Impax Environmental Markets plc

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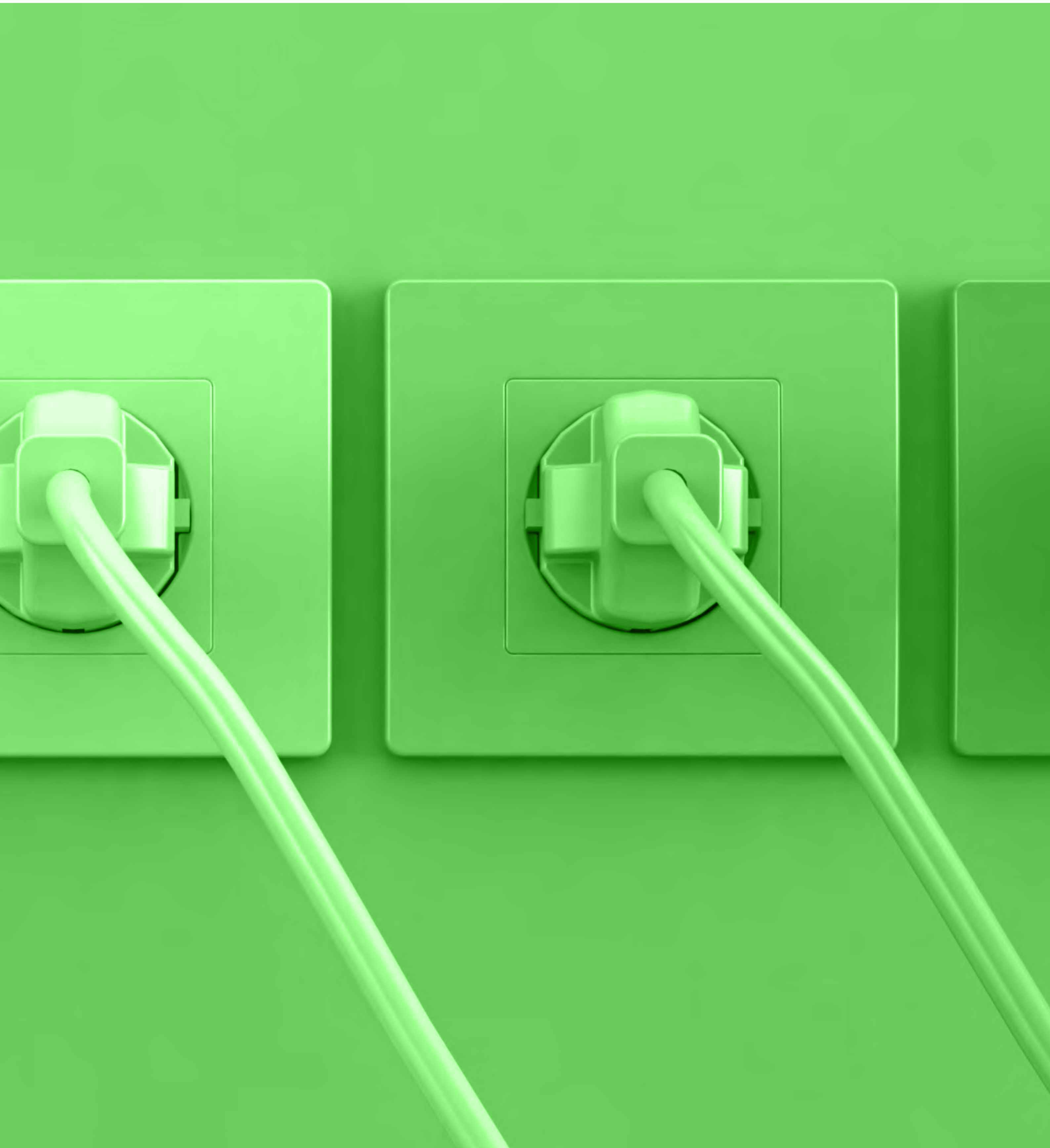
Annual Report and Accounts
For the year ended 31 December 2019



ANNUAL
REPORT
2019

IMPAX Environment Markets plc

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Investment Objective

The investment objective of Impax Environmental Markets plc ("the Company") 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 2019

321.8p

Net asset value ("NAV") per Ordinary Share

2019	321.8p
2018	249.6p

333.0p

Ordinary Share price

2019	333.0p
2018	253.0p

3.5%

Ordinary Share price premium to NAV[1]

2019	3.5%
2018	1.4%

£657.0m

Net assets

2019	£657.0m
2018	£450m

1.02%

Ongoing charges[1]

2019	1.02%
2018	1.04%

PERFORMANCE SUMMARY[2]

For the year ended 31 December 2019 % Change

30.6%

NAV total return per Ordinary Share[1]

2019	30.6%
2018	-10.8%

32.9%

Share price total return per Ordinary Share[1]

2019	32.9%
2018	-0.4%

21.7%

MSCI AC World Index[3]

2019	21.7%
2018	-9.9%

29.2%

FTSE ET100 Index[3]

2019	29.2%
2018	-3.8%

1. These are alternative performance measures. pages 63 and 64.
2. Total returns in sterling for the year to 31 December 2019.
3. Source: Bloomberg and FactSet.

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

The disclosures as indicated in footnote 1 above are considered to represent the Company's APMs. Definitions of these APMs and other performance measures used by the Company, together with how these measures have been calculated, can be found on pages 63 and 64.

Chairman's Statement

John Scott
Chairman

No letter to shareholders can fail to acknowledge the enormous impact which the COVID-19 virus is inflicting on society and the world economy. With good reason, world stock markets have reacted violently in recent weeks, but it should not be forgotten that 2019 was a remarkably successful year for us; the bulk of this statement deals with the year ended 31 December 2019, with comments on subsequent events confined to the Outlook section at the end.

As well as enjoying a year of excellent investment performance, Impax Environmental Markets plc ("IEM", or the "Company") benefitted from strong investor demand. Our shares started the year trading at a premium of 1.4% and ended the year on a premium of 3.5%, at a price of 330p. Almost 24 million shares were re-issued from treasury. During 2019, the market capitalisation of IEM grew by 49% to £680 million.

2019 saw world equity markets rally following the retreat seen at the end of 2018. Shareholders will recall from last year's Annual Report that this sell-off had a significant negative effect on IEM, whose bias towards smaller cap companies made us particularly vulnerable. In 2019 markets were well supported by strong macro-economic data, interest rate cuts across major economies, receding fears of a global recession and, later in the year, by the lessening of US-China trade tensions. These developments supported corporate earnings growth and encouraged a further re-rating of markets, providing a greater than expected boost to stock prices.

Even against this positive backdrop, the Company outperformed its two comparative indices, the broader MSCI All Countries World Index ("MSCI ACWI") and the FTSE Environmental Technologies 100 Index ("FTSE ET100"). This outperformance is a vindication of the Company's investment thesis – that, over the long-term, companies offering solutions to the world's sustainability challenges will grow faster than the wider market – and reflects the investment managers' skill in identifying companies which meet our investment criteria, while employing high quality management teams and operating defensible business models.

PERFORMANCE

Over the year to the end of December 2019, IEM's net asset value increased by 28.9%, with its shares delivering a total return of 32.9%, compared with a 29.2% rise in the FTSE ET100, and a 21.7% increase in MSCI ACWI (all in sterling terms, calculated with dividends re-invested). The Company outpaced the FTSE ET100 by 8.8% during the first half of the year, but a strong rally in the share price of Tesla (which the Company excludes on the basis of valuation, risk and poor environmental, social and governance "ESG" standards), meant that the FTSE ET100 narrowed the gap in the last quarter of the year. Tesla is the largest component of the FTSE ET100 – about 11% at the end of December 2019 - and movements in its share price have a large effect on IEM's performance relative to that index.

Thanks in part to our excellent investment performance and also to our programme of share issuance the Company's NAV grew in 2019 from £450 million to £657 million.

INVESTMENT CASE

As is explained in more detail in the section on Investment Policy, IEM has three principal investment themes: alternative energy and energy efficiency; water treatment and pollution control; and waste technology and resource management, with a particular focus on sustainable agriculture. Of these, the one capturing most headlines at present is the first, since many consider that decarbonising the global economy is an essential part in the fight against global warming. This will require trillions of dollars of investment over the coming decades, creating a range of opportunities for those investing in environmental markets. The need to adapt to a changing climate continues to require huge investment in all parts of the world, whether or not the countries concerned believe that the underlying cause is global warming. The climate issue rose further up the world agenda in 2019, spurring high profile protests by climate change activists, more militant groups such as Extinction Rebellion, and large-scale climate marches. Most vividly, wildfires, particularly in California, the Brazilian rainforest and Australia, and the recent high levels of rain with resultant floods in the UK, have brought home the grim reality of a changing climate.

Climate change is having profound economic impacts. 2019 began with the bankruptcy of California utility Pacific Gas and Electric under the weight of liabilities for its role in the 2018 wildfires, and it concluded with the Australian bushfires. The direct costs of these environmental catastrophes are in the billions of dollars, and the impacts of higher health spending, reduced tourism revenues and the costs of making infrastructure more resilient will be of a similar magnitude.

More positively, we are beginning to see a policy response commensurate with the scale of the threat, with governments around the world making the first "net-zero"

"Our investment proposition has moved from what was once regarded as the fringe, to the mainstream of investor consciousness."

commitments. While the COP25 climate talks in Madrid in December 2019 may have disappointed, with climate change-sceptic countries slowing down the negotiations, in January the UN announced that in excess of 100 countries have now submitted more ambitious emissions targets ahead of the next landmark negotiations. This will undoubtedly provide additional support for companies within IEM's investable universe.

DIVIDEND & AGM

The Company's net revenue for the year was £6.8 million, a useful increase over the £5.7 million earned in 2018. The number of ordinary shares in issue as at 31 December 2018 was 180 million, but by the end of 2019 this had grown to 204 million, diluting the earnings attributable to each share. The earnings per share, based on the weighted average number of shares in issue during the relevant year, grew from 3.20 pence to 3.63 pence.

Due to the emergency measures being implemented in the UK in response to the COVID-19 pandemic, which include restrictions on gatherings of more than two people and the possible delay to the Company's Annual General Meeting, the Board decided to pay this year's dividend as an interim dividend, rather than as a final dividend requiring shareholder approval at the Annual General Meeting. On 25 March 2020, the Board announced an interim dividend for the 2019 financial year of 3.0 pence per Ordinary Share, payable on 24 April 2020 to shareholders who appear on the register on 3 April 2020, with an ex-dividend date of 2 April 2020. This dividend is as at the same level as that paid in respect of the previous financial year.

It remains the Board's policy to pay out substantially all earnings by way of dividend, but shareholders will note that there is a significant gap between our reported earnings per share (3.63 pence) and the interim dividend paid (3.0 pence); this is a consequence of the continued expansion of our capital base. Following strong investor demand for our shares, particularly in January and February 2020, there were 228 million ordinary shares in issue on the record of 3 April 2020, all of which qualify for the interim dividend and this growth has diluted the earnings per share.

I am pleased that we were able to maintain the Company's dividend at the same level as paid in the previous year, but it comes with a warning as to the future. While our investment managers have been successful in growing earnings in recent years, we are to a large extent at the mercy of the distribution policies of our investee companies.

The Company will hold its Annual General Meeting on the 21 May 2020. However, current UK emergency measures mean that this will be a closed meeting and shareholders will be unable to attend in person. I would therefore strongly encourage shareholders to vote instead by proxy. Full details of the Annual General Meeting, the resolutions proposed and how to vote by proxy are described in the Notice of Meeting and supporting explanatory notes on pages 67 to 70. Shareholders who have questions that they would have raised at the Annual General Meeting, should submit them by 18 May 2020 to the Company's email address, clientservices@impaxam.com. Answers will be published on the Company's website in advance of the meeting.

The Board hopes that it is understood that these steps are being taken to protect shareholders' wellbeing and help in the prevention of further virus spread and would like to take this opportunity to thank all shareholders for their continued support and understanding in these exceptional circumstances. The Company will return to full shareholder engagement as soon as feasible.

GEARING

The Board's policy is that gearing is a positive feature of investment companies and encourages the Manager to make use of this ability with full discretion on a tactical basis up to a level of 10%. To support this, in September 2018 the Company refinanced its multicurrency revolving credit facility by entering into agreements with Scotiabank for five-year fixed rate loans of £15 million and US$20 million, of which £15 million (full drawdown) and US$20 million (full drawdown) are outstanding. In addition, we have a multi-currency revolving credit facility for up to £20 million, which is currently not drawn.

As at 31 December 2019, the Company's net gearing was 2.8%. The Manager keeps under regular review the opportunities for enhancing returns by the prudent use of gearing.

PREMIUM/DISCOUNT

The Company's Ordinary Shares traded at a premium to NAV of 1.4% on 1 January 2019 and a premium to NAV of 3.5% on 31 December 2019, the highest point for the year. The lowest point during the year was a discount of -1.4%. IEM traded at an average of 1.2% premium over the year, with no share buybacks undertaken.

Increasing appetite for our investment philosophy, coupled with awareness of IEM thanks to strong coverage in the media and recommendations by online platforms, led to growing demand for our shares. This created suitable conditions for the re-issue of treasury shares previously bought back as part of our discount management policy. By the end of December 2019, the Company had sold 24 million Ordinary Shares from treasury at a premium to NAV, raising aggregate gross proceeds of £74 million.

During the year the Board obtained authority from shareholders at a General Meeting to increase the Company's capacity to issue or sell from treasury up to 19,913,924 Ordinary Shares on a non pre-emptive basis (representing approximately 10% of the Company's issued share capital as at 14 November 2019), up until the AGM on 21 May 2020. This was in addition to the authority granted at the 2019 AGM to issue up 18,165,740 Ordinary Shares on a non pre-emptive basis.

So strong has been the demand for our shares that, by early February 2020, we had effectively exhausted the additional authority granted by shareholders in the previous December and were unable to meet market demand for our shares. We therefore called another General Meeting to ask shareholders for a further authority to issue shares on a non pre-emptive basis in order to assist with the management of the growing premium at which our shares were trading. On 24 February shareholders voted to give us permission to issue an additional 11,015,962 Ordinary Shares, representing approximately 5% of the shares outstanding as at 5 February.

Thus, we are once again in a position to issue shares; the first 2.6 million of these were the remaining treasury shares (all of which have now been sold) and new shares which will be issued up to the limit established under the most recent authority. At the Company's forthcoming AGM, Resolution 10 seeks permission from shareholders to issue approximately 23 million new shares on a non pre-emptive basis and the Board intends to use these to ensure that the Company's shares once again trade close to NAV.

SHAREHOLDER COMMUNICATIONS

We seek to communicate as effectively as possible with all our shareholders. As an environmental investor, we favour digital communication because of its low environmental impact, but for the moment we remain happy to provide hard copies of our reports to those shareholders who request them from the company secretary. Further information can be found on our website, www.impaxenvironmentalmarkets.co.uk, and regular updates are posted on our @IEMplc Twitter account.

THE BOARD

As we have announced previously, Julia Le Blan is to retire at our 2020 AGM, by which time she will have served on the IEM Board for nine years, holding the position of Chairman of the Audit Committee for most of that time. I would like to thank Julia for her service to the Company and in particular for her dedicated role in running the Audit Committee with uncomplaining competence and consummate professionalism.

In July 2019, Stephanie Eastment joined the Board; she is a chartered accountant and a Certified Company Secretary with more than 30 years' experience in the financial services industry, mostly within the investment company sector. She will become the Chairman of the Audit Committee when Julia steps down.

OUTLOOK

IEM has in the past year been the beneficiary of much favourable publicity in the financial press and elsewhere reflecting, amongst other things, the view that our investment proposition has moved from what was once regarded as the fringe, to the mainstream of investor consciousness. Amongst many supportive articles, perhaps the one I enjoyed most appeared at the time of the Extinction Rebellion demonstrations, the thesis of which was that if the protesters really want to save the planet, rather than gluing themselves to the doors of the Stock Exchange they would be better to encourage more people to buy shares in Impax Environmental Markets. Demand for our stock suggests that some may have followed this advice.

Shortly before this Report was published we received the news that IEM had been promoted to the FTSE-250 Index, an elevation which is driven largely by market capitalisation. The credit for this, coming about as it did at the conclusion of a year of excellent performance and expansion of our capital base, lies primarily with our investment managers Impax Asset Management ("IAM"). There are many reasons to welcome this promotion, which brings with it broader coverage, improved liquidity and a wider parish of investors able to buy our shares. Furthermore, as IEM has grown, its ongoing costs ratio has fallen, reflecting IAM's lower management fee of 0.65% on net assets over £475 million.

COVID-19

Earlier, I promised a detailed reference to the COVID-19 virus that is sweeping the globe, claiming many thousands of lives, overwhelming health services and causing the most serious damage to the world economy that has been seen in peacetime. Many stock indices have fallen by a third or more and IEM has not escaped this carnage. Our Manager's statement sets out the measures that IAM has implemented to ensure the continued smooth running of its business and I draw your attention to Note 17 of the accounts which provides information on developments subsequent to the 2019 year end.

It is heartening to observe that, despite the meltdown in financial markets, our shares have continued to trade generally at a premium to NAV and there remains market demand for IEM stock, allowing for further share issuance. The depth of this demand is at present untested, and we are mindful of the Manager's need to exercise caution in allocating capacity, which will determine future issuance of new shares beyond the 10% authority which is being sought at the AGM under Resolution 10.

This is a time when strong nerves are needed and indeed they may be required for some time, but from every crisis some winners emerge. Your Company may well be one of them; we have little gearing (4.99% as at the date of this report) and we invest in many sectors which will be long term beneficiaries of the likely reappraisal of the way in which Governments, businesses and consumers prioritise expenditure and manage resources. Your Board has great confidence in the expertise of its investment managers in selecting those businesses which are best placed to benefit from the current dislocations. I am sure that shareholders will join me in applauding their great achievements in 2019 and in wishing them good fortune in navigating the choppy waters which currently surround us.

John Scott, Chairman
17 April 2020

Manager's Report

Jon Forster Bruce Jenkyn-Jones

The strong cumulative performance of the Company in 2019 is a validation of our investment thesis, namely that, over the longer term, environmental markets will grow faster than the broader economy in order to address the sustainability challenges that the world faces and, as the global population grows and becomes more affluent, to use resources more efficiently.

Specifically, the Company has benefited from strong earnings delivery compared with our benchmarks. Over five years, the portfolio has delivered annualised earnings growth of 8%, in line with the FTSE ET100, and above the 4% delivered by the MSCI ACWI.

This earnings growth helped to produce IEM's strong performance relative to its two benchmarks over the course of 2019. The net asset value ("NAV") per Ordinary Share of the Company generated a total return of 30.6%, measured in pounds sterling. That was 8.9% ahead of that returned by the MSCI ACWI, and 1.4% ahead of the FTSE ET100.

KEY DEVELOPMENTS AND DRIVERS FOR ENVIRONMENTAL MARKETS

IEM explores a broad range of environmental investment ideas where we believe growth opportunities exist. These include new energy, waste, water and sustainable food and agriculture sectors, and align with well-known themes such as the war against plastic, the electrification of vehicles and the industrial internet of things.

In 2019 the climate crisis really hit the headlines, due to public protests, extreme weather events and Greta Thunberg's campaign. Thematically this growing awareness was explored within the portfolio by examining opportunities in carbon emission mitigation and adaptation to increasingly adverse weather conditions.

Climate change mitigation

The increasingly noticeable physical impacts of climate change are beginning to trigger medium-term policy commitments. If these are successfully implemented, they would be in line with pledges made in the Paris Agreement to hold the global average temperature rise to no more than 2°C above pre-industrial levels. This presents transition risks for companies, yet also leads to mitigation opportunities.

In July, the UK became the first country to legislate a net-zero emissions target, committing to become carbon neutral by 2050. In December, a similar target was agreed by the EU, despite opposition from a number of of Eastern European countries that remain heavily dependent on coal-fired power generation. According to the Energy & Climate Intelligence Unit, a London-based think-tank, around 49% of global GDP is produced by states or regions which have either made such a commitment, or where a commitment is under active political discussion.

These net-zero targets are significant because they are economy-wide. No single sector is off the hook. 2050 may seem like a long way off but, for many economic sectors, decisions and investments will need to be made within the next five years if these targets are to be met. This creates a positive backdrop for IEM portfolio companies offering climate mitigation solutions.

Approximately 50% of the IEM portfolio exposure is to climate change mitigation, including 8% Renewable Energy, 27% Energy Efficiency and 15% Sustainable and Efficient Agriculture.

Climate change adaption

To date, mitigation – cutting carbon emissions – has dominated the global response to climate change. Globally, we have seen a significant acceleration of extreme climate events. Australia experienced its hottest and driest year on record, and its worst ever recorded bushfire season, where more than 186,000 km^2 of bush was destroyed – more than the size of Denmark. The wildfire season in California saw 7,860 fires and almost 260,000 acres burned. Also in the US, the fourth consecutive above-normal Atlantic hurricane season, with 18 named storms, including six hurricanes, causing billions of dollars of damage. Chennai in India, which is enduring a water crisis, saw government officials declare 19th June 2019 as "Day Zero", the day when almost no water was left. As the disruptive effects of global warming are becoming apparent, investment is increasing in products and services that help companies and individuals manage that disruption and physical asset risk. With approximately 25% of the portfolio exposed to climate change adaption, one of the key focuses for Impax and our engagement with companies, is physical asset climate risk.

Adaptation presents opportunities across a number of IEM sub-sectors. There will be a need for substantial investment to make power grids more resilient in the face of extreme weather and wildfires. Similarly, we are seeing increased demand for micro-grid infrastructure and back-up power. For example, Generac (Power Network Efficiency, US), which offers an integrated generation, storage and power management product, has identified the California market as a major potential source of growth. Penetration of back-up power systems in the state is under 1%, compared with 4% for the US as a whole.

Water infrastructure around the world will also require substantial upgrading, with declining rainfall in some regions necessitating investments to reduce waste. Conversely, flood defences and storm water management will need to be enhanced in other regions to cope with increasing and more intense rainfall and rising sea levels.

A changing climate is also increasing the incentives towards more efficient food and agricultural production. With agriculture accounting for some 70% of water use, the sector is under pressure to use water more efficiently, by use of micro-irrigation techniques, for example, while customers are shifting to less environmentally intensive inputs, such as by replacing cotton with sustainable textiles.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

Over the year, a significant contribution to the Company's performance was the recovery of a number of portfolio holdings following an aggressive de-rating in Q4 2018. For example, Arcadis (Environmental Consulting, Netherlands) and Itron (Power Network Efficiency, USA), were weak in 2018 due to concerns around their balance sheets and earnings outlook. In 2019, however, both companies delivered strong earnings and cashflow, and successfully paid down debt, driving strong share price performance.

The rapidly falling cost of solar power, together with a resumption in activity in the key Chinese market, drove performance in solar holdings Xinyi Solar (Hong Kong) and Sunpower (US). In addition, the simultaneous declining cost of energy storage or batteries is opening up new opportunities for combined solar plus storage systems, which help address the intermittent nature of solar power and boost growth prospects. Generac, discussed above, has launched a storage product to be sold through its extensive distribution network, which uses software to manage an integrated solution comprising solar, storage and back-up power. It's an attractive new opportunity which contributed to share price performance.

Successful stock picking helped drive returns. Among these new holdings, Indraprastha Gas (Pollution Control Solutions, India), which has the franchise to distribute natural gas in New Delhi, has performed well as India seeks to address crippling urban air pollution. Darling Ingredients (Recycling and Value-Added Waste Processing, US), processes food waste into value-added products such as animal feed and has a joint venture with US refiner Valero to supply biodiesel into California. This also performed well due to supply shortages into the Californian market and an extension of tax credits.

Detractors

There were two areas that exerted a drag on the Company's performance in 2019.

The first was China. The government set aggressive environmental targets in its five-year plan. However, the government has had to shift focus and capital expenditure in the light of ongoing global trade discussions and a slowing economy. This led to weak performance for Zhuzhou CRRC Times Electric (Transport Energy Efficiency, China), which supplies technology for railway infrastructure, and Beijing Enterprise Water (Water Utilities, China). Despite near-term headwinds, we remain convinced of the longer-term investment case and take reassurance from recently renewed government commitments on infrastructure investment.

The second laggard was software, which switched from being a contributor to performance in 2018 to a detractor in 2019. This was almost entirely the result of company-specific challenges at two holdings – PTC (Industrial Energy Efficiency, USA) and Altair (Industrial Energy Efficiency, USA). PTC is transforming its business from a sales to a subscription model, a process which proved distracting to management. Altair suffered as a result of the slow-down in the automotive sector, to which it is partially exposed. In both cases, we are confident that management is successfully working through the issues they face and we remain confident of the prospects for the two companies and the overall sector.

Performance contribution analysis

MSCI ACWI COMPARISON	FOR YEAR ENDED 31 DECEMBER 2019 %
NAV total return	30.6
MSCI ACWI return	21.7
Relative performance	8.9
Analysis of relative performance	
Portfolio total return	30.8
MSCI ACWI total return	21.7
Portfolio outperformance	9.1
Borrowing:	
Gearing effect	1.7
Management fee	-0.9
Other expenses	-0.2
Trading costs	-0.4
Effect of share issues	0.1
Tax	-0.4
Residual	-0.1
Total	8.9

FTSE ET100 COMPARISON	FOR YEAR ENDED 31 DECEMBER 2019 %
NAV total return	30.6
FTSE ET100 total return	29.2
Relative performance	1.4
Analysis of relative performance	
Portfolio total return	30.8
FTSE ET100 total return	29.2
Portfolio outperformance	1.6
Borrowing:	
Gearing effect	1.7
Management fee	-0.9
Other expenses	-0.2
Trading costs	-0.4
Effect of share issues	0.1
Tax	-0.4
Residual	-0.1
Total	1.4

Unquoted holdings

IEM has only one active holding in an unquoted company, Ensyn Corporation, a second-generation biofuels company based in Ontario, Canada, and with operations in the US. Ongoing regulatory challenges in its markets have led to the three write-downs during the year. As at 31 December 2019, the company represented only 17 basis points of the portfolio. We are continuing to monitor the regulatory situation closely and stand ready to further revise the valuation as necessary.

Portfolio positioning, valuation and risk

The Company held a portfolio of 61 listed holdings at the end of 2019. The portfolio is well diversified across regions and environmental subsectors, with detail set out on pages 11 to 14. The structure is consistent with that presented in the 2019 Half-Yearly Interim Report.

Portfolio activity remains focused on finding attractive investment ideas, particularly those that provide additional diversification and/or economically defensive business models.

At the end of the Period, the portfolio was valued at just over 19 times earnings and a price to book ratio of 3.1x, which is somewhat expensive in absolute terms. However, in price/earnings terms, it was trading at a 20% premium to MSCI ACWI, which is in line with the long-term average. Recent turmoil has seen the price to book ratio fall to 2.1x, which is below the long term average.

OUTLOOK

The strong performance of the Company in 2019 underlines our conviction that we are investing in parts of the economy that are set to continue to outperform over the medium to long term. It should be stressed, however, that this level of outperformance is not guaranteed, and its tracking error in relation to global equities is an indicator of the Company's higher risk profile compared with the broader market.

As of the time of writing, COVID-19 has become a global pandemic that is expected to pose unprecedented challenges to society, healthcare services and broad swathes of the economy. Equity markets are increasingly pricing in recessionary scenarios and this presents challenges to parts of the IEM portfolio. While we expect to benefit from zero exposure to Energy and Financials stocks, the structural overweight positions in Industrials and companies with smaller market capitalisations represent a headwind to relative performance against the MSCI ACWI.

There have been areas of strength for the portfolio, notably the utility, testing laboratory, environmental infrastructure and specialty chemicals holdings. At a company level, we have spent a lot of time focusing on companies' balance sheets, as those with even a modest amount of debt have severely underperformed. We are comfortable with the balance sheet strength and cash generation of the portfolio holdings, even in current circumstances.

Market conditions have led to us allocating cash to top up existing names at compelling valuations and has provided an entry point for a new filtration opportunity, which fits our focus on diversification and defensive businesses. We continue to watch central bank monetary policy; governments' fiscal policies and economic stimulus; the expansion of COVID-19, government controls and scientific research; and company balance sheets and their ability to get through the economic hiatus.

COVID-19 will pose many challenges to us all, but nothing in our opinion that undermines the long term investment hypothesis on which IEM is based. We do expect certain markets (clean water, clean air, testing, climate change adaptation) to emerge stronger at the end of crisis.

We therefore remain optimistic for the long-term outlook of the Company. Sustainability pressures are only becoming greater, as is awareness among policymakers and the general public about the need to address them. This awareness will help drive consumer demand to more sustainable products and services, as well as supporting tightening regulation and policy to require companies to become more resource efficient. In this context, we see an exciting investment opportunity, with a growing universe of companies applying cost competitive sustainability and resource efficiency solutions to an increasingly large proportion of the global economy.

Environmental Impact Report

Impax Asset Management (AIFM) Limited
17 April 2020

Impax Environmental Markets plc invests globally in companies providing solutions to resource scarcity and environmental pollution. Investee companies must be 'pure plays', generating at least 50% of their revenues from sales of environmental products or services in the energy efficiency, renewable energy, water, waste or sustainable food markets. At the end of the year, the portfolio's weighted average revenue exposure to these markets was approximately 78%[1] .

IEM is managed to optimise financial returns, so the balance between impact metrics can vary year on year due to portfolio positioning, more accurate corporate reporting and enhancements to Impax's calculation methodologies. Our impact metrics are calculated on the latest available company disclosures, in this case, referencing 2018 environmental benefits.

A £10 MILLION INVESTMENT IN IEM PRODUCED[2]:

Across water, renewable electricity and recovered materials and waste, the metrics all improved in comparison to the previous year. An increase in the strategy's holdings in key water treatment companies underpinned the increase in water treated, while in renewables the increase was the result of higher electricity generation by portfolio companies. Similarly, the higher exposure to waste and alternative packaging companies in response to the plastics crisis helped boost the materials and waste figure.

A dip in the volume of CO_2 avoided by the portfolio companies was partly driven by a substantial reduction in allocation to a recycling company on valuation grounds, as well as greater transparency of Scope 3 emissions in Asia[3].

1 As at 31 December 2019.

2 For the year 2018.

3 Scope 3 - Indirect emissions, other than greenhouse gases, such as air travel and waste.

	2017[4]	2018[5]
Net CO_2 emissions avoided	7,940 tCO_2	7,000 tCO_2
Total water treated, saved, or provided	2,340 megalitres	2,800 megalitres
Total renewable electricity generated	2,150 MWh	2,410 MWh
Total materials recovered/ waste treated	1,340 tonnes	1,590 tonnes

4 For the year 2017

5 For the year 2018

These figures refer to the past. Past performance is not a reliable indicator of future results. Source: Impax Asset Management. All impact data represents impact of £10m invested in the Company for one year. Based on most recently reported annual environmental data for holdings in the portfolio. IEM is a long-only global equity strategy that invests in stocks of small and midcap environmental services and technology companies. Impax's impact methodology is based on equity value

Case Studies

CLIMATE ADAPTATION

Generac Holdings Inc

Leading manufacturer of natural gas powered standby generators and energy storage products for the residential, commercial and industrial markets – US

Investment Opportunity
Increasing frequency and severity of extreme climate events (wild fires, hurricanes etc.) is causing extended blackouts, driving a strong growth in demand for uninterruptible power supply. In addition, the falling cost of technology for solar and energy storage creates new opportunities for Generac for integrated distributed generation solutions sold through its extensive distribution network.

Environmental Benefit
Provides efficient solutions for aged and under invested power grids, prone to disruption during natural disasters, with a focus on natural gas to provide cleaner energy than diesel oil generators. New integrated solutions with home energy management software co-ordinating between the energy storage, standby generator and a solar system facilitate increased renewables integration.

Impact Achieved
Helps communities cope with volatile power supplies in times of need, without resorting to high-emitting fuels. Energy storage solutions supports growth in renewables, particularly solar.

CLIMATE MITIGATION

Rayonier Inc

International forestry company that grows and harvests timber to be converted into lumber, wood products and pulp – US, New Zealand

Investment Opportunity
Well-managed timber forests contribute toward reducing the amount of CO_2 in the atmosphere and help meet demand from growing bioenergy markets and residential housing construction. Timber is a compostable, renewable resource.

Environmental Benefit
Sustainably managed forests help prevent deforestation, forest degradation and illegal logging, while commercial silviculture techniques help improve tree vigour, making them less susceptible to insects, fire and disease. A sufficient and sustainable supply of timber is essential for more "green" construction, as well as fibre-based packaging.

Impact Achieved
In 2019, it led to an estimated avoidance of 900,000 tonnes of CO_2.

IEM'S ALIGNMENT TO THE UNITED NATIONS SDGs

As part of its sustainable development agenda, in 2015 the United Nations developed 17 Sustainable Development Goals ("SDGs"), a series of targets the UN has challenged the world's economies to achieve by 2030.

Asset owners are increasingly adopting SDGs as a useful framework for allocating capital towards positive impact investments.

We have undertaken a mapping exercise to explain how IEM's investment strategy aligns with these goals.

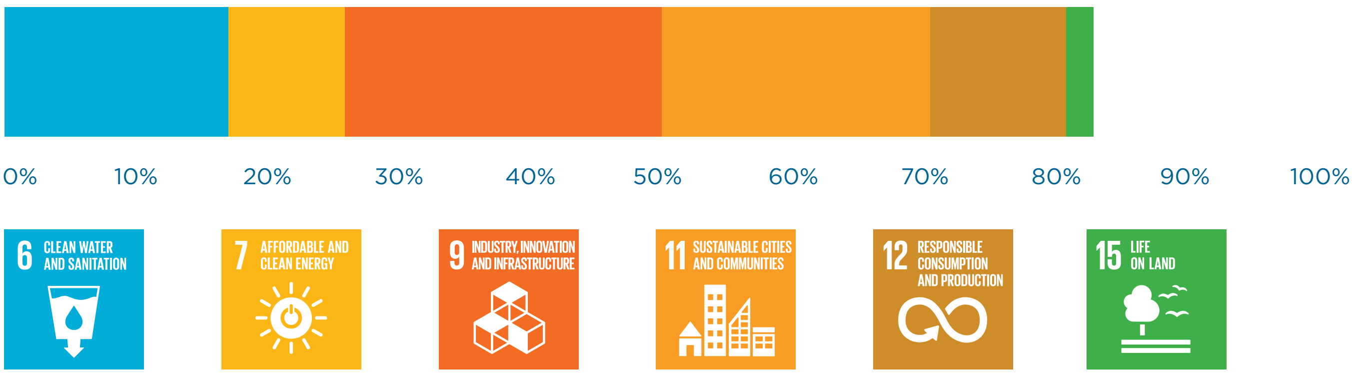
The classification of the Environmental Markets investment universe enables us to link each of the 29 FTSE Environmental sub-sector classifications to the most relevant environmental SDGs.

We have focused on those where the underlying targets of the goal are relevant to private sector investment opportunities, rather than public funding or policy action. For example, we have no exposure to SDG target 13, "Climate Action", which may seem surprising. This is because we consider the target to be aimed at government rather than private actors. We aim to continue refining our work in this area.

Our work shows that the Company provides exposure to goals 6, 7, 9, 11, 12 and 15.

MAPPING IEM TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Revenue exposure (%)



Source: Data as at 31 December 2019. Figures are based on Impax internal data.

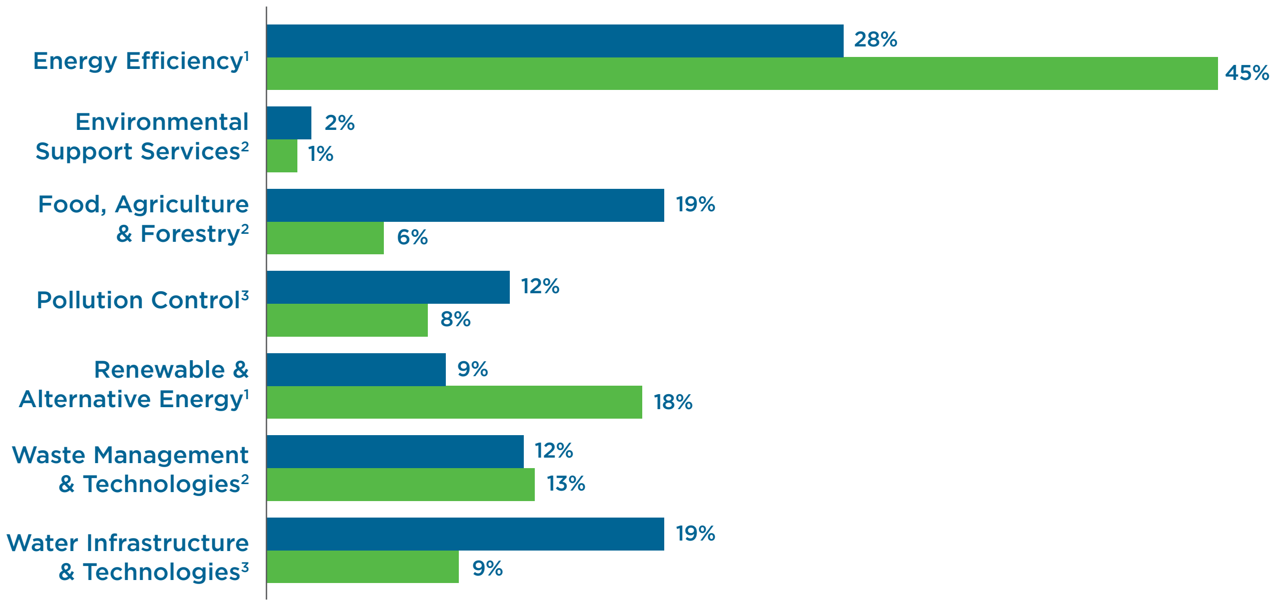
Our most up to date environmental impact reporting can be found in the About/Environmental Impact section of our website **www.impaxenvironmentalmarkets.co.uk.**

Structure of the Portfolio

As at 31 December 2019

Breakdown by environmental markets classification system

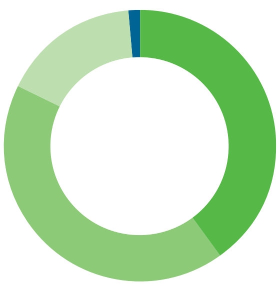
● IEM ● FTSE ET100 Index



Investment policy classification

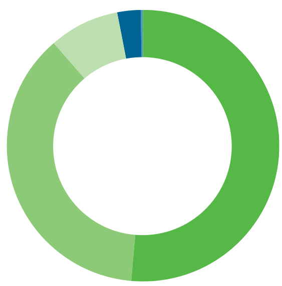
1. Alternative Energy and Energy Efficiency.
2. Waste Technologies and Resource Management.
3. Water Treatment and Pollution Control.

Breakdown by region



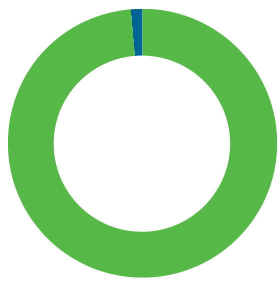
- North America, 42%
- Europe, 40%
- Asia Pacific, 16%
- Rest of World, 1%

Breakdown by market capitalisation



- More than US$5bn, 51%
- US$2bn-5bn, 37%
- US$500m-2bn, 8%
- Less than US$500m, 3%
- Unquoted, 0.2%

Breakdown by company profitability[1]



- Profitable, 99%
- Unprofitable, 1%

Ten Largest Investments

As at 31 December 2019

1

2.9%
of net assets
(2018: 1.8%)

Rayonier Inc - United States **www.rayonier.com**

Rayonier is an international forestry company that produces cellulosic fibres, standing timber and timberland acreage. As one of the largest private landowners in the US, it is an important player in the global sustainable forestry and plantation space. The company is based in Florida and owns 2.6 million acres of well-managed timber in the US and New Zealand, which contribute toward reducing the amount of CO_2 in the atmosphere.

2

2.6%
of net assets
(2018: 1.8%)

Generac Holdings Inc - United States **www.generac.com**

Generac Holdings is a leading designer and manufacturer of standby and portable generators for the residential, commercial and industrial markets. Following years of underinvestment in grid infrastructure and more severe weather events, there are an increasing number of power disruptions, and Generac is well positioned to benefit as a provider of uninterruptible power sources. The company has an estimated 70% share in the North American residential standby generator market and a well-established distribution network that is difficult for competitors to replicate.

3

2.6%
of net assets
(2018: 2.0%)

DS Smith plc - United Kingdom **www.dssmith.com**

DS Smith is the leading corrugated packaging company in Europe, with a wider global presence in 37 countries. E-commerce packaging needs, changing consumer behaviour and preferences, and global waste and recycling flow disruptions are presenting opportunities for well-positioned and innovative companies such as DS Smith. Based in the UK with a motto of 'Redefining packaging for a changing world', end markets include food & beverage, e-retail, and industrial customers. DS Smith has a stated goal of manufacturing 100% reusable or recyclable packaging by 2025.

4

2.6%
of net assets
(2018: 2.2%)

Spirax-Sarco Engineering plc – United Kingdom **www.spiraxsarcoengineering.com**

Spirax-Sarco Engineering is an industrial engineering business and a world leader in steam and electrical thermal energy solutions. The company designs, maintains and provides efficient steam systems and related fluid-related components like pumps and advanced boiler controls that provide clients with energy savings with relatively short payback periods. With a strong market position in a fragmented market, Spirax-Sarco has seen steady organic growth over many years. One of the attractive characteristics of the business is that more than half of the end markets are in defensive sectors such as food, beverages and pharmaceuticals.

5

2.4%
of net assets
(2018: 2.0)

Clean Harbors Inc – United States **www.cleanharbors.com**

Environmental services such as waste disposal, hazardous waste clean-up, recycling services and emergency cleanup are an important component of environmental solutions for a broad range of industries. Clean Harbors is a market leader in the US hazardous waste sector with a strong market position and pricing power in a business with high barriers to entry. It delivers collection, transportation, recycling, treatment, and disposal services and holds dominant positions in incinerators and landfills, where new permits are becoming exceedingly rare. It is also a leading responder to emergency clean-ups, for example post extreme weather events such as hurricanes.

6

2.4%
of net assets
(2018: 2.3%)

PTC Inc – United States

www.ptc.com

PTC is an Information Technology company that offers software products which can be deployed toward leaner manufacturing: computer-aided design modelling (CAD) and Product Lifecycle Management (PLM). Importantly, PTC's industrial connectivity platform enables customers to connect 'smart' devices, analyse associated data, and create 'Internet of Things' applications. Operating in a market with high barriers to entry and low customer turnover, using its established market position PTC is emerging as a leader in these connectivity platforms and benefiting from high recurring revenues.

7

2.4%
of net assets
(2018: 0.0%)

Aalberts NV – Netherlands

www.aalberts.com

Aalberts develops and sells various water technologies through four business segments – Building Installations, Climate Control, Industrial Controls and Industrial Services. Aalberts develops water regulation systems, flow control systems and piping systems among its infrastructure products. Its products address the need to preserve, re-use and reduce water usage and as such hold particular appeal.

8

2.3%
of net assets
(2018: 1.5%)

Pentair plc – United States

www.pentair.com

Following a split last year into two separate businesses, Pentair now purely focuses on the water treatment space – comprised of the pool business, plus filtration and flow technologies. Pentair has products that address a range of residential, commercial, industrial, infrastructure and agricultural end-markets. Its sales are focused on providing more energy and water efficient systems including variable speed, intelligent pumps for pools and biological commercial filter equipment for fish farming.

9

2.3%
of net assets
(2018: 3.3%)

Brambles Ltd – Australia

www.brambles.com

Brambles is an Australian logistics solutions company which concentrates on the outsourced management of reusable pallets, crates and containers – predominantly for supermarket and food supply chains. It is the undisputed global leader in the pallet and container pooling business, with over 850 service centres and a dominant share in most global markets, which gives Brambles scale benefits and creates significant barriers to entry to its competitors.

10

2.2%
of net assets
(2018: 2.8%)

EDP Renovaveis SA (EDPR) – Portugal

www.edpr.com

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

Details of Individual Holdings

AS AT 31 DECEMBER 2019 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	MARKET VALUE £'000	% OF NET ASSETS
Rayonier	Food, Agriculture & Forestry	United States	18,988	2.9
Generac Holdings	Energy Efficiency	United States	17,326	2.6
DS Smith	Waste Management & Technologies	United Kingdom	17,315	2.6
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	16,860	2.6
Clean Harbors	Waste Management & Technologies	United States	15,944	2.4
PTC	Energy Efficiency	United States	15,606	2.4
Aalberts	Water Infrastructure & Technologies	Netherlands	15,509	2.4
Pentair	Water Infrastructure & Technologies	United States	15,368	2.3
Brambles	Waste Management & Technologies	Australia	15,109	2.3
EDP Renovaveis	Renewable & Alternative Energy	Portugal	14,707	2.2
Ormat Technologies	Renewable & Alternative Energy	United States	14,376	2.2
Arcadis	Environmental Support Services	Netherlands	14,369	2.2
Trimble	Food, Agriculture & Forestry	United States	14,321	2.2
Indraprastha Gas	Pollution Control	India	14,236	2.2
Franklin Electric	Water Infrastructure & Technologies	United States	14,227	2.2
Bucher Industries	Food, Agriculture & Forestry	Switzerland	14,157	2.2
Koninklijke DSM	Food, Agriculture & Forestry	Netherlands	14,018	2.1
Advantech	Energy Efficiency	Taiwan	13,878	2.1
Sensata Technologies Holding	Energy Efficiency	United States	13,793	2.1
Welbilt	Food, Agriculture & Forestry	United States	13,753	2.1
Lenzing	Food, Agriculture & Forestry	Austria	13,599	2.1
Darling Ingredients	Waste Management & Technologies	United States	13,535	2.1
Xylem	Water Infrastructure & Technologies	United States	13,290	2.0
Coway	Water Infrastructure & Technologies	South Korea	12,773	1.9
Umicore	Waste Management & Technologies	Belgium	12,621	1.9
Top twenty five holdings			**369,678**	**56.3**
Other holdings			304,025	46.2
Unquoted holdings			1,189	0.2
Total holdings in company			**674,892**	**102.7**
Cash			13,818	2.1
Other net liabilities			(31,729)	(4.8)
Total net assets			**656,981**	**100.0**

All investment is in equity securities unless otherwise stated.

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 is 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", or "IAM") as its alternative investment fund manager to manage the portfolio in accordance with the Board's strategy and under its oversight. The portfolio managers responsible for the day-to-day management of the portfolio are Jon Forster and Bruce Jenkyn-Jones. 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 secretary and administration services have been delegated to PraxisIFM Fund Services (UK) Limited ("PraxisIFM" or the "Administrator"); depositary and custody services to BNP Paribas Securities Services ("BNP Paribas"); registrar services to Link Asset Services ("Link"); and the Company's broker is Investec Bank plc.

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

INVESTMENT POLICY

(i) 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).

(ii) 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.

(iii) 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.

(iv) 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 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 11.

DIVIDEND POLICY

The Directors typically expect the Company to generate returns in the form of capital gains rather than revenue. In order to meet the Investment Trust requirements, the Company intends to pay dividends on an annual basis by way of a final dividend, with the dividend paid following approval at the AGM each year. It is the Board's policy to pay out substantially all of the Company's revenue reserves.

The emergency measures implemented in response to the COVID-19 pandemic included restrictions on gatherings of more than two people and this created uncertainty as to when the Company's Annual General Meeting ('AGM') could be held. Therefore, in order to prevent possible delay of the dividend, the Board resolved to pay this year's dividend as an interim dividend, rather than as a final dividend requiring shareholder approval at the AGM. Details of the interim dividend declared are below.

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 are expected to be financed from net income received.

RESULTS AND DIVIDEND

The Company's revenue return after tax for the year amounted to £6,815,000 (2018: £5,768,000). On the 25 March 2020, the Directors declared that the Company would pay an interim dividend of 3.0p per Ordinary Share (2018: 3.0p per Ordinary Share) totalling £6,862,000 (2018: £5,488,000) based on the Ordinary Shares in issue at the record date, 3 April 2020. It should not be assumed that this level of revenue return or dividend will be repeated in future years. The interim dividend will be paid on 24 April 2020 to shareholders on the register at the close of business on 3 April 2020.

The Company made a capital profit after tax of £132,757,000 (2018: capital loss of £58,871,000 after tax). Therefore the total return after tax for the Company was a profit of £139,572,000 (2018: total return after tax for the Company was a loss of £53,103,000).

KEY PERFORMANCE INDICATORS ("KPIs")

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

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

The Board monitors both the absolute and relative NAV and share price performance and compares the performance of the Company against the MSCI ACWI and FTSE ET100 indices on a total return basis. A review of performance is undertaken at each quarterly Board meeting and the reasons for relative under and over performance against various comparators is discussed. The Chairman's statement on pages 2 to 4 incorporates a review of the highlights during the year. The Manager's Report on pages 5 to 7 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 on an ongoing basis 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 27. The Board sets parameters under which the Company's shares can be sold from treasury or bought back and each sale of shares from treasury or buyback is approved by a Board member before it is conducted. The Company's shares traded at an average premium to NAV of 1.2% during the year ended 31 December 2019 and within a range of a share price discount to NAV of 1.4% to a share price premium to NAV of 3.5%. The year end premium to NAV was 3.5%.

(iii) Maintenance of reasonable level of ongoing charges

The Board receives monthly management accounts which contain analysis of expenditure and are reviewed at quarterly Board meetings. The Management Engagement Committee formally reviews the fees payable to the Company's main service providers on an annual basis. The Board reviews the ongoing charges on a quarterly basis and considers these to be reasonable in comparison to peers. The Company's ongoing charges figure calculated in accordance with the AIC methodology and disclosed as an APM on page 63 was 1.02% (2018: 1.04%).

INVESTMENT PERFORMANCE

	1 YEAR TO 31 DECEMBER 2019	3 YEARS TO 31 DECEMBER 2019	5 YEARS TO 31 DECEMBER 2019	10 YEARS TO 31 DECEMBER 2019
NAV of the Company[1,2]	30.6%	35.6%	97.4%	171.2%
Share price of the Company[1,2]	32.9%	57.1%	128.4%	201.1%
MSCI ACWI[2]	21.7%	32.6%	76.2%	183.0%
FTSE ET100/FTSE ET50[2,3]	29.2%	39.9%	79.0%	90.0%

Note: MSCI index is total net return (net dividend reinvested), FTSE index is total return (gross dividend reinvested), both in sterling terms.

1. These are considered to be APMs.
2. Total return.
3. FTSE ET50 data until 31 December 2013 and then FTSE ET100 thereafter.

PRINCIPAL RISKS AND UNCERTAINTIES

Together with the issues discussed in the Chairman's Statement and the Manager's Report, the Board considers that the principal risks and uncertainties faced by the Company fall into the following main categories:

(i) 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. Consequently falls in stock markets, such as those experienced as a consequence of the COVID-19 pandemic, are likely to adversely affect the performance of the Company's investments.

The Company invests 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.

Risk mitigation

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 three main sectors, and at the year end the Company held investments in 65 companies.

Further detail on the financial implications of market risks is provided in note 16 to the accounts.

(ii) Environmental markets

The Company invests in companies operating in environmental markets. Such companies carry risks that governments may alter the regulatory and financial support for environmental improvement, costs of technology may not fall, capital spending by their customers is reduced or deferred and their products or services are not adopted.

Risk mitigation

The Company invests in a broad portfolio of investments which are spread amongst several environmental market sectors. The Manager has a rigorous investment process which takes into account relevant factors prior to investment decisions taking place. As well as reviews of the portfolio and relevant industry matters at quarterly Board meetings, the Board has an annual strategy day at which the overall strategy of the Company is discussed.

(iii) Corporate governance and internal controls risk

The Board has contractually delegated to third party service providers the management of the investment portfolio, depositary and custody services (which include the safeguarding of the assets), registration services and accounting and company secretary services.

The main risk areas arising from the above contracts relate to performance of the Manager, the performance of administrative, registration, depositary, custodial and banking services, and the failure of information technology systems used by third party service providers. These risk areas could lead to the loss or impairment of the Company's assets, inadequate returns to shareholders and loss of investment trust status.

Risk mitigation

Each of the above contracts was entered into after full and proper consideration of the quality and cost of services offered, including the risk management and control systems in operation in so far as they relate to the affairs of the Company. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis. The Board monitors key person risks as part of its oversight of the Manager.

The control of risks related to the Company's business areas is described in detail in the corporate governance report on page 33.

(iv) Cyber security risks

Cyber security risks could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. 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.

Risk mitigation

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. The Board also meets with its service providers on a periodic basis.

(v) Regulatory risks

Breaches of Section 1158 of the Corporation Tax Act 2010 could result in loss of investment trust status. 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 on the London Stock Exchange. 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.

Risk mitigation

The Company has contracted out relevant services to appropriately qualified professionals. 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.

(vi) Level of share price relative to the net asset value

Returns to shareholders may be affected by the level of discount or premium at which the Company's shares trade.

Risk mitigation

The Board has made a statement on premium/discount control as detailed on page 27. The Company utilises its powers to buy back the Company's own shares, or to sell shares from treasury, when circumstances are appropriate. The Board monitors the level of discount or premium and receives regular shareholder feedback from the Company's manager and broker.

(vii) Financial risks

The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk.

The Company invests in securities 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.

Risk mitigation

The Company will not normally hedge against foreign currency movements affecting the value of its investments, but the Manager takes account of this risk when making investment decisions.

Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts.

(viii) 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 the its spread, causing disruption to the operations of the Company, its key service providers and the companies in which it invests.

Risk mitigation

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.

(ix) 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 a portfolio company at a certain location, or impacting locations of companies within their supply chain.

Risk mitigation

Physical climate change risk is still an emerging topic for investors as well as for the management teams of portfolio companies. As such it has been a focus area of research and engagement by the Manager in 2019 to identify companies particularly exposed to this risk and to open a dialogue with them on management options. The Company invests in a broad portfolio of companies which are spread geographically, limiting the impact of location specific weather events.

Emerging risks

The Company has carried out a robust assessment of the Company's emerging and principal risks and the procedures in place to identify emerging risks are described below. International Risk Governance Council defines as 'emerging' a risk that is new, or a familiar risk in a new or unfamiliar context or under new context conditions (re-emerging). Failure to identify emerging risks may cause reactive actions rather than being pro-active and, in worse case, could cause the Company to become unviable or otherwise fail or the Company may be forced to change its structure, objective or strategy.

Risk management and mitigation

The Board reviews a risk map at its quarterly Board meetings and an annual formal review of the risk procedures and controls in place at the investment manager and other key service providers is performed. Emerging risk are actively discussed as part of this process and throughout the year in the attempt that emerging (as well as known) risks are identified and, so far as practicable, mitigated.

The market and operational risks and financial impact as a result of the COVID-19 pandemic, and measures introduced to combat its spread, were discussed by the Board, with updates on operational resilience received from the Manager, Administrator and other key service providers. The Manager continues to provide regular updates to the Board on the financial impacts of the pandemic on the portfolio performance and investee companies, as well as the long term effects and opportunities for the sectors in which IEM invests.

The experience and knowledge of the Directors is valuable to these deliberations, as are update papers and advice received from the Board's key service providers such as the Company's investment manager, broker, company secretary and auditor. In addition, the Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and/or regulatory issues and advising on compliance obligations.

VIABILITY STATEMENT

The continuation of the Company is subject to the approval of shareholders every three years, with the next vote at the Company's AGM in 2022. The continuation of the Company was unanimously approved at the Company's 2019 AGM. The Directors have assessed the viability of the Company for the period to 31 December 2024 (the "Period"). The Board believes that the 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. 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 Period.

In their assessment of the prospects of the Company, the Board considered each of the principal risks and uncertainties set out above and the liquidity and solvency of the Company. The Board also considered the Company's income and expenditure projections and the fact that the majority of the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements including buying back shares in order for the Company's discount control policy to be achieved. Portfolio changes, market developments, level of premium/discount to NAV and share buybacks/share issues are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

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 realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the Period of their assessment. Proceeds from the sale of the Company's investments could be used to repay the Company's bank loans which at the date of this report represented, in aggregate, less than 10% of the Company's investments.

This assessment has included a detailed review of the issues arising from the COVID-19 pandemic as discussed in the Chairman's Statement on page 4.

SECTION 172 STATEMENT COMPANY SUSTAINABILITY AND STAKEHOLDERS

Stakeholder Engagement

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

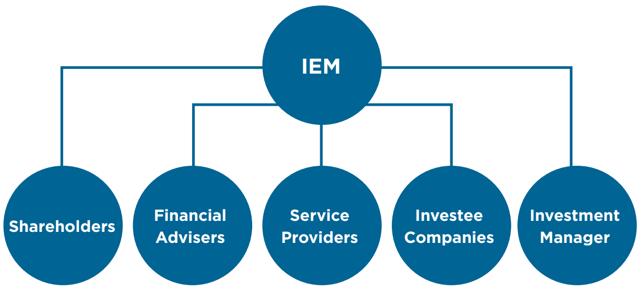
Our values – integrity, accountability and transparency – mean that the Board has always worked hard to communicate effectively with the Company's stakeholders. This is a two-way process and the feedback received from our stakeholders is highly valued and factored into our decision making.

IEM has a range of stakeholders and in this section we have mapped out who they are and what we believe their key interests to be.

This section serves as our Section 172 Statement. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making and to share how they have discharged this duty.

Our stakeholders and how the Board engage with them

Described below are the key stakeholders identified by the Board of IEM and what we understand their key interests to be.



Shareholders
Investment performance (NAV), share price, liquidity, regular communication.

Financial Advisers
Investment performance, share price, discount/premium, liquidity, access to detailed company and investment management information, access to comparative data.

Service Providers
A productive working relationship, collaboration, shared values, productivity, reputation management, communications.

Investee Companies
Regular communication, long-term investment, access to key individuals, collaboration.

Investment Manager

Access, regular communication, transparency around decision making, collaboration.

The Board seeks to understand the needs and priorities of all its stakeholders through regular engagement as outlined below.

Monitoring

The performance of our key service providers, as described on page 15, is regularly monitored and set against KPIs.

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 17 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 market place 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 most Board meetings.

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 also receives risk and compliance reports regarding the administration of the portfolio and in respect of the supervision of the Administrator and custodian activities.

Service providers are also responsible for monitoring the markets in which they operate; for instance, the company secretary will monitor regulatory changes and make the Board aware of these.

Monitoring has an integral role in providing oversight and informing the Board's decision making. The Board has high standards and looks to maintain its reputation for delivering to those standards for its shareholders.

Regular meetings

Regular meetings with our service providers, in particular the Manager, are essential if we are to adequately monitor and seek feedback from them. Furthermore, additional meetings are arranged as required in order that feedback from both parties is captured on a timely basis.

Meetings with our shareholders help us to understand their needs and concerns. As described under Shareholder Relations and Annual General Meeting on page 26, 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 meetings, who report back to the Board on shareholder sentiment, questions or concerns for the Board's consideration.

Furthermore, the Directors meet with or will receive feedback from the Manager or broker in respect of their meetings with financial advisers over the course of the year to consider the interests of these stakeholders.

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 23 the Board and Manager believe engagement with the investee companies is a positive, beneficial and welcomed and that consistent exercise of voting rights is a key activity in the dialogue with companies invested.

Reviews

The Company wants to ensure, and assesses on a regular basis, that appointments remain in the best interests of our shareholders. The Board receives and reviews detailed presentations and reports from major suppliers, providing oversight of the Company's activities (further information on the Board's review process is set out in the Corporate Governance report).

These 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.

As described on page 33, in respect of internal controls, the Directors receive and consider monthly reports from the Administrator, giving details of the portfolio, investment transactions and the financial position of the Company, and concerning risks and internal control matters. Additionally the Manager reports the key conclusions of their internal audit reports, in particular any matters that would impact the Company.

As part of the Company's review programme, the Board also receives and considers the internal control reports of its key service providers and any findings therein.

The strategy of the Company is reviewed by the Board on an ongoing basis. Once a year the Board undertakes a strategy day, inviting representatives from all 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 key service providers 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 its shareholders to take part in this vote.

Communication

The Board believes that shareholders 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.

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).

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

The Company employs a PR firm, Newgate Communications (www.newgatecomms.com), to extend its outreach to a broader audience through a variety of media channels, including the press and social media. Comment from the Manager is regularly published in a broad range of media titles, providing insight into the themes and markets in which IEM invests and the Managers' approach.In addition, the Company employs Kepler Partners (www.trustintelligence.co.uk) to undertake research, providing detailed analysis of IEM and the markets in which it operates for professional advisers and other registered users.

Significant events

There were a number of significant events during the period to the date of this report that the Board would like to highlight;

- **Strong investor demand for the Company's shares** meant that over the year shares mostly traded at a premium. The Board has, therefore, established a premium management programme to seek to ensure that the level of premium is not excessive in normal markets.
- **The Board gained approval from shareholders to extend its authority to issue shares** on a non-pre-emptive basis three times; 18 million at the AGM in May 2019; 20 million in December 2019 at a General Meeting; and a further 11 million in February 2020. The Board believes that this was in the best interests of shareholders as a whole; it spreads the fixed costs over a bigger capital base and provides more liquidity in the new shares. The additional authorities were sought due to the strong investor demand for shares and in each case shareholders voted overwhelmingly in support of granting this authority.
- **Several accolades were awarded to IEM** over the period. Incisive Media named the Company winner of its Investment Company of the Year Award Environmental & Renewables. The London Stock Exchange awarded IEM its Green Economy Mark (www.lseg.com) and in the Good Investment Review, 3D Investing & Good With Money awarded IEM its top 5 star rating (www.penninewealthsolutions.co.uk/the-good-investment-review-april-2019).
- **During the 2019 strategy day** the communication strategy was reviewed, with agreement at the end of the process that a new website would be developed, and media outreach would increase – improving two key methods for communication with a range of shareholders, but in particular individual investors. It was also agreed that a 'roadshow', looking to engage with financial advisers, would be undertaken, with the aim of gaining feedback on the concerns and understanding of this audience.

Areas of focus for 2020

- **Monitor and continue to consider the impact of strong investors demand for shares.** The Board considers a wider shareholder base to be positive for all shareholders (as noted above). Premium levels need to be monitored and managed. A premium management programme was introduced in 2019 and the Board will review the effectiveness of this programme in its quarterly meetings.
- **People and succession planning.** Stephanie Eastment joined the Board in 2019 and takes on the role of chair of the audit committee in 2020, taking over from Julia le Blan who leaves the Board at the conclusion of the 2020 AGM. William Rickett has expressed his intention to leave the Board, after 10 years, in 2021 and the Board will seek a new Director to join the Board in due course. Changes to the Board are managed in order to provide refreshment of the Board, good diversity and a high level of relevant skills.

- **ESG and engagement.** IEM is an investment trust with an environmental strategy (please reference the investment objective and investment policy on page 15) and the Manager has embedded consideration of material environmental, social and corporate governance risks ("ESG") in its investment policy since the inception of the Company (see ESG section below). The Board has oversight of the quality of the ESG management in its quarterly Board meetings, along with a bi-annual meeting with the Head of Investment Risk and ESG Risk.

  One way in which the Company and the Manager proactively address these risks is through dialogue with investee companies. As such, voting (including proxy voting) is an important aspect of the Manager's investment process. The Company and Manager support the UK Stewardship Code issued by the Financial Reporting Council (please see 'Exercise of voting powers and Stewardship Code' on page 23).

- **Impact reporting.** Many investors are not only interested in understanding the financial performance of their investments, but also in ensuring that their investments result in a positive impact on the environment. IEM started reporting quantified impact metrics five years ago and feedback from shareholders tells us that they find it helpful.

  In recent years interest in measuring impact has grown and there are new techniques and methodologies available. The Board monitors these, ensuring that the most meaningful data is available. This helps shareholders best understand the link between IEM's investments in companies delivering environmental products and services and the environmental outcome of their business activities.

  As such, the Board includes environmental impact metrics as well as portfolio company alignment with the UN's sustainable development goals in this report and will continue to monitor and communicate developments in this area in 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Company invests in companies which contribute to the cleaner or more efficient delivery of basic services of energy, water and waste. Both the Manager and the Board believe that a thorough understanding of environmental, social and governance performance can enhance perspectives of the opportunities and risks offered by individual investments. The Manager's core expertise is within the environmental sector and the Manager has long embedded ESG into its investment process and takes an active approach to engagement with investee companies.

All companies must meet financial and ESG criteria before entering the Manager's universe of investable companies. The portfolio management team and sustainability analysts are responsible for integrating ESG analysis into the investment process. The Manager's detailed ESG policy at www.impaxam.com is set out in the Investment Philosophy section.

EXERCISE OF VOTING POWERS AND STEWARDSHIP CODE

The Company invests in quoted companies which provide, utilise, implement or advise upon technology-based systems, products or services in environmental markets which, in environmental terms, means it has an inherently positive group of companies to work with. There is no need to change their fundamental business models.

It is the Manager's belief that engagement strengthens the investee companies over time, improving quality, processes, transparency and resilience, and most companies welcome dialogue on these areas.

The Manager views proxy voting as a key activity in the dialogue with companies invested. It is committed to ensuring the consistent exercise of voting rights associated with shares held in investment mandates where proxy voting has been delegated to them. The Manager supports the UK Stewardship Code and complies with its guidelines regarding proxy voting and engagement. They publicly disclose a summary of their proxy voting activities on a quarterly basis, which can be found on their website – www.impaxam.com. The Board regularly reviews the voting decisions made by the Manager on the Company's behalf.

In addition, the Manager is a member of, or signatory to:

- **Principles for Responsible Investment (PRI)**: Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- **Institutional Investors Group on Climate Change (IIGCC):** A forum for collaboration on climate change for European investors.
- **Investor Network on Climate Risk (INCR):** Partners with investors worldwide to advance investment opportunities and reduce material risks posed by sustainability challenges such as global climate change and water scarcity.
- **The Carbon Disclosure Project (CDP):** An independent organisation holding the largest database of corporate climate change information in the world.
- **Council of Institutional Investors (CII):** Promoting strong governance and shareholder rights standards at public companies.
- **UK Sustainable Investment and Finance Association (UKSIF):** Provides services and opportunities to align investment profitability with social and environmental responsibility.
- **USSIF:** A US- based membership association promoting sustainable, responsible and impact investment.
- **Global Impact Investing Network (GIIN):** The largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Develops voluntary, consistent climate-related financial risk disclosures for companies providing information to investors, lenders, insurers and other stakeholders.
- **The UK Stewardship Code:** Aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.
- **PRI Sustainable Stock Exchanges Working Group:** A peer-to-peer learning platform for investors, regulators, and companies. Looking at enhancing corporate transparency, and ultimately performance, on ESG risks and encourage sustainable investment.
- **Asian Corporate Governance Association (ACGA):** Focuses on collaborative engagement with companies and policymakers to improve governance structures and practices in Asia.
- **A Just Transition:** Looking at challenges faced when moving to a more sustainable economy and why investors need to integrate a social dimension into their climate strategies.

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 as 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.

ENVIRONMENTAL MATTERS

As an investment trust investing predominantly in environmental markets, the Board of IEM recognises and acknowledges the importance of environmental impact. However, IEM 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. In consequence, the Company has limited greenhouse gas emissions to report from its operations aside from travel to board meetings, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

As an investment trust the fundamental environmental impact the Company makes is indirectly through the investments in its portfolio. The impact of this investment is measured on an annual basis and published in the Annual and Interim Financial Reports.

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 adopted a zero-tolerance approach to the criminal facilitation of tax evasion.

EMPLOYEES

The Company has no employees. As at 31 December 2019, the Company had six Directors, of whom two are male and four female. The Board's policy on diversity is contained in the Corporate Governance statement (see page 32).

OUTLOOK

The outlook for the Company is discussed in the Chairman's Statement on page 4.

STRATEGIC REPORT

The Strategic Report set out on pages 1 to 25 of this Annual Report was approved by the Board of Directors on 17 April 2020.

For and on behalf of the Board

Julia Le Blan
Director
17 April 2020

Directors' Report

The Directors present their report and accounts for the year ended 31 December 2019.

STRATEGIC REPORT

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 25.

CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 30 to 33 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 2019.

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. Impax Asset Management (AIFM) Limited (the "AIFM") 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 for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") 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 2019. These disclosures are available on the AIFM's website or are available on request from the AIFM.

LEVERAGE (UNDER AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD (see glossary on page 65). 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 is shown below:

	GROSS METHOD	COMMITMENT METHOD
Maximum leverage limit (set by the AIFM)	130%	130%
Actual leverage at 31 December 2019	103%	105%

SHAREHOLDER RELATIONS AND ANNUAL GENERAL MEETING

Normally, the Board encourages all shareholders to attend the AGM and generally seeks to provide twenty working days' notice of that meeting. The Notice of AGM sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Board also welcomes direct feedback from shareholders. The Chairman is available to meet shareholders and may be contacted by email at chairman@impaxenvironmentalmarkets.co.uk.

NOTICE OF GENERAL MEETINGS

Resolution 13 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.

Resolution 13 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. This authority is helpful to the Company and was used to convene general meetings in order to seek shareholder authority for the issue of further new Ordinary Shares in November 2019 and February 2020.

AUTHORITY TO ISSUE AND PURCHASE OWN SHARES

On 22 January 2019, the Board announced that the Board remains fully committed to using its powers, including those to issue and buy back 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 authorities to allot shares granted at the last AGM held on 21 May 2019 and the General Meetings held on 4 December 2019 and 24 February 2020 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 23,091,935 Ordinary Shares (representing approximately 10% of the shares in issue, excluding Shares held in treasury, at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares and/or selling shares from treasury. Resolutions to this effect will be put to shareholders at the AGM.

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

The authority for the Company to purchase its own shares granted by the AGM held on 21 May 2019 will expire at the conclusion of the forthcoming AGM. During the year ended 31 December 2019, the Company did not utilise its authority to purchase its own shares. However, the Directors recommend that a new authority to purchase up to 34,614,811 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury Shares, at the date of the AGM are purchased) be granted and a resolution 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.

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, 21,598,109 shares were held in treasury (representing 9.6% of the issued share capital of the Company at 31 December 2019). As at the date of this report and following further sale of shares from treasury, no shares were held in treasury.

Unless otherwise authorised by shareholders, new Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

CONTINUATION VOTE

The Articles of Association require that an ordinary resolution be proposed at every third AGM of the Company that the Company should continue as an investment trust for a further three year period. The next vote for the continuation of the Company will be proposed at the AGM to be held in 2022. In the event that such a resolution is not passed, the Directors are required to draw up proposals for shareholders' approval for the voluntary liquidation or unitisation or other reorganisation of the Company, which would require a special resolution of shareholders.

MARKET INFORMATION

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

BANK LOANS

The Company entered into agreements for five year fixed rate loans of £15 million and US$20 million with Scotiabank Europe PLC. The interest rates on the loans are 2.910% and 4.504% per annum, respectively.

In addition, the Company has entered into a multicurrency revolving credit facility agreement with Scotiabank Europe PLC for a current committed amount of £2.5 million, with an uncommitted accordion option to increase the facility by £17.5 million.

RETAIL DISTRIBUTION OF INVESTMENT COMPANY SHARES VIA FINANCIAL ADVISERS AND OTHER THIRD PARTY PROMOTERS

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

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

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

MANAGER

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

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

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

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

CAPITAL STRUCTURE AND VOTING RIGHTS

At the year end the Company's issued share capital comprised 225,737,355 Ordinary Shares, including 21,598,109 Ordinary Shares held in treasury. Each Ordinary Share held entitles the holder to one vote. Ordinary Shares held in treasury do not hold voting rights. All shares, excluding those held in treasury, carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

Since the year end, all 21,598,109 Ordinary Shares that were held in treasury have been reissued, with a further 5,182,000 new shares issued up to the date of this report. The Company has not purchased any of its own Ordinary Shares.

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

SIGNIFICANT SHAREHOLDERS

As at the year end 31 December 2019, and subsequent year up to 31 March 2020, the Directors have been formally notified of the following shareholdings comprising 3% or more of the issued share capital (excluding shares held in treasury) of the Company.

COMPANY	HOLDING OF ORDINARY SHARES- AS AT 31 DECEMBER 2019	% HOLDING - AS AT 31 DECEMBER 2019*	HOLDING OF ORDINARY SHARES- AS AT 31 MARCH 2020	% HOLDING - AS AT 31 MARCH 2020**
Rathbones***	19,160,636	9.39%	19,160,636	8.38%
Border to Coast Pensions Partnership Limited	14,306,000	7.01%	11,050,000	4.83%
Kames Capital plc	10,303,548	5.05%	10,740,001	4.70%
Brewin Dolphin	Below 3%	Below 3%	13,112,066	5.73%

* Based on the number of Ordinary Shares in issue at the Company's year end.

** Based on the number of Ordinary Shares in issue at the 31 March 2020

** Rathbone Investment Management Ltd and Rathbone Unit Trust Management Ltd.

POLITICAL DONATIONS

There were no political donations made during the financial year to 31 December 2019 (2018: nil).

DISCLOSURE REQUIRED BY LISTING RULE 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that all such reporting applied only to non-applicable events for the year ended 31 December 2019.

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 5 to 7. Further details as to the risks affecting the Company are set out in the 'Principal Risks and Uncertainties' on pages 18 to 19.

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 2019, the Company held £13.8 million (2018: £6.5million) in cash and £673.7 million (2018: £466.8 million) in quoted investments. The Company's audited net assets at 31 December 2019 were £657.0 million (2018: £450.0 million).

It is estimated that approximately 92% by value of the quoted investments held at the year end could be realised in one month under normal market conditions. Given the level of market volatility experienced since the year end due to the impact of the COVID-19 pandemic, the Manager has performed stress tests on the Company's portfolio of investments under current conditions and the Board remain comfortable with the liquidity of the portfolio.

In light of the COVID-19 pandemic, the Board has considered the Company's debt and related covenants. The borrowing is covered 19.2 times by the adjusted assets, which is well in excess of the level of cover required by the borrowing covenants (see note 11 to the financial statements).

The total ongoing expenses (excluding taxation and finance costs) for the year ended 31 December 2019 were £5.7 million (2018: £5.1 million), which represented approximately 1.02% of average net assets during the year.

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 also recognise that the continuation of the Company is subject to the approval of shareholders every three years. The next continuation vote will be held in 2022.

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 21 May 2020.

By order of the Board

Brian Smith
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary
17 April 2020

Corporate Governance

INTRODUCTION

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

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

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

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
- the need for an internal audit function
- executive Directors' remuneration

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

THE BOARD

Composition

At the date of this report, the Board consists of six non-executive directors including the Chairman, but will reduce to five at the time of the Company's forthcoming AGM as part of the Board's succession plan. Mrs Le Blan, as the Senior Independent Director and Chair of the Audit Committee, will retire as a director at the conclusion of the Company's AGM following 9 years of service. On her retirement, Ms Kelly will become the Senior Independent Director and Mrs Eastment - who was appointed on 1 July 2019 - will become the Audit Committee Chair.

The Board believes that during the year ended 31 December 2019 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 below.

John Scott (non-executive director and Chairman, appointed to the Board on 7 February 2013)

Mr Scott is a former investment banker who spent 20 years with Lazard Brothers and is currently a director of several investment trusts. He was Chairman of Scottish Mortgage Investment Trust between 2010 and 2017 and is currently Chairman of Jupiter Emerging & Frontier Income Trust and JP Morgan Global Core Real Assets, as well as the Lloyd's members' agency Alpha Insurance Analysts.

Mr Scott's contribution is invaluable to the Company in formulating its short-term and long-term strategic direction as well as overseeing its development through the years.

He is currently a director of CC Japan Income & Growth Trust and of the Guernsey-based Bluefield Solar Income Fund.

Vicky Hastings (non-executive director, appointed on 21 May 2013)

Mrs Hastings has worked for over 30 years in the investment management industry. She has held investment roles at asset managers including JO Hambro Capital Management, Merrill Lynch Private Investors and Kleinwort Benson Investment Management but latterly has pursued a portfolio career.

Mrs Hastings's contribution in overseeing and challenging, where appropriately, investment management decisions is highly valued by the Board and her active involvement in the investment trust industry enables her to positively contribute to the Company's long term sustainable success.

She is currently a director of The Edinburgh Investment Trust plc, Henderson European Focus Trust plc, and a trustee of Moorfields Eye Charity.

Julia Le Blan (non-executive director, appointed on 27 January 2011, Senior Independent Director and Audit Committee Chair)

Mrs Le Blan is a chartered accountant and has worked in the financial services industry for over 30 years. She retired from Deloitte in 2009, where she had been a Tax Partner since 1990. During that time, she acted as tax adviser to international financial institutions, including clients in banking, securities and fund management and she led the mergers and acquisitions function for financial services tax. She was also the firm's expert on the taxation of investment trust companies.

She is a non-executive director of JPMorgan US Smaller Companies Investment Trust plc, BMO UK High Income Trust plc, Aberforth Smaller Companies Trust plc and The Biotech Growth Trust plc.

Stephanie Eastment (non-executive director, appointed 1 July 2019)

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

Mrs Eastment's financial, technical and oversight experience and knowledge strengthens the Board's financial and risk oversight and her appointment to the Board provides a smooth succession to the Audit Committee Chair role at the current Chair's retirement.

She is a non-executive director and audit chair of Murray Income Trust plc and Herald Investment Trust plc and a non-executive director of RBS Collective Investment Funds Limited.

Aine Kelly (non-executive director, appointed 15 November 2016)

Ms Kelly is an Independent Impact Investing Consultant. Aine worked as Head of Financial Sector and Investor Engagement at Big Society Capital from 2013-2016, followed by 3 years as a consultant on The Impact Management Project. She spent the previous 4 years at Barclays Wealth and prior to that she worked 16 years in investment banking at Kleinwort Benson, JP Morgan and Citigroup. Aine has a wide experience of introducing new investment opportunities to investors and has covered UK, European and Asian equity markets. Aine has worked in London, New York and Zurich and is currently based in Ireland.

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

She is currently a member of QBE's Classification of Social Investment committee, a senior impact advisor to Yield Lab Europe and a member of the External Board of Advisors of Cork University Business School.

William Rickett, C.B. (non-executive director, appointed on 27 January 2011)

Mr Rickett was Director General, Energy in the Department of Energy & Climate Change and chairman of the Governing Board of the International Energy Agency until October 2009. He had previously been a Director General in the Department for Transport and in the Cabinet Office.

He started his civil service career in the Department of Energy in 1975 and, among other things, led the team privatising the electricity industry from 1987 to 1990. He was Private Secretary to the Prime Minister from 1981 to 1983 and also spent two periods on secondment to the private sector. He was previously a director of Eggborough Power Ltd, Helius Energy plc and the National Renewable Energy Centre Ltd. He was appointed a Companion of the Most Honourable Order of the Bath in 2010.

Mr Rickett's expertise in the environmental sector enables him to challenge and bring new ideas in relation to the Company's investment strategy short-term and long-term.He is Chairman of Cambridge Economic Policy Associates Ltd and a director of Greencoat UK Wind plc.

In line with the AIC Code, the Board has decided that each Director should be subject to annual re-election by shareholders.

The Board recommends all the Directors for either re-election or election (with the exception of Mrs Le Blan who is retiring) 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.

Audit Committee

A report on pages 38 to 39 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 of this committee. The Remuneration Committee has been established to meet formally on at least an annual basis to consider the fees of the non-executive Directors. Mr Rickett is the chairman of the Remuneration Committee.

The Directors' Remuneration Implementation Report is included on pages 35 to 37 of these financial statements.

Management Engagement Committee

All of the Directors are members of this committee. The Management Engagement Committee has been established to conduct a formal annual review of the Manager, assessing investment and other performance, the level and method of the Manager's remuneration and the continued appointment of the Manager as Investment Manager to the Company. The Management Engagement Committee met and reviewed the Manager's performance and remuneration structure. In conclusion the committees 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 28 for further details).

The Management Engagement Committee also reviewed the fees payable to the other main service providers to the Company and concluded they remained appropriate. Mr Scott is chairman of the Management Engagement Committee.

Nomination Committee

All of the Directors are members and Mr Scott is the Chairman of this committee. The Nomination Committee has been established for the purpose of identifying and putting 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 was 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.

Following the decision of Julia Le Blan to retire after the 2020 AGM, the Board commenced the process of identifying her successor as Non Executive Director and Chair of the Audit Committee. The Board invited applications from qualified individuals and per the process above, the Nomination Committee met to assess the applicants suitability and skills. After due process, the Committee recommended to the Board, that Stephanie Eastment be duly appointed from 1 July 2019.

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.

Meeting attendance

	QUARTERLY BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	NOMINATION COMMITTEE
Number of meetings held	5	5	2	1	2
John Scott	5	5	2	1	2
Vicky Hastings	5	5	2	1	2
Aine Kelly	5	5	2	1	2
Julia Le Blan	5	5	2	1	2
William Rickett*	4	4	1	1	1
Stephanie Eastment**	1	2	1	0	0

* Mr Rickett was unable to attend the November meeting due to illness.

** Appointed on 1 July 2019, and attended all meetings and committees since appointment.

In addition, a Board strategy meeting was held and there were also Board and committee ad-hoc meetings to deal with administrative matters and the formal approval of documents.

BOARD DIVERSITY

The Board's policy for the appointment of non-executive directors 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. 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. Brief biographical details of the Directors are shown on pages 30 to 31.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on annual basis, and especially during recruitment process, so as to ensure it is aligned with the Company's strategic priorities. As described below, external Board evaluations are undertaken periodically. The Board believes its composition is appropriate for the Company's circumstances. However, 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.

TENURE POLICY

It is the Board's policy that all Directors, including the Chairman, shall normally have tenure limited to nine years from their first 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.

Mrs Le Blan and Mr Rickett were appointed as Directors on 27 January 2011. Mrs Le Blan will not be offering herself for re-election at the AGM to be held in 2020. Mr Rickett will remain on the Board until a suitable replacement is appointed to the Company and has indicated that he wishes to retire at the 2021 AGM. The Board does not consider that the length of tenure of Mr Rickett impairs his independence as a director and welcomes the fact that it is not losing two experienced directors at the same time.

PERFORMANCE APPRAISAL

A formal annual performance appraisal process is performed on the Board, the committees and, individual Directors. The performance appraisal was managed by an external provider, Lintstock Limited, which has no other connection with the Company. A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman was carried out and the Senior Independent Director reported back the results to the Chairman. The results of the most recent performance evaluation were positive and demonstrated that the Directors showed the necessary commitment for the effective fulfilment of their duties.

INTERNAL CONTROL

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its 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 has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, 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 secretary and administrator.

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 prior to each meeting, 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 corporate 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

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 17 May 2018. Accordingly, the Policy of the Company will be put forward for approval by Shareholders at the AGM to be held in May 2021. 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.

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

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

The Directors' fees are determined by the Board within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. The Directors' fees will be paid at fixed annual rates and do not have any variable elements.

The Directors shall also be entitled to be reimbursed for all 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 date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

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

The Policy will be reviewed on an annual basis by the Remuneration Committee and any changes are subject to approval by the Board. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of Directors, the complexity of the Company and prevailing market rates for the investment trust sector.

Effective date

The remuneration 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
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 41.

Remuneration Committee

The Company currently has six non-executive Directors.

With effect from 1 January 2020, annual Directors' fees are payable at a rate of £39,000 for the Chairman, £26,000 to the Directors of the Company with an additional amount of £6,500 payable to the Chairman of the Audit Committee. Prior to this date and as set in early 2018, annual Directors' fees were paid at the rate of £35,250 for the Chairman, £23,500 to the other Directors of the Company with an additional annual amount of £5,125 payable to the Chairman of the Audit Committee.

The Remuneration Committee believes that the level of increase and resulting fees more 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 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.

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 page 32.

The maximum level of fees payable, in aggregate, to the Directors of the Company is currently £200,000 per annum. This maximum was approved by shareholders at the Company's AGM held in 2018 and the Board has agreed that it will not seek a further increase to the maximum level ahead of the AGM to be held in 2021.

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.

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 him/her, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by him/her, on the grounds of his/her 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.

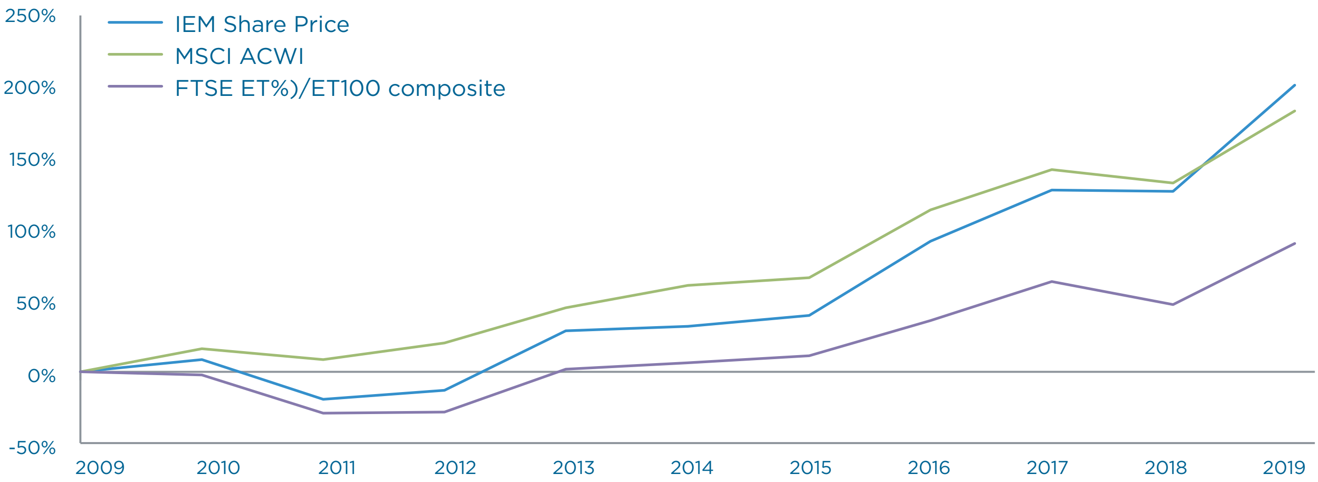
Director search and selection fees

No Director search and selection fees were incurred during the year.

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



Directors' emoluments for the year (audited)

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

	2019			2018		
	FEES £'000	TAXABLE BENEFITS £'000	TOTAL £'000	FEES £'000	TAXABLE BENEFITS £'000	TOTAL £'000
John Scott	35.2	–	35.2	35.1	1.9	37.0
Julia Le Blan	28.6	–	28.6	28.5	–	28.5
Aine Kelly	23.5	1.5	25.0	23.4	0.6	24.0
Vicky Hastings	23.5	–	23.5	23.4	–	23.4
William Rickett	23.5	–	23.5	23.4	–	23.4
Stephanie Eastment*	11.7	–	11.7	–	–	–
Total	146.0	1.5	147.5	133.8	2.5	136.3

* Appointed on 1 July 2019.

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable such as travel expenses. None of the above fees was paid to third parties.

The resolution to approve the Report contained in the Annual Report for the year ended 31 December 2018 was put forward at the AGM held on 21 May 2019. The resolution was passed with 99.99% of the shares voted being in favour of the resolution, 0.01% against and 6,409,113 votes withheld.

The Directors' Remuneration Policy was last put forward at the AGM held on 17 May 2018. The resolution was passed with 99.99% of the shares voted being in favour, against 0.01% and votes withheld 4,184.

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 share buybacks, and the management fees and other expenses incurred by the Company.

	2019 £'000	2018 £'000	DIFFERENCE %
Income	10,558	9,006	+17.2
Spend on Directors' fees*	146	134	+8.9
Management fees and other expenses	5,687	5,145	+10.5
Dividends paid to shareholders	5,488	4,501	+21.9

* During 2019, the number of Directors increased from five to six.

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

Directors' holdings (Audited)
At 31 December 2019 and at the date of this report the Directors had the following holdings in the Company. All holdings were beneficially owned.

	ORDINARY SHARES AT 31 DECEMBER 2019	ORDINARY SHARES AT 1 JANUARY 2019
John Scott	84,012	84,012
Julia Le Blan	14,907	14,907
Aine Kelly	10,000	10,000
Vicky Hastings	19,500	19,500
William Rickett	5,000	5,000
Stephanie Eastment*	10,000	–

* Includes shares held by a connected person of 8,500

There have been no purchases of shares by any of the 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 2019:

(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.

William Rickett
Chairman of the Remuneration Committee

17 April 2020

Report of the Audit Committee

Role of the Audit Committee

The AIC Code of recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself the audit committee as a whole should have competence relevant to the sector in which the company operates. The main role and responsibilities of the audit committee are set out in the Committee's terms of reference covering certain matters described in the AIC Code. The Company complies with the AIC Code. The terms of reference are available on the Company's website or on request from the company secretary.

The Audit 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 Audit 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 Audit Committee also reviews the Company's internal financial controls and its internal control, risk management systems and reviews the Manager's whistleblowing arrangements. The provision of non-audit services by the auditor are reviewed against the Committees policy described below.

Composition

Mrs Le Blan is Chair of the Audit Committee. The Board and the Audit Committee believe that this is appropriate as she has recent and relevant financial experience. All of the Directors of the Company are members of the Audit Committee. The Chair of the Board should not be a member of the Audit Committee in accordance with the UK Code. However the AIC Code permits the Chair to be a member of, but not chair the Audit Committee if they were independent on appointment. The Chair of the Board was independent on appointment and continues to be, and in view of the size of the Board, the Directors feel it is appropriate for him to be a member of the Audit Committee. Mrs Le Blan will stand down as Chair of the Audit Committee at the next AGM when she will retire as a Director of the Company, at which time Mrs Eastment will take on this role. Mrs Eastment has recent and relevant financial experience and is independent.

Meetings

There were five Audit Committee meetings during the year ended 31 December 2019. All of the Audit Committee members attended except William Rickett, who was unable to attend the November meeting due to illness.

Financial statements and significant accounting matters

The Audit 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 2019.

Valuation and existence of investments

The Company holds virtually all of its assets in quoted investments. The existence and valuation of these investments is the most material matter in the production of the financial statements. The Audit Committee reviewed the procedures in place for ensuring accurate valuation and existence of investments and discussed the valuation of the Company's investments at the year end with the Manager, and reviewed their existence with the Administrator and other service providers. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Company's custodian's records.

The Company holds one active unquoted Company in the portfolio. The Manager provided a valuation recommendation for the unquoted investment held at the year end which was discussed and approved by the Audit Committee.

Recognition of income

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

Financial statement presentation

The Audit Committee obtained assurances from the Manager and the Secretary that the financial statements had been prepared appropriately.

Calculation of management fees

Incorrect amounts may be paid to the Manager and recognised in the accounts if the fees are not calculated correctly. Management fee calculations are circulated to the Directors prior to payment. The Audit Committee reviewed the procedures in place for the calculation of management fees.

Allocation of management fees and finance costs to capital

Amounts may be incorrectly allocated to revenue or capital. The Audit Committee 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.

Tax status

The Company may suffer tax on gains on the realisation of investments if investment trust status is not maintained. The Audit Committee reviewed the compliance of the Company during the year with the eligibility conditions and ongoing requirements in order for investment trust status to be maintained.

Going concern

The Accounts could be prepared on an incorrect accounting basis which might result in an incorrect valuation of financial assets and liabilities. The Audit Committee 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 29.

Conclusion with respect to the annual report and financial statements

The Audit Committee has concluded that the annual report for the year ended 31 December 2019, 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 Audit Committee has reported its conclusions to the Board. The Audit 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.

Auditor

Tender, appointment and partner rotation

Following professional guidelines, the audit partner rotates after five years and the audit firm rotates after a maximum period of twenty years, with a mandatory tender at the ten year midpoint. The Company was incorporated in 2002 and Ernst & Young LLP had acted as the Company's auditor since then. The Committee conducted a tender exercise during 2019 for the audit of the Company's 2019 annual financial statements. Three audit firms were invited to submit written proposals. Two firms presented to the Audit Committee and it concluded that the appointment of BDO LLP was in the best interests of the Company. The appointment of BDO LLP was approved by the Company's shareholders at the 2019 AGM.

Provision of non-audit services

The Audit Committee has put in place a policy on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. No non-audit services were provided by the auditor during the year.

Effectiveness of external audit

BDO LLP has performed the audit of the financial statements for the year ended 31 December 2019. The Committee reviewed the audit planning and the standing, skills and experience of the firm and the audit team. The Committee also considered the independence of BDO and the objectivity of the audit process. BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. No modifications were required to the external audit approach. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the 2019 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Audit Committee received feedback from the Manager and Administrator regarding the effectiveness of the external audit process.

The Audit Committee is satisfied that BDO LLP has provided effective independent challenge in carrying out its responsibilities. After due consideration, the Committee recommends the re-appointment of BDO LLP and their re-appointment will be put forward to the Company's shareholders at the 2020 AGM.

Internal audit

The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the need for an internal function under periodic review. The Manager reports the key conclusions of their internal audit report to the Company's Audit Committee.

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 33.

Julia Le Blan
Audit Committee Chair

17 April 2020

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 and 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 ("IAM"). 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

Julia Le Blan
Director

17 April 2020

Independent auditor's report to the members of Impax Environmental Markets plc

Opinion

We have audited the financial statements of Impax Environmental Markets plc (the 'Company') for the year ended 31 December 2019 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the provisions of the Companies Act 2006.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on page 19 in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on page 38 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 20 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

MATTER	AUDIT RESPONSE
Valuation and ownership of investments: (Note 1(b) page 49 and Note 2 on page 51): We consider the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity, noting that some aspect of the valuation is judgemental. We also consider the valuation of investments with respect to realised and unrealised gains/losses to be a significant area as the reported performance of the portfolio is a key area of interest for the users of the financial statements. Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: In respect of quoted investment valuations (over 99% of the total portfolio by value) we have: • Agreed the year-end bid price to externally quoted prices and for a sample of investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding the ownership of all of investments held at the balance sheet date. In respect of unquoted investment valuations (less than 1% of the total portfolio) we have: • Obtained direct confirmation of ownership from the custodian at the balance sheet date. • Considered the economic environment in which the investee company operates to identify any factors that could impact the investment valuation, carried out in accordance with the International Private Equity and Venture Capital Valuation Guidelines. We also considered the completeness, accuracy and clarity of investment-related disclosures against the requirements of the relevant accounting standards. For unrealised gains/losses, we tested all elements of the reconciliation of opening and closing investments which included additions, disposals and realised gains/losses. We obtained support for a sample of additions and disposals proceeds by tracing to bank statement as well as recalculating the gain/loss where applicable. In addition to this we also traced back to the front office trades report. Key observations: Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments or the disclosures.

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 reasonably influence the economic decisions of users that are taken on the basis of the financial statements.

Importantly, misstatements below this level 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.

The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

MATERIALITY MEASURE	PURPOSE	KEY CONSIDERATIONS AND BENCHMARK	2019 QUANTUM (£)
Financial Statement Materiality 1% of the net assets	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	6,500,000
Performance Materiality 75% of materiality	The maximum error in an assertion that we would be prepared to accept and still conclude that the result from an audit procedure has achieved our objective.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	4,900,000

We have set a lower testing threshold for those items impacting revenue return of £810,000, with a performance threshold of £610,000 which is based on 10% of revenue return before tax and 75% of this respectively.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £130,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Chapter 3 Part 6 of the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and UK GAAP, VAT, Employers NI and other taxes. We also considered the company's compliance with S1158 of the Corporation tax Act 2010 as any breach of this would lead to the company losing various deductions and exemptions from corporation tax.

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.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of minutes of board meetings throughout the period;
- review of legal correspondence;
- review of Investment trust status compliance workings and reports;
- enquiries and representations of management and the Board of Directors;
- agreement of the financial statement disclosures to underlying supporting documentation; and
- Multi- tier review of the financial statements against disclosure checklists.

There are inherent limitations in an audit of financial statements and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable – set out on page 39** the statement given by the directors that they consider 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, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 38 to 39** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 30** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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.

Matters on which we are required to report by exception

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.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

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 ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is one year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
17 April 2020

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

Income Statement

		YEAR ENDED 31 DECEMBER 2019			YEAR ENDED 31 DECEMBER 2018		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains/(losses) on investments	2	–	137,459	137,459	–	(54,053)	(54,053)
Net foreign exchange gains/(losses)		–	513	513	–	(887)	(887)
Income	3	10,558	–	10,558	9,006	–	9,006
Investment management fees	4	(1,203)	(3,610)	(4,813)	(1,098)	(3,293)	(4,391)
Other expenses	4	(874)	–	(874)	(754)	–	(754)
Return on ordinary activities before finance costs and taxation		**8,481**	**134,362**	**142,843**	**7,154**	**(58,233)**	**(51,079)**
Finance costs	6	(295)	(885)	(1,180)	(213)	(638)	(851)
Return on ordinary activities before taxation		**8,186**	**133,477**	**141,663**	**6,941**	**(58,871)**	**(51,930)**
Taxation	7	(1,371)	(720)	(2,091)	(1,173)	–	(1,173)
Return on ordinary activities after taxation		**6,815**	**132,757**	**139,572**	**5,768**	**(58,871)**	**(53,103)**
Return per Ordinary Share	8	3.63p	70.63p	74.26p	3.20p	(32.69p)	(29.49p)

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 49 to 61 form part of these financial statements.

Balance Sheet

	NOTES	AS AT 31 DECEMBER 2019 £'000	AS AT 31 DECEMBER 2018 £'000
Fixed assets			
Investments at fair value through profit or loss	2	674,892	474,710
Current assets			
Dividend receivable		131	218
Taxation recoverable		23	–
Other debtors		72	176
Cash and cash equivalents		13,818	6,481
		14,044	**6,875**
Creditors: amounts falling due within one year			
Other creditors	10	(1,185)	(931)
Net current assets		**12,859**	**5,944**
Total assets less current liabilities		**687,751**	**480,654**
Creditors: amounts falling due after more than one year			
Capital gains tax provision	7	(690)	–
Bank loans and credit facility	11	(30,080)	(30,691)
Net assets		**656,981**	**449,963**
Capital and reserves: equity			
Share capital	12	22,574	22,574
Share premium account		62,162	16,035
Capital redemption reserve		9,877	9,877
Share purchase reserve		123,239	96,432
Capital reserve	13	428,357	295,600
Revenue reserve		10,772	9,445
Shareholders' funds		**656,981**	**449,963**
Net assets per Ordinary Share	14	321.83p	249.58p

Approved by the Board of Directors and authorised for issue on 17 April 2020 and signed on their behalf by:

Julia Le Blan
Director
Impax Environmental Market plc incorporated in England with registered number 4348393.

The notes on pages 49 to 61 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMP-TION RESERVE £'000	SHARE PUR-CHASE RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Opening equity as at 1 January 2019		**22,574**	**16,035**	**9,877**	**96,432**	**295,600**	**9,445**	**449,963**
Dividend paid	9	–	–	–	–	–	(5,488)	(5,488)
Shares sold from treasury	12	–	46,127	–	26,807	–	–	72,934
Return for the year		–	–	–	–	132,757	6,815	139,572
Closing equity as at 31 December 2019		**22,574**	**62,162**	**9,877**	**123,239**	**428,357**	**10,772**	**656,981**

YEAR ENDED 31 DECEMBER 2018	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMP-TION RESERVE £'000	SHARE PUR-CHASE RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Opening equity as at 1 January 2018		**22,574**	**16,035**	**9,877**	**95,772**	**354,471**	**8,178**	**506,907**
Dividend paid	9	–	–	–	–	–	(4,501)	(4,501)
Shares sold from treasury	12	–	–	–	660	–	–	660
Return for the year		–	–	–	–	(58,871)	5,768	(53,103)
Closing equity as at 31 December 2018		**22,574**	**16,035**	**9,877**	**96,432**	**295,600**	**9,445**	**449,963**

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

The notes on pages 49 to 61 form part of these financial statements.

Statement of Cash Flows

	NOTES	YEAR ENDED 31 DECEMBER 2019 £'000	YEAR ENDED 31 DECEMBER 2018 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		142,843	(51,079)
Less: Tax deducted at source on income from investments		(1,371)	(1,173)
Foreign exchange non cash flow (gains)/losses		(611)	84
Adjustment for (gains)/losses on investments	2	(137,459)	54,053
Decrease/(increase) in other debtors		168	(275)
Increase/(decrease) in other creditors		240	(41)
Net cash flow from operating activities		**3,810**	**1,569**
Investing activities			
Add: Sale of investments		150,731	111,485
Less: Purchase of investments		(213,454)	(115,891)
Net cash flow used in investing		**(62,723)**	**(4,406)**
Financing activities			
Equity dividends paid	9	(5,488)	(4,501)
Repayment of credit facility		–	(29,297)
Proceeds from bank loans		–	30,462
Finance costs paid		(1,196)	(1,060)
Share sold from treasury	12	72,934	660
Net cash flow from/(used in) financing		**66,250**	**(3,736)**
Increase/(decrease) in cash		**7,337**	**(6,573)**
Cash and cash equivalents at start of year		**6,481**	**13,054**
Cash and cash equivalents at end of year		**13,818**	**6,481**

* Cash inflow includes dividends income received £10,619,000 (31 December 2018: £8,878,000) and bank interest of £26,000 (31 December 2018: £nil)

CHANGES IN NET DEBT NOTE

	YEAR ENDED 31 DECEMBER 2019 £'000	YEAR ENDED 31 DECEMBER 2018 £'000
Net debt at start of year	(24,210)	(16,388)
Increase in cash and cash equivalents	7,337	(6,573)
Foreign exchange movements	611	(84)
Repayment of credit facility	–	29,297
Proceeds from bank loan	–	(30,462)
Net debt at end of year	**(16,262)**	**(24,210)**

The notes on pages 49 to 61 form part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

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

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

(a) Basis of accounting

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice 'Financial statements of investment trust companies and venture capital trusts' ('SORP') issued by the Association of Investment Companies in October 2019.

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 impacts of the COVID-19 pandemic, are given on page 29.

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

(b) Investments

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

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

(c) Reporting currency

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

(d) Income from investments

Investment income from shares is accounted for on the basis of ex-dividend dates. 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. All other investment income is credited to the Income Statement as a revenue item.

(e) Nature and purpose of equity and reserves:

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

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

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

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

The capital reserve reflects any:

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

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

The revenue reserve reflects all income and expenditure recognised in the revenue column of the income statement and is distributable by way of dividend.

The Company's distributable reserve consists of the share purchase reserve, the capital reserve and the revenue reserve.

1. ACCOUNTING POLICIES CONTINUED

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

Management fees
In accordance with the Company's stated policy and the Directors' expectation of the split of future returns, three quarters of investment management fees 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. Loan arrangement costs are amortised over the term of the loan.

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
Bank loans and overdrafts are measured at amortised cost. They are initially recorded at the proceeds received net of direct issue costs.

(j) Cash and cash equivalents
Cash comprises cash and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

The assumptions regarding the valuation of unquoted financial instruments are disclosed in note 2.

(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 and revenue reserve may be used to fund dividend distributions.

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

2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 £'000	2018 £'000
(a) Summary of valuation		
Analysis of closing balance:		
UK quoted securities	75,184	41,505
Overseas quoted securities	598,519	425,318
Overseas unquoted securities	1,189	7,887
Total investments	**674,892**	**474,710**
(b) Movements during the year		
Opening balance of investments, at cost	401,240	365,331
Additions, at cost	213,454	115,687
Disposals, at cost	(110,929)	(79,778)
Cost of investments at 31 December	**503,765**	**401,240**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	73,470	158,974
Unrealised gains/(losses) on investments held	97,657	(85,504)
Balance of capital reserve – investments held at 31 December	171,127	73,470
Fair value of investments at 31 December	**674,892**	**474,710**
(c) Gains/(losses) on investments in year (per Income Statement)		
Gains on disposal of investments	40,163	31,478
Net transaction costs	(361)	(27)
Unrealised gains/(losses) on investments held	97,657	(85,504)
Gains/(losses) on investments	137,459	(54,053)

During the year, the Company incurred transaction costs on purchases totalling in aggregate £304,000 (2018: £111,000) and on disposals totalling in aggregate £142,000 (2018: £73,000). Following MiFID II, the Manager has rebated £85,000 (2018: £74,000 and £83,000 in relation to prior periods) in respect of transaction research costs for the year ended 31 December 2019. Transaction costs are recorded in the capital column of the Income Statement.

The Company received £150,950,000 (2018: £111,183,000) from investments sold in the year. The book cost of these investments when they were purchased was £110,929,000 (2018: £79,778,000). 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.

Classification of financial instruments

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

Level 1

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

Level 2

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

Level 3

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

2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

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

	31 DECEMBER 2019				31 DECEMBER 2018			
	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	673,703	–	–	673,703	466,823	–	–	466,823
- Unquoted	–	–	1,189	1,189	–	–	7,887	7,887
	673,703	**–**	**1,189**	**674,892**	**466,823**	**–**	**7,887**	**474,710**

The movement on the Level 3 unquoted investments during the year is shown below:

	2019 £'000	2018 £'000
Opening balance	7,887	9,911
Additions during the year	–	–
Disposals during the year	–	–
Valuation adjustments	(6,391)	(2,629)
Foreign exchange movements	(307)	605
Closing balance	**1,189**	**7,887**

Unquoted investments are valued using relevant financial data available on those investments and applying International Private Equity and Venture Capital guidelines. This includes, where appropriate, consideration of price of recent market transactions, earnings multiples, discounted cash flows, net assets and liquidity discounts.

At the year end the Company had one active unlisted holding, Ensyn. The Company's holding in Ensyn has been valued in US dollars based on peer analysis prepared by the Manager and translated into sterling using the applicable foreign exchange rate at the Company's year end.

The Company holds three unquoted investments which were written off in full more than two years ago: Emergya Wind Technologies, New Earth Recycling & Renewable and Pelamis Wave Power.

3 INCOME

	2019 £'000	2018 £'000
Dividends from UK listed investments	1,100	793
Dividends from overseas listed investments	9,432	8,213
Bank interest received	26	–
Total Income	**10,558**	**9,006**

4 FEES AND EXPENSES

			2019			2018
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fees	1,203	3,610	4,813	1,098	3,293	4,391
Secretary and administrator fees	190	–	190	193	–	193
Depository and custody fees	198	–	198	165	–	165
Directors' fees	146	–	146	134	–	134
Directors' other costs	13	–	13	5	–	5
Broker retainer	60	–	60	51	–	51
Auditor's fees	27	–	27	28	–	28
Association of Investment Companies	21	–	21	21	–	21
Registrar's fees	55	–	55	48	–	48
Marketing fees	10	–	10	20	–	20
Public Relations fees	69	–	69	36	–	36
FCA and listing fees	39	–	39	27	–	27
Printing fees	24	–	24	15	–	15
Other expenses	22	–	22	11	–	11
	874	–	874	754	–	754
Total expenses	**2,077**	**3,610**	**5,687**	**1,852**	**3,293**	**5,145**

5 DIRECTORS' FEES

Full detail on directors' fees in the year is provided in the Directors' Remuneration Implementation Report on page 35.

Employer's National Insurance upon the fees is included as appropriate in directors' other employment costs under note 4.

As at 31 December 2019, directors and national insurance fees outstanding was £12,000 (2018: £30,000).

6 FINANCE COSTS

			2019			2018
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest charges	288	865	1,153	211	635	846
Direct finance costs	7	20	27	2	3	5
Total	**295**	**885**	**1,180**	**213**	**638**	**851**

Facility arrangement costs amounting to £72,000 are amortised over the life of the facility on a straight-line basis.

7 TAXATION

(a) Analysis of charge in the year

			2019			2018
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	1,371	–	1,371	1,173	–	1,173
Capital gain tax provision	–	720	720	–	–	–
Taxation	**1,371**	**720**	**2,091**	**1,173**	**–**	**1,173**

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

The standard rate UK corporation tax rate at 31 December 2019 was 19.00% (2018: 19.00%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company.

The differences are explained below:

	2019 £'000	2018 £'000
Total return before tax per accounts	141,663	(51,930)
Corporation tax at 19.00% (2018: 19.00%)	26,916	(9,867)
Effects of:		
Non-taxable UK dividend income	(209)	(151)
Non-taxable overseas dividend income	(1,792)	(1,561)
Non-taxable interest income	(5)	–
Movement in unutilised management expenses	1,080	978
Movement on non-trade relationship deficits	225	162
(Gain)/loss on investments not taxable	(26,117)	10,270
(Gain)/loss on foreign currency movement	(98)	169
Capital gain tax provision	720	–
Overseas taxation	1,371	1,173
Total tax charge for the year	**2,091**	**1,173**

(c) Investment companies which have been approved by 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 UK deferred tax on any capital gains or losses arising on the revaluation of investments.

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.

(d) The Company has unrelieved excess management expenses and non-trade relationship deficits of £56,532,000 (2018: £49,483,000). 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 tax rate of 19% (2018: 17%) amounts to £10,700,000 (2018: £8,400,000).

8 RETURN PER SHARE

Return per share is based on the net gain on ordinary activities after taxation of £139,572,000 comprising a revenue return of £6,815,000 and a capital return of £132,757,000 (2018: loss of £53,103,000 comprising a revenue return of £5,768,000 and a capital loss of £58,871,000) attributable to the weighted average of 187,961,095 (2018: 180,054,314) Ordinary Shares of 10p in issue (excluding Treasury shares) during the year.

9 DIVIDENDS

	2019 £'000	2018 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2018 of 3.00p (2017: 2.50p)	5,488	4,501
Dividends not reflected in the financial statements:		
Declared ordinary interim dividend for the year ended 31 December 2019 of 3.00p (2018: 3.00p) per share	6,862	**5,488**

The interim dividend will be paid on 24 April 2020 to shareholders on the register as at the close of business on 3 April 2020, with an ex-dividend date of 2nd April 2020.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Finance costs payable	77	93
Accrued management fees	865	709
Other accrued expenses	243	129
Total	**1,185**	**931**

11 BANK LOANS AND CREDIT FACILITY

	2019 £'000	2018 £'000
Bank loan		
Between two and five years	30,080	30,691

On 6 September 2018, the Company entered into five-year fixed rate multi-currency US$20 million and £15 million loans with Scotiabank Europe plc ('Scotiabank').

Interest is payable on the loans at the rate of 2.910% per annum in respect of the GB£ loan and at the rate of 4.504% per annum in respect of the US$ loan. The loans expire on 6 September 2023.

As at 31 December 2019, the loans were fully drawn down and the Company's loans outstanding aggregated to £30,080,000, with a breakdown of the loan as follows.

CURRENCY OF LOAN	LOAN CURRENCY AMOUNT	£'000
GBP loan	15,000,000	15,000
USD loan	20,000,000	15,080
		30,080

The Company also has a £20 million multi-currency revolving credit facility with Scotiabank, of which £2.5 million is committed and nil was drawn down at the period end. Interest is payable on amounts drawn down under the credit facility computed at the agreed rate of LIBOR plus a margin of 1.70% per annum. The facility expires on 6 September 2023.

The Company's loans and revolving credit facility contain the following covenants, with which failure to comply could necessitate the early repayment of the loan:

1) Adjusted asset coverage should not be less than 4:1.
2) Net Asset Value should not be less than £260,000,000
3) 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 16.

12 SHARE CAPITAL

	AS AT 31 DECEMBER 2019		AS AT 31 DECEMBER 2018	
	NUMBER	ISSUED AND FULLY PAID £'000	NUMBER	ISSUED AND FULLY PAID £'000
Ordinary Shares of 10p				
Opening Balance	225,737,355	22,574	225,737,355	22,574
Shares bought back for cancellation in year	–	–	–	–
Closing balance	**225,737,355**	**22,574**	**225,737,355**	**22,574**

At the year end 21,598,109 (2018: 45,448,109) of the above Ordinary Shares were held in treasury. The number of shares in issue (excluding shares held in treasury) as at 31 December 2019 was 204,139,246 Ordinary Shares (2018: 180,289,246).

Ordinary Share buybacks and Share issues

During the year, the Company reissued 23,850,000 Ordinary Shares from treasury (2018: 250,000), for aggregate proceeds of £72,934,000 (2018: £660,000).

Since the year end, all 21,598,109 Ordinary Shares that were held in treasury have been re-issued, with a further 5,182,000 new shares issued up to the date of this report.

Other than in respect of shares held in treasury there are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

13 CAPITAL RESERVE

Disposal of investments

	2019 £'000	2018 £'000
Opening balance	222,130	195,498
Gains on disposal of investments	40,163	31,478
Net transaction costs	(361)	(27)
Net foreign exchange gain/(loss)	513	(887)
Investment management fees charged to capital	(3,610)	(3,293)
Finance costs charged to capital	(885)	(639)
Taxation charges to capital	(720)	–
Balance at 31 December	**257,230**	**222,130**

Investments held

	2019 £'000	2018 £'000
Opening balance	73,470	158,974
Movement on revaluation of investments held	97,657	(85,504)
Balance at 31 December	**171,127**	73,470
Capital reserve balance at 31 December	**428,357**	**295,600**

14 NET ASSET VALUE PER ORDINARY SHARE

Net asset value per Ordinary Share is based on net assets of £656,981,000 (2018: £449,963,000) divided by 204,139,246 (2018: 180,289,246) Ordinary Shares in issue (excluding shares held in Treasury) at the Balance Sheet date.

There is no dilution to net asset value per Ordinary Share as the Company has only Ordinary Shares in issue.

15 TRANSACTIONS WITH THE MANAGER AND RELATED PARTY TRANSACTIONS

Details of the management contract can be found in the Directors' Report on page 28. Fees payable to the Manager are detailed in note 4 on page 53. Since 1 January 2018, the Manager has agreed to rebate commission which relates to research fees to the Company with such amount disclosed in note 2.

The Directors' fees are disclosed in note 5 and the Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 37.

16 FINANCIAL RISK MANAGEMENT

As an investment trust, the Company invests in equities for the long-term so as to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste, as stated in the Company's investment objective which can be found on page 15. 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 2019 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 2019.

	2019 %CHANGE[1]	2018 %CHANGE[1]
Australian Dollar	(4.3)	(4.5)
Canadian Dollar	0.9	(2.5)
Danish Krone	(6.2)	0.8
Euro	(6.1)	1.0
Hong Kong Dollar	(3.5)	5.5
Indian Rupee	(6.4)	(2.8)
Japanese Yen	(3.0)	8.2
Korean Won	(7.9)	1.7
Norwegian Krone	(5.6)	0.4
Swedish Krona	(9.6)	(2.3)
Swiss Franc	(2.3)	4.9
Taiwanese Dollar	(1.7)	2.8
Thai Baht	4.2	6.5
US Dollar	(4.1)	5.8

1. Percentage change of Sterling against local currency from 1 January 2019 to 31 December.

16 FINANCIAL RISK MANAGEMENT CONTINUED

Based on the financial assets and liabilities at 31 December 2019 and all other things being equal, if sterling had strengthened or weakened against the local currencies by 10%, the absolute impact on the profit after taxation for the year ended 31 December 2019 and the Company's net assets at 31 December 2019 would have been as follows:

	2019 POTENTIAL EFFECT £'000	2018 POTENTIAL EFFECT £'000
Australian Dollar	1,511	1,497
Canadian Dollar	377	314
Danish Krone	1,037	425
Euro	12,930	9,359
Hong Kong Dollar	4,350	3,229
Indian Rupee	1,424	818
Japanese Yen	1,145	1,431
Korean Won	1,277	1,046
Norwegian Krone	3,105	1,454
Swedish Krona	1,191	1,005
Swiss Franc	2,396	592
Taiwanese Dollar	1,388	1,275
Thai Baht	–	739
US Dollar	28,944	20,834
Total	**61,075**	**44,018**

(ii) Interest rate risk

The Company is typically fully invested in global equities but will from time to time hold interest bearing assets. These assets are cash balances that earn interest at a floating rate and, typically, UK Treasury Bills when large amounts of cash are held.

With the exception of cash, no significant interest rate risks arise in respect of any current asset. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. Cash held as a current asset is sterling and is held at the variable interest rates of the custodian. Movement in interest rates will not materially affect the Company's income and as such no sensitivity analysis is required. The Company had two bank loans in place during the year. The loan interest on the current loans is based on a fixed rate as such no sensitivity analysis is required.

The Company's £20 million multi-currency revolving credit facility, of which £2.5 million is committed, is based on a floating interest rate of Libor plus a margin of 1.70% per annum. The facility has not been drawn down and as such no interest rate sensitivity analysis is required.

(iii) Other price risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. The Company is well diversified across different sub-sectors and geographies and has a volatility level similar to global stock market indices such as the MSCI ACWI Index to which the Company has had an annualised tracking error of 6.4% over the ten year period to 31 December 2019. The historic 3-year (annualised) volatility of the Company to 31 December 2019 is 11.4%.

At the year end the Company held investments with an aggregate market value of £674,892,000 (2018: £474,710,000). 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 £67,489,200 (2018: £47,471,000) in the profit after taxation for the year ended 31 December 2019 and the Company's net assets at 31 December 2019.

16 FINANCIAL RISK MANAGEMENT CONTINUED

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 2019 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.

	2019 EXPECTED AS PERCENTAGE AT LIMIT		2018 EXPECTED AS PERCENTAGE AT LIMIT	
	1 IN 20 (95%)	1 IN 100 (99%)	1 IN 20 (95%)	1 IN 100 (99%)
1 day return	1.11	1.57	1.19	1.68
5 day return	2.48	3.51	2.65	3.75
10 day return	3.51	4.97	3.75	5.30
21 day return	5.21	7.37	3.56	7.87

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 2019.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 2.48% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 1.57% 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 2019 included £5,637,000 (2018: £6,365,000) held in its bank accounts at the Depositary. The Company also held £8,181,000 (2018: £116,000) in its accounts with The Royal Bank of Scotland 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) £15 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 Depository held £673,703,000 (2018: £466,823,000) in respect of quoted investments.

The credit rating of the Depositary 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 risks

The Company invests in a range of global equities with different market capitalisations and liquidities and therefore needs to be conscious of liquidity risk. The Manager monitors the liquidity risk by carrying out a 'Maturity Analysis' of the Company's listed equities based on the 3 Month Average Liquidities of each investment and assuming 15% of the daily traded volume.

As shown in the quantitative analysis below, on 31 December 2019, 2.9% of the portfolio by value (excluding unquoted investments) might have taken more than three months to be realised.

16 FINANCIAL RISK MANAGEMENT CONTINUED

Quantitative disclosures

As described above, the Manager has carried out a maturity analysis of the Company's quoted investments at 31 December 2019 and the results for different time bands are reported as follows:

Percentage of portfolio by value that could be liquidated in one week	70.44
Percentage of portfolio by value that could be liquidated in one month	91.96
Percentage of portfolio by value that could be liquidated in three months	97.10
Percentage of portfolio by value that could be liquidated in one year	99.83

The Company may invest up to 10% of its net assets into pre-IPO investments which are possible candidates for flotation.

Financial liabilities by maturity at the year end are shown below:

	2019 £'000	2018 £'000
Less than one year	1,875	1,908
Between one and five years*	30,080	34,104
	31,955	**36,012**

* Bank loans.

Financial assets and liabilities

All liabilities carrying amount approximates fair value.

The Company's financial assets and liabilities at 31 December 2019 comprised:

	2019			2018		
	INTEREST BEARING £'000	NON-INTEREST BEARING £'000	TOTAL £'000	INTEREST BEARING £'000	NON-INTEREST BEARING £'000	TOTAL £'000
Investments						
Australian Dollar	–	15,109	15,109	–	14,968	14,968
Canadian Dollar	–	3,768	3,768	–	3,139	3,139
Danish Krone	–	10,370	10,370	–	4,254	4,254
Euro	–	129,304	129,304	–	93,593	93,593
Hong Kong Dollar	–	43,497	43,497	–	32,291	32,291
Indian Rupee	–	14,236	14,236	–	8,179	8,179
Japanese Yen	–	11,452	11,452	–	14,310	14,310
Korean Won	–	12,773	12,773	–	10,462	10,462
Norwegian Krone	–	31,053	31,053	–	14,539	14,539
Sterling	–	64,151	64,151	–	34,537	34,537
Swedish Krona	–	11,906	11,906	–	10,050	10,050
Swiss Franc	–	23,957	23,957	–	5,918	5,918
Taiwanese Dollar	–	13,878	13,878	–	12,749	12,749
Thai Baht	–	–	–	–	7,386	7,386
US Dollar	–	289,438	289,438	–	208,335	208,335
	–	**674,892**	**674,892**	**–**	**474,710**	**474,710**
Other assets and liabilities						
Cash and cash equivalents	13,818	–	13,818	6,481	–	6,481
Short term debtors	–	226	226	–	394	394
Short term creditors	–	(1,875)	(1,875)	–	(931)	(931)
Long term creditors	(30,080)	–	(30,080)	(30,691)	–	(30,691)
	(16,262)	**673,243**	**656,981**	**(24,210)**	**474,173**	**449,963**

16 FINANCIAL RISK MANAGEMENT CONTINUED

Capital management

The Company considers its capital to consist of its share capital of Ordinary Shares of 10p each, its distributable reserves and its bank loan.

At 31 December 2019 there were 225,737,355 Ordinary Shares in issue (of these shares 21,598,109 were held in Treasury at the year end). (2018: 225,737,355 Ordinary Shares were in issue; of these shares 45,448,109 were held in Treasury.)

The Company has a stated discount control policy. The Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings. Further details on share issues during the year and the Company's policies for issuing further shares and buying back shares (including the Company's discount control policy) can be found in the Directors' Report.

The Company bought back no Ordinary Shares during the year (2018: nil).

The Company's policy on borrowings is detailed in the Directors' Report.

17 POST BALANCE SHEET EVENTS

Since the period end and up to the date of this report, the Company has issued 26,780,109 ordinary shares raising net proceeds of £83.7 million.

Due to the impact of COVID-19 on financial markets and investors, the value of the investment portfolio has fallen since the end of the period as reflected in the daily NAV announcements.

10 YEAR FINANCIAL RECORD

AS AT 31 DECEMBER	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net assets (£ millions)	453	345	341	386	374	372	465	507	450	657
NAV per Ordinary Share[1,2]	142.7p	117.0p	126.0p	167.9p	169.8p	178.6p	243.4p	281.6p	249.6p	321.8p
Share price	129.8p	95.8p	102.9p	150.0p	152.8p	160.0p	218.0p	256.5p	253.0p	333.0p
Premium/ (discount)[2,3]	(9.0%)	(18.1%)	(18.3%)	(10.7%)	(10.2%)	(10.4%)	(10.4%)	(8.9%)	1.4%	3.5%

YEAR ENDED 31 DECEMBER	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV return[2,4]	12.6%	(17.2%)	8.5%	34.1%	1.7%	6.0%	37.3%	16.4%	(10.8%)	30.6.%
MSCI ACWI Index[5]	16.2%	(6.7%)	11.0%	20.5%	10.6%	3.3%	28.7%	13.2%	(3.8%)	21.7%
FTSE ET100[5,6]	(2.2%)	(27.4%)	1.2%	44.9%	4.1%	5.0%	21.9%	20.2%	(9.9%)	29.2%
Revenue return per Ordinary Share	0.8p	1.0p	0.9p	1.3p	1.5p	1.5p	2.0p	2.8p	3.2p	3.6p
Dividends declared[7]	0.75p	0.9p	0.9p	1.2p	1.4p	1.45p	1.95p	2.5p	3.0p	3.0p
Ongoing charges[2,8]	1.11%	1.11%	1.16%	1.13%	1.12%	1.11%	1.13%	1.05%	1.04%	1.02%

Notes

1. NAV per Ordinary Share is measured on a diluted basis in year 2010 when warrants were in issue. Warrants were issued in the year ended 31 December 2005 with a subscription price of 96p per Ordinary Share. The final subscription date was 15 June 2010.
2. These are considered to be APMs
3. Share price premium/(discount) to NAV.
4. Total return (discrete annual returns) – source: Morningstar up to 2016, Bloomberg 2017 thereafter (except year 2018).
5. Net total return for MSCI indices and total return for FTSE indices (discrete annual returns).
6. FTSE data up until 31 December 2013 and then FTSE ET100 thereafter.
7 The dividend rates are in respect of the year ended 31 December and declared in the following year
8. Total expense ratio up to and including 2011.

TOTAL RETURNS TO 31 DECEMBER 2019

	NAV[1]	SHARE PRICE[1]	MSCI ACWI INDEX	FTSE ET100 INDEX[2]
1 year	30.6%	32.9%	21.7%	29.2%
2 years	16.5%	32.4%	17.1%	16.4%
3 years	35.6%	57.1%	32.6%	39.9%
4 years	86.3%	115.8%	70.6%	70.6%
5 years	97.4%	128.4%	76.2%	79.0%
6 years	100.8%	134.1%	95.0%	86.5%
7 years	169.2%	245.1%	135.0%	164.6%
8 years	192.3%	273.0%	160.9%	167.6%
9 years	140.4%	177.3%	143.5%	94.4%
10 years	171.2%	201.1%	183.0%	90.0%

Notes

1. These are considered to be APMs.
2. FTSE ET50 data up until 31 December 2013 and then FTSE ET100 thereafter.

ALTERNATIVE PERFORMANCE MEASURES (APMs)

APMs are often used to describe the performance of investment companies although they are not specifically defined under FRS 102. 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.

		PAGE	AS AT 31 DECEMBER 2019
Total assets less cash/cash equivalents (£'000)	a	n/a	675,118
Net assets (£'000)	b	46	656,981
Gearing (net)	(a÷b)-1		**2.8%**

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 average net assets, of the regular, recurring annual costs of running an investment company.

		PAGE	AS AT 31 DECEMBER 2019
Average NAV(£'000)	a	n/a	557,637
Annualised expenses(£'000)	b	53	5,687
Ongoing charges	(b÷a)-1		**1.02%**

PREMIUM

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per Ordinary Share.

		PAGE	AS AT 31 DECEMBER 2019
NAV per Ordinary Share (p)	a	1	321.8
Share price (p)	b	1	333.0
Premium	(b÷a)-1		**3.5%**

Alternative Performance Measures (APMs) continued

TOTAL RETURN

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

FOR THE YEAR ENDED 31 DECEMBER 2019		PAGE	SHARE PRICE	NAV
Opening at 1 January 2019 (p)	a	n/a	253.00	249.58
Closing at 31 December 2019 (p)	b	1	333.00	321.83
Dividend/income adjustment factor	c	n/a	1.0097	1.0128
Adjusted closing (d = b x c)	d	n/a	336.24	325.95
Total return	(d÷a)-1		**32.9%**	**30.6%**

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	The amount, expressed as a percentage, by which the share price is less 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
NAV per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury)
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
John Scott, DL (Chairman)
Vicky Hastings
Aine Kelly
Julia Le Blan
William Rickett, CB
Stephanie Eastment (appointed 1 July 2019)

INVESTMENT MANAGER
Impax Asset Management (AIFM) Limited
7th Floor
30 Panton Street
London SW1Y 4AJ

BROKER
Investec Bank plc
30 Gresham Street,
London
EC2V 7QP

REGISTERED OFFICE*
3rd Floor, Mermaid House
2 Puddle Dock
London, EC4V 3DB

DEPOSITARY AND CUSTODIAN
BNP Paribas Securities Services
55 Moorgate
London
EC2R 6PA

SECRETARY & ADMINISTRATOR
PraxisIFM Fund Services (UK) Limited
3rd Floor, Mermaid House
2 Puddle Dock
London, EC4V 3DB

REGISTRAR
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

AUDITOR
BDO LLP (appointed at the Company's 2019 AGM)
150 Aldersgate Street
London
EC1A 4AB

* Registered in England no. 4348393

www.impaxenvironmentalmarkets.co.uk

NOTICE OF MEETING

Annual General Meeting

In line with the requirements of the Companies Act 2006, the Company will hold an Annual General Meeting of shareholders to consider the resolutions laid out in the Notice of Meeting below. There will be no presentation from the Investment Manager and the sole business of the meeting will be to propose the resolutions set out.

In response to the current COVID-19 crisis, the UK Government has established stay at home measures prohibiting, amongst other things, public gatherings of more than two people. In light of these measures, the AGM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders attempting to attend the AGM will be refused entry.

The Board will make arrangements such that the legal requirements to hold the meeting can be satisfied through the attendance of two shareholders. The AGM will be held at the location, date and time as set out in the Notice of Meeting.

Shareholders should therefore vote by proxy. Given the restrictions on attendance, shareholders are encouraged to appoint the "Chairman of the Meeting" as their proxy rather than another person who will not be permitted to attend the meeting. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 69 to 70.

The outcome of the resolutions will as usual be determined by shareholder vote based on the proxy votes received. All valid proxy appointments (whether submitted electronically or in hard copy form) will be included in the poll to be taken at the AGM. The results of the poll will be announced to the London Stock Exchange and placed on the Company's website, in the usual way, as soon as practicable after the conclusion of the AGM.

Should a shareholder have a question that they would have raised at the AGM, either of the Board or the Investment Manager, the Board would ask that they send it by email to clientservices@impaxam.com by the 18 of May 2020. Answers to questions will be published on the Company's website in advance of the AGM.

This situation is constantly evolving, and the UK Government may change the current restrictions or implement further measures during the affected period. Shareholders should monitor the Company's website at www.impaxenvironmentalmarkets.co.uk and London Stock Exchange announcements for any updates regarding the AGM. Alternatively, shareholders can contact the Registrar, Link Asset Services, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details).

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Impax Environmental Markets plc will be held at Colney Fields Shopping Park, London Colney, St Albans, AL2 1BW on 21 May 2020 at 2.00 pm for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 10 will be proposed as Ordinary resolutions and resolutions 11 to 13 will be proposed as Special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2019.
2. To approve the Directors' Remuneration Report included in the Annual Report for the year ended 31 December 2019.
3. To re-elect Vicky Hastings as a director of the Company.
4. To re-elect Aine Kelly as a director of the Company.
5. To re-elect William Rickett as a director of the Company.
6. To re-elect John Scott as a director of the Company.
7. To elect Stephanie Eastment as a director of the Company.
8. To reappoint BDO LLP as auditor to the Company.
9. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
10. That the Directors be and are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot relevant securities (as defined in section 551 of the Companies Act 2006) up to an aggregate nominal amount equal to £2,309,193 PROVIDED THAT the Directors may not allot relevant securities of an aggregate nominal amount more than 10% of the nominal value of the issued share capital (excluding Treasury Shares) at the date of the Annual General Meeting and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2021 or, if earlier, on the expiry of 15 months from the passing of this resolution (the "section 551 period") but so that the Directors

may, at any time prior to the expiry of the section 551 period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the section 551 period and the Directors may allot relevant securities in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

11. That, subject to the passing of resolution 10, in substitution for any existing power under section 570 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, pursuant to section 570 of that Act, to allot and make offers or agreements to allot equity securities (as defined in section 560 of that Act) and/or sell equity securities held as Treasury shares pursuant to section 573 of that Act, in each case for cash pursuant to the authority and for the period of the authority conferred by resolution 11 up to an aggregate nominal amount of £2,309,193 as if section 561(1) of that Act did not apply to such allotment (subject to a maximum of 10% of the aggregate nominal value of the issued share capital at the date of this resolution).

12. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 10p each, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 34,614,811 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 10p;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2021 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

    (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board

Brian Smith
For and on behalf of PraxisIFM Fund Services (UK) Limited
Company Secretary
17 April 2020

Registered Office:

3rd Floor, Mermaid House
2 Puddle Dock
London, EC4V 3DB

Notes to the Notice of AGM

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.impaxenvironmentalmarkets.co.uk.

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 2.00 pm on 19 May 2020 or, if this meeting is adjourned, at 2.00 pm on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting.

Appointment of Proxies

3. Members entitled to vote at the meeting (in accordance with Note 2 above) are entitled to appoint a proxy to vote in their place. If you wish to appoint a proxy please follow the instructions at note 6 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding.
4. You can appoint the Chairman of the Meeting as your proxy using the voting methods in notes 6 and 7.
5. You can instruct your proxy how to vote on each resolution by marking the resolutions For and Against using the voting methods stated in notes 6 and 7. If you wish to abstain from voting on any resolution please mark these resolutions withheld. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

Appointment of proxy

6. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - You may request a hard copy form of proxy directly from the registrars, Link Asset Services on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 2.00 pm 19 May 2019.

Appointment of Proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

   It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that this CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 2.00 pm on 19 May 2020 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Asset Services no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

   If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Nominated persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:
   - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
   - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
   - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

   If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:
    - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

11. The total number of shares in issue in the Company is 230,919,355 Ordinary Shares of 10p each. Therefore the total number of Ordinary Shares with voting rights is 230,919,355. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

Communication

12. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
    - calling Link Asset Services' shareholder helpline (lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays):
      (i) From UK: 0871 664 0300 (calls cost 12p per minute plus network extras);
      (ii) From Overseas: +44 371 664 0300 (calls from outside the UK are charged at applicable international rates); or
    - in writing to Link Asset Services.

    You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

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