Engagement Report

2020

Cooperation is the key to a lot of good things. That lesson has been reinforced with indescribable vigor during the COVID-19 crisis: To get things done at a time when we're all working in separate boxes is a symphony in cooperation. It's also the basis of our engagement with companies in our portfolios. When it works, it enables both investors and companies to be better off. When we and a company work together to understand gender pay gaps and repair them, for example, *everyone* stands to win — the company, its male and female workers and its investors. The corrosion of morale and productivity that unequal treatment and pay brings to workforces is, similarly, something everyone pays for.

Sadly, this is a lesson that's been shelved in public policy recently. Late in 2019, in response to appeals from business groups including the Business Roundtable, the National Association of Manufacturers and the U.S. Chamber of Commerce, the Securities and Exchange Commission (SEC) proposed certain changes to the process of filing shareholder proposals, and those changes are likely to damage or curtail productive engagement between shareholders and companies.

The changes the SEC has proposed include:

- raising the value of shares needed to file and then refile any shareholder proposal, excluding resolutions that do not get a specified *increase* in votes year over year;
- limiting the use of representatives in filing proposals; and
- creating new availability requirements for shareholder proposal proponents.

Every one of these changes will likely exclude some of the shareholder proposals being filed now.

The basis for the proposed changes is biased arguments asserting that shareholder proposals are costly to companies (and their investors), that they deal with inconsequential or "political" issues that have little or nothing to do with shareholder value, and they waste the time of not only management but all other shareholders in the company.

These arguments are simply wrong. The estimates of the costs the SEC uses to tote up the cost of each shareholder proposal are based on a tiny smattering of self-reported costs from companies that have long opposed the shareholder proposal process. In fact, the only thing that companies must do if they don't want to deal with a shareholder proposal is put it on the proxy statement for shareholders to vote on. All other costs — legal counsel, appealing to the SEC for no-action relief, constructing an opposition statement — are strictly discretionary. The cost estimate used by the SEC assumes that every company is obliged to retain legal counsel and appeal the proposal for no-action relief, and that is not the case.

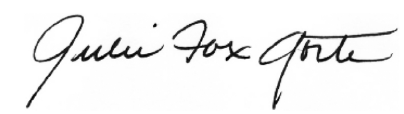
More generally, this rule proposal is framed as though there were a significant and rising threat to corporate and shareholder well-being from shareholder proposals. But the empirical evidence does not support this. Thus, the proposed rule has not established the existence of a market failure that justifies the rule change, as recommended by the SEC's guidance for rulemakings. The big picture shows that the number of proposals filed is falling, shareholder support (in the form of votes) for shareholder resolutions is rising, and the nonbinding nature of shareholder proposals means that most of what companies spend to deal with them is discretionary, not mandatory. This is not the portrait of a problem affecting business performance.

Fundamentally, the SEC characterizes shareholder proposals as expensive timewasters. In fact, there is abundant evidence that the issues most shareholder proposals deal with — matters such as gender pay equity, poison pills, proxy access, majority voting, board diversity, climate risk, environmental impact, product liability and political spending — are material to many shareholders.

As you will see throughout this report, our engagements with companies are not limited to shareholder proposals. But for smaller shareholders like us, the proposal is often an essential tool to get management's attention, and it's a tool we use sparingly to initiate dialogues that we believe are helpful to companies as well as their shareholders — we always include a business case for any action we ask a company to take.

If we lose the shareholder proposal tool, we will continue to engage with companies on topics such as climate risk and gender equality and sustainability reporting — it is fundamental to our work as sustainable investors. It will be harder, and possibly sparser, if companies use the new rules as an excuse to avoid engagement. That will be their loss. Acknowledging and dealing with climate change, understanding their impact on the planet and communities, and treating all workers fairly are things that forward looking companies do if they want to be well positioned to compete in the future, more sustainable economy.

Sincerely,



Julie Fox Gorte, Ph.D.
Senior Vice President for Sustainable Investing
Impax Asset Management, LLC - Adviser to Pax World Funds

WHY WE ENGAGE

Shareholders want the companies in their portfolios to perform well, create value and have impact. By engaging with the companies held in Pax World Funds, we help ensure they are attuned to the risks and opportunities presented by the transition to a more sustainable global economy, which we believe will help them create long-term value for investors.

HOW WE ENGAGE

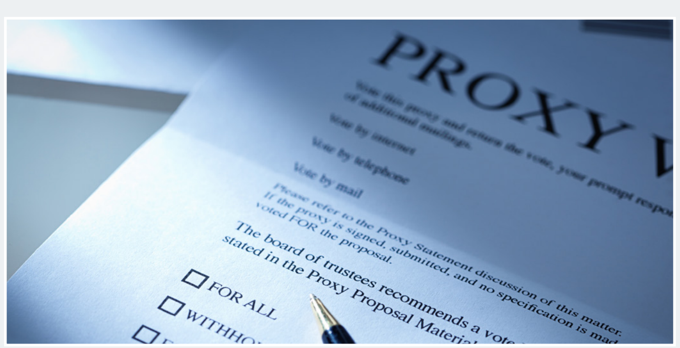
In 2019, we had **204** engagement contacts with **159** companies.

SHAREHOLDER RESOLUTIONS AND COMPANY DIALOGUES

We directly engage with our portfolio companies and issuers, including meeting with management teams and filing shareholder resolutions when we see opportunities for companies to adopt higher sustainability standards and become more resilient.

COLLABORATIVE AND PUBLIC POLICY ENGAGEMENTS

We partner with other investors to catalyze progress on critical environmental, social and governance issues. Collaborative efforts such as these let us expand our reach and influence beyond what we own in our portfolios.



PROXY VOTING

Proxy voting is a key component of ongoing dialogues with companies in which we invest. We vote on issues ranging from board of director elections, executive compensation and capital structure to environmental and social issues.

FOCUS AREAS

In 2019, we focused our engagement efforts on the following key issues.

BOARD & EXECUTIVE DIVERSITY

Studies show that businesses with more women in leadership perform better. That's why we vote "no" on all-male boards and ask companies to implement policies and practices to achieve greater board diversity.

PAY EQUITY

Companies that commit to pay equity become better positioned to attract and retain employees, which makes them more competitive. Through engagement, we ask companies to conduct pay equity assessments, disclose the results and commit to closing any gender or racial pay gaps that exist.

CLIMATE CHANGE

We ask companies in the most carbon-intensive sectors to track and report their greenhouse gas emissions, establish targets to reduce those emissions and ensure that their boards of directors understand the business risks associated with climate change.

MAPPING TO THE SDGs

At Impax, our engagement focus areas align with the following United Nations Sustainable Development Goals:

SUSTAINABLE DEVELOPMENT GOALS

Board and Executive Diversity - SDG 5.1
Our engagements with companies about board and executive diversity are aligned with one of the sub-goals of SDG 5, which seeks women's full participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Pay Equity - SDG 5.5
Our engagement with companies about gender pay equity is aligned with another sub-goal of SDG 5, which is to end all forms of discrimination against women and girls everywhere.

Climate Change - SDG 7.2
In our engagements with companies about increasing their use of renewable energy, an important part of addressing climate change, we are aligned with a sub-goal of SDG 7, which seeks to substantially increase the share of renewable energy in the global energy mix by 2030.

Affordable & Clean Energy - SDG 9.4
Our engagement with companies about reducing carbon emissions and mitigating climate change is also aligned with a sub-goal of SDG 9, which seeks increased resource-use-efficiency and greater adoption of clean and environmentally sound technologies.

PROXY VOTING

For more than 30 years Pax World Funds has used proxy voting to make our shareholders' voices heard.

In 2019, we voted **973** meetings with more than **14,300** proposals, and we publicly disclosed our votes prior to the meetings.

We voted *against* proposals put forth by management **43%** of the time, primarily around director elections due to concerns about board diversity, and we voted *in favor* of all of the climate and diversity related shareholder proposals — **33** in total.

PUBLIC POLICY ENGAGEMENTS

In 2019, we wrote or signed letters to public bodies about several issues and developments.

- **U.S. Environmental Protection Agency -** opposed rollbacks in the Mercury Air Toxics Standards
- **U.S. House of Representatives -** urged lawmakers to prioritize climate legislation in the first 100 days of the 116th Congress
- **New Hampshire Legislature -** urged lawmakers to pass new Regional Greenhouse Gas Initiative and increase the amount of proceeds being invested into energy efficiency
- **Government of Bangladesh -** urged leaders not to abandon the Accord on Fire and Building Safety
- **United States Congress -** encouraged lawmakers to increase the net metering cap
- **Colorado General Assembly -** expressed support for bills to expand the electric vehicle infrastructure; urged adoption of commercial energy benchmarking policy for the state
- **House Financial Services Committee Chair Maxine Waters -** expressed concern about potential regulatory changes that would restrict the ability of shareholders to file resolutions
- **California Legislature -** expressed support for the Issue Ads DISCLOSE Act, the Deforestation-Free Procurement Act and the California Circular Economy and Plastic Pollution Reduction Act
- **Global Governments -** urged them to achieve Paris Agreement goals, accelerate private sector investment into the low-carbon transition and commit to improve climate-related financial reporting; called for development, implementation and enforcement of mandatory human rights due diligence requirements for all companies headquartered or operating within their jurisdictions
- **House Financial Services Subcommittee on Investor Protection -** expressed support for a bill that would require ESG disclosure, including corporate political spending disclosure
- **Securities and Exchange Commission Chairman Jay Clayton -** objected to unnecessary rulemaking on proxy advisors; objected to proposed rule to roll back corporate disclosure requirements; requested the extension of comment periods for two pending proposals

2019 SHAREHOLDER ENGAGEMENTS & COMPANY DIALOGUES

In 2019, we focused on establishing dialogues with companies on a variety of issues, particularly those related to gender equality and climate change, and we followed up or continued negotiations with companies with which we've previously engaged.

The tables throughout this report show the breadth and impact of our engagements. **Outreach** indicates initial contact with companies to share information or concerns about ESG issues. Examples include explaining why we voted against management on a proxy ballot or asking for information from a company about material ESG issues. **Dialogue** indicates discussion or email exchanges with companies to gain greater insight into how the company is managing a material issue, to share our expertise, perspectives and/or resources on an issue. **Progress** indicates improvement or movement towards the goal of the dialogue, such as a company proposing ways they would implement programs, policies or targets to address the issue at hand. **Milestone** indicates substantive improvement or changes at the core of the engagement topic.

BOARD DIVERSITY

We ask companies to implement policies and practices to achieve greater board diversity and to report on progress to shareholders in annual proxy statements.

MILESTONE SPOTLIGHT

Ligand Pharmaceuticals

Ask - Requested Ligand Pharmaceuticals publicly report on steps being taken to enhance board diversity.

Progress - The company amended its Nominating and Corporate Governance Charter to ensure that the committee considers diversity of age, gender, race, ethnicity and international experience in identifying director nominees. This commitment was also included in the company's 2019 Proxy Statement.

Milestone - In October 2019, the company appointed Sarah Boyce to the Board of Directors, bringing the number of diverse directors at the company to two.

ALL BOARD DIVERSITY ENGAGEMENT

Company	Outreach	Dialogue	Progress	Milestone
T-Mobile		●	●	
Cognizant Technology Solutions		●	●	●
RealPage, Inc.	●			
Ligand Pharmaceuticals	●	●	●	●

BEFORE DIALOGUE

Some of the best engagements begin simply, with a letter or call. In addition to the activities outlined in this section, in 2019 we wrote to:

- **21** Japanese companies with zero women on the board of directors, requesting information about the steps they are taking to diversify.
- **34 companies**, in advance of their annual general meetings, requesting information about how they planned to address the lack of diversity on their boards of directors. We also urged their boards to clearly articulate a commitment to diversity inclusive of gender, race and ethnicity in director searches and to disclose information about board members' gender, racial and ethnic diversity in the companies' proxy statements.

EXECUTIVE DIVERSITY

Diversity in the executive suite is often correlated with financial outperformance. Not only is it financially rewarding, it's simply the right thing to do. We ask companies to report about their efforts to achieve greater gender, racial and ethnic diversity on their executive management teams.

MILESTONE SPOTLIGHT

BorgWarner

Ask - Requested BorgWarner report to shareholders on the diversity of its executive management team and plans to expand diversity among its members. Through regular, quarterly calls with BorgWarner management, we seek to help the company develop more comprehensive diversity and inclusion disclosure.

Progress - BorgWarner included a commitment to pay equity in its 2019 proxy statement. In October 2019, BorgWarner CEO Frédéric Lissalde endorsed the CEO Action for Diversity and Inclusion.

GLOBAL COLLABORATION

We partnered with our Impax London colleagues on a handful of engagements during 2019. The sustainability teams on both sides of the Atlantic conversed with Ingersoll-Rand about its board structure, specifically, board tenure, refreshment and independence. The teams also spoke with Aptiv, American Water Works and A.O. Smith Corporation about sustainability reporting and disclosure and provided feedback on each company's reporting methods. The joint team also discussed each of the three companies' climate change and gender diversity efforts in detail.

MOBILIZING DIVERSITY

Back in 2015, Lead Sustainability Research Analyst Heather Smith was reviewing the proxy that T-Mobile had published ahead of its annual general meeting when something in particular caught her eye. It was the list of individuals standing for election to the company's board of directors — it was a board with just one woman. Digging a bit deeper, Smith found the company had no formal board diversity policy.

"At the time, it was our policy to vote 'no' to all-male boards and boards with only one woman," Smith says, noting that today Pax votes against nominating committee members on boards with fewer than three women. So, she cast the Pax ballot then wrote to the company to explain the 'no' vote.

Soon after, Smith talked with T-Mobile's investor relations team to let them know why the amount of board gender diversity and disclosure concerned Pax World Funds.

"We let them know we believe diversity, inclusive of gender and race, is a critical attribute of a well functioning board and a measure of sound corporate governance," Smith says. "And there's a lot of research that backs that up, that shows diversity on corporate boards leads to improved company financial performance, increased innovation, better problem solving and many other benefits."

At the time, T-Mobile conveyed its commitment to board diversity and shared Pax's concerns with its board of directors. Satisfied with the positive conversation, Smith made a note to monitor the company's progress.

Fast forward to 2018: Noting that neither the level of gender diversity on the company's board nor the board diversity disclosure in the company's proxy had changed meaningfully, Smith added Pax World Funds as a signatory to a letter the Thirty Percent Coalition sent to the company discussing the many business benefits associated with board gender diversity. In 2019, Smith followed up again, this time with a more formal shareholder proposal that asked T-Mobile to prepare a report about steps it was taking to foster greater diversity on the board. The proposal asked the company to embed a commitment to diversity in its governance documents, to commit publicly to including women and people of color in each candidate pool for senior positions and board seats, and to disclose the racial, ethnic and gender composition of the board in annual proxy statements. T-Mobile responded immediately to the shareholder proposal, arranging a dialogue with members of management as well as Theresa Taylor, Chair of the board's nominating committee. That the company made a director available was a clear indication, Smith says, "that they took the issue seriously."

Recognizing that its public disclosure did not reflect its practices, the company published on its website its Director Selection Guidelines, which commit T-Mobile to including women and minority candidates in the pool from which the nominating committee selects director candidates. Notably, the dialogue expanded to include a discussion of broader diversity and inclusion efforts across T-Mobile. In early 2020, Smith withdrew Pax's proposal based on the company's commitment to provide more comprehensive diversity disclosure — encompassing both the board and broader workforce — in its 2020 proxy statement.

"This was the best kind of collaborative engagement," Smith says, noting that T-Mobile gave Pax the opportunity to provide feedback on its planned proxy disclosure, and its recently published 2020 proxy statement reflects Pax's input.

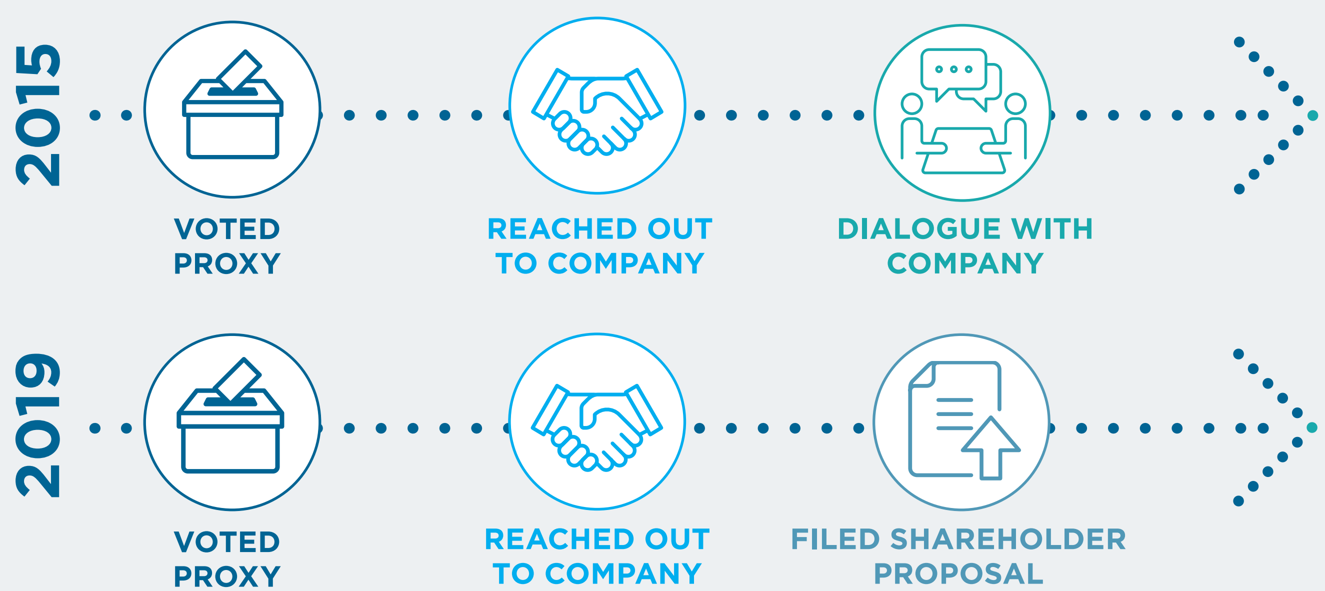
83% **of shareholder proposals filed in 2019 were withdrawn after successful dialogue with the company in question.**

Smith says disclosures and public commitments are important because they create accountability. While current directors may value diversity, unless their governing documents reflect it, there's no guarantee that future directors will make it an area of focus. A published policy helps ensure the company fosters diversity over the long term.

"We'll continue to collaboratively engage with the company," Smith says, noting that a follow-up dialogue is already planned for early 2021.

THE ARC OF ENGAGEMENT

While some company engagements are swift, most have a longer arc. This timeline depicts how our engagement with T-Mobile evolved over the course of five years.*



PROGRESS

T-Mobile published its Director Selection Guidelines and agreed to increase disclosure about board and related diversity efforts in its proxy statement.

**In 2016 and 2017, Pax World Funds did not hold an equity position in T-Mobile and thus did not vote its proxy.*

PAY EQUITY

We ask companies to conduct pay equity assessments, disclose the results and commit to closing any gender and racial pay gaps that may exist.

MILESTONE SPOTLIGHT

Discover Financial Services

Milestone - In 2019, Discover published the results of its pay equity analysis, finding that women and minorities at the company earn on average between $0.99 and $1.02 for every $1 earned by men and non-minorities. The results of the analysis speak to the effectiveness of the company's commitment, management and oversight of pay equity, which Discover first articulated in its 2018 Corporate Responsibility Report following a productive dialogue with Pax World Funds.

ALL PAY EQUITY ENGAGEMENT

Company	Outreach	Dialogue	Progress	Milestone
Cognizant Technology Solutions		●		
Discover Financial Services		●	●	●
Oracle	●			
Voya Financial		●		
US Foods		●		
Biogen	●	●		
The Hartford Financial Services Group	●	●	●	
Becton, Dickinson & Co.	●	●		
DaVita, Inc.	●	●	●	
Lincoln National	●	●	●	
Citizens Financial	●	●	●	
Quest Diagnostics	●	●	●	

PAY EQUITY'S DRIVING FORCE

Meet Heather Smith, the driving force behind much of Pax's gender-related engagement work. For about a decade, Heather has been engaging with companies held in Pax funds on matters of gender diversity and pay equity.

Successes along the way have included engagements with Apple, Discover Financial and KeyCorp — all three companies disclosed the results of gender pay assessments and enhanced their pay equity disclosures at Smith's urging.

She says most of the companies she reaches out to are open to improving because, increasingly, they understand that doing so can add value to their company.

"A vast amount of research shows that companies that are committed to pay equity, and transparent about their pay equity efforts, are better positioned to attract and retain talented employees — and avoid costly turnover," Smith says. While her list of fruitful engagements is long, others have required persistence.

For the past three years, Smith has asked Oracle for a conversation about pay equity, but so far the company has not engaged.

In late 2019, reporter Anders Melin wrote about Smith's efforts in an article for Bloomberg.

"The biggest Silicon Valley companies have responded to complaints about unequal pay by disclosing the gaps between men and women doing similar work," Melin wrote. "But not Oracle Corp."

Read the full article here:
https://bloom.bg/3733byP

Heather Smith is Vice President, Lead Sustainability Research Analyst at Impax Asset Management, LLC.

CLIMATE CHANGE

We ask companies in the most carbon-intensive sectors to adopt higher standards when it comes to reducing emissions and mitigating climate change and to ensure their boards understand the business risks associated with climate change.

MILESTONE SPOTLIGHT

Verizon Communications

Ask - Requested that Verizon set a target to increase renewable energy sourcing and/or production.

Progress - The company agreed to set targets to increase renewable energy use.

Milestone - Verizon has committed to sourcing renewable energy equivalent to 50% of its total electricity usage by 2025.

ALL CLIMATE CHANGE ENGAGEMENT

Company	Outreach	Dialogue	Progress	Milestone
PACCAR Inc.	●	●		
Verizon	●	●	●	●
Voya Financial	●	●	●	
JPMorgan Chase & Co.	●	●	●	●

BEFORE DIALOGUE

A common "ask" during many of our climate-related engagements is for companies to prepare a Task Force on Climate-related Financial Disclosures (TCFD) report containing climate-related financial disclosures that are consistent, comparable, reliable, and provide investors and others with useful decision-making material. In addition to the activities outlined in this section, in 2019 we wrote to **56** materials and utilities companies to asking them to prepare a TCFD report, set emissions reduction targets or take other climate-related measures.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SETTING TARGETS

Mitigating the effects of climate change is an environmental and economic imperative. The 2015 Paris Agreement, which saw almost every nation commit to reduce its global greenhouse gas (GHG) emissions, marked the beginning of the transition from an Industrial Age economy reliant on fossil fuels to a sustainable, low-carbon economy.

"We believe it is critical that companies adapt their business models now, so they are well-positioned for a low-carbon future," says Greg Hasevlat, Sustainability Research Analyst.

Because while climate change will be expensive to fix, it will be far more expensive — and dangerous — to ignore.

"Major companies are taking steps to reduce greenhouse gas emissions, including setting targets that are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement,"[1] Hasevlat says.

In fact, more than 100 companies set such targets over the last year; that's up from 53 in mid-2019, though the pace of those commitments slowed in March when companies were forced to turn their attention to the COVID-19 emergency.[2]

Hasevlat's engagement work focuses on pushing the companies in Pax portfolios to be at the vanguard of climate change mitigation activity. He presses them to be more transparent about climate risks and asks them to set targets to reduce their GHG emissions.

"We want to understand how management teams think about this issue and how climate risk is considered across the enterprise," Hasevlat says.

In 2019, working in collaboration with sustainability-focused nonprofit Ceres, Hasevlat identified a manufacturing company held in the Pax ESG Beta Dividend Fund that lacked specific goals for renewable energy procurement or energy efficiency targets. Yet the company had previously made commitments to reduce its GHG emissions.

"We felt this was an opportunity to talk with them about what worked in the past and what the next phase would be in their efforts to reduce the environmental impact of their operations."

Hasevlat says during a conversation with the company he gained a deeper understanding of its sustainability profile and learned about its plan to set a science-based target to reduce GHG emissions in 2020.

"Companies that adopt long-term clean energy sourcing goals are preparing themselves for a low-carbon future, and that's what's coming," Hasevlat says.

Greg Hasevlat is Vice President, Sustainability Research Analyst at Impax Asset Management LLC.

[1]https://sciencebasedtargets.org/what-is-a-science-based-target/
[2]https://www.bloomberg.com/news/articles/2020-04-15/green-finance-s-role-in-an-economic-recovery-green-insight?srnd=green&sref=FdA27njW

THE ARC OF ENGAGEMENT

PROGRESS

Company committed to setting science-based greenhouse gas emissions targets and various energy efficiency efforts.

DEFORESTATION

In this engagement, we are asking companies to implement and disclose no-deforestation policies with quantitative, time-bound commitments, with monitoring and verification.

MILESTONE SPOTLIGHT

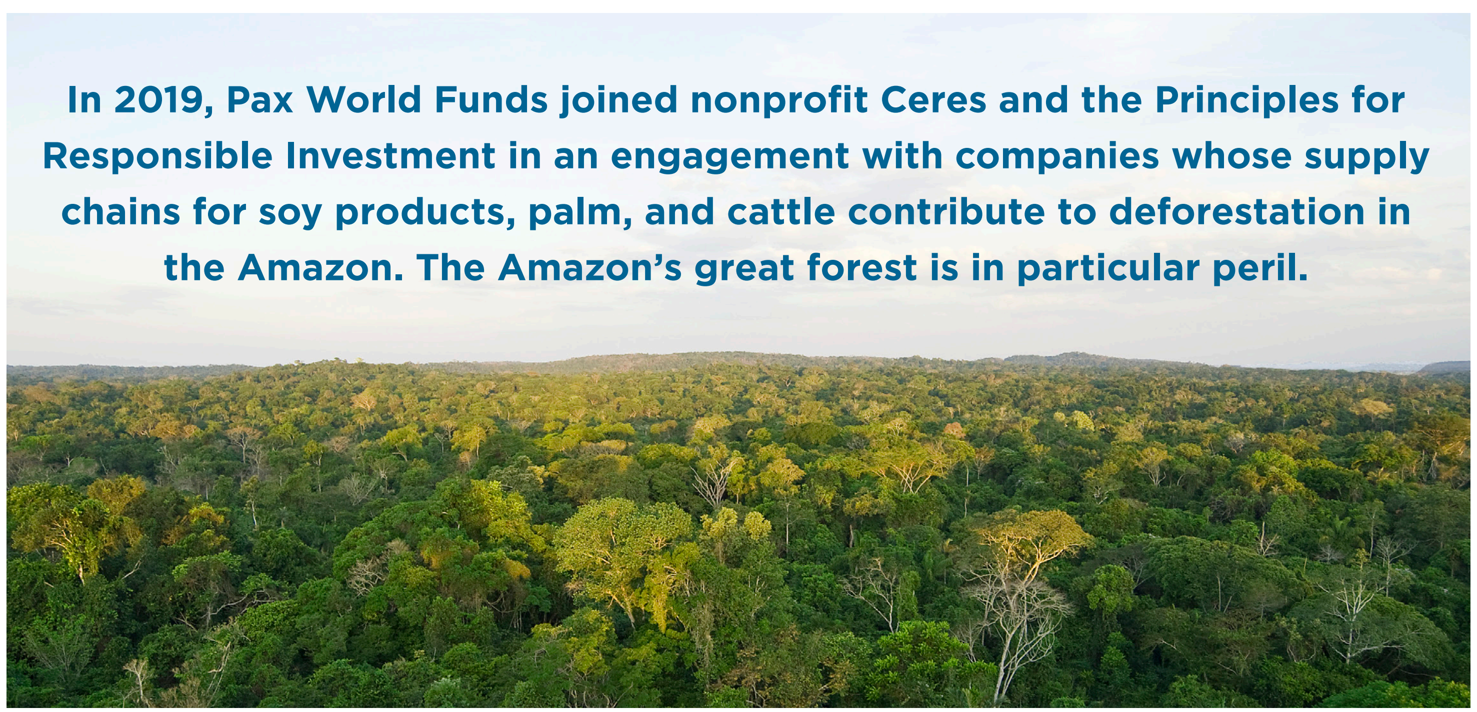
Nike

Ask - Engaged in dialogue about what the company is doing to manage deforestation in supply chains. HSBC collaborated with us on this engagement.

Progress - Company is actively considering recommendations of Task Force on Climate-related Financial Disclosures.

ALL DEFORESTATION ENGAGEMENT

Company	Outreach	Dialogue	Progress	Milestone
Nike	●	●		
Target Corp	●	●	●	
Yum! Brands	●	●		



SUSTAINABILITY REPORTING

We urge companies to strengthen their governance structures and introduce sustainability policies, processes and disclosures so they can more effectively manage their most material ESG-risks.

MILESTONE SPOTLIGHT

Kaiser Aluminum

Ask - We asked the company to produce a sustainability report.

Milestone - The company fulfilled that request, providing us with a draft of its sustainability report, to which we made suggestions about the goals and targets the company had set.

ALL SUSTAINABILITY REPORTING ENGAGEMENT

Company	Outreach	Dialogue	Progress	Milestone
American Water Works		●		
Aptiv PLC		●		
A.O. Smith Corporation		●		
Hubbell		●	●	
Charter Communications	●		●	●
Kaiser Aluminum		●	●	●

COLLABORATIVE ENGAGEMENT CLOSE-UP

Here's how we teamed up with other investors and advocates in 2019 to bring about positive change on three of our focus areas: climate change, gender equality and corporate governance.

- Led outreach and dialogue at several companies that were part of the **30 Percent Coalition's** "Adopt a Company" Campaign. In 2019, the coalition's Institutional Investor Committee wrote to more than 200 companies with little or no gender diversity on their boards. *(Collaborative Partner: 30 Percent Coalition)*
- Dialogue with **Procter & Gamble Co.** and **Nestlé** to hear about the companies' plastics reduction efforts. *(Collaborative Partner: As You Sow)*
- Encouraged 49 companies to adopt renewable energy targets, science based greenhouse gas reduction targets, and commitments to renewable energy and increased energy efficiency, and participated in a call with **Duke Energy** to discuss emissions reduction, including science-based targets and TCFD reporting. *(Collaborative Partner: ShareAction)*
- Engaged in dialogue about board diversity with **Virtu Financial** and **Vericel Corporation**. *(Collaborative Partner: Northeast Investors' Diversity Initiative)*
- Asked **25 retail companies** to stop exporting plastic waste and disclose the final destination of the plastic bags and film collected and generated in their stores. *(Collaborative Partner: The Last Beach Cleanup)*
- Encouraged **11 companies** to address the risks posed by the toxic pesticides in their supply chains. *(Collaborative Partner: Investor Environmental Health Network)*
- Participated in a stakeholder call with **Baxter International**. *(Collaborative Partner: Ceres)*
- In a letter to **McKesson**, shared our concerns about a potential lack of oversight and leadership by the company's board of directors in response to the opioid crisis. *(Collaborative Partner: Investec)*
- Signed a letter to **major oil and gas companies**, asking them to join peers to make public their support for the continued regulation of methane to counter regulatory rollbacks proposed by the Environmental Protection Agency. *(Collaborative Partner: Interfaith Center on Corporate Responsibility)*
- Asked **large food and beverage retailers** to adopt a safer chemical management process to assess and mitigate risks from pesticide use; to measure and report on pesticide use in their supply chains (and to set reduction goals); and to participate in and/or become a signatory to the Chemical Footprint Project. *(Collaborative Partners: Investor Environmental Health Network, Mercy Investments, FOE)*

CONTINUED ON NEXT PAGE

- Urged retailers and apparel and home good brands to sign the **Turkmen Cotton Pledge** and to support the Yarn Ethically and Sustainably Sourced initiative. *(Collaborative Partner: Sourcing Network)*
- Asked the **Equator Principles Association** to strengthen its Equator Principles to recognize that Indigenous Peoples have a fundamental right to provide or withhold their free, prior and informed consent (FPIC) as set out in the United Nations Declaration on the Rights of Indigenous peoples. *(Collaborative Partner: Boston Common)*
- Asked **General Motors** to join Ford and other companies that have opted to continue increasing fuel economy, contrary to the Trump Administration's freeze. *(Collaborative Partner: Climate Action 100+)*
- Signed investors statement about **deforestation and forest fires** in the Amazon. *(Collaborative Partners: PRI & Ceres)*
- Signed investors statement about **corporate climate lobbying** that was sent to the CEOs of 47 U.S.-based CA100+ focus companies. *(Collaborative Partners: Ceres & Investor Network on Climate Risk)*

PARTNERING ON PLASTICS

Celeste Cole is Vice President, Sustainability Research Analyst at Impax Asset Management LLC.

Plastic is more of a risk factor for companies today than ever before because of widespread pollution and efforts to regulate its use, as well as changing consumer preferences. Yet it's still a big part of many companies' supply chains. As investors, we're interested in avoiding the risks associated with plastic production and use, which is why we joined As You Sow and their coalition to engage publicly traded consumer goods companies on plastic pollution — the Plastic Solutions Investor Alliance. As part of this initiative, in February 2019 we engaged with Procter & Gamble.

"It was an opportunity for us to find out how the company was progressing on its plastic reduction targets," says Sustainability Research Analyst Celeste Cole.

The previous year, P&G outlined goals that included increasing its use of recycled and recyclable materials and developing solutions to prevent P&G packaging from finding its way to the ocean.

Cole says engagement like this is important because it helps the Pax sustainability team learn more about the issue and about the measures a company like P&G is taking to address this growing and global problem.

"It helps us more effectively engage with other companies attempting similar goals," Cole says.

Another benefit? Such engagements remind the company that their investors are interested and listening.

Impax was pleased to learn that in May 2019, P&G announced it had joined the World Wildlife Fund's ReSource initiative as one of its principal members. ReSource seeks to help companies develop common metrics, accountability and best practices around preventing plastic waste.

PARTNERS FOR GOOD

We continue to partner with the following organizations to promote gender equality, address climate change and advance the field of sustainable investing.

CDP – This network of investors and purchasers represents more than $87 trillion in assets and annually urge companies to report on climate risks and opportunities and take steps to reduce emissions. More than 5,600 companies worldwide have disclosed environmental information through CDP over the past 15 years.

Ceres – The Ceres Investor Network on Climate Risk and Sustainability comprises more than 130 institutional investors, collectively managing more than $17 trillion in assets, advancing leading investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy. Executive Director of Client Service and Business Development for Impax Asset Management, David Richardson, served on the Ceres President's Council in 2018.

Climate Action 100+ – an initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures. To date, 256 investors with more than $30 trillion in assets under management have signed on to the initiative.

Investor Decarbonization Initiative – a collaborative, global initiative uniting more than 100 influential businesses committed to 100 percent renewable electricity, working to massively increase demand for — and delivery of — renewable energy.

Investor Network on Climate Risk (INCR)

Investor Network on Climate Risk (INCR) – This is a network of more than 110 institutional investors representing more than $13 trillion in assets who are committed to addressing the risks and seizing the opportunities resulting from climate change and other sustainability challenges.

Northeast Investors' Diversity Initiative – A coalition of institutional investors committed to increasing gender, racial and ethnic diversity on corporate boards to maximize returns and safeguard shareholder value.

Principles for Responsible Investment (PRI) – PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Pax World Funds has been a signatory to these principles since 2007.

Task Force on Climate-related Financial Disclosures (TCFD) – The TCFD develops voluntary, consistent climate-related financial risk disclosures that companies can use to providing information to investors, lenders, insurers, and other stakeholders. Impax Asset Management Founder and Chief Executive Ian Simm was one of the first 100 company leaders to publicly support the recommendations of the task force. In 2018, we published our first Pax World Funds TCFD report summarizing how our firm addressed risks and opportunities related to climate change during the previous calendar year. Read it here: https://paxworld.com/TCFD.

Thirty Percent Coalition – Pax World Funds is a founding member of the Thirty Percent Coalition, which seeks to ensure that women hold 30 percent of board seats across public companies in the U.S. More than 100 of the companies contacted by the coalition since 2012 have appointed women to their boards.

US SIF (The Forum for Sustainable and Responsible Investment) – US SIF's mission is to rapidly shift investment practices towards sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. Pax World Funds Chief Investment Officer Steve Falci has served on the US SIF board of directors from 2018 to 2020.

David Loehwing is Vice President, Sustainable Investing at Impax Asset Management, LLC.

A conversation with David Loehwing, Vice President, Sustainable Investing, about the year ahead in engagement

What does engagement look like in the year ahead?

The COVID-19 pandemic has brought many sustainability issues into sharper focus, especially in the "S" — the social aspect — of ESG. In the year ahead we'll direct an even greater focus in this area, taking a close look at how companies are handling worker health and safety, human resources management, customer safety, and community impact. All these areas have been of concern to sustainable investors for a long time; the pandemic has brought them into the spotlight.

When will this begin?

We've already begun. Currently we're analyzing companies' handling of the COVID-19 crisis. For example, how have they implemented furloughs? What are they doing about executives' pay? What are they doing to protect employees and customers? How are they retooling products and services to meet the needs of this moment?

We've also written to companies in some high-risk industries — retailers, grocery chains, healthcare businesses — to find out what they are doing now, or plan to do in the future, to build more resiliency into their businesses. We appreciate that right now many of these companies need to be focused on the immediate emergency, but we hope to engage with many of them when the dust settles.

In the longer term, we want to help companies identify structural changes that could help make them more resilient. Could they modify their sick time policies in a way that could help protect their entire workforce? Could they extend remote work arrangements to gain efficiencies and lower their carbon footprints? For all it has wrought, the pandemic has also shown what is possible, and there's much to be gained from that insight.

What's the connection between sustainability and resilience?

Things that make companies more sustainable tend to also make them more resilient, and companies that are more resilient are better positioned to weather the inevitable future crises and downturns and to bounce back quickly from them. It's in our best interest as investors — and as global citizens — to ensure the companies in our portfolios are doing whatever they reasonably can to become more resilient. This is at the core of all of our engagement work.

Can you measure a company's resiliency? How will you determine which companies are building resilience and which ones might need a nudge?

We've developed a set of industry-focused indicators of resiliency that we're already using in our analyses. The indicators touch on some areas where we think companies can become more resilient, such as paid leave, worker health and safety, and stock buybacks, for example. Buybacks drain companies of cash that could be used during a crisis, which makes them less resilient. This is something we'll be watching for.

What types of improvements will you ask companies to make during these engagements?

The pandemic has highlighted how important it is for companies to invest in their workers. The individuals on the front lines of the COVID-19 response — not only the healthcare workers but the warehouse workers, grocery store workers, delivery drivers and many others — are performing essential functions, but they may not have all the protections other workers are entitled to, such as paid time off or health benefits. A company's success is tied to the success of its workers, so it's very important for companies to do more to make sure these essential workers can have long-term success. These will be key components of risk management and business continuity going forward, so we'll be asking companies to commit to improvements in those areas.

We'll also ask companies to make changes that put customer safety front and center going forward.

Anything else?

One of the byproducts of the pandemic has been a reduction in greenhouse gas emissions due in large part to reduced air travel and shuttered office buildings. At the same time, many companies have realized that travel for meetings and commuting is not critical for business continuity. This is an important lesson, one that we hope companies will heed post-pandemic. So, we'll ask companies in our portfolios to hone the systems they use for remote work arrangements, including reskilling their workforces, where necessary, so they have the infrastructure and skills needed to accommodate a decentralized workplace.

COVID-19 has had a disproportionately negative impact on communities of color. How can you help address this through shareholder engagement?

We want to see the companies in our portfolios help resolve the racial inequalities that have brought us to a critical point in our nation's history. In the coming months, we'll be reaching out to those companies whose facilities are sited in areas where the surrounding demographics are disproportionately ethnic minorities, and that contribute to air and water pollution that, as we have seen during the COVID-19 pandemic, contributed significantly to the higher mortality rate among racial minorities in the United States. We will ask these companies to take appropriate steps to curtail that pollution and to report publicly on the demographics of areas in which their operations harm human health.

You've been doing company engagement work for a couple of decades now. How have you seen it change, if at all?

It's a lot less confrontational now. It used to be a very adversarial relationship between the shareholder who had concerns about sustainability and the management teams at companies. Today there's a much greater focus on explaining the concerns to management, and management teams are more receptive to hearing the concerns and addressing them. Companies have realized it's important, from a shareholder value perspective, to be more proactive about addressing the concerns of engaged shareholders. Thus, the value of dialogue and the importance of dialogue has increased.

RISKS: Equity investments are subject to market fluctuations, the fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. The Fund does not take defensive positions in declining markets. The Fund's performance would likely be adversely affected by a decline in the Index. Investments in emerging markets and non-U.S. securities are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation, intervention and political developments. There is no guarantee that the objective will be met and diversification does not eliminate risk. Funds that emphasize investments in smaller companies generally will experience greater price volatility. Investing in non-diversified funds generally will be more volatile and loss of principal could be greater than investing in more diversified funds.

As of 3/31/20, **T-Mobile USA, Inc.** is 0.9% of the Pax Sustainable Allocation Fund; 2.2% of the Pax Large Cap Fund; and 1.7% of the Pax High Yield Bond Fund. **Cognizant Technology Solutions** is 0.02% of the Pax Sustainable Allocation Fund; 0.3% of the Pax ESG Beta Dividend Fund; and 0.6% of the Pax ESG Beta Quality Fund. **RealPage, Inc.** is 0.04% of the Pax Sustainable Allocation Fund and 1.8% of the Pax Sustainable Allocation Fund. **Ligand Pharmaceuticals Incorporated** is 2.7% of the Pax Small Cap Fund and 0.1% of the Pax Sustainable Allocation Fund. **BorgWarner** is 0.2% of the ESG Beta Quality Fund. **Aptiv PLC** is 0.5% of the Pax Sustainable Allocation Fund; 1.2% of the Pax Large Cap Fund; 1.7% of the Pax Global Environmental Markets Fund; and 1.8% of the Pax Global Opportunities Fund. **American Water Works** is 0.5% of the Pax Sustainable Allocation Fund; 1.1% of the Pax Large Cap Fund; 1.1% of the Pax ESG Beta Quality Fund; 1.9% of the Pax Ellevate Global Women's Leadership Fund; and 3.1% of the Pax Global Environmental Markets Fund. **Discover Financial Services** is 0.1% of the Pax Ellevate Global Women's Leadership Fund. **Oracle** is 0.1% of the Pax ESG Beta Dividend Fund and 0.7% of the Pax ESG Beta Quality Fund. **Voya Financial** is 1% of the Pax Sustainable Allocation Fund; 2.5% of the Pax Large Cap Fund; 1.1% of the Pax Ellevate Global Women's Leadership Fund; and 1.3% of the Pax Small Cap Fund. **US Foods** is 0.6% of the Pax High Yield Bond Fund. **Biogen Inc.** is 0.4% of the Pax Sustainable Allocation Fund; 1.1% of the Pax Large Cap Fund; and 1.0% of the Pax ESG Beta Quality Fund. **The Hartford Financial Services Group** is 0.02% of the Pax Sustainable Allocation Fund; 0.2% of the Pax ESG Beta Dividend Fund; 0.02% of the Pax ESG Beta Quality Fund; and 0.5% of the Pax Ellevate Global Women's Leadership Fund. **Becton, Dickinson & Co.** is 0.2% of the Pax Sustainable Allocation Fund; 0.3% of the Pax Core Bond Fund; 0.4% of the Pax Ellevate Global Women's Leadership Fund; and 2% of the Pax Global Opportunities Fund. **DaVita, Inc.** is 0.4% of the Pax ESG Beta Quality Fund. **Lincoln National** is 0.03% of the Pax Ellevate Global Women's Leadership Fund. **Citizens Financial** is 0.4% of the Pax Sustainable Allocation Fund and 0.9% of the Pax Large Cap Fund. **Quest Diagnostics** is 0.1% of the Pax Sustainable Allocation Fund; 0.2% of the Pax Core Bond Fund; and 1.8% of the Pax Ellevate Global Women's Leadership Fund. **Apple, Inc.** is 1.8% of the Pax Ellevate Global Women's Leadership Fund; 3.8% of the Large Cap Fund; 0.6% of the Core Bond Fund; 4.6% of the Pax ESG Beta Dividend Fund; 4.4% of the Pax ESG Beta Quality Fund. **KeyCorp** is 0.2% of the Pax Core Bond Fund and 0.1% of the Pax Ellevate Global Women's Leadership Fund. **Verizon** is 1.5% of the Pax Sustainable Allocation Fund; 2.8% of the Pax Large Cap Fund; 0.7% pf the Pax Core Bond Fund; 1.7% of the Pax ESG Beta Dividend Fund; 2.7% ESG Beta Quality Fund; and 1.3% of the Pax Ellevate Global Women's Leadership Fund. **PACCAR Inc.** is 0.1% of the Pax ESG Beta Dividend Fund and 0.2% of the Pax ESG Beta Quality Fund. **JPMorgan Chase & Co.** is 0.8% of the Pax Sustainable Allocation Fund; 1.7% of the Pax Large Cap Fund; and 0.3% of the Pax Core Bond Fund. **Nike** is 0.4% of the Pax ESG Beta Quality Fund. **Target Corp** is 0.9% of the Pax Sustainable Allocation Fund; 2.2% of the Pax Large Cap Fund; 0.9% of the ESG Beta Dividend Fund; 1% of the ESG Beta Quality Fund; and 0.3% of the Pax Ellevate Global Women's Leadership Fund. **Yum! Brands** is 0.4% of the Pax High Yield Bond Fund. **Kaiser Aluminum** is 0.1% of the Pax Sustainable Allocation Fund and 0.2% of the Pax Core Bond Fund. **Hubbell** is 0.1% of the Pax Sustainable Allocation Fund; 0.2% of the Pax ESG Beta Dividend Fund; and 2.4% of the Pax Global Environmental Markets Fund. **Charter Communications** is 0.1% of the Pax Sustainable Allocation Fund and 0.2% of the Pax Core Bond Fund. **Procter & Gamble Co.** is 1.6% of the Pax Sustainable Allocation Fund; 3.7% of the Pax Large Cap Fund; 2.3% of the Pax ESG Beta Quality Fund; 1.3% of the Pax ESG Beta Quality Fund; and 1.6% of the Pax Ellevate Global Women's Leadership Fund. **McKesson** is 0.1% of the Pax Ellevate Global Women's Leadership Fund. **Ingersoll-Rand**, **A.O. Smith Corporation**, **Nestle**, **Duke Energy**, **Virtu Financial**, **Vericel Corporation**, **Baxter International**, **General Motors** were not held by any Pax World Fund**.** Holdings are subject to change.

You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. For this and other important information, please obtain a fund prospectus by calling 800.767.1729 or visiting www.impaxam.com. Please read it carefully before investing.

An investment in the Pax World Funds involves risk, including loss of principal.

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