

# Sustainability: Investors Really Can Make a Difference

by Julie Fox Gorte, Ph.D., Senior Vice President for Sustainable Investing

Sometimes it can be difficult to recognize positive progress, particularly when current events seem to be dramatically negative. Chinese market woes, terrorism, severe weather, and the hyperbolic rhetoric that always accompanies presidential election campaigns dominate the news in ways that long-term progress toward a more sustainable planet probably never will.

So, it is useful to count the ways in which Pax World's day-to-day work *does make a difference*.

Being an investor gives us a voice, as an owner of a company or other security issuer, or as a creditor of such enterprises. We use that voice to let corporations know what we think will make them both better investments and more sustainable. We focus our advocacy on the things we see as the most pressing problems, and right now that means gender equality and climate change. Both are issues that, if left unaddressed, would continue to impair economic growth and financial performance, and both are issues that investors have tools to address constructively.

The fact is, companies that treat women as second-class workers are leaving money on the table. To address that, companies must work to assure that women's talents are used as effectively as possible, and that means not discriminating on the basis of gender in recruitment, hiring, development, promotion, and pay. With the exception of identifying senior leadership, what companies do in all these areas is largely off the record. Most companies don't report to investors, or anyone else, about their gender programs or results.

## KEY TAKEAWAYS

- » Pax World engages in dialogues with companies to let them know what we think will make them more sustainable and a better investment.
- » Pax World focuses its advocacy on the things we see as the most pressing challenges, and right now that means gender equality and climate change.
- » As long-term investors, we regard this work as ongoing and understand that sustainability is an issue that will be with us forever.

CONTINUED

<sup>1</sup> United Nations, "Framework Convention on Climate Change," December 12, 2015. <http://unfccc.int/resource/docs/2015/cop21/eng/109.pdf>



**Julie Fox Gorte, Ph.D.**, Senior Vice President for Sustainable Investing, oversees environmental, social and governance-related research on prospective and current investments as well as Pax's shareholder advocacy and work on public policy advocacy. Prior to joining Pax, Dr. Gorte served as Vice President and Chief Social Investment Strategist at Calvert. Her experience before she joined the investment world in 1999 includes nearly 14 years as Senior Associate and Project Director at the Congressional Office of Technology Assessment, Vice President for Economic and Environmental Research at The Wilderness Society, Program Manager for Technology Programs in the Environmental Protection Agency's policy office and Senior Associate at the Northeast-Midwest Institute. Dr. Gorte received her Bachelor of Science in Forest Management at Northern Arizona University and a Master of Science and Ph.D. from Michigan State in resource economics.

Pax World votes against every all-male slate of directors at company annual meetings, and votes against slates that included only one woman. We also urge companies to assure gender balance in their boardrooms.

Have we solved that problem? *No*. But have we helped to make progress? *Yes*.

When we started working on board diversity, most of our press calls started with a variant of, “So prove to me that women will make better board members than men.” Nowadays, this never comes up. The world understands that boards shouldn’t be 85% male, and the trend is upward, even if it’s not as fast as we would like.

This year, we have expanded our gender advocacy and engagement by adding pay equity to the mix. We have filed three shareholder proposals, at Apple, eBay and Amazon<sup>1</sup>, asking companies to disclose pay ratios by gender and report on programs aimed at eliminating gender pay gaps. And in February, Pax Ellevest submitted a letter to the SEC urging the agency to either require companies to disclose pay equity data, or to issue guidance for the voluntary disclosure of such information. While it is too soon to say how these will turn out, be assured that we’re in for the long haul. If engagement doesn’t produce results this year, we’ll be back next year.

Climate change is another area of focus issue. 2015 was a banner year for this issue, as 195 nations met in Paris at COP21 in December to forge a new agreement to reduce greenhouse gas emissions. Some analysts regard this as feeble, because the commitments made in Paris are not binding. Binding would be better, but this is nonetheless a major achievement, and these commitments are important. Without the work of companies and investors telling the negotiators that the world needs a carbon price, and that emissions reduction is not only possible but essential, would that agreement have been reached? Probably not.

Pax World has been part of numerous efforts to bring investor support to reducing carbon emissions, including:

- The Carbon Disclosure Project, in which over 820 investors annually urge companies to report on climate risks and opportunities and take steps to reduce emissions.
- The Investor Network on Climate Risk, which launched the Clean Trillion initiative to invest a trillion dollars in clean energy annually.
- RE100, a coalition of investors with over £350 billion in assets that pressures corporations to commit to 100% renewable electricity.
- Paris Green Bonds Statement, launched by the Climate Bonds Initiative (CBI), is aimed at supporting long-term, sustainable green bond markets.
- The Green Infrastructure Investment Coalition, a product of the CBI and the Principles for Responsible Investment (PRI), which brings together investors,

CONTINUED

<sup>1</sup> As of 12/31/15, Apple, Inc. was 2.4% of holdings of the Pax World Balanced Fund and 5.1% of the Pax World Growth Fund. eBay, Inc. was 0.8% of holdings of the Pax World Growth Fund. Amazon.com, Inc. was 1.5% of holdings of the Pax World Balanced Fund and 2.3% of the Pax World Growth Fund. Holdings are subject to change. The eBay and Amazon shareholder proposals were cofiled with Arjuna Capital.

governments and development banks to improve the flow of capital to green infrastructure projects worldwide.

- The G20 Energy Efficiency Investor Statement, launched by the PRI, the United Nations Environment Programme Finance Initiative, and Ceres, aims to integrate energy efficiency into investment activities including portfolio construction, engagement, proxy voting, and asset allocation.

No single initiative, by itself, will be sufficient to turn the world's emissions around overnight, but it is noteworthy that in 2014, for the first time, the world's carbon emissions went flat while the economy grew. *It's progress.* To try to keep up that progress, we filed three shareholder resolutions urging companies to address business operations with an eye toward reducing greenhouse gas emissions and using more renewable energy (Nucor, American Electric Power, and Duke Energy).<sup>2</sup>

Sometimes it seems like the world revolves around instant gratification. As long-term investors, we don't regard that as our orbit. Sustainability is an issue that will be with us forever—there will never be a moment when we can say “okay, it's done.” The battle is not won on climate or on gender equality, but we will stay in the game as long as we need to.

<sup>2</sup> As of 12/31/15, Nucor Corporation was 1.2% of holdings of the Pax World Growth Fund. American Electric Power Company, Inc. was 0.2% of holdings of the Pax Ellevest Global Women's Index Fund. Duke Energy Corporation was 0.3% of holdings of the Pax Ellevest Global Women's Index Fund. Holdings are subject to change.

---

## Pax World Management LLC

Pax World Management LLC, investment adviser to Pax World Funds, is a pioneer in the field of sustainable investing. Pax World integrates environmental, social and governance (ESG) research into its investment process to better manage risk and deliver competitive long-term investment performance. For over 45 years, Pax World has made it possible for investors to align their investments with their values and have a positive social and environmental impact. Today, its platform of sustainable investing solutions includes a family of mutual funds, as well as separately managed accounts.

The statements and opinions expressed are those of the author as of the date of this report. All information is historical and not indicative of future results and subject to change. This information is not a recommendation to buy or sell any security.



Pax World Investments

**Pax World Investments**  
30 Penhallow Street, Suite 400  
Portsmouth, NH 03801  
800.767.1729  
info@paxworld.com  
www.paxworld.com

**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](http://www.paxworld.com). Please read it carefully before investing.**

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

Separately managed accounts and related advisory services are provided by Pax World Management LLC, a federally registered investment adviser. ALPS Distributors, Inc. is not the distributor for Pax World's separately managed accounts.

Copyright © 2017 Pax World Management LLC. All rights reserved. Distributor: ALPS Distributors Inc.: Member FINRA. Morningstar Associates, LLC is not affiliated with Pax World Management LLC. ALPS Distributors, Inc. is not affiliated with The Carbon Disclosure Project, Investors Network on Climate Risk, RE100, The Climate Bonds Initiative, The Green Infrastructure Investment Coalition, Principles for Responsible Investment, The United Nations (UN), or Ceres.