the last 10 years, demonstrates something else – a much more consistent picture where investors have enjoyed market-beating returns 70% of the time:[3]

IEM share price return vs. MSCI ACWI

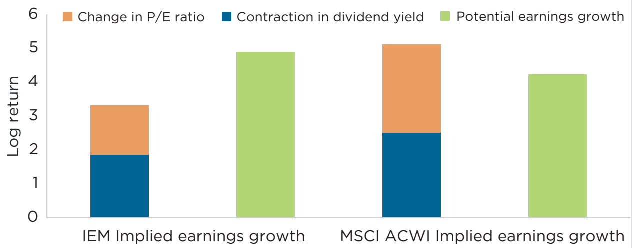


Source: MSCI and Bloomberg. As at 31 December 2024.

1 As set out on page 27.
2 The "Magnificent Seven" are identified as Microsoft, Amazon, Meta, Apple, Nvidia, Alphabet and Tesla.
3 Source: Morningstar, showing rolling 5 year returns ending over the last 5 years. This shows how returns over different time periods have fluctuated and provides a clearer picture as to how the Manager has delivered against the Company's objective over time.

The other relevant point is that the earnings of portfolio companies have been growing faster than the earnings of companies in the index, as we can see in the chart below.

10 Year Implied Earnings Growth – Growth Returns



Source: Bloomberg and Impax. As at 31 December 2024.

This also supports the Manager's contention that the very low valuation levels of companies in the Environmental Markets represent a huge opportunity especially given the turn in the global markets since the start of the year.

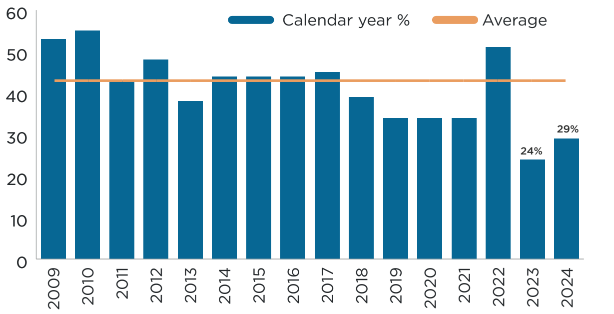
Thus, we have a very buoyant view of the potential that IEM offers. The portfolio's differentiation versus mainstream equity markets is a significant part of its appeal and the Board notes the very high (c.99%) active share that IEM offers against wider global markets.[1]

As the below chart exhibits, one clear market trend is the concentration we currently see in the US stock market, which forms such a large proportion of global markets. By way of example, the top ten stocks by market cap of the S&P 500 account for 32.4% of the index's total market capitalisation, as set out below.[2] This has been a feature of recent years, reflecting the popularity of mega-cap technology stocks like Alphabet (Google), Meta (Facebook) and Microsoft.

A reflection of recent stock market concentration

Share of global stocks outperforming the index (MSCI ACWI) by year

Figures refer to the past. Past performance does not gurantee results.



Source: Impax analysis/Bloomberg data, 31 December 2024

None of these companies offer pure play exposure to Environmental Markets. The key is to position the portfolio to benefit from themes that will be in play as the market moves into the next cycle.

Market sentiment around this concentration in these mega-cap technology stocks has moved around over the past year. Mixed earnings reports and declining interest rates are driving a change in that sentiment as the technology these companies are delivering plays its role in the successful transition to a more sustainable economy. As a result, the market is moving to focus on companies embracing the use of that technology to deliver their aims, seeing them as being much better placed to deliver returns.

Benchmark

One of the issues shareholders have faced in understanding the performance of IEM is that a large percentage of the MSCI ACWI benchmark is made up of stocks that cannot be held in the IEM portfolio. And, as referenced in the Company's latest half-yearly financial report, the FTSE Environmental Technology 100 Index ("FTSE ET100"), which we have historically used, no longer represents the best reflection of the opportunity set. To improve the standard of our reporting and to understand more objectively the nature of returns and the performance of the Manager, the Board is working with the Manager to introduce a new benchmark to reflect the opportunity set. I will have more to share on this in the coming period and expect to be updating shareholders on an alternative, after thoroughly testing it as a comparator measure of success.

Discount

Like almost all the investment trust sector, the Company's shares have traded at a discount to NAV. This reflects a number of different factors, including negative sentiment towards the UK market as a whole, differences in the direction of interest rates globally and within the UK and the perceived performance of the Company relative to its benchmark.

The discount is actively monitored by the Board and the Company's corporate brokers. Although your Board sees discounts as an opportunity to invest, it also takes the view that buybacks are useful to dampen share price volatility. At 31 December 2024, the Company's shares traded at a discount to NAV, with debt at fair value, of 9.8%. At the previous year end, shares were trading at a 7.9% discount to NAV. During the year the shares traded between a discount of 8.1% and 17.2% with an average of 11.1%.

Against this backdrop, the discount widened in the second half of this period as the market became nervous as investors digested the implications of Rachel Reeves' first Budget. This affected almost all investment trusts, which saw the

1 Against MSCI ACWI. Source: MSCI as at 31 December 2024.
2 Morningstar, MSCI, Standard & Poor's. Weights shown by issue, and they are the sum of the top 10 holdings of each index on a monthly basis. As at 31 August 2024.

"Earnings of companies in our portfolio have been growing faster than those of the broader market and there is every reason to think that this trend will accelerate over the next decade."

discounts across all trusts on average widen from 13.7% to 15.2% during 2024.[1] During the year, the Company bought back some 41.25 million shares, representing 14.7% of the issued share capital at the start of the year, in order to support shareholders and mitigate this price volatility.

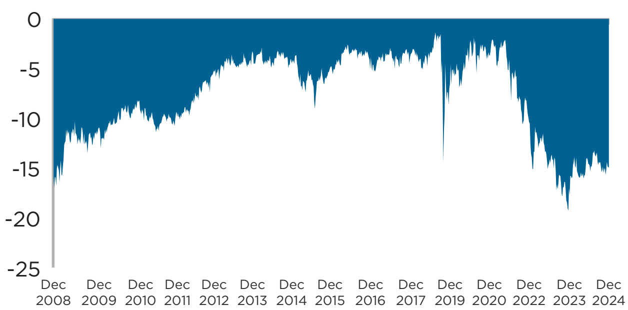
The Board will continue to exercise its authority to buy back or issue shares depending on the circumstances in the interests of shareholders.

Following this year's buybacks, there were 239.9 million shares in circulation at the year-end (2023: 281.1 million), excluding 65.76 million shares held in treasury (2023: 24.5 million).

The Board believes that the current level of the discount – taken with the potential for NAV outperformance, as discussed, offers investors an attractive entry point given the turn in the markets. Recent research from the Association of Investment Companies[2] shows how previous periods of elevated discounts have ended with those discounts narrowing, contributing to strong returns – indeed, the average investment trust returned 86.5% in five-year periods that began with double-digit discounts, compared to the 53.8% return achieved over five years when investing at discounts narrower than 10%.[3]

IEM's discount is 10.7% as at 31 March 2025, the latest practicable date prior to publication of this report and the figures above and chart below suggest a clear correlation between a greater potential for returns and historically elevated levels of trust discounts (as is the case now):

Average Investment Trust Discount 2008-2024



Source: Bloomberg as at 31 December 2024.

Dividend

IEM's net revenue return for the year was £12 million, compared with £14.4 million in 2023.

IEM's distribution policy, as approved by shareholders at the 2024 AGM, is to declare two dividends each year. On 7 August 2024, the Board announced a first interim dividend for this financial year of 1.8 pence per share, which was paid on 5 September 2024. The second interim dividend of 3.2 pence per share was declared on 30 January 2025 and paid on 7 March 2025. The total dividend per share paid for 2024 was therefore 5.0 pence per share, an increase of 8.7% on the 4.6 pence paid in respect of 2023.

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 the 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. The Company has used gearing for a number of years and has a combination of fixed and floating rate debt with a mix of maturity dates and interest rates.

At the year end the aggregate of the Company's borrowings was £83.1 million, giving net gearing of 7.6% (2023: £87.1 million and 6.2%, respectively).

A breakdown of the Company's borrowings at 31 December 2024 follows.

The Company has €60 million of privately placed notes ("Loan Notes"), as set out in the table below.

Loan amount € million	Loan amount £'million	Maturity 30 September	Interest rate
20	16.5	2030	Floating: 6m EURIBOR +1.35%
30	24.7	2033	Fixed: 4.48%
10	8.2	2035	Fixed: 4.63%

The Company also has a two-year £80 million multi-currency revolving credit facility which has a floating interest rate priced at reference rate +1.6%. An amount of €40.8 million (equivalent to £33.7million) was drawn down at the year end (2023: €40.9 million and £35.3 million, respectively).

1 Investment trust 2024 review (updated) | The AIC.
2 "Longest period of double-digit discounts for 30 years presents investors with opportunity" AIC, 3rd February 2025.
3 As defined by AIC as excluding 3i and venture capital trusts.

At the year end, the weighted maturity of the Company's borrowings was 5.3 years and the mix of fixed to floating was 40%:60% (2023: 6.4 years and 40%:60%, respectively).

Sustainability label

In November, the Manager and the Board agreed to apply the "Sustainability Impact" label to the Company, within the FCA's Sustainability Disclosure Requirements. The label reflects the fact that the Manager applies an investment process which derives, as a function of its workings, a range of clear impacts, which we set out on pages 35 to 40. But shareholders should not doubt that the business of investment for long term financial returns is the clear priority of the Manager and of IEM. The Sustainability Impact label offers shareholders a clear view on what they are supporting when investing in the Company.

Consultation with shareholders

The Board has taken the view that the upcoming Continuation Vote (see below) represents an opportunity to challenge the Company and its investment proposition.

With this in mind, in the third quarter of the year, the Board took the opportunity to consult with a large proportion of the shareholder base representing over half of the issued share capital to listen and discuss the Company's thematic mandate as well as understand their perceptions of the Company, its performance, fees, capital structure, the Manager and the role that the Company plays in their portfolio. The results of this extensive engagement were supportive of the Company and its strategy and I outline the Board's reasoning to shareholders on the specifics of the Continuation Vote below. The Board is committed to continuing a high level of shareholder communications during 2025.

The Board

IEM has a Board with considerable collective knowledge, balanced across activities in the investment arena. The Board altogether has the experience and skill to support and challenge the Manager, as well as assess and put in place measures to mitigate enterprise risks that arise beyond the investment process.

On 1 January 2024, we welcomed Elizabeth ("Liz") Surkovic to the Board as an independent non-executive director. Liz brings with her a wealth of experience in environmental policy making and regulation in the private and public sectors. A short biography is set out on page 55.

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.

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

The Manager

I would like to remind shareholders that the Board is fully independent of the Manager and one of the functions of the Board is to evaluate its performance and to decide whether the interests of the Company and its shareholders are best served by the continuing appointment of the Manager.

The Board has a strong track record of holding managers to account. As Chair of another UK listed investment trust, I have previously replaced the manager, and this Board would follow the same course of action should it lose faith in the Manager's investment process and did not believe the Manager was the right party to deliver the long-term goals of IEM's shareholders.

As such, during the year, the Board undertook both a qualitative and quantitative review of the Manager, its performance and processes.

As far as the qualitative review is concerned, the Board asked the Manager to explain its investment process over a series of meetings in considerable detail. We went through the process of stock selection, portfolio composition, risk management, challenge and oversight, buy-sell discipline, the management of leverage risk and opportunity and geographical and factor exposure.

As far as the quantitative review is concerned, the thesis of the strategy is that over the long-term companies in the Environmental Markets will outperform the broader market indices. We looked for evidence that the earnings of the portfolio picks were growing faster than the market as a whole and that the portfolio was being constructed in way that captured that opportunity set.

The Board noted the Manager's loss of its St James's Place mandate in November and endeavoured to scrutinise it on behalf of shareholders on the reasons for, and implications of, this loss. This was to assess whether the Manager has the depth of research and financial capability to continue to provide the level of portfolio management services that shareholders are entitled to expect at reasonable fee levels.

As part of our ongoing assessment, the Board has supported the Manager's evolution of the structure around IEM's portfolio management team, with succession planning having been an important consideration throughout. This planning has been several years in the making and includes the Manager's appointment of Co-Chief Investment Officer, Charles French, and significant enhancements such as the build-out of Impax's global equities research function, which now includes 20 analysts with specialist expertise in Environmental Markets.

Within this context, Bruce Jenkyn-Jones has informed the Board that he plans to retire as a co-Investment Manager of IEM on 1 July 2026. Jon Forster and Fotis Chatzimichalakis will continue as co-Investment Managers following Bruce's retirement next year. The Board expects a seamless transition, aided by the long notice period that Bruce has provided and the fact that Jon and Fotis have worked together on the portfolio for eight years, with Jon having been in place since 2004.

We will have a chance to mark Bruce's contribution in full over the coming year, but for now, I'd like to take this opportunity to thank him for his continued support and ongoing commitment to the Company.

In addition, as discussed in the Manager's Report, the Manager conducted its own review of its investment process.

These extensive reviews – whether the Manager's own or derived from the Board's questioning – have led to some portfolio changes being made which the Manager references in its report and which the Board has welcomed. The Manager's investment process is dynamic and continuously evaluated and it has evolved over the 23 years of the Company's life (and the 27 years since the Manager's foundation).

In light of this increased level of scrutiny through the various reviews, the Board has concluded that the Manager has a unique investment approach with substantial research depth and skill in this area of the market and, put simply, continues to be the right Manager for the Company.

The Company offers long-term investors an unrivalled prospect of outperformance over the long term from an uncorrelated set of underlying companies from around the world.

Reporting

I am pleased to report that last year's edition was awarded the Best Report & Accounts – Specialist Awards at the AIC Shareholder Communications Award 2024. The AIC judges highlighted the appealing design and effective combination of graphics and text which brought the report to life. They praised the chairman's statement, describing it as fresh and engaging. They commended the environmental impact reporting which struck a good balance between comprehensive detail and clear analysis.[1]

Annual General Meeting ('AGM')

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 2025, to ensure that their vote counts at the AGM.

Shareholders' questions for either the Board or the investment managers should be submitted to clientservices@impaxenvironmentalmarkets.co.uk by 3.00pm on 16 May 2025. The Company's website at www.impaxenvironmentalmarkets.co.uk can be used to access more insights and also subscribe for regular communications.

Continuation Vote

In addition to the normal business of the meeting, shareholders are being asked to consider as an ordinary resolution the continuation of the Company as an investment trust. The Company's Articles of Association provide for the Company's shareholders to vote, once every three years, on whether the Company should continue operating in its current form.

As I have referred to above, your Company is the only investment trust giving access to both shareholders and potential investors to this unique and exciting growth story. It has generated strong returns since inception, as well as over an assortment of longer term time periods.

1 Winners of the AIC Shareholder Communication Awards 2024 Press Release.

Annual Report and Circular and Notice of the AGM ("AGM Circular")

The Company has published a separate annual report and AGM Circular. The AGM Circular contains the notice of the AGM and detailed explanations for each resolution, including resolution 12 for the continuation vote.

The Directors strongly recommend that shareholders vote in favour of the continuation resolution, as the Directors intend to do so in respect of their shareholdings, ***as well as in favour of all the other resolutions***.

Shareholders in receipt of this annual report and AGM Circular directly from Company will receive a Form of Proxy in order to vote.

Shareholders who are invested in the Company via third party platforms or intermediaries who hold shares on their behalf very commonly possess the right to instruct the platform on how they wish their shares to be voted. The Directors similarly urge these investors to exercise their rights and details on how to make your instruction can be obtained from your platform or intermediary. More information on voting can also be obtained from the Association of Investment Companies at: https://www.theaic.co.uk/how-to-vote-your-shares.

Outlook

Since the start of the year it has become increasingly clear that the markets are undergoing a re-pricing, with for example the Magnificent 7, NASDAQ, and the US markets underperforming other companies and markets. The market appears to be focusing increasingly on corporate fundamentals, and the most important driver of market returns in the long term is earnings.

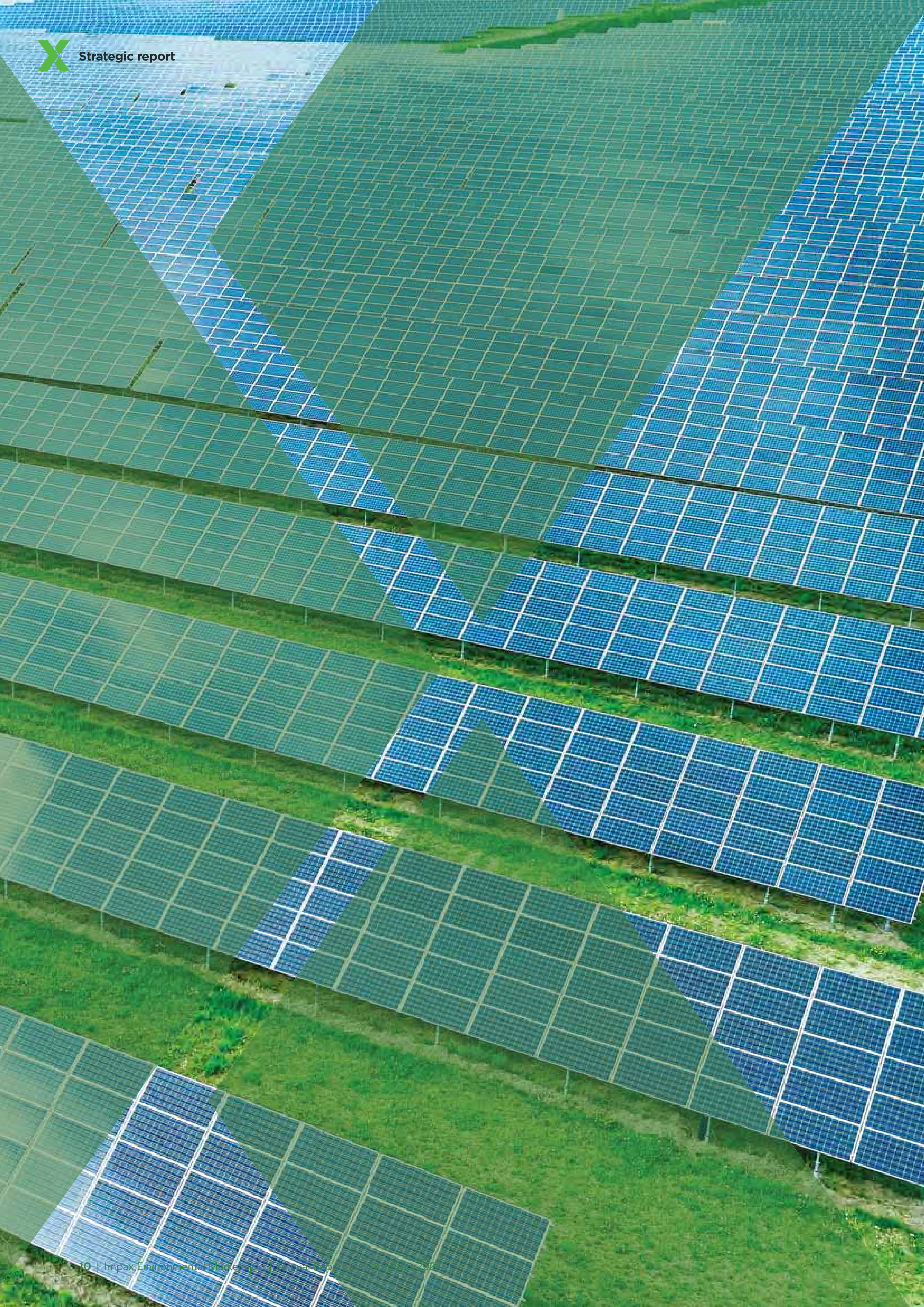
The good news is that earnings of companies in our portfolio have been growing faster than the earnings of the broader market indices over long periods and there is every reason to think that this trend will accelerate over the next decade, regardless of politics and policy. It remains our conviction that investors focused on these transformations can target attractive risk-adjusted returns as the transition to a more sustainable economy accelerates, and your Company represents the ideal way to capitalise on that.

The Board believes that the Company is one of the few investment propositions in the UK market that offers broad spectrum exposure to one of the most significant and enduring themes of this century.

We can be sure that society will adapt to changes in the environment driven by climate change and that these efforts will drive stock market returns, regardless of policy development and political rhetoric. Opportunities for IEM will abound and increase as the impact of climate change develops. The thoughtful investor will take advantage of the mispriced risks and potential, whatever shorter term political noise exists, with analysis, conviction and patience.

Glen Suarez, Chairman

2 April 2025



Manager's Report

Jon Forster

Fotis Chatzimichalakis

Bruce Jenkyn-Jones

The fundamental trends which underpin Environmental Markets remain intact. These include rising power demand and electrification, digitalisation and AI, as well as climate change adaptation. These markets are driven by pure economics, not public opinion. The companies within IEM's portfolio continue to be well-positioned for long-term growth.

Recent performance has not reflected this, in large part thanks to a highly concentrated equity market. As investment managers, we increased our weight in high conviction names and bought positions in great companies at attractive valuations. We believe the resulting combination of robust earnings growth, relative value, and significant differentiation from broader markets, makes IEM a compelling proposition heading into the decade ahead.

Global Equities in 2024

Global equity markets continued to challenge active equity investors in 2024. At a headline level, returns as measured by the MSCI All Country World Index ("MSCI ACWI") came in at 19.6%. Yet this robust gain masks stark differences across sectors and market capitalisations, as well as inconsistency over the year. For Environmental Markets the re-election of Donald Trump to the White House further complicated the picture.

Investors entered the new year expecting a swift start to interest rate cuts from the US Federal Reserve ("Fed"). On 2 January 2024, market consensus forecast the Fed would cut twice by May 2024, with six cuts ultimately bringing rates to 4% by the end of the year.[1] In reality, both the European Central Bank and the Bank of England beat the Fed to the punch, with investors having to wait until 30 September 2024 for a 0.5% cut to US interest rates.

Relatively volatile economic data drove the Fed's cautious approach. While US consumer price inflation cooled and unemployment ticked up, they refused to do so uniformly. Equity investors eager to price in a world of more accommodative monetary policy thus experienced several false starts. Instead, the year was confirmed as one in which US interest rates really would remain "higher for longer". Ultimately, US economic performance remained strong.

By contrast, growth in Europe and China continued to be lacklustre. Both regions failed to recapture pre-pandemic levels of growth, with Europe hit by higher energy prices and the loss of Chinese demand to support its export market. By way of response, China launched successive stimulus announcements towards the end of the year, including a US$1.4 trillion package for local governments to reduce debt burdens and ramp up public spending.[2] Despite a cut to interest rates, Eurozone manufacturing PMI data ended in contraction at 45.2.[3]

Geopolitical issues further complicated the macro picture. The resurgence of open conflict in the Middle East renewed oil price volatility and stoked fears of resurgent inflation, with Brent Crude peaking at $91 in April 2024.[4] Similar concerns surrounded shipping costs, which threatened to spike as companies avoided Houthi incursions in the Red Sea. Even before Donald Trump's re-election, new and higher China tariffs from both President Biden and the European Commission set the tone for more difficult trade relations.

With over 50% of the world's population going to the polls in 2024, investors also faced several periods of electoral uncertainty. In the US, a late Democrat candidate switch from Joe Biden to Kamala Harris added to an already fractious and divided contest. The advance of right-wing parties in Germany and France led to fresh elections being called, mirroring victories in the European parliament. India and the UK also elected national governments, although here the outcomes were more expected. With elections now largely consigned to the rear-view mirror, markets can focus on how the victors acquit themselves in power.

Amid this uncertainty, equity investors mostly stuck with what served them well in 2023. Larger stocks continued to outperform smaller companies deemed to be labouring under a higher cost of debt. The Magnificent Seven[5] and other related technology stocks benefitted from greater AI uptake and enthusiasm. Financials similarly powered

1 Source: Bloomberg Fed Funds Futures as at 2 January 2024.
2 China unveils $1.4tn debt swap program to ease local government pain - Nikkei Asia.
3 PMI – Purchasing Manager Index. Source, Bloomberg 31 December 2024.
4 Source: Bloomberg, 31 December 2024.
5 Microsoft, Amazon, Meta, Apple, Nvidia, Alphabet, Tesla.

Manager's Report continued

on, thanks to elevated US interest rates and the prospect of a more permissive mergers and acquisitions regime under Donald Trump. As a result, around half the MSCI ACWI's returns in 2024 came from just ten stocks.

There were periods of stronger performance outside these areas. The prospect of rate cuts led to a sharp – albeit unsustained - momentum reversal in Q3, with utilities, real estate and small-caps all outperforming. Likewise, China's stimulus boosted local equity markets, as well as stocks with greater exposure to the region. However, this was not enough to offset US outperformance with its growing line-up of trillion-dollar companies. Consequently, global equity markets presented several challenges for IEM, which holds most of its portfolio in mid and small-caps, holds no financial stocks and owns fewer US companies than the MSCI ACWI.

Key Developments and Drivers for Environmental Markets

The Re-Election of Donald Trump

The prospect and ultimate re-election of Donald Trump was a constant theme for 2024. Yet while not an ideal outcome for Environmental Markets, it is far from universally negative.

The actions of one Presidency will not derail the structural demand for greater resource efficiency which underpins IEM's investment thesis. Even in areas where Trump is actively unsympathetic, such as renewables, the breadth of IEM's investable universe is sufficient to avoid either exposure to the US, or potentially the sector altogether. This, combined with disciplined portfolio construction meant IEM outperformed the MSCI ACWI over the course of Donald Trump's last term in office.

Going into the election the investment managers explored various scenarios to determine potential repercussions. The investment managers were able to leverage this across the portfolio. This activity has since continued, particularly given the sharp reaction in some stocks despite no concrete policy.

Key priorities in the US included establishing what changes, if any, might be made to the Inflation Reduction Act ("IRA"), Infrastructure Investment and Jobs Act ("IIJA") and Chips & Science Act. Impax's base case is that total repeal for these three key pieces of legislation remains unlikely given broad-based Republican support. Slower investments, higher tariffs, and the removal of tax credits for renewables and electric vehicles ("EVs") remain a risk.

Consequently, the investment managers take a sector-specific approach. Where downward moves look overdone, there are buying opportunities; where near-term visibility is reduced and the longer-term outlook is uncertain, investment cases must be reviewed.

The table on the next page sets out how we currently see this Trump Presidency – based on statements made at the time of writing – will affect each thematic area of the portfolio. Under the "Impact" column, red means a potentially less favourable set of circumstances for the portfolio; amber means circumstances requiring care, with the potential for good opportunities; while green represents the areas we see most likely to benefit. Further detail is set out in the paragraphs below the table. In short, we see some real potential opportunity in the years ahead of this Presidency.

Analysing medium-term implications for key thematic areas

Thematic Area	Portfolio Weight (%)	Impact	Election Implication	Investment Action
Alternative Energy	7	Negative	•Incremental risk to PTC[1]/ITC[2] subsidies. •Historically negative views on offshore wind development. •Operating assets not impacted. •Mixed impact on biofuels mandates.	•Increased IPPs[3] trading below operating asset value. •Reduced already low wind and solar exposure.
Transport Solutions	3	Neutral	•EV Tax credits at risk, with potential roll back of sales targets. •Improved outlook for transport pollution control.	•EV[4] exposure manageable across diversified holdings.
Sustainable Food & Agriculture	13	Neutral	•Read-across to farmer incomes from tariffs. •RFK[5] stance on food processing positive for natural ingredients. •Construction tailwinds positive for sustainable forestry, subject to rates.	•Limited exposure to theme. •Adding to Natural Ingredients recovery story.
Environmental Services & Resources	3	Neutral	•Onshoring an ongoing opportunity for environmental consultants. •Mixed impact from roll back/replacement of Federal regulations.	•Researching beneficiaries of onshoring/infra buildout.
Energy Management & Efficiency	22	Positive	•"Pro-growth" policies support Industrial and Construction exposure. •Further grid investment likely to support AI[6] development.	•Maintain significant exposure
Water Infrastructure & Technologies	15	Positive	•Tailwinds industrial reshoring and increased construction. •Likely acceleration of water utility M&A on de-regulation.	•Adding to existing exposure.
Resource Efficiency & Waste Management	21	Positive	•Accelerating economic growth positive for general waste volumes. •Increased onshoring and oil/gas activity positive for hazardous waste. •Tailwinds for equipment rental names from economic growth.	•Recently added new waste holding. •Maintaining existing waste and equipment exposure.
Digital Infrastructure	14	Positive	•Onshoring positive for industrial software holdings. •Neutral impact on data centres and AI.	•Continued research into further holdings.

Positive Neutral Negative

Donald Trump has been a vocal critic of renewables, and the alternative energy sector sold off sharply following his victory. While not our base case, there is now incremental risk to both the Investment and Production Tax Credits ("ITC" & "PTC"), as well as less enthusiasm for offshore wind. However, PE[7] multiples across the sector had already contracted, both anticipating a Trump win and reflecting higher interest rates. At 7.0% of the portfolio,[8] the investment managers reduced IEM's already low wind and solar exposure, in favour of consolidated positions in independent power producers ("IPPs") trading below operating asset values.

Beyond alternative energy, the takeaways across Environmental Markets, and the IEM portfolio, are more mixed. Trump is expected to prioritise domestic economic growth and to continue Biden's policy of reshoring manufacturing. This would be favourable for names exposed to construction and industry across energy management and water infrastructure.

In addition, stocks in resource efficiency & waste management are likely to be net beneficiaries. A US pivot towards more conventional energy would also generate high value waste streams for hazardous waste holding **Clean Harbors**, and could provide further tailwinds for equipment rental names, as well as the portfolio's industrial software names in digital infrastructure.

The new administration's priorities are less clear-cut across the areas of Transport Solutions, Sustainable Food & Agriculture, and Environmental Services & Resources. For example, EV[4] tax credits may be at risk but any fallout could well be balanced by Elon Musk's influence over government policy. In Sustainable Food & Agriculture, the negative impact of tariffs has to be weighed against the likely tailwinds for Natural Ingredients companies of Robert Kennedy's stance on food processing. Similarly, the potential repeal of federal regulations in favour of state-level decrees creates opportunities for environmental consultancies able to navigate them.

Ultimately, the structural trends which underpin IEM's core investment thesis will not change over the course of Trump's presidency. Indeed, policies which do not address or even exacerbate environmental issues will eventually lead to greater demand for adaptation solutions, be they a more resilient electrical grid, greater storm drainage or cooling solutions. Similarly, governments have little influence over the very real economic incentives driving the uptake of more efficient technologies by businesses and consumers. The investment managers are continuously searching for additional investment opportunities which harness these growth drivers.

Recovery of Disrupted Supply Chains

While the COVID-19 pandemic now feels like a distant memory, global patterns of supply and demand are only now normalising after the unprecedented disruption. Companies which built up inventory levels during the pandemic have had to work through them as demand stabilised, or in some cases weakened. The consequence of this for the suppliers however, is that demand meaningfully decreased.

There are now positive signs that this protracted process is coming to an end and the opportunity is becoming more clear. In Natural Ingredients, companies like **DSM-Firmenich** and **Croda** are reporting a return to demand growth across most of their key markets. In Life Sciences, bioprocessing companies like **Repligen** are seeing sustained strength across large pharma and Contract Development and Manufacturing Organizations

1 Production Tax Credit.
2 Investment Tax Credit.
3 Independent Power Producer.
4 Electric Vehicle.
5 Robert F Kennedy.
6 Artificial Intelligence.
7 Price to next 12-month earnings per share.
8 As at 31 December 2024.

("CDMOs"). In Industrials, UK-listed **DiscoverIE** rallied sharply towards the end of the year as the maker of specialised industrial components reported similarly strong numbers.

These holdings demonstrate the tremendous recovery of potential holdings when market dynamics change. At the same time, these organisations have been improving their operational efficiency, emerging leaner and more profitable at the other end.

Power Demand – Grids, AI and Nuclear

Global electricity demand is set to triple between now and 2050 thanks to a combination of increasing electrification and higher economic growth in developing economies.[1] In the latter, the switch away from fossil fuel energy generation is likely to be most pronounced in the residential and transportation sectors.[2] Electrifying industrial processes such as steel production would increase this still further. In addition, the rise of AI means that the International Energy Agency expects data centre energy consumption will reach 1,000 TWh by 2026, roughly equivalent to the entire energy consumption of Japan.[2] The arrival of the "Deepseek" AI technology in the opening weeks of 2025 has challenged, but not changed, this thinking.

To cope with this, electricity grids need to expand. The introduction of renewables and the growth of energy storage means they must also become more flexible, with more interconnections to manage the intermittency of solar and wind generation (the output of which can be more variable). Electricity networks are also becoming bidirectional, as users start to both consume and produce electricity. Yet grid investment has largely been static over the past 14 years, at around US$300 billion globally each year.[3] Consequently, around two-fifths of Europe's grids are more than 40 years old. In the US, the average age of a large power transformer is of a similar age, which is the end of its typical lifespan.[3]

Aging cables, accelerating electricity demand and the needs relying on a more intermittent supply mean systems are becoming increasingly fragile, with a greater risk of blackouts.[4] To combat this, annual global investment in electricity grids will need to rise commensurately, with annual spending of some US$900 billion between now and 2050, plus an additional US$200 billion directed towards expanding energy storage capacity. This long-term trend underpins IEM's holding in electrical cable manufacturer **Prysmian**.

Aligned with these developments is the renewed interest in nuclear energy. Big tech companies in particular have become high profile proponents, driven by their need to support massive energy requirements while also meeting carbon reduction commitments. Small modular reactors ("SMRs") in particular have garnered significant interest, as they promise enhanced safety, efficiency and scalability; although their current use is limited. Most tangibly, in September **Microsoft** (not held) signed a deal to reopen Three Mile Island.[5] We continue our search for other innovative portfolio additions in this space.

Mergers and Acquisitions ("M&A")

There is a long history of M&A in Environmental Markets. Large corporates and private equity ("PE") are drawn to the structural growth potential that these companies offer as IEM seeks to do. Activity typically picks up when a sector is viewed as ripe for consolidation or valuations become particularly attractive.

In the early 2000s, the water treatment and waste management sectors experienced such episodes. The industrial conglomerate **General Electric** purchased several water treatment companies including **Ionics** and **Osmonics**.[6] UK-based PE company **Terra Firma** was similarly drawn to the waste sector's strong and stable cashflows, purchasing **Waste Recycling Group** in 2003 and **Shanks** in 2004, before combining and ultimately selling them on.[7]

In recent years there have been fewer takeovers in Environmental Markets. Maturing companies have instead focused on consolidating existing business and growing their own franchises. However, the combination of higher interest rates, negative sentiment on sustainability oriented stocks and concentrated performance in mega-cap tech has left many valuations well below their historic averages. The effect is most pronounced in some of IEM's IPP holdings, where companies like **Boralex** trade at 10x EV/EBITDA – a multiple which discounts not only the pipeline, but existing operational assets. By contrast, transactions for similar companies in the private markets – such as Brookfield's acquisition of NEOEN – are taking place at multiples of c.17x EV/EBITDA.[8]

This discrepancy is driving up M&A across sectors. Within the IEM portfolio there have been three instances in 2024. As disclosed in the half-yearly financial report, Greek IPP **Terna Energy** announced a takeover by Masdar, an Abu Dhabi owned renewables developer. Most recently, in October the simulation software company **Altair Engineering** announced an agreement to be acquired by the German technology conglomerate **Siemens** (not held). At $113 per share, the takeover represents a 19% premium to the undisturbed share price.[9] The deal was unanimously approved by Altair's Board, and is expected to close in the second half of 2025, following regulatory approval. As Siemens' second biggest acquisition ever,[10] the transaction reflects the transformational role data analysis, software and AI are having on the industrial value chain.

1 Energy Transition Commission, 22 November 2023: Barriers to Clean Electrification – Grids: the critical gap, presentation to Commissioner meeting.
2 Executive summary – Electricity 2024 – Analysis - IEA.
3 Executive summary – Electricity Grids and Secure Energy Transitions – Analysis - IEA.
4 North American Electric Reliability Corporation, December 2023.
5 Three Mile Island nuclear site to reopen in Microsoft deal - BBC News.
6 GE Infrastructure Completes Acquisition of Ionics, Inc. | GE News; GE Power Systems to Acquire Osmonics, aLeader in Water Purification and Filtration; New Unit to Become Partof GE Water | GE News.
7 Terra Firma sells waste business for £1.4bn (infrastructureinvestor.com).
8 Brookfield to acquire Neoen for €6.1 billion - Energy-Storage.News.
9 Siemens strengthens leadership in industrial software and AI with acquisition of Altair Engineering | Press | Company | Siemens.
10 Siemens' $10.6 billion Altair deal strengthens its industrial software offering | Reuters.

"the combination of higher interest rates, negative sentiment on sustainability oriented stocks and concentrated performance in mega-cap tech has left many valuations well below their historic averages... This discrepancy is driving up M&A across sectors."

Absolute Performance Contributors and Detractors

The Company's net asset value ("NAV") delivered absolute returns of -0.4% in 2024. Global equity markets, as measured by the MSCI All Country World Index ("MSCI ACWI"), delivered 19.6% over the same period.

The primary driver of IEM's performance lag relative to the MSCI ACWI were stocks which – due to the Manager's 50% Environmental Markets revenue requirement – fall outside of the investable universe. The portfolio has remained true to label and this is not at odds with IEM's investment thesis, which is long-term in nature. Rather it reflects that amid economic uncertainty, high interest rates and geopolitical tensions, investors have continued to take shelter in mega-cap stocks where mass enthusiasm for AI underpins investor momentum.

In 2024, over 50% of the MSCI ACWI's returns came from just 10 stocks. As well as the so-called Magnificent Seven, these included semiconductor companies **Broadcom** and **TSMC**, and online streaming platform **Netflix**. While their earnings growth has doubtless been robust, a significant part of performance has been driven by multiple appreciation. Even so, this was not sustained uniformly throughout the year, with a sharp – albeit temporary – rotation in Q3 towards mid and small-caps, illustrating the speed at which high momentum dynamics can reverse.

Higher for longer interest rates also drove the outperformance of Financials in 2024. Despite increasing initiatives around environmental finance, most of the sector falls outside IEM's investable universe on revenue grounds. The prospect of Donald Trump's re-election further boosted Financials given his "pro-growth" stance. Investors anticipated inflationary tariffs, looser fiscal policy and a lengthy period of higher interest rates. The new regime's permissive stance on M&A is also viewed as a boost for dealmaking investment banks, as well as increasing the likelihood of regional US bank consolidation.

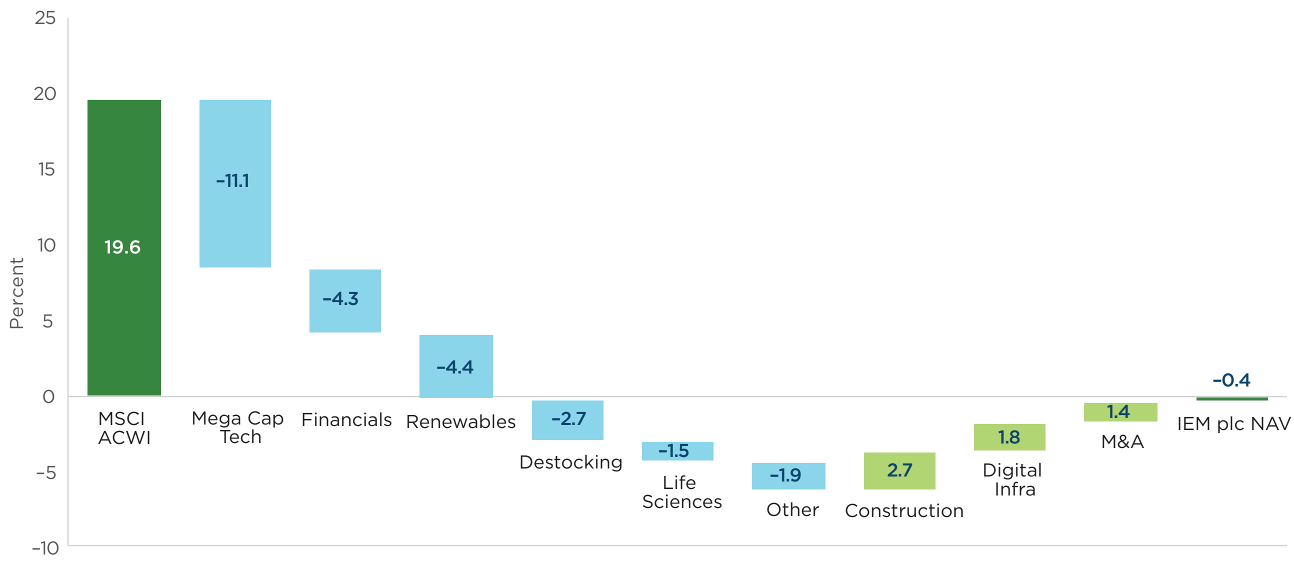
Relative Performance Analysis

Performance relative to MSCI ACWI	12 Months ended 31 December 2024 %
NAV total return	(0.4)
MSCI ACWI total return	19.6
Relative performance	(20.0)
Analysis of relative performance:	
Portfolio total return	(0.5)
MSCI ACWI total return	19.6
Portfolio underperformance	(20.1)
Borrowing:	
Gearing effect	(0.1)
Finance costs	(0.4)
Management fee	(0.8)
Other expenses	(0.1)
Trading Costs	(0.2)
Share transactions:	
Buybacks	1.9
Tax	(0.2)
Total relative NAV performance	**(20.0)**

Performance relative to FTSE ET100	12 Months ended 31 December 2024 %
NAV total return	(0.4)
FTSE ET100 total return	16.8
Relative performance	(17.2)
Analysis of relative performance:	
Portfolio total return	(0.5)
FTSE ET100 total return	16.8
Portfolio underperformance	(17.3)
Borrowing:	
Gearing effect	(0.1)
Finance costs	(0.4)
Management fee	(0.8)
Other expenses	(0.1)
Trading Costs	(0.2)
Share transactions:	
Buybacks	1.9
Tax	(0.2)
Total relative NAV performance	**(17.2)**

Manager's Report continued

IEM Performance Waterfall 2024: Bridging the Gap from MSCI ACWI to NAV Total Return



Source: Bloomberg, MSCI and Apex as at 31 December 2024.

Positive contributions to performance were broadly spread across IEM's portfolio. In addition to several acquisitions (*see Key Developments and Drivers*) many companies delivered consistently strong returns over the year, such as **Clean Harbors** – a US industrial waste specialist, **CATL** – a Chinese battery producer, and **Brambles** – an Australian pallet and logistics company. Despite all being categorised as 'Industrials', the companies have highly differentiated business models, sources of revenue and geographical exposure. Furthermore, where CATL was added to the portfolio early this year due to a compelling valuation opportunity given its competitive advantage, Clean Harbors is a long-term holding which continues to demonstrate how quality management can drive up earnings by capitalising on captive demand, structural growth and ever-tighter regulation.

One specific area of strength within the portfolio was companies with exposure to construction, particularly in the US. These delivered positive returns in 2023 and continued to do so in 2024. At a headline level, high interest rates have done little to weaken residential demand, while infrastructure investment and commercial spending continues apace.

Exemplifying these trends are two of IEM's top contributors for the year: **Pentair** and **Lennox International**, a producer of water flow technology and HVAC[1] solutions, respectively. Pentair steadily drove margins up over the year, with growing sales from its Pool division and further synergies from its Manitowoc Ice acquisition. Lennox delivered a series of "beat and raise" earnings updates, citing market share gain and sales growth within its commercial business. While the long-term investment cases for these, and IEM's other construction holdings, remain intact, we have managed the position by taking profits, bearing in mind the industry's cyclical nature.

IEM's Digital Infrastructure stocks also boosted performance. With a shared focus on operational efficiency, and consequently environmental performance, its customers have continued to invest in solutions which boost their bottom line. Within this segment, software companies include the likes of transportation management platform **Descartes** and design and simulation specialist **PTC**, whose dominance of a niche and subscription-based revenues enable steady growth. By comparison, **Trimble** – a producer of geolocation software and equipment – rallied substantially after repeated engagement and an activist shareholder produced a strategic update and earnings upgrades.

In hardware, the strongest contribution has come from **Monolithic Power Systems** a producer of thermally efficient power semiconductors. The shares performed strongly thanks to sustained growth in data centres, where Monolithic is sole supplier to **Nvidia** (not held). Concerns this relationship could be at risk prompted a pullback in the shares towards the end of the year but appear overdone. Management has long trailed Nvidia's desire for another supplier and has factored this into guidance. Equally, growth is returning to Monolithic's other business segments which have experienced temporary weakness, such as autos, consumer electronics and industrials.

1 Heating, ventilation & air conditioning.

Lastly, the portfolio also benefited from its positions in companies related to the energy grid. These include long-term holding **Generac**, as well as **Prysmian**. The former, a maker of standby electrical generators, experienced resurgent demand in its home standby division thanks to a particularly active hurricane season and its continued penetration of US distributors. By contrast, Prysmian – an Italian producer of electrical and fibre optic cables – is at the centre of long-term investment in grid infrastructure. At the time of its purchase in October 2023, the investment managers also saw evidence of a business turnaround at an attractive valuation. This thesis has played out rapidly in 2024, with the acquisition of US company Encore Wire helping management to boost margins, deliver cash flow, and deleverage the balance sheet.

The bulk of IEM's negative returns came from holdings in a handful of sectors with compelling long-term growth that have been experiencing temporary headwinds. The portfolio's renewables holdings account for the largest of these. Excepting **Terna Energy** which was taken over (see Developments and Drivers), averaged out across the full year this 8.6% allocation spans four IPPs, two solar positions and a manufacturer of wind turbines. From a sentiment perspective, sustained higher interest rates and Donald Trump's re-election weighed on the P/E multiples of all seven companies.

IPPs were further impacted by low European power prices, themselves driven by soft industrial production and plentiful US gas. Yet here the investment managers are seeing consistent evidence of new long-dated contracts being priced at higher rates with inflation protection, particularly where the source of demand is Big Tech. At the same time, holdings such as **Northland Power** are navigating medium-term uncertainty by focusing on project execution and cash generation, while companies like **Ormat Technologies** continue to receive vocal support for their geothermal energy and battery storage solutions. This is creating a range of attractive valuation opportunities across the space.

In wind and solar, there were more fundamental issues. In solar, sustained weak demand combined with poor capital discipline from Chinese producers resulted in weak performance and ultimately a loss of conviction for both **SolarEdge Technologies** and **Xinyi Solar**. The latter had also rallied meaningfully following Chinese stimulus. Similarly, **Vestas**, a maker of wind turbines, reported successive results with disappointing margins. These were driven by accounting adjustments from its services division, historically seen as a superior quality business relative to peers. With lingering questions about margin recovery, increased Chinese competition and management quality, the managers exited the position.

Conversely, the trajectory of IEM's Life Sciences companies provided an almost exact mirror image. **Repligen**, a maker of products and solutions for the bioprocessing industry, entered the year assuming continued sales weakness would prevent it being able to raise prices. Yet by Q3, more supportive demand, combined with product differentiation and a push into more commercial customers, enabled the company to boost its operating margin by 1%.

Shares in **Spirax Group**, a supplier of specialised industrial heat solutions, also inflected towards year end. Sustained weakness in Watson Marlow – its peristaltic pump division with significant bioprocessing exposure – had been compounded by softer industrial demand, particularly in China. Here too though, a November trading update indicated a return to growth despite these challenges.

Industrial production remains weak globally, and companies which experienced super-normal demand during COVID have faced lengthy inventory destocking periods. While some of these are now normalising, holdings with weak cyclical end markets accounted for the second largest source of negative returns. These include manufacturers of electrical components such as **Littelfuse** (a maker of circuit protection), **LEM** (maker of transducers) and **DiscoverIE** (a specialist industrial manufacturer). Amid weaker demand for their products, these companies have been active in cutting costs to protect margins. More optimistic forward guidance in Q4, notably from DiscoverIE, provided a late boost to the shares, demonstrating their recovery potential when market dynamics change.

Portfolio Positioning and Activity

As at 31 December 2024, the Company holds a diversified portfolio of 60 listed companies. Since the half-yearly financial report was published, the investment managers have focused on upscaling the weight of its top ten holdings, consolidating into high conviction positions and exiting sub-scale positions with limited near-term visibility. Doing so has proved beneficial, with a 22.6% turnover over the full year making a 1.1% positive contribution to performance.

Manager's Report continued

New holdings	Holdings sold[1]
Bentley Systems Inc	Dialight
Boralex Inc	Cryoport
Cognex Corp	Eurofins Scientific
CATL	Indraprastha Gas
nVent Electric Plc	Shimano Inc
Waste Connections Inc	SolarEdge Technologies
Xylem Inc	Stericycle Inc
	Terna Energy
	Vestas Wind Systems
	Xinyi Solar Holdings
	Badger Meter

In general, the investment managers aim to strike a balanced weighting between cyclicals and defensives, even if the nature of IEM's investable universe skews towards the former. Since the half-yearly financial report, the weight in defensives has moderately increased. Rather than any concerted macro call, the move reflects an ability to source ideas from across Impax's platform of analysts and investment managers. Given attractive valuations across Environmental Markets, many of these are stable businesses harnessing long-term growth which typically trade at a premium but are currently presenting opportunities to initiate.

The first group of transactions were related by virtue of the investment managers' valuation discipline. In July, IEM exited its position in **Shimano**. Shares in the Japanese maker of bicycle components had risen sharply, presenting limited medium-term upside. This calculus was partly informed by a product malfunction and allegations of forced labour at a company supplier. Taken together, this presented an unfavourable combination of risk and reward.

Valuation discipline also informed the exit of water meter company **Badger Meter**. Badger was held in IEM's portfolio for over two decades, delivering consistently strong contributions to performance. However, its valuation reached a point where the investment managers saw little further upside. The proceeds were used to initiate a position in **Xylem**, a water infrastructure provider with some product overlap. Shares in Xylem weakened sharply after Q3 results, trading at circa 40% below its peak multiple set in 2021. This created an entry point in a company which continues to expect stable revenue growth and robust cash flows.

Longer than expected inventory destocking has weighed on industrial stocks like **Dialight**, a lighting specialist, as well as IEM's bioprocessing companies. In addition, conversations with the management of **Cryoport** raised concerns around capital allocation. As a result, the investment managers sold the position in favour of existing holding **Repligen**, a company focused on bioprocessing equipment and solutions. The Manager exited its position in **Indraprastha Gas**, an Indian provider of natural gas. Regulatory changes are increasingly pushing for electrification of IPG's key transportation end-market, fundamentally changing the investment thesis.

Further consolidation took place across IEM's renewables holdings. This consisted of selling holdings where lower than expected business quality has added to the pressure of sustained high interest rates and soft power prices. Proceeds were reallocated to IPPs which, similar to when **Contemporary Amperex Technology** ("CATL") was purchased in February, traded on low valuations relative to history and were not reliant on US growth for their investment case. Thus **Vestas Wind Systems** (a wind turbine manufacturer), **Xinyi Solar** (a maker of solar glass) and **SolarEdge Technologies** (a producer of solar optimisers) were sold to initiate a position in **Boralex**. Shares in the latter, a Canadian-listed IPP, pulled back in the wake of Donald Trump's election in November, despite the US accounting for a relatively small amount of its 6.4GW pipeline, which is spread across Canada, France and the Northeastern US.

The Manager sold its position in **Eurofins Scientific**, an environmental testing company listed in France. Due to a changing business mix, company revenues fell below Impax's 50% environmental markets revenue threshold.

The Manager's third series of transactions focused on increasing IEM's exposure to digital infrastructure. Having purchased **Cognex**, a maker of machine vision systems in the first half of the year, the investment managers initiated a position in **Bentley Systems**. They are a provider of software for the planning, construction, and maintenance of infrastructure. The company's relatively low cost to clients and subscription-based business model ensures a high level of retention, with construction one of the sectors least penetrated by software adoption.

Separately, **nVent Electric**, a provider of electrical products and solutions, was bought. Following the disposal of its Thermal Management business, the company is split 60/40 between two divisions: Enclosures, and Electrical & Fastening Solutions. The former provides storage and cooling products for data centres, where the latter connects electrical components in buildings. With strong market leadership across several niche segments, nVent has a track record of delivering robust margins. The shares traded well below peers and in line with broader industrials at the time of purchase.

Finally, the investment managers also made several changes to the portfolio following strong share price rallies driven by M&A. While the proceeds of **Terna Energy's** disposal were reallocated across the portfolio, profits from **Stericycle** were used to initiate a position in **Waste Connections**. This is a US-based solid waste disposal and recycling company that has also moved into renewable natural gas. By targeting markets where

1 Holdings fully disposed of.

it enjoys exclusivity or minimal competition. It benefits from high route density, low capex needs and long-lasting contracts. It targets a defensive growth model through a combination of pricing and asset acquisition. As a result, the stock trades at a justified premium to peers.

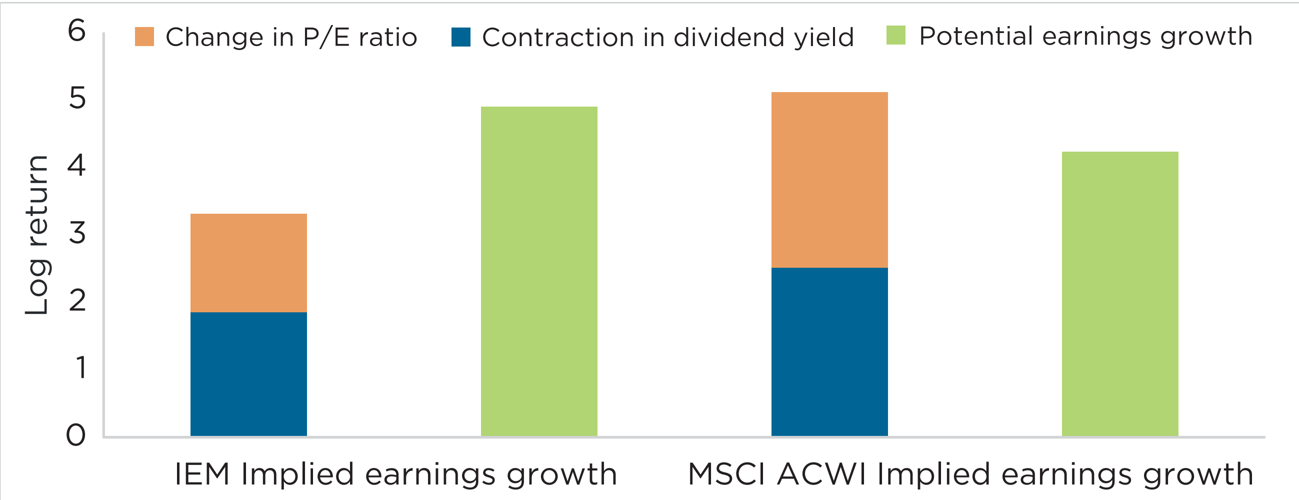
Valuation, Growth and Gearing

Over the course of 2024, IEM's portfolio occupied a relatively narrow valuation range as measured by its next 12 months' (or forward) price-to-earnings ("PE") ratio. Indeed, having started the year at 20.7x, the portfolio ended on 20.2x. This is only slightly above IEM's historical ten-year average, despite IEM having steadily increased its holdings in more highly valued sectors such as Technology and Health Care. The investment manager's view this as evidence that not only are global equity markets pricing in sentiment headwinds across overtly "sustainable" companies, but that markets also continue to overly discount smaller companies relative to their larger peers.

Sector headwinds notwithstanding, over the past ten years the portfolio's implied annualised earnings growth (or estimated future growth rate) of 4.9% is ahead of the MSCI ACWI's 4.2%. However, the portfolio's tilt towards pro-cyclical, mid and small-cap stocks means that when macroeconomic conditions place these segments of the market out of favour, short-term relative returns can be impacted. This is reflected in the sharp contraction of IEM's P/E multiple over the year, even as that of the MSCI ACWI has expanded. While the fundamental performance of IEM's holdings has been robust, this has not been rewarded by broader equity markets.

While past performance does not predict future returns and forecasts are not always certain, the bar chart below shows the potential earnings growth (green bars) of the companies in which IEM is invested over the next 10 years, as suggested by movements in share prices of those companies.[1] This in turn suggests that IEM has a higher potential upside following the recent strong performance of the MSCI ACWI.

10 Year Implied Earnings Growth – Gross returns



Source: Bloomberg and Impax. As at 31 December 2024.

Further proof of this can be seen in the relative premium at which the portfolio trades relative to the MSCI ACWI. The forward PE for this index rose steadily over the course of the year, reaching 17.9x by December. As a result, IEM's valuation premium has steadily declined to 13.3% by the end of 2024, even as forward earnings growth remains meaningfully higher than the broader market. With shares in IEM trading at a further discount, the investment managers believe this makes a compelling offering for prospective shareholders, as well as those looking to increase existing positions.

Since the most recent renewal of the Company's borrowings (as referenced in the Chairman's Statement), gearing has been a modest 0.16% detractor from performance but has enabled the portfolio to more fully participate in the breadth of opportunities across Environmental Markets as a whole, with the potential upside to come. Overall, the investment managers remain comfortable operating within a gearing framework of up to 10% of net assets.

1 This is derived from a "log return" refers to a method of calculating the percentage change in an asset's value over a period of time by taking the natural logarithm of the ratio between its current price and its previous price, essentially representing a continuously compounded rate of return, where the compounding effect is fully accounted for; this makes it a more accurate measure compared to simple returns when analysing price changes over time.

Manager’s Report continued

Outlook

There has been a clear shift in the market narrative. Performance has broadened beyond a narrow group of mega-cap technology stocks. US exceptionalism has given way to stronger performance for Europe and China. Notably, shares in electric vehicle manufacturer Tesla – the only "Magnificent Seven" stock which falls within IEM's investable universe – have fallen more than 40%. The move reflects some of the investment managers' concerns about valuation and governance risk, which drove their decision not to invest. At the time of writing, this is favourable to IEM's portfolio, which is overweight Europe, has 99% active share and holds many attractively valued stocks recovering from cyclical headwinds. Current volatility is also creating opportunities for active managers to initiate positions in companies harnessing long-term structural trends.

Artificial Intelligence remains a powerful force that will shape many industries. However, some companies delivering that change are spending hundreds of billions to do so, without the earnings growth to justify it. Elevated valuations, and the prospect of falling interest rates, means investors are tactically reallocating to cheaper areas of the market with comparable earnings potential.

US economic confidence is weakening. Donald Trump's willingness to deploy tariffs for geopolitical, as well as economic ends is driving up consumer and manufacturing uncertainty. As a result, Conference Board indicators are falling to recessionary levels[1], PMIs are pulling back[2] and growth expectations are weakening. The outlook for tariffs and trade wars remains volatile and uncertain. We remain in close contact with portfolio holdings on plans and scenarios to navigate this uncertain period but – like them – are avoiding knee jerk reactions until more clarity emerges.

Conversely, European stocks are benefiting from multiple tailwinds. Valuations were and remain more attractive, with Europe’s Stoxx 600 trading at 14.2x forward price to earnings (PE) at the start of the year, compared to the S&P 500’s 24.0x. Inflation in the EU is at 2.4%, trending downwards, and the ECB has cut interest rates twice.[3] A possible end to the Russian/Ukraine war may also lower energy prices and instigate a c.$486 billion rebuilding programme.[4] Lastly, US isolationism has galvanised European political action, with Germany advocating a 500bn EUR infrastructure fund (of which 20% will likely be allocated to Environmental Markets), looser state debt rules and a 150bn EUR EU-wide rearmament package. These actions have potential to accelerate economic growth in the EU, where IEM is c.18% overweight vs MSCI ACWI.

The events of 2025 so far this year are testament to the limited value of macroeconomic prognostication. Within IEM, the investment managers focus on purchasing well-run companies, harnessing structural trends driven by economic need, at reasonable valuations. Long-term themes such as electrification, digitalisation and adaptation to climate change are transitions which cut across sectors and will continue regardless of which political party is in office. This is a compelling time to be invested in an investment trust that is highly differentiated from concentrated global equity indices and continues to trade at a c.10% discount to NAV.

Investment Managers

Jon Forster

Fotis Chatzimichalakis

Bruce Jenkyn-Jones

2 April 2025

1 US Consumer Confidence.
2 February 2025 Manufacturing ISM® Report On Business®.
3 Source: Bloomberg as at 11 March 2025.
4 Pricing Ukrainian Reconstruction | German Marshall Fund of the United States.

"This is a compelling time to be invested in an investment trust that is highly differentiated from concentrated global equity indices."

Ten Largest Investments

As at 31 December 2024

1

3.4%

of net assets (2023: 2.6%)

PTC - United States | www.ptc.com

PTC produces industrial software used in computer-aided design and product lifecycle management, with leading market shares in both segments. PTC's software is a critical day-to-day tool for product engineers and deeply embedded in the digital backbone and processes of many companies. Research suggests that a product's lifetime environmental impact is largely determined during the design stage. At the same time, by removing the need for physical prototypes, the environmental impact of the design process itself is minimised.

2

3.2%

of net assets (2023: 1.6%)

TRIMBLE - United States | www.trimble.com

Trimble is a leading provider of software and hardware for the construction and transportation industries. Through its joint venture with AgCo, the company is also involved in sustainable agriculture. Trimble's suite of construction software gives engineers a central resource from which to design, schedule and execute the build-out of projects. Its transportation services use GPS data, as well as vehicle monitoring systems, to optimise driver safety and route planning. Both sectors remain highly under-digitised, and in construction Trimble claims that its solutions can contribute efficiency gains of up to 50%, and cost savings of up to 30%. Correspondingly, this translates to improved resource consumption by end clients.

3

2.9%

of net assets (2023: 2.3%)

CLEAN HARBORS INC - United States | www.cleanharbors.com

Clean Harbors is a market leader in the US hazardous waste sector with a strong market position and pricing power. The company provides collection, transportation, recycling, treatment and disposal services as well as holding dominant positions in waste to energy plants. In the latter, new permits are increasingly rare creating high barriers to entry. It is also a leading responder to emergency clean–ups, for example following extreme weather events such as hurricanes, fires and flooding.

4

2.8%

of net assets (2023: 2.1%)

BRAMBLES LTD - Australia | www.brambles.com

Brambles is an Australian logistics solutions company which focuses on the outsourced management of reusable pallets, crates and containers. It is the global leader in the pallet and container pooling business, with over 850 service centres and dominant market share in most global markets, which gives Brambles scale benefits and creates significant barriers of entry to its competitors.

5

2.8%

of net assets (2023: 2.2%)

REPLIGEN CORP - United States | www.repligen.com

Repligen Corporation is a bioprocessing company focused on the development, production, and commercialisation of innovative products used to manufacture biologic drugs. Biological drug manufacturing is one of the fastest growing areas of healthcare, and Repligen's products improve the flexibility and resource efficiency of this process. The Company's customers include life sciences companies, global biopharmaceutical companies, and contract manufacturers worldwide.

6

2.5%

of net assets
(2023: 1.5%)

DESCARTES SYSTEMS - Canada | www.descartes.com

Descartes is a software technology company with solutions to help companies better manage logistics and supply chains. High recurring revenue percentages, low capital intensity, consistent earnings growth, strong cash flow generation, and impressive returns on capital make Descartes an attractive solution provider.

7

2.5%

of net assets
(2023: 2.2%)

DSM-FIRMENICH - Netherlands | www.dsm-firmenich.com

DSM-Firmenich is a leading producer of specialty chemicals spanning consumer products, healthcare and agriculture. Its products cater to end-users looking for more natural ingredients, a superior nutritional profile, and/or more sustainable agriculture. Historically, the company's diversified end markets and high value-add products have supported high returns on capital, strong free cashflow generation and lower earnings volatility.

8

2.4%

of net assets
(2023: 2.1%)

LITTELFUSE INC - United States | www.littlefuse.com

Littelfuse sells fuses, and other circuit protection devices, for use in the automotive, electronics and general industrial markets. As the global economy becomes increasingly electrified, Littelfuse's products have a vital role to play in ensuring the safety and precision of its systems. Improving the sensitivity, control and protection within circuits can enhance their long-term efficiency.

9

2.4%

of net assets
(2023: 2.2%)

ORMAT TECHNOLOGIES INC - United States | www.ormat.com

Ormat is a leading provider of geothermal technology and plant operations, with a track record spanning over 55 years. The company's low-temperature technology has competitive advantage for the exploitation of future geothermal resources worldwide. As an energy source, geothermal is appealing for base load generation, especially – although not exclusively – in those countries focused on lower greenhouse gas emissions.

10

2.4%

of net assets
(2023: 2.0%)

ALTAIR ENGINEERING INC - United States | www.altair.com

Altair is a leading provider of design and simulation software. The company has a subscription-based revenue model. Combined with its relatively low cost to clients, and high value-add, this ensures sticky sales and pricing power. The company recently announced it would be acquired by Siemens.

Details of Individual Holdings

All shares are ordinary shares unless otherwise stated.

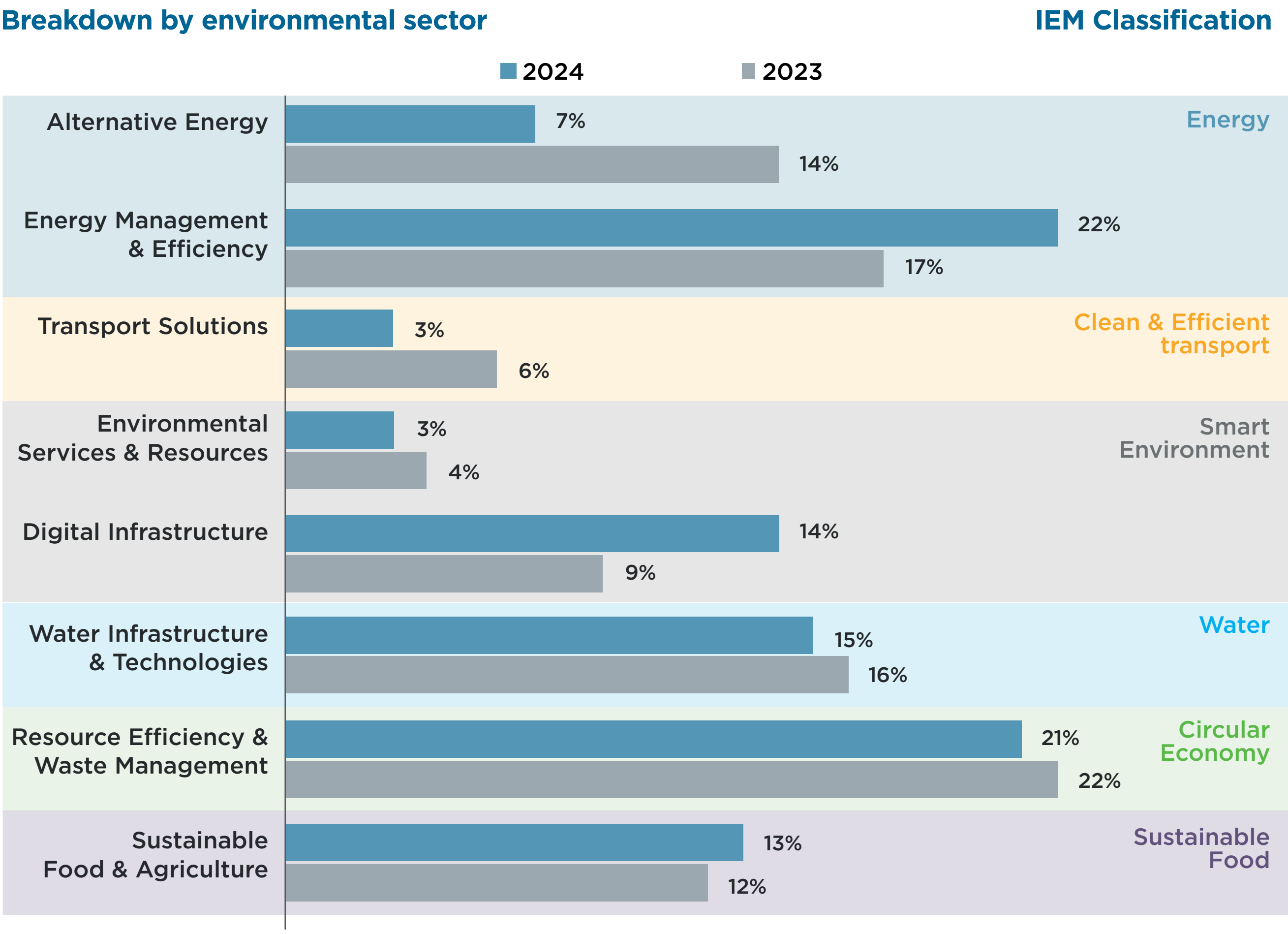
At 31 December 2024 Company	Sector	Country of main listing	Market value £'000	% of net assets
PTC	Efficient IT	United States	35,269	3.4
Trimble	Efficient IT	United States	32,631	3.2
Clean Harbors	Hazardous Waste Management	United States	29,449	2.9
Brambles	Resource Circularity & Efficiency	Australia	28,759	2.8
Repligen	Resource Circularity & Efficiency	United States	28,379	2.8
Descartes Systems Group	Efficient IT	Canada	26,221	2.5
DSM-Firmenich	Sustainable Agriculture	Netherlands	25,476	2.5
Littelfuse	Industrial Energy Efficiency	United States	25,124	2.4
Ormat Technologies	Renewable Energy Developers & IPPS	United States	24,720	2.4
Altair Engineering	Efficient IT	United States	24,634	2.4
Top ten holdings			**280,662**	**27.4**
Aalberts	Water Distribution & Infrastructure	Netherlands	24,553	2.4
Spirax Group	Industrial Energy Efficiency	United Kingdom	23,899	2.3
Kingspan Group	Buildings Energy Efficiency	Ireland	23,411	2.3
Mondi	Food Safety & Packaging	United Kingdom	22,813	2.2
Pentair	Water Distribution & Infrastructure	United States	22,747	2.2
Prysmian	Smart & Efficient Grids	Italy	22,595	2.2
Rayonier	Sustainable Forestry	United States	22,352	2.2
Generac Holdings	Power Storage & Ups	United States	22,154	2.2
Dabur India	Recycled, Recyclable Products & Biomaterials	India	22,128	2.1
Stericycle	Resource Circularity & Efficiency	United States	22,042	2.1
Top twenty holdings			**509,356**	**49.6**
American Water Works	Water Utilities	United States	21,783	2.1
Rational	Technology & Logistics	Germany	21,358	2.1
Monolithic Power Systems	Efficient IT	United States	21,299	2.0
DiscoverIE Group	Industrial Energy Efficiency	United Kingdom	20,998	2.0
Borregaard	Recycled, Recyclable Products & Biomaterials	Norway	20,352	2.0
Contemporary Amperex	Advanced Road Vehicles & Devices	China	19,337	1.9
Graphic Packaging	Food Safety & Packaging	United States	18,978	1.8
AZEK	Recycled, Recyclable Products & Biomaterials	United States	18,843	1.8
Advanced Drainage Systems	Water Distribution & Infrastructure	United States	18,656	1.8
Corbion	Sustainable Agriculture	Netherlands	18,370	1.8
Top thirty holdings			**709,330**	**68.9**
Northland Power	Renewable Energy Developers & Ipps	Canada	18,113	1.8
Bentley Systems	Efficient IT	United States	17,704	1.7
Bucher Industries	Technology & Logistics	Switzerland	17,431	1.7
EDP Renovaveis	Renewable Energy Developers & Ipps	Portugal	17,368	1.7
CIA Saneamento Basico	Water Utilities	Brazil	17,223	1.7
Veralto	Environmental Testing & Monitoring	United States	17,179	1.7
Croda International	Recycled, Recyclable Products & Biomaterials	United Kingdom	17,062	1.7
Xylem	Water Distribution & Infrastructure	United States	16,819	1.6
Shenzhen Inovance	Industrial Energy Efficiency	China	16,649	1.6
Watts Water Technologies	Water Distribution & Infrastructure	United States	16,582	1.6
Top forty holdings			**881,460**	**85.7**

At 31 December 2024 Company	Sector	Country of main listing	Market value £'000	% of net assets
Coway	Water Treatment	South Korea	16,556	1.6
Lennox International	Buildings Energy Efficiency	United States	16,509	1.6
Waste Connections	General Waste Management	United States	15,042	1.5
Advantech	Industrial Energy Efficiency	Taiwan	15,036	1.5
Boralex	Renewable Energy Developers & Ipps	Canada	14,448	1.4
Signify	Efficient Lighting	Netherlands	13,962	1.4
Darling Ingredients	Recycling & Waste Technologies	United States	13,933	1.3
Donaldson	Transport Pollution Reduction	United States	13,861	1.3
Herc	Resource Circularity & Efficiency	United States	13,427	1.3
nVent Electric	Smart & Efficient Grids	United States	12,356	1.2
Top fifty holdings			**1,026,590**	**99.8**
Cognex	Industrial Energy Efficiency	United States	12,098	1.2
Porvair	Pollution Control Solutions	United Kingdom	11,522	1.1
Blackline Safety	Environmental Testing & Monitoring	Canada	9,264	0.9
NIBE Industrier	Buildings Energy Efficiency	Sweden	9,187	0.9
Norma Group	Water Distribution & Infrastructure	Germany	8,647	0.8
Lenzing	Resource Circularity & Efficiency	Austria	8,071	0.8
Lem	Industrial Energy Efficiency	Switzerland	7,812	0.8
Amiad Water Systems	Water Treatment	Israel	2,700	0.3
Shoals Technologies Group	Solar Energy Generation Equipment	United States	2,547	0.2
Zurn Elkay Water Solutions	Water Distribution & Infrastructure	United States	840	0.1
Portfolio total (sixty holdings)			**1,099,278**	**106.9**
Cash			13,405	1.3
Net current liabilities excluding cash			(35,168)	(3.4)
Non-current liabilities			(49,431)	(4.8)
Net assets			**1,028,084**	**100.0**

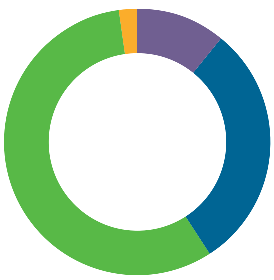
Structure of the Portfolio

As at 31 December 2024

Breakdown by environmental sector

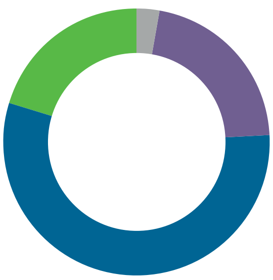


Breakdown by region



- Asia Pacific, 11%
- Europe, 30%
- North America, 57%
- Rest of World, 2%

Breakdown by market capitalisation



- Micro Cap (less than US$0.5bn), 3%
- Small Cap (US$0.5bn to US$5bn), 21%
- Mid Cap (US$5bn to US$20bn), 55%
- Large Cap (US$20bn to US$200bn), 20%

Environmental Markets

Why are environmental markets likely to outperform?

The world is facing growing environmental challenges. The Manager, Impax Asset Management (AIFM) Limited (the "AIFM" or "Impax"), and the Board both believe that companies providing solutions to help deliver basic needs in a cleaner, more efficient manner and mitigate negative environmental impact 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 while temporary headwinds can impact short-term returns, these can be weathered by shareholders focused on long-term value. Additionally, sectors like environmental markets that have long-term sustained earnings growth, should ultimately outperform 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 improving resource efficiency or providing innovative solutions to environmental challenges. IEM's investment opportunity set is also expanding as technology develops, regulations tighten, and consumer preferences accelerate demand. The Board and the Manager believe this can deliver superior risk-adjusted returns over the long-term.

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, 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 uninterruptible 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	
Adaptation healthcare	

Water

Water Infrastructure & Technologies
Distribution & infrastructure
Treatment
Efficiency
Utilities

Circular Economy

Resource Efficiency & Waste Management
General & hazardous waste management
Recycling & waste technologies
Recycled products & biomass
Resource circularly & efficiency

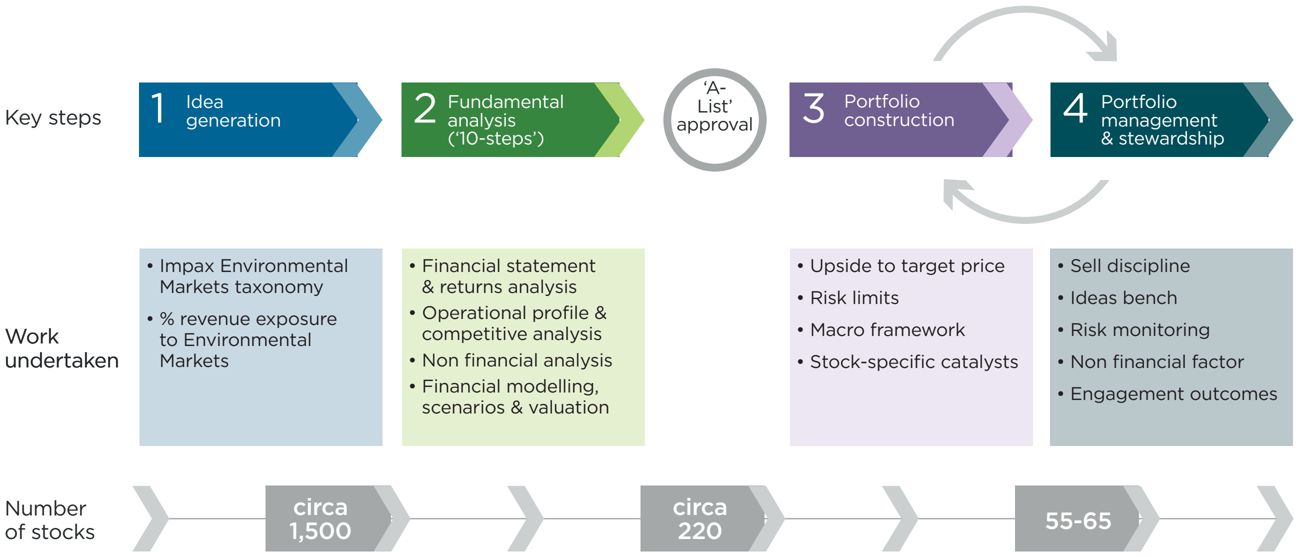
Sustainable Food

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 2024.

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 2024, the IEM portfolio's weighted average revenue exposure to Environmental Markets was approximately 76%.

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 other non financial factors. The latter is a key tool for identifying quality businesses and managing material risks, conducted in accordance with IEM's 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

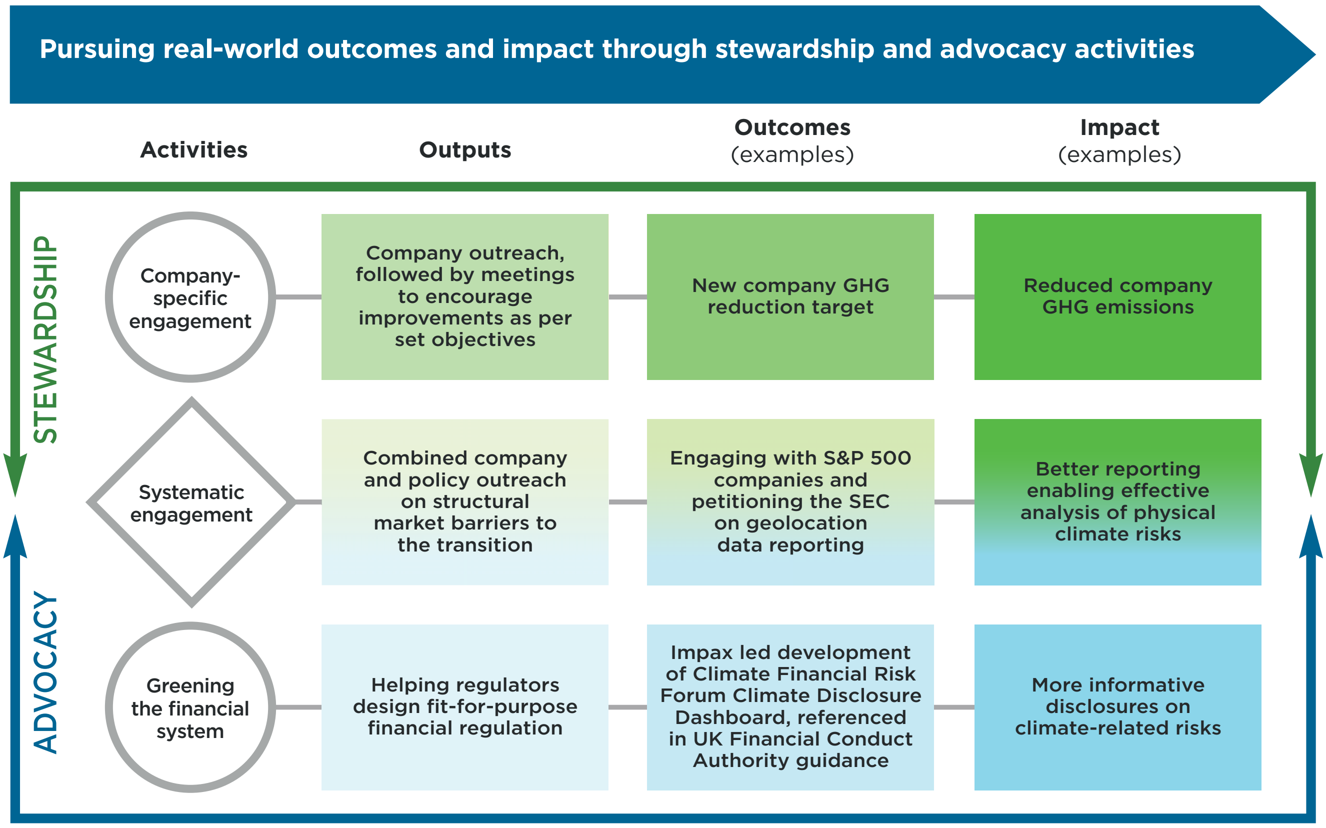
Impax maintains an active dialogue with the executive management of all companies held in the portfolio. Stewardship through active engagement and proxy voting are an important component of the investment process. Impax believes that it is in investors' interests to promote greater transparency around 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 2024, 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 40.

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 40 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 40 for engagement statistics for the Company.

Impax's net-zero initiatives

Impax remains a committed member of the Net Zero Asset Managers ("NZAM") initiative since 2021, which 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. 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.

In 2024 Impax updated its guidance on assessing net zero alignment of companies, as part of its proprietary approach to assessing transition climate risk management. The updated guidance reflects and aligns with the Net Zero Investment Framework 2.0 and is informed by latest industry guidance on assessing corporate climate transitions. This guidance will form the basis of how Impax will report on progress towards its net zero commitment under the NZAM initiative in future years.

Further information on how Impax views environmental metrics can be found on page 37.

Impax Reports and Insights

REPORTS

Impax publishes IEM specific reports that can be found on the IEM website. These include the following:

- Impax Environment Markets TCFD Report – Whilst IEM has produced its own Environmental Impact Report containing emissions and transition data for the last several years, 2024 marked the first year that Impax, as the Manager, was required to publish an IEM specific TCFD report. This report has a wealth of information and metrics on sustainability particular to IEM including further information on the impact metrics provided on pages 35 to 40 in this report.
- Sustainability Report – This report focuses on IEM's impact on the environment and society. It has been developed to provide shareholders with a view on how the Manager thinks about sustainability holistically across both risks and opportunities. More information on how the Manager defines impact can be found on page 35.

Insights

Impax also publishes white papers relevant to IEM on it's website. Topics over the last year covered areas such as AI, the tech boom in Asia and investing in the addressing of biodiversity loss.

Engagement with Clean Harbors, US – Climate Risk Net Zero Transition

Impax has engaged with Clean Harbors (2.9% of the portfolio) since 2018 on a wide range of sustainability issues and business risks. In line with Impax's NZAM commitment, Impax targeted several investee companies with material climate-related risks to improve their management processes. The Manager has communicated to IEM's investee companies the intention to increase expectations in coming years.

Objectives

1.
Calculate and disclose Scope 1 & 2 emissions (achieved)

2.
Calculate and disclose Scope 3 emissions (in progress)

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

Clean Harbors has made progress in disclosing its GHG emissions and is currently establishing a more holistic Scope 3 baseline.

The company has achieved emissions intensity reductions (Scope 1+2/revenues) since 2019, with a focus on improving resource and energy efficiency at its new incinerators and sites.

Impax continues to discuss the establishment of science-based emissions reduction targets with the company but given recent acquisitions, management's current focus is on improving 'net climate benefit' (avoided emissions) by 2030 while reducing emissions intensity.

Annual Spotlight:

AI's Double-edged Role in the Sustainability Revolution

The development of artificial intelligence ("AI") is already disrupting entire sectors. It is also creating many wide-ranging opportunities for investors, from the makers of chips to software companies, to almost every company, including the industrial giants, harnessing its power. Yet AI's rapid growth has come at a high cost in terms of increased electricity and water consumption, with a direct impact on global aspirations to conserve the earth's resources. Investors have the potential to benefit from the structural growth opportunities of both AI's direct application and the solutions it presents.

The scale and scope of the AI revolution

The AI revolution is driven by three key factors:

First, the explosion of digital data from various sources (including social media, the internet of things and business transactions) has provided the raw material needed to train complex AI models. According to McKinsey, the amount of digital data in the world doubles every three years, and global data creation is projected to reach more than 394 zettabytes by 2028.[1,2]

Second, advances in graphics processing units ("GPUs"), technology, cloud computing and specialised AI hardware have made it possible to train large-scale models that were previously unimaginable. GPUs are becoming ever more efficient and less costly – a 2022 GPU was able to manage approximately 64 times as many calculations per second, per dollar, as a 2008 model.

Third, innovations in AI, such as transformers and large language models, have drastically enhanced its ability to understand and generate realistic human-like content.

AI's role in enabling climate solutions

Although as a society we have only scratched the surface of potential use cases for AI, it is already proving invaluable in enabling climate solutions. This brings a number of high-growth companies with robust margins across sectors into IEM's investable universe. Below, this article focusses on three examples: energy efficiency, environmental technologies and weather forecasting. For the first two, AI can help reduce emissions and resource use, while for the latter it can contribute to climate adaptation and resilience.

1) Energy efficiency

Understanding the complex dynamics that determine building energy use is crucial to the efficient operating of heating, ventilation and air conditioning systems. AI tools can also help to simulate how building occupancy, structure, design and the weather interact to affect thermal flow, and to predict how it may change. The essential nature of these operations also creates a tendency for revenue to recur (or "stickiness") which is highly attractive to long-term shareholders.

Bentley Systems (United States, 1.7% of portfolio) leverages AI to build digital twin models for infrastructure assets and help manage them during their lifecycle. These models can overlay the design blueprints with real-time data around building occupancy, structural integrity and weather conditions. By utilising vast data from connected sensors, Bentley Systems software can unlock operational efficiencies and energy savings.

Source: Bentley Systems, 2024

Meanwhile, in transport, AI is being used to optimise routing for global logistics. **Descartes Systems** (Canada, 2.5% of portfolio), for example, uses AI and machine-learning techniques to reduce miles and emissions, whilst predictive analytics and dynamic scheduling allow for same-day delivery promises and adjustments. Companies using their software can also enhance fleet performance, leading to cost savings, improved operational efficiency and ultimately greater margins.[3]

2) Environmental technologies

Research suggests that a product's lifetime environmental impact is largely determined during the design stage.[4] AI is helping to develop more efficient clean technologies and to reduce the impact of existing technologies.

Altair Engineering and PTC (United States, 2.4% and 3.4% of portfolio, respectively) are leading computer assisted design and simulation companies. By integrating AI-driven predictive analytics and data management into their existing software, customers can further optimise product performance and sustainability throughout their lifecycle. At the same time, by removing the need for physical prototypes, the environmental impact of the design process itself is minimised. Predictive analytics can similarly help maintain equipment by predicting failures before they occur, reducing downtime and maintenance costs.[5]

These capital light software companies are therefore central to their clients' operations. Combined with their subscription-based business models and low relative cost, the stocks give IEM's portfolio valuable exposure to above GDP growth through economic cycles.

3) Weather forecasting

AI is proving particularly powerful in forecasting the behaviour of complex systems. In weather forecasting,

1 Over the next five years up to 2028.
2 Reinsel, D. et al, November 2018: The Digitization of the World From Edge to Core, IDC. To put that another way, one zettabyte is one billion trillion bytes, equivalent to over 12 million 4K videos.
3 Descartes, 2024: 6 Ways Machine Learning Can Improve Fleet Performance.
4 https://www.mckinsey.com/capabilities/operations/our-insights/product-sustainability-back-to-the-drawing-board.
5 Furbush, J., 2020: Artificial Intelligence Helps Boost Manufacturing Capabilities, Cognex.

AI models have proved more able than supercomputers to accurately predict weather events, and in a fraction of the time.[1] Such forecasting has applications across the economy, but particularly in improving areas such as insurance pricing and agricultural productivity. AI models can also help better predict the long-term impacts of climate change, and so guide decisions on adaptation-related investments.

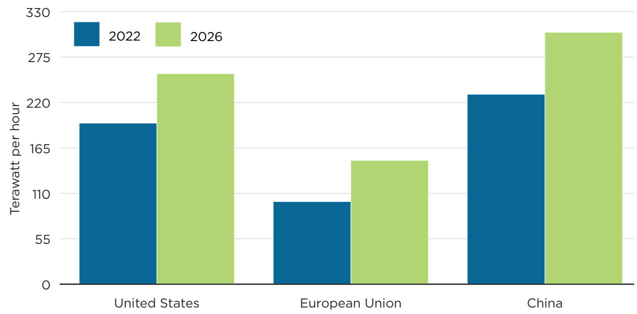
These models are being increasingly adopted by insurance and reinsurance companies. Over time, as climate-related activities become a greater proportion of their total business, these financial stocks will grow within IEM's investable universe.

Meeting the resource efficiency challenge

The benefits promised by AI must be weighed against the sectors own environmental impact. Morgan Stanley estimates that demand from generative AI will grow at an annual average of 70% to 2027, by which point it will account for approximately 25% of all data centre energy consumption, which will itself roughly equate to that of Japan by 2026.[2,3]

AI's growing resource appetite

Estimated data centre electricity consumption in selected regions in 2022 and 2026



Source: International Energy Agency, 2024.

Industry is responding to the resource efficiency challenge by building hyperscale data centres. Having made sizeable commitments to net zero, many of their operators are also some of the largest investors in renewable energy. This is providing multi-year, structural growth drivers for independent power producers like **EDPR** (Portugal, 1.7% of portfolio), which generate the bulk of their power from offshore and onshore wind, as well as solar and hydroelectric plants.

Continued innovation in chip design will meanwhile be critical as AI's computational demands continue to grow. As a result, hardware companies providing the most energy efficient solutions present some of the clearest opportunities for Environmental Markets investors, both in terms of their sustainability impact, but also their prospects for shareholder return potential.

Monolithic Power Systems (United States, 2.1% of portfolio) specialises in creating thermally efficient semiconductors, which form part of power management solutions for various electronic systems. These include data centres, as well as industrial and consumer electronics, telecoms and autos. By providing solutions with high power density and efficiency, the company can reduce both electricity demand and carbon emissions.

Source: Monolithic Power Systems, 2024.

AI is also a thirsty business: its data centres need cooling and fabrication sites are water intensive. We expect demand for water-efficient and new cooling technologies to increase commensurately.[4] This rationale underpins the recent addition of **nVent Electric** (United States, 1.2% of portfolio) to the portfolio. With roughly 60% of the company focused on storage and efficient cooling products for data centres, the investment case combines robust margins, with a structural growth story predicated on resource efficiency.

Opportunities for economy-wide solutions

AI's positive applications and its rising consumption of power are intertwined with the broader challenge of decarbonising and building out power systems.

AI is increasingly being used to optimise the integration of renewable energy sources into the grid. For instance, AI algorithms can predict energy production from solar and wind sources more accurately, allowing for better load balancing and energy storage management.

As AI and other energy-intensive technologies grow, the existing energy grid will require significant upgrades to handle increased demand. Impax expects this to provide a strong source of structural demand growth for the likes of **Prysmian** (Italy, 2.2% of portfolio), a multinational producer of electrical cables and fibre optics that has dominant positions across high, medium and low voltage segments of the market.

Investments in smart grid technologies, such as AI-powered demand response systems and decentralised energy distribution, will also be essential to ensure the grid's reliability and efficiency in the face of these new challenges.

Conclusion

AI promises to make a significant contribution to developing the materials, technologies and business models needed to put the global economy on a sustainable footing. It is also likely to help drive innovative resource efficiency, as sector leaders reward chip makers and data centre operators whose products and services use less energy and water. Impax believes selective investors can look to tap into the structural growth opportunities arising from AI's direct applications, as well as the solutions it enables.

1 World Economic Forum, December 2023: AI can now outperform conventional weather forecasting – in under a minute, too.
2 Morgan Stanley, March 2024: Powering the AI Revolution.
3 International Energy Agency, January 2024: Electricity 2024: Analysis and forecast to 2026.
4 Impax Asset Management, January 2023: Quenching the semiconductor industry's thirst.

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, calculating the Weighted Average Carbon Intensity and monitoring exposure across the UN Sustainable Development Goals.

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 2023[1]

Based on £1m invested, companies held in the IEM portfolio contributed to:

	Total	Equivalent Annual Impact
Renewable electricity generated	253 MWh	70 Households' electricity consumption
Materials recovered/ waste treated	17 tonnes	17 Households' waste output
Water provided/saved/ treated	54 megalitres	422 Households' water consumption

Typically, Impax gathers Scope 1, 2, and 3[2] monitoring greenhouse gases ("GHG") emission data directly from company disclosures and/or via the Climate Disclosure Project ("CDP"). Where sufficient information is not available, companies are contacted to request additional information, which in some cases produces enhanced data. Impax uses third party estimates for missing Scope 1 and 2 GHG emissions. Impax does not use estimates for Scope 3 GHG emissions. Avoided GHG emissions arise from the portfolio companies' products and services. This data is sourced from the company directly or is calculated at the relevant individual company product level using a number of inputs to produce a conservative avoidance of GHG emissions figure. Such inputs may include volumes of products sold, product-level efficiency indicators vs regional baselines and regional grid efficiency factors.

GHG emissions impact of portfolio companies in 2023[1] (tCO_2)

Based on £1m invested, companies held in the IEM portfolio contributed to:

	Total
Total GHG emissions	492 tCO_2
Scope 1 & 2	129 tCO_2
Scope 3	363 tCO_2
Avoided GHG emissions	646 tCO_2

Avoided GHG emissions equivalent to: 461 cars taken off the road

1 Latest year available.

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.

ENVIRONMENTAL IMPACT - COMPANY EXAMPLE

Trimble

Efficient IT, United States (3.2% of portfolio)

Trimble is a leading provider of software and hardware for the construction and transportation industries. Through its joint venture with AgCo, the company is also involved in sustainable agriculture. After several divestments, Trimble is increasingly focused on growing high margin, sticky software revenues. Capital allocation is also becoming more disciplined, complemented by smaller M&A deals.

Trimble's products are designed to improve efficiency and enhance productivity in notably underpenetrated areas with high environmental footprints such as construction and agriculture. This can dramatically aid resource allocation as well as lowering energy consumption and emissions. Trimble continues to strengthen its sustainability efforts and disclosures, particularly with respect to climate and diversity. Following SBTi[1] approval of targets in August 2022, the company published its first TCFD[2] report, addressing physical risk and scenario analysis for the first time.

Through use of Trimble's products, customers cumulatively avoid emitting circa 700,000 tonnes of CO_2 each year.

Source: Trimble Carbon Disclosure Project 2023 and Impax estimates.

IEM Mapped to UN Sustainable Development Goals[3]

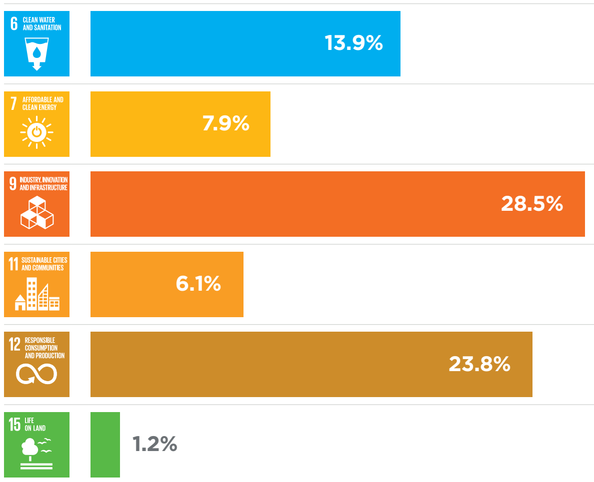
The UN Sustainable Development Goals ("SDGs") encompass 17 sets of targets to be met by the world's economies by 2030. The SDGs have been increasingly adopted by investors as a tool for evaluating impact outcomes.

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 – for implementation in 2025. 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 2024, IEM's greatest linkage was to goals 6, 9 and 12.

IEM has 81% revenue exposure to SDGs:



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

1 Science-Based Targets Initiative.
2 Taskforce for Climate-related Financial Disclosures.
3 Source: Impax Asset Management. IEM holdings as at 31 December and UNSDG classification metrics as at 31 December 2024. 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. However, Impax, as the Manager, is now required to publish an IEM specific TCFD report. This report can be found on the IEM website, www.impaxenvironmentalmarkets.co.uk.

IEM continues to be a keen supporter of the disclosure ambitions of both the TCFD and the Financial Reporting Council ("FRC"). This, IEM's fourth annual Climate Disclosure, reports what is relevant for IEM under each of the four pillars of TCFD. This voluntary disclosure is designed to 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 2024, the Board's Sustainability Reporting Committee met three times. 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. Additionally, the Board and the Manager agreed that the investment strategy which the Manager operates for IEM met the qualifying criteria of the FCA's Sustainability Impact label, which was applied by the Manager in November 2024. More information on the label can be found on page 61.

2. Strategy

IEM is founded on the investment opportunities arising from the transition to a more sustainable economy. These investment opportunities arise from 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, can grow earnings faster than the global economy over the long-term. 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 or adaptation solutions.

The strategy is not only about addressing risks, but also about identifying opportunities. Impax's work in this area is described on pages 27 to 29, 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 seeks to identify, assess and manage physical and transition risks that could undermine the performance of IEM's investee companies.

Climate risk assessment

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

Climate risk management

The Manager recognises that climate-related data is frequently based on estimates or proxy data and, as a result, provides an imperfect view of portfolio exposures or risks. The data relied on can also change materially from one year to the next, as data quality and availability improves, or estimation methods change. The Manager continues to engage companies on public disclosures that are relevant to investment decisions, advocate for harmonisation and greater standardisation of reporting practices within the financial industry, and work to make sure that the data used is as accurate as possible.

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 38.

Emissions are separated into Scopes 1 and 2 – which include direct and indirect emissions from energy produced and consumed by investee companies – and Scope 3 – which includes indirect emissions from investee companies' supply chains and products in use.

IEM Climate-Related Disclosure continued

Financed emissions

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

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: As at 31 December 2024. Emissions data sourced from Sustainalytics and revenue data from Bloomberg.

CO_2 emissions have been reported by IEM since 2015 and are shown in the Environmental Impact Report on page 35.

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 29.

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 the Manager's London office emissions to IEM, based on IEM's net asset value as a percentage of the Manager's London-managed assets. No Scope 3 emissions were attributable from Impax because it hosts all board meetings at its offices.

The Manager 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

	2024 attributable to IEM plc Kg CO_2e	2023 attributable to IEM plc Kg CO_2e
Scope 1&2	63	61
Scope 3	0	0
TOTAL	63	**61**

Source: Impax Asset Management, as at 31 December 2024.

IEM has Scope 3 emissions due to business travel. The CO_2 emissions for 2024 were 5,204 Kg CO_2e (2023: 5,120 Kg CO_2e).

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 2024.[4]

TARGETS: Operations related targets

The Board is pleased that Impax's London office is a certified 'green' building rated 'excellent' by the Building Research Establishment Environmental Assessment Method (BREEAM) and managed by an ISO 14001 aligned Building Management System. The Board's 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 operations-related climate and carbon metrics.

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.

2 WACI is the ratio of: tons of CO_2 equivalent carbon emitted (tCO_2)/revenues.

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.

4 https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024.

Transition Alignment of IEM portfolio

As discussed on page 30, 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 the Manager's 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 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[2]	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 reported 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.

Impax believes that climate action by financial institutions (including the adoption of net-zero targets) should focus on how to accelerate the climate transition in the real economy (for example, by encouraging companies to reduce emissions from their operations and supply chains), rather than on portfolio-level decarbonisation, which may not result in any reduction in global GHG emissions. Stewardship, including engagement with investee companies and effective proxy voting, is therefore a critical tool in pursuing real-economy decarbonisation.

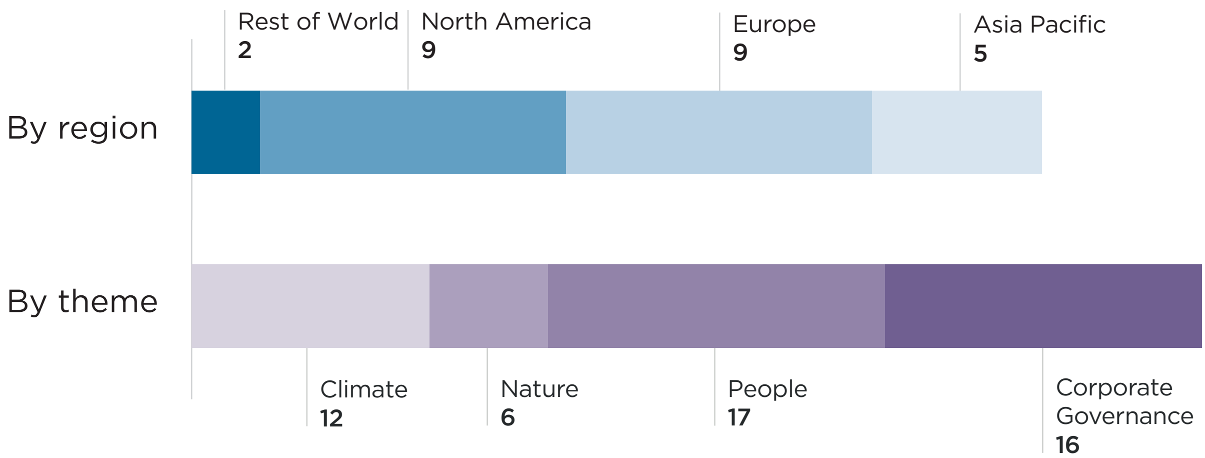
Engagement: Impax's engagement strategy has an enhanced effort in objective-led engagements with companies that do not yet have robust climate resilient and transition-aligned climate management and processes. The Manager increasingly seeks more systematic engagement opportunities; collaborative engagements, 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 Sustainability Centre for more information on methodology https://impaxam.com/impax-sustainability-centre/.
2 Latest data available.

IEM Stewardship, Engagement and Proxy Voting

33 engagement dialogues with 25 portfolio companies.



More than one theme was covered in some meetings, therefore the total sum of engagements will equal more than 33.

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 72 meetings and on 827 management resolutions and 7 shareholder resolutions. The Board regularly reviews the voting decisions made by Impax on IEM's behalf.

SUMMARY STATISTICS	2024
Total number of meetings where it was possible to vote	**72**
Number of meetings in which Impax voted	72
Number of meetings in which Impax voted (percentage)	100%
Number of management resolutions in which Impax voted	827
Number of management resolutions in which Impax voted against and/or abstained and/or withheld	90
Number of management resolutions in which Impax voted against and/or abstained and/or withheld (as a percentage of management resolutions voted)	10.9%
Number of shareholder resolutions in which Impax voted	7
Number of shareholder resolutions in which Impax supported	4
Number of shareholder resolutions in which Impax supported (as a percentage of shareholder resolutions voted)	57.1%

In the majority of cases Impax will decide to vote in line with investee companies' resolutions, Impax will vote against and/ or abstain from resolutions which are not consistent with Impax'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

LEM (Switzerland, 0.8% portfolio) is a producer of transducers, devices used to convert and measure electrical energy. The company occupies market-leading positions across its industrial and automotive end-markets.

Objectives:

1. Improve board gender diversity;
2. Improve remuneration disclosure; and
3. Incorporate sustainability targets into remuneration.

Progress and outcomes

Having previously engaged on these topics, Impax escalated discussions to involve LEM's Chair of the Board.

LEM acknowledged that gender diversity is poor, although added that a small board size and limited pool of candidates complicated the issue. Despite this, LEM appointed its first female board director in 2024.

On compensation, LEM confirmed its view that current disclosures are sufficient. However, payout limits for short-term incentive plans ("STIP") are not disclosed, with limited detail around performance metrics and targets. There are also no recovery or deferral provisions.

On long-term incentive plans targets are only partially disclosed, and individual remuneration is only disclosed for the CEO, there are no recovery provisions for the STIP, and there are no deferral provisions. As a result of Management's stance, Impax voted against LEM's Compensation Report at its September AGM.

In 2024, LEM appointed its first Head of Sustainability. In this role, Rodolphe Boschet is improving oversight of sustainability risk management, setting up Sustainability committees and enhancing reporting. LEM has also incorporated greenhouse gas performance metrics into STIPs.

Nature

DSM Firmenich (Netherlands, 2.5% portfolio) is a leading producer of specialty chemicals spanning consumer products, healthcare and agriculture. Impax has a lengthy history of engagement with the company due to its material dependencies and impacts on the environment, and has had good results from those earlier engagements.

Objective:

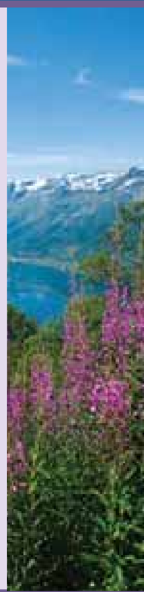
To secure greater disclosure from DSM around its nature-related risks/opportunities.

Progress and outcomes

DSM-Firmenich revealed that having initially focused on climate following its 2023 merger, management will prioritise nature going forward. This is exemplified by the appointment of their new VP, Head of Climate & Nature.

The company has committed to undertake a holistic assessment of its nature-related dependencies and impacts. While the company is not currently committing to align with any specific nature-related reporting frameworks, it is engaging with other companies and looking at best practice examples. It will also disclose high level findings and areas of focus in the first quarter of 2025. A more detailed action/implementation plan will follow. Impax will review these on their release.

DSM- Firmenich also committed to delineating more clearly the responsibility for nature at board and executive levels.



Climate

Waste Connections (United States, 1.5% portfolio) is a solid waste disposal and recycling company that has also moved into renewable natural gas. As a recent addition to the portfolio, this marked Impax's first engagement with management.

Objective:

To gain greater understanding about Waste Connections' plans to manage climate transition risk in future.

Progress and outcomes

In Impax's first engagement with Waste Connections, discussion primarily centred on target setting and initiatives to advance emissions reductions.

Unintended gas leaks from landfills account for most of the company's Scope 1 emissions. Similar to peers in the waste industry, Waste Connections struggles with measurement, although it is exploring research and tools to mitigate this. These include methane gas recovery systems.

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 investment 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 ("Apex" or the "Administrator"); depositary and custody services to BNP Paribas Securities Services ("BNP Paribas"); registrar services to MUFG Corporate Markets (formerly known as the Link Group) ("MUFG"); and the Company's broker is Winterflood Securities.

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 26.

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 2024

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 3 in the separate Circular and Notice of AGM.

Results and dividend

The Company's revenue return after tax for the year amounted to £12,095,000 (2023: £14,416,000). During the year, the Company paid a first interim dividend of 1.8 pence per share ("pps") (2023: 1.7 pps), totalling £4,623,000. On 30 January 2025, the Directors declared that the Company would pay on 7 March 2025 a second interim dividend of 3.20 pps (2023: 2.9 pps), totalling £7,470,000 based on the ordinary shares in issue at the record date, 7 February 2025. In total, the dividend paid for the year is 5.0 pps, an increase of 8.7% on the prior year total dividend of 4.6 pps.

The Company made a capital loss after tax of £32,741,000 (2023: capital gain of £34,081,000). Therefore, the total return after tax for the Company was a loss of £20,646,000 (2023: profit of £48,497,000).

Cancellation of share premium account

Following shareholder approval at the AGM on 20 May 2024 the Court pronounced the share premium account cancelled on 16 July 2024. This resulted in the amount of £423,098,334 being moved to distributable reserves.

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 9 incorporates a review of the highlights during year. The Manager's Report on pages 11 to 20 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 58. 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 10.3% during the year ended 31 December 2024 and within the discount range 7.2% to 17.5%. At the year end the shares traded at a discount of 9.8%. Since the year end to 31 March 2025, the latest practicable date prior to the publication of this report, the Company's shares have traded in the discount range of 7.9% to 11.5% with an average discount of 10.3%. 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 0.84% (2023: 0.83%). This is calculated in accordance with the AIC methodology and disclosed as an APM on page 100.

Investment performance to 31 December 2024

	1 Year	3 Years	5 Years	10 Years
NAV of the Company[1,2]	-0.4%	-11.4%	40.7%	177.7%
Share price of the Company[1,2]	-2.6%	-27.6%	21.3%	177.2%
MSCI ACWI[2]	19.6%	26.8%	70.8%	201.1%
FTSE ET100[2]	16.8%	10.3%	137.5%	325.2%

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 Alternative Performance Measures.
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 both global economic and geo-political risks, and those arising from armed conflicts amongst other risks. Updates on market impact and operational resilience were 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, including 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. The changing world order increases uncertainty. 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 ongoing wars in the Middle East and in the 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 60 companies and the largest holding represented 3.2% 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.	↔
The Company's objective and strategy do not continue to attract investors		
This risk includes, but is not limited to, the risk that the Company's anticipated growth of financial returns from environmental markets does not occur, that the environmental thematic decreases in relevance and that there is reversal of environmental policy. Companies operating in environmental markets 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. There is the risk that even though the Company's objective and strategy continues to be attractive to investors, a significant minority shareholder, whose interests are not aligned with the interests of other shareholders, could threaten the Company's long-term objectives.	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 and thereafter. 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. All shareholders have an opportunity to talk with the Board and the Manager at the AGM and can communicate with the Board at any time by writing to the Company's registered address or by email (details on page 103).	↑

Investment Policy, Results and Other Information continued

Potential risk	Mitigation	Trend
Strategic and business objective risks		
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. A wide discount can cause the shares of the Company to become attractive to activist shareholders, who may have a short term agenda which is not in the interests of all shareholders.	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. The power taken at the AGM is for a maximum of 14.99% of shares to be bought back. However, the Board has the option (which it exercised subsequent to the year end) to ask shareholders to authorise an additional number of shares be bought back. The risk rating was increased to reflect the widening of the discount; this occurring even though the Company bought back 14.7% of its share capital during the year.	↑
Continuation vote risk		
The risk that the continuation vote fails to be passed by shareholders. Additionally, that the vote is passed but there is a major vote against, potentially indicating that a significant minority of shareholders are dissatisfied with the Company. The risk that if the Company had a significant minority shareholder, this shareholder's vote could disproportionately affect the outcome of the vote if shareholder voting numbers were to be low.	The Board, the Company's broker and the Manager engage with major shareholders on an ongoing basis. All shareholders have an opportunity to talk with the Board and the Manager at the AGM, and to submit questions to the Board throughout the year by writing to the Company's registered address or by email (details on page 103). The risk rating was increased to reflect this year's tri-annual vote. The Board seeks to ensure all shareholders, including those whose shares are held indirectly on platforms, are informed of the upcoming AGM and of their opportunity to vote. For platform shareholders, specific guidance on how to vote will be advised and the availability of general guidance on the AIC website has been highlighted in the Chairman's Statement and the separate Circular and notice of AGM.	↑

Potential risk	Mitigation	Trend
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 Board considers the investment process to ensure this is aligned to the Company's investment objective and policy. The Board considers the capabilities of the Manager, the viability of the Manager's business model and the ongoing investment in resources. The risk rating increased as the likelihood of long -term underperformance increased following a third 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.	↔
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 65. The risk rating was increased due to organisational and personnel changes at Apex, the Company's company secretarial and administrative service 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		
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.	↔
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 page 51. The Company invests in a broad portfolio of companies which are spread geographically, limiting the impact of location specific weather events.	↔

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 are its €60 million floating-rate Loan Notes and its £80 million revolving credit facility expiring in 2025, 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 Loan 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, and approval was last given by shareholders at the Company's 2022 AGM with 99.99% votes in favour of continuation of the Company. The Board consulted with shareholders both during the year and subsequent to the year end. Following this, and advise from the Board's brokers who have also consulted with major shareholders, the Directors confirm that they have a reasonable basis to believe that the resolution to continue will be passed by shareholders at the forthcoming AGM on 20 May 2025. Details of the continuation resolution is set out in the separate Circular and Notice of Annual General Meeting.

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 includes buybacks of shares and repayment of the Company's borrowings, which at the date of this report represented less than 7.6% of the Company's investments.

In its assessment of the prospects of the Company, the Board considered each of the principal risks and uncertainties, including the upcoming continuation vote, 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

During the Period the Board has engaged on the following topics:

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.

2024 Highlights: The Company's NAV per share on a total return basis decreased by 0.4%, compared to a rise in the MSCI ACWI of 19.6%, the Company's equity comparator index. The Company's NAV underperformed its environmental markets comparator, the FTSE ET100, which rose by 16.8% 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.

2024 Highlights: The Company's share price total return fell by 2.6% for the year. This fall was primarily a result of the discount widening by 1.9% during the year, while the NAV total return decreased 0.4%. The share price traded at a discount of between 7.2% and 17.5% during the year. The Board has acted regularly to limit the volatility of the share price by buying back shares as and when appropriate. At 31 December 2024, the Company's share price was 385.5p and the shares traded at a 9.8% discount to NAV.

Sustainability - The Manager conducts fundamental analysis which incorporates long-term risks, including sustainability 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 49, 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 non-financial risk management in its quarterly Board meetings.

2024 Highlights: The Sustainability Reporting Committee ("SRC") met three times during the year. Further details on the Committee and its activities are given on page 61. As set out on page 61, the Manager has produced a Task Force on Climate-Related Financial Disclosures ("TCFD") Report specific to the Company. In addition, the SRC considered a proposal from the Manager for the Manager to apply the Sustainability Impact label within the FCA's Sustainability Disclosure Requirements. Details of this are disclosed in the SRC section on page 63, with the labelling of the Company announced on 27 November 2024. This can be found on the Company's website: www.impaxenvironmentalmarkets.co.uk.

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 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.

2024 Highlights: During the year, the Board discussed with the Manager current headwinds to performance as well as the continuing discount to NAV. Additionally the Board reviewed the Manager's investment process to ensure it remained robust and appropriate. Different marketing and sales strategies were considered with a view to supporting the narrowing of 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 58, 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 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.

2024 Highlights: The Board held the AGM in person with an option to listen in online. Shareholders were welcome to attend, to meet the Board and the investment manager and to ask any questions. In addition to continuing to publish a monthly performance commentary which includes a market review, portfolio review and outlook, the Manager released IEM specific TCFD and Sustainability reports. These can be found on the IEM website at www.impaxenvironmentalmarkets.co.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 63.

2024 Highlights: Mrs Elizabeth Surkovic was appointed to the Board with effect from 1 January 2024, and on 28 January 2025 became the Chair of the Sustainability Reporting Committee replacing Mr Glen Suarez.

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.

2024 Highlights: The Board has worked closely with the Manager to enhance messaging and transparency. Most importantly, the Manager has applied the FCA's Sustainability Impact label to the Company. More details of this are disclosed in the Sustainability Reporting Committee section on page 63, which work thereon led to the Board agreeing with the Manager's conclusion that the strategy around IEM meets the qualifying criteria of this label. The Company remains focused on seeking sustainable, above market investment returns from companies providing innovative solutions to environmental challenges or improving resource efficiency. The Company seeks to capture, measure, and achieve, the positive environmental impact provided by its portfolio companies, rather than limiting investment opportunities to those companies delivering on specific environmental targets. There were no changes to the investment process in the application of this label and the Board continues to believe that the investment process will deliver superior risk-adjusted returns over the long term. The label simply serves to illustrate the nature of the investment.

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.

2024 Highlights: The Company's Environmental Impact Reporting has continued to be developed in partnership with the Manager. This is set out on pages 36 to 37 and includes the Company's Climate-related reporting and mapping to UN Sustainable Development Goals.

Under the FCA's Consumer Duty rules, the Manager must complete an annual assessment of value assessment for the Company. This assessment looks at the value the Company provides to investors in the year and must be shared annually with the distributors of the Company.

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 Global Head of Sustainability & Stewardship. 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.

Engaging with IEM Stakeholders continued

Sustainability & Stewardship Considerations - The Board has oversight of the Manager's non-financial risk management at its quarterly Board meetings, along with meetings with the Global Head of Sustainability & Stewardship twice a year. 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.

2024 Highlights: During 2024, 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 page 51.

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 third time this year.

2024 Highlights: The Board undertook an in depth review of marketing following which there were some changes to the service providers used and established a plan to engage with both major shareholders and shareholders who hold shares on platforms.

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 2024, the Company had five Directors, of whom two are male and three female.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on pages 4 to 9.

Strategic Report

The Strategic Report set out on pages 1 to 53 of this Annual Report was approved by the Board of Directors on 2 April 2025.

For and on behalf of the Board

Glen Suarez
Chairman
2 April 2025

Governance

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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
Appointed as Senior Independent Director on 21 May 2020

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 four years as a consultant on The Impact Management Project. She spent the previous five 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 and expertise brings a different 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
Appointed as Audit Chair on 21 May 2020

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 Stephanie Eastment is a non-executive director and audit committee chair of Herald Investment Trust plc and Alternative Income REIT plc, a non-executive director and senior independent director of Murray Income Trust 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.

Elizabeth Surkovic

Non-executive Director

Appointed 1 January 2024

Mrs Surkovic has over 30 years experience in environmental policy making and regulation in the private and public sectors. Her 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.

Mrs Surkovic was most recently at The Royal Society, where she was head of policy, prior to that she was a senior civil servant for HM Government working in several Departments. In prior years, Mrs Surkovic was a Director of the Chemical Industries Association. She works with the University of Cambridge's Centre for Science and Policy and is a member of its admission 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.

Board of Directors continued

Guy Walker

Chairman of the Remuneration Committee

Appointed 17 May 2023
Appointed as Remuneration Committee Chair on 9 November 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.

Investment Managers

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.

Bruce Jenkyn-Jones

Co-Chief Investment Officer, Listed Equities, Executive Director

Bruce serves as Impax's Co-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 strateg ies.

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.

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

All Directors are considered independent by the Board.

Directors' Report

The Directors present their report and accounts for the year ended 31 December 2024.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 53.

Corporate governance

The Corporate Governance Statement on pages 62 to 65 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 2024.

Market information

The Company's Ordinary Shares are 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.

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.

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 2024. These disclosures are available on the AIFM's website or are available on request from the AIFM.

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; 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 third tier level of 0.45% on net assets in excess of £1.4 billion was introduced on 1 January 2024.

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 which is an assessment of the value it provides to investors. The Manager concluded that the Company should be given its top rating of "Highest Fair Value Achieved".

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 100 to 101). 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 2024	107%	108%

Borrowings

Details of the Company's borrowings can be found in note 11 to the financial statements.

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 the 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 3pm on 20 May 2025 and the Chairman's Statement on page 4 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 separate Circular and Notice of AGM which will be sent to all shareholders entitled to receive such notice along with Annual Report. The notice of the AGM will also be made available on the Company's website at www.impaxenvironmentalmarkets.co.uk. Shareholders' questions for either the Board or the Managers should be submitted to clientservices@impaxenvironmentalmarkets.co.uk by midday on 16 May 2025.

Special business of the AGM

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. Accordingly, resolution 12 proposes the continuation of the Company. In the event that such a resolution is not passed, the Directors are required to draw up proposals for shareholders' approval for the reorganisation, winding-up or reconstruction of the Company, which would require a special resolution of shareholders. For the reasons set out in the Chairman's Statement, your Board strongly recommends that shareholders vote in favour of the resolution. The Directors intend to vote their own shareholdings in favour.

Authority to issue and purchase own shares

The Board 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 20 May 2024 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 22,066,013 ordinary shares (representing approximately 10% of the shares in issue at 31 March 2025, 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 11 and special resolution 13 will be put to shareholders at the AGM and can be found in the separate Circular and Notice of 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. No shares were issued during the year.

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 40,371,073 of its own shares was granted at the AGM held on 20 May 2024. This authority had been substantially used by the start of 2025. With the Board continuing to utilise buy backs to reduce the volatility and the absolute level of discount, a new authority was sought from shareholders on 18 February 2025 for 14.99% of the shares in issue (excluding treasury shares). Consequent to the passing of that resolution a new authority for 34,558,573 shares resulted which expires at the conclusion of the forthcoming AGM.

During the year ended 31 December 2024, 41,253,520 ordinary shares, representing 14.7% of issued share capital at the start of the year, were repurchased into treasury. The Company has also bought back 19,201,391 shares subsequent to the year end (to the date of this report). The Directors therefore recommend that a new authority to purchase up to 33,076,953 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, 65,762,020 shares were held in treasury and at the date of this report 84,963,411 shares 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.

Capital structure and voting rights

At the year end, the Company's issued share capital comprised 305,623,539 ordinary shares, with 65,762,020 ordinary shares held in treasury.

Since the year end, the Company bought back into treasury 19,201,391 ordinary shares. At 31 March 2025, the latest practicable date before publication of this report, there were 305,623,539 ordinary shares in issue with 84,963,411 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 separate Circular and Notice of AGM 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 2024 and 31 March 2025, 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 2024	% Holding - as at 31 December 2024	Holding of ordinary shares - as at 31 March 2025	% Holding - as at 31 March 2025
Rathbones Investment Management Ltd	26,485,190	11.04[1]	25,339,482	11.48[2]
Saba Capital Management, L.P.	12,745,043	5.31[1]	12,745,043	5.78[2]
Joseph Rowntree Charitable Trust	10,267,260	4.28[1]	10,267,260	4.65[2]
Brewin Dolphin	13,112,066	5.47[1]	13,112,066	5.94[2]

[1] The percentage holding is based on the issued share capital (excluding treasury shares) as at 31 December 2024.

[2] The percentage holding is based on the issued share capital (excluding treasury shares) as at 31 March 2025.

All of the above shares were notified as being held directly by the above companies, except for Saba Capital Management L.P., which held all its shares indirectly.

Political donations

There were no political donations made during the financial year to 31 December 2024 (2023: nil).

Disclosure required by listing rule UKLR 6.6.1

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that all such reporting applied only to non-applicable events for the year ended 31 December 2024.

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 53. Further details as to the risks affecting the Company are set out in the 'Principal Risks and Uncertainties' on pages 44 to 49.

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 2024, the Company held £13.4 million (2023: £16.8 million) in cash and £1,099.3 million (2023: £1,295.8 million) in quoted investments.

The Board has considered the Company's debt and related covenants. The main liability of the Company is its borrowings of £83.1 million (2023: £87.1 million) which is covered 12 times (2023: 14 times) by the net assets, and is well in excess of the level of cover required by the borrowing covenants (see note 11 to the financial statements). In advance of the RCF expiry in September 2025, the Company intends to renegotiate an extension of the facility, if required. However, should terms not be forthcoming, any outstanding borrowing would be repaid through a combination of available cash and the proceeds of equity sales.

The total ongoing expenses (excluding taxation and finance costs) for the year ended 31 December 2024 were £9.8 million (2023: £10.4 million), which represented 0.84% (2023: 0.83%) 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 94% (2023: 92%) by value of the investments held at the year end, none of which are unquoted, 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 the ongoing macroeconomic political and geopolitical environment including the uncertainty surrounding the conflicts in the Ukraine and the Middle East, inflation and interest rates, the increase in political tension between the US and China and any likely effects upon the Company's portfolio of investments. However, as explained above, the Company has more than sufficient liquidity available to meet its expected future obligations. An explanation of the market, liquidity and credit risks and how they are managed is contained in note 15 to the financial statements.

The continuation of the Company is subject to the approval of shareholders every three years. The next continuation resolution will be held at the forthcoming AGM on 20 May 2025 and, as explained in the Viability Statement, the Board has considered the long-term prospects of the Company and has no reason to believe that the continuation resolution will fail.

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 2025.

By order of the Board

Helen J Coyne
For and on behalf of
Apex Listed Companies Services (UK) Limited
Company Secretary
2 April 2025

Corporate Governance

Introduction

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

The UK 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 71.

The Board

Composition

At the date of this report the Board consists of five non-executive Directors. Glen Suarez is the Chairman, Aine Kelly is the Senior Independent Director and the other Directors are: Stephanie Eastment, Liz Surkovic and Guy Walker.

All the above Directors served throughout the year.

The Board believes that during the year ended 31 December 2024 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 55 to 56.

In line with the AIC Code, the Board has decided that each Director should be subject to annual re-election by shareholders. As such, the Board recommends all the Directors for re-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. As the Board is small and comprises of only non-executive Directors, all Directors sit on each of the Board 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 70 to 71 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 66.

The Directors' Remuneration Implementation Report is included on pages 67 to 69.

Management Engagement Committee ("MEC")

All of the Directors are members and Glen 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 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 and that the current management fee structure remained appropriate. (See page 57 for further details).

Nomination committee

All of the Directors are members and Aine 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.

Sustainability reporting committee

All of the Directors are members and Glen Suarez was chairman throughout the year. Subsequent to the year end, the members recommended the appointment of Liz Surkovic as Chair which the Board subsequently approved on 28 January 2025.

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 financial report and proposed significant changes to the disclosures to be made in the annual report.

Also during the year, the Committee considered a proposal from the Manager for the Manager to apply the Sustainability Impact label within the FCA's Sustainability Disclosure Requirements. The label reflects the fact that the Manager applies an investment process which derives, as a function of its workings, a range of clear impacts. Having reviewed documentation from the Manager to ensure that the strategy of the Company met the qualifying criteria of the label, the proposal was recommended by the Committee and subsequently approved by the Board.

Meeting attendance

The following table sets out the scheduled meetings Directors attended in the year to 31 December 2024. In addition to the meetings shown below, a Board strategy meeting was held and there were also a significant number of Board and committee ad-hoc meetings to deal with, amongst other things, administrative matters and the formal approval of documents.

	Board	Audit committee	Remuneration committee	Management engagement committee	Nomination committee	Sustainability reporting committee
Number of meetings	5	4	1	1	2	3
Glen Suarez	5	4	1	1	2	3
Stephanie Eastment	5	4	1	1	2	3
Aine Kelly	5	4	1	1	2	3
Guy Walker	5	4	1	1	2	3
Elizabeth Surkovic	5	4	1	1	2	3

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

The targets set out in the UK Listing Rules 6.6.1(9)(a) 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 the year end the Board comprised five non-executive Directors. All three of the targets were met: there were three women on the Board (60%); 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 2024

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	40	n/a
Women	3	60	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	4	80	n/a
Minority ethnic	1	20	n/a

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

In accordance with the AIC Code, an external Board evaluation is carried out every three years, with intervening years seeing internal evaluations by means of a questionnaire.

During the year, the Board undertook an external Board performance evaluation process, which was led by the Nomination Committee and designed to assess the performance of the Chairman, individual Directors and its Board Committees. The Committee engaged with Lintstock Limited, a specialist consultancy firm independent of the Company and the Manager to carry out the external evaluation. Following its completion, the results of the evaluation were presented to and discussed with the Nomination Committee and subsequently to the Board. The results were scored as very high, both absolutely and relative to the consultancy firm's comprehensive database, and demonstrated that the Directors showed the necessary commitment, had sufficient time (taking into account their other roles) and possessed the required skill sets for the effective fulfilment of their duties.

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 2024. Accordingly, the Policy will continue in force until the AGM to be held in 2027.

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"), of £250,000. 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 73.

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 62 to 65.

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 2025, annual fees would be increased to £51,000 for the Chairman, and £34,000 for the Directors of the Company, with additional amounts of £8,500 and £3,400 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 £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 2024, 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.

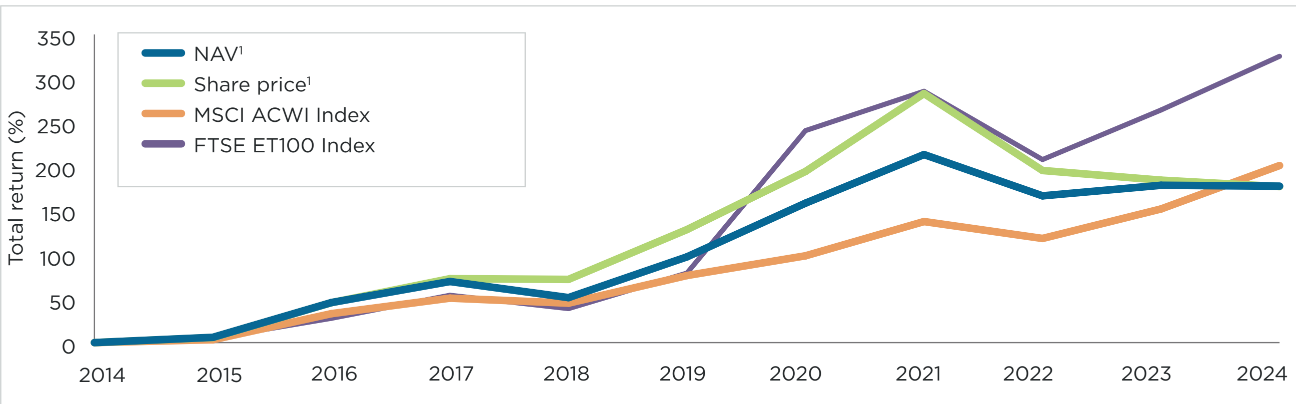
Directors' appointment letters and shareholding rights

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



[1] These are alternative performance measures.

Directors' emoluments for the year (audited)

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

	2024 Fees £	2024 Taxable benefits £	2024 Total £	2023 Fees £	2023 Taxable benefits £	2023 Total £
Glen Suarez	48,000	6,584	54,584	39,596	8,121	47,717
Stephanie Eastment	40,000	771	40,771	37,500	520	38,020
Aine Kelly	35,200	929	36,129	33,000	2,330	35,330
Guy Walker – appointed 17 May 2023	32,000	–	32,000	18,769	–	18,769
Elizabeth Surkovic – appointed 1 January 2024	32,000	–	32,000	–	–	–
John Scott – retired 16 May 2023	–	–	–	17,077	–	17,077
Vicky Hastings – retired 16 May 2023	–	–	–	11,385	–	11,385
Total	**187,200**	**8,284**	**195,484**	**157,327**	**10,971**	**168,298**

Annual percentage change in Directors' remuneration

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

	Year ended 31 December 2024 %	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	21.2	465.7[1]	Note A	–	–
Stephanie Eastment[2]	6.7	7.1	5.1	11.0	155.6
Aine Kelly	6.7	7.1	5.1	12.75[3]	10.6
Guy Walker – appointed 17 May 2023	70.5	Note A	–	–	–
Elizabeth Surkovic – appointed 1 January 2024	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 2023 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 2023 was put forward at the AGM held on 20 May 2024. The resolution was passed with 99.91% of the shares voted (representing 114,177,967 ordinary shares) being in favour of the resolution, 0.09% against (representing 107,184 ordinary shares) and 63,979 votes withheld.

The Directors' Remuneration Policy was last put forward at the AGM held on 20 May 2024. The resolution was passed with 99.91% of the shares voted (representing 114,181,528 ordinary shares) being in favour, against 0.09% (representing 104,307 ordinary shares) and votes withheld 63,295.

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.

	2004 £'000	2023 £'000	Difference %
Spend on Directors' fees	187	157	18.4%
Management fees and other expenses	9,771	10,423	(6.3)%
Dividends paid to shareholders – note 9 to the financial statements	12,606	12,636	(0.2)%

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' shareholdings (audited)

At 31 December 2024 the Directors had the following holdings in the Company (beneficial unless stated).

	Ordinary shares at 31 December 2024	Ordinary shares at 31 December 2023
Glen Suarez	30,875	23,375
Stephanie Eastment*	17,000	15,000
Aine Kelly	16,000	16,000
Elizabeth Surkovic	2,763	–
Guy Walker	22,858	17,580

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

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 2024:

(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

2 April 2025

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 2024.

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 four Committee meetings during the year ended 31 December 2024. 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 65.

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 2024.

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 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 including the treatment of special dividends.

Going Concern

In the light of the Company's triannual continuation resolution which will be voted on by shareholders at the upcoming AGM, the Committee considered the Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. Further detail about the continuation vote is contained in the Viability Statement on page 49 concern.

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.

Annual report review

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 60; and
- concluded that the annual report for the year ended 31 December 2024, 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.

External auditor

This year's audit was the sixth performed by BDO LLP ("BDO") since its appointment on 21 May 2019 following an audit tender process earlier in 2019. Following the completion of a five-year term, Peter Smith was replaced by Gary Fensom as the engagement partner.

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 73, 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 2024 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 2025 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 2024 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.

No non-audit services were provided by the auditor during the year. In respect of 2023, no non-audit services were provided except for the development of a model to calculate the fair value of the Loan Notes. Further details about this are contained in the Report of the Audit Committee and Independent Auditor's Report in the 2023 annual report (pages 68 and 70, respectively), and in the Independent Auditors' Report on page 73. No further instances have been recorded since this one off event.

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

2 April 2025

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

2 April 2025

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 2024 and of its loss 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 2024 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, 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 retenders and reappointments is six years, covering the years ended 31 December 2019 to 31 December 2024. 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. The non-audit services prohibited by that standard were not provided to the Company.

As disclosed in the prior year's Independent Auditor's Report, BDO USA, a separate BDO Member Firm, provided a valuation service to the Company, through the Administrator, Apex Listed Companies Services (UK) Limited and Apex Fund Holdings LLC. As such, this constituted a service which was not permitted to be provided to a Public Interest Entity under paragraph 5.40 and 5.42 of the FRC Ethical Standard (2019). The service was provided during the financial year ended 31 December 2023 ("FY23"), however, was billed in the financial year ended 31 December 2024 ("FY24") and had fees of less than $14,500. As a safeguard to the Audit, the valuation model that was produced by BDO USA was disregarded by the Company and was not used in the preparation of the FY23 Financial Statements and Annual Report. As such, the service provided by BDO USA had no effect on the Company's Financial Statements. As disclosed previously, we therefore removed any threats to independence arising from the provision of this non-audit service and, in our professional judgement, 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 was not 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 Company 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 Company.

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 going concern in light of economic and market conditions by inspecting the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable;
- Assessing the projected management fees for the going concern period to check that they are in line with the current asset levels of the Company and any projected forecasts of asset levels over the following year;
- Assessing the appropriateness of the Directors' assessment of the impact of significant downside scenarios and their consideration of the available resources relative to forecast expenditure and commitments over the going concern period; and
- Challenging the Directors' assessment and conclusions by assessing the impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants and performing an independent analysis of the liquidity of the year end investment portfolio.

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		2024	2023
Valuation and ownership of quoted investments		✓	✓
Materiality	Company financial statements as a whole £10.3m (2023: £12.2m) based on 1% (2023: 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 year 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. The key audit matter is summarised below. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (note 1(b) on page 83 and Note 2 on pages 85 to 86) The investment portfolio at the year-end comprised wholly of quoted investments. There is a risk that the prices used for the quoted 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 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 Company. 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 100% of quoted investments in the portfolio by performing 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 is not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the Custodian by the valuation per share; and • Obtained direct confirmation of the number of shares held per investment from the Custodian regarding all investments held at the balance sheet date. Key observations **Based on the procedures carried out, we found the valuation and ownership of the quoted investments to be appropriate in the context of our audit of the financial statements as a whole.**

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:

Materiality	Company financial statements 2024 £m	2023 £m
Materiality	**10.3**	**12.2**
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	7.7	9.1
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.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £205,000 (2023: £244,000). 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 UK 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 60; 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 49.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 70; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 65; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 65; and • The section describing the work of the audit committee set out on page 70.

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 Statement of Directors’ Responsibilities, 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 the Directors; and
- Obtaining and understanding of the Company’s policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006, the FCA’s UK 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 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 the Directors relating to the existence of any non-compliance with laws and regulations;
- Reading minutes of meetings of the Board and the Audit Committee 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 their Investment Trust Status.

Fraud

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

Our risk assessment procedures included:

- Enquiries of the Manager and the Directors 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.
- Reading minutes of meetings of the Board and the Audit Committee throughout the period 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 including our assessment of the segregation of duties in place between the Directors, the Administrator and the Investment Manager;

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

Our procedures in respect of the above included:

- Considered the opportunity and incentive to manipulate accounting entries and assessed the appropriateness of any post-closing adjustments made in the period end financial reporting process;
- Inspected any estimates and judgements applied by the Directors in the preparation of the financial statements to assess appropriateness and indicators of systematic bias;
- Recalculating investment management fees in total;
- Considered the existence of any significant transactions outside the normal course of business; and
- Assessed adjusted and unadjusted audit differences, if any, for indicators of management bias.

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.

Gary Fensom (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
2 April 2025

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

Financial Statements

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Income Statement

	Notes	Year ended 31 December 2024 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	2	–	(26,676)	(26,676)	–	43,767	43,767
Net foreign exchange gains/(losses)		–	4,056	4,056	–	(464)	(464)
Income	3	18,776	–	18,776	20,279	–	20,279
Investment management fee	4	(2,105)	(6,315)	(8,420)	(2,320)	(6,960)	(9,280)
Other expenses	5	(1,351)	–	(1,351)	(1,143)	–	(1,143)
Return on ordinary activities before finance costs and taxation		**15,320**	**(28,935)**	**(13,615)**	**16,816**	**36,343**	**53,159**
Finance costs	6	(1,183)	(3,551)	(4,734)	(799)	(2,395)	(3,194)
Return on ordinary activities before taxation		**14,137**	**(32,486)**	**(18,349)**	**16,017**	**33,948**	**49,965**
Taxation	7	(2,042)	(255)	(2,297)	(1,601)	133	(1,468)
Return on ordinary activities after taxation		**12,095**	**(32,741)**	**(20,646)**	**14,416**	**34,081**	**48,497**
Return per ordinary share	8	**4.64p**	**(12.56p)**	**(7.92p)**	**4.86p**	**11.49p**	**16.35p**

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 83 to 97 form part of these financial statements.

Balance Sheet

	Notes	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Fixed assets			
Investments at fair value through profit or loss	2	1,099,278	1,295,847
Current assets			
Dividends receivable		1,763	586
Sales awaiting settlement		1,774	–
Taxation recoverable		52	39
Other debtors		427	166
Cash and cash equivalents		13,405	16,804
		17,421	**17,595**
Creditors: amounts falling due within one year			
Trade and other payables	10	(5,468)	(3,821)
Revolving credit facility	11	(33,716)	–
		(39,184)	**(3,821)**
Net current (liabilities)/assets		(21,763)	13,774
Total assets less current liabilities		**1,077,515**	**1,309,621**
Creditors: amounts falling due after more than one year			
Capital gains tax provision	7	(31)	(40)
Loan Notes	11	(49,400)	(51,785)
Revolving credit facility	11	–	(35,312)
Net assets		**1,028,084**	**1,222,484**
Capital and reserves: equity			
Share capital	12	30,562	30,562
Share premium account		–	423,098
Capital redemption reserve		9,877	9,877
Share purchase reserve		–	52,557
Special reserve		370,043	–
Capital reserve		603,177	691,454
Revenue reserve		14,425	14,936
Shareholders' funds		**1,028,084**	**1,222,484**
Net assets per ordinary share - debt at bookcost	13	**428.62p**	**434.87p**
Net assets per ordinary share - debt at fair value[1]		**427.58p**	**434.34p**

[1] This is an alternative performance measure.

Approved by the Board of Directors and authorised for issue on 2 April 2025 and signed on their behalf by:

Glen Suarez, Chairman

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

The notes on pages 83 to 97 form part of these financial statements.

Statement of Changes in Equity

Year ended 31 December 2024	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2024		30,562	423,098	9,877	52,557	–	691,454	14,936	1,222,484
Return for the year		–	–	–	–	–	(32,741)	12,095	(20,646)
Cancellation of share premium account*		–	(423,098)	–	–	423,098	–	–	–
Dividends paid	9	–	–	–	–	–	–	(12,606)	(12,606)
Cost of share buybacks	12	–	–	–	(52,557)	(53,055)	(55,536)	–	(161,148)
Closing equity as at 31 December 2024		**30,562**	**–**	**9,877**	**–**	**370,043**	**603,177**	**14,425**	**1,028,804**

* The new special reserve arose from the cancellation of the share premium account during the year as explained in note 1(e) and in the Directors' Report. It is distributable, unlike the share premium account.

Year ended 31 December 2023	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Special 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
Return for the year		–	–	–	–	–	34,081	14,416	48,497
Dividends paid	9	–	–	–	–	–	–	(12,636)	(12,636)
Cost of share buybacks	12	–	–	–	(89,315)	–	–	–	(89,315)
Closing equity as at 31 December 2023		**30,562**	**423,098**	**9,877**	**52,557**	**–**	**691,454**	**14,936**	**1,222,484**

The notes on pages 83 to 97 form part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation[1]		(13,615)	53,159
Less: Tax deducted at source on income from investments		(2,288)	(1,597)
Foreign exchange (gains)/losses		(4,178)	(39)
Adjustment for losses/(gains) on investments	2	26,676	(43,767)
Special dividends received as capital		3,293	132
Scrip dividend received		–	(323)
Increase in other debtors		(1,451)	(81)
(Decrease)/increase in other creditors		(165)	583
Net cash flow from operating activities		**8,272**	**8,067**
Investing activities			
Sale of investments		421,201	478,935
Purchase of investments		(256,375)	(428,547)
Net cash flow from investing activities		**164,826**	**50,388**
Financing activities			
Dividends paid	9	(12,606)	(12,636)
Proceeds from Loan Notes and revolving credit facility		–	86,099
Repayment of revolving credit facility and bank loan		–	(50,744)
Finance costs paid		(4,593)	(1,885)
Cost of share buybacks		(159,420)	(89,315)
Net cash outflow used in financing activities		**(176,619)**	**(68,481)**
Decrease in cash		**(3,521)**	**(10,026)**
Cash and cash equivalents at start of year		**16,804**	**26,327**
Effect of movements in exchange rates on cash held		122	503
Decrease in cash		(3,521)	(10,026)
Cash and cash equivalents at end of year		**13,405**	**16,804**

[1] Cash inflow includes dividend income received during the year ended 31 December 2024 of £15,070,000 (2023: £19,285,000) and bank interest of £487,000 (2023: £646,000).

Changes in net debt

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Net debt at start of year	(70,293)	(25,279)
Decrease in cash and cash equivalents	(3,521)	(10,026)
The effect of changes in foreign exchange rates	4,103	367
Proceeds from Loan Notes and revolving credit facility	–	(86,099)
Repayment of revolving credit facility and bank loan	–	50,744
Net debt at end of year	**(69,711)**	**(70,293)**

The notes on pages 83 to 97 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

The Company is a public limited company incorporated in England and Wales with registered number 4348393. Its registered office is as shown on page 103. The Company's shares are traded on the London Stock Exchange.

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 60. This assessment also highlights the Directors consideration of the shareholders' continuation vote at the forthcoming AGM.

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 any 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 Company's functional and presentational currency and the currency in which the Company's share capital, reserves and expenses are denominated as an 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 from the cancellation in full of the share premium account in 2002 and 2009. The cancellation and transfer were approved by shareholders and confirmed by the Court. This reserve can 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 special reserve was created from the cancellation in full of the share premium account in July 2024. The cancellation and transfer were approved by shareholders and confirmed by the Court, and following this £423,098,000 was transferred into this reserve. This reserve is distributable, and can be used for both share repurchases and dividends.

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 consist of the share purchase reserve, the special 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.

1 Accounting policies continued

(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.

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 Loan 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

Loan 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.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions which have had a significant impact on the financial statements for the year.

(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, revenue reserve and special 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 has been recognised in the financial statements on transactions in treasury shares.

2 Investments at fair value through profit or loss

	2024 £'000	2023 £'000
(a) Summary of valuation		
Analysis of closing balance:		
UK quoted securities	257,290	107,156
Overseas quoted securities	841,988	1,188,691
Total investments	**1,099,278**	**1,295,847**
(b) Movements during the year:		
Opening balance of investments, at cost	1,151,287	1,122,306
Additions, at cost	256,280	428,182
Disposals, at cost	(399,860)	(399,201)
Cost of investments at 31 December	**1,007,707**	**1,151,287**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	144,560	180,299
Unrealised losses on investments held	(52,989)	(35,739)
Balance of capital reserve – investments held at 31 December	91,571	144,560
Fair value of investments at 31 December	**1,099,278**	**1,295,847**
(c) (Losses)/gains on investments in year (per Income Statement)		
Gains on disposal of investments[1]	23,213	79,982
Net transaction costs	(193)	(608)
Special dividends received as capital	3,293	132
Unrealised losses on investments held	(52,989)	(35,739)
(Losses)/gains on investments	**(26,676)**	**43,767**

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

During the year, the Company incurred transaction costs on purchases totalling in aggregate £316,000 (2023: £685,000) and on disposals totalling in aggregate £326,000 (2023: £453,000). Following MiFID II, the Manager has rebated £449,000 (2023: £530,000) in respect of transaction research costs for the year ended 31 December 2024. Transaction costs are recorded in the capital column of the Income Statement.

The Company received £433,349,000 (2023: £478,935,000) from investments sold in the year. The bookcost of these investments when they were purchased was £410,329,000 (2023: £399,201,000). 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 £3,293,000 (2023: £132,000) 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:

2 Investments at fair value through profit or loss continued

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.

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

			31 December 2024				31 December 2023	
	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	1,099,278	–	–	1,099,278	1,295,847	–	–	1,295,847
	1,099,278	**–**	**–**	**1,099,278**	**1,295,847**	**–**	**–**	**1,295,847**

The Company held no unquoted investments during the year and at the year end.

3 Income

	2024 £'000	2023 £'000
Dividends from UK listed investments	2,340	1,401
Dividends from overseas listed investments	15,949	17,909
Scrip dividends received	–	323
Total dividend income	**18,289**	**19,633**
Bank interest	487	646
Total Income	**18,776**	**20,279**

Dividends from overseas listed investments includes special dividends classified as revenue of £292,000 (2023: £75,000).

4 Investment management fee

		2024			2023	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**2,105**	**6,315**	**8,420**	**2,320**	**6,960**	**9,280**

Details of the investment management fee are given in the Directors' report on page 57. At 31 December 2024, investment management fee accrued were £1,493,000 (2023: £2,225,000).

5 Other expenses

	Revenue £'000	Capital £'000	2024 Total £'000	Revenue £'000	Capital £'000	2023 Total £'000
Auditor's fee[1]	50	–	50	48	–	48
Broker retainer fee	27	–	27	24	–	24
Custody fees	165	–	165	179	–	179
Depositary fees	93	–	93	95	–	95
Directors' fees[2]	187	–	187	157	–	157
Marketing fees	144	–	144	68	–	68
Registrar's fees	60	–	60	64	–	64
Secretary and administrator fees	267	–	267	266	–	266
Other expenses	358	–	358	242	–	242
	1,351	**–**	**1,351**	**1,143**	**–**	**1,143**

1 The auditor's fee for the statutory audit of these financial statements was £49,875 (2023: £47,500), excluding VAT of £9,975 (2023: £9,500) and out of pocket expenses.

2 Full detail of Directors' fees for the year is provided in the Directors' Remuneration Implementation Report on page 67. Employer's National Insurance for Directors' fees is included as appropriate in Directors' other costs. At 31 December 2024, Directors' fees, Directors' expenses and national insurance outstanding were £nil (2023: £nil).

6 Finance costs

	Revenue £'000	Capital £'000	2024 Total £'000	Revenue £'000	Capital £'000	2023 Total £'000
Interest charges						
Interest on bank loans and repaid revolving credit facility ("RCF")	–	–	–	426	1,276	1,702
Interest on current RCF	484	1,451	1,935	155	463	618
Interest on Loan Notes	665	1,997	2,662	205	616	821
	1,149	**3,448**	**4,597**	**786**	**2,355**	**3,141**
Direct finance costs						
Bank loans and repaid RCF	–	–	–	3	9	12
RCF	27	82	109	9	29	38
Loan Notes	7	21	28	1	2	3
	34	**103**	**137**	**13**	**40**	**53**
Total	**1,183**	**3,551**	**4,734**	**799**	**2,395**	**3,194**

Full details of the Company's borrowings are set out in note 11. The Company's refinancing in 2023 comprised the issuance of Loan Notes and putting in place a new RCF. The direct finance costs in relation to the Loan Notes and RCF amounted to £252,000 and £217,000, respectively. These costs are amortised over the life of the Loan Notes and the RCF on a straight-line basis.

Notes to the Financial Statements continued

7 Taxation

(a) Analysis of charge in the year

	Revenue £'000	Capital £'000	2024 Total £'000	Revenue £'000	Capital £'000	2023 Total £'000
Overseas taxation	2,042	259	2,301	1,601	–	1,601
Decrease in CGT provision	–	(4)	(4)	–	(133)	(133)
Taxation	**2,042**	**255**	**2,297**	**1,601**	**(133)**	**1,468**

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

The effective UK corporation tax rate applicable to the Company for the year is 25.0% (2023: 23.5%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The standard rate UK corporation tax rate at 31 December 2024 was 25.0% (2023: 23.5%).

The differences are explained below:

	2024 £'000	2023 £'000
Return on ordinary activities before taxation	(18,349)	49,965
Corporation tax at 25.0% (2023: 23.5%)	(4,587)	11,742
Effects of:		
Non-taxable UK dividend income	(585)	(329)
Non-taxable overseas dividend income	(3,779)	(3,989)
Movement in unutilised management expenses	1,886	2,153
Movement on non-trade relationship deficits	1,062	599
Losses/(gains) on investments not taxable	7,017	(10,285)
(Gains)/losses in foreign currency movement	(1,014)	109
Capital gains tax provision movement	(4)	(133)
Overseas taxation	2,301	1,601
Total tax charge for the year	**2,297**	**1,468**

(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

	2024 £'000	2023 £'000
Provision brought forward	40	169
Capital gains tax cash movement	(5)	4
Decrease in provision in year	(4)	(133)
Provision carried forward	**31**	**40**

(e) The Company has unrelieved excess management expenses and non-trade relationship deficits of £111,078,000 (2023: £99,282,000). 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% (2023: 25%) amounts to £27,770,000 (2023: £24,821,000).

8 Return per share

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Revenue return after taxation (£'000)	12,095	14,416
Capital return after taxation (£'000)	(32,741)	34,081
Net return (£'000)	**(20,646)**	**48,497**
Weighted average number of ordinary shares	**260,523,018**	**296,596,976**

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	2024 £'000	Rate	2023 £'000
Interim in lieu of final for the previous year	2.90p	7,983	2.50p	7,604
First interim for the current year	1.80p	4,623	1.70p	5,032
	4.70p	**12,606**	**4.20p**	**12,636**

(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	2024 £'000	Rate	2023 £'000
First interim for the current year	1.80p	4,623	1.70p	5,032
Second interim in lieu of final for the current year	3.20p	7,470	2.90p	7,983
	5.00p	**12,093**	**4.60p**	**13,015**

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

10 Trade and other payables

	2024 £'000	2023 £'000
Finance costs payable	1,583	1,442
Accrued management fee	1,493	2,225
Other accrued expenses	664	154
Amounts due to brokers for shares bought back	1,728	–
Total	**5,468**	**3,821**

11 Loan Notes and revolving credit facility

The Company has in place the following privately placed notes (the "Loan Notes") issued to funds managed by Pricoa Private Capital:

- €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%.

In addition to the Loan Notes referred to above, the Company has in place a two-year £80 million multi-currency floating rate RCF with Scotiabank, expiring on 6 September 2025. The RCF has a non-utilisation fee of 52.5 basis points.

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

A summary of the Company's borrowings are as follows:

			2024		2023
	Interest rate	Loan currency amount €'000	Bookcost £'000	Loan currency amount €'000	Bookcost £'000
Loan Notes – Fixed and floating rate					
Series A – Floating 2030	Euribor + 1.35%	20,000	16,470	20,000	17,263
Series B – Fixed 2033	4.48%	30,000	24,698	30,000	25,892
Series C - Fixed 2035	4.63%	10,000	8,232	10,000	8,630
			49,400		**51,785**
RCF - floating rate					
Non-sterling	Six month EURIBOR +1.6%	40,800	33,716	40,943	35,312
			83,116		**87,097**

The maturity profile of the Loan Notes and RCF are as follows:

Payable at 31 December	2024 Bookcost £'000	2023 Bookcost £'000
RCF payable in less than one year	33,716	–
RCF payable after more than one year	–	35,312
Loan Notes payable after more than one year	49,400	51,785
	83,116	**87,097**

The Company's Loan Notes and RCF contain the following covenants:

1) Adjusted asset coverage should not be less than 4:1 in respect of the RCF;
2) Borrowings expressed as a percentage of adjusted assets shall not exceed 35% in respect of the Loan 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 43.

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

12 Share capital

	Number	2024 £'000	Number	2023 £'000
Issued and fully paid shares of 10p each				
Brought forward	281,115,039	28,111	304,167,039	30,416
Shares bought back and held in treasury	(41,253,520)	(4,125)	(23,052,000)	(2,305)
Carried forward	**239,861,519**	**23,986**	**281,115,039**	**28,111**
Treasury shares of 10p each				
Brought forward	24,508,500	2,451	1,456,500	146
Shares bought back and held in treasury	41,253,520	4,125	23,052,000	2,305
Carried forward	**65,762,020**	**6,576**	**24,508,500**	**2,451**
Share capital	**305,623,539**	**30,562**	**305,623,539**	**30,562**

During the year, the total cost of shares bought back was £161,148,000 (2023: £89,315,000), of which £1,728,000 (2023: nil) was payable at the year end. Total costs included the costs of the shares and other purchase costs totalling £1,028,000 (2023: £452,000).

As at 31 March 2025, the latest practicable date before publication of this report, a further 19,201,391 ordinary shares have been bought back at a total cost of £73,957,000, including purchase costs of £441,000.

13 Net Asset Value per ordinary share

The net asset value per ordinary share at the year end are shown below. These were calculated using 239,861,519 (2023: 281,115,039) ordinary shares in issue at the year end (excluding treasury shares).

		2024 Net asset value attributable		2023 Net asset value attributable
	£'000	pence	£'000	pence
Net Asset value – Debt at bookcost	**1,028,084**	**428.62**	**1,222,484**	**434.87**

A reconciliation of shareholders funds with debt at fair value is shown in the Alternative Performance Measures on page 100.

14 Transactions with the Manager and related party transactions

Details of the management contract can be found in the Directors' Report on pages 55 to 56. Fees payable to the Manager are detailed in note 4 on page 86. 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.

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. The Company has identified the Directors as related parties. The Directors' emoluments for the year and shareholdings have been disclosed in pages 67 to 69.

Notes to the Financial Statements continued

15 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 41. 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 2024 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 2024.

	2024 % change[1]	2023 % change[1]
Australian Dollar	8.4	5.3
Canadian Dollar	6.9	2.8
Chinese Yuan	0.8	9.0
Danish Krone	4.8	2.3
Euro	4.9	2.1
Hong Kong Dollar	(2.5)	5.6
Indian Rupee	1.1	6.5
Israeli Shekel	(1.0)	8.2
Japanese Yen	6.8	13.4
Korean Won	12.3	8.1
Norwegian Krone	10.4	8.8
Swedish Krona	8.2	1.6
Swiss Franc	6.1	(4.3)
Taiwanese Dollar	5.4	5.5
US Dollar	(1.9)	5.6

1 Percentage change of Sterling against local currency from 1 January to 31 December.

Based on the financial assets and liabilities at 31 December 2024 and all other things being equal, if sterling had strengthened by 10%, the profit after taxation for the year ended 31 December 2024 and the Company's net assets at 31 December 2024 would have decreased by the amounts shown in the table below. If sterling had weakened by 10% this would have had the opposite effect.

	2024 Potential effect £'000	2023 Potential effect £'000
Australian Dollar	2,876	2,535
Canadian Dollar	6,813	5,026
Chinese Yuan	3,599	2,339
Danish Krone	-	2,636
Euro	9,991	17,983
Hong Kong Dollar	-	1,361
Indian Rupee	2,210	3,598
Israeli Shekel	270	284
Japanese Yen	-	1,694
Korean Won	1,656	1,248
Norwegian Krone	2,035	2,211
Swedish Krona	919	1,186
Swiss Franc	2,559	4,826
Taiwanese Dollar	1,504	1,691
US Dollar	57,985	61,677
Total	**92,417**	**110,295**

(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 Loan and subject to interest rate risk.

The Company has 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 and a €20 million Loan Note due 2030 at EURIBOR+1.35%.

Prior to 6 September 2023, the Company 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.

If rates had increased or decreased by 350 basis points the impact to the Company's profit or loss would be:

			2024 Profit or loss			2023 Profit or loss
	€'000	350 bps increase	350 bps decrease	€'000	350 bps increase	350 bps decrease
31 December						
Non-sterling Loan Note	20,000	(579)	579	20,000	(607)	607
Non-sterling RCF	40,800	(1,180)	1,180	40,943	(1,242)	1,242

15 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.

At the year end the Company held investments with an aggregate market value of £1,099,278,000 (2023: £1,295,847,000). 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 £109,927,800 (2023: £129,584,700) in the profit after taxation for the year ended 31 December 2024 and the Company's net assets at 31 December 2024.

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 2024 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.

	2024 Expected as percentage at limit		2023 Expected as percentage at limit	
	1 in 20 (95%)	1 in 100 (99%)	1 in 20 (95%)	1 in 100 (99%)
1 day return	1.58	2.24	1.83	2.59
5 day return	3.54	5.01	4.10	5.80
10 day return	5.01	7.08	5.80	8.20
21 day return	7.26	10.27	8.40	11.89

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 2024.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 3.54% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 2.24% 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 2024 included £12,606,000 (2023: £16,095,000) held in its bank accounts at the Depositary. The Company also held £799,000 (2023: £709,000) 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 £1,099,278,000 (2023: £1,295,847,000) 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.

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:

				2024				2023
	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	More than 3 years £'000	Total £'000
Loan Notes	–	–	49,400	49,400	–	–	51,785	51,785
RCF	33,716	–	–	33,716	–	35,312	–	35,312
Interest cash flows on Loan Notes	2,213	6,669	10,116	18,998	2,280	6,640	12,358	21,278
Interest cash flows on RCF	1,877	–	–	1,877	1,883	1,412	–	3,295
Cash flows on other creditors	2,157	–	–	2,157	2,379	–	–	2,379
	39,963	**6,669**	**59,516**	**106,148**	**6,542**	**43,364**	**64,143**	**114,049**

Notes to the Financial Statements continued

15 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 2024 comprised:

	2024 Interest bearing £'000	2024 Non-interest bearing £'000	2024 Total £'000	2023 Interest bearing £'000	2023 Non-interest bearing £'000	2023 Total £'000
Investments						
Australian Dollar	–	28,759	28,759	–	25,347	25,347
Canadian Dollar	–	68,046	68,046	–	50,159	50,159
Chinese Yuan	–	35,986	35,986	–	23,394	23,394
Danish Krone	–	–	–	–	26,360	26,360
Euro	–	183,810	183,810	–	268,371	268,371
Hong Kong Dollar	–	–	–	–	13,613	13,613
Indian Rupee	–	22,128	22,128	–	35,979	35,979
Israeli Shekel	–	2,700	2,700	–	2,837	2,837
Japanese Yen	–	–	–		16,840	16,840
Korean Won	–	16,557	16,557	–	12,483	12,483
Norwegian Krone	–	20,352	20,352	–	22,111	22,111
Sterling	–	96,294	96,294	–	107,156	107,156
Swedish Krona	–	9,187	9,187	–	11,863	11,863
Swiss Franc	–	25,243	25,243	–	48,258	48,258
Taiwanese Dollar	–	15,036	15,036	–	16,604	16,604
US Dollar	–	575,180	575,180	–	614,472	614,472
	–	**1,099,278**	**1,099,278**	**–**	**1,295,847**	**1,295,847**
Other assets and liabilities						
Cash and cash equivalents						
Sterling	11,262	–	11,262	14,612	–	14,612
Taiwanese Dollar	–	–	–	303	–	303
Chinese Yuan	1	–	1	–	–	–
US Dollar	2,142	–	2,142	1,889	–	1,889
	13,405	**–**	**13,405**	**16,804**	**–**	**16,804**
Short term debtors and creditors						
Sterling	–	(3,625)	(3,625)	–	(2,234)	(2,234)
Canadian Dollar	–	86	86	–	97	97
Euro	(33,717)	(786)	(34,503)	–	(1,442)	(1,442)
Japanese Yen	–	–	–	–	98	98
Swiss Franc	–	346	346	–	–	–
US Dollar	–	2,528	2,528	–	411	411
	(33,717)	**(1,451)**	**(35,168)**	**–**	**(3,070)**	**(3,070)**
Long-term creditors						
Euro	(49,400)	–	(49,400)	(87,097)	–	(87,097)
Indian Rupee	–	(31)	(31)	–	–	–
	(49,400)	(31)	(49,431)	(87,097)	–	(87,097)
Total	**(69,712)**	**1,097,796**	**1,028,084**	**(70,293)**	**1,292,777**	**1,222,484**

Capital management

The Company considers its capital to consist of its share capital of Ordinary Shares of 10p each and its reserves. At 31 December 2024 there were 305,623,539 ordinary shares in issue (2023: 305,623,539) of which 65,762,020 ordinary shares were held in treasury (2023: 24,508,500).

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 shares bought during the year and the Company's policies for issuing and buying back shares can be found in the Directors' Report.

The Company's policy on borrowings is detailed in note 11 on page 90 of the Financial Statements.

Investor Information

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10 Year Financial Record (unaudited)

As at 31 December	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net assets (Debt at fair value) (£ millions)[1,2]	372	465	507	450	657	1,093	1,480	1,276	1,221	1,205
NAV (Debt at fair value) per ordinary share[1,2]	178.6p	243.4p	281.6p	249.6p	321.8p	411.2p	496.4p	419.5p	434.3p	427.58p
Share price	160.0p	218.0p	256.5p	253.0p	333.0p	422.5p	547.0p	419.5p	400.0p	385.5p
Premium/(discount)[1,2]	(10.4%)	(10.4%)	(8.9%)	1.4%	3.5%	2.7%	10.2%	0.0%	(7.9%)	(9.8%)

Year ended 31 December	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
NAV (Debt at fair value) return[1,2,3]	6.0%	37.3%	16.4%	(10.8%)	30.6%	31.0%	21.3%	(15.0%)	4.5%	(0.4%)
Share price return[1,3]	5.8%	37.4%	18.7%	(0.4%)	32.9%	28.9%	30.1%	(22.8%)	(3.7%)	(2.6%)
MSCI ACWI Index[4]	3.3%	28.7%	13.2%	(3.8%)	21.7%	12.7%	19.6%	(8.1%)	15.3%	19.6%
FTSE ET1004	5.0%	21.9%	20.2%	(9.9%)	29.2%	90.3%	13.1%	(20.1%)	18.3%	16.8%
Revenue return per Ordinary share[5]	1.5p	2.0p	2.8p	3.2p	3.6p	2.2p	3.3p	4.4p	4.8p	4.5p
Dividends[6]	1.45p	1.95p	2.50p	3.0p	3.0p	2.3p	2.8p	4.0p	4.6p	5.0p
Ongoing charges[2]	1.11%	1.13%	1.05%	1.04%	1.02%	0.95%	0.85%	0.81%	0.83%	0.91%

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 2024

	Cumulative				Annualised			
Year	NAV[1] (%)	Share price[1] (%)	MSCI ACWI Index (%)	FTSE ET100 Index (%)	NAV[1] (%)	Share price[1] (%)	MSCI ACWI Index (%)	FTSE ET100 Index (%)
1 year	(0.4)	(2.6)	19.6	16.8	(0.4)	(2.6)	19.6	16.8
2 years	4.1	(6.2)	37.9	38.1	2.0	(3.1)	17.4	17.5
3 years	(11.4)	(27.6)	26.8	10.3	(4.0)	(10.2)	8.2	3.3
4 years	7.5	(5.8)	51.6	24.8	1.8	(1.5)	11.0	5.7
5 years	40.7	21.3	70.8	137.5	7.1	3.9	11.3	18.9
6 years	83.8	61.3	107.9	206.9	10.7	8.3	13.0	20.5
7 years	64.0	60.6	100.1	176.5	7.3	7.0	10.4	15.6
8 years	90.9	90.6	126.6	233.1	8.4	8.4	10.8	16.2
9 years	162.1	161.9	191.5	305.0	11.3	11.3	12.6	16.8
10 years	177.7	177.2	201.1	325.2	10.8	10.7	11.7	15.6

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	2024	2023
Total assets less cash/cash equivalents (£'000)	a	n/a	1,103,294	1,296,637
Net assets (Debt at fair value) (£'000)	b	78	1,025,577	1,220,980
Gearing (net)	(a÷b)-1		**7.6%**	**6.2%**

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.

At 31 December		Page	2024	2023
Average NAV (£'000)	a	n/a	1,137,050	1,253,409
Investment management fee (£'000)	b	84	8,420	9,280
Other expenses* (£'000)	c	85	1,089	1,143
	(b+c)÷a		**0.84%**	**0.83%**

* Expenses that are not recurring, such as one-off legal fees and director recruitment fees, are excluded from other expenses .

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	2024	2023
NAV per ordinary share (Debt at fair value) (p)	a	3	427.58	434.34
Share price (p)	a	3	385.50	400.00
(Discount)/premium	(b÷a)-1		**(9.8)%**	**(7.9)%**

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 2024		Page	Share price	NAV (Debt at fair value)	NAV (Debt at bookcost)
Opening at 1 January 2024 (p)	a	n/a	400.00	434.34	434.87
Closing at 31 December 2024 (p)	b	3	385.50	427.58	428.62
Dividend/income adjustment factor[1]	c	n/a	1.01064	1.01176	1.01052
Adjusted closing (d = b x c)	d	n/a	389.60	432.60	433.13
Total return	(d÷a)-1		**-2.6%**	**-0.4%**	**-0.4%**

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%**

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 239,861,519 (2023: 281,115,039) ordinary shares in issue.

		2024 Net asset value attributable		2023 Net asset value attributable	
		£'000	pence	£'000	pence
Net asset value – Debt at bookcost (note 13)	a	1,028,084	428.62	1,222,484	434.87
Add: Loan Notes at bookcost (note 11)	b	49,400	20.60	51,785	18.42
Less : Loan Notes at fair value	c	(51,907)	(21.64)	(53,289)	(18.95)
Net asset value – Debt at fair value	a+b+c	**1,025,577**	**427.58**	**1,220,980**	**434.34**

The fair value of the Loan 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. Discount rates are determined based on the closest available maturity, using the EUR Mid-Swap Rate for fixed-rate tranches and the Euro short-term rate Overnight Index Swap curve for floating-rate tranches. Both rates are adjusted for appropriate credit spreads and illiquidity premia. For 2023, 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 Loan Notes is calculated by an independent debt valuation specialist firm and the NAV with debt at fair value uses this value. For 2023, the valuer's mid point valuation was used and was not materially different from the NAV with debt at fair value in the table above,

The fair value of the Company's RCF is not an adjustment in the reconciliation of NAV with debt at bookcost to NAV with debt at fair value due to the fact that the RCF is valued at bookcost, which approximated to fair value.

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)

Elizabeth Surkovic

Guy Walker

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MUFG Corporate Markets are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

You can also write to MUFG Corporate Markets 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 the AGM which will be sent to all shareholders entitled to receive such notice along with the Annual Report. The notice of AGM will also be made available on the Company's website.

AUDITOR

BDO LLP

55 Baker Street

London W1U 7EU

Annual Report & Accounts

For the year ended
31 December 2024

Scan here for access to Impax Environmental Market plc's website, which will have the Company's latest Annual Report and the Circular and Notice for the 2025 Annual General Meeting.

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