Impax Environmental Markets plc Annual Report and Accounts 2021

IMPAX Environmental Markets plc

Celebrating XX twenty years

Impax Environmental Markets plc

Annual Report & Accounts

For the year ended 31 December 2021

ANNUAL REPORT 2021

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 2021

496.4p

Net asset value ("NAV") per Ordinary Share

2021	496.4p
2020	411.2p

547.0p

Ordinary Share price

2021	547.0p
2020	422.5p

10.2%

Ordinary Share price premium to NAV[1]

2021	10.2%
2020	2.7%

£1,480m

Net assets

2021	£1,480m
2020	£1,093m

0.85%

Ongoing charges[1]

2021	0.85%
2020	0.95%

PERFORMANCE SUMMARY[2]

For the year ended 31 December 2021 % Change

21.3%

NAV total return per Ordinary Share[1]

2021	21.3%
2020	31.0%

30.1%

Share price total return per Ordinary Share[1]

2021	30.1%
2020	28.9%

19.6%

MSCI AC World Index[3]

2021	19.6%
2020	12.7%

13.1%

FTSE ET100 Index[3]

2021	13.1%
2020	90.3%

1. These are alternative performance measures.
2. Total returns in sterling for the year to 31 December 2021.
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 79 and 80.

Chairman's Statement

John Scott
Chairman

For the year ended 31 December 2021, the performance of Impax Environmental Markets plc (the "Company", or "IEM") remained ahead of its broad equity market comparator index, and materially outpaced its environmental markets comparator index. The successes of 2021 have, however, been overshadowed by what we have witnessed since January 1st. The first quarter of 2022 has seen extreme market volatility, linked to a large extent to fears of a Russian invasion of Ukraine and the horrors which have followed since the war started. Our share price has fallen significantly, before staging a modest recovery, with buyers of IEM reappearing and our shares once again trading at a premium.

It is nonetheless pleasing to report that IEM has recorded another successful year, both on a relative and an absolute basis. Whilst the emergence in November and December of the Omicron variant had a negative effect on our portfolio at the time of writing in early 2022, the likely medium-term impact of this latest manifestation of COVID-19 is still uncertain; but it is clear that the variant causes less severe illness than earlier COVID-19 variants.

Rising inflation also created headwinds for the performance of many of the sectors in which IEM invests. Somewhat to the surprise of central banks, inflation - originally described by the Bank of England as 'transitory' - is proving to be higher and longer lasting than most analysts expected, aggravated by persisting supply chain challenges and labour shortages. To these pressures have been added soaring energy costs towards the end of the year.

These inflationary pressures are encouraging the US Federal Reserve to accelerate the tapering of its quantitative easing measures, reducing an important support for asset prices, and contributing to expectations of further interest rate increases. Whilst neither the advent of inflation nor the prospect of higher interest rates is benign for the Company - since in this environment share prices of smaller companies and those of higher valued 'growth' companies tend to come under pressure – the need to find solutions for climate change and resource management is unabated. One prominent example is the significantly higher cost of fossil fuels which should stimulate further investment in renewable energy, from which IEM should ultimately be a beneficiary.

PERFORMANCE

A strong start to 2021 saw the Company outperform both its global equity comparator index (the MSCI All Countries World Index or "MSCI ACWI"), and its environmental markets comparator index, the FTSE Environmental Technology 100 index ("FTSE ET100") in the first half. Despite the material underperformance during the final quarter of small- and mid-caps, which form the majority of IEM's holdings, performance for the year remained ahead of both comparator indices. During 2021, the total return of the net asset value ("NAV") per share of the Company was 21.3% and the share price total return was 30.1%, compared to a total return of the MSCI ACWI of 19.6% and the FTSE ET100 of 13.1%.

THE INVESTMENT CASE

The Company's investment thesis is that companies offering solutions to environmental challenges will outperform the broader market as we transition towards a more sustainable global economy. While to many this may have seemed fanciful just ten years ago, the thesis today not only occupies the centre of the stage, it is one which is now pursued by many others who have latterly entered a sector which, not long ago, IEM had largely to itself. During 2021, the run-up to the high-profile UN COP26 climate talks brought unprecedented focus on the global effort to address climate change, despite the year ending with something of a mixed result from the Glasgow Conference, and climate policy disappointments elsewhere, notably in the US.

Perhaps the most significant outcomes of COP26 were achieved before the delegates arrived. By the time the talks began in November, more than 130 countries had set or were considering net-zero goals, mostly with a 2050 target date. During the negotiations, India became the latest large economy to do so, and although its 2070 deadline is probably realistic, this disappointed many environmentalists. By the end of 2021, 136 countries, representing around 90% of global GDP, had committed to net-zero emissions. The COP also catalysed broader involvement by companies and financial institutions alongside governments. Significant coalitions were formed to commit to the phasing out of coal, cutting methane emissions, ending the sale of internal combustion engine vehicles and addressing deforestation.

"The role of the asset management sector in the transition to net zero is significant; financial institutions managing US$130 trillion of assets committed, through the Glasgow Financial Alliance for Net Zero, to achieve net-zero emissions by 2050."

The role of the asset management sector in the transition to net zero is significant; financial institutions managing US$130 trillion of assets committed, through the Glasgow Financial Alliance for Net Zero (GFANZ), to achieve net-zero emissions by 2050. As a signatory of the Net Zero Asset Managers Initiative, Impax Asset Management ("IAM" or the "Manager") supports the goal of net-zero emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. It is also encouraging to note that during COP26 the Manager became a signatory to additional climate-focused initiatives – the Natural Capital Investment Alliance and the Principles for Responsible Investment's Deforestation Commitment (more information on page 36).

On a less encouraging note, many countries failed to tighten their emissions targets in line with the growing urgency indicated by the climate science. Modelling by Climate Action Tracker suggests that countries' existing 2030 targets would lead to 2.4˚C of warming this century, well above the 1.5˚C aimed for by the Paris Agreement. More policy action to drive accelerated mitigation of emissions will be needed, as will greater investment in adaptation to the impacts of a changing climate. IEM portfolio companies are providing solutions to both mitigation and adaptation, as is discussed in more detail in the Manager's Report.

The path of climate policy development will be an uneven one, as demonstrated by the failure of the Biden administration in the US to pass its Build Back Better legislation through the Senate by the end of 2021. The version passed by the House of Representatives in November contained US$555 billion of spending on clean energy, alongside funding for childcare and health, but for now this remains in limbo.

Despite these setbacks, climate change and other sustainability challenges remain important policy priorities in many countries and have become a major concern to consumers and most electorates. Notwithstanding the huge disruption caused by a pandemic which is already two years old, there is no evidence that the COVID-19 pandemic has pushed sustainability issues down the political agenda.

DIVIDEND

The Company's net revenue return for the year was £9.4 million, compared with £5.3 million earned in 2020. The increase in net revenue is attributable to the growing size of the Company and also reminds us of the impact on portfolio company earnings in 2020 due to the pandemic. There were 265.9 million Ordinary Shares in issue at the start of the year, growing to 298.1 million by the end of 2021, reflecting the issuance of 32 million new shares.

As previously outlined, the Board recognises that the steady expansion of the Company's capital base has the effect of diluting earnings per share if a single annual dividend is paid irrespective of when the new shares are issued; the problem is exacerbated the longer the period between the end of the financial year and the dividend record date. The Company's dividend policy, as approved by shareholders at the May 2021 AGM, is to declare two dividends each year and, while the Company's capital base is growing, to pay both of these by way of interim dividends in order to make the distribution earlier and thereby reduce the dilutive effect.

Accordingly, the Board announced a first interim dividend for the 2021 financial year of 1.3 pence per Ordinary Share (2020: 1.3 pence), paid on 27 August 2021 to shareholders on the register at 6 August 2021, with an ex-dividend date of 5 August 2021.

The second interim dividend for the 2021 financial year, of 1.5 pence per Ordinary Share, was declared on 29 December 2021, for shareholders on the register on 7 January 2022, with an ex-dividend date of 6 January 2022. The dividend was paid on 28 January 2022. This equates to a total dividend for the 2021 financial year of 2.8 pence per Ordinary Share (2020: 2.3 pence). It remains the Board's intention to pay out substantially all earnings by way of dividends, the quantum of which is affected both by the level of dividends received by the Company and by the number of shares in issue at the relevant record date. Revenue earnings for the year were 3.29 pence per share. The Board has retained 0.4 pence per share of these earnings to replenish the revenue reserves, having drawn upon them to pay the 2020 dividends.

GEARING

The Board considers gearing to be a positive feature of investment trusts, and the Company's existing debt facilities, totalling £50 million, remain in place. However, utilisation of the Company's financing remains low, with gearing of 1.6% at year end as the extent of borrowing is dwarfed by the recent growth of the Company's NAV as explained below (this compares with net gearing of 2.2% at the end of 2020).

Whilst our Manager continues to advise of capacity constraints with our investment bias towards the smaller end of the market, any increase in our capital by way of borrowings results in a concomitant reduction in our ability to issue equity, so we are giving priority to the latter, not least to try and prevent an excessive premium developing. Should demand for the Company's shares reduce on a sustained basis, then expanding the investment capacity via increased gearing remains an option.

PREMIUM/DISCOUNT

The Company's Ordinary Shares traded at an average premium to NAV of 6.0% over the year to 31 December 2021. This is higher than the average 4.6% over the course of 2020. COP26 and the broader focus on sustainability throughout society contributed towards demand for IEM shares in Q4, with the premium reaching its high of 15.3% at the start of December. The low was 0.1% in June 2021. The Board is keen to contain this premium, but also notes that, given our capped investment strategy, it is limited in its ability to do so by issuing new shares.

The Company issued 32 million shares throughout the year to meet demand, representing approximately 12% of IEM's issued capital at the start of the year, raising gross proceeds of £153.5 million. In the first quarter of 2022, investor demand continued with a further 6,237,100 new shares being issued, raising £29.6 million. In February 2022, however, the premium disappeared and the Company's shares traded at a discount and the Board decided to utilise its authority to purchase 112,900 of its own shares. These shares were bought back into treasury, but were subsequently reissued at a premium to NAV so that no shares are now held in treasury.

The premium or discount to underlying NAV is constantly monitored by your Board and the Company's brokers. At the time of writing, with intense fighting in Ukraine still underway, markets are seeing high levels of volatility and there have been days when investor demand has allowed a modest amount of new issuance. The Board takes this opportunity to reiterate what was said in the 2020 Annual Report, namely that, following discussions between IEM and the Manager, Impax Asset Management has requested that, in order to manage overall flows into the strategy within which the Company sits, the Board should aim to control the issuance of new shares in the Company so that not more than approximately 10% of the Company's share capital is issued over the course of a calendar (and financial) year. The Company and its brokers will continue to endeavour to manage demand within these constraints, but the Board notes that, should the Company's share issuance authority become exhausted ahead of renewal, or should demand outstrip the rate of issuance agreed with the Manager, there is the prospect of an increasing share price premium to net asset value, as we saw during the fourth quarter of 2021, which the Board would find hard to control.

ISSUANCE AUTHORITY

At a General Meeting on 12 January 2021, the Company received a fresh authority to issue a further 26.3 million Ordinary Shares, approximately 10% of the shares then in issue. In addition, at the May 2021 AGM the Company was granted authority to issue a further 27.8 million Ordinary Shares, approximately 10% of the shares in issue at the date of the Notice of AGM. This authority lasts until the May 2022 AGM, and there remain 18.3 million Ordinary shares under that authority for issuance. If that is exhausted ahead of the May AGM, we will look to call a General Meeting to request renewed authority from shareholders.

The Directors continue to believe that the expansion of the Company's capital base works to the advantage of shareholders. The Company's market capitalisation at 31 December 2021 was £1.6 billion, which provides a high degree of liquidity in its shares, as well as extensive coverage by analysts and membership of the FTSE-250 index. Furthermore, with growth comes a further improvement in IEM's ongoing charges ratio, which fell to 0.85% (2020: 0.95%).

ANNUAL GENERAL MEETING

The Company's AGM will be held at 7th Floor, 30 Panton Street, London, SW1Y 4AJ on 18 May 2022 at 2:00 pm. In accordance with IEM's articles of association, a continuation vote is required to be held at this year's AGM. This provides for IEM's shareholders to vote, once every three years, on whether the Company should continue operating, or otherwise be wound up and cash returned to shareholders. The Board has considerable confidence in its Manager and strongly believes that IEM offers an attractive opportunity for investors to obtain exposure to environmental and resource efficiency markets and recommends that shareholders vote in favour of the resolution.

An ordinary resolution will be put to shareholders at the forthcoming AGM to increase the maximum aggregate directors' fees payable in any one year from £200,000 to £250,000. The proposed increase will allow flexibility to increase the number of directors in fulfilling the Board's succession plan.

Shareholders will also have the opportunity to hear a presentation from our investment managers, Jon Forster, Bruce Jenkyn-Jones and Fotis Chatzimichalakis and ask questions of the Board and the Manager. The Board welcomes the addition of Mr Chatzimichalakis as co-manager of the portfolio, further strengthening our investment management team.

The Board is mindful of the fact that some shareholders may be reticent to travel and attend the AGM in person. The Manager will make a presentation at the AGM and this will be recorded and posted on the Company's website after the event for shareholders to view.

The Board encourages all shareholders to exercise their votes by means of registering them with the Company's registrar ahead of the meeting, online or by completing paper proxy forms, and to appoint the Chairman of the meeting as their proxy. Information on voting can be found in the Notice of Meeting on pages 83 to 86. The Board is cognisant of the importance to shareholders of having the ability to meet the Directors of the Board and representatives of the Manager face to face, and is committed to ensuring that AGMs and general meetings include a physical meeting, where conditions allow.

The Directors have carefully considered all the resolutions proposed at the forthcoming AGM and believe them to be in the best interests of shareholders and the Company as a whole. Accordingly, the Directors recommend that shareholders vote in favour of each resolution, as will the Directors in respect of their own shareholdings.

THE BOARD

The Board would like to express its sorrow at the passing of Simon Fraser, who died suddenly in August last year at the age of 62, less than a week after the publication of our interim results which announced, inter alia, the intention that he would succeed me as Chairman in May 2022. Simon joined the Board as a non-executive director in March 2021, applying his deep knowledge and experience of investment trusts and global markets to make a valuable contribution to IEM during his brief tenure. It was particularly apt that the AIC saw fit to make its first posthumous Lifetime Achievement Award in recognition of Simon's many contributions and successes in the world of asset management.

In these difficult and unexpected circumstances, I have agreed to continue to serve as Chairman pending the identification of a successor and I am therefore offering myself for re-election at the forthcoming AGM. Whilst this means I will have been on the Board for more than nine years, the Board believes that my continuing service as Chairman, and the continuity that it affords during the search for a successor, is in the best interests of the Company and its shareholders.

On 1 August, Nick Hurd joined the Board as a non-executive director. Mr. Hurd was a Member of Parliament for 14 years until 2019, and was a government Minister for almost nine years, including spells as Minister of State for Climate Change and Industry. He also served as Chair of the Environment All-Party Parliamentary Group and as a member of the Environmental Audit Committee and the Climate Change Bill Committee. He is currently Chair of Access – The Foundation for Social Investment; Chair of impact investing platform i(x) investments; and is a senior adviser to a number of companies contributing to the Sustainable Development Goals. He serves on the Advisory Board of the UK Green Finance Institute and the UK Impact Investment Institute and is a Global Ambassador for the Global Steering Group for Impact Investment.

OUTLOOK

The Company enters 2022, marking 20 years since its inception, facing a challenging world. Few of us appreciated the true extent of these challenges as it seemed to most commentators that a full scale war on the borders of Europe was unimaginable. Our primary focus was elsewhere: high levels of uncertainty relating to the impact of the COVID-19 pandemic, inflation which is likely to stay higher for longer and quantitative easing coming to an end. All of these concerns remain valid, but are dwarfed by the consequences of the Russian invasion of Ukraine on 24 February and which has dominated the headlines ever since. It is to be hoped, for the benefit of all those whose suffering we see daily on our screens, that the conflict is brought to a speedy and humane conclusion.

Even before the Ukrainian invasion, the Company's share price had declined significantly from the heights seen in 2021. Some of this will have been in response to the build-up to the daily warnings regarding Russia's intentions, but the fall was also a reflection of the widespread rotation from 'growth' stocks of the type which IEM tends to own, to the 'value' stocks which had been out of favour. Having ended 2021 with a share price of 547 pence, representing a premium of 10.2% to NAV and close to its all-time high of 584.5 pence, later in February 2022 the shares at one point traded as low as 396 pence, before partially recovering to 467 pence at close of business on 31 March 2022.

It is also important to note that IEM displays higher volatility compared with its broader market comparator, the MSCI ACWI, as referenced by its higher 'tracking error'. As the investment managers discuss in more detail, IEM's portfolio is skewed towards small caps, industrials and utilities, and away from financials and energy, meaning that its performance will frequently diverge – both negatively and positively – from the benchmark. The relatively close tracking of the MSCI AWCI in 2021 is a feature seldom seen in our performance record and is unlikely to be repeated in 2022, especially if rising interest rates lead to outperformance by the financial sector where IEM typically has no investments. The investment managers also see high valuations in parts of the environmental markets universe, making it harder for them to identify attractive investments in what has become a highly competitive sector. As I noted above, we used to have the environmental investment space largely to ourselves – but no longer.

Within all the horrors that we are witnessing, there are some positives. I believe that the West has come to realise that dependence on Russian hydrocarbons must end, with the EU already announcing that it will cut and ultimately eliminate all fossil fuel imports from Russia. To compensate, we will be obliged to reduce our consumption of oil and gas by, amongst other measures, investing dramatically more in wind and solar power, improving insulation and raising levels of energy efficiency. All of these themes play well for the IEM narrative. We also have to remember that this document is primarily a report on the year that has passed and that in 2021 our Manager delivered another year of excellent performance. Although 2022 has so far been unkind to your Company, as well as to markets in general, this must be seen in the context of IEM's remarkable investment record since inception.The Directors retain their confidence in IEM's compelling investment hypothesis and take this opportunity to reiterate their support and appreciation for the investment management team that has driven the success of your Company.

John Scott, Chairman
4 April 2022

INTRODUCING FOTIS CHATZIMICHALAKIS

Fotis became co-Portfolio Manager for IEM plc, alongside Jon Forster and Bruce Jenkyn-Jones in October 2021.

Fotis is an experienced senior research and impact analyst who has been with Impax for six years. He specialises in Energy Efficiency, Pollution Control and Water, themes which are strongly represented in IEM. Fotis has clearly demonstrated his capabilities and competence as a member of the investment team and has been part of the IEM Portfolio Construction team for four years. Fotis has a background in engineering (in particular renewable energy and other green technologies) and joined Impax after graduating from the University of Edinburgh with an MSc focused on Sustainable Energy and Finance.

Manager's Report

Jon Forster

Bruce Jenkyn-Jones

Fotis Chatzimichalakis

We begin our report by extending a warm welcome to Fotis Chatzimichalakis in his new role as co-portfolio manager, alongside Jon Forster and Bruce Jenkyn-Jones. Fotis has spent six years at Impax in equity research and impact analysis, and has made an excellent contribution to IEM's performance through his individual stock picks and his thorough understanding of the overall portfolio.

Following exceptional performance in 2019 and 2020, and given the high volatility seen in the last two months of 2021, we are pleased with IEM's performance over the year. NAV performance was 1.7% ahead of the MSCI ACWI, losing 0.7% of relative performance during the second half, due to significant underperformance of small- and mid-cap companies, especially during the fourth quarter. This performance was achieved despite 0.7% detracting from performance due to IEM's overweight allocation in utilities and lack of energy and financials exposure, with financials outperforming in the current inflationary environment. Performance was 8.2% ahead of the FTSE ET100, catching up some of the underperformance seen in 2020, albeit losing 3.6% of relative performance during the second half. Outperformance came principally from holdings owned in IEM that are not in the FTSE ET100.

The Environmental Markets Classification system devised by Impax Asset Management, which the Company uses to define the universe of stocks in which it can invest, has been updated by the Manager as of 1 January 2022. More detail is available on pages 17 and 18 of this report. Within the main groups, a number of changes have also been made. This overhaul reflects the evolution of sectors and sub-sectors within the environmental markets theme and will provide better transparency on IEM's exposure to the theme's various sectors.

KEY DEVELOPMENTS AND DRIVERS FOR ENVIRONMENTAL MARKETS

COP26 continues momentum for climate action, but more effort will be needed

The UN climate talks in Glasgow were promoted by the host UK government as the last chance to "keep 1.5°C alive", referring to the more ambitious global warming goal agreed in Paris in 2015. Ahead of COP26, countries were due to have updated the emissions pledges they made in 2015 – their 'Nationally Determined Contributions', in the UN jargon – to reflect advances in climate science and recognising the growing urgency of the threat posed by climate change. While many of them did so, key countries, including China, Russia and Australia, failed to increase the ambition of their targets.

In addition, an attempt to commit signatories to "phasing-out" unabated coal-fired power generation failed, with the Glasgow Climate Pact instead referring to "phasing-down" coal. Similarly, language around fossil fuel subsidies was watered down. Rich countries failed to meet their promise to channel US$100bn per year in climate finance to developing countries. Overall, governments' 2030 targets are currently inadequate, and they have been asked to revisit and strengthen their goals by the end of 2022.

More positively, rules on carbon markets were agreed, climate finance targets have been raised, and a number of 'coalitions of the willing' emerged to address key drivers of climate change. More than 50 countries joined the 'Coal to Clean' alliance, pledging to phase out coal-fired power. More than 100 countries agreed to cut emissions of methane, a potent greenhouse gas, by 30% by 2030. More than 30 countries and car makers pledged to stop selling internal combustion engines by 2040. And more than 130 governments committed to stopping deforestation by 2030. These alliances will be supported by cross-cutting initiatives focused on finance and innovation. These include the Glasgow Financial Alliance for Net Zero (GFANZ), with commitments from 450 firms representing US$130 trillion in assets, and various Glasgow Breakthrough groups, with governments working with industry on power, road transport, steel, hydrogen and agriculture.

On balance, and despite some disappointments, COP26 provided renewed confidence in how to get national economies on the track to net zero. The various coalitions will enable progress to be made in key areas of the real economy, and in tackling some of the most important drivers of climate change. They will create numerous opportunities for IEM, in clean power generation, energy efficiency and food and agriculture. Inevitably, the growing impacts of climate change will require investment in adaptation, which will benefit a number of IEM portfolio companies.

The decarbonisation of heating

One of the larger barriers to a net-zero global economy is the use of fossil fuels in heating; in Europe, for example, buildings account for 40% of final energy consumption and 36% of greenhouse gas emissions, with heating accounting for 70% of the building stock's energy needs. Tightening energy efficiency standards for buildings have driven growth in insulation, LED lighting, and more efficient HVAC (heating, ventilation and air conditioning) systems, but some 85% of heating and cooling is still reliant on fossil fuels.

This is set to change. In its EU Energy System Integration Strategy, the European Commission said it expects 40% of residential heating to be electrified by 2030. EU governments are putting in place timelines to phase out fossil fuel boilers and policy support for alternative technologies such as heat pumps. Current penetration rates of around 5% are expected to reach 20% by 2030, driving annual growth rates of 15-20%. NIBE (Buildings Energy Efficiency, Sweden), held by IEM for 15 years, is a leader in heat pump markets and is well positioned to capitalise on this growth.

Simultaneously, rising temperatures globally will drive a growing need for cooling. High efficiency HVAC systems, such as those supplied by Lennox (Buildings Energy Efficiency, US) will continue to see above-market growth, driven by regulation and pure economics. Increased use of software and technology is creating "smart buildings" with active shading, motion-activated heating and cooling, etc. Finally, an increased focus on wellbeing and awareness of the benefits of fresh air are expected to drive increased uptake in heat recovery ventilation systems. We continue to look for incremental exposure to these growth opportunities.

Supply chains and inflation

Last year was characterised by extreme disruption to global supply chains and related inflationary pressure, and we expect this disruption to persist in 2022, with mostly negative impacts on portfolio company performance. These disruptions and inflation were caused by a combination of the unexpectedly rapid economic recovery from the COVID-19 pandemic and periodic lockdowns, particularly in Asia, exacerbated by a pandemic-related shift in demand from services to physical goods.

The resulting increase in costs of raw materials, shipping and labour posed significant challenges for smaller industrial companies. They tend to have lower purchasing power than their larger competitors, and those with in-house manufacturing tended to suffer more than those which outsourced manufacturing to bigger suppliers.

As an example, Vestas (Wind Power Generation Equipment, Denmark) issued two profit warnings in 2021, blaming, among other things, increased commodity and freight prices, and congestion outside harbours. Clean energy companies such as Vestas often face deadlines by which projects must be under construction or operational, meaning they have little option but to absorb higher costs.

Similarly, Itron (Power Network Efficiency, United States) reported that its results were negatively impacted by component constraints, which affected its ability to meet customer demand and its cost structure, according to its CEO. He forecast that component supply would likely remain problematic into 2022.

We share that assessment. We favour companies with defensible market positions and, overall, we are pleased with most portfolio companies' ability to pass increases in input prices on to their customers. However, while we expect supply chain issues and inflation to abate in 2022, they will exert a drag on company performance.

Healthcare's nascent sustainability transition

There is increasing consensus among scientists that climate change is already impacting human health negatively (respiratory and cardiovascular diseases have been linked to worsening air quality) and altering the geographical prevalence of certain infectious diseases. While healthcare companies offer products and services that help address these challenges, they are also part of the problem. The healthcare sector has the largest carbon footprint of any service sector and is responsible for 4-5% of global emissions, more than aviation and shipping combined. Interestingly, awareness of this issue has been low within the clinical community and it was not until the adoption of the Paris Agreement in 2015 that healthcare companies have started to tighten processes to assess and manage their carbon emissions.

Beyond carbon emissions, the environmental footprint of healthcare extends to water use, and ground and water pollution. According to the World Health Organization, the most widely used raw material in pharmaceutical manufacturing is water, highlighting the importance of appropriate water management measures aimed both at minimising water consumption and managing wastewater. The occurrence of pharmaceuticals in the environment is of growing concern worldwide, as they have been detected in water and soil systems posing risks to humans and wildlife that range from the spreading of antimicrobial resistance, to interference with reproduction and increased cancer incidence in humans.

Approximately 4% of the IEM portfolio is invested in companies that provide solutions to mitigate and manage the environmental footprint of healthcare. For example, Repligen (Water Treatment Equipment, US) makes bioprocessing equipment used in the manufacturing of biologic drugs and vaccines, resulting in lower energy use, water consumption and chemical waste. Eurofins (Logistics, Food Safety & Packaging, France) is a life sciences company providing laboratory testing services to analyse and monitor water, soil and air quality.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

The themes highlighted in the Interim Report remain relevant for the year as a whole.

Energy Efficiency holdings delivered excellent performance. Performance was led by Generac (Power Network Efficiency, US), the dominant supplier of back-up power systems to US households struggling with an increasingly volatile climate and associated power outages, and NIBE (Buildings Energy Efficiency, Sweden), a leading player in global heat pump markets, which, as discussed above, have a material role to play in the decarbonisation of heating. Ongoing digitisation of industrial markets drove strong performance in IEM's software holdings, including Altair (Industrial Energy Efficiency, US) and new holding Descartes (Transport Energy Efficiency, US), and also in our digital infrastructure names, including Switch and Monolithic Power (both Industrial Energy Efficiency, US).

Food, Agriculture and Forestry holdings also delivered positive performance, notably in our natural ingredient names, which are benefitting from a secular shift away from synthetic or fossil fuel-derived alternatives, including Koninklijke DSM (Netherlands) and Borregaard (Finland). Sustainable Forestry holding Rayonier (US) also delivered a stand-out performance, benefitting from strength in construction markets and following integration of astute acquisitions.

Finally, IEM's Water Infrastructure holdings, including Aalberts (Netherlands), Advanced Drainage (US) and Watts (US) performed well, benefitting in part from strength in construction markets, but, in addition, showing encouraging execution in current inflationary and supply chain-constrained markets.

Detractors

As at the interim stage, Renewable Energy remained the main headwind during the year. Weakness reflected, in part, profit taking after exceptional performance in 2020, compounded by moves by Exchange Traded Funds to diversify holdings, which added additional selling pressure. The mixed outcome of COP26, failed passage of the US Build Back Better Bill (which contained significant additional support for renewables) also negatively impacted sentiment and, finally, supply chain disruption posed challenges, especially for Vestas (Wind Power Generation Equipment, Denmark). We currently find valuations more attractive in renewables and have been adding selectively to existing holdings.

RELATIVE PERFORMANCE ANALYSIS

PERFORMANCE RELATIVE TO MSCI ACWI	12 MONTHS ENDED 31 DECEMBER 2021
NAV total return	21.3
MSCI ACWI total return	19.6
Relative performance	1.7
Analysis of Relative performance	
Portfolio total return	21.7
MSCI ACWI total return	19.6
Portfolio outperformance	2.1
Borrowing:	
Gearing effect	0.4
Finance costs	(0.1)
Management fee	(0.8)
Other expenses	(0.1)
Trading costs	(0.2)
Effect of share issues	0.5
Tax	(0.1)
Total	1.7

PERFORMANCE RELATIVE TO FTSE ET100	12 MONTHS ENDED 31 DECEMBER 2021
NAV total return	21.3
FTSE ET100 total return	13.1
Relative performance	8.2
Analysis of relative performance	
Portfolio total return	21.7
FTSE ET100 total return	13.1
Portfolio outperformance	8.6
Borrowing:	
Gearing effect	0.4
Finance costs	(0.1)
Management fee	(0.8)
Other expenses	(0.1)
Trading costs	(0.2)
Effect of share issues	0.5
Tax	(0.1)
Total	8.2

PORTFOLIO POSITIONING, ACTIVITY, VALUATION AND RISK

At the end of the year, IEM's portfolio comprised 61 listed holdings, together with one active unlisted investment. Portfolio detail is provided on pages 19 to 22 and positioning by sector and region is set out on page 6. Positioning is broadly consistent with that presented in the Interim Report, with a healthy balance of cyclical and defensive positions and broad diversification across environmental sectors and regions. IEM has a tracking error against MSCI ACWI with greater exposure to industrials and utilities than the benchmark, and no financials or energy. It is noted that, from a "style" perspective, the Company has material exposure to "quality" and "growth".

Turning to activity, after a very active first half of the year second half activity aimed for lower turnover and portfolio consolidation. The Company made two new investments, namely discoverIE (Transport Energy Efficiency, UK), a small-cap company selling highly customised electrical components into renewable energy, transportation and the industrial Internet of Things markets, and Northland Power (Renewable Energy Developers & IPP's, Canada), which has a strong focus and position in the rapidly growing offshore wind markets and brings differentiated exposure to the portfolio. We exited four holdings: Arcadis (Environmental Consultancy, Netherlands) and ENN Energy (Pollution Control, Hong Kong), on the basis of valuation; Umicore (Recycling & Value-Added Waste Processing, Netherlands) following negative news flow on prospects for its battery material business; and Ricardo (Environmental Consultancy, UK) following management change.

Valuation headwinds and increased uncertainty in the immediate term must be acknowledged. But whilst valuations have come down recently, and absolute valuations are looking more in line with historic levels, relative valuations are still elevated. Valuation remains a key challenge, particularly in sectors exposed to net-zero scenarios. The Manager has twenty years of experience navigating environmental markets and the associated valuation "hot spots", so will continue to search for and invest in innovative companies that may not be fully understood by the broader market or may have been sold more on sentiment than for reasons relating to changes in underlying earnings or long-term fundamentals.

OUTLOOK

2022 has started on a challenging note, with the US Federal Reserve's pivot towards a rapid end to quantitative easing and the prospect of multiple interest rate rises to address inflation prompting an aggressive market rotation out of "quality" and "growth" names, which are a core part of IEM's holdings, and into "value" sectors such as energy and financials, which do not generally meet the objectives of the Company.

More recently, Russia's invasion of Ukraine has sent shockwaves around the globe, leading to further market volatility and economic uncertainty, in addition to the loss of life and suffering of the Ukrainian people on the ground. The Manager echoes the Chairman's hope for a speedy and humane resolution to this conflict.

In terms of implications for the Company, the situation on the ground remains fluid and highly unpredictable, with potentially dramatic implications for markets. Notwithstanding this, the Manager provides the following update: firstly the Company does not own any Russian, Belarusian or Ukrainian listed or domiciled holdings; secondly, the Company's holdings have circa 1% direct revenue exposure to these countries; thirdly, the rapid escalation of natural gas and power prices have a mixed but in aggregate neutral impact on earnings, with energy intensive industries such as packaging and natural ingredients facing increased costs, but renewable IPPs with power price exposure seeing tailwinds; fourthly, the long term impact is likely favourable for growth prospects for the Company as the EU, for example, focusses on security of energy supply and seeks to reduce its reliance on Russian oil and gas by accelerating deployment of renewable energy and stepping up initiatives to increase energy efficiency across industries.

Acknowledging the challenging backdrop noted above, we maintain our focus on investing in the highest "quality" businesses across Environmental Markets, as we believe these specialist companies will see enduring and growing demand and will be best positioned to navigate an environment of slowing global growth, inflationary and supply chain challenges, and COVID-19 related risks. We remain convinced of the long-term growth prospects for Environmental Markets and, by extension, the long-term performance outlook for the Company.

Jon Forster

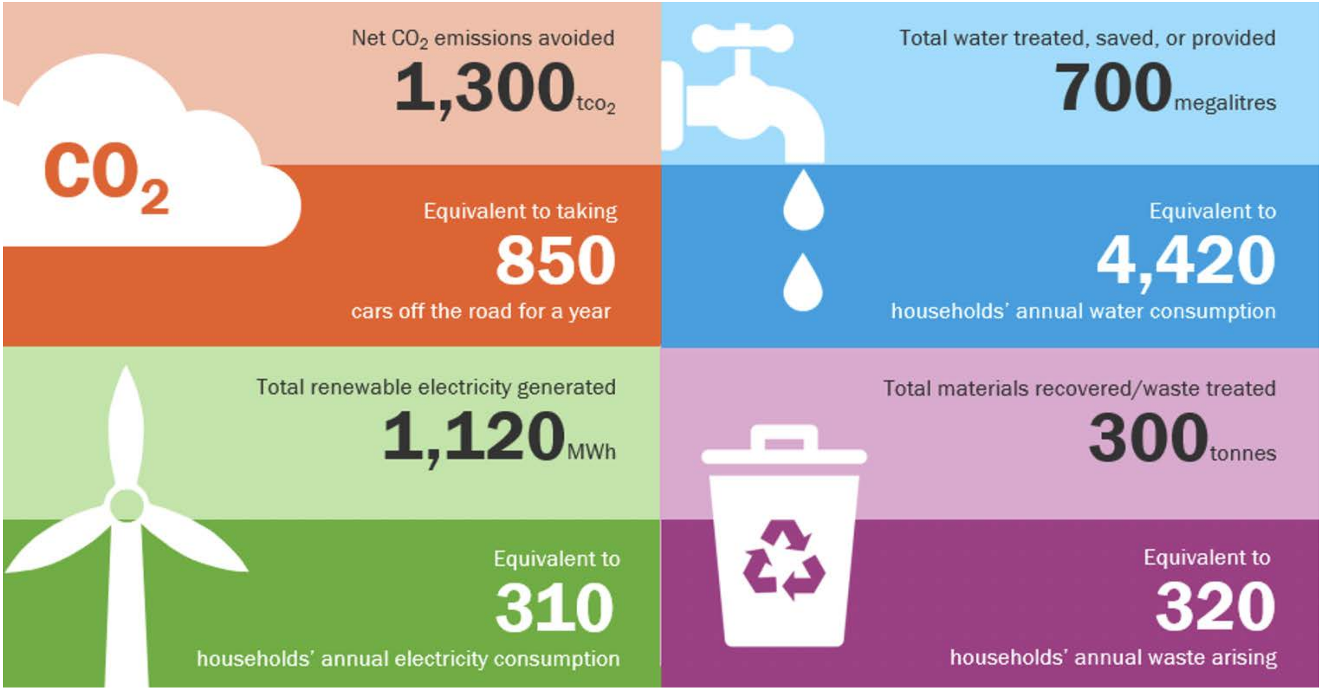
Bruce Jenkyn-Jones

Fotis Chatzimichalakis

Environmental Impact Report and case studies

IEM 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 31 December 2021, the portfolio's weighted average revenue exposure to these markets was approximately 82%. The focus of the investment process on companies delivering environmental solutions naturally results in environmental benefits which Impax quantifies at the end of each year on the basis of the most recent portfolio company disclosures available.

IN 2020, A £10M INVESTMENT IN IEM SUPPORTED[1]:



Source: Impax Asset Management.

These figures refer to the past. Past performance is not a reliable indicator of future results. Impact of £10m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in the portfolio as at 31 December 2020. Impax's impact methodology is based on equity value.

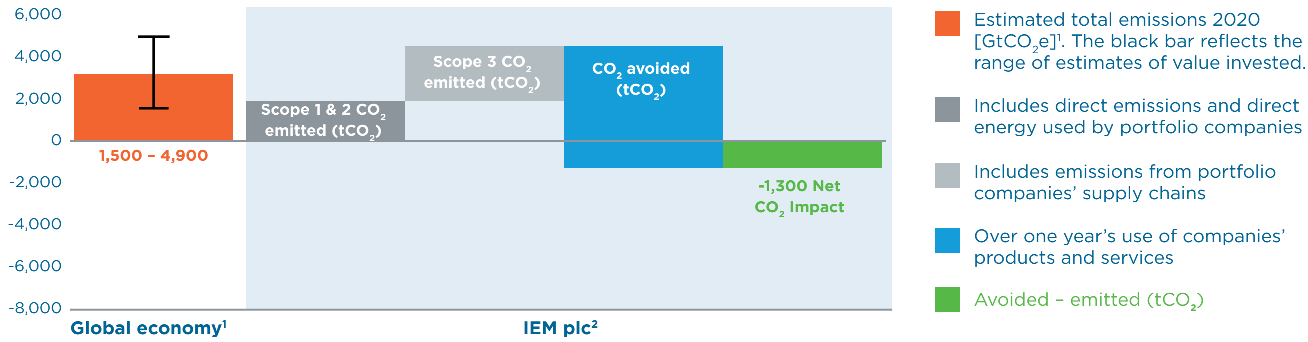
The net CO_2 emissions avoided by portfolio companies' activities are calculated by looking at the total emissions from the activities of companies during the year minus the emissions avoided by the use of their products and services for one year. For additional context, this year we have enhanced this reporting by separating out Scope 1, 2 and 3 emissions, as explained in the chart below.

As an example, renewable energy developer EDP Renovaveis created 3,700 tCO_2 emissions (including some Scope 3 emissions) through its operations including installing wind and solar power generation equipment and corporate activities in 2020. Once installed the emissions avoided by the operation of this equipment vs the incumbent power generation system is 18,467,000 tCO_2 resulting in a net avoidance of 18,463,300 tCO_2.

IEM demonstrates significant net carbon benefits through the use of portfolio companies' products and services, assuming just one year of use, when considering Scope 1, 2 and 3 emissions, and emissions avoided.

IEM SUPPORTS THE REDUCTION OF 1,300 tCO_2 FROM THE ENVIRONMENT PER £10M INVESTED:

NET CO_2 IMPACT PER £10M INVESTED FOR ONE YEAR



When considered at the portfolio level the emissions avoided materially exceed those emitted, resulting in net emissions avoided of 1,300tCO_2 per £10m invested. As context, Impax estimates that the current economy delivers emissions of approximately 3,200 tCO_2.[3] It is the energy efficiency and emission abatement solutions delivered by IEM portfolio companies which are part of enabling the global economy to reduce emissions to net zero overall.

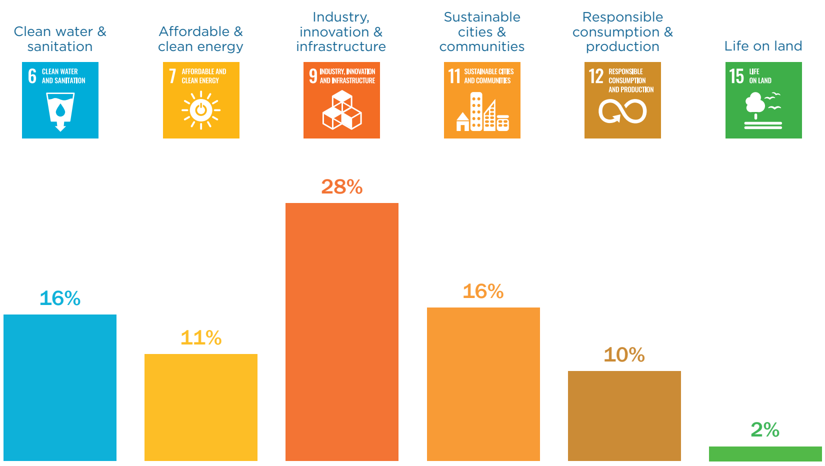
IEM MAPPED TO UN SUSTAINABILITY GOALS[4]

The UN's Sustainable Development Goals ("SDGs"), agreed in 2015, comprise a series of 17 sets of targets to be met by 2030. These goals are increasingly being referenced by investors and are helpful in comparing funds' relative impact outcomes. There is an intrinsic link between the intentionality of the IEM investment process's focus on environmental markets and the delivery of environmental benefit which is reassuring for investors seeking to understand returns on their investment, beyond the financial outcome.

Impax has mapped the IEM portfolio to show how companies' activities align with the goals based on their environmental market revenue exposure.

IEM has 83% revenue exposure to the SDGs overall with greatest linkage to:

- Goal 9, industry innovation and infrastructure which relates to holdings in industrial energy efficiency;
- Goal 11, sustainable cities and communities which relates to holdings in pollution control solutions, recycling and waste management; and
- Goal 6, clean water and sanitation which relates to holdings in water utilities and infrastructure.



These figures refer to the past. Past performance is not a reliable indicator of future results.

1. Source: Global Carbon project, Carbon brief, using 2020 figures. Global AUM for 2020 as provided by PwC for the low figure and Global Wealth for 2020 as provided by Credit Suisse for the high figure. $GtCO_2e$ is gigatonnes of CO_2 equivalent.
2. Impax Asset Management, 31 December 2020. Impax's impact methodology is based on equity value.
3. This number has been updated to GBP from IEM's 2021 Half Year Report where the emissions of the global economy were stated in USD as 2,400 tCO_2
4. Source: Data as at 31 December 2021. Figures are based on Impax internal data. Impax's investment process does not identify alignment with SDGs as a specific objective. Instead, the nature of Impax's investment philosophy results in some meaningful revenue exposure within IEM.

Case Studies

DESCARTES SYSTEMS – CANADA, NORTH AMERICA

Descartes provides inter-enterprise software for supply chain management, especially for delivery-intensive companies.

Investment Opportunity
The combination of the explosion of e-commerce and the increasing complexity of global trade has put enormous strain on global supply chains which, in turn, has put operational and pricing pressure on the logistics sector. In addition, the environmental intensity of the logistics sector is attracting increasing scrutiny. This is incentivising industry players to address operational and environmental inefficiencies.

Descartes' software and services offer these benefits, creating cost and emissions savings for their clients. Descartes is also the only neutral third party offering a global network connecting key industries. Increasing environmental regulation and corporate sustainability commitments will be a long-term contributor to the structural growth of the logistics technology market.

Environmental Benefit
Logistics, and the movement of goods along supply chains and to consumers, is responsible for a large proportion of transportation related emissions and pollution. The fragmentation and inefficiencies of the logistics market lowers asset utilisation and exacerbates the impacts of an already very environmentally intensive sector. Descartes' business model is entirely focused on improving the efficiency of logistics processes through digital transformation.

Impact Achieved
In the US alone, the number of empty or "deadhead" miles among all carriers is approximately 20%[1], highlighting the inefficiency of logistics in terms of speed, cost and environmental impact. Descartes enables goods to be moved through supply chains and delivered to consumers more efficiently, generating substantial transport related energy and emissions savings: taking vehicles off the road, reducing miles travelled and improving the asset utilisation of logistics vehicles.

NIBE INDUSTRIER – SWEDEN, EUROPE

NIBE is an international heating technology company, producing heat pumps, boiler and water heaters, and electrical heating elements.

Investment Opportunity
Heat pumps use the temperature differential between the ground (or air) and the inside of the house to provide heating and cooling. Efficient temperature control in buildings is a growing market, consistent with a climate adaptation scenario, where the requirements for heating/cooling will increase with the increasing extremes of climate events, and consistent with a climate mitigation scenario, as the decarbonisation of heating is key for a net-zero economy.

NIBE is well positioned to benefit from this growth. The company manufactures a wide range of eco-friendly, energy-efficient solutions for indoor climate comfort in homes, apartment blocks and commercial properties, plus components and solutions for intelligent heating and control in industry and infrastructure.

Environmental Benefit
NIBE has a vision to create world-class solutions in sustainable energy, and the decarbonisation of heating a critical task in the drive towards net zero. Heat pumps also contribute to the production of renewable energy, taking heat from the sun by recovering energy stored in the ground, air and water.

Impact Achieved
All the buildings in the world currently account for around 40% of total energy use and around one third of global emissions of greenhouse gases[2] and 65% of residential energy demand goes into space heating[3]. Based on the cut in emissions from the type of heating systems NIBE's heat pumps replaced in 2019 alone, the reduction was 228,000 tonnes of CO_2 for the year. This is approximately the same amount as the total emissions from all buses, mopeds and motorbikes in the whole of Sweden.[4] These heat pumps correspond to generation of 1,350,000 MWh of renewable energy.[4]

1 https://truckingresearch.org/wp-content/uploads/2021/11/ATRI-Operational-Cost-of-Trucking-2021-FINAL.pdf
2 https://www.nibe.com/nibe-group/nibe-creates-energy-efficiency
3 https://www.lse.ac.uk/granthaminstitute/news/heating-homes-do-energy-saving-measures-reduce-energy-consumption-in-social-housing/
4 https://www.nibe.com/nibe-group/examples-of-sustainable-energy-solutions

Climate Disclosure

INTRODUCTION

As a Company specialising in investing in companies developing innovative solutions to resource challenges in environmental markets, the greatest contribution IEM can make to achieving the goals of the Paris Climate Agreement is through the Manager's investment decisions. We report on the environmental impact of our investments (pages 10 to 12) and the Manager's engagement efforts with respect to our investee companies (pages 33 to 35).

Engagement with the companies in which the Manager invests, often in collaboration with its broader client base and other stakeholders, as well as its advocacy for transformational policy are also relevant.

Reporting standards continually advance, broadening and deepening the information that is available for shareholders and other stakeholders. We are an advocate of this shift in our industry and therefore welcome the reporting recommendations presented by the Task Force on Climate-Related Financial Disclosures ("TCFD"), which is becoming a global standard for reporting climate risks and opportunities.

The Financial Stability Board ("FSB") is an international body created after the 2008 financial crisis to monitor financial system stability. FSB established the TCFD in 2015 to develop recommendations for more efficient and effective climate-related voluntary financial disclosures to promote more informed investment, credit and insurance underwriting decisions.

The TCFD recommendations provide a framework intended to help investors and others in the financial community better understand and assess climate-related risks and opportunities. They are structured around four pillars: governance, strategy, risk management, and metrics and targets.

As an Investment Trust, the Company is not currently subject to the Listing Rule requirement to comply with the TCFD reporting. IEM is, however, a keen supporter of the ambitions of both the TCFD and the FRC[1] as can be seen from this report. We believe our support of the TCFD recommendations will contribute to improved global disclosure of climate-related risks. This, in turn, will help asset owners, including IEM and our shareholders, better assess these risks and support sound investment decisions.

This Climate Disclosure section focuses on the potential impact of climate change on the Company, including how it may affect the value of the investments, and the policies and procedures we put in place to manage these risks. In addition, this report also discloses how we are managing the impact of IEM on the climate, through our Manager's investment activity.

GOVERNANCE AND OVERSIGHT OF CLIMATE RISKS AND OPPORTUNITIES

The Board of Directors has oversight of climate risks and opportunities. The management and monitoring of the Company's climate-related investment activities is delegated to the Manager. As an investment manager specialising in the transition to sustainable economy, the Manager has dedicated climate-related resources and committees, led by members with sustainability and climate expertise.

The Manager provides to the Board reporting about the Company's investment activities, which includes climate-related risks and opportunities material to new investments. IEM's ESG Policy, which the Manager adheres to, sets out the approach taken to assess the environmental risks faced by investee companies.

The Board reviews annual reporting of the Scope 1, 2, 3 and abated CO_2 emissions of the portfolio, alongside broader environmental metrics related to the Environmental Markets opportunity set.

The Board also considers the physical climate risks to the operations of its third-party service providers, including the Manager. Physical climate change risk is separately identified on the Company's risk register and this risk, though not a key risk after mitigation, is reported on page 27.

The Board and the Manager are aligned with global efforts to limit warming to 1.5°C. A large percentage of investee companies play an active role in climate change mitigation (to support the goal of net-zero emissions by 2050 or sooner) and/or adaptation (to develop resilience and adequate infrastructure to withstand extreme climate events if warming is not limited to 1.5°C or net-zero goals are not reached soon enough).

CLIMATE RISKS AND OPPORTUNITIES AS PART OF OUR STRATEGY

Climate and environmental risks and opportunities have been at the core of IEM's investment strategy for two decades. All of IEM's investments are in environmental and climate solutions, aligned to the transition to a more sustainable economy. (Please see page 18 for more information on the environmental sectors that constitute the portfolio.)

To this extent, the Company has a dedicated Investment Manager, specialising in the area, with resources to understand, top-down and bottom-up, the risks and opportunities brought on by climate change from a financial point of view. The Manager incorporates climate change considerations through integrated ESG analysis in the investment process and specifically addresses environmental challenges as part of the investment strategy.

[1] For more detail, refer to the Financial Reporting Council's Climate Thematic Report.

The strategy is not only about addressing risks, but also about identifying opportunities. As a thought-leader, the Manager has working groups developing analysis and understanding from an investment perspective, of the emerging products, technologies and services which provide solutions to mitigate or adapt to climate change and resource challenges in the environmental markets.

In addition, the Board has included climate change risk in the risk register to facilitate ongoing oversight of the Manager and third-party service providers. The Board assesses the impact and resilience of the Company's investments and their operations, as well as the operations of key service providers, and uses this to inform strategy to ensure the potential risk impact and likelihood are within the Company's risk appetite.

RISK MANAGEMENT OF CLIMATE RISKS

Climate change has been identified as a risk in IEM's risk register, and climate-related investment risks relate to a broad range of interconnected risks including physical and transition risks.

Managing risk is an essential part of the investment process and ongoing portfolio management. The Manager identifies and manages climate-related risks and opportunities across the investment lifecycle, and reports to the Board:

1. Investment universe formation – the Manager seeks companies with material (>50% revenues) to Environmental Markets which includes climate adaptation and mitigation solutions.
2. Fundamental company analysis – carbon emission and abatement costs as well as physical climate risks are assessed through integrated company-level analysis. As one of the leaders in this field, the Manager has developed a proprietary model to assess investee companies' localised and asset-level physical climate risks.
3. Company engagement – the Manager also actively engages with our investee companies to encourage improved climate risk management, processes, and disclosures. Over the past 12 months, climate change has been a strategic engagement priority of the Manager.

Company Disclosures

Disclosure by our investee companies is critical to helping us assess climate change-related risks, and the Manager works actively with companies to improve climate change-related disclosures. The Manager uses its voting power to support shareholder proposals that encourage companies to improve disclosure of climate change-related risks. During this financial year, the Manager voted on behalf of IEM in favour of all climate and environmental resolutions possible. Further details on voting are provided on page 35.

CLIMATE METRICS AND TARGETS

Investment-related climate and carbon metrics

The Company reports key impact metrics for the IEM investment portfolio: net CO_2 emissions avoided; water treated, saved or provided; renewable electricity generated; and total materials recovered / waste treated. The focus on investments in environmental solutions and sustainable companies has informed the approach to measuring the carbon profile of our investment activities. The Board believes that looking at the net carbon impact – including both direct and indirect carbon emissions, but also carbon avoidance at investee company and overall portfolio levels – provides a more relevant and complete picture. This has been reported since the Company's 2015 Annual Report. Please see pages 10 to 11 for more information.

In the future, the Company will continue to report the net carbon impact of the Company's investments alongside carbon emissions data, as required by upcoming regulations.

Operations-related climate and carbon metrics

The Company has no Scope 1 (direct emissions) or Scope 2 (emissions related to electricity consumption) emissions. However, in the course of operating the business, the Company's key providers do have Scope 1 and 2 emissions. As such, the Board is considering the Scope 1 and 2 emissions of its two main providers – Impax Asset Management (the Manager) and Sanne (the fund administrator and company secretary – formerly PraxisIFM). This year, the Board has attributed a portion of the Manager's emissions to IEM (AUM of IEM as percentage of the total AUM service provider is responsible for) and intend to do the same for Sanne in the future.

IEM has Scope 3 (business travel) emissions, in respect of the attendance of directors at Board meetings. In 2021, travel and lockdown restrictions as a result of the COVID-19 pandemic in the first half of the year meant that travel was minimal as Board meetings were conducted virtually. The Board is committed to monitoring and reducing its emissions where possible but must acknowledge that its Scope 3 emissions are likely to increase for 2022 as in-person meetings resume.

There are no Scope 3 emissions to be attributed to Impax Asset Management, who host the meetings at its offices, or from Sanne, who travel to the meetings from its office by public transport.

IEM CO_2 Emissions

	2021 Kg CO_2e
Scope 1	0
Scope 2	0
Scope 3	348
TOTAL	**348**

Impax Asset Management CO_2 Emissions

	2021 (IAM TOTAL - LONDON ONLY) Kg CO_2e	2021 ATTRIBUTABLE TO IEM PLC (AVERAGE AUM OF IEM OVER AVERAGE AUM IAM – LONDON MANAGED ONLY) Kg CO_2e
Scope 1 &2	1,871	86
Scope 3	0	0
TOTAL	**1,871**	**86**

Physical climate risk

The Manager has assessed the physical climate risks to the London office of Impax Asset Management and concluded that these risks are relatively low.

Climate and Carbon Targets

Investments:

In November 2021, the Manager joined the Net Zero Asset Managers ("NZAM") Initiative. Signatories commit to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. It also commits to support investing aligned with net-zero emissions by 2050 or sooner. As a new signatory, Impax Asset Management has one year from the date of joining to develop an interim target for 2030 using one of the approaches approved by the NZAM initiative, before submitting it to the Investor Agenda.

The Board is comfortable that the NZAM initiative is well aligned with IEM's existing investment philosophy and its 20+ years' experience of investing in climate and environmental solutions. The Board believes that these commitments from the Manager will bring benefits to the management of IEM's investments as well.

A list of the Manager's initiatives and memberships is included on pages 35 and 36.

Operations:

The Board is pleased that the Manager's London office is a certified green building (rated "excellent" by BREEAM (Building Research Establishment Environmental Assessment Method) and managed by an ISO 14001 aligned Building Management System).

The Board will expect its key service providers to report on their Scope 1 and 2 emissions at least annually, together with any steps taken to reduce emissions.

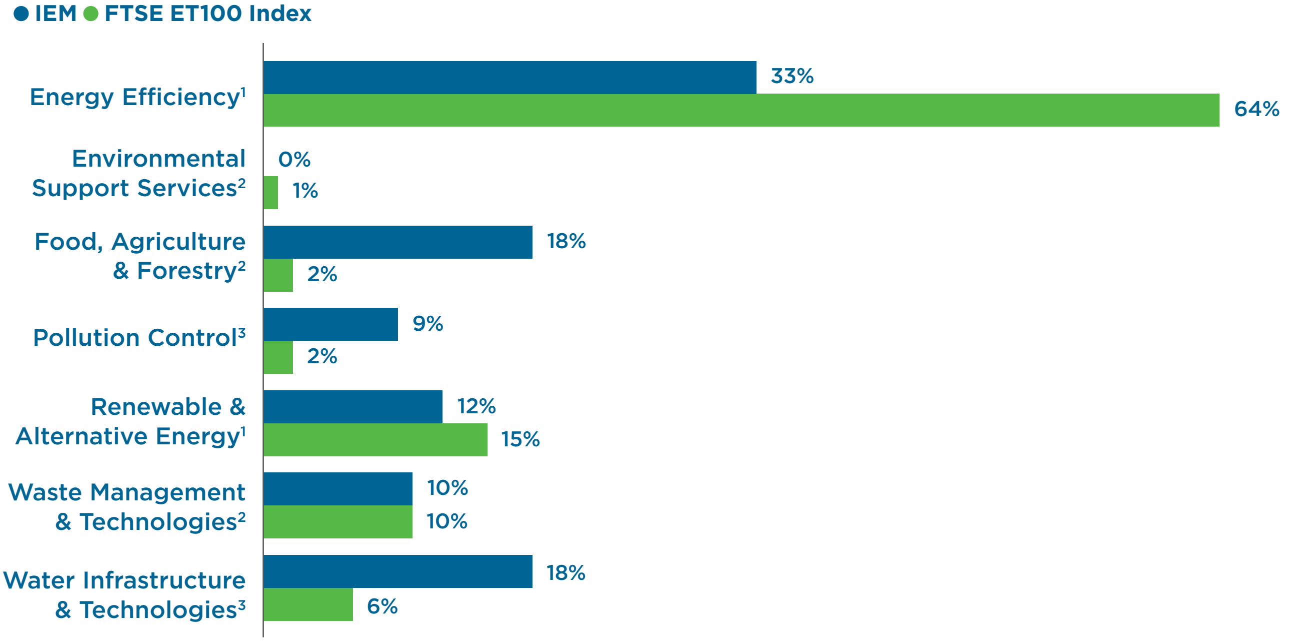
Details of the methodology used

Reporting according to the GHG Protocol: Scope 2 emissions figure stated above follows the market-based accounting methodology. Source of emission factors applied to calculate emissions from electricity consumption is IEA (2020) UK electricity grid mix emission factor. Scope 3 (travel) emissions figure stated above follows the distance-based methodology. Source of emission factors applied to calculate emissions of travel is the UK Government DEFRA GHG Conversion Factors for Company Reporting.

Structure of the Portfolio

As at 31 December 2021

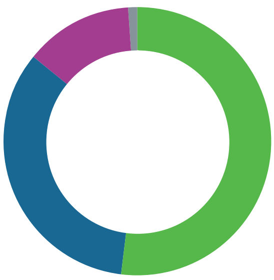
Breakdown by environmental markets classification system



Investment policy classification

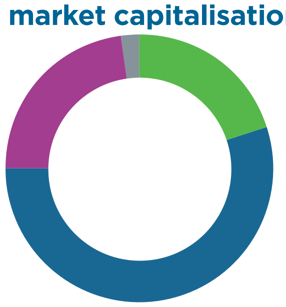
1. Alternative Energy and Energy Efficiency.
2. Waste Technologies and Resource Management.
3. Water Treatment and Pollution Control.

Breakdown by region



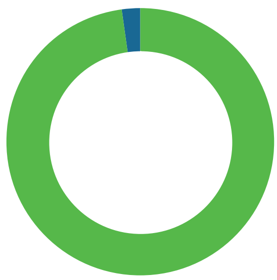
- North America, 52%
- Europe, 34%
- Asia Pacific, 13%
- Rest of World, 1%

Breakdown by market capitalisation



- Large Cap (US$20bn to US$200bn), 20%
- Mid Cap (US$5bn to US$20bn), 55%
- Small Cap (US$0.5bn to US$5bn), 23%
- Micro Cap (less than US$0.5bn), 2%

Breakdown by company profitability



- Profitable, 98%
- Unprofitable, 2%

Note to investors:

Market capitalisation bands have been revised since the Company's previous report (previously Large Cap >US$5bn; Mid-Cap US$2bn - US$5bn; Small-Cap US$0.5bn - US$2bn). This is to provide greater clarity for investors regarding the characteristics of the portfolio, and in line with current market practice.

Environmental Markets Classification

Impax Asset Management ("Impax") is the Company's Manager. It has undertaken a comprehensive review of its Environmental Markets Classification system and the following sets out the changes which take effect from 1 January 2022, and will thus be used in applicable future reporting.

In the 20 years since IEM was listed, the investment opportunity set within Environmental Markets has grown substantially.

We believe well-defined classification systems, or taxonomies, play an important role for investors like ourselves who are seeking to navigate environmental risk and/or increase their exposure to rapidly expanding environmental markets. Impax Asset Management produced one of the world's first green taxonomies in 1999, which in 2007 was adopted by FTSE Russell as the foundation for what they now call their Green Revenues Classification. The Manager continues to support them in a biannual review of this.

Despite the emergence of competing alternative classification systems, the Manager continues to approach investing in Environmental Markets using its own distinct taxonomy. To stand the test of time, it has not stood still. Over the past two decades, the classification system has evolved with the progression of new technologies and business models, market demand and the policy environment.

Having used the previous classification for over a decade, the Impax Environmental Markets Classification System was updated on 1 January 2022 to reflect the development of sectors and sub-sectors within Environmental Markets.

Importantly, this does not change the investment objective, process or universe of IEM.

In the previous classification system (Figure 1), there are four main groups. These become six under the new classification (Figure 2). Within these six groups, there will be a total of eight sectors along with their respective sub-sectors. The groups in which some sectors sit, as well as the description of some sectors and sub-sectors, have changed.

FIGURE 1: OUR CLASSIFICATION OF ENVIRONMENTAL MARKETS (AS AT 31 DECEMBER 2021)

Environmental Markets Classification continued

FIGURE 2: OUR NEW CLASSIFICATION OF ENVIRONMENTAL MARKETS (FROM 1 JANUARY 2022)

New Energy

Alternative Energy

- Developers & Independent Power Producers
- Biofuels
- Hydrogen
- Solar
- Wind

Energy Management & Efficiency

- Smart Grids
- Industrial, Consumer & Buildings Efficiency
- Power Storage & Uninterruptible Power Supply
- Lighting

Clean and Efficient Transport

Transport Solutions

- Aviation
- Shipping
- Railways
- E-bikes & Bicycles
- Buses & Coaches
- Road Vehicles & Devices
- Pollution Reduction
- Shared Mobility

Sustainable Food

Sustainable Food & Agriculture

- Organic & Alternative
- Technology & Logistics
- Safety & Packaging
- Agri- & Aquaculture
- Forestry

Water

Water Infrastructure & Technologies

- Distribution & Infrastructure
- Treatment
- Efficiency
- Utilities

Circular Economy

Resource Efficiency & Waste Management

- General & Hazardous
- Recycled, Recyclable Products & Biomaterials
- Resource Circularity & Efficiency
- Technologies

Smart Environment

Environmental Services & Resources

- R&D & Consultancies
- Finance & Investment
- Testing & Monitoring
- Pollution Control
- Environmental Resources

Digital Infrastructure

- Efficient IT
- Cloud Computing
- Digital Collaboration Solutions

Two new groups, Clean and Efficient Transport and Smart Environment, have been introduced. Additionally, the Waste/Resource Recovery group is now called Circular Economy. The Manager believes this more accurately represents how the Impax investment team and investors are thinking and talking about Environmental Markets and the developments within it.

Ten Largest Investments

As at 31 December 2021

1

2.8%
of net assets
(2020: 2.6%)

CLEAN HARBORS INC - United States www.cleanharbors.com

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

2

2.7%
of net assets
(2020: 2.6%)

PTC INC - United States www.ptc.com

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

3

2.6%
of net assets
(2020: 2.7%)

AMERICAN WATER WORKS CO INC - United States www.awwa.org

American Water Works is the largest publicly-listed US water utility. It provides water and water–related services in 47 states and also Ontario, Canada. The US water system is highly fragmented with over 50,000 individual community water systems. Close to 10% of the US population is served by water systems so small that they lack economies of scale and financial, managerial, and technical ability – leading to water quality violations that larger providers like American Water Works are better positioned to address.

4

2.4%
of net assets
(2020: nil)

DESCARTES SYSTEMS - Canada www.descartes.com

Descartes provides inter-enterprise software for supply chain management, especially for delivery-intensive companies. The strain on global supply chains and the focus on the environmental intensity of the logistics sector, means Descartes' software and services are well positioned by increasing utilisation and reducing inefficiencies, which results in lower emissions and pollution.

5

2.4%
of net assets
(2020: nil)

AIRTAC - Taiwan www.airtac.com

Airtac International Group manufactures pneumatic components and different kinds of pneumatic equipment used in industrial automation. Industry, particularly in Asia, is driving towards better manufacturing efficiency in the transition to a more sustainable economy. As Airtac expands its product range and geographical coverage, it is well positioned to assist in the migration towards high-end manufacturing, better manufacturing efficiency and easing labour constraints.

Ten Largest Investments continued

6

2.3%
of net assets
(2020: 2.5%)

KONINKLIJKE DSM NV - Netherlands www.dsm.com

DSM supplies nutritional ingredients like vitamins and nutraceuticals into the animal feed, food and personal care industries. These products help improve livestock health and improve uptake of feed, which serves to reduce waste and emissions. DSM's transition from a diversified chemicals producer to a business focused on a more stable, and fast growing, nutrition industry is driving higher returns on capital, improved free cashflow generation and reduced earnings volatility. In addition, DSM is driving its end–market stakeholders towards more sustainable production methods. The company has a strong focus on sustainability, implemented by a solid management team and led by an internal Sustainability Leadership Team.

7

2.2%
of net assets
(2020: 2.3%)

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. In addition, their buildings climate control equipment helps organisations to lower their carbon footprint through hydronic flow control systems for heating and cooling in eco-friendly buildings to improve the energy efficiency by reducing electricity usage.

8

2.2%
of net assets
(2020: 2.9%)

ORMAT TECHNOLOGIES - United States www.ormat.com

Ormat designs, builds and supplies power generating equipment using geothermal and recovered energy, whereby thermal energy is recaptured and redeployed. Geothermal is an environmentally friendly means of generating energy, which is immune from most weather effects and thus a strong compliment to wind and solar. Renewable energy developers and independent power producers tend not to be affected by short-term oil price volatility. Their value instead comes from long-term infrastructure projects planned years in advance. In addition, in many regions, when there is a decline in power demand, renewable energy providers are not affected as they have priority status in the delivery of power, when compared to fossil fuel generation.

9

2.1%
of net assets
(2020: 2.1%)

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

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

10

2.1%
of net assets
(2020: 2.6%)

GENERAC HOLDINGS INC - United States www.generac.com

Generac is a leading supplier of standby and portable generators for the residential, commercial and industrial markets. Extreme climate events such as hurricanes and wildfires in the US are leading to multi day black outs. Generac's predominantly gas–powered generators (cleaner than diesel-powered) provide reliable power in these situations: an adaptation to the effects of climate change. The company has a circa 75% market share of the US residential standby generator market, with a strong brand and well–established distribution network that is difficult for competitors to replicate. The company has recently launched energy storage products that can store power from solar-powered systems. This opens up a new avenue of growth for the company.

Details of Individual Holdings

AS AT 31 DECEMBER 2021 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	MARKET VALUE £'000	% OF NET ASSETS
Clean Harbors	Waste Management & Technologies	United States	41,440	2.8
PTC	Energy Efficiency	United States	39,490	2.7
American Water Works	Water Infrastructure & Technologies	United States	38,269	2.6
Descartes Systems	Energy Efficiency	Canada	36,078	2.4
Airtac International	Energy Efficiency	Taiwan	34,801	2.4
Koninklijke DSM	Food, Agriculture & Forestry	Netherlands	33,730	2.3
Aalberts	Water Infrastructure & Technologies	Netherlands	32,012	2.2
Ormat Technologies	Renewable & Alternative Energy	United States	31,816	2.2
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	31,370	2.1
Generac Holdings	Energy Efficiency	United States	31,333	2.1
Top ten holdings			**350,339**	**23.8**
Brambles	Waste Management & Technologies	Australia	31,273	2.1
Croda International	Pollution Control	United Kingdom	30,849	2.1
Rayonier	Food, Agriculture & Forestry	United States	30,636	2.1
EDP Renovaveis	Renewable & Alternative Energy	Portugal	30,527	2.1
NIBE Industrier	Energy Efficiency	Sweden	30,524	2.1
Trimble	Food, Agriculture & Forestry	United States	30,355	2.1
Monolithic Power System	Energy Efficiency	United States	30,173	2.0
Pentair	Water Infrastructure & Technologies	United States	29,853	2.0
Repligen	Water Infrastructure & Technologies	United States	28,777	1.9
Advanced Drainage Systems	Water Infrastructure & Technologies	United States	28,499	1.9
Top twenty holdings			**301,466**	**20.4**
Darling Ingredients	Waste Management & Technologies	United States	28,497	1.9
Corbion	Food, Agriculture & Forestry	Netherlands	27,759	1.9
Advantech	Energy Efficiency	Taiwan	27,450	1.8
Eurofins Scientific	Food, Agriculture & Forestry	France	27,236	1.8
Northland Power	Renewable & Alternative Energy	Canada	27,013	1.8
Herc Holdings	Energy Efficiency	United States	26,965	1.8
Bucher Industries	Food, Agriculture & Forestry	Switzerland	26,690	1.8
DS Smith	Food, Agriculture & Forestry	United Kingdom	26,549	1.8
Stericycle	Waste Management & Technologies	United States	26,518	1.8
Graphic Packaging	Waste Management & Technologies	United States	26,399	1.8
Top thirty holdings			**271,076**	**18.2**
Littlefuse	Energy Efficiency	United States	26,250	1.8
Vestas Wind Systems	Renewable & Alternative Energy	Denmark	25,948	1.8
Indraprastha Gas	Pollution Control	India	25,496	1.7
Borregaard	Food, Agriculture & Forestry	Norway	24,903	1.7
Altair Engineering	Energy Efficiency	United States	24,183	1.6
Switch	Energy Efficiency	United States	24,113	1.6
Lenzing	Food, Agriculture & Forestry	Austria	24,028	1.6
Ipg Photoonics	Energy Efficiency	United States	22,908	1.5
Xinyi Solar Holdings	Renewable & Alternative Energy	China	22,711	1.5
Giant Manufacturing	Pollution Control	Taiwan	22,497	1.5
Top forty holdings			**243,037**	**16.3**

Details of Individual Holdings continued

AS AT 31 DECEMBER 2021 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	MARKET VALUE £'000	% OF NET ASSETS
Signify	Energy Efficiency	Netherlands	22,461	1.5
Donaldson Co.	Pollution Control	United States	22,218	1.5
Salmar	Food, Agriculture & Forestry	Norway	22,157	1.5
Solaredge Technologies	Renewable & Alternative Energy	United States	21,697	1.5
Xylem	Water Infrastructure & Technologies	United States	21,118	1.4
LEM Holdings	Energy Efficiency	Switzerland	20,821	1.4
Coway Co	Water Infrastructure & Technologies	South Korea	20,673	1.4
Badger Meter	Water Infrastructure & Technologies	United States	19,433	1.3
Lennox International	Energy Efficiency	United States	19,169	1.3
Companhia de Saneamento Basico do Estado de Sao Paulo	Water Infrastructure & Technologies	Brazil	18,970	1.3
Top fifty holdings			**208,717**	**14.1**
Watts Water Technologies	Water Infrastructure & Technologies	United States	18,683	1.3
Norma Group	Pollution Control	Germany	18,090	1.2
Terna Energy	Renewable & Alternative Energy	Greece	15,570	1.1
Discoverie Group	Energy Efficiency	United Kingdom	15,217	1.0
Cryoport	Energy Efficiency	United States	14,086	1.0
Itron	Energy Efficiency	United States	13,406	0.9
Porvair	Pollution Control	United Kingdom	11,706	0.8
Beijing Enterprises Water Group	Water Infrastructure & Technologies	China	7,456	0.5
Blackline Safety	Pollution Control	Canada	5,997	0.4
Amiad Water Systems	Water Infrastructure & Technologies	Israel	5,370	0.4
Top sixty holdings			**125,581**	**8.6**
Dialight	Energy Efficiency	United Kingdom	2,952	0.2
Total quoted holdings			**1,503,168**	**101.6**
Unquoted holdings - Ensyn	Renewable & Alternative Energy	United States	582*	–
Portfolio total			**1,503,750**	**101.6**
Cash			28,319	1.9
Other net liabilities			(52,431)	(3.5)
Total net assets			**1,479,638**	**100.00**

* Directors' valuation

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 are set out below. Any material change to the investment policy requires shareholder approval.

The Company is governed by a Board of Directors (the "Board"), all of whom are non-executive, and it has no employees. The business model adopted by the Board to achieve the Company's objective has been to contract the services of Impax Asset Management (AIFM) Limited (the "Manager", 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, Bruce Jenkyn-Jones and Fotis Chatzimichalakis. The Board monitors adherence to the Company's investment policy and regularly reviews the Company's performance in meeting its investment objective.

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

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

INVESTMENT 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 16.

DIVIDEND POLICY AND DIVIDENDS

Dividend Policy

The Directors typically expect the Company to generate returns in the form of capital gains rather than revenue. It is the Company's policy to pay out substantially all earnings by way of dividend for each year, with dividends mainly financed from current year net income and, since 2020, to declare two dividends each year. As set out in more detail below, it is the Board's longer term intention to revert to the payment of a final dividend in place of a second interim dividend, payment of which will be subject to shareholder approval at each AGM.

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

Dividends Declared for the Year Ended 31 December 2021

The Board recognises that, as the Company continues to expand through regular issue of shares, it creates a dilutive effect on earnings per share if a single dividend is paid annually, irrespective of when those shares were issued. This acts to the benefit of those shares which come onto the register towards and after the end of the year.

In order to be fair to all shareholders the Board paid an interim dividend at the half-year stage, and declared a second interim dividend, in lieu of final, paid shortly after the year end. This also has the advantage that shareholders receive their dividends earlier. It is the Board's intention to continue with the declaration of two dividends each year, and to return to paying a final dividend as and when the Company stops growing its capital base. However, recognising the importance of shareholder engagement, and though not required by regulation, shareholders will be given an opportunity to vote on the Company's dividend policy at the forthcoming AGM. The vote is advisory and is set out as ordinary resolution 3 in the Notice of Meeting.

RESULTS AND DIVIDEND

The Company's revenue return after tax for the year amounted to £9,391,000 (2020: £5,326,000). During the year, the Company paid a first interim dividend of 1.30 pence per Ordinary Share (2020: 1.30 pence), totalling £3,767,000. On 29 December 2021, the Directors declared that the Company would pay on 28 January 2022 a second interim dividend of 1.5 pence per Ordinary Share (2021: 1 penny), totalling £4,471,000 based on the Ordinary Shares in issue at the record date, 7 January 2022.

The Company made a capital profit after tax of £231,047,000 (2020: £235,511,000). Therefore the total return after tax for the Company was a profit of £240,438,000 (2020: £240,837,000).

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 5 incorporates a review of the highlights during the year. The Manager's Report on pages 6 to 9 highlights investments made during the year and how performance has been achieved.

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

The Manager and the Company's broker monitor the premium or discount and keep the Board updated as and when appropriate. At quarterly Board meetings, the Board reviews the premium or discount in the period since the previous meeting on both an absolute basis and in comparison with other investment trusts with a similar mandate. The Board has issued a statement on premium/discount control on pages 3 and 4. The Board sets parameters under which the Company's shares can be sold or bought back and each sale of shares or buyback is approved by a Board member before it is conducted. The Company's shares traded at an average premium to NAV of 6.0% during the year ended 31 December 2021 and within a range of a share price premium to NAV of 0.1% to 15.3%. The year end premium to NAV was 10.2%. Since the year end, and to the last practicable date prior to the publication of this report, the Company's shares have traded in the range of 14.1% premium and 6.6% discount to the NAV. Details of Ordinary Shares issued and bought back since the year end are shown in note 12.

(iii) Maintenance of reasonable level of ongoing charges

The Board receives monthly management accounts which contain analysis of expenditure. The Board also reviews expenditure formally at its quarterly Board meetings. The Board reviews the fees payable to the Company's main service providers on an annual basis. The Board considers the ongoing charge to be reasonable in comparison to peers. The Company's ongoing charges figure was 0.85% (2020: 0.95%). This is calculated in accordance with the AIC methodology and disclosed as an APM on page 79.

INVESTMENT PERFORMANCE TO 31 DECEMBER 2021

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
NAV of the Company[1,2]	21.3%	107.5%	115.5%	364.4%
Share price of the Company[1,2]	30.1%	122.8%	163.3%	525.3%
MSCI ACWI[2]	19.6%	64.0%	78.7%	251.7%
FTSE ET100/FTSE ET50[2,3]	13.1%	178.2%	201.3%	476.3%

Note: MSCI index is total net return (dividends reinvested net of withholding tax), FTSE index is total return (dividends reinvested gross of withholding tax), both in sterling terms.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Board considered the risks posed by the secondary effects of the COVID-19 pandemic, both market and operational risks. The ongoing economic impact of measures introduced to combat its spread were discussed in depth by the Board throughout the year, with updates on operational resilience received from the Manager, Administrator and other key service providers. The Board is satisfied that the key service providers had, and continue to have, the ability to continue their operations efficiently in a remote or virtual working environment, whilst safeguarding their staff. 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 the Company invests.

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

Investment Policy, Results and Other Information continued

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

TREND: INCREASING ⇧ NEUTRAL ⇔ REDUCING ⇩

POTENTIAL RISK	MITIGATION	TREND
STRATEGIC AND BUSINESS OBJECTIVE RISKS		
Economic and market risks Price movements of the Company's investments are highly correlated to the performance of global equities in general and small and mid-cap equities in particular. Consequently volatility in stock markets, such as those experienced from the secondary effects of the COVID-19 pandemic, are likely to adversely affect the performance of the Company's investments. Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events and trends can substantially and adversely affect the value of investments. Market risk includes the potential impact of events which are outside the Company's control, such as the COVID-19 pandemic. 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.	There are inherent risks involved in stock selection. The Manager is experienced and employs its expertise in selecting the stocks in which the Company invests. The Manager spreads the investment risk over a wide portfolio of investments in its three main sectors: energy, water and waste, as well as geographically. At the year end, the Company held investments in 61 companies and the largest holding represented 2.8% of net assets. The Manager will not normally hedge against foreign currency movements, but the Manager takes account of the risk when making investment decisions. Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts. The raised risk rating reflects the fact that the Board considered that geopolitical risks had heightened. Regrettably this view has proved to be justified following the invasion of Ukraine.	⇧
Environmental markets The Company invests in companies operating in environmental markets. Such companies carry risks that governments may alter the regulatory and financial support for environmental improvement, costs of technology may not fall, capital spending by their customers is reduced or deferred and their products or services are not adopted.	The Company invests in a broad portfolio of investments which are spread amongst several environmental market sectors. The Manager has a rigorous investment process which takes into account relevant factors prior to investment decisions taking place. As well as reviews of the portfolio and relevant industry matters at quarterly Board meetings, the Board has an annual strategy day at which the overall strategy of the Company is discussed.	⇔
Share price trades at excessive premium to net asset value Market demand combined with limited capacity results in excessive share price premium to NAV and returns to shareholders may be affected. Excessive premium may also result in being unable to grow the Company through share issuance.	The Board has made a statement on premium/discount control in normal market conditions as detailed on pages 3 and 4 in the Chairman's Statement. The Company utilises its powers to issue and buy back shares when circumstances are appropriate, following consultation with the Manager and the Company's broker. The Board monitors the level of premium/discount and receives regular shareholder feedback from the Company's Manager and broker.	⇔
Share price trades at excessive discount to net asset value It is in the long term interests of shareholders that shares do not trade at a significant discount to their net asset value.		⇔

POTENTIAL RISK	MITIGATION	TREND
OPERATIONS – SERVICE PROVIDERS RISKS		
Failure or breach of information technology (IT) - including cyber- security, and physical security risks Failure of IT or physical security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. In addition, unauthorised physical access to buildings could lead to damage or loss of equipment. The underlying risks primarily exist in the third party service providers to whom the Company has outsourced its depositary, registration, administration and investment management activities.	The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks including their alignment with industry standards, their physical and data security procedures and their business continuity planning. The Board also meets with its service providers on a periodic basis.	⇔

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

POTENTIAL RISK	MITIGATION	TREND
STRATEGIC AND BUSINESS OBJECTIVE RISKS		
Global pandemic risk The rapid spread of infectious disease may cause governments to implement policies to restrict the gathering, interaction or movement of people and take other measures as deemed appropriate to prevent its spread, causing disruption to markets generally, investee companies, the operations of the Company and its key service providers. During the year, the Board continually monitored the market and operational risks associated with the COVID-19 pandemic and the ongoing economic impact of measures introduced to combat its spread, discussing these, as well as the impact to the portfolio investee companies, in depth with the Manager. The Board satisfied itself through regular updates from the Manager and other key service providers that they have the ability to adapt and continue their operations efficiently whether in an office or remote or virtual working environment or a hybrid of both.	The Manager spreads the investment risk over a wide portfolio of investments. Risk analysis includes scenario analysis of possible negative market events. The Company's key service providers report periodically to the Board on their business continuity plans and procedures. The Board monitors the adequacy of controls in place at the key service providers and their planned response to an extended period of disruption, to ensure that the impact to the Company is limited. During times of elevated volatility and market stress, such as those experienced with the COVID-19 pandemic, the Company's closed-end fund structure protects it from the liquidity requirements that can arise for open-ended funds, enabling the fund managers to adhere to their disciplined investment process and be ready to respond to dislocations in the market as opportunities present themselves.	⇔
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.	Physical climate change risk is still an emerging topic for investors as well as for the management teams of portfolio companies. It has been a focus area of research and engagement by the Manager to identify companies particularly exposed to this risk and to open a dialogue with them on management options. Details of engagement with investee companies are given on pages 33 to 35. The Company invests in a broad portfolio of companies which are spread geographically, limiting the impact of location specific weather events.	⇔

Investment Policy, Results and Other Information continued

POTENTIAL RISK	MITIGATION	TREND
Gearing risk The Company may borrow money for investment purposes. If investment markets fall in value, any borrowing will enhance the level of loss. Capacity constraints on the availability of desirable companies for investment may mean the Company is unable to achieve the level of gearing wanted.	The Board has authorised the Manager to use their discretion to utilise gearing up to 10% of net assets. Any borrowing above this level requires Board approval. Borrowing facilities are renewed on a cost effective and timely basis. The Manager keeps under regular review the opportunities for enhancing returns by the prudent use of gearing.	⇔
INVESTMENT MANAGEMENT RISKS		
Financial risks The Company's investment activities expose it to a variety of financial risks which include foreign currency risk, portfolio liquidity risk and interest rate risk. The Company invests in securities which are not denominated or quoted in sterling. Movements of exchange rates between sterling and other currencies in which the Company's investments are denominated may have an unfavourable effect on the return on the investments made by the Company.	The Company will not normally hedge against foreign currency movements affecting the value of its investments, although, the Manager takes account of this risk when making investment decisions. The Company invests in range of global listed equities and the Manager monitors the foreign currency exposure and liquidity of holdings within the portfolio and reports on these to the Board at each meeting. Interest rate risk is limited due to the low level of gearing. Further details on financial risks and risk mitigation are disclosed in note 16 to the accounts.	⇔
OPERATIONS – SERVICE PROVIDERS RISKS		
Operational risk The Board has contractually delegated to third party service providers the management of the investment portfolio, and services covering: depositary and custody; registrar; company secretarial and fund accounting. The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third party service providers. Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records (including cyber security risk) could prevent the accurate reporting and monitoring of the Company's financial position.	Due diligence is undertaken before contracts are entered into with third party service providers, taking into account the quality and cost of services offered, including policies and procedures, and risk management and controls systems in operation in so far as they are relevant to the Company. Thereafter, the performance of the provider is subject to regular review and report to the Board. The Board monitors key persons as part of this oversight. The control of risks related to the Company's business areas is described in detail in the corporate governance report on pages 47 and 48.	⇔
COMPLIANCE, REGULATORY AND CORPORATE GOVERNANCE RISKS		
Regulatory risks Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares. Breaches of the Companies Act 2006 could result in financial penalties or legal proceedings against the Company or its Directors. Failure of the Manager to meet its regulatory obligations could have adverse consequences on the Company.	The Company has contracted out relevant services to appropriately qualified professionals, who monitor, and report to the Board on regulatory compliance. In addition, the Company's broker, auditor, Company Secretary and Manager provide the Board with regulatory updates on a regular basis. The Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.	⇔

VIABILITY STATEMENT

The continuation of the Company is subject to the approval of shareholders every three years, with the next vote at the Company's forthcoming AGM on 18 May 2022. Given the performance of the Company and feedback from stakeholders, including the Company's broker and major shareholders, the Board have no reason to believe that the continuation vote will not be approved.

The Directors have assessed the viability of the Company for the period to 31 December 2026 (the "Viability Period"). The Board believes that the Viability Period, being approximately five years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy, the principal risks outlined above and its gearing. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the Viability Period.

The Board reviewed the Company's income and expenditure projections and other funding requirements. The level of the ongoing charges is dependent to a large extent on the level of net assets, the most significant contributor being the investment management fee. The Company's income from investments and cash from the sale of investments (which are readily realisable) provide substantial cover to the Company's operating expenses, and any other expenditure likely to be faced by the Company over the Viability Period. Such expenditure to include buybacks of shares in order to operate the Company's discount control policy and repayment of the Company's borrowings, which at the date of this report represented less than 3.5% of the Company's investments.

In its assessment of the prospects of the Company, the Board considered each of the principal risks and uncertainties which included consideration of severe but plausible downside scenarios (such as a market downturn, and adverse impacts arising from COVID-19 or climate change) and the liquidity and solvency of the Company.

The Board also considered the impact on the Company of the post-year end Russian invasion of Ukraine, the potential consequences of which are unknown and noting that it is difficult to predict how global markets and economies will be impacted long-term. However, the Company holds no Russia and Ukraine stocks, has very limited (less than 1%) exposure to these markets through its investee companies' revenue streams, and the Company's business model remains sound.

The Directors' assessment included a detailed review of the market and operational risks associated with the COVID-19 pandemic. The ongoing economic impact of the pandemic has been monitored by the Manager and the Board throughout the year. The Manager and other key service providers have proved to be operationally resilient and the Board is satisfied that key service providers have the ability to adapt and continue their operations efficiently and securely in an office or virtual working environment or, as seems likely, a hybrid of both.

Engaging with our Stakeholders

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

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

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

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

SHAREHOLDERS & FINANCIAL ADVISERS

Investment performance (NAV) – Investment performance is monitored in relation to the Company's objective and to the investment policy and strategy (further information can be found on pages 24 and 25 describing the Key Performance Indicators). The Board receives regular reports from the Manager on the composition, investment activities and performance of the portfolio and the wider marketplace in which the Company operates. The Board discusses the portfolio at each Board meeting and maintains a constructive dialogue between meetings as well. A representative of the Manager additionally attends quarterly Board meetings.

Share Price, Liquidity & Premium/Discount – The Board also reviews and discusses detailed reports from the Manager and other key service providers, including the broker and the Company's media advisers, in relation to the Company's share performance, trading and liquidity as well as the composition of, and changes to, the register of shareholders. The Board takes a proactive approach to managing the premium and discount of the share price, as clearly stated in both the half year and annual reports, with the aim, in normal market conditions, of trading close to NAV on a consistent and long-term basis.

2021 Highlights: Strong investor demand for the Company's shares meant that over the year the Company's shares traded at a premium. The Board has, therefore, continued to employ a premium management programme to seek to ensure that the level of premium is not excessive in normal markets. In order to have sufficient shares available to issue, in January 2021 the Board requested a fresh authority for 26.3 million Ordinary Shares. Shareholders were advised of the benefits of this and voted overwhelming in support.

Subsequent to the year end, stock markets have been extremely volatile and the Board bought back a small percentage of shares consistent with the Board's aim and at a price which was advantageous for the Company. These shares were held in treasury and re-issued as the Company's share price moved back to a premium in March 2022.

Treating All Shareholders Equally – It is a priority, and well as regulatory requirement, of the Board to act fairly as between shareholders. As set out in the Chairman's Statement, the Board recognises that the expansion of the Company has a dilutive effect on earnings if dividends are paid irrespective of when shares are issued. To address this, the Board regularly considers the amount and timing of dividend payments.

2021 Highlights: The Board accelerated the payment of the Company's second dividend so that it was paid as an interim dividend shortly after the year end rather than as a final dividend in May 2022.

ESG & Sustainability – The Manager conducts fundamental analysis which incorporates long-term risks, including Environmental, Social & Governance ("ESG") factors. Its reporting to the Board goes beyond financial returns to include environmental impact, corporate engagement and stewardship.

2021 Highlights: The environmental impact reporting to the Board and shareholders continues to evolve, and has been a topic of discussion between the Manager and the Board. This annual report includes, for example, additional data on carbon emissions and a new Climate Disclosure section (pages 13 to 15). The Board also published its ESG Policy, which is available on both the Company's and the AIC websites.

Strategy – 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 key service providers, as well as its media advisers, to look ahead and present new ideas and improvements for the Board to consider. The Board also considers thematic emerging trends that are relevant to the Company's strategy. Whilst feedback from shareholders is sought on a continual basis, shareholders' feedback and detailed analysis provided by the Company's broker and Manager is a major consideration at this meeting. The Board's strategy and performance is validated by shareholders through a triennial vote on the continuation of the Company and the Board encourages shareholders to take part in this vote.

2021 Highlights: At its strategy day, the Board discussed with the Manager ways to enhance reporting in respect to ESG-themed regulation introduced across Europe and its objective that IEM remain a leader in ESG matters. As can be seen from the reports starting on pages 10, 13 and 33, the Company continues to be at the forefront of reporting on environmental issues including climate-related risks.

Given that 2021 again highlighted the Company's strong performance together with its investment objective encompassing an area of heightened investor interest, and following consultation with the Company's brokers and major shareholders, the Board considers that it is in shareholders' best interests to vote in favour of the Company's continuation at the upcoming AGM.

Regular Communication – Meetings with our shareholders help us to understand their needs and concerns. As described under Shareholder Relations and AGM on page 40, the Board welcomes direct feedback from shareholders throughout the year. Additionally, the Board maintains regular contact with shareholders through the Manager and broker's programme of shareholder and financial adviser meetings. Both report back to the Board on shareholder sentiment, questions, or concerns for the Board's consideration.

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

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

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

Factsheets, 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 continues to expand and enhance the content of our engagement and advocacy results, and on the environmental impact of our investment strategy.

2021 Highlights: Due to COVID-19 restrictions at the time, the Board hosted its first virtual AGM in May 2021 for shareholders to attend and has published a recording of the Investment Manager's presentation on the website. The Board continues to engage with Kepler and Montfort Communications to ensure the Company is marketed and promoted to its target audience.

Board Succession Planning – The composition of the Board and succession planning is led by the Nomination Committee with changes managed in order to provide regular refreshment, good diversity and a high level of relevant skills as set out in its report on page 46.

2021 Highlights: The Board appointed two directors in the year in accordance with its initial succession plan and welcomed Mr Nick Hurd. Following the untimely death of Mr Fraser, the Board has decided to undertake another recruitment exercise for the role of chair designate as detailed on page 46. The Board has also asked Mrs Hastings to extend her tenure to allow for board continuity until the chair designate role has been filled, following which the recruitment for her replacement will commence.

INVESTMENT MANAGER

Partnership – We have developed a strong relationship with the Manager, aligned to its mission to seek to deliver consistent outcomes for its clients and superior financial returns over the longer term.

2021 Highlights: The Board worked with the Manager to increase the number of shares that the Company could issue (i.e. the capacity of the Company). This helped with liquidity (and therefore premium management) but also crucially spread the costs and saw our ongoing charges ratio fall to 0.85% from 0.95% the previous year. The service provided by the Manager, which encompasses all areas of service provision including performance, ongoing relationship and costs, was reviewed formally by the Management Engagement Committee, following which the Board resolved to continue its appointment of the Manager. The Board liaised with the Manager to publish its own ESG Policy.

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

2021 Highlights: The Company's 2021 annual report includes an enhanced Environmental Impact Report and also includes for the first time a Climate Disclosure section showing the Company's and the Manager's CO_2 emissions.

INVESTEE COMPANIES

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

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

2021 Highlights: During 2021, the Manager continued to have regular dialogue with management of investee and potential investee companies in person, virtually or a hybrid of both. The engagement, proxy voting and stewardship activities undertaken, including examples of outcomes of the Manager's engagement with investee companies, are published in the Sustainability and Stewardship section on pages 33 to 36. The Manager was a successful applicant to be a signatory to the new UK Stewardship Code as set out on page 35.

SERVICE PROVIDERS

Collaborative Relationship Based on Shared Values and Impact on the wider community and environment – The Board engages third party service providers to provide administrative support. The Board, either directly or through the Manager, seeks to develop deep relationships and regularly engages with our providers, including ensuring that they reflect our values around social inclusion, sustainability and the environment.

Productive Working Relationship and Reputation Management – The Board has high standards and looks to maintain its reputation for delivering to those standards for its shareholders. The Board considers risks which might result from the operations of the Company's key service providers at its quarterly Board meetings. The Board ensures, and assesses on a regular basis, that appointments remain in the best interests of shareholders. Monitoring and reviews have an integral role in providing oversight and informing the Board's decision making. Reviews include updates in relation to key service providers and their operations, their policies and control environment, new regulation updates 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. In addition, the performance of our key service providers is regularly monitored and set against KPIs.

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

2021 Highlights: In addition to the Board's normal monitoring and oversight of service providers, the audit committee on behalf of the Board undertook a review of key service providers' information security, encompassing cyber security, to ensure overall resilience and protection of the Company's assets, data and operations, and shareholders' data. No significant issues were identified by this review. The Board also conducted a review of the fees for the depositary and custodian as well as the secretary and administrator. These are in the process of being finalised and we will report on this in the next annual report.

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

AWARDS

IEM is pleased to have won in the Environmental Category at the Investment Week Investment Company of the Year Awards 2021, and announced as the 2021 Refinitiv Lipper Fund Award Winner, Germany, for the 10-year period for Equity Global Small & Mid Cap classification.

Sustainability and Stewardship

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") OF INVESTEE COMPANIES

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 believes 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.

The IEM investment process is focused on a comprehensive understanding of the character and quality of our investee companies, including material ESG issues, as well as areas of potential improvement.

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 Company's detailed ESG policy at https://impaxenvironmentalmarkets.co.uk/ is set out in the Investment Approach section.

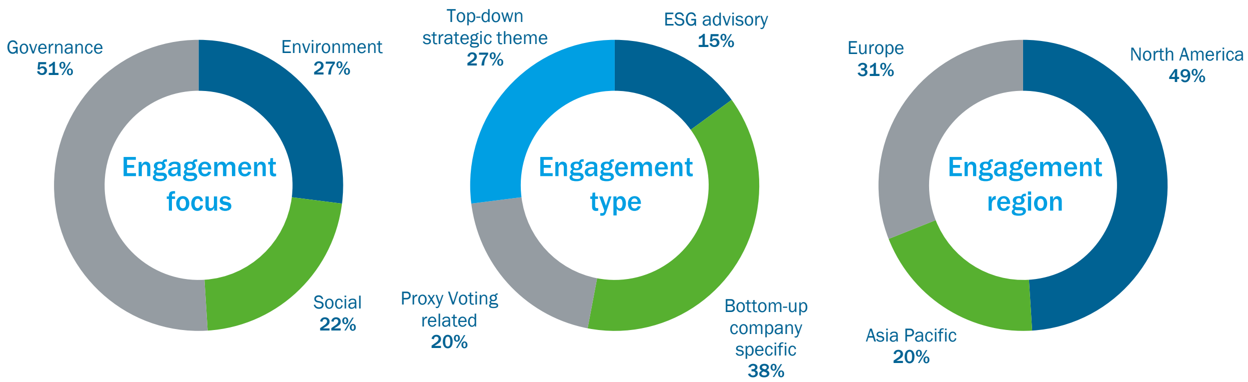
ENGAGEMENT AND EXERCISE OF VOTING POWERS

The Manager is a fundamentally driven, active shareholder with a long-term investment horizon. The Manager believes that IEM portfolio companies have resilient business models which will benefit from the transition to a less carbon intensive and lower polluting economy. There is no need to fundamentally change their business models or strategies. In this context, the Manager engages to support and encourage investee companies to manage risks and improve disclosure, rather than to radically change their core activities.

Engagement

The Board believes it is in the interests of our investors that the Manager engages with our investee companies to minimise risks, protect and enhance shareholder value, promote greater transparency on ESG issues, and encourage companies and issuers to develop and become more resilient over time. Most companies welcome dialogue on these areas.

In 2021, the Manager conducted 45 ESG engagements with 34 companies in the portfolio. With nine companies, there were two or more engagements, on different topics and at separate times.



The stewardship and engagement work can be divided into the following types:

ESG/Sustainability Advisory – Promoting improved practices and transparency on ESG issues. The focus of engagement with companies is to strengthen governance structures and introduce sustainability policies, processes and disclosures, as applicable, to effectively manage their most material ESG risks.

Bottom-Up Company Specific ESG Analysis - The Manager identifies company-specific matters and risks and actively engages with companies regarding these matters, as part of monitoring and managing risks.

Proxy Voting - This is predominantly related to governance issues such as the election of directors, board structures and management remuneration. When practicable, the Manager seeks to engage with the investee company before voting against management's recommendation on an AGM resolution.

Top-Down Strategic Issues - Every year, the Manager assesses and outlines the engagement priorities for the next 12 months, based on market developments, and emerging ESG and sustainability issues that are relevant and material for our companies. The Manager then identifies the companies most exposed to the topics in question and focuses engagement on those companies.

In 2021, the Manager's strategic areas of focus included climate change, environmental issues such as pollution and resource depletion, and human capital issues such as diversity, inclusion, environmental justice and health and safety.

Strategic ESG Engagement Examples In 2021

Eurofins, France - Sustainability Advisory

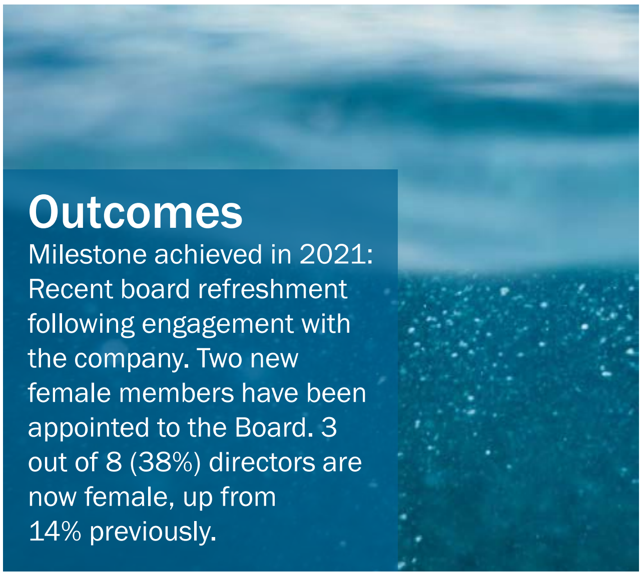
Impax started engaging with this company in 2019 to share the importance of investor-useful sustainability disclosures and developing sustainability processes. This progressed and in 2020 Eurofins established an ESG committee to oversee and ensure a standardised approach to sustainability risk management, strategy and reporting. The company also integrated ESG into executive compensation for the first time. Since then, the company has started reporting sustainability data and Eurofins formally adopted ESG targets on gender diversity, health and safety, emissions reductions and compliance in 2021

Outcomes

Milestones achieved in 2021 and progress ongoing. Next steps: continue progress in reporting including more quantitative sustainability data and reporting on progress against targets; further links to executive compensation.

Amiad Water Systems, Israel – Diversity

Early engagement with this company focused on raising awareness of the benefits of improved board diversity and communicating our proxy voting guidelines relating to low board diversity.

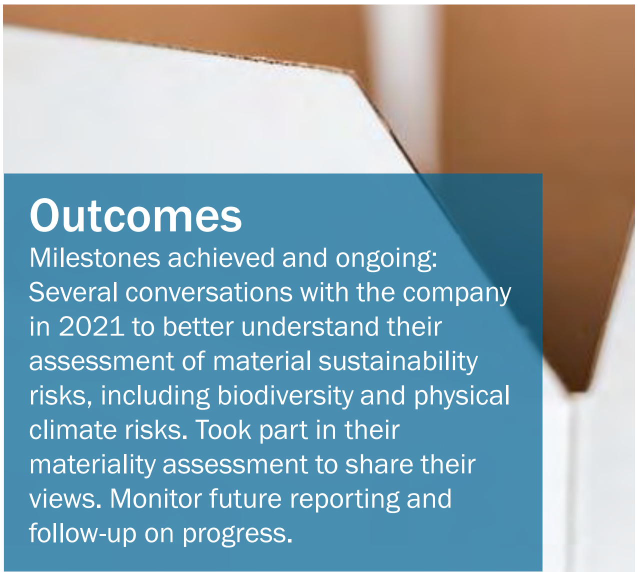


Outcomes

Milestone achieved in 2021: Recent board refreshment following engagement with the company. Two new female members have been appointed to the Board. 3 out of 8 (38%) directors are now female, up from 14% previously.

Graphic Packaging, US – Climate Risk

The Impax physical climate risk model is a proprietary tool the Manager uses to analyse a company's exposure to the physical risks posed by a changing climate, such as sea level rise and resource scarcity. The object of engagement with Graphic Packaging was to share the precise location data of their facilities so we may analyse their physical climate risks. In sharing the results, engagement enabled Impax to raise awareness of the physical climate risks facing the company, including water stress, sourcing of wood fibre and biodiversity impacts. This led to improved senior-level oversight of sustainability, with ongoing engagement to expand this along the supply chain.



Outcomes

Milestones achieved and ongoing: Several conversations with the company in 2021 to better understand their assessment of material sustainability risks, including biodiversity and physical climate risks. Took part in their materiality assessment to share their views. Monitor future reporting and follow-up on progress.

Focus topic for 2022 and beyond: Human Capital Management

With growing evidence of the link between good human capital management and corporate financial performance, and the post-COVID-19 shifts in the labour market, there is a spotlight on the importance of how companies are managing human capital.

Initially, the Manager will prioritise labour-intensive sectors with larger numbers of employees or higher labour costs; sectors with a history of poor labour relations; and sectors requiring highly skilled employees with specialised knowledge.

As the Manager strengthens its methodology for identifying best human capital management practices, it will also seek greater disclosure from companies. Pay equity is one of the engagement focus areas, and Impax has submitted petitions to the US Securities and Exchange Commission to require companies to disclose pay ratios by gender and race. This will help develop key human capital metrics to be included in financial valuation of companies.

Proxy Voting

The Board and the Manager view proxy voting as a key activity in the ongoing dialogue with companies in which we invest. The Manager is committed to ensuring the consistent exercise of voting rights associated with shares held in the IEM portfolio.

The Manager, on behalf of the Company, voted at all meetings where they were able to exercise the Company's vote, voting on 710 management resolutions and two shareholder resolutions. The Board regularly reviews the voting decisions made by the Manager on the Company's behalf.

SUMMARY STATISTICS	2021
Total number of meetings where it was possible to vote	66
Number of meetings in which IAM voted	66
Number of meetings in which IAM voted (as a percentage)	100%
Number of management resolutions in which IAM voted	710
Number of management resolutions in which IAM voted against and/or abstained	59
Number of management resolutions in which IAM voted against and/or abstained (as a percentage of management resolutions voted)	8.3%
Number of shareholder resolutions in which IAM voted	2
Number of shareholder resolutions in which IAM voted against and/or abstained	1
Number of shareholder resolutions in which IAM voted against and/or abstained (as a percentage of shareholder resolutions voted)	50%

Engagement and Proxy Voting Policies of Impax Asset Management are set out at https://impaxenvironmentalmarkets.co.uk/ in the Investment Approach section.

Stewardship Code

Impax supports the UK Stewardship Code and complies with its guidelines regarding proxy voting and engagement. The new UK Stewardship Code comprises 12 principles versus the previous seven. Focus has moved away from just stewardship policies towards outcomes i.e. what has been achieved through engagement and proxy voting, real change and improvements to governance structures and material risk management processes in investee companies.

The Manager was a successful applicant to be a signatory to the new UK Stewardship Code and its UK Stewardship Code Statement can be found at https://impaxenvironmentalmarkets.co.uk/ in the Investment Approach section.

CONTRIBUTING TO THE DEVELOPMENT OF A SUSTAINABLE FINANCIAL SYSTEM

The Manager works on ESG engagement collaborations with clients, partners, and industry organisations to promote sustainable investing and ESG considerations across the globe and is a member of, or signatory to:

- **Natural Capital Investment Alliance (NCIA):** Aims to help accelerate the development of natural capital and biodiversity as a mainstream investment theme.
- **Net Zero Asset Managers Initiative (NZAM):** The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net-zero emissions by 2050 or sooner.
- **Taskforce for Nature-related Financial Disclosure (TNFD):** Delivering a risk management and disclosure framework for organisations to report and act in nature-related risk.
- **Principles for Responsible Investment (PRI):** Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.
- **PRI Financial Institutions Commitment to Tackle Deforestation:** Working with fellow investors to bring a halt to agricultural commodity-driven deforestation.
- **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.
- **PRI Sustainable Stock Exchanges Working Group:** A Group that actively engages with stock exchanges and their regulators, looking at enhancing corporate transparency, on ESG risks and encourage sustainable investment.
- **Asian Corporate Governance Association (ACGA):** An independent organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.
- **Ceres:** An organisation working with investors and companies to build sustainability leadership and drive solutions throughout the economy. Ceres addresses topics climate change, water scarcity and pollution, and human rights abuses.

NET ZERO AND THE ROLE OF THE ASSET MANAGEMENT SECTOR

The Board and the Manager support the growing consensus that the asset management sector as a whole can best contribute to meeting the goals of the Paris Agreement in three ways:

1. Pricing climate risk accurately: adjusting portfolios, screening-out fossil-fuel investments and using tools to minimise exposure to transition risks;
2. Engaging with carbon-intensive companies: identifying priority sectors/companies and engaging on detail of transition plans; and
3. Investing in climate solutions: generally calculated as a share of AUM, linked to definitions of green/ taxonomies, with avoided emissions as a key metric of impact.

Of these, as a specialist investor, IEM focuses particularly on investing in climate solutions. The Manager is a signatory to climate-focused initiatives including the Net Zero Asset Managers Initiative. But global net zero cannot be achieved unless society protects and restores forests and other natural ecosystems, and improve the management of agricultural land, around the world. In this context, the Manager has also become a signatory to the Natural Capital Investment Alliance and PRI's Deforestation Commitment. These initiatives are well aligned with the Company's existing investment objectives and philosophy, and our impact and influence can be greatest when the Company and the Manager work in concert with peers.

MODERN SLAVERY DISCLOSURE

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

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

ENVIRONMENTAL MATTERS

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

As an investment trust the fundamental environmental impact the Company makes is indirectly through the investments in its portfolio. Further details can be found above under the heading **Environmental, Social and Governance ("ESG") of investee companies**.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

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

ANTI-BRIBERY AND CORRUPTION

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

PREVENTION OF THE FACILITATION OF TAX EVASION

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

EMPLOYEES

The Company has no employees. As at 31 December 2021, the Company had five Directors, of whom two are male and three female. As part of the recruitment process, the Board was mindful of the Company's policy on diversity which is contained in the Corporate Governance statement on page 47.

OUTLOOK

The outlook for the Company is discussed in the Chairman's Statement on page 5.

STRATEGIC REPORT

The Strategic Report set out on pages 1 to 37 of this Annual Report was approved by the Board of Directors on 4 April 2022.

For and on behalf of the Board

John Scott
Chairman
4 April 2022

Board of Directors

John Scott [1,2] (Chairman of the Board, Management Engagement and Nomination Committees)
Appointed 7 February 2013

Mr Scott is a former investment banker who spent 20 years with Lazard Brothers. He was Chairman of Scottish Mortgage Investment Trust between 2010 and 2017.

Mr Scott 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 and is the Senior Independent Director of the Guernsey-based Bluefield Solar Income Fund.

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.

Aine Kelly [1,2] (Senior Independent Director)
Appointed 15 November 2016

Miss Kelly is an Independent Impact Investing Consultant. Miss Kelly worked as Head of Financial Sector and Investor Engagement at Big Society Capital from 2013-2016, followed by 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. Miss Kelly has a wide experience of introducing new investment opportunities to investors and has covered UK, European and Asian equity markets. Miss Kelly has worked in London, New York and Zurich and is currently based in Ireland.

Miss Kelly is 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.

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

Stephanie Eastment [1,2] (Chairman of the Audit Committee)
Appointed 1 July 2019

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

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

Victoria (Vicky) Hastings [1,2] (Non-executive director)
Appointed 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 is currently Chairman of Henderson European Focus Trust plc, the Senior Independent Director of The Edinburgh Investment Trust plc and trustee of Moorfields Eye Charity.

Mrs Hastings's contribution in overseeing and challenging, where appropriate, 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.

1 Member of the Audit, Nomination, Remuneration and Management Engagement Committees

2 Considered independent by the Board

Nicholas Hurd [1,2] **(Non-executive director)**
Appointed 1 August 2021

Mr Hurd was a Member of Parliament, representing Ruislip Northwood and Pinner for 14 years, prior to standing down in 2019. During that time, he served as a Government Minister including spells as the UK Minister of State for Climate Change and Industry, and UK Minister for International Development. He is a member of the Privy Council. Before politics, Mr Hurd spent 18 years in the private sector, including nine years in investment management and banking.

Mr Hurd is currently Chair of Access - The Foundation for Social Investment and Chair of impact investing platform i(x) investments. He is also a senior adviser to a number of companies contributing to the Sustainable Development Goals. He serves on the Advisory Board of the UK Green Finance Institute and the UK Impact Investment Institute and is a Global Ambassador for the Global Steering Group for Impact Investment.

Mr Hurd'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.

INVESTMENT MANAGERS

Bruce Jenkyn-Jones (Chief Investment Officer (CIO), Listed Equities, Executive Director)

Bruce serves as Impax's Chief Investment Officer, Listed Equities. He is responsible for supervising and overseeing investment process, policy and performance, regulatory oversight, and leads product design and development as well as the application of Impax's investment thesis across the Listed Equities product range.

Bruce is Chairman of the Listed Equities Investment Committee and serves as Co-Portfolio Manager of Impax's Specialists (IEM plc) and Climate strategies.

Bruce joined Impax in 1999 where he worked initially on venture capital investments before developing the listed equities business. Before joining Impax, Bruce worked as a utilities analyst at Bankers Trust and as an environmental consultant for Environmental Resources Management (ERM).

Bruce has an MBA from IESE (Barcelona), an MSc in Environmental Technology from Imperial College and a degree in Chemistry from Oxford.

Jon Forster (Senior Portfolio Manager, Managing Director)

Jon has worked at IAM since August 2000. He co-manages the Specialists strategy, which includes IAM's flagship fund, Impax Environmental Markets plc, alongside Bruce Jenkyn-Jones. He specialises in New Energy, Water and Waste Support Services. Mr Forster researches stocks globally with a focus on Industrials and Utilities.

Following graduation from Leeds University in Management Studies, Jon began his career in 1994, spending four years working on acquisitions at HSBC Investment Bank. Subsequently, he spent two years as a consultant to venture capital investor Alchemy Partners, focusing on manufacturing and resource management companies.

Fotis Chatzimichalakis (Co-portfolio Manager)

Fotis is a Co-Portfolio Manager of Impax's Specialists and Climate strategies. He researches stocks globally and specialises in Information Technology and Industrials.

Fotis joined Impax in 2015. He has a background in engineering and joined Impax after graduating from the University of Edinburgh with an MSc focused on Sustainable Energy and Finance. He interned with Impax's Listed Equity team from the beginning of 2015 and prior to that completed work experience at Barchester Green Investment.

Fotis is a CFA Charterholder.

Directors' Report

The Directors present their report and accounts for the year ended 31 December 2021.

STRATEGIC REPORT

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 37.

CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 45 to 48 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 2021.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

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

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period which is the year ended 30 September 2021. These disclosures are available on the AIFM's website or are available on request from the AIFM.

LEVERAGE (UNDER AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD (see APMs on page 79). 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 2021	102%	103%

SHAREHOLDER RELATIONS AND ANNUAL GENERAL MEETING

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

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

Due to the restrictions on public gatherings at the time of the Company's AGM in May 2021, shareholders were not able to attend. Instead, the Board wrote to shareholders, inviting questions from shareholders and a presentation by the Manager was made available through the Company's website.

This year's AGM will be held at 2pm on 18 May 2022 and the Chairman's Statement on page 4 sets out the arrangements for the meeting. As Government restrictions and social distancing measures have been lifted, shareholders are once again encouraged to attend the AGM. Shareholders will have the opportunity to hear a presentation from the Manager, and ask questions of the Board and the Manager. The Board is mindful that some shareholders and potential investors may not wish to travel to the AGM. These participants will be able to view the Manager's presentation after the AGM, which will be posted on the Company's website and all shareholders are advised to submit their proxy forms in advance of the AGM. Details of how shareholders can cast their votes can be found in the Notes to the Notice of Meeting on pages 84 to 86. Shareholders will also have the opportunity to hear a presentation from the Manager, and ask questions of the Board and the Manager.

SPECIAL BUSINESS OF THE AGM

Continuation Vote

The Articles of Association require that an ordinary resolution be proposed at every third AGM of the Company that the Company should continue as an investment trust for a further three-year period. Accordingly, resolution 11 proposes the continuation of the Company at the forthcoming AGM. 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. For the reasons set out in the Chairman's Statement, your Board strongly recommends that shareholders vote in favour of the resolution. The Directors intend to vote their own shareholdings in favour.

Change to Directors' Maximum Aggregate Fee

Ordinary resolution 12 proposes the amendment of the Articles of Association to increase the aggregate fees of the Directors from £200,000 to £250,000. As set out in the Chairman's Statement, the increase is required to allow flexibility to increase the number of directors in fulfilling the Board's succession plan.

Authority to Issue and Purchase Own Shares

On 22 January 2019, the Board announced that it remains fully committed to using its powers, including those to issue and 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 20 May 2021 and the General Meeting held on 12 January 2021 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 30,429,853 Ordinary Shares (representing approximately 10% of the shares in issue at 31 March 2022, the latest practicable date before publication of this report) and to dis-apply pre-emption rights when allotting those Ordinary Shares and/or selling shares from treasury. Ordinary resolution 13 and special resolution 14 will be put to shareholders at the AGM. Shares will be issued under this authority only at the Board's discretion and when it is deemed to be in the best interests of shareholders as a whole to do so. The advantages are to lower the Company's ongoing charges as expenses are diluted and, in the short term, to address volatility in the share price. 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.

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

The authority for the Company to purchase its own shares as granted at the AGM held on 20 May 2021 will expire at the conclusion of the forthcoming AGM. During the year ended 31 December 2021, the Company did not utilise its authority to purchase its own shares. However, since the year end, 112,900 Ordinary Shares were repurchased into treasury, and have been subsequently re-issued as the Company's share price moved back to a premium. Directors recommend that a new authority to purchase up to 45,614,351 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue at the date of the AGM are purchased) be granted and special resolution 15 to that effect will be put to the AGM. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in treasury. Shares are purchased at the discretion of the Board and when it is deemed to be in the best interests of shareholders. Shares will be purchased for cancellation or for treasury only when the shares are trading at a discount to the Net Asset Value.

The Companies Act 2006 allows companies to hold shares acquired by way of market purchases as treasury shares, rather than having to cancel them. This gives the Company the ability to sell Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. At the year end and at the date of this report, no shares were held in treasury.

Notice of General Meetings

Special resolution 16 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. The Company is currently able to call General Meetings, other than an AGM, on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have given their prior approval.

Special resolution 16 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.

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 AND CREDIT FACILITY

The Company has in place a mixture of fixed and floating rate debt totalling £49.1 million (2020: £48.9 million). The Company entered into two 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. The Company also has a £20 million multi–currency revolving credit facility ("RCF") with Scotiabank which is fully drawn down in two currencies: US$12.6 million and £10 million. Interest is payable on amounts drawn down under the facility computed at six-month SOFR and SONIA reference rates respectively plus a margin of 1.70% per annum.

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 (the "Manager").

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

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

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 growth and strong performance record 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 298,061,439 Ordinary Shares, with no shares held in treasury. Each Ordinary Share held entitles the holder to one vote. All shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

Since the year end, 6,237,100 new Ordinary Shares were issued at an average price per share of 466.43 pence. In addition, as a result of a significant fall in stock markets since the year end and the movement of share price relative to net assets, the Company bought back into treasury 112,900 Ordinary Shares, which were re-issued as the Company's share price moved back to a premium in March 2022. This was in accordance with the Board's previously stated commitment to using its available issuance and buyback authorities. At 31 March 2022, the latest practical date before publication of this report, there were 304,298,539 Ordinary Shares in issue and no Ordinary Shares held in treasury.

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

NOTIFIABLE INTEREST

As at 31 December 2021 and 31 March 2022, the Directors have been formally notified of the following shareholdings comprising 3% or more of the issued share capital of the Company.

COMPANY	HOLDING OF ORDINARY SHARES- AS AT 31 DECEMBER 2021	% HOLDING - AS AT 31 DECEMBER 2021	HOLDING OF ORDINARY SHARES- AS AT 31 MARCH 2022	% HOLDING - AS AT 31 MARCH 2022
Rathbones Group plc	22,227,053	7.46	22,227,053	7.30
Brewin Dolphin	13,112,066	4.40	13,112,066	4.31
Aegon Asset Management UK PLC	10,626,797	3.57	10,626,797	3.49
Joseph Rowntree Charitable Trust	10,267,260	3.44	10,267,260	3.37

POLITICAL DONATIONS

There were no political donations made during the financial year to 31 December 2021 (2020: nil).

DISCLOSURE REQUIRED BY LISTING RULE 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that, other than the allotment of equity securities for cash (LR 9.8.4(7)) which is detailed in note 12 to the financial statements, all such reporting applied only to non-applicable events for the year ended 31 December 2021.

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 6 to 9. Further details as to the risks affecting the Company are set out in the 'Principal Risks and Uncertainties' on pages 25 to 28.

DIRECTORS' INDEMNITIES

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

GOING CONCERN

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

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 December 2021, the Company held £28.3 million (2020: £30.0million) in cash and £1,503.2 million (2020: £1,112.3 million) in quoted investments. The Company's audited net assets at 31 December 2021 were £1,479.6 million (2020: £1,093.3 million).

The Board has considered the Company's debt and related covenants. The main liability of the Company is its borrowings of £49.1 million (2020:£48.9 million) which is covered 30 times (2020:22 times) by the net assets, which is well in excess of the level of cover required by the borrowing covenants of 4 times (see note 11 to the financial statements). The total ongoing expenses (excluding taxation and finance costs) for the year ended 31 December 2021 were £11.2 million (2020: £7.5 million), which represented approximately 0.85% (2020: 0.95%) of average net assets during the year. The Board also considered the liquidity of the Company's investments and it is estimated that approximately 92% (2020: 95%) by value of the quoted investments held at the year end could be realised in one month under normal market conditions.

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

The Directors have considered the impact of the COVID-19 and the Russian invasion of Ukraine on the Company's portfolio of investments and that any future prolonged and deep market decline would likely lead to falling values in the Company's investments and/or reduced dividend receipts. However, as explained above, the Company has more than sufficient liquidity available to meet its expected future obligations. In addition, the Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will continue to maintain service levels throughout future pandemics.

The Directors also recognise that the continuation of the Company is subject to the approval of shareholders every three years. The next continuation vote will be held at the forthcoming AGM in May 2022 and the Board has considered the long-term prospects of the Company and has no reason to believe that the continuation vote will fail.

AUDITOR INFORMATION

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

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

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

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

APPOINTMENT OF AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint BDO LLP as the Company's auditor will be put forward at the forthcoming AGM on 18 May 2022.

By order of the Board

Brian Smith
For and on behalf of
Sanne Fund Services (UK) Limited
Company Secretary
4 April 2022

Corporate Governance

INTRODUCTION

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

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

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

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

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

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

The UK Code includes provisions relating to:

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

The Board considers these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions, other than the need for an internal audit function specific to the Company, which has been addressed on page 54.

THE BOARD

Composition

At the date of this report the Board consists of five non-executive directors. The Chairman is John Scott, and the Directors are Aine Kelly, Stephanie Eastment, Vicky Hastings and Nicholas Hurd. Miss Kelly is the Senior Independent Director, Mrs Eastment is the Audit Committee Chairman and Mrs Hastings is the Remuneration Committee Chairman.

All the above directors served throughout the year except for Mr Hurd who was appointed on 1 August 2021. Simon Fraser served from his appointment on 1 March 2021 until 9 August 2021.

The Board believes that during the year ended 31 December 2021 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given on pages 38 and 39.

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 for the reasons highlighted above and in the performance appraisal section of this report.

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

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

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

BOARD COMMITTEES

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

Audit Committee

A report on pages 53 and 54 provides details of the role and composition of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

Remuneration Committee

All of the Directors are members and Mrs Hastings is the Chairman. The Remuneration Committee has been established to meet formally on at least an annual basis to review the remuneration policy of the Company and consider the fees of the non-executive directors. No changes were proposed to the Company's remuneration policy. Following its review of fees, the Committee recommended an increase in the Directors' Fees and an increase in the maximum aggregate fee limit, from £200,000 to £250,000, in order to ensure suitable headroom for director recruitment and market rate remuneration. The increase in aggregate fee limit is subject to shareholder approval at the forthcoming AGM. The full text of the resolution is set out in the Notice of Meeting on page 83. Details of the review conducted of the fees of non-executive directors is given on page 50.

The Directors' Remuneration Implementation Report is included on pages 50 to 52.

Management Engagement Committee ("MEC")

All of the Directors are members and Mr Scott is the Chairman of the MEC. The MEC has been established to conduct a formal annual review of the Manager, assessing investment and other performance, the level and method of the Manager's remuneration and the continued appointment of the Manager as investment manager to the Company. The MEC met and reviewed the Manager's performance and remuneration structure. In conclusion the Committee's recommendation to the Board was that it was in the best interests of shareholders as a whole to continue with the Manager's engagement and that the current management fee structure remained appropriate. (See page 42 for further details).

The Board also conducted a review of the fees for the depositary and custodian as well as the secretary and administrator. These are in the process of being finalised and the Board will report on this in the next annual report.

Nomination Committee

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

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

In accordance with its original succession plan, the Board began a recruitment process led by Miss Kelly in 2020, which continued into 2021, to recruit a new director to replace Mr Rickett who retired after the 2021 AGM, and to recruit a new director to replace the Chairman who was intending to retire at the 2022 AGM. The Board engaged the services of recruitment specialists, Nurole Limited. Nurole are independent of both the Company and individual directors. After an extensive search and thorough recruitment process, the Committee recommended Mr Simon Fraser and Mr Nick Hurd to the Board, with the intention that Mr Fraser become the Chairman on Mr Scott's retirement. The Board subsequently appointed Mr Fraser with effect from 1 March 2021 and he was elected by shareholders at the 2021 AGM. As explained in the half-yearly report, the Board also appointed Mr Hurd with effect from 1 August 2021.

Subsequent to the sudden death of Mr Fraser, Mr Scott agreed to continue as Chairman for an additional year, to enable the appointment and an induction period for a new chairman. The Board has also asked Mrs Hastings to extend her tenure to allow for board continuity until the chair designate role has been filled, following which the recruitment for her replacement will commence. The Board has reviewed its composition and in accordance with its updated succession plan will initiate the recruitment process in 2022 for new non-executive directors and ensure that Board refreshment is undertaken in a phased manner.

Meeting attendance

The following table sets out the meetings Directors attended in the year to 31 December 2021. In addition to the meetings shown below, a Board strategy meeting was held and there were also Board and committee ad-hoc meetings to deal with administrative matters and the formal approval of documents.

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	NOMINATION COMMITTEE
Number of meetings held	5	3	1	1	1
John Scott	5	3	1	1	1
Stephanie Eastment	5	3	1	1	1
Vicky Hastings	5	3	1	1	1
Aine Kelly	5	3	1	1	1
Simon Fraser*	1	1	–	–	–
William Rickett**	3	2	–	1	1
Nick Hurd***	1	1	1	–	–

* Simon Fraser died on 9 August 2021.

** William Rickett attended all meetings before his retirement from the Board on 20 May 2021.

*** Nick Hurd attended all meetings since his appointment on 1 August 2021.

BOARD DIVERSITY

The Board's policy on diversity is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity and ethnicity. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Manager. Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the Directors are shown on pages 38 and 39.

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

Mr Scott was appointed as a director on 7 February 2013 and Mrs Hastings was appointed on 21 May 2013. Mr Scott had previously announced his intention to retire at the 2022 AGM, however, (and as explained in the Nomination Committee report), in view of the death of Mr Fraser, he will be continuing in his role for a further year. The Board has also asked Mrs Hastings to extend her tenure to allow for board continuity until the chair designate role has been filled, following which the recruitment for her replacement will commence. The Board has considered the tenures of Mr Scott and Mrs Hastings and are of the view that their participation on the Board provides continuity and is in the best interests of the Company and its shareholders. Both Directors will be offering themselves for re-election at the AGM to be held in May 2022. As mentioned earlier, the Board will commence a recruitment process to refresh the Board in the year ahead.

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

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

FINANCIAL ASPECTS OF INTERNAL CONTROL

These are detailed in the Report of the Audit Committee.

Other aspects of internal control

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

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

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

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

PRINCIPAL RISKS

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

Directors' Remuneration Policy

The remuneration policy (the "Policy") must be put forward for shareholder approval at a maximum interval of three years. The Policy was last approved by shareholders at the AGM held on 20 May 2021. Accordingly, the Policy will continue in force until the AGM to be held in 2024. The provisions set out in the Policy apply until they are next submitted for shareholder approval. In the event of any proposed material variation to the Policy, shareholder approval will be sought for the proposed new policy prior to its implementation. The Policy sets out the principles the Company follows in remunerating Directors and the result of the shareholder vote on the Policy is binding on the Company. The Remuneration Committee will take account of any views expressed by shareholders in formulating this policy.

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

Service contracts

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

Fees

Directors' fees are determined by the Board according to their duties and responsibilities and by reference to the time commitment required by each Director to carry out their roles effectively. In setting fees, the Board also has regard to the need to recruit and retain directors with appropriate knowledge and experience, the fees paid to directors of the Company's peers and industry practice. Directors' fees are also subject to the aggregate annual limit set out in the Company's Articles of Association (the "Articles"), which is currently £200,000. The aggregate limit of Directors' fees in the Articles can be amended only by an ordinary resolution put to shareholders at a general meeting.

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

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

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

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

Statement of consideration of conditions elsewhere in the Company

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

Review of the Policy

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

Effective date

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

Current and future policy

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

Directors' Remuneration Implementation Report

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

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

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is shown on page 56.

Remuneration Committee

The Company currently has five non-executive Directors. 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 45.

The Board carried out a review of Directors' annual fees during the year with regard to the latest inflation rates, measured by the increase in the Consumer Prices Index, and taking into account peer group comparisons by sector and market capitalisation. Following this review, it was agreed that with effect from 1 January 2022, annual fees would be increased to £42,000 for the Chairman, and £28,000 for the Directors of the Company, with additional amounts of £7,000 and £2,800 payable to the Audit Committee Chairman and the Senior Independent Director, respectively, to reflect the extra responsibility and work required by those roles.

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

The maximum level of fees payable, in aggregate, to the Directors of the Company is currently £200,000 per annum. This maximum was approved by shareholders at the Company's AGM held in 2018 and the Board, following a recommendation from the Remuneration Committee, will be seeking an increase to £250,000 at the forthcoming AGM. The Company's Remuneration Policy, which was approved by shareholders at the AGM held on 20 May 2021, states that the remuneration of Directors should be fair and reasonable in relation to the duties, responsibilities and time commitment of Directors; be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board. The proposed increase will allow flexibility to increase the number of directors in fulfilling the Board's succession plan. An ordinary resolution will be put to shareholders at the forthcoming AGM. The full text of the resolution is set out in the Notice of Meeting on page 83.

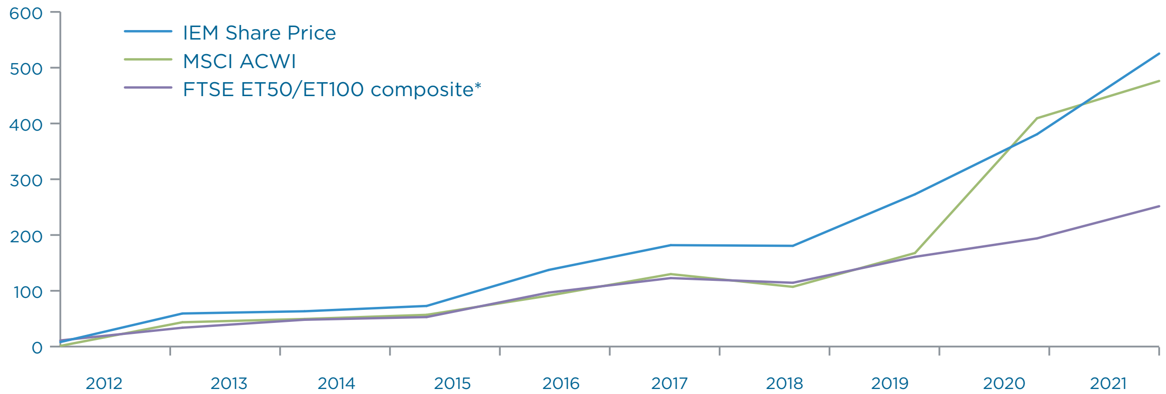
Directors' appointment letters and shareholding rights

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

Performance

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

Total return performance



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

Directors' emoluments for the year (audited)

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

	2021			2020		
	FEES £	TAXABLE BENEFITS £	TOTAL £	FEES £	TAXABLE BENEFITS £	TOTAL £
John Scott	39,975	–	39,975	39,000	–	39,000
Stephanie Eastment[1]	33,315	–	33,315	30,023	–	30,023
Vicky Hastings	26,650	–	26,650	26,000	–	26,000
Aine Kelly	29,315	–	29,315	26,000	–	26,000
Simon Fraser – served 1 March to 9 August 2021	11,707	–	11,707	–	–	–
Nicholas Hurd – appointed on 1 August 2021	11,104	–	11,104	–	–	–
Julia Le Blan – retired on 21 May 2020	–	–	–	12,718	–	12,718
William Rickett – retired on 20 May 2021	10,344	–	10,344	26,000	–	26,000
Total	162,410	–	162,410	159,741	–	159,741

1. Appointed as a non-executive director on 1 July 2019 and as Chairman of the Audit Committee on 21 May 2020.

Annual Percentage Change in Directors' Remuneration (unaudited)

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

	YEAR ENDED 31 DECEMBER 2021 %	YEAR ENDED 31 DECEMBER 2020 %
John Scott	2.5	10.6
Stephanie Eastment[1]	11.0	155.5
Vicky Hastings	2.5	10.6
Aine Kelly[2]	12.75	10.6
Simon Fraser – served 1 March to 9 August 2021	–	–
Nick Hurd – appointed on 1 August 2021	–	–
William Rickett – retired on 21 May 2021	–	10.6

1. The increases for both years reflect the fact that Mrs Eastment joined the Board part way through 2019 and became Chairman of the Audit Committee part way through 2020. Mrs Eastment's fee increase in 2021 and 2020 would have been 2.5% and 13.5%, respectively, had she been Chairman of the Audit Committee for the whole of the period from 2019 to 2021.
2. The increase for 2021 reflects the fact that an additional fee for the Senior Independent Director of £2,665 was introduced from 1 January 2021. Without the additional fee, Miss Kelly's fee increase would have been 2.5%.

There are no other taxable benefits payable by the Company 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 Remuneration Report contained in the Annual Report for the year ended 31 December 2020 was put forward at the AGM held on 20 May 2021. The resolution was passed with 99.94% of the shares voted (representing 143,975,963 Ordinary Shares) being in favour of the resolution, 0.06% against (representing 84,161 Ordinary Shares) and 45,698 votes withheld.

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

Relative importance of spend on pay

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

	2021 £'000	2020 £'000	DIFFERENCE %
Spend on Directors' fees	162	160	+1.3%
Management fees and other expenses	11,243	7,492	+50.1%
Dividends paid to shareholders – note 9 to the financial statements	6,501	10,065	-35.4%

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 2021 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 2021	ORDINARY SHARES AT 1 JANUARY 2021
John Scott	105,512	84,012
Stephanie Eastment*	12,000	10,000
Aine Kelly	16,000	10,000
Vicky Hastings	19,500	19,500
Nicholas Hurd	–	–

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

Mr William Rickett retired as a Director of the Company on 20 May 2021, at which date Mr Rickett held 5,000 Ordinary Shares in the Company. Mr Simon Fraser died on 9 August 2021 and held 20,000 Ordinary Shares in the Company.

On 12 January 2022, Mr John Scott purchased 10,000 shares, following which his beneficial interest increased to 115,512 ordinary shares in the Company. On 24 January 2022, Mr Nick Hurd purchased 1,626 shares in the Company. There have been no purchases of shares by any of the other Directors since the year end.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Report and Remuneration Policy summarises, as applicable, for the year to 31 December 2021:

(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.

Vicky Hastings
Chairman of the Remuneration Committee

4 April 2022

Report of the Audit Committee

THE AUDIT COMMITTEE

As Chairman of the Audit Committee (the "Committee"), I am pleased to present the Committee's report to shareholders for the year ended 31 December 2021.

Composition

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

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

Role and Responsibilities

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

The Committee meets formally at least twice a year for the purpose, amongst other things, of advising the Board on the appointment, effectiveness, independence, objectivity and remuneration of the external auditor. The Committee monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The Committee also reviews the Company's risk management, internal financial controls and internal control systems and reviews the Manager's whistleblowing arrangements. The provision of non-audit services by the auditor are reviewed against the Committee's policy described below.

Meetings

There were three Committee meetings during the year ended 31 December 2021. In addition, the Committee met the auditor, without any other party present, for a private discussion and the Chairman of the Committee met with the auditor prior to the half-yearly and annual Committee meetings.

Committee evaluation

The Committee's activities fell within the scope of the review of Board effectiveness performed in the year. Details of this process can be found under 'Performance Appraisal' on page 47.

FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

The Committee reviewed the financial statements and considered the following significant accounting matters in relation to the Company's financial statements for the year ended 31 December 2021.

Valuation and existence of investments

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

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 Directors.

COVID-19

The Committee considered the risk from the ongoing COVID-19 pandemic on the Company's ability to continue in operation due to the impact on the Company's portfolio and borrowing covenants, and on the operational resilience of the Company's key service providers, and concluded that the pandemic had not resulted in any significant issue to the financial statements.

Recognition of income

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

As part of the annual report review, the Committee:

- obtained assurances from the Manager and the Administrator that the financial statements had been prepared appropriately;
- reviewed the procedures in place for the calculation of management fees;
- reviewed the basis of allocating management fees and finance costs to capital and agreed that allocating 75% of such costs to capital remained an appropriate basis. The assessment involved an analysis of the expected split of the Company's future long-term returns as well as a review of past returns;
- reviewed the consistency of, and any changes to, accounting policies;

- reviewed the tax compliance of the Company during the year with the eligibility conditions and ongoing requirements in order for investment trust status to be maintained;
- reviewed the Company's financial resources, and considered the forthcoming continuation vote, 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 43; and
- concluded that the annual report for the year ended 31 December 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report, and the external auditor's report thereon.

In addition to the above, during the year the Committee:

- undertook a comprehensive review of the Company's risk management framework and controls; and
- reviewed the half-yearly financial report.

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

FINANCIAL REPORTING COUNCIL (FRC) REVIEW OF ANNUAL REPORT 2020

In 2021 the FRC reviewed the Company's 2020 Annual Report. The review did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. However, it was conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. It was pleasing to note that the FRC has written to the Chairman of the Board to confirm that it had no matters to raise in respect of Company's compliance with corporate reporting requirements.

EXTERNAL AUDITOR

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

Effectiveness of audit

The 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 Committee received a presentation of the audit plan from the external auditor prior to the commencement of the 2021 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Committee received feedback from the Manager and Administrator regarding the effectiveness of the external audit process.

The Committee is satisfied that BDO has provided effective independent challenge in carrying out its responsibilities. After due consideration, the Committee recommended the re-appointment of BDO and their re-appointment will be put forward to the Company's shareholders at the 2022 AGM.

Provision of non-audit services

The Committee has put in place a policy on the supply of any non-audit services provided by the external auditor. During the year, the Company's policy was reviewed and aligned with the FRC's Revised Ethical Standard 2019. Non-audit services are considered on a case-by-case basis and may only be provided to the Company if such services meet the requirements of the standard, including: at a reasonable and competitive cost; do not constitute a conflict of interest for the auditor; and all non-audit services must be approved in advance. No non-audit services were provided by the auditor during the year (2020: none).

INTERNAL AUDIT

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

Stephanie Eastment
Audit Committee Chairman

4 April 2022

Statement of Directors’ Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the **www.impaxenvironmentalmarkets.co.uk** and **www.impaxam.com** websites which are maintained by the Company’s Manager, Impax Asset Management (AIFM) Limited (“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

John Scott
Chairman

4 April 2022

Independent Auditor's Report to the members of Impax Environmental Markets plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's return on ordinary activities after taxation for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Impax Environmental Markets plc (the 'Company') for the year ended 31 December 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 21 May 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ended 31 December 2019 to 31 December 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- Evaluating the appropriateness of the Director's method of assessing going concern in light of market volatility and the present uncertainties due to the Covid-19 pandemic and geo-political situation;
- Assessing the liquidity position available to meet the future obligations and operating expenses for the next twelve months;
- Challenging the reasonableness of the Director's assumptions and judgements made in their forecasts by performing the multiple scenarios testing to analyse the headroom in loan covenants.

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

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

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

Overview

KEY AUDIT MATTERS	2021	2020
Valuation and ownership of quoted investments	✓	✓

	Financial statements as a whole
Materiality	£ 14,800,000 (2020: £10,900,000) based on 1% (2020: 1%) of Net Assets

An overview of the scope of our audit

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

Key audit matters

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

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation and ownership of quoted investments note 1(b) and note 2 The investment portfolio predominantly comprises quoted investments. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance therefore there is a potential risk of overstatement of investment valuations. Further, there is a risk that Company does not legally own the investments at the year end.	We responded to this matter by testing the valuation and ownership of 100% of the investment portfolio. In respect of quoted investment valuations (over 99% of the total portfolio by value) we have: • Confirmed that the year end valuations were appropriate by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by analysing the trading volumes; and • Obtained direct confirmation from the custodian regarding the ownership of all investments held at the balance sheet date. **Key observations:** Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of the quoted investments was not appropriate.

Our application of materiality

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

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

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

	COMPANY FINANCIAL STATEMENTS	
MATERIALITY	2021 £m	2020 £m
Materiality	14,800,000	10,900,000
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	As an investment trust, the net asset value is a key measure for users of the financial statements.	
Performance materiality	11,100,000	8,200,000
Basis for determining performance materiality	Performance materiality was set at 75% of total materiality taking into consideration that this is a recurring audit and there is a low expectation of known and likely misstatements, based on prior year experience.	

Lower Testing Threshold

We also determined that for net revenue returns on ordinary activities before taxation, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £1,100,000 (2020: £628,000) which is based on 10% (2020: 10%) of net revenue returns on ordinary activities before taxation.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £296,000 (2020: £218,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

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

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

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

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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. We considered the significant laws and regulations to be 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 AIC SORP, the applicable accounting framework and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

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:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of non-compliance with laws and regulations;
- testing of journal postings on a sample basis based on a defined risk criteria, made during the year to identify potential management override of controls;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain Investment Trust Status.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and the risk of management override of controls.

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

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

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

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
4 April 2021

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

Income Statement

		YEAR ENDED 31 DECEMBER 2021			YEAR ENDED 31 DECEMBER 2020		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains on investments	2	–	239,534	239,534	–	241,488	241,488
Net foreign exchange (losses)/gains		–	(314)	(314)	–	371	371
Income	3	15,195	–	15,195	9,322	–	9,322
Investment management fees	4	(2,471)	(7,412)	(9,883)	(1,599)	(4,796)	(6,395)
Other expenses	5	(1,360)	–	(1,360)	(1,097)	–	(1,097)
Return on ordinary activities before finance costs and taxation		**11,364**	**231,808**	**243,172**	**6,626**	**237,063**	**243,689**
Finance costs	6	(368)	(1,103)	(1,471)	(337)	(1,011)	(1,348)
Return on ordinary activities before taxation		**10,996**	**230,705**	**241,701**	**6,289**	**236,052**	**242,341**
Taxation	7	(1,605)	342	(1,263)	(963)	(541)	(1,504)
Return on ordinary activities after taxation		**9,391**	**231,047**	**240,438**	**5,326**	**235,511**	**240,837**
Return per Ordinary Share	**8**	**3.29p**	**81.06p**	**84.35p**	**2.22p**	**98.24p**	**100.46p**

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 60 to 77 form part of these financial statements.

Balance Sheet

	NOTES	AS AT 31 DECEMBER 2021 £'000	AS AT 31 DECEMBER 2020 £'000
Fixed assets			
Investments at fair value through profit or loss	2	1,503,750	1,112,889
Current assets			
Dividend receivable		274	55
Sales awaiting settlement		–	3,888
Taxation recoverable		23	58
Other debtors		–	85
Cash and cash equivalents		28,319	30,037
		28,616	**34,123**
Creditors: amounts falling due within one year			
Trade and other payables	10	(3,036)	(3,732)
		(3,036)	**(3,732)**
Net current assets		**25,580**	**30,391**
Total assets less current liabilities		**1,529,330**	**1,143,280**
Creditors: amounts falling due after more than one year			
Capital gains tax provision	7	(579)	(1,092)
Bank loans and credit facility	11	(49,113)	(48,908)
Net assets		**1,479,638**	**1,093,280**
Capital and reserves: equity			
Share capital	12	29,806	26,588
Share premium account		388,262	239,059
Capital redemption reserve		9,877	9,877
Share purchase reserve		147,855	147,855
Capital reserve	13	894,915	663,868
Revenue reserve		8,923	6,033
Shareholders' funds		**1,479,638**	**1,093,280**
Net assets per Ordinary Share	**14**	**496.42p**	**411.20p**

Approved by the Board of Directors and authorised for issue on 4 April 2022 and signed on their behalf by:

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

The notes on pages 60 to 77 form part of these financial statements.

Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2021	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 2021		**26,588**	**239,059**	**9,877**	**147,855**	**663,868**	**6,033**	**1,093,280**
Dividends paid	9	–	–	–	–	–	(6,501)	(6,501)
Net proceeds from issue of new shares	12	3,218	149,203	–	–	–	–	152,421
Return for the year		–	–	–	–	231,047	9,391	240,438
Closing equity as at 31 December 2021		**29,806**	**388,262**	**9,877**	**147,855**	**894,915**	**8,923**	**1,479,638**

YEAR ENDED 31 DECEMBER 2020	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 2020		**22,574**	**62,162**	**9,877**	**123,239**	**428,357**	**10,772**	**656,981**
Dividend paid	9	–	–	–	–	–	(10,065)	(10,065)
Net proceeds of shares sold from treasury	12	–	45,868	–	24,616	–	–	70,484
Net proceeds from issue of new shares	12	4,014	131,029	–	–	–	–	135,043
Return for the year		–	–	–	–	235,511	5,326	240,837
Closing equity as at 31 December 2020		**26,588**	**239,059**	**9,877**	**147,855**	**663,868**	**6,033**	**1,093,280**

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

The notes on pages 60 to 77 form part of these financial statements.

Statement of Cash Flows

	NOTES	YEAR ENDED 31 DECEMBER 2021 £'000	YEAR ENDED 31 DECEMBER 2020 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		243,172	243,689
Less: Tax deducted at source on income from investments		(1,776)	(1,102)
Foreign exchange non cash flow losses/(gains)		205	(1,172)
Adjustment for gains on investments		(239,534)	(241,488)
(Increase)/decrease in other debtors		(99)	28
Increase in other creditors		821	1,009
Net cash flow from operating activities		**2,789**	**964**
Investing activities			
Sale of investments		336,772	199,126
Purchase of investments		(485,732)	(398,002)
Net cash flow used in investing		**(148,960)**	**(198,876)**
Financing activities			
Equity dividends paid	9	(6,501)	(10,065)
Proceeds from bank loans		–	20,000
Finance costs paid		(1,467)	(1,331)
Net proceeds from issue of new shares	12	152,421	135,043
Net proceeds of shares sold from treasury	12	–	70,484
Net cash flow from financing		**144,453**	**214,131**
(Decrease)/increase in cash		**(1,718)**	**16,219**
Cash and cash equivalents at start of year		**30,037**	**13,818**
Cash and Cash equivalents at end of year		**28,319**	**30,037**

* Cash inflow includes dividend income received during the year ended 31 December 2021 of £15,117,000 (2020: £9,391,000) and bank interest of £nil (2020: £7,000).

CHANGES IN NET DEBT NOTE

	YEAR ENDED 31 DECEMBER 2021 £'000	YEAR ENDED 31 DECEMBER 2020 £'000
Net debt at start of year	(18,871)	(16,262)
(Decrease)/increase in cash and cash equivalents	(1,718)	16,219
Foreign exchange movements	(205)	1,172
Proceeds from bank loan	–	(20,000)
Net debt at end of year	**(20,794)**	**(18,871)**

The notes on pages 60 to 77 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 April 2021.

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 43.

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

(b) Investments

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

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

(c) Reporting currency

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

(d) Income from investments

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

Special Dividends are assessed on their individual merits and may be credited to the Income Statement as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. 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 reserves consists of the share purchase reserve, the capital reserve attributable to realised profits 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 reserve attributable to realised profits 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

	2021 £'000	2020 £'000
(a) Summary of valuation		
Analysis of closing balance:		
UK quoted securities	118,644	74,082
Overseas quoted securities	1,384,524	1,038,230
Overseas unquoted securities	582	577
Total investments	**1,503,750**	**1,112,889**
(b) Movements during the year:		
Opening balance of investments, at cost	748,272	503,765
Additions, at cost	484,211	399,523
Disposals, at cost	(200,580)	(155,016)
Cost of investments at 31 December	**1,031,903**	**748,272**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	364,617	171,127
Unrealised gains on investments held	107,230	193,490
Balance of capital reserve – investments held at 31 December	471,847	364,617
Fair value of investments at 31 December	**1,503,750**	**1,112,889**
(c) Gains on investments in year (per Income Statement)		
Gains on disposal of investments	132,716	48,275
Net transaction costs	(412)	(277)
Unrealised gains on investments held	107,230	193,490
Gains on investments	**239,534**	**241,488**

During the year, the Company incurred transaction costs on purchases totalling in aggregate £508,000 (2020: £346,000) and on disposals totalling in aggregate £246,000 (2020: £109,000). Following MiFID II, the Manager has rebated £299,000 (2020: £145,000) in respect of transaction research costs for the year ended 31 December 2021, and £43,000 (2020: £33,000) in relation to prior periods. Transaction costs are recorded in the capital column of the Income Statement.

The Company received £333,296,000 (2020: £203,182,000) from investments sold in the year. The book cost of these investments when they were purchased was £200,580,000 (2020: £155,016,000). 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 2021				31 DECEMBER 2020			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Investments at fair value through profit or loss								
- Quoted	1,503,168	–	–	1,503,168	1,112,312	–	–	1,112,312
- Unquoted	–	–	582	582	–	–	577	577
	1,503,168	**–**	**582**	**1,503,750**	**1,112,312**	**–**	**577**	**1,112,889**

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

	2021 £'000	2020 £'000
Opening balance	577	1,189
Valuation adjustments	–	(647)
Foreign exchange movements	5	35
Closing balance	**582**	**577**

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 Manager valued holdings in Ensyn at a price of US$7.50 per share as at 31 December 2021 (2020: US$7.50 per share).

3 INCOME

	2021 £'000	2020 £'000
Dividends from UK listed investments	1,484	516
Dividends from overseas listed investments	13,711	8,799
Bank interest received	–	7
Total Income	**15,195**	**9,322**

4 INVESTMENT MANAGEMENT FEES

	2021			2020		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fees	2,471	7,412	9,883	1,599	4,796	6,395

Details of the investment management fee is given on page 42. At 31 December 2021, investment management fees accrued were £2,730,000 (2020: £ 1,953,000).

5 OTHER EXPENSES

			2021			2020
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Secretary and administrator fees	276	–	276	225	–	225
Depositary fees	162	–	162	104	–	104
Custody fees	219	–	219	148	–	148
Directors' fees- see below	162	–	162	160	–	160
Directors' other costs- see below	17	–	17	22	–	22
Directors' D&O insurance	13	–	13	10	–	10
Director recruitment fees	20	–	20	10	–	10
Broker fee	50	–	50	45	–	45
Auditor's fee	37	–	37	28	–	28
Tax advisor fees	8	–	8	15	–	15
Association of Investment Companies	21	–	21	21	–	21
Registrar's fees	146	–	146	119	–	119
Marketing fees	75	–	75	85	–	85
FCA and listing fees	64	–	64	47	–	47
Printing fees	30	–	30	42	–	42
Other expenses	60	–	60	16	–	16
	1,360	**–**	**1,360**	**1,097**	**–**	**1,097**

Full detail on Directors' fees in the year is provided in the Directors' Remuneration Implementation Report on page 51. Employer's National Insurance upon the fees is included as appropriate in Directors' other costs. At 31 December 2021, Directors and national insurance fees outstanding were £1,000 (2020: £12,800).

The Auditor's fee for the statutory audit excludes VAT. The VAT is included in other expenses.

6 FINANCE COSTS

			2021			2020
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest charges	364	1,091	1,455	329	987	1,316
Direct finance costs	4	12	16	8	24	32
Total	**368**	**1,103**	**1,471**	**337**	**1,011**	**1,348**

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

			2021			2020
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	1,605	–	1,605	963	–	963
(Decrease)/increase on CGT provision	–	(342)	(342)	–	541	541
Taxation	**1,605**	**(342)**	**1,263**	**963**	**541**	**1,504**

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

The standard UK corporation tax rate at 31 December 2021 was 19.00% (2020: 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:

	2021 £'000	2020 £'000
Return on ordinary activities before taxation	241,701	242,341
Corporation tax at 19.00% (2020: 19.00%)	45,923	46,045
Effects of:		
Non-taxable UK dividend income	(282)	(98)
Non-taxable overseas dividend income	(2,605)	(1,672)
Movement in unutilised management expenses	2,136	1,423
Movement on non-trade relationship deficits	280	256
Gains on investments not taxable	(45,512)	(45,883)
Loss/(gain) in foreign currency movement	60	(71)
Capital gains tax provision movement	(342)	541
Overseas taxation	1,605	963
Total tax charge for the year	**1,263**	**1,504**

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

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

Movements on the capital gains tax provision for the year

	2021 £'000	2020 £'000
Provision brought forward	1,092	690
Capital gains tax paid	(171)	(139)
(Decrease)/increase in provision in year	(342)	541
Provision carried forward	**579**	**1,092**

(e) The Company has unrelieved excess management expenses and non-trade relationship deficits of £78,015,000 (2020: £65,308,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised. The unrecognised deferred tax asset calculated using a rate of 25% (2020: 19%) amounts to £19,500,000 (2020: £12,400,000). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021 and became effective from 2nd June 2021.

8 RETURN PER SHARE

	YEAR ENDED 31 DECEMBER 2021 £'000	YEAR ENDED 31 DECEMBER 2020 £'000
Revenue return after taxation (£'000s)	9,391	5,326
Capital return after taxation (£'000s)	231,047	235,511
Total net return after tax (£'000s)	**240,438**	**240,837**
Weighted average number of Ordinary Shares	285,059,568	239,733,181

Net return per Ordinary Share is based on the above totals of revenue and capital and the weighted average number of Ordinary Shares in issue during each year.

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

9 DIVIDENDS

(a) Dividends paid in the year

	RATE	2021 £'000	RATE	2020 £'000
Interim in lieu of final for the previous year	1.00p	2,734	3.00p	6,862
First interim for the current year	1.30p	3,767	1.30p	3,203
	2.30p	**6,501**	**4.30p**	**10,065**

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

	RATE	2021 £'000	RATE	2020 £'000
First interim for the current year	1.30p	3,767	1.30p	3,203
Second interim in lieu of final for the current year	1.50p	4,471	1.00p	2,734
	2.80p	**8,238**	**2.30p**	**5,937**

The Board declared two interim dividends in respect of the year and expects to continue paying two dividends annually. The Board intends to revert to paying a final dividend, which can be voted on by shareholders, once the Company has ceased to grow its capital base substantially.

10 TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Finance costs payable	98	94
Accrued management fees	2,730	1,953
Other accrued expenses	208	164
Purchases awaiting settlement	–	1,521
Total	**3,036**	**3,732**

11 BANK LOANS AND CREDIT FACILITY

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"). The loans expire on 6 September 2023.

The Company also has a £20 million multi-currency revolving credit facility ("RCF") with Scotiabank which was fully drawn in two currencies, US$12.6 million and £10 million, throughout the year. The facility expires on 6 September 2023.

A summary of the Company's loans follows:

		2021		2020	
BANK LOANS-FIXED RATE	**INTEREST RATE**	**LOAN CURRENCY AMOUNT**	**£'000**	**LOAN CURRENCY AMOUNT**	**£'000**
Sterling	2.910%	15,000,000	15,000	15,000,000	15,000
Non-sterling	4.504%	20,000,000	14,777	20,000,000	14,651
			29,777		**29,651**
RCF-FLOATING RATE					
Sterling	Six month SOFR +1.7%	10,000,000	10,000	10,000,000	10,000
Non-sterling	Six month SONIA +1.7%	12,637,000	9,336	12,637,000	9,257
			49,113		**48,908**

The maturity profile of the bank loans and credit facility follows:

PAYABLE AFTER MORE THAN ONE YEAR AT 31 DECEMBER	2021 £'000	2020 £'000
Bank loans payable after more than one year	29,777	29,651
Revolving credit facility payable after more than one year	19,336	19,257
	49,113	48,908

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 24.

12 SHARE CAPITAL

	2021		2020	
	NUMBER	£'000	NUMBER	£'000
Issued and fully paid shares of 10p each				
Brought forward	265,877,138	26,588	204,139,246	20,414
New shares issued in year	32,184,301	3,218	40,139,783	4,014
Treasury shares issued in year	–	–	21,598,109	2,160
Carried forward	**298,061,439**	**29,806**	**265,877,138**	**26,588**
Treasury shares of 10p each				
Brought forward	–	–	21,598,109	2,160
Issued in year	–	–	(21,598,109)	(2,160)
Carried forward	**–**	**–**	**–**	**–**
Share capital	**298,061,439**	**29,806**	**265,877,138**	**26,588**

The Company received aggregate gross proceeds of £153,493,000 (2020: £207,403,000) from the issue of shares and net proceeds of £152,421,000 (2020: £205,527,000) after issue costs of £1,072,000 (2020: £1,876,000). As at 31 March 2022, the latest practicable date before publication of this report, a further 6,237,100 new Ordinary Shares have been issued for aggregate gross proceeds of £29,618,000, and net proceeds of £29,470,000 after issue costs of £148,000. In addition, 112,900 Ordinary Shares have been bought back at a cost of £452,000. These have subsequently been re-issued.

13 CAPITAL RESERVE

Realised capital reserve

	2021 £'000	2020 £'000
Opening balance	299,251	257,230
Gains on disposal of investments	132,716	48,275
Net transaction costs	(412)	(277)
Net foreign exchange (losses)/gains	(314)	371
Investment management fees charged to capital	(7,412)	(4,796)
Finance costs charged to capital	(1,103)	(1,011)
Taxation credit (charges) to capital	342	(541)
Balance at 31 December	**423,068**	**299,251**

Unrealised gains on investments

	2021 £'000	2020 £'000
Unrealised gains brought forward	364,617	171,127
Unrealised gains on investments held	107,230	193,490
Unrealised gains carried forward	**471,847**	364,617
Capital reserve balance at 31 December	**894,915**	**663,868**

14 NET ASSET VALUE PER SHARE

	2021	2020
Net asset value (£'000)	1,479,638	1,093,280
Shares in issue (excluding shares held in treasury)	298,061,439	265,877,138
Net asset value per share at 31 December	**496.42p**	**411.20p**

15 TRANSACTIONS WITH THE MANAGER AND RELATED PARTY TRANSACTIONS

Details of the management contract can be found in the Directors' Report on page 42. Fees payable to the Manager are detailed in note 4 on page 67. 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 52.

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 23. 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. 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 2021 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 2021.

	2021 %CHANGE[1]	2020 %CHANGE[1]
Australian Dollar	4.6%	(6.0%)
Canadian Dollar	(1.8%)	1.3%
Danish Krone	6.0%	(5.8%)
Euro	6.1%	(5.5%)
Hong Kong Dollar	(0.3%)	2.5%
Indian Rupee	0.9%	5.6%
Israeli Shekel	(4.6%)	–
Korean Won	7.7%	(3.0%)
Norwegian Krone	1.7%	0.6%
Swedish Krona	8.3%	(9.5%)
Swiss Franc	2.1%	(5.7%)
Taiwanese Dollar	(2.3%)	(3.3%)
US Dollar	(0.9%)	2.9%

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

16 FINANCIAL RISK MANAGEMENT CONTINUED

Based on the financial assets and liabilities at 31 December 2021 and all other things being equal, if sterling had strengthened by 10%, the profit after taxation for the year ended 31 December 2021 and the Company's net assets at 31 December 2021 would have decreased by the amounts shown in the table below. If sterling had weakened by 10% this would have had the opposite effect.

	2021 POTENTIAL EFFECT £'000	2020 POTENTIAL EFFECT £'000
Australian Dollar	3,127	2,207
Canadian Dollar	6,925	621
Danish Krone	2,595	2,213
Euro	23,141	22,912
Hong Kong Dollar	3,017	6,108
Indian Rupee	2,492	2,671
Israeli Shekel	537	–
Korean Won	2,067	2,207
Norwegian Krone	4,706	3,387
Swedish Krona	3,052	1,848
Swiss Franc	4,751	3,644
Taiwanese Dollar	8,475	3,686
US Dollar	71,532	52,042
Total	**136,417**	**103,546**

(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 is based on a floating reference interest rate plus a margin of 1.70% per annum. If interest rates had increased or decreased by 25 basis points the impact to the Company's profit or loss would be:

	2021 AND 2020 PROFIT OR LOSS £'000	
	25 BPS INCREASE	25 BPS DECREASE
31 December		
Non-sterling Revolving Credit Facility	(23)	23
Sterling Revolving Credit Facility	(25)	25

(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% (2020: 6.6%) over the ten year period to 31 December 2021. The historic 3-year (annualised) volatility of the Company to 31 December 2021 is 7.1% (2020: 7.2%).

At the year end the Company held investments with an aggregate market value of £1,503,750,000 (2020: £1,112,889,000). 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 £150,375,000 (2020: £111,288,900) in the profit after taxation for the year ended 31 December 2021 and the Company's net assets at 31 December 2021.

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 2021 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.

	2021 EXPECTED AS PERCENTAGE AT LIMIT		2020 EXPECTED AS PERCENTAGE AT LIMIT	
	1 IN 20 (95%)	1 IN 100 (99%)	1 IN 20 (95%)	1 IN 100 (99%)
1 day return	1.46	2.07	2.00	2.83
5 day return	3.27	4.63	4.47	6.32
10 day return	4.63	6.54	6.32	8.94
21 day return	6.86	9.70	9.38	13.26

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 2021.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 3.27% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 2.07% 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 2021 included £27,887,000 (2020: £29,773,000) held in its bank accounts at the Depositary. The Company also held £432,000 (2020: £264,000) in its accounts with NatWest Group plc. The Board has established guidelines that, under normal circumstances, the maximum level of cash to be held at any one bank should be the lower of i) 5% of the Company's net assets and ii) £30 million. These are guidelines and there may be instances when this amount is exceeded for short periods of time.

Substantially all of the assets of the Company at the year end were held by the Depositary or sub-custodians of the Depositary. Bankruptcy or insolvency of the Depositary or its sub-custodians may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Depositary segregates the Company's assets from its own assets and only uses sub-custodians on its approved list of sub-custodians. At the year end, the Depository held £1,503,168,000 (2020: £1,112,312,000) in respect of quoted investments.

The credit rating of the Depositary, which is a Fitch rating of A+, was reviewed at the time of appointment and is reviewed on a regular basis by the Manager and/or the Board.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be low as trading is almost always done on a delivery versus payment basis.

There is credit risk on dividends receivable during the time between recognition of the income entitlement and actual receipt of dividend.

Liquidity 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.

16 FINANCIAL RISK MANAGEMENT CONTINUED

Quantitative disclosures

The results of the Managers maturity analysis at 31 December 2021 are reported in the following table as a percentage of the portfolio that could be liquidated over different time periods. On 31 December 2021, 2.37% (2020: 1.45%) of the portfolio by value (excluding unquoted investments) might have taken more than three months to be realised.

Percentage of portfolio by value that could be liquidated in one week	64.47
Percentage of portfolio by value that could be liquidated in one month	92.12
Percentage of portfolio by value that could be liquidated in three months	97.63
Percentage of portfolio by value that could be liquidated in one year	98.64

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:

	2021 £'000	2020 £'000
Less than one year	3,036	3,732
Between one and five years*	49,692	50,000
	52,728	**53,732**

* Bank loans, Revolving Credit Facility and capital gains tax provision.

Financial assets and liabilities

All liabilities carrying amount approximates fair value.

The Company's financial assets and liabilities at 31 December 2021 comprised:

	2021			2020		
	INTEREST BEARING £'000	NON-INTEREST BEARING £'000	TOTAL £'000	INTEREST BEARING £'000	NON-INTEREST BEARING £'000	TOTAL £'000
Investments						
Australian Dollar	–	31,273	31,273	–	22,074	22,074
Canadian Dollar	–	69,087	69,087	–	6,211	6,211
Danish Krone	–	25,948	25,948	–	22,129	22,129
Euro	–	231,414	231,414	–	229,117	229,117
Hong Kong Dollar	–	30,167	30,167	–	61,079	61,079
Indian Rupee	–	25,496	25,496	–	26,711	26,711
Israeli Shekel	–	5,370	5,370	–	–	–
Korean Won	–	20,673	20,673	–	22,065	22,065
Norwegian Krone	–	47,060	47,060	–	33,865	33,865
Sterling	–	118,644	118,644	–	77,436	77,436
Swedish Krona	–	30,524	30,524	–	18,484	18,484
Swiss Franc	–	47,512	47,512	–	36,435	36,435
Taiwanese Dollar	–	84,747	84,747	–	36,861	36,861
US Dollar	–	735,835	735,835	–	520,422	520,422
	–	**1,503,750**	**1,503,750**	**–**	**1,112,889**	**1,112,889**
Other assets and liabilities						
Cash and cash equivalents	28,319	–	28,319	30,037	–	30,037
Short term debtors	–	297	297	–	4,086	4,086
Short term creditors	–	(3,036)	(3,036)	–	(3,732)	(3,732)
Long term creditors	(49,113)	(579)	(49,692)	(48,908)	(1,092)	(50,000)
	(20,794)	**1,500,432**	**1,479,638**	**(18,871)**	**1,112,151**	**1,093,280**

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 borrowings.

At 31 December 2021 there were 298,061,439 Ordinary Shares in issue (2020: 265,877,138). No Ordinary Shares were held in Treasury (2020: nil).

The Company has a stated premium/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 premium/discount control policy) can be found in the Directors' Report.

The Company bought back no Ordinary Shares during the year (2020: nil).

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

17 POST BALANCE SHEET EVENTS

Subsequent to the year end, the net asset value per share of the Company has decreased by 8.7% from 496.4p to 453.0p and the Company's share price has decreased by 14.6% from 547.0p to 467.0p as at 31 March 2022.

Since 31 December 2021, equity markets have fallen significantly with a number of investor concerns impacting on stock market valuations. These include: the Russian invasion of Ukraine, the impact that rising inflation and interest rates may have on the outlook for the global economy and the continuing disruption caused by COVID-19.

10 Year Financial Record

AS AT 31 DECEMBER	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net assets (£ millions)	341	386	374	372	465	507	450	657	1,093	1,480
NAV per Ordinary Share[1]	126.0p	167.9p	169.8p	178.6p	243.4p	281.6p	249.6p	321.8p	411.2p	496.4p
Share price	102.9p	150.0p	152.8p	160.0p	218.0p	256.5p	253.0p	333.0p	422.5p	547.0p
Premium / (discount)[1,2]	(18.3%)	(10.7%)	(10.2%)	(10.4%)	(10.4%)	(8.9%)	1.4%	3.5%	2.7%	10.2%

YEAR ENDED 31 DECEMBER	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV return[1,3]	8.5%	34.1%	1.7%	6.0%	37.3%	16.4%	(10.8%)	30.6%	31.0%	21.3%
Share price return[1,3]	8.1%	47.4%	2.5%	5.8%	37.4%	18.7%	(0.4%)	32.9%	28.9%	30.1%
MSCI ACWI Index[4]	11.0%	20.5%	10.6%	3.3%	28.7%	13.2%	(3.8%)	21.7%	12.7%	19.6%
FTSE ET100[4,5]	1.2%	44.9%	4.1%	5.0%	21.9%	20.2%	(9.9%)	29.2%	90.3%	13.1%
Revenue return per Ordinary Share[6]	0.9p	1.3p	1.5p	1.5p	2.0p	2.8p	3.2p	3.6p	2.2p	3.3p
Dividends[7]	0.9p	1.2p	1.4p	1.45p	1.95p	2.50p	3.0p	3.0p	2.3p	2.8p
Ongoing charges[1]	1.16%	1.13%	1.12%	1.11%	1.13%	1.05%	1.04%	1.02%	0.95%	0.85%

Notes
1. These are considered to be APMs.
2. Share price premium/(discount) to NAV.
3. Total return (discrete annual returns) – source: Morningstar up to 2016, Bloomberg 2017 thereafter (except year 2018).
4. Net total return (dividends reinvested net of withholding tax) for MSCI indices and total return for FTSE indices (discrete annual returns).
5. FTSE ET50 data up until 31 December 2013 and then FTSE ET100 thereafter.
6. Revenue return / Ordinary Share is based upon the revenue return for the year to 31 December and the weighted average number of Ordinary Shares in issue (excluding treasury shares) during the year.
7. Total dividends payable in respect of the year.

TOTAL RETURNS TO 31 DECEMBER 2021

	NAV[1]	SHARE PRICE[1]	MSCI ACWI INDEX	FTSE ET100 INDEX[2]
1 year	21.3%	30.1%	19.6%	13.1%
2 years	58.9%	67.6%	34.8%	115.3%
3 years	107.5%	122.8%	64.0%	178.2%
4 years	85.2%	121.9%	57.8%	150.7%
5 years	115.5%	163.3%	78.7%	201.3%
6 years	196.0%	261.8%	130.0%	267.2%
7 years	213.6%	282.9%	137.5%	285.5%
8 years	219.0%	292.4%	162.8%	301.5%
9 years	327.7%	478.51%	216.7%	469.7%
10 years	364.4%	525.3%	251.7%	476.3%

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. The Directors assess the Company's performance against a range of criteria which are viewed as relevant to both the Company and its market sector. APM calculations for the Company are shown below.

GEARING

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

AT 31 DECEMBER		PAGE	2021	2020
Total assets less cash/cash equivalents (£'000)	a	n/a	1,504,047	1,116,975
Net assets (£'000)	b	61	1,479,638	1,093,280
Gearing (net)	(a÷b)-1		**1.6%**	**2.2%**

LEVERAGE

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("AIF") is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

ONGOING CHARGES

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

YEAR END 31 DECEMBER		PAGE	2021	2020
Average NAV (£'000)	a	n/a	1,324,967	786,680
Investment Management fees (£'000)	b	67	9,883	6,395
Other expenses (£'000)	c	68	1,360	1,097
	(b+c)÷a		**0.85%**	**0.95%**

PREMIUM

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

AT 31 DECEMBER		PAGE	2021	2020
NAV per Ordinary Share (p)	a	1	496.4	411.2
Share price (p)	b	1	547.0	422.5
Premium	(b÷a)-1		**10.2%**	**2.7%**

TOTAL RETURN

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

YEAR ENDED 31 DECEMBER 2021		PAGE	SHARE PRICE	NAV
Opening at 1 January 2021 (p)	a	n/a	422.50	411.20
Closing at 31 December 2021 (p)	b	1	547.00	496.42
Dividend/income adjustment factor[1]	c	n/a	1.0049	1.0048
Adjusted closing (d = b x c)	d	n/a	549.67	498.79
Total return	(d÷a)-1		**30.1%**	**21.3%**

YEAR ENDED 31 DECEMBER 2020		PAGE	SHARE PRICE	NAV
Opening at 1 January 2020 (p)	a	n/a	333.00	321.83
Closing at 31 December 2020 (p)	b	1	422.50	411.20
Dividend/income adjustment factor[1]	c	n/a	1.0159	1.0253
Adjusted closing (d = b x c)	d	n/a	429.24	421.60
Total return	(d÷a)-1		**28.9%**	**31.0%**

1 The dividend adjustment factor is calculated on the assumption that dividends paid out by the Company are reinvested into the shares of the Company at NAV at the ex-dividend date.

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) Impax Environmental Markets plc is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
the Company	Impax Environmental Markets plc ("IEM").
Custodian	An entity that is appointed to safeguard a company's assets.
Discount/premium	The amount, expressed as a percentage, by which the share price is less/more than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of a company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
FTSE ET100/FTSE ET50	FTSE ET100/FTSE ET50 is a combination of the FTSE ET100 and FTSE ET50 indices. FTSE ET50 data is used for the period to 31 December 2013 and FTSE ET100 data is used for the period from 1 January 2014. The FTSE ET (Environmental Technology) 50 and 100 indices comprise, respectively, the 50 and 100 largest pure play (i.e. deriving at least 50% of their business from environmental markets and technologies) environmental technology companies globally, by full market capital.
Gearing effect	The effect of borrowing on a company's returns.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Liquidity	The extent to which investments can be sold at short notice.
Net assets or net asset value ("NAV")	An investment company's assets less its liabilities.
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, (Chairman)
Stephanie Eastment (Audit Committee Chair)
Aine Kelly (Senior Independent Director)
Vicky Hastings
Nicholas Hurd

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

www.impaxam.com

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EC2V 7QP

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London
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www.impaxenvironmentalmarkets.co.uk

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BNP Paribas Securities Services
10 Harewood Avenue
London
NW1 6AA

SECRETARY & ADMINISTRATOR
Sanne Fund Services (UK) Limited
(formerly known as PraxisIFM Fund Services (UK) Limited)
6th Floor,
125 London Wall
London
EC2Y 5AS

REGISTRAR
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

AUDITOR
BDO LLP
55 Baker Street
London W1U 7EU

Link Group (a trading name of Link Market Services Limited and Link Market Services Trustees Limited) may be able to provide you with a range of services relating to your shareholding. To learn more about the services available to you please visit the shareholder portal at www.signalshares.com or call +44 (0) 371 664 0300.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate.

Link Group are open between 08:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

You can also write to Link Group at the address above.

Details of how to contact the Registrar in regards to the Annual General Meeting are given the Notes to the Notice of AGM on pages 84 to 86.

Notice of Annual General Meeting

Annual General Meeting

Notice is hereby given that the Annual General Meeting of Impax Environmental Markets plc will be held at 7th floor, 30 Panton Street, London, SW1Y 4AJ on 18 May 2022 at 2:00 pm for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 to 16 will be proposed as special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2021.
2. To approve the Directors' Remuneration Report included in the Annual Report for the year ended 31 December 2021.
3. To approve the Company's Distribution Policy.
4. To re-elect John Scott as a director of the Company.
5. To re-elect Aine Kelly as a director of the Company.
6. To re-elect Stephanie Eastment as a director of the Company.
7. To re-elect Vicky Hastings as a director of the Company.
8. To elect Nicholas Hurd as a director of the Company.
9. To re-appoint BDO LLP as auditor to the Company.
10. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
11. That the Company continue as an investment trust for a further three year period.
12. In accordance with Article 87 of the Articles of Association of the Company, to increase the maximum aggregate for the Directors' remuneration from £200,000 to £250,000.
13. That:
    (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £3,402,985 or, if less, the amount that represents 10 per cent. of the nominal value of the Company's issued share capital (excluding treasury shares) on the date on which this resolution is passed; and

    (b) the authority given by this resolution:

    (i) shall be in addition to all pre-existing authorities under section 551 of the Act; and

    (ii) unless renewed, revoked or varied in accordance with the Act, shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the date of passing of this resolution save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry and the Directors may allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company in pursuance of such an offer or agreement as if such authority had not expired.
14. That, subject to the passing of resolution 13 set out in the Notice of Annual General Meeting dated 4 April 2022 (the "Allotment Authority"), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:

    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £3,402,985 or, if less, the amount that represents 10 per cent. of the nominal value of the Company's issued share capital (excluding treasury shares) on the date on which this resolution is passed;

    (b) shall be in addition to all pre-existing powers under sections 570 and 573 of the Act; and

    (c) shall expire at the same time as the Allotment Authority, save that the Company may, before expiry of the power conferred on the Directors by this resolution, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of such an offer or agreement as if such power had not expired.

15. 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 45,614,351 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in treasury) at 31 March 2022, the latest practicable date before publication 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 2023 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.
16. 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 Sanne Fund Services (UK) Limited
Company Secretary
4 April 2022

Registered Office:

6th Floor,
125 London Wall,
London, EC2Y 5AS

Notes to the Notice of AGM

Website address

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

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 2.00pm on 16 May 2022 or, if this meeting is adjourned, at 2.00pm 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. It is recommended that shareholders appoint the "Chairman of the Meeting" as their proxy where possible. If you wish to appoint a proxy, please follow the instructions at note 6 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding.
4. You can appoint the Chairman of the Meeting as your proxy using the voting methods in notes 6 and 7.
5. You can instruct your proxy how to vote on each resolution by marking the resolutions For and Against using the voting methods stated in notes 6 and 7. If you wish to abstain from voting on any resolution, please mark these resolutions withheld. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

Appointment of proxy

6. You can vote either:

   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard copy form of proxy directly from the registrars, Link Group on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL by 2.00pm on 16 May 2022.

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 16 May 2022 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Group no later than 48 hours before the rescheduled meeting.

Appointment of a proxy through Proxymity

8. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged no later than 48 hours before the time of the Annual General Meeting, in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. Proxymity will then contract with your underlying institutional account holder directly to accept their vote instructions through the platform.

Termination of proxy appointments

9. In order to revoke a proxy instruction, you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

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

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

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

Nominated persons

10. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

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

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

Questions at the meeting

11. 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

12. The total number of shares in issue in the Company is Ordinary Shares of 10p each. Therefore, the total number of Ordinary Shares with voting rights is 304,298,539 as at 31 March 2022, the latest practicable date before publication of this report. 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

13. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling the Link Group shareholder helpline on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays; or
    - in writing to Link Group.

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

Designed and printed by Perivan

IMPAX Environmental Markets plc