Engaging with the companies held in Pax World Funds helps us 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.

Climate change and gender inequality are two of the most critical issues facing humanity today. Engagement help us hold companies accountable for their impacts related to these global challenges and helps them improve in ways that we think make them even better investments.

**WE SEEK TO INFLUENCE CORPORATE POLICIES ON CLIMATE CHANGE AND GENDER EQUALITY THROUGH:**

- Proxy voting
- Shareholder proposals
- Company dialogues
- Public policy advocacy

**OUR PROXY VOTING GUIDELINES**

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

**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.

**Diversity and inclusion:** We vote against all-male board slates and we ask companies to implement policies and practices to achieve greater board diversity. We will not support a full board slate unless it includes at least three women. Also, we generally vote in favor of proposals that request the disclosure or development of policies and programs aimed at promoting and advancing diversity and inclusion.

An investment in the Pax World Funds involves risk, including loss of principal. 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.
### SHAREHOLDER PROPOSALS & COMPANY DIALOGUES

When we see opportunities for a company to adopt higher standards of corporate responsibility, we reach out to management to spur meaningful dialogue. Over the years, such dialogue has resulted in positive changes within our portfolio companies.

Sometimes we file shareholder proposals. Many of the shareholder proposals we file result in productive dialogue and, ultimately, positive change. In fact, 83 percent of the resolutions we filed in 2019 were withdrawn after successful dialogue.

#### CLIMATE CHANGE

<table>
<thead>
<tr>
<th>What We Ask For</th>
<th>Why It Matters</th>
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<tbody>
<tr>
<td><strong>Climate Change &amp; Sustainability Disclosure</strong></td>
<td>Managing and reporting on sustainability factors, including climate change risks and opportunities, helps companies navigate a business environment characterized by finite natural resources, rapidly changing laws and regulations, and heightened public expectations for corporate accountability. Transparent, substantive reporting positions companies to gain strategic value from existing sustainability efforts and identify emerging risks and opportunities.</td>
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<tr>
<td><strong>Renewable Energy Sourcing and Production</strong></td>
<td>As global demand for energy grows, we believe companies should diversify their energy sources beyond fossil fuels to include renewable energy. Renewable energy sourcing can benefit companies by reducing their operating costs and limiting their exposure to natural resource market volatility.</td>
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<tr>
<td><strong>Climate Change Influence and Accountability</strong></td>
<td>Lobbying activities can have significant influence on climate policy and are increasingly coming under scrutiny. We encourage transparency and accountability in the use of employee time and corporate funds to influence climate-related legislation and regulation. Similarly, board oversight of climate issues is a critical component of strong corporate governance for companies in all sectors. The Task Force on Climate-related Financial Disclosures (TCFD) believes that corporate governance and risk management practices are critical contextual components that help shareholders understand a company’s financial results.</td>
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<tr>
<td><strong>Transition to a Low-Carbon Economy</strong></td>
<td>COP21 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.</td>
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#### GENDER EQUALITY

<table>
<thead>
<tr>
<th>What We Ask For</th>
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<tr>
<td><strong>Board Diversity</strong></td>
<td>The data is clear: Where women are better represented in corporate leadership, businesses perform better. Companies that combine competitive financial performance with high standards of corporate governance, including board diversity, are better positioned to generate long-term value for their shareholders. That’s why board diversity is one of our priority engagement areas. We vote “no” on all-male boards, and we ask companies to implement policies and practices to achieve greater board diversity and to report on progress to shareholders in annual proxy statements.</td>
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<tr>
<td><strong>Pay Equity</strong></td>
<td>Companies that are committed to pay equity are better positioned to achieve greater diversity and attract and retain talented employees, which makes them more competitive. That’s why we encourage the companies in our portfolios to become gender and racial pay equity leaders. We ask companies to conduct pay equity assessments, disclose the results and commit to closing any pay gaps that exist. We have also petitioned the Securities and Exchange Commission to require public companies to disclose gender and racial pay ratios on an annual basis.</td>
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Here are some of the actions companies have taken in response to our most recent proposals.

**CLIMATE CHANGE MILESTONE**

**Verizon Communications**

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.

*Ask* - We asked Verizon Communications to set a target to increase renewable energy sourcing and/or production.

*Milestone* - The company agreed to set targets to increase its renewable energy use, then committed to sourcing renewable energy equivalent to 50% of its total electricity usage by 2025.

**SUSTAINABILITY REPORTING MILESTONE**

**Kaiser Aluminum**

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.

*Ask* - We asked Kaiser Aluminum 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.

**BOARD DIVERSITY MILESTONE**

**Ligand Pharmaceuticals**

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

*Ask* - We asked Ligand Pharmaceuticals to publicly report on steps being taken to enhance board diversity.

*Milestone* - The company amended its Nominating and Corporate Governance Charter to ensure that the committee considers diversity of age, gender, race, ethnicity and international experience when identifying director nominees. This commitment was also included in the company’s 2019 Proxy Statement. In October 2019, the company appointed Sarah Boyce to the board of directors, bringing the number of diverse directors at the company to two.

**PAY EQUITY MILESTONE**

**Discover Financial Services**

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

*Ask* - We asked Discover Financial Services to commit to more oversight of pay equity.

*Milestone* - The company articulated its commitment to pay equity in its 2018 Corporate Responsibility Report. 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.
PUBLIC POLICY ADVOCACY

We regularly write or sign letters to public bodies about issues and developments. Here’s an example:

In June 2020, we petitioned the U.S. Securities and Exchange Commission to require companies to disclose the precise locations of their significant assets so that investors, analysts and financial markets can better assess the physical risks they face due to climate change.

“Without more precise physical location data from companies,” Joe Keefe and Julie Gorte wrote in the rulemaking petition, “investors will be vulnerable to an increasingly frequent and severe set of shocks.”

Learn more at https://bit.ly/3eTJPi1

ENGAGEMENT HIGHLIGHTS

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.

In 2019, we voted 973 meetings with more than 14,300 proposals

We voted in favor of all (100%) of the climate- and diversity-related shareholder proposals, 33 in total

We voted against proposals put forth by management 43% of the time, primarily around director elections, due to concerns about board diversity

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

Climate change - Filed or co-filed 32 shareholder resolutions since 2010 requesting increased transparency on key climate-related risks

As of 9/30/2020, Verizon Communications was 3.0% of the Pax ESG Beta Quality Fund, 1.7% of the Pax ESG Beta Dividend Fund, 0.4% of the Pax Sustainable Allocation Fund, 1.1% of the Pax Ellevate Global Women’s Leadership Fund and 0.9% of the Pax Core Bond Fund. Ligand Pharmaceuticals was 0.1% of the Pax Sustainable Allocation Fund, 3.3% of the Pax Small Cap Fund, 1.7% of the Pax High Yield Bond Fund and 2.2% of the Pax Large Cap Fund. Discover Financial Services was 0.1% of the Pax Ellevate Global Women’s Leadership Fund. Kaiser Aluminum was not held by any Pax World Funds as of 9/30/2020. Holdings are subject to change.

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