

## INSIDE

A NOTE FROM JOE KEEFE

QUEEN'S AWARD

MORNINGSTAR STAR RATINGS

CORONAVIRUS CONTENT

RAISING EQUALITY ADVOCATES

NO MORE PAPER MAIL



## Shareholder Interests in Times of Crisis

By Julie Gorte, Ph.D., Senior Vice President for Sustainable Investing

What companies do during trying times can be a leading indicator of their cultures, particularly when it comes to longer term performance measures that will help build their ability to thrive in a more sustainable economy. The fact that much of the world, and all economies, are devising novel, untried solutions to the coronavirus pandemic is appropriate. Extraordinary problems require extraordinary solutions. That does not mean that everything being done in response to the pandemic is helpful and constructive. It is essential to remember what kind of society and economy we want to have when the pandemic ends and not use this crisis as an excuse to regress.

There are several take-home lessons from this COVID-19 crisis that particularly stand out.

### Essential work

Whether conscious or not, it's common to think of the most valuable workers in an organization as professionals in the upper echelons. That's not necessarily wrong, but this crisis has shown that essential workers come in all varieties, and right now, those whose jobs are keeping the economy moving during lockdown are those whose jobs require them to show up physically — healthcare workers and workers in healthcare value chains, caregivers, law enforcement and other public sector service workers, anyone in the food supply chain, from farming to harvesting to grocery stores, warehouse workers for e-tailers, janitors and cleaners, utility workers in both electric and water utility value chains, transportation workers anywhere in transportation value

chains for individuals and freight, internet service providers and other communications workers, and workers who manufacture critical supplies. Many of these people are hourly workers whose real wages and benefits have been declining for decades.<sup>1</sup>

How companies are treating these workers during this crisis speaks volumes about their commitment to a key stakeholder group — employees — and that, in turn, tells shareholders a lot about how companies think about sustainability. Many companies have announced one-off changes in policy to help essential workers, such as providing sick leave for those affected by the virus, and that is good. But even better would be recognizing that these workers are always essential; it just took a crisis to show how essential they are. Permanent changes that provide appropriate pay and benefits to these workers would be even better.

### Customer safety

Customers should be kept safe as well as workers, and for much the same reason — they're essential. A recent report noted that more than half of American adults who use the internet prefer to buy from companies that demonstrate that they're protecting customers against the pandemic — but only 24 percent of the same group of people believe that customer safety comes first in company decision-making.<sup>2</sup> Trust is always important, and the best time to demonstrate trustworthiness is when times are tough.

Companies that have instituted contactless

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## A Note from Joe Keefe

We have passed a grim milestone in the United States — more than 100,000

COVID-19-related deaths. On top of that, millions of Americans face other critical challenges brought on by the pandemic — job loss, hunger, isolation. These are challenging times for all Americans, but COVID-19 has disproportionately affected communities of color due to a legacy of systematic inequality. And, if the pandemic hadn't already exposed these inequities, the killing of George Floyd and the resulting nationwide protests have cast a floodlight onto our country's history of intolerable racism and oppression.

At this moment, we need to return to our founding principles: liberty and justice for all. This includes protesting injustice whenever it rears its ugly head. As Dr. King said: "Injustice anywhere is a threat to justice everywhere."

Sustainable investing was born out of protests against Apartheid, the Vietnam War and, going back even further, slavery. We must continue to raise our voices and oppose injustice as we strive to shape a more sustainable future for our country and the global community.

Recent events have spurred our team at Impax to add a new realm to our engagement work, one aimed at making sure the companies in our portfolios

are taking care of the health, safety and wellbeing of their workers and customers. We are also participating in the #IAM campaign, co-founded by one of our own staff members, which aims to highlight the challenges facing black people and spur actionable dialogue.

You can read more about both of those initiatives here: [www.impaxam.com/keefe](http://www.impaxam.com/keefe). Meanwhile, please stay safe and be well.

Sincerely,  
Joseph F. Keefe, President  
Impax Asset Management LLC

### SHAREHOLDER INTERESTS IN TIMES OF CRISIS, CONTINUED from PAGE ONE

payments for services such as meal deliveries are thinking about their customers' safety. So too are food retailers that have provided early hours for at-risk customers. Companies offering pandemic-themed sales for products that are health threats are at the opposite end of the customer safety continuum.

#### Crisis is not camouflage

There are times when companies must adjust good, sustainable practices to adapt to a crisis; suspending customers' use of their own cups at Starbucks to prevent virus transmission is an example. But companies that arbitrarily deprive shareholders of their voices in annual meetings simply because they're online rather than in person are like looters after a flood — taking advantage of a crisis to stage a rip-off. AT&T has apparently denied shareholders that filed shareholder proposals the right to dial into their annual meeting,<sup>3</sup> a stunningly ironic move by a telecommunications company.

The Bank Policy Institute, a lobbying group that many large banks belong to, is recommending that the Federal Reserve (Fed) lower capital requirements and ease stress testing, ostensibly to contain

fallout from the COVID-19 crisis.<sup>4</sup> This, too is ironic; it is very much the kind of event that stress testing is meant to address.

It is important to focus resources on ending any crisis, and that may temporarily reduce resources for other corporate activities. But companies committed to sustainability should not ask for regulatory relief using a pandemic as a fig leaf; instead, we expect companies to maintain their commitments to sustainability and resilience during crises, even if they must divert attention to higher priorities in the short run.

#### Resilience

The CARES Act prohibits companies that borrow money or get loan guarantees under its auspices to use the money to buy back stock. It is natural to want to buoy the share prices when they've been battered by a crisis, but the Act appropriately recognizes that this isn't the highest and best use (or even a good use) of taxpayer-funded relief.

But what about the companies that have been buying back stock during the economic boom? Buybacks were "virtually nonexistent" before 1982 but

began to exceed dividends as a way to return money to shareholders in the mid-1990s.<sup>5</sup> Buybacks soared prior to the 2008 recession, plummeted until mid-2009, then began another rapid rise. There are disagreements about the value of buybacks, but the amount of money corporations have borrowed to finance them since around 2004 is noteworthy.

Companies that took on additional debt to buy back stock were betting that the boom would continue. And that is something that compromises resilience, because debt capital is often far scarcer, and more expensive, during a crisis. We saw that in 2008, and we're seeing it again today. **X**

<sup>1</sup>Congressional Research Service, "Real Wage Trends, 1979 to 2018," July 23, 2019.

<sup>2</sup>Anjali Lai, "Decision-Making During The COVID-19 Crisis Requires A Bias Toward People, Not Profit," Forrester, March 17, 2020.

<sup>3</sup>Ross Kerber, "AT&T Denies Investors a Dial-in as Annual Meeting Goes Online," Reuters, April 17, 2020.

<sup>4</sup>Renee Merle, "Big Banks Want Regulation Eased Because of Coronavirus. Experts Call it Opportunistic," The Washington Post, March 3, 2020.

<sup>5</sup>Ric Marshall, Panos Seretis, and Agnes Grunfeld, "Taking Stock: Share Buybacks and Shareholder Value," Harvard Law School Forum on Corporate Governance, Aug. 19, 2018.

# Pax World Funds News

## Queen's Award



Impax has been awarded the most prestigious award for UK businesses, a Queen's Award for Enterprise in the Sustainable Development category.

The Queen's Award for Enterprise: Sustainable Development 2020 recognizes Impax's pioneering work improving the sustainability and ESG performance of companies, helping asset owners quantify the environmental impact of their portfolios,

contributing to policies supporting sustainable development, and making Impax's operations sustainable. **X**

## Bright Shiny Objects

Six of our 11 Pax World Funds now have four- and five-star ratings from Morningstar as of 3/31/20.



See which ones: [www.impaxam.com/stars](http://www.impaxam.com/stars) **X**

## Coronavirus Content

Find all of our content related to COVID-19 here: [www.impaxam.com/coronavirus](http://www.impaxam.com/coronavirus) **X**



## Raising Equality Advocates

By Jenifer Cannon, Vice President of Business Development

I talk about gender equality every day.

It's my job to help people understand the link between investing and gender equality. Of course, I'm dealing with a pretty sophisticated audience; most of the advisors I work with are well aware of why gender equality is the right thing to do for society. But fewer are aware of the business benefits that come from equality in the workplace, so I spend a great deal of time talking about those — at least during my working hours.

At home, I'm the mother of two boys and girl, and this is where my role as an educator is perhaps the most critical. Recently, an advisor asked me if my work ever gets personal, meaning, does thinking about and talking about gender inequality at work affect how I parent at home?

My answer: Every minute.

Raising boys and girls to be equality advocates is about so much more than just saying "no" to Barbie and requiring boys to clean. Bringing up both boys and girls to respect everyone —



regardless of gender — is the foundation of feminism. It is not easy.

For some parents, teaching this may come naturally. Others might take a page from the corporate playbook, mimicking how progressive companies are teaching and modeling gender equality in the workplace.

Here are some of the ways I try to incorporate this into my parenting.

**Recognize bias:** Although in many ways

the world today is much more inclusive than it was during my youth, children still deal with both conscious and unconscious bias, and in order to help them recognize these biases, I had to first recognize my own. Luckily there are many workshops available to address this, and more and more companies are offering bias awareness training as part of their diversity and inclusion programs. (If yours doesn't, you should ask them to.) Some companies, recognizing that more diverse leadership can help make their business more successful, are even requiring their leadership teams to become more aware of biases — and some even tie bonuses to diversity-related goals.

**Teach equality:** This can be done around the kitchen table, after a bedtime story or when your kids are pretending to ignore you from the backseat. (I've found that to be one of the best times to connect.) Have open and honest conversations. Discuss real-life examples where someone has been treated

CONTINUED on BACK PAGE

# Shareholder Corner: No More Paper Mail

Recently we've seen a surge of shareholders opt for electronic delivery of their statements and reports. If limiting the amount of paper mail entering your home sounds right to you, make the switch to e-delivery. E-delivery is the safest and quickest way to receive your statements, and it helps reduce the amount of material essential workers must handle.

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## RAISING EQUALITY ADVOCATES, CONTINUED from PAGE THREE

unfairly and listen to what they say. If you don't listen, you'll never know what they are thinking. My children have both surprised me with how thoughtful they are and scared me with some of the misinformation they believe to be true, such as when my 17-year-old son told me the gender pay gap is an urban legend. After panicking a little bit, I used it as lesson, and we worked through it.

**Make a circle of support:** There's a reason progressive companies set up affinity groups — they give employees a way to connect with individuals who can help them find their place, realize the opportunities before them and

thrive in unexpected ways. Workers need sponsors and mentors besides their bosses, and kids need sponsors and mentors besides their parents. Each of my children has had teachers and coaches who have helped them along, advocated for them and created opportunities for them. My daughter is very shy and struggles to make friends. Her school counselor has been a constant in her life for the past four years, and this year she nominated my daughter for student leadership. My daughter was terrified to take on this role, but she did it and it has been life changing. I would not have thought of

this! This counselor knew my daughter needed this opportunity and was ready for it. Teachers, coaches, family, friends and co-workers can be affirming mentors who help instill self worth and empowerment.

Being around my kids every day during the COVID-19 emergency, I've had more opportunities than usual to tap into their thinking and see how they're developing as citizens of the world — and feminists. It's an ongoing process, but there have been steady gains, small yet noticeable. And they've helped me see that my kids are watching and listening and learning. This is the greatest gift. **X**



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