

INSIDE

HOW ONE COMPANY WENT FROM GENDER LAGGARD TO GENDER LEADER

AN AWARD-WINNING FUND

SELF-POWERED TRANSPORT

2019 ENGAGEMENT REPORT

GUILT-FREE, CLUTTER-FREE E-DELIVERY

SET IT AND FORGET IT



Leaving No One Behind is an Opportunity for Investors

By Justin Winter, Portfolio Manager, Director, Impax Asset Management

The United Nations' sixth sustainable development goal (SDG) is clean water and sanitation for all by 2030. While this suggests improved water infrastructure in the developing world, the right to clean water is universal – we must leave no one behind.

Impax has been investing in water and water-related companies since 1999. More companies are entering the space, and many of them are growing quickly. Climate change, pollution and a growing population are key players in the water investment narrative, the benefits that innovation and technological development provide in this area are others. Governments, public bodies and private industry are all investing in new and upgraded infrastructure, and this investment momentum keeps gaining pace.

Emerging Markets: New Infrastructure

Leaving no one behind in emerging market regions such as China, India and Sub-Saharan Africa requires water infrastructure where it previously did not exist. This is a positive development driven by urbanization, growing populations and changes in consumption patterns due to higher standards of living. This isn't just about access to clean water. Many items taken for granted by urban dwellers require a significant amount of water to produce. A hamburger, for instance, requires 460 gallons of water to make.¹

Modernizing Existing Infrastructure

In the developed world this narrative is more complex. Water infrastructure is largely in place, but it can be outdated, inefficient and/or struggling to meet modern water demands. Look no further than Flint, Michigan, as an example. Flint hit the news after changing its water supply

to save money. But the infrastructure in place to deliver it was old and out-of-date, and officials failed to apply corrosion inhibitors to the water, which resulted in lead contamination of the city's supply. The project to replace the lead pipes, which commenced in 2016, is ongoing, and costs are running into the hundreds of millions of dollars.

Climate Change: Drought and Shortages

Climate change impacts also play to the "leave no one behind" narrative. A number of severe periods of drought in recent years have impacted farming yields and industrial productivity and have resulted in lost revenue for workers. In March 2018, rainfall well below historical levels brought the main reservoir of Cape Town, South Africa's second largest city, close to zero.

The long-term impact of climate change on water supply requires investment in a range of conservation and detection measures, while extreme weather events will prioritize investment in protection and cleanup measures.²

Opportunities

Technology has a major role to play in leaving no one behind when it comes to water. Smart meters are a good example of how technology is changing the sector. Data from smart meters can provide an early indication of leaks and their locations,

Editor: Tracey Bentley

Layout: Dorset Norby Star

General Fund Information:

☎ 800.767.1729

Shareholder Account Information:

☎ 800.372.7827

www.paxworld.com





How One Tech Company Went from Laggard to Leader on Gender

By Heather Smith, Lead Sustainability Research Analyst, Pax World Funds

When Impax launched the Pax Ellevest Global Women's Leadership Fund in 2014, women held an average of 31 percent of board seats and 23 percent of management seats among companies in the Fund. With nine percent women on its board and 11 percent in executive leadership at the time, eBay's gender profile fell too far below our standard to be included. Fast forward to November 2018: The Impax Gender Analytics team found that the representation of women on the board and in management at eBay had surpassed 30 percent, placing it among the highest-rated companies globally for advancing women into senior leadership positions and meeting our standard for entry into the Fund. How did eBay get from gender laggard, with only token representation of women in decision-making roles, to gender leader?

A Gender Journey

We know that greater diversity on corporate boards leads to better decision-making, oversight and improved company performance,¹ and Pax World Funds has long used shareholder engagement as a way to better understand a company's approach to gender diversity. Engagement also lets us suggest changes that we believe could make companies better investments over the long term.

Impax had identified board diversity as an area for improvement at eBay in 2013. Noting that there was just one woman among the company's 11-member board of directors, we signaled our concern by voting our proxy against the three² male nominees standing for election at eBay's April 2013 annual meeting. After voting, we wrote to the chairman of the board to explain our position and request information about any actions the company was taking to consider diversity in board refreshment. The

company did not respond, and the same scenario played out the following year. Based on the company's unresponsiveness to our outreach, the absence of a specific board diversity policy³ and our strong conviction that more diversity leads to better long-term performance,⁴ we, in collaboration with two other investors,⁵ filed a board diversity shareholder proposal at eBay in late 2014. The proposal requested the company produce a report to outline its plans to increase gender and racial diversity on the board.

"EBay continues to be transparent about its successes and challenges along its journey to greater diversity and inclusion."

Talk Turns Into Action

Our goal was to have a productive dialogue with eBay, and the proposal opened the door to just that. During our conversations, the company recognized that it could more fully articulate the board's commitment to diversity and took steps to amend its governance guidelines to commit to "actively seek out highly qualified women and individuals from minority groups to include in the pool" of board nominees.⁶ The company also agreed to include this language in its proxy statement.

By codifying this language into its governance documents, eBay sent a clear message to investors that boardroom diversity is a priority, and by disclosing it publicly, the board essentially positioned itself to remain accountable to this promise, an ongoing oversight function of any board. In fact, among the six

best practices outlined by McKinsey to improve gender diversity on boards are (1) "set new principles for decision-making (e.g. include women on every candidate's seat)" and (2) "make a visible commitment to diversity with sustained action throughout the organization."⁷

During the course of our engagement, eBay announced the appointment of Bonnie Hammer to its board.⁸ Because of these actions, we withdrew our proposal. Shortly thereafter, eBay nominated another woman — Gail McGovern — to its board.⁹ eBay's pledge to seek diverse candidates remains active; while its board composition has undergone changes, primarily in connection with the company's spin-off of PayPal, since 2015, three of the seven independent directors appointed to the board have been women,¹⁰ bringing the total number of diverse directors to four.

EBay's executive leadership team has undergone a similar transformation since 2013 through a series of internal promotions and new hires. Today, there are five women on that team.

Spillover Effect

Seeking to build upon our successful board diversity engagement with eBay, and in recognition of the tech industry's longstanding struggle to recruit and retain diverse talent, in 2015 we co-filed¹¹ a shareholder proposal requesting the company produce a gender pay equity report. Research has found that companies that are committed to pay equity and transparent about their pay equity efforts are better positioned to achieve greater gender diversity and attract and retain talented employees. The proposal received a significant level of support at eBay's 2016 annual meeting, prompting the company to agree to conduct a gender pay equity analysis and publicly disclose the results. That action may

CONTINUED on NEXT PAGE

Pax World Funds News

An Award-Winning Fund

A very special announcement can make a brisk evening feel a whole lot warmer. That's what happened April 11 in New York, when the **Pax Ellevate Global Women's Leadership Fund** received the 2019 Fund Innovation award from Fund Intelligence. We've long recognized that investing in women is a winning strategy, but a trophy is welcome validation. **X**



The Pax Ellevate Global Women's Leadership Fund received the 2019 Fund Innovation Award at a ceremony in New York in April. (Photo: Hechler)



Staff arrive at the office on foot one morning in May.

Self-Powered Transport

Spring weather was slow to arrive in Portsmouth this year, but that didn't stop Pax World Funds staff from getting onto bikes and buses to come to work. Dozens took part in the CommuteSMART Seacoast B2B Challenge during the month of May, opting for less carbon-intensive commutes and shaving many miles off their carbon footprints. **X**

Engagement Report 2019



By engaging with the companies in which we invest, we strive to help them improve in ways that might make them even better investments.

Read our inaugural Engagement Report at www.paxworld.com/engagement.

HOW ONE TECH COMPANY WENT FROM LAGGARD TO LEADER ON GENDER, CONTINUED from PAGE TWO

have produced a halo effect, prompting other tech companies, including HP, to publicly address gender pay equity and related issues.

eBay continues to be transparent about its successes and challenges along its journey to greater diversity and inclusion: The company hired a chief diversity officer in 2017 and published its second Global Diversity & Inclusion Report, including the results of its second study of gender pay equity, in April 2018. Needless to say, we were not surprised to see the company emerge from our analysis as a gender leader in late 2018. Over the last four years, eBay has positioned itself among the roughly 400 companies in the world that are doing the most to advance women, and we now hold the company in our Pax Ellevate Global Women's Leadership Fund as a result. **X**

¹Impax Asset Management. "Gender Research." www.paxworld.com/category/research/gender/. Accessed March 25, 2019.

²eBay began the process of declassifying its board and establishing the annual election of directors in 2013.

³United States Securities and Exchange Commission. "Schedule 14A Information: Proxy Statement." www.sec.gov/Archives/edgar/data/1065088/000119312514090232/d661450dprec14a.htm. Accessed March 25, 2019.

⁴Impax Asset Management. "Gender Research." www.paxworld.com/category/research/gender/. Accessed March 25, 2019.

⁵Lead filers of this resolution were Trillium Asset Management and the New York State Common Retirement Fund.

⁶eBay. "Governance Guidelines of the Board of Directors." https://ebay.q4cdn.com/610426115/files/doc_downloads/corporate_governance/eBay_GovernanceGuidelines_031516.pdf. Accessed March 25, 2019.

⁷Celia Huber and Sara O'Rourke, "How To Accelerate Gender Diversity on Boards." McKinsey & Company. Jan. 2017.

⁸eBay. "NBCUniversal Executive Bonnie Hammer Joins Our Board." <https://www.ebayinc.com/stories/news/nbcuniversal-executive-bonnie-hammer-joins-our-board/>. Accessed March 25, 2019.

⁹eBay. "eBay Files Proxy, Nominates 15 Directors for Election to Board." www.ebayinc.com/stories/news/ebay-files-proxy-nominates-15-directors-election-board/. Accessed March 25, 2019.

¹⁰United States Securities and Exchange Commission. "Schedule 14A Information: Proxy Statement." www.sec.gov/Archives/edgar/data/1065088/000119312518118730/d393823ddef14a.htm. Accessed March 25, 2019.

¹¹Lead filer of this resolution was Arjuna Capital. As of 03/31/19, eBay was 0.2% of holdings of the Pax Ellevate Global Women's Leadership Fund.

Top 10 holdings of the Pax Ellevate Global Women's Leadership Fund as of 03/31/19: Microsoft Corp. 4.2%; Ulta Beauty, Inc. 2.2%; Intuit, Inc. 2.2%; Estee Lauder Cos, Inc., Class A 2.1%; American Water Works Co., Inc. 2.0%; Principal Financial Group, Inc. 1.9%; Canadian Utilities, Ltd., Class A 1.9%; Viacom, Inc. - Class B 1.9%; Johnson & Johnson 1.8%; Cisco Systems, Inc. 1.8%. Holdings are subject to change.

The Impax Global Women's Leadership Index is a customized index of the highest-rated companies in the world in advancing women's leadership, as rated by Impax Gender Analytics, and that meet key environmental, social and governance (ESG) standards, as rated by MSCI ESG Research. Companies are rated by Impax Gender Analytics based on multiple criteria of gender leadership, including: representation by women on the board of directors and in executive management, woman CFOs, woman CEOs and whether they are signatories to the Women's Empowerment Principles. Inception date of the Index is 02/28/14. One cannot invest directly in an index.

Shareholder Corner

Guilt-free, Clutter-free E-Delivery

We've all felt it at one point or another — that twinge of regret when we open the mailbox to find paper-based statements and reports that could have been delivered electronically. With the unavoidable slings and arrows of everyday life, why let any unnecessary rue in? Sign up for e-delivery to avoid remorse, reduce your carbon footprint and cut clutter. We think Marie Kondo would approve.

How to choose e-delivery in three easy steps

1. Log into your account at paxworld.com/account.
2. Go to the "account options" menu.
3. Select "e-delivery option."



Set It and Forget It

Pay yourself first, says the old adage, and we wholeheartedly agree. Set up automatic investing so you can drip, drip, drip a little bit into your account(s) and not have to think about your allocations. Designate a dollar amount at a regular interval and then sit back, relax and enjoy the peace of mind.

*To start an AIP, download and complete the Shareholder Services form at paxworld.com. If you already have a bank account attached to your Pax World Funds account, you can establish an AIP online. **X***

LEAVING NO ONE BEHIND IS AN OPPORTUNITY FOR INVESTORS, CONTINUED from FRONT PAGE

for example, and suppliers are using them to manage the waste and supply infrastructure more efficiently. More technological changes are to come, and investment will continue to reflect this.

The investment opportunities available are diverse and resilient. Risk

characteristics are comparable to equity markets and run through the global economy, across markets, sectors and regions. Water also provides attractive opportunities through the economic cycle, encompassing both defensive and cyclical businesses. **X**

¹Friends of the Earth and Impax Asset Management. "Investing in Water: Tapping Into a Source of Resilient Growth." Dec. 2016.

²Cotterill, Joseph. "South Africa: How Cape Town Beat the Drought." *Financial Times*, May 1, 2018.

PAX World
Funds
Advised by Impax

30 Penhallow Street,
Suite 400
Portsmouth, NH 03801
800.372.7827
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. Please read it carefully before investing.

An investment in Pax World Funds involves risk, including loss of principal. Past performance does not guarantee future results.

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. The Fund does not take defensive positions in declining markets. The Fund's performance would likely be adversely affected by a decline in the Index. Investments in emerging markets and non-U.S. securities are

generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation, intervention and political developments. There is no guarantee that the objective will be met and diversification does not eliminate risk. 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.

Pax World Funds are distributed by ALPS Distributors, Inc. ALPS Distributors is not affiliated with Impax Asset Management LLC.

There is no affiliation between Pax World Funds, ALPS Distributors Inc. and the companies listed within the articles in this newsletter.

Copyright © 2019 Impax Asset Management LLC. All rights reserved.