



Spotlight on Engagement

Climate Change & Inequality

Engaging with the companies held in Impax portfolios helps us ensure they are better 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 inequality are two of the most critical issues facing the global community. Engagement helps 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 INEQUALITY 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 their boards of directors understand the risks associated with climate change. We also ask companies to disclose the locations of their significant assets so investors can better assess the physical risks they face connected with climate change.



Diversity and inclusion: We vote against all-male board slates and against U.S. board slates that lack racial or ethnic diversity. 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 vote in favor of proposals 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, this 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, 67 percent of the resolutions we filed in 2020 were withdrawn after successful dialogue with companies.

CLIMATE CHANGE

What We Ask For:



Climate Change & Sustainability Disclosure

Why It Matters:

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.



Renewable Energy Sourcing and Production

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.



Climate Change Influence and Accountability

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. We are part of the Task Force on Climate-related Financial Disclosures (TCFD) which encourages improved corporate governance, disclosure and risk management around climate issues.



Transition to a Low-Carbon Economy

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.

INEQUALITY

What We Ask For:



Board Diversity

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.



Pay Equity

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.

SHAREHOLDER PROPOSALS & COMPANY DIALOGUES

Here are some of the actions companies have taken in response to our most recent proposals.

CLIMATE CHANGE MILESTONE

Beijing Enterprise Water Group

Context - 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 Beijing Enterprise Water Group to share the precise location data of their facilities so we could analyze its physical climate risks. The company provided location data for 500 of its water treatment sites in China.

Milestone - The company has since provided additional plant location data and requested further analysis. The company has also expressed interest in learning more about physical climate risk mitigation.

SUSTAINABILITY MANAGEMENT MILESTONE

Trimble, Inc.

Context - We urge companies to become more accountable on sustainability management.

Ask - We asked Trimble, Inc. to increase oversight of sustainability, increase transparency about their sustainability efforts and report on their sustainability data.

Milestone - In 2020, Trimble appointed its first head of sustainability. Trimble improved its transparency on sustainability by including in its CDP disclosure emissions reduction commitments and targets. Today, the company is exploring science-based targets and Task Force on Climate-related Financial Disclosures (TCFD).

BOARD DIVERSITY MILESTONE

T-Mobile

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

Ask - We encouraged T-Mobile to strengthen its governance policies and enhance the diversity and inclusion disclosure in its proxy statement.

Milestone - Since November 2020, T-Mobile has appointed three women to its board. Fifty percent of T-Mobile's directors identify as women and/or racially or ethnically diverse, and women or diverse directors chair each of the board's key committees. In addition, the company now includes more comprehensive diversity-related disclosures in its proxy statement.

PAY EQUITY MILESTONE

Citizens Financial

Context - 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 Citizens Financial to commit to expanding its pay equity reporting.

Milestone - Since our first engagement with Citizens in 2018, the company has made good on its commitment to expand pay equity reporting over time, culminating with publication of the results of its gender and racial pay analysis in its 2021 proxy statement. The company also expanded its demographic disclosure to be more aligned with U.S. Equal Employment Opportunity (EEO-1) reporting. Citizens added a racially diverse director in 2021 and included a board matrix of director competencies and demographics in its 2021 proxy.

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

In June 2020, we petitioned the US 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 impaxam.com/sec

ENGAGEMENT HIGHLIGHTS

915

In 2020, we voted 915 meetings with more than 13,800 proposals

100%

We voted in favor of all (100%) of the climate- and diversity-related shareholder proposals, 31 in total

37%

We voted *against* proposals put forth by management 37% of the time, primarily around director elections, due to concerns about board diversity

67%

67% of shareholder proposals filed in 2020 were withdrawn after successful dialogue with the company in question.

Climate change - Filed or co-filed 33 shareholder resolutions since 2010 requesting increased transparency on key climate-related risks

33

As of 12/31/2021, **Beijing Enterprise Water Group** was 0.01% of the Pax Sustainable Allocation Fund and 0.2% of the Pax Global Sustainable Infrastructure Fund. **Trimble, Inc.** was 0.6% of the Pax Sustainable Allocation Fund, 1.2% of the Pax Large Cap Fund, 0.1% of the Pax US Sustainable Economy Fund and 2.0% of the Pax Global Environmental Markets Fund. **T-Mobile** was 1.0% of the Pax Sustainable Allocation Fund, 2.3% of the Pax Large Cap Fund, 0.3% of the Pax Core Bond Fund, 0.1% of the Pax US Sustainable Economy Fund, 0.1% of the Pax Core Bond Fund and 0.7% of the Pax High Yield Bond Fund. **Citizens Financial Group** was 1.1% of the Pax Sustainable Allocation Fund and 2.4% of the Pax Large Cap Fund. Holdings are subject to change.

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