

**Impax Asset Management Group plc****CRD Pillar 3 Disclosure March 2009**

The EU Capital Requirements Directive (CRD) established a European regulatory capital framework which has been incorporated into the rulebook of the Financial Services Authority (FSA) in the UK. Impax Asset Management Limited and Impax Capital Limited are both authorised and regulated by the FSA and bound by the rules of the FSA. Impax Group plc is the holding company for both companies, and capital adequacy monitoring and reporting is on a consolidated basis.

The FSA framework for the assessment and monitoring capital adequacy has three elements

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| Pillar 1 | sets out the minimum capital requirements to meet the credit, market and operational risks calculated in accordance with set rules   |
| Pillar 2 | is an Internal Capital Adequacy Assessment Process, whereby the firm assesses the capital impact of the potential risks faced by the firm and the capital required to cover the risks identified |
| Pillar 3 | requires the disclosure of specified information about the underlying risk management controls and capital adequacy  |

Whilst the monitoring of risks and capital adequacy are continuous processes the Pillar 3 reporting will be made annually based on the position at 30<sup>th</sup> September, the financial year end. The report will only be updated in the interim if there are significant changes in the circumstances of the group.

**Business Risks and Group Risk Management Policy**

The business of Impax group is to provide investment management services through Impax Asset Management Limited; it does not hold Client Money. The directors have identified the main risks faced by the group as business and operational risks arising from the operation of the core business. The group does not hold any investments as a trading book or conduct any form of credit business.

The group recognises that risks are inevitable consequence to the group business operations and the board of Directors has overall accountability for the adequate management and control of the risks. Day to day risk management is the responsibility of the senior management of the business and line managers.

Good risk management and control are important to the group and an integral part of the provision a consistent high quality service to group clients and the management of the group's business. The group has operational procedures, systems and processes to control and manage risk. The approach to risk management is based on independent control processes to manage all aspects of the business of the group with clear, comprehensive and transparent disclosure to senior management and the Board of Directors.

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## Scope of Reporting and Capital Resources

As noted above the two FSA regulated companies Impax Asset Management and Impax Capital are subsidiaries of Impax Group plc and prudential reporting and assessment for capital adequacy is at the Group level. The Group Capital resources at both Tier 1 and Tier 3 level are approximately £9m with no adjustments between the Tiers.

## Impax Group ICAAP

The Group ICAAP process covers the identification and probability of the different business and operational risks faced by the group and an assessment of the capital impact and the mitigating factors to minimise the impact. The ICAAP is prepared by the executive management of the Group and then formally reviewed and amended as appropriate by the Board of Directors and reflects the business and future business developments and the budget for the forthcoming period. The Group Capital resources are in excess of the maximum capital requirement identified by the ICAAP process.

## Credit Risk

The Group is primarily exposed to Credit Risk from the default on the collection of fee receivables and other assets. Fees are receivable from the assets of the funds managed and the status of receivables is closely monitored by the management of the group. All cash and cash equivalent assets are held at regulated financial institutions with high credit ratings. Under Pillar 1 the Credit Risk Requirement is under £1m and this is covered by the surplus capital resources.

## Market Risk

The Group does not hold any trading book investments, it holds non trading book investments in Impax managed funds launched in 2007 and 2008. The Market Risk Requirement is less than £500k and this is covered by the surplus capital resources.

## Operational Risk

The operational risk requirement for the Impax Group is the Fixed Overhead Requirement at approximately £1.6m and this is covered by the group surplus Capital resources.

## Interest Rate Risk

Although the Group has significant cash and other interest bearing assets the interest rate risk has been assessed as not significant in the context of the Group capital requirements and resources.

## Other Risk Categories

The other risk categories that the Group is required to consider under the rules of the FSA have been assessed by the group and are not considered to be applicable to the business of the Group.

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