

Pax World Management LLC

2016 Impact Report



Pax World Management LLC

For Tomorrow®

INDEX

1.	About us	4
2.	About this Report	4
3.	CEO statement of continued support for the UN Global Compact and its ten principles	5
4.	Investing for Impact	6
	a. Impact Investing	6
	b. Investing in Women	8
	c. Addressing Climate Change	11
	d. Montréal Carbon Pledge	13
	e. Engagement	13
	f. Proxy Voting	16
	g. Public Policy & Advocacy	16
5.	Our Environmental Impact	18
6.	Diversity & Inclusion	20
7.	Promoting Family-friendly Workplaces	21
8.	Employees	22
	a. Work/Life Benefits	23
	b. Occupational Safety	23
9.	Community Involvement	23
	a. Volunteer Work	23
	b. Charitable Donations/Sponsorships	24
	c. Global Citizen Program	24
10.	Memberships & Affiliations	25
11.	Corporate Governance	26
	a. Customers	26
12.	Appendices	27
	1. UN Global Compact Communication on Progress Index	27
	2. Historical Chart of Shareholder Proposals (2009-2017)	30
	3. KPI Chart	33
	4. Historical Pay Equity Data	33
	5. Water Restoration Certificates from Bonneville Environmental Foundation (BEF)	34
	6. Carbon offset confirmation from <i>NativeEnergy</i>	35
	7. NH Women's Foundation: 2016 Issue Brief	36

KEY TERMS

Ceres: a coalition of investors and public interest groups working to address sustainability issues

CDP: Carbon Disclosure Project

COP21: refers to the 2015 United Nations Climate Change Conference

CSR: Corporate Social Responsibility

EEOC: U.S. Equal Employment Opportunity Commission

ESG: Environmental, Social & Governance

ICCR: Interfaith Center on Corporate Responsibility

INCR: Investor Network on Climate Risk

Pax World Management LLC: Pax World

PRI: Principles for Responsible Investment (f/k/a United Nations PRI or UNPRI)

SEC: U.S. Securities & Exchange Commission

UN Global Compact or UNGC: United Nations Global Compact

ABOUT US:

Pax World is a leader in the field of sustainable investing, which is the full integration of environmental, social and governance (ESG) factors into investment analysis, security selection and portfolio construction. By combining rigorous fundamental financial analysis with equally rigorous ESG analysis, Pax World seeks to identify forward-thinking companies that are leaders in their industries, meet positive standards of corporate responsibility, and focus on the long term.

In developing and managing investment solutions, we seek to serve a growing community of investment advisors, institutions and individual investors who believe that a company's astute management of its impact on the environment and society as well as its own operational governance are essential factors in its long-term success.

Pax World launched the first socially responsible mutual fund in America in 1971. The fund provided investors a vehicle that allowed them to align their investments with their values and empowered them to advocate that corporations establish and meet high standards of social and environmental responsibility. That pioneering work helped guide the development of the sustainable investing industry.

Today, Pax World is the investment adviser to a growing family of mutual funds. As of December 31, 2016, Pax World advised funds with roughly \$4.1 billion in assets under management for individuals, financial advisors, and institutional investors.



Signatory: February 1, 2010



Signatory: April 4, 2007



Signatory: December 1, 2015

ABOUT THIS REPORT:

Pax World has publicly published sustainability data since we became a signatory to the UN Global Compact in 2010. In March 2014, Pax World published its first Corporate Social Responsibility (CSR) report. **This report covers Pax World's activities for calendar year 2016.** We invite you to review these reports to learn more about our company. As always, we appreciate any feedback to help us improve our sustainability reporting process.

E-mail: info@paxworld.com

—or—

Pax World Mutual Funds
ATTN: CSR Committee
30 Penhallow Street, Suite 400
Portsmouth, NH 03801

KEY TAKEAWAYS

- Pax World Management LLC is a leader in sustainable investing and we are committed to continuously improve our own business policies and practices to more effectively address environmental, social and corporate governance issues.
- We seek to invest in ways that promote positive social and environmental change.
- Pax World has long been a recognized leader in investing in women. In 2016, our gender diversity and pay equity engagements had an impact at several companies.
- We seek to conduct business in a way that minimizes our environmental footprint while enhancing stakeholder value for our customers, employees, suppliers and communities. We have committed to measure, analyze and reduce our contributions to global climate change and consumption of resources, including energy, water and materials.

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CEO statement of continued support for the UN Global Compact and its ten principles

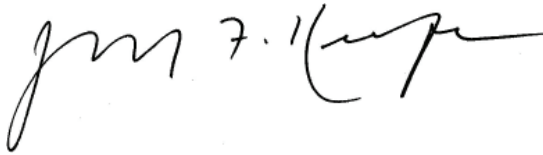
Pax World is pleased to share our 2016 Impact Report and our UN Global Compact Communication on Progress with our stakeholders. The combined report reviews our progress as an asset manager committed to sustainable investing and as a business that seeks to operate in a manner consistent with the ESG standards we integrate into our portfolios. In addition, the report identifies actions Pax World has taken during the reporting period to implement the UN Global Compact principles in each of the four issue areas (human rights, labor, environment, and anti-corruption).

At Pax World, our work continues to be focused on sustainability in several ways: by integrating ESG standards into our portfolios, engaging with portfolio companies, innovating new sustainable investment products and by managing our own operations in a responsible manner. We also work to be meaningful contributors to national and international discussions about key sustainability issues.

Moving forward, we will do everything we can to continuously improve our performance and to live up to the vision and values that we have long held at Pax World.

I am pleased to reaffirm Pax World's support of the UN Global Compact. Thank you for taking the time to read our report.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. F. Keefe', with a stylized flourish at the end.

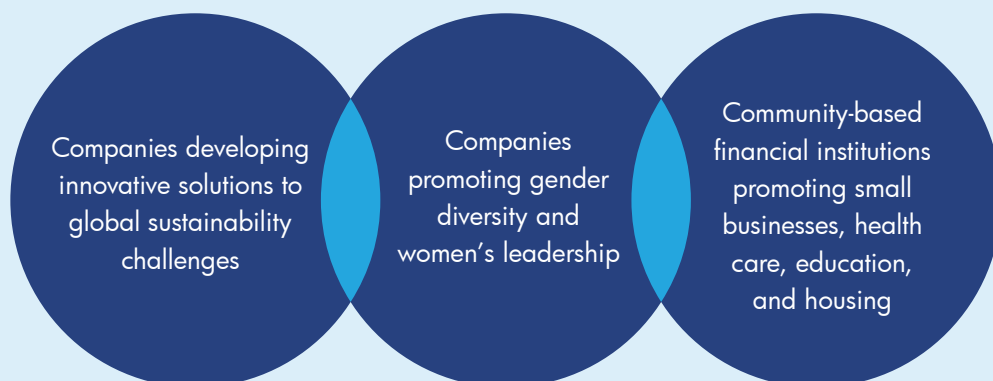
Joseph F. Keefe
President and CEO
Pax World Management LLC

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INVESTING FOR IMPACT:

Pax World seeks to promote positive social and environmental change.

Impact Investing at Pax World includes investing in:



Investing in Sustainable Solutions

- **Pax Global Environmental Markets Fund (PGRNX)**¹ is fossil fuel free and invests in companies addressing global sustainability challenges: energy efficiency and renewable energy, water and pollution control, waste and resource management, and sustainable food and agriculture.
- **Pax Ellevest Global Women's Index Fund (PXWEX)**² invests in the highest rated companies in the world when it comes to advancing women's leadership.
- **Pax Core Bond Fund (PAXBX)**³ is an investment-grade fixed income portfolio that includes green bonds and other high-impact bonds that promote positive environmental and social outcomes.
- **Direct Impact Investments:** In addition to green bonds, Pax World also works to achieve measurable impacts by investing in short-term notes and certificates of deposit issued by Community Development Financial Institutions (CDFIs) and credit unions.

As of December 31, 2016,
Pax World held approximately
\$101.9 million
in 58 direct impact investments
offered by 45
different institutions.



¹The Global Environmental Markets Fund's investment objective is to seek long term growth of capital by investing in innovative companies around the world whose businesses and technologies focus on environmental markets, including alternative energy and energy efficiency; water infrastructure technologies and pollution control; environmental support services and waste management technologies; and sustainable food, agriculture and forestry.

²The Global Women's Index Fund seeks investment returns that closely correspond to or exceed the price and yield performance, before fees and expenses, of the Pax Global Women's Leadership Index* (the "Women's Index"), while maintaining risk characteristics that Pax Ellevest Management LLC ("PEM") believes are generally similar to those of the Women's Index.

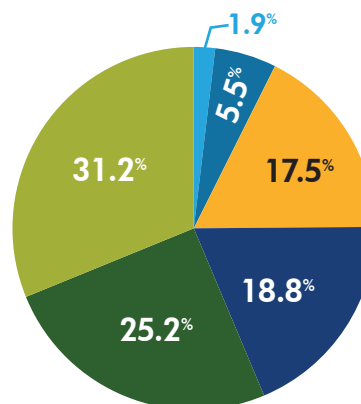
³The Pax Core Bond Fund seeks income and conservation of principal and is designed to provide investors with diversified core fixed income exposure and competitive risk-adjusted returns while promoting positive environmental and social impact.

* A custom index based on MSCI World.

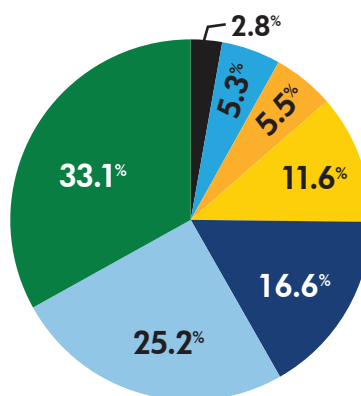
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Direct Impact Investments

IMPACT ISSUER TYPES As of 12/31/16



IMPACT FOCUS AREAS As of 12/31/16



Each Pax World Fund may invest up to 5% of assets in community development financial institutions. We are currently focused on utilizing these vehicles in the Pax High Yield Bond Fund and the Pax Core Bond Fund.

Examples of Direct Impact Investments: All holdings as of 12/31/2016

Investment	Impact
Bank of America Green Bonds	Fund the company's environmental business initiative to help address climate change, reduce demands on natural resources and advance lower-carbon economic solutions
Calvert Foundation Notes	Channel investor capital to high-impact community development initiatives
Asian Development Bank Green Bonds	Seek to fund projects that mitigate greenhouse gas (GHG) emissions and adapt to the consequences of climate change
SolarCity Solar Bonds	Finance solar installations and support SolarCity's renewable energy business operations
Fannie Mae Green Mortgage Backed Securities	Provide mortgage financing to apartment buildings and cooperatives to finance energy and water efficiency property improvements

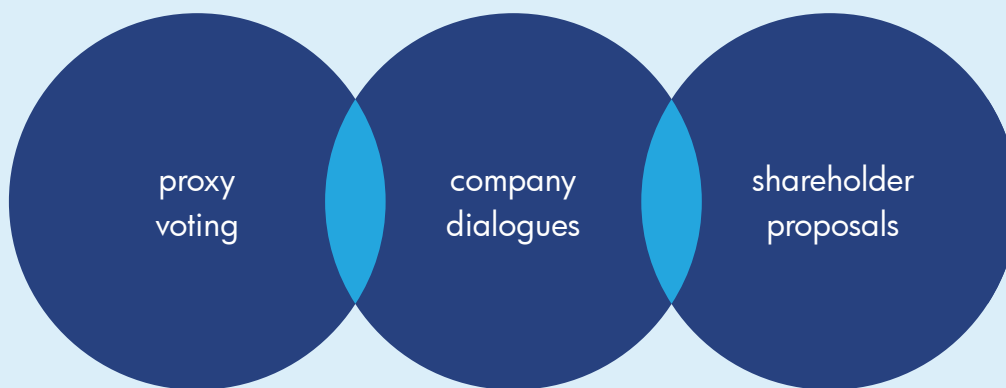
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INVESTING IN WOMEN:

Pax World is a leader in investing in women and promoting greater gender diversity on corporate boards.

In our view, engaging with companies on the issue of gender diversity is not only the right thing to do, but the smart thing to do. With the business case for gender diversity well-established, our engagements focus on persuading companies to take advantage of the benefits associated with gender diversity, including improved decision-making, oversight and financial performance.⁴

We strive to impact corporate behavior through multiple strategies including:



Proxy Voting: Say No to All Male Boards

Our proxy voting guidelines stipulate that we vote against all male board slates and we generally will not support a full board slate unless it includes at least two women. Since 2010, Pax World has voted against over 1,000 board slates due to insufficient gender diversity, including more than 120 during the most recent proxy season. After voting, we write to these companies explaining the reason for our opposition and suggest steps the companies can take to put policies and practices in place to achieve greater board diversity. In 2016, our letters opened dialogues at several companies.

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A photograph of two women, one with grey hair and glasses and one with red hair, sitting at a desk and looking at documents. The woman with grey hair is pointing at a document with a red pen.

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⁴Vivian Hunt, Dennis Layton and Sara Prince, "Diversity Matters," McKinsey & Company, November 24, 2014.



Pax World has
filed gender diversity
proposals at
8 companies
in the past five years, and
5 companies
have subsequently announced
new female directors.

Shareholder Proposals: Board Diversity

Over the last five years, Pax World has filed board diversity proposals asking eight companies to adopt gender diversity policies for their boards. Each of these proposals yielded meaningful dialogues with the companies that ultimately resulted in changes to their corporate governance documents specifying gender diversity as a criterion in all director searches, which we believe is a crucial step towards achieving a diverse and inclusive board.

Companies at which Pax World has filed diversity proposals

Proxy Year	Company	Outcome
2016	Cognizant Technology Solutions	Amended governance policies
2015	eBay, Inc.*	Amended governance policies; female director appointment in 2015
2014	Territorial Bancorp	Amended governance policies
2014	Oasis Petroleum	Amended governance policies
2013	Stericycle, Inc.	Amended governance policies; female director appointment in 2015
2013	Hospitality Properties Trust	Amended governance policies; female director appointment in 2015
2012	Riverbed Technology**	Amended governance policies; female director appointment in 2013
2012	Roper Technologies	Amended governance policies; two female director appointments in 2015

Shareholder Proposals: Pay Equity

Companies that are committed to pay equity are better positioned to achieve greater gender diversity and attract and retain talented employees. Pax World has filed or co-filed nine shareholder resolutions on pay equity, requesting the disclosure of the results of pay equity assessments. So far, three of these companies, Apple, Amazon and eBay, publicly disclosed the results of their gender pay assessments and signed the White House Equal Pay Pledge committing to gender pay equity. We also wrote to 32 technology companies held across our funds, asking for information on how they are addressing pay equity. This effort opened dialogues with several companies. And in February 2016, Pax Ellevest Management, a joint venture of Pax World and Ellevest Asset Management, sent a petition for rulemaking to the SEC urging the agency to require public companies to disclose gender pay ratios on an annual basis.

**Lead filers of this resolution were Trillium Asset Management & the New York State Common Retirement Fund*

***Company became private in April 2015*

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INVESTING IN WOMEN, continued:

Companies at which Pax World has filed pay equity proposals

Proxy Year	Company	Outcome
2016	Apple, Inc	Disclosed results of gender pay assessment
2016	eBay, Inc.***	Disclosed results of gender pay assessment
2016	Amazon.com***	Disclosed results of gender pay assessment
2017	Goldman Sachs Group, Inc., Bank of New York Mellon, Qualcomm, Inc., Verizon Communications, Mastercard,*** AT&T Inc.	In process; outcomes pending

Partnerships

Women's Empowerment Principles (WEPs) – As a signatory to the WEPs and a member of the WEPs Leadership Group, which Pax World President & CEO Joe Keefe co-chairs, we have conducted a series of letter writing campaigns urging companies to endorse and implement the WEPs. A set of practical guidelines for businesses on how to empower women in the workplace, marketplace and community, over 1,000 companies globally have endorsed the WEPs.


Collaborative Engagements: Thirty Percent Coalition – Pax World is a founding member and currently sits on the Institutional Investor Committee of the Thirty Percent Coalition. The Coalition seeks to assure that women hold 30% of board seats across public companies in the U.S.

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*** Lead filer of this resolution was Arjuna Capital

ADDRESSING CLIMATE CHANGE:

Climate change is one of the most critical issues facing the world today. We believe it is also a particularly significant issue for investors.



The costs of failing to address climate change are estimated to have an average value at risk of \$4.2 trillion globally—representing 6% of the current market capitalization of all the world’s stock markets.⁵

That’s why we actively engage with companies on climate-related issues and hold them accountable for their climate impact. In the past year, we focused our engagement efforts on working with companies to reduce their carbon emissions and establish greenhouse gas (GHG) emissions reduction targets.

A Legacy of Public Policy Advocacy

Advocacy	Impact
2007: Pax World was one of 22 investors and nonprofits that petitioned the Securities and Exchange Commission (SEC) to provide guidance to firms on reporting material information on climate change, both risks and opportunities.	2010: As a result of our efforts and the efforts of others, SEC issued guidance to firms on reporting material information on climate change.
2010: Pax World advocated for the Environmental Protection Agency (EPA) to require reporting GHG emissions.	2011: Following an active comment period, the EPA required reporting GHG emissions.

Partnerships

CDP – Pax World is part of a coalition of over 820 institutional investors holding \$95 trillion in assets who annually urge companies to report on climate risks and opportunities and take steps to reduce emissions. More than 5,500 companies worldwide disclosed environmental information through CDP in 2015.

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

⁵The Economist, Intelligence Unit, 2015.

We seek to influence corporate policies on climate change through:

Proxy Voting

Shareholder Proposals

Public Policy Advocacy

Proxy Voting Guidelines

As shareholders, we have an opportunity to vote on company resolutions. We will generally vote in favor of proposals that request that companies disclose potential risks from climate change, or that request disclosure or development of policies or programs to mitigate climate change risk and impact.

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ADDRESSING CLIMATE CHANGE, continued:

Shareholder Proposals

The Issue	Why it Matters	Our Recent Proposals
 <p>Reducing GHG Emissions</p>	<p>GHG emissions must be reduced by 55 percent globally by 2050 to stabilize global temperatures.⁶</p> <p>GHG emissions goals can benefit companies by enabling them to reduce costs, build resilient supply chains, and manage operational and reputational risk.</p>	<p>Nucor Corporation (2016) – We asked this steel producer to set goals to reduce GHG emissions.</p> <p>Ultra Petroleum Corporation (2015) – We requested that this natural gas company publish a sustainability report annually, including goals for reducing GHG emissions.</p>
 <p>Renewable Energy Sourcing and Production</p>	<p>As global demand for energy grows, we believe companies should diversify their energy sources beyond fossil fuels to include renewable energy.</p> <p>Renewable energy sourcing can benefit companies by reducing their operating costs and limiting their exposure to natural resource market volatility.</p>	<p>UPS (2017) and Verizon Communications (2016) – We requested that these companies set targets to increase renewable energy sourcing and/or production.</p>
 <p>Climate Change Influence and Accountability</p>	<p>Lobbying activities can have significant influence on climate policy and are increasingly coming under scrutiny.</p> <p>We encourage transparency and accountability in the use of employee time and corporate funds to influence climate-related legislation and regulation.</p>	<p>Alphabet Inc. (2017), ConocoPhillips (2016), Devon Energy Corporation (2014) – We requested reports on lobbying and urged the companies to determine if their public policy efforts support or oppose climate change legislation or regulation.</p> <p>ConocoPhillips (2017) - We requested that the company report on whether its incentive compensation programs for senior executives promote resilience to low-carbon scenarios associated with efforts to limit global temperature rises to below 2 degrees Celsius.</p>
 <p>Transitioning to a Low-Carbon Economy</p>	<p>COP21 marked the beginning of the transition from an industrial age economy reliant on fossil fuels, to a sustainable, low-carbon economy.</p> <p>We believe it is critical that companies adapt their business models now so that they are well-positioned for a low-carbon future.</p>	<p>American Electric Power (2016) - We requested a report regarding potential financial losses to the company associated with stranded fossil fuel electric generating facilities.</p> <p>Duke Energy Corporation (2016) – We requested a report on how the company is adapting its business model to increase deployment of distributed low-carbon electricity resources.</p> <p>Dominion Resources (2017) and Occidental Petroleum (2017) – We requested that the companies produce assessments of the long-term portfolio impacts of likely climate change scenarios.</p>

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⁶IPCC, 2014: Summary for policymakers. http://ipcc-wg2.gov/AR5/images/uploads/WG2AR5_SPM_FINAL.pdf

MONTRÉAL CARBON PLEDGE:

As signatories of the Montréal Carbon Pledge, we committed to measuring and publicly disclosing the carbon intensity of our investment portfolios on an annual basis. We believe that carbon intensity is a useful quantitative tool that can inform the creation and implementation of a broader climate change strategy.

First, we used carbon intensity data from MSCI for each company held in our portfolios, which is determined by dividing its reported or estimated greenhouse gas emissions by its revenue. We then calculated a weighted average carbon intensity using portfolio weights as of December 30, 2016. Finally, we compared the weighted average carbon intensity of each fund with the weighted average of the carbon intensity of each fund's benchmark index.

Four of Pax World's funds, the Large Cap Fund, the ESG Beta Quality Fund, the ESG Beta Dividend Fund and the Global Environmental Markets Fund, have a weighted average carbon intensity that is below their benchmark indexes or comparable to their benchmark indexes. We consider our funds to be comparable to their benchmarks if their weighted average carbon intensity is within 5 percentage points of the intensity of their benchmark. The MSCI International ESG Index Fund has a higher weighted average carbon intensity than its benchmark index (MSCI EAFE ESG), but its weighted average carbon intensity is comparable to the MSCI EAFE index.

We were unable to measure the carbon footprint of our Mid Cap Fund, Small Cap Fund, Core Bond Fund or our High Yield Bond Fund due to a lack of sufficient, accurate information on carbon intensity in those investment universes. Also, we did not measure the carbon footprint of the Pax Ellevest Global Women's Index Fund, which invests in the Pax Global Women's Leadership Index*, an index of companies around the world that are leaders in advancing women. Carbon intensity plays a minimal role in the construction of the Index on which the Fund is based.

Carbon emissions is just one of many indicators of carbon-related risks in a portfolio. For example, our actively managed portfolios exclude coal and tar sands companies—the most carbon-intensive fossil fuels—which is another way we seek to reduce carbon-related risk. We believe that high carbon emissions are a risk factor, and as shareholders we want companies in our portfolios to proactively take steps to mitigate those risks.

**A custom index based on the MSCI World Index. One cannot invest directly in an index.*

ENGAGEMENT:

At Pax World, we believe engaged shareowners can play an important role in improving the financial, environmental, social and governance performance of the companies they are invested in, which is why we:

- Vote shareholder proxies in accordance with our ESG criteria
- Engage with a company's management in dialogue on issues of concern
- Initiate or support shareholder resolutions at annual stockholders' meetings aimed at persuading companies to adopt higher standards of corporate responsibility
- Support public policy initiatives that promote greater corporate sustainability, transparency and accountability

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In addition to the major engagements mentioned above, Pax World has also engaged with many other companies in 2016:

Climate Change:

- Pax World sent letters to eight small and mid-cap companies urging them to provide information through the CDP platform regarding their management of climate change. The target companies have either never responded to the CDP questionnaire, or have declined to respond. Pax World believes that leading companies report to CDP, which we consider to be an indicator of management quality. Companies that received the letter include: **Concho Resources, EQT Corp, Hologic, Genuine Parts Company, Equity Residential, Citrix Systems, Antero Resources and Alleghany Corp.** Our letters resulted in a dialogue with **Concho Resources**. The company indicated it was trying to understand how investors use CDP information, and how peer companies responded to the survey. The company is in the process of developing ESG disclosure and anticipates it will have disclosure available on its website in 2017.
- As part of our support of RE100 (a collaborative, global initiative of influential businesses committed to 100% renewable electricity, working to massively increase corporate demand for renewable energy), we signed on to letters to 35 companies asking them to join to the RE100 campaign. Companies that received the letter include: **Associated British Goods, Burberry Group, Diageo, J Sainsbury, NEXT, Royal Mail, Tesco and Vodafone Group.**
- Pax World signed on to a letter requesting information on how companies are managing energy and water efficiency and eliminating waste. Companies that received the letter include: **Statoil, Spectra Energy Corp, National Grid, BMW, and Air Liquide.**
- Pax World signed on to a letter coordinated by the Union of Concerned Scientists to **Chevron and Exxon Mobil** seeking greater information about the companies' policies and disclosures regarding financial risks related to climate change and encouraged them to enhance such disclosure in their regulatory reporting. Pax World also signed a letter coordinated by Ceres to Exxon and Chevron about their efforts to influence California climate change policies.
- Pax World signed a letter coordinated by Public Citizen seeking information from **Cloud Peak Energy** about its pricing transaction data of coal the company produces and sells from land owned by the federal government, and details on how coal extracted from federal land is valued for royalty purposes. Cloud Peak Energy and others have drawn scrutiny for selling coal to subsidiary companies at below market prices, thereby avoiding royalties on the full market price of coal as the law requires. By doing so, the letter alleges that taxpayers are bilked out of hundreds of millions of dollars of revenue.
- Pax World signed a letter coordinated by the Sainsbury Family Charitable Trusts to the Chairmen of **BP, Chevron, Eni, Exxon, Shell, Statoil and Total** urging them to integrate the COP21 target of limiting temperature rises to 'well below' 2 degrees into their business models. The letter was to be printed in the Financial Times.

Gender Diversity:

- Pax World had a call with **Concho Resources** regarding board diversity. The company described its commitment to achieving board diversity and indicated it was conducting a director search, and asked that we continue to monitor their progress. In addition, the company acknowledged it could improve its disclosure of board diversity policies, and indicated it was open to doing so. We intend to follow-up with Concho in 2017.
- Pax World sent follow-up letters to **Planet Fitness** and **Metaldyne Performance Group** requesting the companies adopt board diversity policies and improve the diversity disclosure in their proxy statements. Neither company has responded to previous letters sent on the same issue.

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- Pax World and Sonen Capital contacted S&P 100 companies asking them to commit to collecting and calculating gender pay ratio data, to make that information public, and to support the EEOC's recently proposed EO-1 pay equity reporting requirements.
- As mentioned above, in March 2016, Pax World wrote to 32 technology companies held across our Funds, asking for information about how the companies are addressing pay equity and that they publicly disclose the results of a company pay analysis. We have received seven responses: **ACI Worldwide, Google, Cisco Systems, Intuit, Western Union, Xerox and Open Text Corp.**

Sustainability Reporting & Disclosure:

- In coordination with Impax and NEI Investments, we wrote to **Thermo Fisher Scientific** asking the company for greater information on its approach to managing product quality and health & safety as well as its efforts with respect to facilitating access to medicine in low and middle-income countries.
- Pax World had a dialogue with **Mastercard** about investor expectations for sustainability reporting. We made several recommendations to the company and encouraged the publication of a sustainability report, noting that it would show real leadership relative to others in the space.
- Pax World participated in stakeholder calls with **EMC and Baxter International**, coordinated by Ceres. With EMC, Pax World addressed the issues of carbon pricing (the company does use an internal carbon price of \$30) and e-takeback and recycling. We also asked whether the companies were prepared to deal with the emerging issue of gender pay parity.
- Pax World participated in stakeholder dialogues with **Dell and Walt Disney Co.** and provided feedback on each company's sustainability initiatives. Both were a part of ongoing stakeholder engagements coordinated by Ceres.
- Pax World signed a letter calling on oil & gas companies to disclose and manage the risks associated with fresh water withdrawals and waste water discharges, as we believe these have the potential to jeopardize their ability to operate. Fresh water scarcity and pollution already have profound near-term business impacts, disrupting operations and supply chains, delaying permits, increasing capital expenditures and operating costs, and constraining revenue growth. For example, nearly half of oil & gas wells in the U.S. are in water basins with high or extremely high water stress.
- Pax World signed on to a letter coordinated by Ceres and ICCR aimed at four companies in the meat industry (**Cargill, Perdue Farms, JBS and Smithfield Foods**) to better address water quality concerns and to develop a comprehensive public water stewardship policy.

Other issues:

- Pax World signed a letter coordinated by Mercy Investment Services to **Duke Energy** about the company's potential coal ash liabilities. The letter is seeking an engagement with the company about its programs and policies to address risks to its coal ash storage facilities and to present options for addressing these risks. The letter also notes the company's 2014 Dan River impoundment failure, which led to over a hundred million dollars in shareholder liability, extreme brand damage and litigation.
- Pax World signed on to a letter coordinated by FAIRR and Share Action regarding the development of sustainable protein supply chains given the environmental and social impacts associated with increasing demand for animal products. Eleven restaurant and food products companies received the letter. Specifically, Pax World signed on to a letter to **McDonalds** encouraging the implementation of timelines for phasing out routine antibiotic use.

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- Pax World sent a letter to **Cabela's** seeking information about the company's management and oversight with respect to the sale of firearms. Our inquiry was prompted by increased scrutiny in both the national media and by advocacy groups into the Federal background check system (National Instant Criminal Background Check System—NICS) and how that system is integrated into commerce.
- Pax World signed a letter calling on health care companies to participate in the Access to Medicine (ATM) Index⁷ data collection process. The Index independently ranks pharmaceutical companies' efforts to improve access to medicine in developing countries. Specifically, Pax World signed on to a letter to **Roche Holdings** encouraging the company to participate in the data collection process of the 2016 benchmark review of the ATM Index, as the company did in prior years.

Proxy Voting: Pax World invests in companies in a variety of countries and markets, and as shareowners, we are entitled to vote on items on their annual proxy at each year's annual shareholder meeting. Each year, Pax World votes on hundreds of ballot items put forth by company management and shareholders ranging from board of director elections, executive compensation and capital structure to environmental and social issues. We vote each proxy in a way that is consistent with our ESG criteria. Pax World exercises our proxy voting responsibility seriously, as it provides another avenue through which to promote improved financial performance and improved ESG policies and practices at companies.

In 2016, Pax World revised our Proxy Voting Guidelines to address new and emerging issues. Our Proxy Voting Guidelines are available [here](#) and we publicly disclose our [votes](#) for both upcoming and past meetings. In 2016, we voted 829 meetings with over 11,000 proposals. You can also view our 2016 Form N-PX (Annual Report of Proxy Voting Record) for [Pax World Funds Series Trust I](#) and [Pax World Funds Series Trust III](#).

Public Policy Engagement: At Pax World, we recognize that effective public policy at the state, federal, and international levels can lead to well functioning markets and that investors can and should play a role in that process. Since some problems can't be solved efficiently on a company-by-company basis, we work in collaboration with other investors and stakeholders to effect policy change.

Specifically, we engage in public policy advocacy where we believe changes are necessary to: 1) preserve or advance shareowner rights; 2) improve ESG transparency and awareness; and, 3) encourage more efficient and sustainable performance of capital markets. These initiatives do not always have measurable outcomes, or are ongoing work that may have effects over several years. Where we have information, we have provided it below:

Climate change public policy advocacy: Climate change is certainly top of mind for many investors and we believe the economic consequences posed by climate change, even in the short run, can affect all investors. Pax World actions on this issue in 2016 include:

- Pax World became a member of the Green Infrastructure Investment Coalition. Objectives: better understand pipeline of green infrastructure investment; examine barriers to capital flows and propose solutions; and, shape capital market instruments needed to ensure capital flows.
- Pax World signed a letter urging the SEC to more closely monitor companies' climate benefit claims, and establish and enforce clear guidelines applicable to companies that may be claiming climate benefits. The letter specifically focuses on a case study about Enviva Partners LP, which illustrates how companies can mislead investors on the environmental and climate benefits of their products.
- Pax World signed a letter coordinated by INCR addressed to members of the Congress that expresses our support for appropriations to establish a Green Climate Fund (GCF). According to the letter, the "Green Climate Fund offers a promising

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⁷The Access to Medicine Index (ATM) analyses 20 of the world's largest research-based pharmaceutical companies on how they make medicines, vaccines and diagnostics more accessible in low- and middle-income countries.

opportunity for American businesses and investors. Companies and investors are increasingly looking for opportunities to invest in and employ renewable energy and energy-efficient technologies in developing markets globally, and the GCF offers a viable opportunity to do so.”

- Pax World signed a letter that commends the SEC for its 2010 climate disclosure guidance and its new concept release, which includes detailed questions on sustainability and climate risk disclosure, but expresses concern about the lack of recent action by the SEC on climate risk. It asks the SEC’s Division of Corporation Finance to closely scrutinize filings by oil and gas, electric power and insurance companies, and issue comment letters when filings fail to discuss with meaningful specificity the material impacts of climate change and related matters on their businesses.
- RGGI—the nation’s first multi-state, market-based system regulating carbon emissions in the electricity sector—currently operates in nine states across the northeast: CT, DE, ME, MD, MA, NH, NY, RI, and VT. Over the summer of 2016, the RGGI states will be conducting a formal review of the program and will be determining how ambitious the program will be for the years 2021-2030. Pax signed a letter coordinated by Ceres specifically asking the governors of these states to at least continue with the program’s current rate of annual emissions cap reduction.
- Pax World signed an investor statement addressed to the Chair of the Arctic Council, Arctic Council members and staff, Arctic Economic Council and several oil & gas companies. The statement specifically calls for stronger environmental protection of the Arctic through a moratorium on oil exploration in the Arctic high seas.

Gender diversity public policy advocacy: In addition to company-specific efforts outlined above, Pax World’s actions on this issue in 2016 include:

- Pax Ellevest sent a letter to the SEC, urging the agency to require annual disclosure of gender pay ratios within the financial filings of public companies, or in the alternative, to issue guidance for voluntary disclosure of such information. Pax invited other investors to join us in this effort by sending their own letters to the SEC urging it to take action on this issue.
- Following President Obama’s announcement of new EEO-1 pay equity reporting requirements, Pax World submitted a statement to the EEOC in support of the proposed rule.

Human Rights public policy advocacy: Pax World believes it is the responsibility of businesses to protect and uphold basic human rights. Pax World’s actions on this issue in 2015 include:

- Pax World signed an investor statement concerning North Carolina’s House Bill 2, which overturns municipal non-discrimination protections for lesbian, gay, bisexual, and transgender (LGBT) people and prohibits transgender people from using restrooms consistent with their gender identity.

Disclosure of lobbying policies & practices: Pax World also participates in public policy initiatives related to various anticorruption/corporate governance concerns. Pax World’s actions on this issue in 2016 include:

- Pax World signed a letter coordinated by the Corporate Reform Coalition to the U.S. House subcommittee on Financial Services and General Government. The letter asks committee members to ensure that this year’s final budget package does not include a rider that prohibits finalization of the SEC rulemaking on political disclosure.

Sustainability Reporting & Disclosure: Pax World supports engagement efforts that aim to increase disclosure and transparency of a company’s sustainability practices. These efforts tend to be in collaboration with other investors or advocacy groups:

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- Pax World signed an investor statement coordinated by the PRI calling on credit rating agencies to incorporate ESG factors into their credit analysis in a more systematic and transparent way.
- Pax World signed a comment letter coordinated by the Corporate Reform Coalition to the SEC regarding the agency's regulation S-K disclosure requirements for U.S. public companies. The letter was in response to the agency's outreach to investors regarding its disclosure requirements.
- As part of the UNEP FI/PRI Fiduciary Duty project, Pax World signed an investor statement on investor obligations and duties regarding ESG integration. The statement asks investors to "Take account of environmental, social and governance issues, in their investment processes and decision-making, encourage high standards of environmental, social and governance performance in the companies or other entities in which they are invested, and support the stability and resilience of the financial system."
- Pax World signed a letter coordinated by Ceres regarding the business and financial disclosure required by regulation S-K. The letter recommends that the SEC approach sustainability disclosure as it would any other disclosure issue. For example: "Meaningful disclosure can be elicited with appropriate disclosure rules or guidance in place, staff who are trained to understand sustainability risks and directed to focus on them, comment letters to issuers with deficient or questionable disclosures, other enforcement mechanisms, and regular dialogues with investors and issuers about their relevant needs and concerns."
- Pax World signed a letter coordinated by the Corporate Reform Coalition to the SEC and FASB regarding a proposal to change the definition of materiality from what "could" influence an investor, to what "would" influence an investor. This change is meant to reduce the volume of required disclosure, which the Corporate Reform Coalition opposes.

Other public policy advocacy: Pax World also supports various efforts that are not core ESG priorities for our public policy advocacy efforts, but have merit nonetheless:

- Pax World signed a letter coordinated by As You Sow regarding pharmaceutical take back programs. The letter states that most U.S. communities lack free, convenient, on-going collection programs. The lack of free, convenient programs for proper disposal of prescription drugs and accessories such as needles and syringes, contributes to water pollution, illicit drug use, drug addiction, and threats to sanitation workers.
- Pax World signed a letter coordinated by INCR addressed to members of Congress that expresses our concern about the lack of federal enforcement of the 2008 Lacey Act amendments related to the importation of illegally sourced timber and wood products.

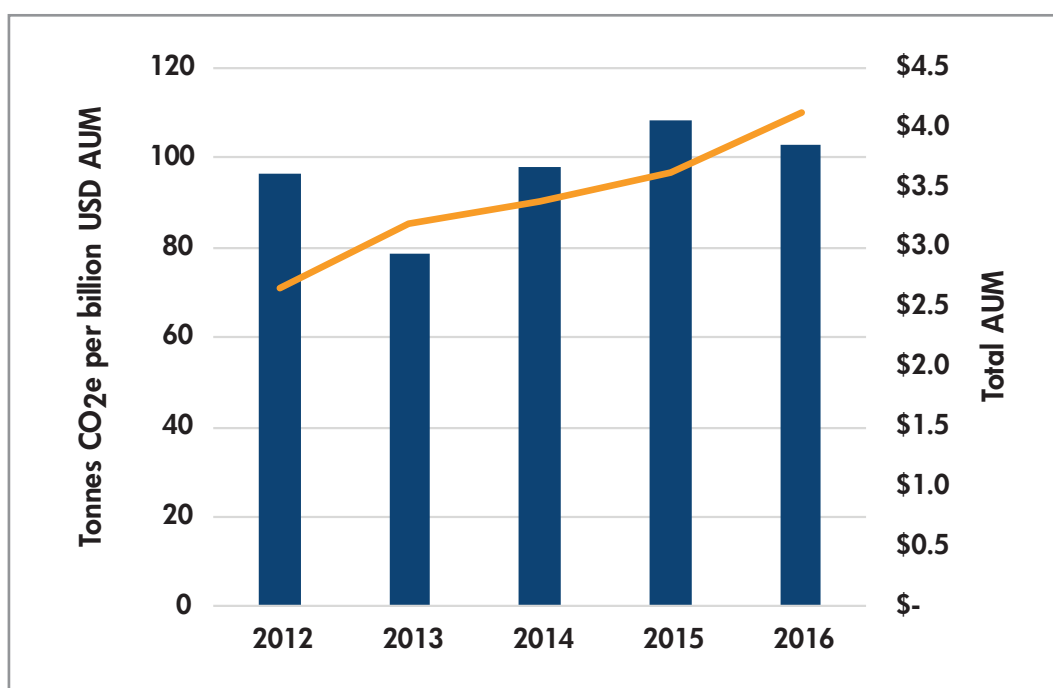
OUR ENVIRONMENTAL IMPACT:

Pax World believes that environmental stewardship is important for every business. Recognizing that our own operations affect the environment, Pax World strives to hold ourselves to the same standards that we expect of the companies in our portfolios. As part of this commitment, Pax World seeks to conduct business in a way that minimizes our environmental footprint while enhancing stakeholder value for our customers, employees, suppliers and communities.

In support of this effort, Pax World has committed to measure, analyze and reduce our contributions to global climate change and consumption of resources, including energy, water and materials. Pax World has partnered with Native Energy to offset our carbon footprint, which includes business travel (42.2% of CO₂e), employee commuting (41.7%) and building energy use (16.0%). The two main drivers of GHG emissions growth from our business operations include: natural gas consumption, which

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has steadily increased annually and business travel, which has also grown annually. While we remain committed to offsetting our GHG emissions in 2017, we acknowledge that we need to also explore options to reduce our GHG emissions trajectory.



In support of this effort, Pax World has committed to measure, analyze and reduce our contributions to global climate change. Pax World has also partnered with the Bonneville Environmental Foundation (BEF) to purchase Water Restoration Certificates (WRC), which offset our water consumption at our office in Portsmouth, NH. Every WRC purchased by Pax World represents 1,000 gallons of water restored to streams, through projects certified by the National Fish & Wildlife Foundation. Pax World purchased 76 WRCs to offset our water use for calendar year 2016.



Environmental Impact of the Management Company	2012	2013	2014	2015	2016
Total GHG Emissions from Business Operations (M/T)	257.00	252.35	331.00	394.00	424.00
Total Electricity Consumption from Business Operations ('000 kWh)	81.50	90.98	89.82	91.03	79.24
Total Natural Gas Consumption from Business Operations (Therms)	2879.00	3303.00	3492.00	3616.00	3751.00
Total Water Consumption from Business Operations ('000 gallons)	157.80	171.59	145.11	83.13	75.49

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Additionally, Pax World's existing environmental policies and programs include measures to minimize the use of office supplies, including paper, glass, metal, plastic and batteries, and recycle what we do use. Employees operating at remote locations are also expected to recycle their office waste.

Pax World prefers the use of digital marketing and advertising as a way to reduce paper consumption and other related environmental impacts. When choosing which marketing materials to print, we favor those that have longer shelf lives. Additionally, we seek to print only what we need using sustainably-sourced paper and less toxic alternatives to conventional petroleum-based ink products.

Pax World has undertaken composting at its Portsmouth, NH office. Using the services of a local company, Mr. Fox Composting, we are composting items such as food scraps, sugar packets, coffee grounds & filters, paper towels, teabags & tea, flowers and floral trimmings and wax paper liners.

Like most businesses, we rely heavily on information technology (IT) to conduct our business operations. Pax World does a number of things to reduce the impact of our IT systems while in service:

- In order to reduce electricity consumption, we instituted a policy through an "Active Directory" that puts our computer monitors to sleep when not active.
- There has been a significant reduction in individual equipment in our server room, as Pax World moved all but a few servers over to virtualized instances. The result is a network server footprint that supports the organization while only drawing between 5 and 10 AMPS of electricity. Further reading can be found here: [Energy Star: Server Virtualization](#)
- We rely on [Newport Computer Services](#), a local third-party e-waste recycling service provider, for the disposal of old electronic equipment. Newport's goal is zero landfill waste through the harvest of computer components for recycling.

DIVERSITY & INCLUSION:

Pax World is an equal opportunity employer and follows a policy of administering all employment decisions and personnel actions without regard to age, sex, gender identity and expression, sexual orientation, race, color, marital status, pregnancy, physical or mental disability, genetics or genetic information, family health history, religion, national origin, or veteran status, or any other category protected under applicable federal, state or local law.

Pax World encourages women and minorities to apply to job openings and endeavors to post positions in areas that may attract a diverse candidate pool. The company strives to take affirmative actions to enhance the job opportunities for minority group members and women. For example, we require search firms to include at least one woman in the finalist pool of potential candidates for open positions.

- Overall, in 2016, 41% of our total workforce was composed of women.
- Currently, our management committee is composed of a 50/50 gender split.
- As part of our efforts to build an inclusive work environment, in August 2016, Pax World employees completed Respectful Workplace Training, which was focused on identifying and dealing with unconscious bias.

Pax World conducts an annual gender pay equity survey. The results of that survey are in the table below. (Historical pay equity data is available in Appendix #4 of this report.) In any company as small as Pax World, a disparity may arise in pay equity

CONTINUED

due to the compensation of one or two individuals, and those differences may arise due to variations in qualifications and responsibilities. Further, in 2016, the size of our workforce declined by about 11% year-over-year and the percentage of women employed by Pax World also fell, both of which we believe impacted our year-over-year pay equity data.

Pay Equity Report (Female/Male)*	2015	2016
Chief Executive Officer (1)	0%	0%
Portfolio Managers (5)	96%	0%
Senior Managers (7)	71%	84%
Managers (6)	98%	96%
Analysts (6)	104%	91%
Professional Staff (24)	95%	96%

*Parentheses denote the number of employees in the job category in 2016.

To date, Pax World's pay equity survey has included an analysis of base salary and does not include incentive compensation. In 2017, our CSR Committee intends to review our internal pay equity review process, as we are always striving to do better.

PROMOTING FAMILY-FRIENDLY WORKPLACES:

There is evidence that family-friendly workplaces can deliver good financial results, as well as simply being the right way to conduct business. Work from Harvard has established that [human resource policies](#) have significant impacts on financial performance, and studies also show that companies in the "Best Companies to Work For" list have [superior financial performance](#).⁸ At Pax World, we believe that family-friendly workplaces offer measurable advantages when it comes to advancing businesses themselves and the business sector as a whole.

In 2016, Pax World expanded its paid family leave policy from eight weeks of paid leave to 12 weeks of paid leave. The policy includes paid leave for new parents, which applies to maternity, paternity, adoption and foster care placement. The leave may be taken any time during the child's first year of life (or adoption, or foster placement) and may be taken intermittently so that our employee, and their spouse, can organize their time off in a way that maximizes their time with their child. Over the past several years, 15 employees have used our parental leave policy a total of 22 times upon the birth or adoption of a child—11 men and 4 women.

Further, in 2016, Pax World's CSR Committee benchmarked our family-friendly policies to policies reported by local businesses and industry peers. This process was guided by the recommendations published by the **NH Women's Foundation**, which publishes a guide to educate employers on how to implement a family-friendly workplace. The guide organizes family-focused issues into several buckets: parental support, economic, scheduling, work life and wellness (see Appendix #6).

The CSR Committee chose nine companies, of which five are in the investment management industry, as our benchmark. The other four companies are major employers in New Hampshire. Based on our analysis, Pax World appears to be in line with peers in offering family-friendly benefits. Any disparity between Pax World and our peer group generally involved slight differences in the dollar value of the benefit.

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⁸Alex Edmans, London Business School, Lucius Li, London School of Economics and Chendi Zhang, Warwick Business School, "Employee Satisfaction, Labor Market Flexibility, and Stock Returns Around The World," February 21, 2017.

EMPLOYEES:

#13 Best Company to Work For: **Pax World Management LLC**

30 Penhallow Street, Suite 400, Portsmouth, 03801 • paxworld.com



From left: Sarah Grenon, PR and content manager; Maureen Conley, senior VP of shareholder services and operations; Mahmood Kinani, systems administrator; Joe Keefe, president & CEO; Heather Smith, lead sustainability research analyst; Alicia DuBois, CFO; and Chris Brown, chief investment strategist.

President/CEO: Joseph Keefe

Years in Business in NH: 46

Full-Time Employees: 52

Years on List: 1

Product/Service: Investment adviser focusing on sustainable investing

Social responsibility is a focus of this company both in its products and the benefits it offers employees. To maintain gender equality, it maintains a 50-50 ratio of male and female senior managers and publishes an annual report detailing the company's pay equity, environmental impact, diversity and other corporate social responsibility issues. Pax World matches employee's charitable donations up to \$250 per employee annually and provides four paid days to volunteer.

Family is also important. All employees are guaranteed 12 weeks of paid time off for parental leave and for foster or adoption related reasons. The company also allows employees to take up to four weeks to care for an ill family member. This time may be taken at the employee's discretion. New employees start with

four weeks of vacation. Full-time employees who have worked at Pax World for two years are eligible for the company's adoption reimbursement program, which provides up to \$5,000 per child to help cover adoption expenses. Pax World also hosts an annual Kids' Day where employees can bring their children or a special kid in their life to work to participate in special activities.

Pax World pays up to \$2,000 toward the purchase or lease of a hybrid or electric vehicle. It also offers employees an ergonomics program that can include wireless headsets, stand-up work stations, physical therapy balls and ergonomic keyboards. Employees participate in profit sharing and bonus programs. ■



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In 2016, Pax World was named one of the 2016 Best Companies to Work for in NH by Business NH Magazine and NH Businesses for Social Responsibility.

Pax World strives to provide its employees a friendly, collegial, professional work environment. In addition to a competitive compensation package, health insurance and retirement benefits, Pax World offers employees the following programs:

- **Matching Donations** - Through the Pax World Management Charitable Fund, employees receive matching donations to non-profit organizations of up to \$250 per year.
- **Volunteer Program** - Employees receive four days of paid time off per year to volunteer individually or in groups in the communities where they live and work. Pax employees participate in an annual United Way Day of Caring local community project.
- **Paid and Unpaid Family and Medical Leave*** - Pax World offers a generous family and medical leave policy, including up to 12 weeks paid leave for new parents.
- **Hybrid/Electric Vehicle Program*** - Employees who purchase or lease a hybrid gas-electric or all-electric vehicle receive a lump sum cash payment of \$2,000 for a new vehicle and \$1,000 for a used vehicle.
- **Adoption Reimbursement*** - Employees may receive up to \$5,000 per child for eligible adoption expenses.

Occupational Safety: Pax World is committed to maintaining a healthy and safe work environment and to eliminating recognized safety and health hazards in the workplace. While employee safety and health hazards are limited and exposure to dangerous mechanical equipment and hazardous materials is minimal, Pax World has a Safety & Health Committee. The committee meets quarterly and coordinates such activities as employee safety training, emergency evacuation drills and on-site flu shots.

Pax World is cognizant of the risks posed to its employees by working in an office environment. To mitigate these risks, Pax World provides periodic ergonomics training and endeavors to provide preventative workplace solutions for employees on an individual basis.

COMMUNITY INVOLVEMENT:

In keeping with Pax World's social mission, all full-time Pax World employees receive four days paid time off per year to do volunteer work during regular business hours for an established non-profit, or community service organization of their choice. (This benefit is prorated for part-time employees.) In support of this program, Pax World regularly participates in the United Way's group volunteer opportunities in the seacoast community of New Hampshire.

In 2016, Pax World employees volunteered **173 hours** during business hours and **205 hours** during non-business hours to the following organizations:

American Cancer Society Relay for Life
ArtSpeak
Boston Contemplative Leaders in Action
Ceres
CFP WIN Advisory Board
Chatham Trails Association/AMC
Clarke Schools for Hearing & Speech
Climate Collaborative (C3)
Coastal Adaptation Work Group
Cross Roads House
Endangered Species Coalition
Friends of Winchester Library
Mercy Investment Services

NH Women's Foundation
On Belay, Inc.
Portsmouth Halloween Parade
Rye Little League
Salvation Army
The Philanthropy Connection
Wallace Global Fund
United Way Day of Caring: St. Mary Academy
United Way Day of Caring: Great Bay Kids Company
United Way Greater Seacoast - Film Festival
United Way Greater Seacoast
YWCA Boston

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*NOTE - Benefits with a * are available to regular employees working a minimum number of hours per week or who have obtained a minimum level of years of service.

Pax World has partnered with the NH Charitable Foundation to establish the Pax World Management Charitable Fund and to administer our corporate donations and sponsorships to the following organizations:

American Cancer Society NH Division, Inc.
Big Brothers Big Sisters of New Hampshire
Clarke School for the Deaf
Clipper Foundation
Compass Working Capital Inc.
Cross Roads House
Dartmouth Natural Resources Trust
Education for All Children
Families First of the Greater Seacoast
Fedcap Rehabilitation Services, Inc.
Granite United Way - Southern Region
HAVEN
Media Power Youth
Mercy Corps
National Mill Dog Rescue
New England Grassroots Environmental Fund
New Hampshire Public Broadcasting

New Hampshire Women's Foundation
NH Community Loan Fund
NH Food Bank of NH Catholic Charities
NH Public Radio
On Belay
Save the Indoor Portsmouth Pool
Seacoast Family Food Pantry
Seacoast Family Promise
Shared Interest
Society for the Protection of New Hampshire Forests
Southeast Land Trust of New Hampshire
The Home for Little Wanderers
The Nature Conservancy/New Hampshire
Thirty Percent Coalition
University of New Hampshire Foundation, Inc.
Women Thrive Worldwide
Womenaid of Greater Portsmouth

Charitable Giving	2012	2013	2014	2015	2016
Cash Value of Corporate Donations/Sponsorships*	\$ 54,700	\$ 52,455	\$ 117,350	\$ 144,691	\$ 95,820

**Includes employee matching contributions*

In 2016, Pax World established the Pax Community Impact Committee, an employee committee composed of Pax World employees to help administer our corporate giving. The priorities of the committee include supporting organizations that prioritize (1) women's empowerment; (2) environmental protection/conservation; and, (3) the needs of the greater New Hampshire seacoast area, such as help with substance abuse/addiction, or food and fuel assistance, among others. The committee also considers strategic long-term giving and meeting immediate needs of our community. The committee works with the NH Charitable Foundation in its administration of the Pax World Management Charitable Fund.

Pax World donated **\$12,250** as part of the Employee Match Program in 2016. (Pax World donates \$250 per employee regardless if an employee participates in the Employee Match Program. Donations not earmarked for specific organizations are donated based on the recommendation of the Pax Community Impact Committee.) In addition, we sponsored a family in need during the holidays through the Seacoast Community School. Employees donated gifts from the family wish list, as well as **\$820** cash, which the company matched on top of the regular matching donations. Pax World also hosts a year-round donation drive to Cross Roads House, a homeless shelter and support for individuals and families in Portsmouth, NH.

Global Citizen Program:

Pax World's Global Citizen Program enables Pax World shareholders to earmark portions of their dividends and/or capital gains as a contribution to one of two non-profit organizations that are working to alleviate poverty, empower women and promote sustainable development around the globe, Mercy Corps and Women Thrive Worldwide.

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Global Citizen Program - Shareholder Donations	2012	2013	2014	2015	2016
Mercy Corps	\$ 44,428.33	\$ 190,040.93	\$ 167,673.35	\$ 91,890.88	\$ 47,957.97
Women Thrive Worldwide	\$ 165.62	\$ 1,888.37	\$ 3,907.70	\$ 6,741.61	\$ 2,890.39

MEMBERSHIPS AND AFFILIATIONS:

Pax World partners with numerous organizations to advance the field of sustainable investing. For example, Pax World currently is a member of or affiliated with, or sponsors the following organizations:

- Ceres (Coalition for Environmentally Responsible Economies)
- Interfaith Center on Corporate Responsibility (ICCR)
- The Investor Network on Climate Risk (INCR)
- The Forum for Sustainable and Responsible Investment (USSIF)
- NH Businesses for Social Responsibility (NHBSR)
- The Sustainable Investment Research Analysts Network (SIRAN)
- United Nations Environment Programme Finance Initiatives (UNEPFI)
- United Nations Principles for Responsible Investment

There is a wide variety of initiatives in which Pax World is involved that are designed to address specific sustainability issues or advance sustainability in a particular sector. Pax World is proud to be a part of:

- Climate Bonds Initiative Partnership Program
- CDP (f/k/a The Carbon Disclosure Project)
- CDP Water Disclosure Project
- CDP Forests Program
- CDP Carbon Action
- Global Initiative for Sustainability Ratings: GISR
- Thirty Percent Coalition
- UN Global Compact
- UN Principles for Investors on Inclusive Finance
- Women Thrive Worldwide
- Women's Empowerment Principles

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Additionally, as a member of the financial services industry, Pax World is a member of the Investment Company Institute (ICI), which is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts (UITs) and NISCA, a nonprofit trade association that provides the global investment management industry with discussion and education forums to better serve its customers by developing operational best practices.

CORPORATE GOVERNANCE:

Pax World is committed to the highest standards of ethics, business integrity and corporate governance. As the adviser to the Pax World family of mutual funds, we have a fiduciary responsibility to the funds' shareholders. To that end, Pax World's corporate governance practices are designed to establish and preserve accountability and transparency, while avoiding conflicts of interest (or even the appearance of conflict). Although our funds' shareholders' interests always come first, we also believe that we have a moral and ethical obligation to our employees, suppliers and the communities in which we operate.

Pax World Management LLC is a privately-held company organized in the State of Delaware and overseen by a five-member board of directors, which includes our Chief Executive Officer and Chief Investment Strategist.

The mutual funds we manage are held in two business trusts established in Massachusetts (Pax World Funds Series Trust I and Pax World Funds Series Trust III). The trusts are each overseen by an eight-member board of trustees. Six of the eight trustees on each board are independent, including the chairman of both boards, John Liechty, who is a non-executive, independent member of the board.

Four of the trustees (or trustee-nominees) of the board of Pax World Funds Series Trust I are women and five of the trustees (or trustee-nominees) of the board of Pax World Funds Series Trust III are women, and the board's nominating committee charter provides: "In considering and evaluating candidates, (a) the Committee shall strive to achieve and maintain diversity of membership on the Board, including (but not limited to) diversity of race, gender, culture, thought and geography, which the Board believes are key attributes of a well functioning board."

Pax World is equally committed to managing our own operations in a sustainable manner. Currently, Pax World's sustainability efforts are overseen by our CSR Committee, which is chaired by our CEO. Members represent various departments throughout the company. The CSR Committee is responsible for Pax World's CSR initiatives, reporting and conducting periodic employee training on the company's environmental policies & procedures and developing ways to reduce Pax World's environmental footprint.

Commitment to our customers: Pax World is committed to providing excellent service to its shareholders, clients and customers. To accomplish that, Pax World strives to provide shareholders, clients and customers with tools to access information about their accounts, report complaints or problems, and protect their privacy, and to report on our performance with respect to those principles.

Pax World has established the following policies:

- Assure that all client interactions are monitored for satisfaction on a regular basis, and that problems receive appropriate attention.
- Assure that reports on customer satisfaction are compiled at least quarterly and any significant or ongoing issues are brought to the attention of senior management.
- Assure that all customer inquiries receive an appropriate response within a reasonable period.
- Protect customer privacy as described in our Privacy Policy. We also will monitor any problems related to privacy and respond accordingly.

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APPENDIX 1: UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS INDEX

Statement of Continued Support by Pax World's Chief Executive Officer:

See page: 5

Description of Actions: Human Rights (Principles 1-2)

Assessment, Policy & Goals

Pax World embraces the core values of responsibility, respect, honesty, compassion and fairness throughout our interactions with shareholders, employees, business partners and our community. We believe this includes the basic human rights of our employees and other stakeholders.

Implementation

As part of our General Workplace Policies, Pax World has developed policies and procedures to ensure our employees are provided with a safe work environment and are protected from workplace harassment and discrimination, including sexual harassment, physical violence and bullying.

Pax World also has a supplier diversity program. We recognize that supplier diversity creates a competitive advantage for our company and positively impacts the community. To this end, Pax World strives to proactively identify, build relationships with, and purchase goods and services from certified small businesses as well as enterprises owned by minorities, women, veterans, and disabled persons.

As part of our investment process, our social criteria examine companies from three different perspectives—workplace, product and community. Workplace criteria include such issues as diversity, equal opportunity, gender empowerment, workplace practices and workplace health and safety, employee relations, vendor standards and human rights. Product integrity criteria include product health and safety, animal welfare, consumer issues and emerging technology issues. Community criteria include companies' commitment to and relationships with the communities in which they do business, philanthropic activities, and in the case of financial institutions, responsible lending practices.

Pax World's Global Citizen Program enables our shareholders to earmark portions of their dividends and/or capital gains as a contribution to one of two nonprofit organizations that are working to alleviate poverty, empower women and promote sustainable development around the globe, Mercy Corps and Women Thrive Worldwide.

Pax World seeks to invest with organizations that target underserved localities in the areas of affordable housing, small businesses, community development and revitalization, health care, education, women's equality, and the environment, among others. Pax World believes these investments may have a positive direct impact on underserved localities, which is an important principle of our investment and business philosophy.

Measurement of Outcomes

Pax World's efforts to promote human rights do not always have measurable outcomes, or are ongoing work that may have effects over several years. Where we have information, we have provided it on the following pages: 7, 17, 24.

- In 2016, our shareholders contributed \$47,957.97 to Mercy Corps and \$2,890.39 to Women Thrive Worldwide through our Global Citizen Program.
- As of December 31, 2016, Pax World had approximately \$5.5 million (5.5% of total impact investments) in community investment notes and CDs.

CONTINUED

Description of Actions: Labor (Principles 3 - 6)

Assessment, Policy & Goals

Pax World strives to provide its employees a friendly, collegial, professional work environment. Pax World is an equal opportunity employer; we embrace diversity as a guiding principle as well as an investment concept.

Implementation

Pax World is an equal opportunity employer and follows a policy of administering all employment decisions and personnel actions without regard to age, sex, gender identity and expression, sexual orientation, race, color, marital status, pregnancy, physical or mental disability, genetics or genetic information, family health history, religion, national origin, or veteran status, or any other category protected under applicable federal, state or local

Other relevant policies include our Human Resources Department's Open Door Policy, Safety Policy and our Reasonable Accommodations Policy (Americans with Disabilities Act compliance).

As we have done for several years, Pax World conducted a gender pay equity survey for 2016. In any company as small as Pax, a disparity may arise in pay equity due to the compensation of one or two individuals, and those differences may arise due to variations in qualifications and responsibilities.

As part of our investment process, our social criteria examine companies from three different perspectives—workplace, product and community. Workplace criteria include such issues as diversity, equal opportunity, gender empowerment, workplace practices and workplace health and safety, employee relations, vendor standards and human rights. Product integrity criteria include product health and safety, animal welfare, consumer issues and emerging technology issues. Community criteria include companies' commitment to and relationships with the communities in which they do business, philanthropic activities, and in the case of financial institutions, responsible lending practices..

Measurement of Outcomes

Pax World's efforts to promote labor rights outside of our work environment do not always have measurable outcomes, or are ongoing work that may have effects over several years. Where we have information, we have provided it on the following pages: 8-10, 20-23.

- Overall, our pay equity review determined that there is no significant disparity of the pay of men and women at Pax. In 2017, our CSR Committee intends to review our internal pay equity review process, as we are always striving to do better.
- In August 2016, Pax World employees completed Respectful Workplace Training, which was focused on identifying and dealing with unconscious bias.

Description of Actions: Environment (Principles 7 - 9)

Assessment, Policy & Goals

Pax World recognizes the importance of environmental stewardship throughout our business. Our products seek to invest in companies with sustainable business models, of which environmental commitment plays a large role. Recognizing that our own operations impact the communities and environments in which we operate, Pax World strives to hold ourselves to the same standards that we expect of the companies in our portfolios. As part of this commitment, Pax World seeks to conduct business in a way that minimizes our environmental footprint while enhancing stakeholder value for our customers, employees, suppliers and communities.

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Pax World is committed to carbon neutrality by offsetting the carbon emitted through office use as well as the emissions from employee business travel. The carbon offset program covers travel, building energy use, accommodations and employee commuting. Pax World purchases offsets to aid in the development of alternate energy and/or to retire the offsets resulting in a net reduction of carbon.

It is the policy of Pax World to support and encourage recycling programs (office waste, electronic waste, food waste, etc.), water conservation and energy conservation. All employees are expected to actively participate in the organization's conservation activities.

As part of our investment process, our environmental criteria include such issues as air and water emissions, recycling and waste reduction, use of clean and renewable energy, climate change initiatives, and other policies and practices relating to environmental impact.

Implementation

In support of this policy, Pax World will endeavor to:

- Measure, analyze and reduce our contributions to global climate change and consumption of resources, including energy, water, materials, etc.
- Offset our energy and water use to aid in the development of alternative energy and the restoration of freshwater ecosystems
- Procure goods and services from suppliers who demonstrate sound environmental practices
- Support initiatives and public policies that seek to promote the long-term conservation of our natural resources
- Engage employees on reducing their environmental impact at work, at home and while traveling through periodic training and educational opportunities
- Communicate progress on environmental initiatives to stakeholders
- Monitor emerging environmental issues as they pertain to our operations and adjust our environmental strategy as needed
- Support initiatives and public policy that seek to promote the long-term conservation of our natural resources

Pax World seeks to invest in companies with comprehensive environmental policies, practices, and performance, those with good environmental performance compared with their peers, and those that are working to manage and reduce their environmental impacts. We seek to avoid companies with inadequate environmental policies, management systems, performance and reporting.

Measurement of Outcomes

Information regarding our efforts to manage our environmental impact is found on pages:18-20. Information regarding our efforts to engage companies on environmental issues is found on pages: 11-12, 16-17.

Description of Actions: Anti-corruption (Principles 10)

Assessment, Policy & Goals

Pax World is committed to the highest standards of ethics, business integrity and corporate governance. As the adviser to the Pax World family of mutual funds, we have a fiduciary responsibility to the funds' shareholders. To that end, Pax World's corporate governance practices are designed to establish and preserve accountability and transparency, while avoiding conflicts of interest (or even the appearance of conflict).

CONTINUED

Pax World has established policies regarding issues such as anti-money laundering (AML), insider trading, communications (social media and public correspondence), whistleblowing and the so-called “pay-to-play” rule, which refers to various arrangements by which investment advisers may seek to influence the award of advisory business by making or soliciting political contributions to the government officials charged with awarding such business, among others.

As part of our investment process, our governance criteria include such issues as executive compensation, board structures, political contributions, bribery and corruption and, more generally, we evaluate board level decisions that may impact shareholder interests. Pax World seeks to invest in companies whose governance is best suited to the creation of long-term value.

Pax World also participates in public policy initiatives related to various anticorruption/ corporate governance concerns.

Implementation

In support of this policy, Pax World will endeavor to:

- Periodically review all relevant policies with Pax World employees, including but not limited to policies regarding AML, insider-trading, communications (social media and public correspondence), whistleblowing and the so-called “pay-to-play” rule.

Measurement of Outcomes

Pax World’s efforts in this area do not always have measurable or reportable outcomes or, in the case of our public policy advocacy, are part of ongoing work that may have effects over several years. Where we have information, we have provided it on the following pages: 26.

APPENDIX 2: HISTORICAL CHART OF SHAREHOLDER PROPOSALS (2009-2017)

Proxy Year	Issue/Ask	Company Name	Lead File/Co-file	Outcome
2017	Pay Equity Report	Goldman Sachs Group, Inc. (GS)	Lead File	Successfully Withdrawn
2017	Pay Equity Report	Bank of New York Mellon (BK)	Lead File	Successfully Withdrawn
2017	Pay Equity Report	Qualcomm, Inc. (QCOM)	Lead File	Successfully Withdrawn
2017	Pay Equity Report	Verizon Communications (VZ)	Lead File	Successfully Withdrawn
2017	Pay Equity Report	AT&T, Inc (T)	Lead File	Successfully Withdrawn
2017	Renewable Energy Targets	UPS, Inc.	Co-File	Successfully Withdrawn
2017	Climate Change Assessment Report	Occidental Petroleum, Inc.	Co-File	Pending AGM
2017	Incentive Pay & Climate Change	ConocoPhillips	Co-File	Pending AGM
2017	Climate Change: 2 Degree Scenario Analysis	Dominion Resources	Co-File	Pending AGM
2017	Political Influence	Alphabet, Inc.	Co-File	Pending AGM
2017	Pay Equity Report	MasterCard, Inc.	Co-File	Pending AGM
2016	Board Diversity Policies	Cognizant Technology Solutions Corp. (CTSH)	Lead File	Successfully Withdrawn

CONTINUED

Proxy Year	Issue/Ask	Company Name	Lead File/Co-file	Outcome
2016	Gender Pay Equity	Apple, Inc. (APPL)	Lead File	Successfully Withdrawn
2016	Gender Pay Equity	eBay, Inc. (EBAY)	Co-file	51%
2016	Gender Pay Equity	Amazon.com, Inc. (AMZN)	Co-file	Successfully Withdrawn
2016	GHG Reduction Target	Nucor Corporation (NUE)	Lead File	27%
2016	Political Influence	ConocoPhillips (COP)	Co-file	25%
2016	Political Influence	Alphabet, Inc. (f/k/a Google, Inc.)	Co-file	12%
2016	Renewable Energy	Verizon Communications, Inc. (VZ)	Co-file	8%
2016	Utility Business Model	American Electric Power, Inc. (AEP)	Co-file	Successfully Withdrawn
2016	Utility Business Model	Duke Energy Corp. (DUK)	Co-file	Successfully Withdrawn
2015	Sustainability Reporting/Methane Emissions	Ultra Petroleum Corp. (UPL)	Co-file	22%
2015	Board Diversity Policies	eBay, Inc. (EBAY)	Co-file	Successfully Withdrawn
2015	Sustainability Reporting	Amazon.com, Inc. (AMZN)	Co-file	26%
2015	Political Influence	Google, Inc. (GOOG)	Co-file	10%
2014	Political Influence/Climate Change	Devon Energy Corp. (DVN)	Lead File	27%
2014	Board Diversity Policies	Territorial Bancorp, Inc. (TBNK)	Lead File	Successfully Withdrawn
2014	Board Diversity Policies	Oasis Petroleum, Inc. (OAS)	Lead File	Successfully Withdrawn
2013	Data Privacy & Security	Amazon.com, Inc. (AMZN)	Lead File	Successfully Withdrawn
2013	Lead Battery Recycling	Google, Inc. (GOOG)	Lead File	7%
2013	Board Diversity Policies	Stericycle, Inc. (SRCL)	Lead File	Successfully Withdrawn
2013	Board Diversity Policies	Hospitalities Properties Trust (HPT)	Lead File	Successfully Withdrawn
2013	Political Influence	Nucor Corp. (NUE)	Co-file	27%
2013	Political Influence	Pfizer, Inc. (PFE)	Co-file	Omitted by SEC
2012	Climate Change & Energy Use	Amazon.com, Inc. (AMZN)	Co-file	18%
2012	Political Influence	Amgen, Inc. (AMGN)	Lead File	19%

CONTINUED

Proxy Year	Issue/Ask	Company Name	Lead File/Co-file	Outcome
2012	Political Influence	Target Corp. (TGT)	Lead File	Successfully Withdrawn
2012	Political Influence	PepsiCo, Inc. (PEP)	Co-file	7%
2012	Board Diversity Policies	Riverbed Technologies (RVBD)	Lead File	Withdrawn for Technical Reasons
2012	Board Diversity Policies	Roper Industries, Inc. (ROP)	Lead File	Successfully Withdrawn
2011	US Chamber of Commerce Membership	3M Co. (MMM)	Co-file	Floor Vote
2011	US Chamber of Commerce Membership	ConocoPhillips (COP)	Co-file	Floor Vote
2011	US Chamber of Commerce Membership	Pfizer, Inc. (PFE)	Co-file	Floor Vote
2011	Political Influence	Pfizer, Inc. (PFE)	Co-file	Successfully Withdrawn
2011	Hydraulic Fracturing Risk Report	Southwestern Energy (SWN)	Co-file	Successfully Withdrawn
2011	Sustainability Reporting	St. Jude Medical, Inc. (STJ)	Co-file	Successfully Withdrawn
2010	Oil Sands Involvement	ConocoPhillips (COP)	Co-file	22%
2010	Political Influence	CVS Caremark (CVS)	Lead File	34%
2010	Advisory Vote on Executive Compensation	EMC Corp. (EMC)	Co-file	52%
2010	Advisory Vote on Executive Compensation	PepsiCo, Inc. (PEP)	Co-file	Successfully Withdrawn
2010	Advisory Vote on Executive Compensation	Target Corp. (TGT)	Lead File	49%
2010	Advisory Vote on Executive Compensation	Terex Corp. (TEX)	Lead File	Successfully Withdrawn
2010	Advisory Vote on Executive Compensation	The Procter & Gamble Co. (PG)	Co-file	Successfully Withdrawn
2010	Independent Chairman of the Board	Union Pacific Corp. (UP)	Lead File	18%
2010	Independent Chairman of the Board	XTO Energy, Inc. (XTO)	Lead File	Company acquired before AGM
2009	Advisory Vote on Executive Compensation	Microsoft Corp. (MSFT)	Co-file	Successfully Withdrawn
2009	Advisory Vote on Executive Compensation	The Procter & Gamble Co. (PG)	Co-file	44%
2009	Sustainability Reporting	Ameriprise Financial, Inc. (AMP)	Lead File	Successfully Withdrawn

CONTINUED

APPENDIX 3: KPI CHART

Key Performance Metrics	2012	2013	2014	2015	2016
Environmental Impact of the Management Company					
Total GHG Emissions from Business Operations (M/T)	257.00	252.35	331.00	394.00	424.00
Total Electricity Consumption from Business Operations ('000 kWh)	81.50	90.98	89.82	91.03	79.24
Total Natural Gas Consumption from Business Operations (Therms)	2879.00	3303.00	3492.00	3616.00	3751.00
Total Water Consumption from Business Operations ('000 gallons)	157.80	171.59	145.11	83.13	75.49
Employees					
# of employees	46	47	54	55	49
Employee Volunteer Hours	116	204	160	174	173
Cash Value of Employer Matching Donations	\$ 2,418	\$ 2,868	\$ 2,750	\$ 13,390	\$ 13,070
Hybrid Vehicle Incentive Participation (# of employees)	0	2	6	2	2
Hybrid Vehicle Incentive Program Cash Value	\$ —	\$ 3,000	\$ 11,000	\$ 4,000	\$ 4,000
Tuition Reimbursement Participation (# of employees)	2	2	0	0	3
Tuition Reimbursement Cash Value	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ 15,000
Pay Equity/Gender Diversity					
Gender Diversity (% female)	48%	43%	44%	45%	41%
Pay Equity Ratio (Female/Male)*	Due to changes in diversity data collection methodology, information collected prior to 2015 are reported in Appendix #4 of this report.				
Chief Executive Officer (1)				0%	0%
Portfolio Managers (5)				96%	0%
Senior Managers (7)				71%	84%
Managers (6)				98%	96%
Analysts (6)				104%	91%
Professional Staff (24)				95%	96%
Shareholder Engagement					
# of shareholder proposals filed/co-filed (Proxy Year)	6	6	3	4	10
Management Company					
AUM (billions)	\$ 2.666	\$ 3.199	\$ 3.381	\$ 3.630	\$ 4.123
Cash Value of Corporate Donations/Sponsorships	\$ 54,700	\$ 52,455	\$ 117,350	\$ 144,691	\$ 95,820
Cash Value of Impact Investments (millions)	\$ 4.70	\$ 20.47	\$ 40.29	\$ 39.79	\$ 101.90
Cash Value of Donations from Global Citizen Program	\$44,593.95	\$191,929.30	\$171,581.05	\$98,632.49	\$50,848.36

*Parentheses denote the number of employees in the job category in 2016.

APPENDIX 4: HISTORICAL PAY EQUITY DATA

In 2013 and in 2015, Pax World updated our data collection method for our pay equity report. The following table includes all data collected before 2015:

Pay Equity Report (Female/Male)*	2013	2014
Senior Managers	83% (6)	71% (8)
Portfolio Managers & Senior Analysts	131% (7)	121% (8)
Managers	78% (7)	107% (5)
Professional Staff	100% (25)	87% (31)

*Parentheses denote the number of employees in the job category.

CONTINUED

APPENDIX 4: HISTORICAL PAY EQUITY DATA, continued

Pay Equity Report (Female/Male)*	2010	2011	2012
Portfolio Managers	133%	132%	127%
Senior Vice Presidents	73%	72%	75%
Senior Managers	130%	127%	119%
Senior Analysts	119%	113%	109%
Analysts	136%	100%	96%
Professional Staff	97%	96%	106%
General Staff	138%	138%	141%

*Initial data collected in 2010

APPENDIX 5:



CERTIFICATE #8303 - 02/14/2017

THE BONNEVILLE ENVIRONMENTAL FOUNDATION (BEF) HONORS

Pax World Management LLC

For restoring water to critically dewatered rivers and streams by purchasing Water Restoration Certificates® (WRCs) from BEF. Your purchase, combined with that of other BEF partners, helps restore the ecological, recreational and economic health of critical freshwater ecosystems.

All WRC projects are certified by the National Fish and Wildlife Foundation's strict set of criteria to ensure flow is restored to the environment in locations and at a time that will have optimum environmental benefit. For more information regarding our WRC supply sources, visit: b-e-f.org/water-portfolio.



Todd Reeve | BEF CEO

PURCHASE DETAILS AND EQUIVALENCIES:

76
NUMBER OF WATER RESTORATION CERTIFICATES* PURCHASED

THIS IS EQUIVALENT TO
76,000
GALLONS OF WATER RESTORED TO CRITICALLY DEWATERED RIVERS AND STREAMS

OR, THE EQUIVALENT WATER IN
15,200
STANDARD FIVE-GALLON WATER COOLER CONTAINERS







At BEF, we believe addressing the current state of our planet requires innovation, creative problem solving and discovering new ways of doing business that value the natural resources we depend on. Through a full suite of innovative energy, carbon and water solutions we are helping our partners—from the farmer to the corporation—redefine how business gets done. We help our partners meaningfully balance their environmental impact, invest in clean energy and carbon reduction, educate the next generation of clean energy leaders, and effectively and sustainably restore the health of our freshwater resources. Learn more at: www.b-e-f.org.

HERE ARE THE DETAILS OF YOUR WATER RESTORATION CERTIFICATES* ORDER:

<p>WRCs: Middle Deschutes River</p> <p>A 35-mile section of the river between the city of Bend and Lake Billy Chinook, Oregon. Over 115 cubic feet per second flowed in the Middle Deschutes during the summer months of a recent irrigation season, helping foster a healthy ecosystem for people, plants and wildlife.</p>	<p>PRODUCTION DATE</p> <p>2015</p>	<p>GALLONS RESTORED</p> <p>76,000</p>
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APPENDIX 6:



PURCHASE CONFIRMATION

SOUTHERN UTE INDIAN TRIBE NATURAL METHANE CAPTURE AND USE PROJECT

We appreciate that your organization ("You") has chosen to partner with NativeEnergy to offset the volume of CO2 emissions specified in the accompanying invoice (the "Invoice"), which is incorporated by reference. This Purchase Confirmation, as qualified by the terms and conditions appended hereto (the "Terms and Conditions"), constitutes the complete terms and conditions upon which you agree to purchase from NativeEnergy, and NativeEnergy agrees to sell to you, the carbon offsets identified below, which shall be deemed to be accepted by you upon payment in full of the amount specified in the Invoice.

We are pleased to provide you the opportunity to offset your CO2 emissions by helping support the Southern Ute Indian Tribe Natural Methane Capture and Use Project described below. Subject to the Terms and Conditions, you will have, upon payment in full:

- acquired the rights to the number of metric tonnes of vintage 2014 CO2-equivalent reductions generated by the Southern Ute Project as is specified in the Invoice. This project reduces CO2-equivalent emissions by capturing and destroying naturally seeping methane, which is a major contributor to global warming.
- helped bring to this project a portion of its above-market development and construction costs, helping it achieve and maintain economic viability.

Your purchase is helping support the Southern Ute Indian Tribe Natural Methane Capture and Use Project Clinton County, which is located on tribal lands within the San Juan Basin in southwestern Colorado. This basin is rich in fossil fuel resources and has been a source of coal, uranium, and natural gas for many decades. In certain areas of the San Juan Basin, coal seams emerge from the surface of the ground. Methane once adsorbed to the coal seeps into the atmosphere at these outcroppings. This release of methane, a potent greenhouse gas, has been observed since the 1800s. Capturing this "fugitive" methane and putting it to good use is an effective way to address climate change. The total purchase price for your VERs is specified in the Invoice.

Validation, Verification and Retirement: The Southern Ute Project VERs have been verified by a third party verifier according to the Verified Carbon Standard. The Verified Carbon Units that were issued for the VERs purchased under this agreement will be retired on the Market Registry on your behalf. To the extent necessary to effect retirement of the VERs, you hereby appoint NativeEnergy as your agent to transfer title to the VERs to the Market Registry.

Logo Use: To facilitate NativeEnergy's promotion of your offsetting action, you hereby grant to NativeEnergy a revocable, nonexclusive license to use and display the your business name and associated logo in our promotional materials, solely for the purpose of communicating the fact that you have offset CO2 emissions with NativeEnergy, and agree to provide NativeEnergy with a high resolution electronic copy of your logo promptly upon request.

We look forward to working with you to help you communicate to your stakeholders and the public regarding your purchase and donation. As such communications can have significant impact on

NativeEnergy, Inc. - 3 Main Street - Suite 212 - Burlington VT, 05401 - 1.800.904.8826 - support@nativeenergy.com - www.nativeenergy.com



NativeEnergy's long-term business interests, we require all press releases announcing the purchase to be reviewed and approved by our internal legal counsel, and we strongly encourage you to solicit our comment on all web, annual report or similar copy that promotes your purchase.

Again, thank you for choosing NativeEnergy to be your partner in the fight for greater energy independence and against global warming and climate change. We look forward to growing our relationship in the future. In particular, we encourage all our clients to conduct comprehensive assessments of opportunities to reduce their emissions through conservation and efficiency measures. We would be happy to assist you in doing so.

Sincerely,



Jeff Bernicke
President and CEO

CONTINUED



**NEW HAMPSHIRE
WOMEN'S FOUNDATION**

FAMILY-FRIENDLY WORKPLACES

2016 ISSUE BRIEF

**OUR MISSION IS
TO PROMOTE
OPPORTUNITY &
EQUALITY FOR
WOMEN & GIRLS IN
NEW HAMPSHIRE
THROUGH RESEARCH,
EDUCATION,
PHILANTHROPY &
ADVOCACY.**

At the New Hampshire Women's Foundation we believe that creating family-friendly workplaces is essential to overcoming gender-based stigmas and outdated traditions, and is therefore essential to achieving economic equality—a key component of our mission and vision.

There's a simple reason for organizations to adopt family-friendly workplace policies: many of the most competitive, successful, and profitable businesses already have them.

Businesses across the spectrum, from small employers to multinational corporations, have demonstrated over the years that the benefits of implementing family-friendly workplace policies go directly to the bottom line.

That's because family-friendly policies are really about making it easier for employees to balance family and work, and to meet both their family and work obligations. Employees are more likely to remain with a family-friendly company. They're more engaged and motivated. Turnover is reduced, and recruitment of new employees is easier. Family-friendly policies meet the needs of today's labor force, making them a win-win for everyone involved. They're good for employees, children, parents and elders. And they're good for business.

We believe that in contemporary times, families must be viewed in more expansive ways. With that openness of mind, "family" can mean a married couple with or without children, two people who have a long term commitment to one another, a single parent, a single individual and those caring for aging parents.

Over the next few years we will direct research, program, philanthropy, and advocacy resources to grow the number of family-friendly workplaces in New Hampshire. We believe this issue is of great importance across party lines, to both men and women, and throughout our economy.

The Granite State is an important place to further the discussion. Whether you are a business owner, organization leader or employee, we hope you are ready to join the conversation!

A FAMILY-FRIENDLY WORKPLACE OR EMPLOYER IS ONE WHOSE POLICIES MAKE IT POSSIBLE FOR EMPLOYEES TO MORE EASILY BALANCE FAMILY AND WORK, AND TO FULFILL BOTH THEIR FAMILY AND WORK OBLIGATIONS.

New Hampshire Women's Foundation | 603.226.3355 | Two Delta Drive, Concord, NH 03301 | nhwomensfoundation.org

The full issue brief can be found here: <http://nhwomensfoundation.org/wp-content/uploads/2011/07/Changing-Workplaces-Issue-Brief.pdf>

TOP TEN HOLDINGS

Pax Large Cap Fund top ten holdings as of 12/31/16: Apple, Inc. 4.4%, Microsoft Corp. 4.3%, Chubb Corp., The 3.5%, Berkshire Hathaway, Inc., Class B 3.2%, Time Warner, Inc. 2.8%, Schlumberger, Ltd. 2.6%, PepsiCo, Inc. 2.6%, Goldman Sachs Group, Inc., The 2.5%, Pioneer Natural Resources Co. 2.4%, Alphabet, Inc., Class A 2.4%.

Pax Mid Cap Fund top ten holdings as of 12/31/16: Alleghany Corp. 4.6%, Investors Bancorp, Inc. 3.6%, Hologic, Inc. 3.1%, Citizens Financial Group, Inc. 3.0%, White Mountains Insurance Group, Ltd. 2.9%, Capitol Federal Financial, Inc. 2.8%, US Foods Holding Corp. 2.8%, Antero Resources Corp. 2.7%, Amdocs, Ltd. 2.6% and Yum! Brands, Inc. 2.5%.

Pax Small Cap Fund top ten holdings as of 12/31/16: Investors Bancorp, Inc. 3.2%, Antero Resources Corp. 3.1%, Legg Mason, Inc. 3.0%, Capitol Federal Financial, Inc. 3.0%, US Foods Holding Corp. 2.9%, WCI Communities, Inc. 2.9%, Natus Medical, Inc. 2.8%, MRC Global, Inc. 2.6%, Aspen Insurance Holdings, Ltd. 2.6% and Renaissance Holdings, Ltd. 2.5%.

Pax Beta® Quality Fund top ten holdings as of 12/31/16: Apple, Inc. 2.9%, Alphabet, Inc., Class A 2.9%, Verizon Communications, Inc. 2.9%, PepsiCo, Inc. 2.4%, Baxter International, Inc. 2.4%, Johnson & Johnson 2.3%, 3M Co. 2.2%, Amazon.com, Inc. 2.0%, AT&T, Inc. 1.9%, PNC Financial Services Group, Inc. 1.8%.

Pax Beta® Dividend Fund top ten holdings as of 12/31/16: 3M Co. 2.7%, Johnson & Johnson 2.4%, AT&T, Inc. 2.3%, Cisco Systems, Inc. 2.1%, Merck & Co., Inc. 2.0%, Procter & Gamble Co. 2.0%, Amazon.com, Inc. 1.9%, PepsiCo, Inc. 1.9%, IBM 1.8%, Verizon Communications, Inc. 1.8%.

Pax MSCI International ESG Index Fund top ten holdings as of 12/31/16: Roche Holding AG 3.2%; Novartis AG 3.2%; HSBC Holdings PLC 2.4%; Novo Nordisk A/S, Class B 1.9%; Commonwealth Bank of Australia 1.7%; GlaxoSmithKline PLC 1.6%; Vodafone Group PLC 1.4%; Westpac Banking Corp. 1.4%; Allianz SE 1.3% and SAP SE 1.3%.

Pax Ellevest Global Women's Index Fund top ten holdings as of 12/31/16: Microsoft Corp. 2.7%, NIKE, Inc., Class B 1.9%, Johnson & Johnson 1.9%, Facebook, Inc., Class A 1.8%, salesforce.com, Inc. 1.8%, American Water Works Co., Inc. 1.8%, Yahoo!, Inc. 1.7%, Abbott Laboratories 1.6%, Aetna, Inc. 1.6% and AT&T, Inc. 1.5%.

Pax Global Environmental Markets Fund top ten holdings as of 12/31/16: Legrand SA 3.2%, SUEZ Environnement Co. SA 3.0%, Delphi Automotive PLC 3.0%, Danaher Corp. 2.9%, Sealed Air Corp. 2.9%, Waste Management, Inc. 2.9%, Ecolab, Inc. 2.9%, WestRock Co. 2.9%, Thermo Fisher Scientific, Inc. 2.7% and East Japan Railway Co. 2.7%.

Pax High Yield Bond Fund top ten holdings as of 12/31/16: HCA, Inc., 5.875%, 2/15/26 1.5%, Kennedy-Wilson, Inc., 5.875%, 04/01/24 1.2%, Charlotte Russe, Inc., 6.750%, 05/21/19 1.2%, Syniverse Holdings, Inc., 9.125%, 01/15/19 1.1%, Ahern Rentals, Inc., 7.375%, 05/15/23 1.1%, Michael Baker Holdings LLC, 8.875%, 04/15/19 1.1%, Frontier Communications Corp., 10.500%, 9/15/22 1.1%, Sprint Communications, Inc., 8.375%, 8/15/17 1.1%, Altice Financing SA, 7.500%, 5/15/26 1.0% and Sirius XM Radio, Inc., 5.375%, 4/15/25 1.0%.

Pax Core Bond Fund top ten holdings as of 12/31/16: United States Treasury Note, 2.375%, 08/15/24 6.6%, United States Treasury Note, 1.750%, 11/30/21 5.9%, United States Treasury Note, 3.125%, 08/15/44 2.5%, United States Treasury Note, 2.125%, 11/30/23 2.5%, United States Treasury Note, 4.500%, 02/15/36 1.9%, United States Treasury Note, 1.625%, 5/15/26 1.9%, United States Treasury Note, 2.125%, 09/30/21 1.7%, United States Treasury Note, 1.750%, 09/30/19 1.3%, United States Treasury Note, 1.000%, 10/15/19 1.0% and United States Treasury Note, 6.250%, 10/15/30 0.9%.

Pax Balanced Fund top ten holdings as of 12/31/16: Apple, Inc. 1.9%, Microsoft Corp. 1.8%, Chubb, Corp 1.5%, Berkshire Hathaway, Inc., Class B 1.3%, Waste Management, Inc. 1.2%, PepsiCo, Inc. 1.2%, Time Warner, Inc. 1.2%, Schlumberger, Ltd. 1.2%, Merck & Co., Inc. 1.1% and Alphabet, Inc., Class A 1.1%.

Holdings are subject to change.

BENCHMARK INDEX DISCLOSURES

Pax Large Cap Fund Benchmark Index - The S&P 500 Index is an unmanaged index of large capitalization common stocks.

Pax Mid Cap Fund Benchmark Index - The Russell Midcap Index measures performance of the mid-capitalization sector of the US equity market. The index is a float-adjusted, capitalization-weighted index of the 800 smallest issuers in the Russell 1000 Index. The index is a subset of the Russell 1000 Index and serves as the underlying index for the Russell Midcap Growth and Value Index series. The Index is reconstituted annually.

Pax Small Cap Fund Benchmark Index - The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Pax ESG Beta Quality Fund Benchmark Index - Effective June 30, 2016, the Russell 1000 Index replaced the Russell 1000 Growth Index as the primary benchmark for Pax ESG Beta Quality Fund because the Adviser believes the Russell 1000 Index is a more appropriate representation of the universe of securities in which the Fund may invest. The Russell 1000 Index measures the performance of the 1,000 largest U.S. companies, as measured by market capitalization. It is a subset of the Russell 3000 Index, which measures the largest 3,000 companies. The Russell 1000 Index is comprised of over 90% of the total market capitalization of all listed U.S. stocks.

Pax ESG Beta Dividend Fund Benchmark Index - The Russell 1000 Index measures the performance of the 1,000 largest U.S. companies, as measured by market capitalization. It is a subset of the Russell 3000 Index, which measures the largest 3,000 companies. The Russell 1000 Index is comprised of over 90% of the total market capitalization of all listed U.S. stocks.

Pax MSCI International ESG Index Fund Benchmark Index - The MSCI EAFE ESG Index is designed to measure the performance of equity securities of issuers of developed countries around the world excluding the U.S. and Canada that have high Environmental, Social and Governance (ESG) ratings relative to their sector and industry peers, as rated by MSCI ESG Research annually.

Pax Ellevest Global Women's Index Fund Benchmark Index - The Pax Global Women's Leadership Index* is a customized market-weighted index consisting of equity securities of issuers organized or operating in countries around the world that demonstrate a commitment to advancing and empowering women through gender diversity on their boards, in management and through other policies and programs, and an understanding of the potential business advantages associated with greater gender diversity, as rated by Pax World Gender Analytics. In addition, the companies comprising the Index meet certain environmental, social and governance (ESG) or sustainability thresholds, as rated by MSCI ESG Research. No performance information is included here as the index is newly created.

The MSCI World (Net) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Performance for the MSCI World Index is shown "net," which includes dividend reinvestments after deduction of foreign withholding taxes.

*A custom index based on MSCI World.

Pax Global Environmental Markets Fund Benchmark Index - Effective April 1, 2016, the MSCI ACWI (Net) Index replaced the MSCI World (Net) Index as the primary benchmark for Global Environmental Markets Fund because the Adviser believes the MSCI ACWI (Net) Index is a more appropriate representation of the universe of securities in which the Fund may invest. The MSCI ACWI (Net) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom and United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. Performance for the MSCI ACWI Index is shown "net," which includes dividend reinvestments after deduction of foreign withholding tax.

Pax Balanced Fund Benchmark Index - The Blended Index is comprised of 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index. The S&P 500 Index is an unmanaged index of large capitalization common stocks. The Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset-backed securities.

Pax Core Bond Fund Benchmark Index - The Bloomberg Barclays US Aggregate Bond Index is a broad base index, maintained by Bloomberg L.P. often used to represent investment grade bonds being traded in United States.

Pax High Yield Bond Fund Benchmark Index - The BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index tracks the performance of BB- and B-rated fixed income securities publicly issued in the major domestic or eurobond markets, with total index allocation to an individual issuer limited to 2%. The benchmark of High Yield Bond Fund was changed to the BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index effective June 30, 2010. Pax World believes the BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index more closely corresponds to the investments of the Fund.

One cannot invest directly in an index.

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. Emerging market and international investments involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, economic or political instability in other nations or increased volatility and lower trading volume. Investments in high yield bonds generally are subjected to greater price volatility based on fluctuations in issuer and credit quality. Yield and share price will vary with changes in interest rates and market conditions. Investors should note that if interest rates rise significantly from current levels, bond fund total returns will decline and may even turn negative in the short term. There is also a chance that some of the fund's holdings may have their credit rating downgraded or may default. Funds that emphasize investments in mid-size and 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. The Funds' allocations may change due to market fluctuations and other factors. The Pax Mid Cap Fund, Large Cap Fund, Core Bond Fund and the ESG Beta® Dividend Fund are new and have a limited operating history.



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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.paxworld.com. Please read it carefully before investing.

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

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