

Pax World Funds

# 2017 Impact Report



**PAX**

For Tomorrow®

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## 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.

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, 2017, Pax World advises funds with approximately \$4.7 billion in assets under management for individuals, financial advisors, and institutional investors.

Following our September 18, 2017 [announcement](#) that Impax Asset Management and Pax World Management were set to join forces, we are delighted to inform you that the transaction has now completed, creating an integrated investment manager focused on the transition to a more sustainable global economy.

Pax World Management LLC has been renamed Impax Asset Management LLC, becoming a sister company to Impax Asset Management Ltd, which is Impax's regulated investment manager based in London. However, the name of Pax World Funds and the investment approaches of all the mutual funds within the Pax World family will remain unchanged.



## 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 prior to our acquisition by Impax for calendar year 2017.** 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](mailto:info@paxworld.com)

## KEY TAKEAWAYS

- Pax World is a leader in sustainable investing and we are committed to continuously improving 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.
- We are engaged shareholders. Pax World filed or co-filed 12 shareholder proposals for the 2017 proxy season on issues relating to climate change and gender diversity. Additionally, in 2017, Pax World had 420 engagement contacts with 308 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

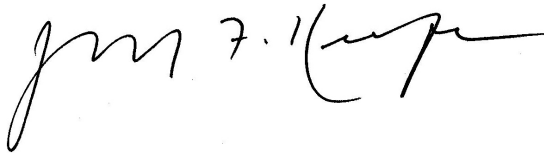
Pax World is pleased to share our 2017 Impact Report and our UN Global Compact Communication on Progress with our stakeholders. The combined report reviews our progress as an asset manager committed to sustainable investing and as a business that seeks to operate in a manner consistent with the ESG standards 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.

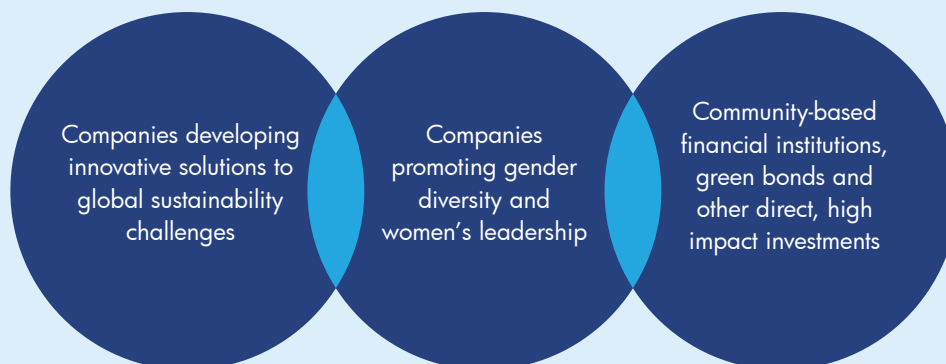
Joseph F. Keefe  
*President and CEO*  
Pax World Funds

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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:



Pax World offers two global thematic funds that give investors the opportunity to make a significant impact:

- **Pax Global Environmental Markets Fund (PGRNX)**<sup>1</sup> is fossil fuel-free and invests in companies addressing global sustainability challenges in the following sectors: energy, water, waste, and sustainable food and agriculture.
- **Pax Ellevest Global Women's Leadership Fund (PXWEX)**<sup>2</sup> invests in the highest rated companies in the world when it comes to advancing women's leadership.

## Direct High-Impact Investments

- Pax World works to achieve measurable impacts by investing in green bonds and in short-term notes and certificates of deposit issued by Community Development Financial Institutions (CDFIs) and credit unions.
- **Pax Core Bond Fund (PAXBX)**<sup>3</sup> is an investment-grade fixed income portfolio that includes green bonds and other high-impact bonds that promote positive environmental and social outcomes.

As of  
December 31 2017,  
Pax World held approximately  
**\$123 million**  
in direct high-impact  
investments.\*

<sup>1</sup>The 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.

<sup>2</sup>The Global Women's Leadership 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.

<sup>3</sup>The 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.

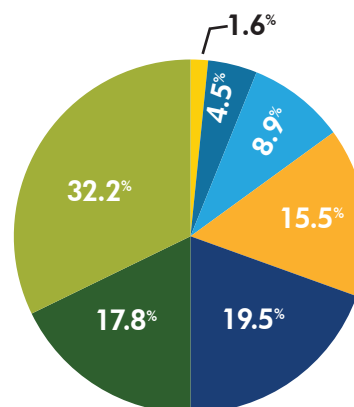
\*Direct high-impact investment holdings in the Pax Core Bond Fund and the Pax High Yield Bond Fund.

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

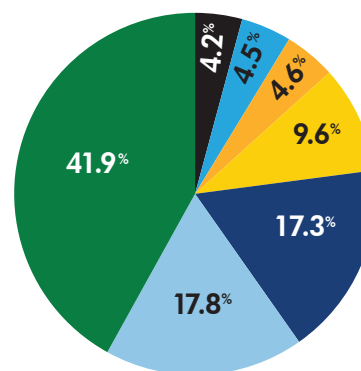
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## Direct High-Impact Investments

### IMPACT ISSUER TYPES As of 12/31/17



### IMPACT FOCUS AREAS As of 12/31/17



### Examples of Direct-High Impact Investments: All holdings as of 12/31/2017

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

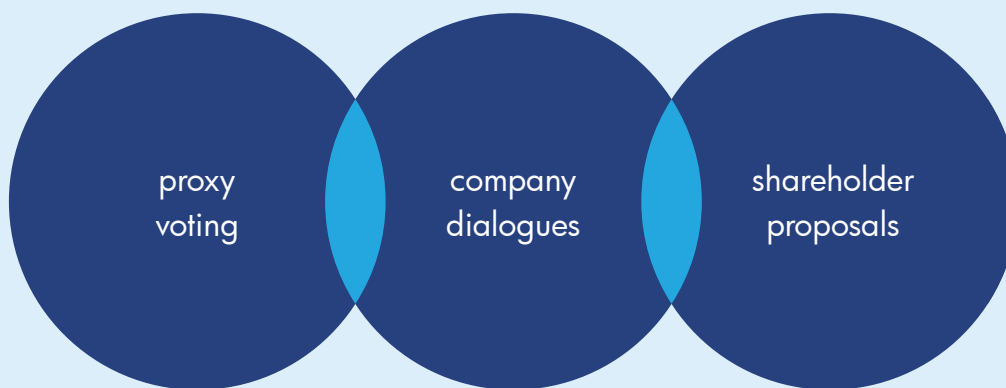
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## INVESTING IN WOMEN:

### 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.<sup>4</sup>

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 1,100 board slates due to insufficient gender diversity, including more than 130 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.

Pax World  
has voted against  
**over 1,100**  
board slates  
due to insufficient  
gender diversity, including  
**130**  
during the most recent  
proxy season.

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

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<sup>4</sup>[www.paxworld.com/category/research/gender](http://www.paxworld.com/category/research/gender)



## INVESTING IN WOMEN, continued:



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

### Shareholder Proposals: Board Diversity

Over the last five years, Pax World has filed board diversity proposals asking nine 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
2018	US Foods Holdings Corp.	Pending
2016	Cognizant Technology Solutions	Amended governance policies; female director appointment in 2017
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 fourteen shareholder resolutions on pay equity, requesting the disclosure of the results of pay equity assessments. 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. Additionally, six companies enhanced their pay equity disclosure. We also wrote to 32 technology companies and 39 financial 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
2018	Discover Financial Services, HP Inc., KeyCorp	Pending
2017	Oracle	Shareholder vote outcome 38.7%
2017	Bank of New York Mellon, Qualcomm, Inc., Verizon Communications, Goldman Sachs Group, Inc. and AT&T Inc.	Enhanced pay equity disclosure
2017	Mastercard***	Enhanced pay equity disclosure; Shareholder vote outcome 7.8%
2016	Amazon.com***, eBay, Inc.***, Apple, Inc.	Disclosed results of gender pay assessment

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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.

That's why we actively engage with companies on climate-related issues and hold them accountable for their climate impact.



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

### Partnerships

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

**Investor Network on Climate Risk (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.

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

**RE100** – a collaborative, global initiative uniting more than 100 influential businesses committed to 100% renewable electricity, working to massively increase demand for - and delivery of - renewable energy.

**WE ARE STILL IN**

Agreement and to help the U.S. deliver on its international climate commitments.

Paris Agreement: We are Still In – Pax World joined over 1,000 U.S. businesses, investors, states, cities, and universities pledging to continue to abide by the Paris

Agreement and to help the U.S. deliver on its international climate commitments.

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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<sup>5</sup>The Economist, Intelligence Unit, 2015.

## ADDRESSING CLIMATE CHANGE, continued:

### Shareholder Proposals

The Issue	Why it Matters	Our Recent Proposals
 <p><b>Climate Change &amp; Sustainability Disclosure</b></p>	<p>Managing and reporting on sustainability factors, including climate change risks and opportunities, helps companies navigate a business environment characterized by finite natural resources, rapidly changing laws and regulations, and heightened public expectations for corporate accountability. Transparent, substantive reporting positions companies to gain strategic value from existing sustainability efforts and identify emerging risks and opportunities.</p>	<p><b>Kaiser Aluminum</b> (2018) – We requested that Kaiser Aluminum publish a sustainability report that describes the company’s policies, strategies, performance, and improvement targets on material sustainability issues, including climate change.</p>
 <p><b>Renewable Energy Sourcing and Production</b></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><b>UPS</b> (2017) – We requested that UPS set quantitative targets to increase renewable energy sourcing and/or production.</p> <p>UPS now includes a quantitative target to increase renewable energy (25% by 2025) in its most recent sustainability update.</p>
 <p><b>Climate Change Influence and Accountability</b></p>	<p>Lobbying activities can have significant influence on climate policy and are increasingly coming under scrutiny. We encourage transparency and accountability in the use of employee time and corporate funds to influence climate related legislation and regulation.</p> <p>Similarly, board oversight of climate issues is a critical component of strong corporate governance for companies in all sectors. The Task Force on Climate-related Financial Disclosures (TCFD) identifies corporate governance and risk management practices as critical contextual components within which to understand a company’s financial results.</p>	<p><b>Travelers Companies</b> (2018), <b>Old Republic</b> (2018) and <b>White Mountains Insurance</b> (2018) – We asked these insurance companies to put in place effective oversight for climate change at the board level. This includes systems that allow for informed and thoughtful oversight, and board decision making that incorporates the consideration of material environmental and social issues pertaining to both the underwriting and investing arms of their businesses.</p> <p><b>Alphabet (formerly Google)</b> (2016, 2017 &amp; 2018) - We continue to request a report on the company’s lobbying practices and to urge Alphabet to determine if its public policy efforts support or oppose climate change legislation or regulation.</p> <p><b>ConocoPhillips</b> (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><b>Transitioning to a Low-Carbon Economy</b></p>	<p>COP21 marked the beginning of the transition from an industrial age economy reliant on fossil fuels, to a sustainable, low-carbon economy. We believe it is critical that companies adapt their business models now so that they are well-positioned for a low-carbon future.</p>	<p><b>Valero Energy</b> (2018), <b>Dominion Energy</b> (2017 &amp; 2018) and <b>Occidental Petroleum</b> (2017) - We requested that the companies produce assessments of the long-term portfolio impacts of likely climate change scenarios.</p> <p>Both Valero Energy and Occidental Petroleum have agreed to produce an assessment.</p>

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## 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 31, 2017. 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.

Seven of Pax World's funds, the Large Cap Fund, the Mid Cap Fund, the Small Cap Fund, the ESG Beta Quality Fund, the ESG Beta Dividend Fund, the Global Environmental Markets Fund and the Pax MSCI EAFE ESG Leaders Index 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. While the Pax MSCI EAFE ESG Leaders Index Fund has a higher weighted average carbon intensity than its benchmark index (MSCI EAFE ESG Leaders Index), its weighted average carbon intensity is comparable to its benchmark.

We were unable to measure the carbon footprint of our 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 Leadership 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.

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*\*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

2017 Engagement Summary: Pax World filed or co-filed 12 shareholder proposals for the 2017 proxy season on issues relating to climate change and gender diversity. We also filed or co-filed 13 shareholder proposals in 2017 for the upcoming 2018 proxy season on issues relating to climate change, gender diversity, pay equity and paid family leave.

Additionally, in 2017, Pax World had 420 engagement contacts with 308 companies. These contacts include direct letters and shareholder proposals, as well as our involvement in collaborative engagements with other investors. Engagement contacts include initial outreach, ongoing dialogues and follow-up conversations with portfolio companies about a wide range of ESG-related topics, including:

Topic	%
Climate Change	31.9%
Board Diversity	26.0%
Pay Equity	12.9%
Animal Factory Farming	9.3%
Renewable Energy	8.6%
Sustainability Reporting	6.0%
Renewable Energy	3.3%
Other*	2.1%

*\*Includes water risk, political influence, labor rights and paid family leave*

## 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

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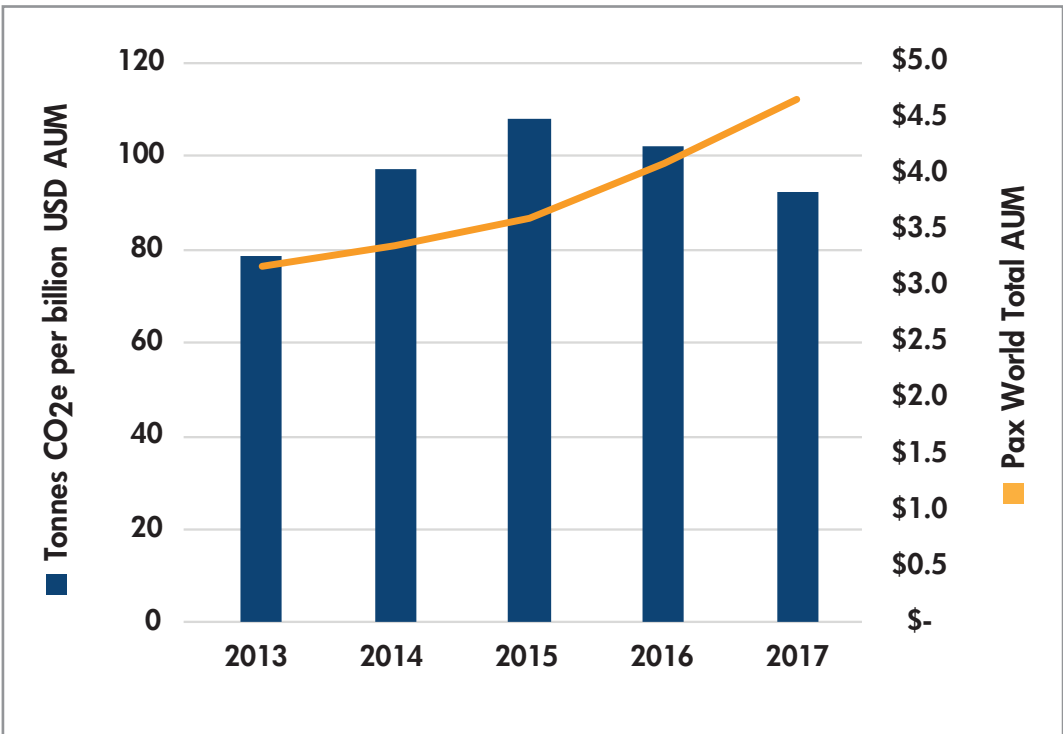
to environmental and social issues. We vote each proxy in a way that is consistent with our ESG criteria. Pax World exercises our proxy voting responsibility seriously, as it provides another avenue through which to promote improved financial performance and improved ESG policies and practices at companies.

Our Proxy Voting Guidelines are available [here](#) and we publicly disclose our votes for both upcoming and past meetings. In 2017, we voted 912 meetings with over 12,000 proposals. You can also view our 2017 Form N-PX (Annual Report of Proxy Voting Record) for [Pax World Funds Series Trust I](#) and [Pax World Funds Series Trust III](#).

**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 (45.1% of CO<sub>2</sub>e), employee commuting (40.7%) and building energy use (14.2%). The main driver of GHG emissions growth from our business operations is business travel, which has increased annually.



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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. One way that we engage employees on this important issue is through the CommuteSMART program, which promotes smart commuting options such as carpooling, taking transit, bicycling, walking, and teleworking.

For excellence in promoting sustainable commuting options for your employees

# 2017 Sustainability Champion



Pax World Management LLC



**UNLESS someone like you cares  
a whole awful lot,  
nothing is going to get better.  
It's not.  
– The Lorax**



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 79 WRCs to offset our water use for calendar year 2017.



Environmental Impact of the Management Company	2013	2014	2015	2016	2017
Total GHG Emissions from Business Operations (M/T)	252.35	331.00	394.00	424.00	437.00
Total Electricity Consumption from Business Operations ('000 kWh)	90.98	89.82	91.03	79.24	73.79
Total Natural Gas Consumption from Business Operations (Therms)	3303.00	3492.00	3616.00	3751.00	3286.06
Total Water Consumption from Business Operations ('000 gallons)*	171.59	145.11	83.13	75.49	78.60

*\*Due to a decrease in total leased space that Pax World occupies, water usage has dropped over the past 5 years.*

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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.

- Overall, in 2017, 47% of our total workforce was composed of women.
- Currently, the majority of our management committee is composed of women.
- In 2017, Pax World employees completed anti-sexual harassment training.

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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 #3 of this report.) In any company as small as Pax World, 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.

Pay Equity Report (Female/Male)*	2015	2016	2017
Chief Executive Officer (1)	0%	0%	0%
Portfolio Managers (6)	96%	0%	79%
Senior Managers (6)	71%	84%	83%
Managers (7)	98%	96%	91%
Analysts (6)	104%	91%	103%
Professional Staff (25)	95%	96%	98%

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

To date, Pax World's pay equity survey has included an analysis of base salary and does not include incentive compensation.

## EMPLOYEES:

# #9

Best Company to Work For: **Pax World Management LLC**  
30 Penhallow Street, Suite 400, Portsmouth, 03801 • paxworld.com



### Sustainable Investing Adviser

**Top Executive:** Joseph Keefe, President & CEO  
**Years in Business:** 47  
**Employees:** 50 full-time (44 in NH)

From left: Sarah Grenon, vice president, communications; Alicia DuBois, CFO; Janet Lawton Spates, vice president, human resources; Stephanie Coyle, executive assistant to the president & CEO; Joe Keefe, president & CEO; David Loehwing, vice president, sustainable investing.

### Top Employee Engagement Survey Measures:

— My company has a culture of diversity and inclusion - they treat all employees fairly: **100% agree**

— I have the freedom to make the necessary decisions to do my work properly: **96.4% agree**

**Company Highlights:** Employees own 25% of the company; reimburses up to \$5,000 in adoption expenses; flexible schedules; all employees start at four weeks vacation and can earn up to five

weeks; ergonomic workplace solutions for employees; \$5,000 tuition reimbursement; 12 weeks paid paternity, maternity, adoption and foster care leave or for employees with serious illness; four weeks paid leave to care for family member with serious illness; pays employees \$2,000 towards purchase or lease of a new hybrid or all-electric vehicle; hosts an annual Kids Day that allows parents or caregivers to participate in activities with their children; matches employee charitable donations up to \$250 annually; four paid volunteer days; welcome breakfasts for new employees. ■

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CONTINUED

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.

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. 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, 18 employees have used our parental leave policy a total of 25 times upon the birth or adoption of a child—14 men and 4 women.

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

CONTINUED

*\*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.*

Way's group volunteer opportunities in the seacoast community of New Hampshire.

In 2017, Pax World employees volunteered **147 hours** during business hours and **142 hours** during non-business hours to the following organizations:

American Legion  
CFA Institute  
CFP WIN Advisory Council  
Chatham Trails Association  
Contemplative Leaders in Action – Boston  
Cross Roads House  
Dartmouth Natural Resource Trust  
Elks USA  
Encore Network Boston  
Friends of Winchester Library

Gather Food Pantry  
Impact Hub Academy – Boulder  
Mercy Investment Services  
Mount Agamenticus Conservation Region  
NH Women's Foundation  
Rye Little League  
Salvation Army – Portsmouth  
Seacoast Family Food Pantry  
United Way of the Greater Seacoast  
Urban Forestry Center

Pax World has partnered with the NH Charitable Foundation to establish the Impax Asset Management LLC Charitable Fund (formerly the Pax World Management Charitable Fund) and to administer our corporate donations and sponsorships to the following organizations:

All Hands Volunteers  
American Red Cross Serving Central Texas  
Area HomeCare & Family Services, Inc.  
Big Brothers Big Sisters of New Hampshire  
Ceres Inc.  
Child Mind Institute Inc.  
Clippers Farm to School Program  
Community Foundation of the Virgin Islands, Inc.  
Conservation Law Foundation  
Court Appointed Special Advocates of NH, Inc.  
Cross Roads House  
Direct Relief  
Education for All Children  
Families First of the Greater Seacoast  
Families in Transition  
Funding the Future  
Gather Food Pantry  
Global Grassroots (Women's Academies for Conscious Change)  
Granite Pathways  
Great Works Regional Land Trust  
HAVEN

Hope on Haven Hill, Inc.  
Impact Hub Academy  
Lymphoma Research Foundation  
Media Power Youth  
Mercy Corps  
New England Grassroots Environmental Fund  
New Hampshire Public Radio  
NH Community Loan Fund  
NH SPCA  
On Belay  
Planned Parenthood Federation of America  
Portsmouth Historical Society  
Portsmouth Music and Arts Center  
Seacoast Area Feline Education & Rescue, Inc.  
Shared Interest  
The Boston Foundation  
The Miami Foundation  
United Way of Massachusetts Bay, Inc.  
Women Thrive Alliance  
World Affairs Council of New Hampshire  
York Land Trust, Inc.

Charitable Giving	2013	2014	2015	2016	2017
Cash Value of Corporate Donations/Sponsorships*	\$52,455	\$117,350	\$144,691	\$95,820	\$ 125,385

*\*Includes employee matching contributions*

CONTINUED

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 Impax Asset Management LLC Charitable Fund.

Pax World donated **\$13,550** 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 **\$755** 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, Mercy Corps and Women Thrive Alliance, that are working to alleviate poverty, empower women and promote sustainable development around the globe.

Global Citizen Program - Shareholder Donations	2013	2014	2015	2016	2017
Mercy Corps	\$ 196,040.93	\$ 167,673.35	\$ 91,890.88	\$ 47,957.97	\$ 116,503.37
Women Thrive Alliance	\$ 1,888.37	\$ 3,907.70	\$ 6,741.61	\$ 2,890.39	\$ 7,343.45

## 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)
- United Nations Environment Programme Finance Initiatives (UNEPFI)
- United Nations Principles for Responsible Investment (UNPRI)

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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**
- **Thirty Percent Coalition**
- **UN Global Compact**
- **UN Principles for Investors on Inclusive Finance**
- **Women Thrive Alliance**
- **Women's Empowerment Principles**

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 US investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts (UITs) and the 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.

On January 19, 2018, Impax Asset Management completed its previously announced acquisition of Pax World Management LLC. Pax World Management LLC was renamed Impax Asset Management LLC, becoming a sister company to Impax Asset Management Ltd, which is Impax's regulated investment manager based in London.

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.

**CONTINUED**



## 2017 Board of Trustees - Pax World Funds Series Trust I



(left to right): Anne Goggin, Cynthia Hargadon, John Liechty, Joe Keefe, D'Anne Hurd, Laurence Shadek\*, Nancy Taylor, Adrian Anderson

Four of the trustees of the board of Pax World Funds Series Trust I are women and five of the trustees 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."

## 2017 Board of Trustees - Pax World Funds Series Trust III



(left to right): Anne Goggin, Cynthia Hargadon, John Liechty, Joe Keefe, D'Anne Hurd, Sallie Krawcheck, Nancy Taylor, Adrian Anderson

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. Members represent various departments throughout the company. The CSR

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*\*As of 1/18/18, Laurence Shadek is no longer a member of the Board of Trustees.*

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 periodically 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.

## 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

CONTINUED



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, Mercy Corps and Women Thrive Alliance, that are working to alleviate poverty, empower women and promote sustainable development around the globe.

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, 21.

- In 2017, our shareholders contributed \$116,505.37 to Mercy Corps and \$7,343.45 to Women Thrive Alliance through our Global Citizen Program.
- As of December 31, 2017, Pax World had approximately \$5.6 million (4.5% of total impact investments) in community investment notes and CDs.

## **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 law.

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 2017. 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

**CONTINUED**

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: 17-23.

- Overall, in 2017, 47% of our total workforce was composed of women.
- Currently, the majority of our management committee is composed of women and women compose a significant percentage of our board of trustees.
- As part of our efforts to build an inclusive work environment, in 2017, Pax World employees completed anti-sexual harassment training.

### **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.

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

**CONTINUED**

- 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 15. Information regarding our efforts to engage companies on environmental issues is found on pages 11-13, 15-17.

## **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).

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: 22-24.

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## APPENDIX 2: KPI CHART

Key Performance Metrics	2013	2014	2015	2016	2017
Environmental Impact of the Management Company					
Total GHG Emissions from Business Operations (M/T)	252.35	331.00	394.00	424.00	437.00
Total Electricity Consumption from Business Operations ('000 kWh)	90.98	89.82	91.03	79.24	73.79
Total Natural Gas Consumption from Business Operations (Therms)	3303.00	3492.00	3616.00	3751.00	3286.06
Total Water Consumption from Business Operations ('000 gallons)	171.59	145.11	83.13	75.49	78.60
Employees					
# of employees	47	54	55	49	51
Employee Volunteer Hours	204	160	174	173	147
Cash Value of Employer Matching Donations	\$ 2,868	\$ 2,750	\$ 13,390	\$ 13,070	\$ 14,305
Hybrid Vehicle Incentive Participation (# of employees)	2	6	2	2	4
Hybrid Vehicle Incentive Program Cash Value	\$ 3,000	\$ 11,000	\$ 4,000	\$ 4,000	\$ 7,000
Tuition Reimbursement Participation (# of employees)	2	0	0	3	2
Tuition Reimbursement Cash Value	\$ 10,000	\$ —	\$ —	\$ 15,000	\$ 6,746
Pay Equity/Gender Diversity					
Gender Diversity (% female)	43%	44%	45%	41%	47%
Pay Equity Ratio (Female/Male)*	Due to changes in diversity data collection methodology, information collected prior to 2015 are reported in Appendix #3 of this report.				
Chief Executive Officer (1)			0%	0%	0%
Portfolio Managers (6)			96%	0%	79%
Senior Managers (6)			71%	84%	83%
Managers (7)			98%	96%	91%
Analysts (6)			104%	91%	103%
Professional Staff (25)			95%	96%	96%
Shareholder Engagement					
# of shareholder proposals filed/co-filed (Proxy Year)	6	3	4	10	12
Management Company					
AUM (billions)	\$ 3.199	\$ 3.381	\$ 3.630	\$ 4.123	\$ 4.700
Cash Value of Corporate Donations/Sponsorships	\$ 52,455	\$ 117,350	\$ 144,691	\$ 95,820	\$ 125,385
Cash Value of Impact Investments (millions)	\$ 20.47	\$ 40.29	\$ 39.79	\$ 101.90	\$ 122.95
Cash Value of Donations from Global Citizen Program	\$191,929.30	\$171,581.05	\$98,632.49	\$50,848.36	\$123,848.82

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

## APPENDIX 3: 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.

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## APPENDIX 3: 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.

## TOP TEN HOLDINGS

*Pax Large Cap Fund top ten holdings as of 12/31/17: Apple, Inc. 5.8%, Microsoft Corp. 4.2%, Amazon.com, Inc. 4.2%, PepsiCo, Inc. 3.2%, Zoetis, Inc. 3.2%, Bank of America Corp. 3.0%, Home Depot, Inc., The 3.0%, Walt Disney Co. 2.8%, Johnson & Johnson 2.7% and Ingersoll-Rand PLC 2.7%. Holdings are subject to change.*

*Pax Mid Cap Fund top ten holdings as of 12/31/17: Newmont Mining Corp. 4.3%, Biogen Idec, Inc. 4.0%, ONE Gas, Inc. 3.9%, Weyerhaeuser Co., REIT 3.6%, Citizens Financial Group, Inc. 3.5%, Newell Rubbermaid, Inc. 3.2%, White Mountains Insurance Group, Ltd. 3.1%, Waste Management, Inc. 3.0%, Concho Resources, Inc. 3.0% and Citrix Systems, Inc. 2.9%.*

*Pax Small Cap Fund top ten holdings as of 12/31/17: Natus Medical, Inc. 3.7%, Investors Bancorp, Inc. 3.3%, White Mountains Insurance Group, Ltd. 3.0%, MRC Global, Inc. 3.0%, Beacon Roofing Supply, Inc. 2.9%, Ligand Pharmaceuticals, Inc. 2.9%, Antero Resources Corp. 2.9%, Capitol Federal Financial, Inc. 2.9%, HomeTrust Bancshares, Inc. 2.9% and Maple Leaf Foods, Inc. 2.6%.*

*Pax Beta® Quality Fund top ten holdings as of 12/31/17: Apple, Inc. 3.1%, Johnson & Johnson 2.7%, 3M Co. 2.6%, PepsiCo, Inc. 2.5%, Amazon.com, Inc. 2.5%, Aflac, Inc. 2.3%, Texas Instruments, Inc. 2.2%, Alphabet, Inc., Class A 2.2%, Microsoft Corp. 2.1% and PNC Financial Services Group, Inc. 2.1%.*

*Pax Beta® Dividend Fund top ten holdings as of 12/31/17: 3M Co. 3.1%, Microsoft Corp. 3.1%, Johnson & Johnson 2.7%, Amazon.com, Inc. 2.5%, Cisco Systems, Inc. 2.4%, Apple, Inc. 2.3%, AT&T, Inc. 2.2%, Home Depot, Inc., The 2.0%, Procter & Gamble Co. 2.0% and Texas Instruments, Inc. 2.0%.*

*Pax MSCI EAFE ESG Leaders Index Fund top ten holdings as of 12/31/17: Novartis AG 2.2%, Roche Holding AG 2.2%, Novo Nordisk A/S, Class B 1.7%, Total SA 1.7%, SAP SE 1.7%, Commonwealth Bank of Australia 1.7%, GlaxoSmithKline PLC 1.5%, BASF SE 1.5%, Allianz SE 1.3% and Siemens AG 1.3%.*

*Pax Ellevest Global Women's Leadership Fund top ten holdings as of 12/31/17: Microsoft Corp. 3.0%, Texas Instruments, Inc. 2.0%, KeyCorp. 2.0%, Target Corp. 2.0%, Facebook, Inc., Class A 2.0%, Estee Lauder Cos, Inc., Class A 1.9%, Kellogg Co. 1.9%, American Water Works Co., Inc. 1.9%, Ulta Salon Cosmetics & Fragrance, Inc. 1.9% and Principal Financial Group, Inc. 1.9%.*

*Pax Global Environmental Markets Fund top ten holdings as of 12/31/17: Sealed Air Corp. 4.0%, SUEZ Environnement Co., SA 3.7%, Siemens AG 3.3%, TE Connectivity, Ltd. 3.3%, Legrand SA 3.2%, East Japan Railway Co. 3.1%, Danaher Corp. 3.0%, Ecolab, Inc. 2.9%, Ferguson PLC 2.9% and Xylem, Inc. 2.8%.*

*Pax High Yield Bond Fund top ten holdings as of 12/31/17: HCA, Inc., 5.875%, 2/15/26 1.3%, Sally Holdings LLC, 5.625%, 12/1/25 0.8%, Ard Finance SA, 7.125%, 9/15/23 0.8%, Charlotte Russe, Inc., 6.750%, 05/21/19 0.8%, Royal Bank Of Scotland PLC, 6.125%, 12/15/22 0.8%, Fly Leasing, Ltd., 6.375%, 10/15/21 0.8%, Sirius XM Radio, Inc., 5.375%, 4/15/25 0.8%, Sprint Communications, Inc., 7.000%, 8/15/20 0.8%, First Data Corp., 5.000%, 1/15/24 0.7% and Bluescope Steel Finance LLC, 6.500%, 5/15/21 0.7%.*

*Pax Core Bond Fund top ten holdings as of 12/31/17: United States Treasury Note, 1.875%, 4/30/22 5.2%, United States Treasury Note, 2.375%, 08/15/24 5.2%, United States Treasury Note, 2.750%, 11/15/47 3.4%, United States Treasury Note, 2.375%, 5/15/27 3.4%, United States Treasury Note, 2.125%, 11/30/23 2.1%, United States Treasury Note, 1.375%, 1/15/20 1.7%, United States Treasury Note, 4.500%, 02/15/36 1.7%, United States Treasury Note, 2.125%, 09/30/21 1.4%, United States Treasury Note, 0.375%, 7/15/27 1.4% and United States Treasury Note, 2.125%, 3/31/24 1.4%.*

*Pax Balanced Fund top ten holdings as of 12/31/17: Apple, Inc. 2.3%, Microsoft Corp. 1.8%, Amazon.com, Inc. 1.8%, PepsiCo, Inc. 1.3%, Home Depot, Inc., The 1.3%, Johnson & Johnson 1.2%, Citizens Financial Group, Inc. 1.2%, Zoetis, Inc. 1.2%, Bank of America Corp. 1.2% and Texas Instruments, Inc. 1.1%.*

*Holdings are subject to change.*

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## 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 EAFE ESG Leaders 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 Leadership 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.***

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Before investing in a Pax World fund, you should carefully consider the fund's investment objectives, risks, charges and expenses. For this and other important information about the fund, please obtain a fund prospectus by calling 800.767.1729 or visiting [www.paxworld.com](http://www.paxworld.com). Please read it carefully before investing.

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

Effective February 26, 2018, the name of the Pax Ellevest Global Women's Index Fund changed to the Pax Ellevest Global Women's Leadership Fund.



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Impax Asset Management LLC, formerly Pax World Management LLC, is investment adviser to Pax World Funds.

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