




The image shows two overlapping forms from the PRI LEA (Leadership Engagement Assessment) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are designed for assessing engagement with companies and service providers. LEA 02 includes sections for 'Type of engagement' (Individual/Internal staff, Collaborative, Service provider) and 'Reason for interaction' (To support investment decision-making, To enhance corporate transparency, To enhance corporate practice, To enhance corporate ESG disclosure, To support investment decision-making in a company's ESG issues, To support investment decision-making in a company's ESG issues, To support investment decision-making in a company's ESG issues, To support investment decision-making in a company's ESG issues). LEA 03 includes sections for 'Type of engagement' (Individual/Internal staff, Collaborative, Service provider) and 'Reason for interaction' (To support investment decision-making, To enhance corporate transparency, To enhance corporate practice, To enhance corporate ESG disclosure, To support investment decision-making in a company's ESG issues, To support investment decision-making in a company's ESG issues, To support investment decision-making in a company's ESG issues, To support investment decision-making in a company's ESG issues).

# RI TRANSPARENCY REPORT

2013/14

Pax World



UNEP Finance Initiative  
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

## PRI disclaimer

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# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	-	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	✓	Public		✓					
SAM 10	Selection processes (non-listed assets)	🔒	n/a	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	🔒	n/a				✓			
SAM 12	Monitoring processes (non-listed assets)	🔒	n/a	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	✓	Public	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	✓	Public		✓					



Direct - Inclusive Finance				Principle							General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	7	
IFD 01	Mission and investment objective	✓	Public								✓
IFD 02	Governance, management structures and processes	✓	Public								✓
IFD 03	Social targets	✓	Public								✓
IFD 04	Percentage in equity, debt and guarantees	✓	Public								✓
IFD 05	Percentage in microfinance and/or SME finance	✓	Public								✓
IFD 06	Geographical spread of microfinance investments	✓	Public								✓
IFD 07	Tracking microfinance investees portfolio	✓	Public	✓							
IFD 08	Support financial services beyond credit, compulsory savings and/or compulsory insurance	✓	Public	✓							
IFD 09	Support the introduction of services tailored to the 'poor', 'very poor' and 'low income'	✓	Public	✓							
IFD 10	Technical assistance to investees	✓	Public	✓							
IFD 11	Public endorsement of the Client Protection Principles	✓	Public		✓						
IFD 12	Provide training and assistance for investees implementing the Client Protection Principles	✓	Public		✓						
IFD 13	Include the Client Protection Principles in investment policies	✓	Public		✓						
IFD 14	Investment in local currency	✓	Public			✓					
IFD 15	Average maturity of debt investments	✓	Public			✓					
IFD 16	Average holding period of equity investments	🔒	n/a			✓					
IFD 17	Terms and conditions	✓	Public			✓					
IFD 18	Tools for social performance reporting	✓	Public				✓				
IFD 19	Retail institutions have independent financial/social rating and/or social audit	✓	Public				✓				
IFD 20	Due diligence on and monitoring and reporting of corporate governance among investees	✓	Public				✓				
IFD 21	Training or assistance for investees on corporate governance	✓	Public				✓				
IFD 22	Percentage of investees where board seats are held	🔒	n/a				✓				
IFD 23	Procedure to integrate environmental issues in investment decision processes	✓	Public				✓				
IFD 24	Anti-corruption and whistle-blowing policies	✓	Public				✓				
IFD 25	How mission and investment objectives are communicated to stakeholders	✓	Public					✓			
IFD 26	Investors and/or the public provided with information aligned with industry standards	✓	Public					✓			
IFD 27	Transparency of pricing, terms and conditions among investees	✓	Public					✓			
IFD 28	How social performance of investees affects decision making and portfolio management	🔒	n/a						✓		
IFD 29	Staff incentives linked to social performance measures	🔒	n/a						✓		
IFD 30	Collecting data regarding social outcomes of investees work	🔒	n/a						✓		



IFD 31	Incentivise investees to track social performance	🔒	n/a							✓		
IFD 32	Collaborative initiatives your organisation has supported or participated in	✓	Public								✓	
IFD 33	Encouraging investees to participate in collaborative initiatives	✓	Public								✓	
IFD 34	Encouraging your investees to participate in initiatives which contribute to the development of industry benchmarks	✓	Public								✓	

# Pax World

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

☒ Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

☒ <10%

☐ 10-50%

☐ >50%

☐ Other, specify

☐ Execution and advisory only services

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

United States

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

☒ 1

☐ 2-5

☐ 6-10

☐ >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

47

OO 03

Mandatory

Descriptive

General

**OO 03.1**

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes

☒ No

**OO 03.3**

Additional information. [Optional]

We do have a subadvisor, Impax Asset Management, that is a PRI signatory. Also, in our ESG Managers fund of funds products, 10 of the 15 sleeve managers are PRI signatories.

**OO 04**

**Mandatory**

**Gateway/Peering**

**General**

**OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

**OO 04.2**

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		3	224	818	843
Currency	USD				
Assets in USD		3	224	818	843

**OO 04.3**

Indicate the level of detail you would like to provide about your asset class mix.

☐ Approximate percentage breakdown to the nearest 5% (e.g. 45%)

☒ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 06**

**Mandatory**

**Descriptive**

**General**

**OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

☒ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	>50%	<10%
Fixed income – corporate	10-50%	<10%
Fixed income – government	<10%	<10%
Fixed income – other	<10%	<10%

Private debt	10-50%	<10%
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	<10%	<10%
Cash	<10%	<10%
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report	Voluntary to Disclose	Peering	General
OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.			

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Pooled fund(s)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	100%

**OO 07.2** | Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

**OO 08** | **Mandatory to Report** Voluntary to Disclose | Peering | General

**OO 08.1** | Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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Our team of professionals at Pax World is singularly focused on helping our investors achieve their investment goals, and we believe our strengths and capabilities provide meaningful differentiation between ourselves and other investment management organizations.

#### Our Sustainable Investing approach

Pax World was one of the first investment managers to integrate Environmental, Social and Governance (ESG) factors into investment analysis and decision making through a process known as "Sustainable Investing." By supplementing rigorous financial analysis with equally rigorous ESG analysis, we take into consideration factors often ignored by other investment managers.

#### Rigorous investment process

Under the direction of Chief Investment Strategist Christopher Brown, who joined Pax World in 1998, the Pax World investment process includes identifying top-down global investment themes, analyzing companies through bottom-up fundamental analysis and integrating comprehensive sustainability analysis with rigorous financial metrics. Altogether, it is a defined, systematic and repeatable approach to investment management.

#### An approach that's right for today's economy

In the wake of the recent financial crisis and recession, environmental disasters and numerous business scandals fueled by an epidemic of short-term thinking, investors are rightfully searching for less volatile, more sustainable long-term investment approaches. While we don't pretend to have all the answers, it seems clear to us at Pax World that Environmental, Social and Governance (ESG) factors are more relevant than ever — and can have a strong influence on investment performance. That's why we believe our Sustainable Investing discipline, which augments traditional financial analysis with rigorous ESG analysis to identify sources of risk as well as long-term value, is the right approach for the world we live in today.

#### Deep investment management strength and collaboration

Pax World's five in-house portfolio managers have more than 117 years of collective investment management experience. Prior to joining our team, they were associated with some of the most well-known companies in the financial services field. Additionally, our managers benefit from the support of a strong team of financial analysts, sustainability analysts and trading professionals. Our subadvised fund, The Pax World Global Environmental Markets Fund, is managed by Bruce Jenkyn-Jones, Simon Gottelier and Hubert Aarts of Impax Asset Management, a London-based investment management organization. Between them, they have over 30 years of investment experience, and Impax represents itself as one of the world's most experienced asset managers investing in environmental markets.

#### Wide array of investment solutions

No company in the investment management field provides a more comprehensive set of Sustainable Investing solutions than Pax World. They include Pax World Funds, a family of actively-managed mutual funds; ESG Managers® Portfolios, multi-manager asset allocation funds powered by Morningstar Associates; ESG Shares®, an exchange traded fund (ETF) devoted exclusively to a Sustainable Investing approach; and separately managed accounts for institutional investors.

#### Active stewardship

A core element of our investment approach is our belief that we have both an opportunity and a responsibility to use the financial leverage of the money we manage to, as we like to say, "make good companies better." Our ongoing Shareowner Advocacy efforts seek to improve the financial, environmental, social and corporate governance performance of the companies we are invested in for the benefit of our shareholders.

#### For Tomorrow

We at Pax World understand that investing is rooted in one's aspirations for a better, more secure future — it's really all about tomorrow. Moreover, we believe that Sustainable Investing is an investment approach that is particularly focused on the future — a methodology that searches for better-managed companies that are better positioned for long-term business success. We think our Sustainable Investing approach is right for the times, and is right for our investors.

## Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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**OO 10.1**

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

**OO 10.2**

Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.

- ☒ Yes, our total listed equities are 10% or more of our total AUM
- ☐ No, our total listed equities are less than 10% of our total AUM

OO 11	Mandatory	Gateway	General
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**OO 11.1**

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Fixed Income – other
- ☒ Private debt
- ☒ Inclusive finance
- ☒ Cash
- ☐ None of the above

OO 11.2

Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Fixed Income – other
- ☒ Private debt
- ☒ Inclusive finance
- ☒ Cash
- ☐ None of the above

OO 12

Mandatory

Gateway

General

OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

### Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

### RI implementation directly or via service providers

Direct - Listed Equity incorporation

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government

Direct - Other asset classes with dedicated modules

- ☒ Inclusive Finance

### RI implementation via external managers

## Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government
- ☒ Fixed Income - Other
- ☒ Private Debt
- ☐ Cash
- ☐ Inclusive Finance

### **Closing module**

- ☒ Closing module

**Note:** Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

# Pax World

## Reported Information

## Public version

## Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

☒ Yes

☐ No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

## Sustainable Investing

Pax World Funds pursue a sustainable investing approach-investing in forward thinking companies with more sustainable business models. We identify those companies by combining rigorous financial analysis with equally rigorous sustainability or environmental, social and governance (ESG) analysis. The result, we believe, is an increased level of scrutiny that helps us identify better-managed companies that are leaders in their industries; that meet positive standards of corporate responsibility; and that focus on the long term. By investing in those companies, we intend for our shareholders to benefit from their vision and their success.

All of the Funds avoid investing in issuers that we determine are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unethical business practices.

Depending on the particular fund, asset class or type of security involved, the investment adviser may give less relative weight to certain sustainability or ESG criteria, apply slightly different criteria or apply such criteria differently. For example: The High Yield Bond Fund and the fixed-income portion of the Balanced Fund take a slightly different approach from our equity funds. For these Funds, Pax World seeks to avoid companies that fail our exclusionary criteria on weapons and tobacco, that it determines are the subject of significant environmental, social or governance controversy or that it determines significantly underperform their peers on key (but not necessarily all) ESG or sustainability criteria.

The Global Women's Equality Fund seeks to invest in companies that are leaders in promoting gender equality in the workplace and beyond, and therefore, the investment adviser may give less relative weight to other sustainability or ESG criteria, or may apply such criteria differently to the Global Women's Equality Fund than to other Pax World Funds.

The Global Environmental Markets Fund, in addition to applying Pax World's customary sustainability or ESG criteria, has a particular focus on environmental markets-investing in companies 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 and agriculture.

Our primary goal is to produce competitive returns for our investors. By integrating environmental, social and governance criteria-what we call "sustainability" criteria-into our investment approach, Pax World also seeks to promote peace, to protect the environment, to advance global equity and to foster sustainable development. To denote this endeavor, the Funds have adopted the name "Pax World."



Investors should understand that "sustainable investing" refers to the full integration of environmental, social and governance criteria into our investment approach; it does not mean that our Funds will necessarily perform in the future as they have in the past.

#### Environmental, Social and Governance Criteria

In seeking to invest in companies that meet Pax World's sustainability or ESG criteria, the Adviser and Sub-Adviser, where applicable, ordinarily look at policies and practices in the following areas:

- Environment
- Workplace Practices and Human Rights
- Corporate Governance
- Community Impact
- Product Safety and Integrity

Pax World's environmental criteria include such issues as emissions (air, water and soil), pollution prevention, recycling and waste reduction, energy and resource efficiency, use of clean and renewable energy, climate change initiatives and other policies and practices focused on promoting sustainable development.

Pax World's workplace criteria include such issues as diversity, equal opportunity based on gender, race, religion, age, disability or sexual orientation; workplace health and safety; labor-management relations; vendor standards and human rights, including indigenous peoples' rights.

Pax World's corporate governance criteria include such issues as board independence and diversity, executive compensation, auditor independence, shareholder rights, disclosure, conflict of interest, bribery and corruption, transparency, disclosure of political contributions, business ethics and legal and regulatory compliance.

Pax World's community criteria include companies' commitment to and relationships with the communities in which they do business (including their commitment to sustainable development abroad), their philanthropic activities and, in the case of financial institutions, responsible lending practices.

Pax World's product integrity criteria include analyses of such issues as product health and safety (including public health issues associated with product abuse and addiction), animal welfare, consumer issues and emerging technology issues.

The issues highlighted above are illustrative and do not necessarily reflect the full range of sustainability or ESG criteria Pax World may apply in analyzing a particular security for investment. The availability of information about a company, issues associated with a particular

industry, changing social conditions or other circumstances may affect the manner in which Pax World's sustainability criteria are applied in a particular situation.

Companies in which our Funds invest do not necessarily meet exemplary standards in all aspects of sustainability or ESG performance; nor, we recognize, is any company perfect when it comes to corporate responsibility or sustainability. We do believe, however, that well-managed companies that maintain good relations with employees, consumers, communities and the natural environment, and that strive to improve in those areas, will in the long run better serve investors as well.

OA 02	Mandatory	Core Assessed	PRI 6
OA 02.1	Indicate if your responsible investment policy is publicly available.		
<input checked="" type="radio"/> Yes			
OA 02.2	Provide a URL to your responsible investment policy.		
	URL		
	<a href="http://www.paxworld.com/about-pax-world/why-invest-pax">http://www.paxworld.com/about-pax-world/why-invest-pax</a>		
<input type="radio"/> No			
OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.		
<input checked="" type="radio"/> Yes			
<input checked="" type="radio"/> Yes, all			
<input type="radio"/> Yes, some			
OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.		

Policy or document name	URL
PaxWorld Series Trust I	<a href="http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&amp;CIK=0000076721&amp;owner=exclude&amp;count=40&amp;hidefilings=0">http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&amp;CIK=0000076721&amp;owner=exclude&amp;count=40&amp;hidefilings=0</a>
PaxWorld Series Trust II	<a href="http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&amp;CIK=0001426870&amp;owner=exclude&amp;count=40&amp;hidefilings=0">http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&amp;CIK=0001426870&amp;owner=exclude&amp;count=40&amp;hidefilings=0</a>
Pax World Series Trust III	<a href="http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&amp;CIK=0001598735&amp;owner=exclude&amp;count=40&amp;hidefilings=0">http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&amp;CIK=0001598735&amp;owner=exclude&amp;count=40&amp;hidefilings=0</a>
proxy voting policy	<a href="http://www.paxworld.com/advisors/approach/shareowner-activism/proxy-voting">http://www.paxworld.com/advisors/approach/shareowner-activism/proxy-voting</a>
shareowner activism	<a href="http://www.paxworld.com/advisors/approach/shareowner-activism">http://www.paxworld.com/advisors/approach/shareowner-activism</a>

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**OA 03.2**

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

The only funds that Pax's own ESG policies on investment and shareowner advocacy do not apply to are those that are within our fund of funds product, ESG Managers, for which Morningstar is the Adviser and Pax is the subadviser; and our International ETF, Europe Asia Pacific Sustainability Index, whose constituents are in the MSCI EAFE ESG Index. Each of the sleeve managers in the ESG Managers fund has some applicable ESG policies.

**OA 04****Mandatory****Core Assessed****General****OA 04.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☒ Yes

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

Pax World has established policies regarding issues such as anti-money laundering, 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. While some of these are required by law, our policies on social media and communication and whistleblowing go beyond what is required to establish standards of behavior that aim for a higher standard than compliance alone.

**Gift and Entertainment Policy:** Pax has a detailed gift and entertainment policy that clearly outlines the company's policy to avoid conflicts of interest. Specifically, the policy requires that supervised persons should avoid, or not accept or provide any gifts or favors that might influence business decisions within the company. Our premise for this policy is that giving, receiving or soliciting gifts may give rise to an appearance of impropriety. This policy also includes reporting requirements for supervised persons for the purpose of helping Pax monitor the activities of its employees.

**Insider Trading Policy:** Pax has a detailed insider trading policy that seeks to comply with anti-fraud provisions of federal securities laws, which generally make it unlawful for any person to trade securities for themselves or for their clients while in possession of material non-public information.

**"Pay-to-Play" Policy:** Pax has a policy that seeks to avoid 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. As part of this policy, Pax shall not make any political contributions to individuals or state political parties. Although Pax may make contributions to PACs and certain non-profit organizations, we will not do so with the intention of influencing any official of a government entity to which we are seeking to provide services.

☐ No

## Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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**OA 05.1** Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

**OA 05.2** Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
- ☐ Less than once per year

**OA 05.3** Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly
- ☐ Biannually
- ☐ Annually
- ☐ Every two years or less
- ☐ It is not reviewed
- ☐ No

OA 06	Voluntary	Descriptive	General
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**OA 06.1** List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	The Pax World sustainable investing approach fully integrates analysis of macroeconomic and market trends, fundamental financial data.
Key performance indicators	fund performance,
Describe the progress achieved	See Pax World website on fund performance. <a href="http://www.paxworld.com/advisors/investment-strategies">http://www.paxworld.com/advisors/investment-strategies</a>

☒ Add responsible investment objective 2

Objective 2	The Pax World sustainable investing approach fully integrates analysis of macroeconomic and market trends, fundamental security-specific financial data, environmental, social and governance (ESG) factors.
Key performance indicators	ESG ranking averages and ranges by portfolio
Describe the progress achieved	Monitor and report on portfolio performance financially and by ESG rankings. An example (we do this for each fund) is at: <a href="http://www.paxworld.com/system/storage/12/a8/9/1885/commentary_gem.pdf">http://www.paxworld.com/system/storage/12/a8/9/1885/commentary_gem.pdf</a> .

☒ Add responsible investment objective 3

Objective 3	Vote all proxies in accordance with our sustainability investment criteria and conduct shareowner advocacy to improve sustainability of holdings.
Key performance indicators	Proxy voting record Record of shareowner proposals filed and outcomes
Describe the progress achieved	We report on all our proxy votes as the year progresses as well as annually in form N-PX. See, e.g., <a href="http://www.paxworld.com/advisors/approach/shareowner-activism/proxy-voting">http://www.paxworld.com/advisors/approach/shareowner-activism/proxy-voting</a> .

<b>OA 06.2</b>	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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- ☐ Add responsible investment objective 1 for the next reporting year
- ☐ Add responsible investment objective 2 for the next reporting year
- ☐ Add responsible investment objective 3 for the next reporting year

<b>OA 06.3</b>	Additional information.
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Objectives are the same in 2014 as in 2013.

## Governance and human resources

<b>OA 07</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>General</b>
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OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

Pax World Funds are governed by a board of Trustees who oversee both financial and ESG performance and policies on a quarterly basis. The Management Committee of Pax World includes the SVP for Sustainable Investing, and Pax World maintains a Sustainability Research Department that manages responsible investment, and evaluates each security's ESG characteristics to assure that each meets our criteria prior to investment. We also re-evaluate the ESG characteristics of each holding at least annually. Finally, Pax World has a CSR committee that oversees Pax's own footprint and works to improve our own sustainability.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify  
SVP for Sustainable Investing

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify
- ☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
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	Number
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13

OA 09	Voluntary	Additional Assessed	General
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OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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**Board members/Board of trustees**

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### Other C-level staff or head of department

##### SVP for Sustainable Investing

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### Portfolio managers

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### Investment analysts

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

#### Dedicated responsible investment staff

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

### Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.		

☒ Yes

**OA 10.2**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

- ☐ Asian Corporate Governance Association
- ☐ Association for Sustainable & Responsible Investment in Asia
- ☐ Australian Council of Superannuation Investors
- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Pax World wrote several letters to companies that had not reported, or had only partial responses to the PRI questionnaire, urging full responses.

- ☒ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

- ☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☒ Interfaith Center on Corporate Responsibility (ICCR)

Your organisation's role in the initiative during the reporting period (see definitions)
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- ☒ Basic  
☐ Moderate  
☐ Advanced

- ☐ International Corporate Governance Network (ICGN)  
☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)  
☒ Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)
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- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Pax World regularly participates with Ceres in reviewing and shaping the work of INCR.

- ☐ Local Authority Pension Fund Forum  
☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)
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- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Pax World served on the Assessment Committee, supports investor engagements led by the PRI, responds to requests for support through the Clearinghouse, and presented on one PRI webinar on impact investing.

- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify  
 US SIF

Your organisation's role in the initiative during the reporting period (see definitions)
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- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Pax serves on the US SIF Policy Committee

- ☐ Shareholder Association for Research and Education (Share)  
☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)
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- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Pax World co-chairs the Asset Management Working Group; Pax led the AMWG's work on Sustainable Governance; Pax serves on the Climate Working Group and helped lead work on an Investor Briefing on portfolio carbon; Pax World sits on the Advisory Committee of the UNEP FI/GHG Protocol project; Pax World sits on the board of the UNEP FI Investment Commission.

- ☒ United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)
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- ☐ Basic  
☒ Moderate  
☐ Advanced

- ☒ Other collaborative organisation/initiative, specify

Pax World participates in several stakeholder working groups for Ceres companies, including Best Buy, AEP, Disney, Timberland, Sodexo, Deckers Outdoor, and The North Face.

	Your organisation's role in the initiative during the reporting year (see definitions)
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- ☐ Basic  
☐ Moderate  
☒ Advanced

- ☐ Other collaborative organisation/initiative, specify  
☐ Other collaborative organisation/initiative, specify  
☐ Other collaborative organisation/initiative, specify

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations  
☒ Provided financial support for academic or industry research on responsible investment  
☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry  
☒ Spoke publicly at events and conferences to promote responsible investment  
☒ Wrote and published in-house research papers on responsible investment  
☒ Encouraged the adoption of the PRI  
☐ Other, specify

☐ No

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

- ☒ Yes, individually  
☒ Yes, in collaboration with others



<b>OA 12.2</b>	Select the methods you have used.
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- ☒ Endorsed written submissions to governments, regulators or standard-setters developed by others
- ☒ Drafted your own written submissions to governments, regulators or standard-setters
- ☒ Participated in face-to-face meetings with government members or officials to discuss policy
- ☐ Other, specify

<b>OA 12.3</b>	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☒ Yes, publicly available

provide URL
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<http://www.regulations.gov/#!documentDetail;D=EPA-HQ-OAR-2013-0495-0775>

provide URL
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<http://www.epa.gov/otaq/documents/tier3/420r14004.pdf>

provide URL
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<http://www.endslaveryandtrafficking.org/sites/default/files/ATEST.FY15.OMB%20%28F1NAL%20-%20September%204%2C%202013%29.pdf>

☐ No

☐ No

<b>OA 12.4</b>	Additional information.
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Pax World regularly signs on to letters to public agencies and elected officials supporting policies that would advance corporate sustainability. For a full listing, see our communication on progress to the Global Compact.

## ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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<b>OA 13.1</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☒ Yes

**OA 13.2**

Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

As one example, last year Pax World announced a new policy to avoid investing in companies that receive the majority of their revenue from coal mining and production, production of oil from oil sands, and utilities whose reliance on coal exceeds the national average. We made this change due to concerns over carbon asset risk and climate change.

☐ No

**OA 14**

**Voluntary**

**Descriptive**

**PRI 1**

**OA 14.1**

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

☒ Yes

**OA 14.2**

Indicate the percentage of your total AUM invested in environmental and social themed areas.

% of total AUM

5

**OA 14.3**

Please specify which thematic area(s) you invest in and provide a brief description.

Area

☒ Clean technology

Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Fixed income - other
- ☐ Private debt
- ☐ Inclusive finance
- ☐ Cash

#### Brief description of investment

The Pax World Global Environmental Markets Fund seeks long-term growth of capital by investing in common and/or preferred stocks of companies whose businesses, technologies and services drive resource optimization in the environmental markets: energy, water, waste and sustainable food and agriculture.

<http://www.paxworld.com/advisors/investment-strategies/pax-world-mutual-funds/global-environmental-markets-fund>

- ☐ Green buildings
- ☐ Sustainable forestry
- ☒ Sustainable agriculture

#### Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Fixed income - other
- ☐ Private debt
- ☐ Inclusive finance
- ☐ Cash

#### Brief description of investment

The Pax World Global Environmental Markets Fund seeks long-term growth of capital by investing in common and/or preferred stocks of companies whose businesses, technologies and services drive resource optimization in the environmental markets: energy, water, waste and sustainable food and agriculture.

<http://www.paxworld.com/advisors/investment-strategies/pax-world-mutual-funds/global-environmental-markets-fund>

- ☐ Microfinance
- ☐ SME financing
- ☒ Social enterprise / community investing

Asset class invested
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- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☒ Fixed income - other
- ☐ Private debt
- ☐ Inclusive finance
- ☒ Cash

Brief description of investment
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[http://www.unglobalcompact.org/system/attachments/19732/original/UNGC\\_COP\\_Pax\\_World\\_2012-12-12\\_final.pdf?1357132630](http://www.unglobalcompact.org/system/attachments/19732/original/UNGC_COP_Pax_World_2012-12-12_final.pdf?1357132630)

- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Other area, specify

☐ No

### Asset class implementation not reported in other modules

OA 15	Voluntary	Descriptive	General
OA 15.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.		

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Fixed income - other	<p>Pax World mutual funds seek to invest in forward-thinking companies with sustainable business models. To identify those companies, we combine rigorous financial analysis with equally rigorous environmental, social and governance analysis. The result, we believe, is an increased level of scrutiny that helps us identify better-managed companies that are leaders in their industries; that meet positive standards of corporate responsibility; and that focus on the long term. By investing in those companies, we intend for our shareholders to benefit from their vision and their success.</p> <p>Environment</p> <p>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 focused on attaining and promoting environmental sustainability. Generally, we favor companies with comprehensive environmental policies, practices, and performance, those with good environmental performance within their respective industries and those who are working to achieve environmental sustainability. We seek to avoid companies with inadequate environmental policies, management systems, performance and reporting.</p> <p>Workplace</p> <p>Our workplace screening criteria include such issues as diversity, equal opportunity based on gender, race, religion, age, disability or sexual orientation, workplace health and safety, employee relations, vendor standards and human rights. Our workplace criteria are divided into three issue areas: diversity, employee/vendor relations, and health and safety. We look for companies that encourage and foster diversity in the workplace, that offer transparency around policies and programs and that report on diversity performance. We favor companies that treat their employees well and that have good labor and employee relations. We also favor companies that have positive health and safety policies and procedures in place.</p> <p>Corporate Governance</p> <p>We favor companies with comprehensive corporate governance policies, strong corporate governance practices, and a good governance and business practices record free of regulatory concerns or violations. We consider a number of criteria when assessing a company's corporate governance practices which can be broken down into three separate indicators: a company's corporate governance policies; corporate governance practices and performance; and reporting and disclosure around corporate governance issues.</p> <p>Product Integrity</p> <p>Our product integrity criteria cover such issues as product health and safety (including public health issues associated with product abuse and addiction), animal welfare, consumer issues and emerging technology issues.</p> <p>Community</p> <p>Our community criteria include companies' philanthropic activities, their commitment to and relationships with the communities in which they do business (including their commitment to sustainable development abroad), and in the case of financial institutions, responsible lending practices. We favor companies that foster strong stakeholder relations and demonstrate a</p>

	<p>commitment to the quality of life in the communities in which they operate. We seek to avoid companies that show disregard for, or are in conflict with stakeholder constituencies or the communities where they do business.</p> <p>Pax World avoids investing in companies that we determine are significantly involved in the manufacture of weapons or weapons-related products or that manufacture tobacco products. Our primary goal is to produce competitive returns for our investors. By integrating environmental, social and governance criteria - what we call "sustainability" criteria - into our investment approach, the Funds also seek to promote peace, protect the environment, advance equality, and foster sustainable development.</p>
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Private debt	<p>Pax World mutual funds seek to invest in forward-thinking companies with sustainable business models. To identify those companies, we combine rigorous financial analysis with equally rigorous environmental, social and governance analysis. The result, we believe, is an increased level of scrutiny that helps us identify better-managed companies that are leaders in their industries; that meet positive standards of corporate responsibility; and that focus on the long term. By investing in those companies, we intend for our shareholders to benefit from their vision and their success.</p> <p>Environment</p> <p>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 focused on attaining and promoting environmental sustainability. Generally, we favor companies with comprehensive environmental policies, practices, and performance, those with good environmental performance within their respective industries and those who are working to achieve environmental sustainability. We seek to avoid companies with inadequate environmental policies, management systems, performance and reporting.</p> <p>Workplace</p> <p>Our workplace screening criteria include such issues as diversity, equal opportunity based on gender, race, religion, age, disability or sexual orientation, workplace health and safety, employee relations, vendor standards and human rights. Our workplace criteria are divided into three issue areas: diversity, employee/vendor relations, and health and safety. We look for companies that encourage and foster diversity in the workplace, that offer transparency around policies and programs and that report on diversity performance. We favor companies that treat their employees well and that have good labor and employee relations. We also favor companies that have positive health and safety policies and procedures in place.</p> <p>Corporate Governance</p> <p>We favor companies with comprehensive corporate governance policies, strong corporate governance practices, and a good governance and business practices record free of regulatory concerns or violations. We consider a number of criteria when assessing a company's corporate governance practices which can be broken down into three separate indicators: a company's corporate governance policies; corporate governance practices and performance; and reporting and disclosure around corporate governance issues.</p> <p>Product Integrity</p> <p>Our product integrity criteria cover such issues as product health and safety (including public health issues associated with product abuse and addiction), animal welfare, consumer issues and emerging technology issues.</p> <p>Community</p> <p>Our community criteria include companies' philanthropic activities, their commitment to and relationships with the communities in which they do business (including their commitment to sustainable development abroad), and in the case of financial institutions, responsible lending practices. We favor companies that foster strong stakeholder relations and demonstrate a commitment to the quality of life in the communities in which they operate. We seek to avoid companies that show disregard for, or are in conflict with stakeholder constituencies or the communities where they do business.</p>
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	Pax World avoids investing in companies that we determine are significantly involved in the manufacture of weapons or weapons-related products or that manufacture tobacco products. Our primary goal is to produce competitive returns for our investors. By integrating environmental, social and governance criteria - what we call "sustainability" criteria - into our investment approach, the Funds also seek to promote peace, protect the environment, advance equality, and foster sustainable development.
Cash	

## Innovation

OA 18	Voluntary	Descriptive	General
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**OA 18.1** Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

Pax World works to integrate the analysis of financial and ESG factors in the examination of every security in all our portfolios. We believe our proxy voting guidelines are state of the art in terms of incorporating both financial and ESG issues, and we make our proxy votes available on our website in many cases prior to the annual shareholder meeting. In particular, we vote against or withhold votes from the male members of every board slate that does not include any women, as well as from most of the board slates that include only one woman, and we send letters to every company whose slate we withheld votes from or voted against due to lack of gender diversity explaining our votes. Finally, we revised our investment criteria to avoid the highest-emitting fossil fuels (e.g., companies whose revenue comes mainly from coal, oil from the oil sands region and utilities whose dependence on coal is above the relevant national average). We have one fund that is fossil-fuel free as well as carbon neutral, and Pax itself is carbon neutral. Pax also offsets its water consumption.

## Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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**OA 19.1** Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

- ☐ Yes  
☒ No



# Pax World

## Reported Information

### Public version

#### Indirect – Manager Selection, Appointment and Monitoring

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

<b>SAM 01</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1-6</b>
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### SAM 01.1

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

All Pax's funds follow a sustainable investment approach. We have one actively managed fund that is subadvised: The Pax World Global Environmental Markets Fund, managed by Impax Asset Management (also a PRI signatory). Any time Pax selects a subadviser, a key factor in the selection process is always the manager's ability and willingness to follow a sustainable investment approach.

<b>SAM 02</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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### SAM 02.1

Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.

- ☐ Yes  
☒ No

<b>SAM 03</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>General</b>
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### SAM 03.1

Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - corporate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed income - other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private debt	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

### Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
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#### SAM 04.1

Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.

#### Listed equity (LE)

Type of strategy	As % of externally managed listed equity
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

#### Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporate fixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

#### Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

**SAM 05**

**Mandatory**

**Gateway**

**PRI 1,2**

**SAM  
05.1**

Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:

#### Active investment strategies

Active investment strategies	LE	FIC	
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Thematic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Integration	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

**SAM  
05.2**

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	FIC
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We require our external managers to engage on our behalf	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

**SAM  
05.3**

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>

**Selection**

**SAM 06**

**Mandatory**

**Core Assessed**

**PRI 1-6**

**SAM  
06.1**

Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE	FIC	
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>	<input type="checkbox"/>	
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input type="checkbox"/>	<input type="checkbox"/>	
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

ESG incorporation

	LE	FIC	
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>	n/a	
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input type="checkbox"/>	<input type="checkbox"/>	
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

(Proxy) voting

	LE
Discuss the managers' voting processes	<input type="checkbox"/>
Discuss how information gained through research for (proxy) voting is used in investment-decision making	<input type="checkbox"/>
Other (proxy) voting issues in your selection process, specify	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>

## Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
SAM 07.1	When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:		
	General		

	LE	FIC	
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

#### ESG incorporation

	LE	FIC	
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

#### (Proxy) voting

	LE
Specific requirements relating to (proxy) voting	<input checked="" type="checkbox"/>
Other RI considerations relating to (proxy) voting in investment management agreements, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

#### Reporting



	LE	FIC	
Reporting on the agreed responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>	<input type="checkbox"/>	
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

## Monitoring

**SAM 08**

**Mandatory**

**Core Assessed**

**PRI 1**

**SAM  
08.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

**General**

	LE	FIC	
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>	<input type="checkbox"/>	
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input type="checkbox"/>	<input type="checkbox"/>	
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	

ESG incorporation
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	LE	FIC	
Request information on ESG incorporation in specific investment decisions	<input type="checkbox"/>	<input type="checkbox"/>	
Other ways you monitor ESG incorporation, specify	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

(Proxy) voting
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	LE
Review the number or percentage of votes cast	<input checked="" type="checkbox"/>
Request an explanation of reasons for votes cast	<input type="checkbox"/>
Discuss whether companies were informed of the reasons for votes against management recommendations or abstentions/withheld votes	<input type="checkbox"/>
Review the number of resolutions on ESG issues filed or co-filed	<input type="checkbox"/>
Discuss the changes in company practice (outcomes) that have been achieved from voting activities	<input type="checkbox"/>
Other ways you monitor (proxy) voting activities, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

<b>SAM 09</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>SAM 09.1</b>	For the listed equities where you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.
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- ☐ We track or collect this information  
☒ We do not track or collect this information

Other asset classes
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<b>SAM 13</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1-6</b>
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<b>SAM 13.1</b>	Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:
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Asset Class	Description
Fixed income - other	The ESG Managers Portfolios are broadly diversified multi-manager funds covering a range of investment categories. When a manager is selected for the ESG Managers Portfolios, the portfolio construction subadviser, Morningstar Associates, generally requires that the strategy explicitly include ESG factors as part of its investment process. If Morningstar Associates is unable to find an ESG strategy suitable to represent an investment category it wants to include in the ESG Managers Portfolios, it will consider managers that do not include ESG factors in their strategies if the parent firm has signed the Principles for Responsible Investment and has taken actions to align their business with the principles.
Private debt	The ESG Managers Portfolios are broadly diversified multi-manager funds covering a range of investment categories. When a manager is selected for the ESG Managers Portfolios, the portfolio construction subadviser, Morningstar Associates, generally requires that the strategy explicitly include ESG factors as part of its investment process. If Morningstar Associates is unable to find an ESG strategy suitable to represent an investment category it wants to include in the ESG Managers Portfolios, it will consider managers that do not include ESG factors in their strategies if the parent firm has signed the Principles for Responsible Investment and has taken actions to align their business with the principles.

## Outputs and outcomes

<b>SAM 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1-6</b>
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<b>SAM 14.1</b>	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.
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	%
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95

<b>SAM 15</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>SAM 15.1</b>	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
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- ☐ Add Example 1
- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5

<b>SAM 15.2</b>	Additional information.
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The ESG Managers Portfolios are broadly diversified funds of funds covering a range of investment categories. When a manager is selected for the ESG Managers Portfolios, the portfolio construction subadviser, Morningstar Associates, generally requires that the strategy explicitly include ESG factors as part of its investment process. If Morningstar Associates is unable to find an ESG strategy suitable to represent an investment category it wants to include in the ESG Managers Portfolios, it will consider managers that do not include ESG factors in their strategies if the parent firm has signed the Principles for Responsible Investment and has taken actions to align their business with the principles.

## Communication

<b>SAM 16</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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<b>SAM 16.1</b>	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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☒ Yes, we disclose information publicly

	provide URL
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[http://www.esgmanagers.com/Sustainable Investing/Overview](http://www.esgmanagers.com/Sustainable_Investing/Overview)

	provide URL
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<http://www.paxworld.com/advisors/investment-strategies/pax-world-mutual-funds/global-environmental-markets-fund>

<b>SAM 16.2</b>	Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.
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☒ Yes

**SAM  
16.3**

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- ☒ How responsible investment considerations are included in manager selection, appointment and monitoring processes
- ☐ Details of the responsible investment activities carried out by managers on your behalf
- ☐ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- ☐ Other, specify

☐ No

☐ Yes, we disclose information to clients/beneficiaries only

☐ We do not proactively disclose information to the public and/or clients/beneficiaries

# Pax World

## Reported Information

### Public version

#### Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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### LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

#### Strategies

☒ Passive

% of internally managed listed equities

☒ <10%

**Report on your strategies that represent <10% of listed equities**

☒ Yes

☐ No

☐ 10-50%

☐ >50%

☐ Active – quantitative (quant)

☒ Active – fundamental and other active strategies

% of internally managed listed equities

☐ <10%

☐ 10-50%

☒ >50%

LEI 02	Voluntary	Descriptive	PRI 1
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### LEI 02.1

Provide a brief overview of how you incorporate ESG issues in listed equity investments.

The Pax World sustainable investing approach fully integrates analysis of macroeconomic and market trends, fundamental security-specific financial data, environmental, social and governance (ESG) factors, and disciplined portfolio strategies. Our efforts are focused on building investment portfolios comprised of well-managed, forward-thinking companies that are leaders in their industries, are focused on the long term, can anticipate and mitigate risk, and that embrace high standards of corporate responsibility.

## ESG incorporation in actively managed listed equities

## Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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### LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☒ All three strategies combined

Percentage of actively managed listed equities to which each strategy or combination of strategies is applied (estimate +/- 10%)



- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

### LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

In a few cases, screening is adequate to capture our sustainability concerns (e.g., in avoiding companies significantly involved in the manufacture of tobacco or weapons). For other issues, however, a combination of screening and integration is used to incorporate ESG issues into portfolio construction and management, as well as in shareowner advocacy. Two of Pax's actively managed funds, the Global Women's Equality Fund and the Global Environmental Markets Fund, follow specific investment themes; other funds incorporate investment themes (e.g., energy efficiency) along with economic and financial themes in the top-down portion of portfolio construction.

LEI 04	Voluntary	Additional Assessed	PRI 1
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### LEI 04.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

#### Type of ESG information



- ☒ Raw ESG company data

**Indicate who provides this information**

- ☒ ESG research provider  
☒ Sell-side  
☒ In-house – specialised ESG analyst or team  
☒ In-house – analyst or portfolio manager  
☒ Company-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider  
☒ Sell-side  
☒ In-house – specialised ESG analyst or team  
☐ In-house – analyst or portfolio manager  
☒ Sector-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider  
☐ Sell-side  
☐ In-house – specialised ESG analyst or team  
☐ In-house – analyst or portfolio manager  
☒ Country-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider  
☐ Sell-side  
☐ In-house – specialised ESG analyst or team  
☐ In-house – analyst or portfolio manager  
☐ Screened stock list  
☒ Issue-specific analysis or ratings

**Indicate who provides this information**

- ☐ ESG research provider  
☒ Sell-side  
☐ In-house – specialised ESG analyst or team  
☐ In-house – analyst or portfolio manager  
☐ Other, specify

<b>LEI 04.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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Pax World uses a combination of ESG research conducted in-house, both by specialist Sustainability Research staff as well as internal investment staff, along with ratings from two outside ESG research providers, which included MSCI and Governance Metrics International in 2013. Combinations of these are used for all of Pax World's actively managed strategies, including the Pax sleeves of our asset allocation funds. Our ETF incorporates research and ESG ratings of MSCI.

<b>LEI 04.3</b>	Indicate if you incentivise brokers to provide ESG research.
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☐ Yes

☒ No

<b>LEI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 05.1</b>	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

☐ We have a systematic process to ensure the information is made available.

☒ We occasionally make this information available.

☐ We do not make this information available.

☐ (Proxy) voting

## (A) Implementation: Screening

<b>LEI 06</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 06.1</b>	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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### Type of screening

☒ Negative/exclusionary screening

### Screened by

☒ Product

☒ Activity

☐ Sector

☐ Country/geographic region

☐ Environmental and social practices and performance

☐ Corporate governance

Description
-------------

Pax World seeks to avoid companies that are significantly involved in the manufacture of tobacco products or weapons. We also seek to avoid companies for which the majority of revenue comes from the production of coal or oil from oil sands, and utilities whose dependence on coal exceeds the relevant national average.

☒ Positive/best-in-class screening

**Screened by**

- ☐ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

Description
-------------

All of Pax's actively managed listed equity funds, as well as our MSCI EAFE ETF, use positive or best-in-class criteria. Pax World's actively managed funds seek to invest in companies that are leaders among their peers.

From our prospectus:

The Global Women's Equality Fund seeks to invest in companies around the globe that are leaders in promoting gender equality in the workplace and beyond. In particular, the Fund seeks to invest in companies that embrace or aspire to embrace the best practices embodied in the Women's Empowerment Principles, a joint initiative of UN Women and the United Nations Global Compact.

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 and agriculture.

Gender Criteria. The Global Women's Equality Fund seeks to invest in companies that take affirmative steps to attract, retain and promote women, and to advance gender equality and women's empowerment in the workplace and beyond. Specifically, the Global Women's Equality Fund seeks to invest in companies that promote gender equality through internal policies and programs, transparency regarding the effectiveness of those policies and programs and accountability among employees to assure implementation and observance of those policies and programs. Examples include:

- Promotion of women to top executive positions and compensating them accordingly;
- Representation of women on the board of directors and in senior management;
- Strong support from senior executives for workplace equality;
- Career development, education and training programs for women employees;
- Hiring and promotion policies and activity to assure gender equity;
- Programs to address work/life balance concerns, including in particular women's health, safety and childcare responsibilities;
- Programs to address discrimination against women and to protect

women from harassment and violence;

- Use of women-owned companies as vendors and service providers;
- Positive images of women in their advertising, promotion and marketing; and
- Accountability and transparency to employees, investors and the communities in which they operate.

The Balanced Fund seeks to invest in forward-thinking companies with sustainable business models that meet positive environmental, social and governance standards. The Balanced Fund avoids investing in companies that its investment adviser determines are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unethical business practices. With respect to the fixed-income portion of the Balanced Fund, Pax World seeks to avoid companies that fail our exclusionary criteria on weapons and tobacco, that it determines are the subject of significant environmental, social or governance controversy or that it determines significantly underperform their peers on key (but not necessarily all) ESG or sustainability criteria.

The Growth Fund seeks to invest in forward-thinking companies with sustainable business models that meet positive environmental, social and governance standards. The Growth Fund avoids investing in companies that its investment adviser determines are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unsustainable business practices.

The Small Cap Fund seeks to invest in forward-thinking companies with sustainable business models that meet positive environmental, social and governance standards. The Small Cap Fund avoids investing in companies that its investment adviser determines are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unethical business practices.

The International Fund seeks to invest in forward-thinking companies with sustainable business models that meet positive environmental, social and governance standards. The International Fund avoids investing in companies that its investment adviser determines are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unethical business practices.

#### Environmental, Social and Governance Criteria

In seeking to invest in companies that meet Pax World's sustainability or

ESG criteria, the Adviser and Sub-Adviser, where applicable, ordinarily look at policies and practices in the following areas:

- Environment
- Workplace Practices and Human Rights
- Corporate Governance
- Community Impact
- Product Safety and Integrity

Pax World's environmental criteria include such issues as emissions (air, water and soil), pollution prevention, recycling and waste reduction, energy and resource efficiency, use of clean and renewable energy, climate change initiatives and other policies and practices focused on promoting sustainable development.

Pax World's workplace criteria include such issues as diversity, equal opportunity based on gender, race, religion, age, disability or sexual orientation; workplace health and safety; labor-management relations; vendor standards and human rights, including indigenous peoples' rights.

Pax World's corporate governance criteria include such issues as board independence and diversity, executive compensation, auditor independence, shareholder rights, disclosure, conflict of interest, bribery and corruption, transparency, disclosure of political contributions, business ethics and legal and regulatory compliance.

Pax World's community criteria include companies' commitment to and relationships with the communities in which they do business (including their commitment to sustainable development abroad), their philanthropic activities and, in the case of financial institutions, responsible lending practices.

Pax World's product integrity criteria include analyses of such issues as product health and safety (including public health issues associated with product abuse and addiction), animal welfare, consumer issues and emerging technology issues.

☐ Norms-based screening

#### LEI 06.2

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The screening criteria are established by a deliberative process incorporating portfolio management, sustainability research, and senior management staff. Clients and beneficiaries are notified when substantive changes are made.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 08	Voluntary	Additional Assessed	PRI 1
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LEI 08.1	Indicate which processes your organisation uses to ensure that fund criteria are not breached
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- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
  - ☒ Systematic
  - ☐ Occasional
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☒ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

LEI 08.2	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.
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Every business day, Pax World receives an automated report for each fund noting any fund securities that do not meet ESG criteria. In most cases these are stocks that once did meet our criteria but subsequently failed to do so; in that case Pax World divests those securities in a manner that is consistent with the protection of shareholder value. Managers are notified regularly of the securities that must be divested, and additional oversight is conducted if they fail to do so within six calendar months.

We use compliance software (Charles River) to notify us if any manager attempts to purchase a security that does not meet ESG criteria.

## (B) Implementation: Thematic

LEI 09	Mandatory	Descriptive	PRI 1
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LEI 09.1	Indicate the type of sustainability thematic funds or mandates that your organisation manages.
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- ☒ Environmentally themed funds
- ☒ Socially themed funds
- ☐ Combination of themes

LEI 09.3	Additional information. [Optional]
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As indicated earlier, there are two themed funds offered by Pax: (1) the Global Women's Equality fund, which invests in companies that are leaders in empowering women, and (2) the Global Environmental Markets Fund which invests in companies whose businesses and technologies focus on mitigating the environmental impacts of commerce.

### (C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
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**LEI 10.1**

Describe how you integrate ESG factors into investment decision making processes.

ESG factors are integrated into investment decision making in several ways. At a minimum, each stock or bond that portfolio managers and analysts think might be appropriate for a portfolio must be approved by our Sustainability Research Department.

With respect to the Pax World's equity funds, our Sustainability Research Department conducts primary research on the issuer, and, when applicable, combines that information with data from third-party research providers. If the issuer has faced environmental, social or governance controversies, or if the issuer is significantly exposed to environment-, social- or governance-related risks, the significance of those controversies or risks is compared to the companies' policies and procedures for managing related controversies or risks in the future. This often involves discussion among portfolio managers, financial analysts and sustainability analysts.

That analysis, along with a determination as to whether or not the issuer meets Pax World's sustainability criteria, is then shared with the portfolio manager as they consider what allocation to make to that issuer, if any. (If Pax World's Sustainability Research Department determines the issuer does not meet our sustainability criteria, the fund may not purchase the security.)

Sustainability analysts also provide the portfolio management team a list of companies that are particularly strong in one or more areas of sustainability, and any ratings that we have on those companies. Pax also maintains a list of the ESG ratings every company in the MSCI World Index and the Russell 1000 Index on an ongoing basis, and portfolio staff have access to our main outside ESG ratings/research service provider.

**LEI 11**
**Mandatory**
**Core Assessed**
**PRI 1**
**LEI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 12	Voluntary	Descriptive	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 12.2	Describe how ESG information is held and used by your portfolio managers.
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- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

LEI 13	Voluntary	Additional Assessed	PRI 1
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LEI 13.1	Indicate into which aspects of investment analysis you integrate ESG information.
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- ☒ (Macro) economic analysis
  - ☒ Systematically
  - ☐ Occasionally
- ☒ Industry analysis
  - ☒ Systematically
  - ☐ Occasionally
- ☒ Analysis of company strategy and quality of management
  - ☒ Systematically
  - ☐ Occasionally
- ☒ Idea generation
  - ☐ Systematically
  - ☒ Occasionally
- ☒ Portfolio construction
  - ☒ Systematically
  - ☐ Occasionally
- ☐ Fair value/fundamental analysis
- ☐ Other, specify

## ESG incorporation in passively managed listed equities

LEI 14

Mandatory to Report Voluntary to Disclose

Descriptive

PRI 1

LEI 14.1

Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.

☒ Yes

LEI 14.2

Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.

(% of total passive listed equity funds)

☐ <10%

☐ 10-50%

☐ 51-90%

☒ >90%

LEI 14.3

Specify index/fund name, provide a brief description of ESG methodology and indicate which of the following ESG incorporation strategies you apply.

☒ Index/fund 1

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p>Pax MSCI EAFE ESG Index ETF (EAPS)</p> <p>Employs a "passive management"- or indexing - investment approach seeking to track performance of the MSCI EAFE ESG Index (the Index) which invests in equity securities of companies organized or operating in developed market countries around the globe excluding the U.S. and Canada that have high environmental, social and governance (ESG) ratings, assigned by MSCI Research.</p>	<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input type="checkbox"/> Integration of ESG issues</p> <p><input type="checkbox"/> Other</p>

☐ Index/fund 2

☐ Index/fund 3

☐ Index/fund 4

☐ Index/fund 5

☐ No

## Outputs and outcomes

LEI 15

Voluntary

Descriptive

PRI 1

**LEI 15.1**

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

☒ Screening

Describe any reduction in your starting investment universe or other effects.

Our weapons avoidance screen causes Pax to remove from the overall universe (generally, MSCI World plus the Russell 1000 Indexes) at least 57 companies in the Aerospace and Defense industry, and 16 companies in the Tobacco Industry. We may make additional exclusions if our own research identifies companies with significant involvement in either sector. Our criteria regarding fossil fuels (e.g., avoidance of companies with a majority of revenue from coal or oil from oil sands, and utilities that exceed their national average in dependence on coal) has excluded a small number of companies, but an exact count is not available. Pax makes these determinations on a company-by-company basis for our internal actively managed funds.

Specify the percentage reduction

%

1.4

☒ Thematic

Describe any alteration to your investment universe or other effects.

Determinations of what companies meet the criteria for the Pax World Global Environmental Markets Fund and the Global Women's Equality Fund are made on a company-by-company basis. For the Global Environmental Markets Fund, this results in a persistent overweight to industrials compared with broad-market indices, because many of the companies that specialize in products solving environmental problems are industrials. In the Global Women's Equality Fund, the theme tends to exclude companies with no women in the ranks of senior decision makers (board and senior management).

☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☒ Reduce or prioritise the investment universe
- ☐ Overweight/underweight at sector level
- ☐ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☐ Other, specify

☒ Index incorporating ESG issues (for passively managed funds)

Describe influence on composition or other effects

The methodology employed by MSCI to construct its ESG indexes customarily excludes approximately half the market cap of the broad market MSCI index on which each ESG index is based; for the Pax World MSCI EAFE ESG Index ETF, the underlying broad market index is MSCI EAFE.

<b>LEI 16</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**LEI 16.1**

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

Screening	Thematic	Integration of ESG issues	Index incorporating ESG(for passively managed funds)
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Thematic	Integration of ESG issues	Index incorporating ESG(for passively managed funds)
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

c) Improved funds' ESG performance

Screening	Thematic	Integration of ESG issues	Index incorporating ESG(for passively managed funds)
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

**LEI 16.2**

Describe how you are able to determine these outcomes and your actual performance.

The determination for Pax's passive product was made by examining the history of performance and beta of the Pax World MSCI EAFE ESG Index ETF. For the actively managed funds, the determination was based on the opinions of the fund managers and portfolio analytics staff, based on monitoring of funds' performance and characteristics.

**LEI 16.3**

Additional information.

Trucost®, a leading environmental data and analysis firm, conducted a carbon benchmarking analysis of Pax World's five largest equity funds in 2013. Four of the five funds measured were found to be less carbon intensive than their benchmark indexes. Carbon benchmarking measures a fund's carbon intensity, which is the total metric tons of carbon emissions per million dollars of revenue of the companies in its portfolio, as compared to the emission levels of companies included in a fund's benchmark index. The fund's share of the emissions is based on its proportional ownership of the stock of each company in its portfolio.

We believe our efforts to identify companies that have strong environmental management profiles relative to peers in their industry, along with our exclusionary criteria related to the most carbon-intensive fossil fuels, was a factor in the funds' performance relative to their benchmarks. (Pax World avoids investing in companies with primary businesses in coal mining and production of oil from tar sands, two of the most environmentally destructive and carbon-intensive fossil fuels. In addition, Pax World seeks to avoid investments in any electric utility that relies on coal for power generation at levels above the national average, unless the utility demonstrates a significant commitment to renewable energy and is reducing its coal dependence.)

**LEI 17****Voluntary****Descriptive****PRI 1****LEI 17.1**

Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

☒ ESG issue 1

	ESG issue and explanation
<p>The Divest Fossil Fuel movement picked up substantially in 2013, and as a result, Pax undertook an examination of publicly available literature examining the impact on fund performance if energy were excluded. The few studies that had been done showed that for the past several years, excluding fossil fuel stocks from a standard index (usually the S&amp;P 500) would have improved performance. Our subadviser, Impax Asset Management, did a more robust study making other substitutions for fossil fuel stocks in the S&amp;P 500 and simulating results, and concluded that substituting active and passive allocations to clean tech stocks instead of fossil fuel stocks would have performed better than the S&amp;P 500. This research encouraged us to expand the exclusionary criteria of our funds to include the stocks of companies most likely to wind up with stranded assets due to the carbon intensity of their reserves or fuel mix, in the case of utilities.</p>	
	ESG incorporation strategy applied
<p> <input type="checkbox"/> Screening  <input type="checkbox"/> Thematic  <input type="checkbox"/> Integration  <input checked="" type="checkbox"/> Combination of ESG incorporation strategies  <input type="checkbox"/> Index incorporating ESG issues         </p>	
	Impact on investment decision or performance
<p>Our new investment criteria on fossil fuels required that we divest two companies, which has been completed. There has been no significant effect on performance.</p>	

☒ ESG issue 2

ESG issue and explanation
<p>There is increasing evidence in academic and consultant literature on the financial and economic value of women's empowerment. While not every study concludes that having more women in executive management or on the board pays off in terms of financial metrics like Tobin's Q or ROE, enough studies do come to this conclusion to warrant further scrutiny. To this end, Pax gathered data on board and senior executive gender diversity for almost 2,000 companies around the world, and developed an algorithm to score companies on gender diversity.</p>
ESG incorporation strategy applied
<p> <input type="checkbox"/> Screening  <input checked="" type="checkbox"/> Thematic  <input type="checkbox"/> Integration  <input type="checkbox"/> Combination of ESG incorporation strategies  <input type="checkbox"/> Index incorporating ESG issues         </p>
Impact on investment decision or performance
<p>Pax has a thematic fund built on gender diversity, the Global Women's Equality Fund. The algorithm developed is helpful in guiding our investments in companies that are leaders in empowering women, in that we now have much more information from which to construct country-, sector-, and industry-specific peer groups. Preliminary testing shows positive returns attributed to gender empowerment leadership.</p>

- ☐ ESG issue 3  
☐ ESG issue 4  
☐ ESG issue 5

## Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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<b>LEI 18.1</b>	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- ☒ We disclose it publicly

Provide URL
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<http://www.paxworld.com/advisors/approach/our-investment-process>

<b>LEI 18.2</b>	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☒ Yes



**LEI  
18.3**

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- ☒ Broad approach to ESG incorporation
- ☐ Detailed explanation of ESG incorporation strategy used

**LEI  
18.4**

Indicate how frequently you typically report this information.

- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

**LEI 18.5**

Additional information. [Optional]

ESG summaries of our funds are provided also in quarterly fund commentaries, provided under each fund at <http://www.paxworld.com/advisors/investment-strategies>.

# Pax World

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

At Pax World, we believe engaged shareowners can play an important role in improving the financial, environmental, social and corporate governance performance of the companies they are invested in. Our Shareowner Advocacy efforts are aimed largely at helping the companies we invest in limit their environmental, social and governance (ESG) related liabilities and take advantage of ESG-related opportunities to create financial value for their shareholders. It's for those reasons that we:

- Vote shareholder proxies in accordance with our ESG criteria
- Engage 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

Pax World has engaged companies on such issues as:

- ESG disclosure
- Political spending and lobbying expenditures
- Climate change
- Board diversity and women's empowerment
- Human trafficking
- Worker safety

While most of our dialogues are conducted directly between us and specific companies, we also work with other shareowners and stakeholders in broader dialogues, including Ceres, the Social Investment Research Analysts Network, the Carbon Disclosure Project, the United Nations Principles for Responsible Investment and other groups.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
<b>Collaborative engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
<b>Service provider engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

## Process

### Process for engagements run internally

<b>LEA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
<b>LEA 03.1</b>	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.		

☉ Yes

**LEA  
03.2**

Describe how you identify and prioritise engagements.

Pax's process for identifying and prioritizing engagements consists of the following:

1. We identify topics for possible advocacy based on what we hold (and, in the case of shareholder proposals, what we have held continuously for one year), issues that investors are particularly interested in, our own core competencies, and our time.
2. Once we have identified issues, we go through fund holdings to determine which companies could best benefit from our engagement. For example, in our advocacy on board diversity, we focus first on companies with no women on their boards.
3. We then decide on a method of advocacy. Sometimes we write letters--for instance, we recently wrote follow-up letters to all the apparel retailers and manufacturers in MSCI World regarding protection of women garment workers following the Rana Plaza factory collapse's one-year anniversary. Sometimes we file shareholder proposals; in 2013, we were able to withdraw successfully the board diversity resolutions and data privacy& security resolution we filed. Sometimes we join in investor collaborations focusing on engagement, through a variety of organizations including Ceres, INCR, the PRI, and others.

☐ No

**LEA 04**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA  
04.1**

Indicate if you define specific objectives for your engagement activities.

- ☒ Yes
- ☐ Yes, for all engagement activities
  - ☒ Yes, for the majority of engagement activities
  - ☐ Yes, for a minority of engagement activities
- ☐ No

**LEA  
04.2**

Indicate if you monitor the actions that companies take following your engagements.

- ☒ Yes
- ☐ Yes, in all cases
  - ☒ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases

**LEA  
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

Some of our engagement activities have externally defined outcomes; we are currently involved in two PRI engagements that have outcome measures defined by the group. Where we conduct our own advocacy, we think in terms of what would be perfect, and failing that, what divides the acceptable from the unacceptable. Sometimes that is a one-time occurrence, such as a request to publish a sustainability report. Sometimes it involves longer-term monitoring, which is more characteristic of our advocacy on board diversity. An acceptable outcome is that the company amends its nominating committee charter to include gender diversity as a criterion for every director search, and over time we would monitor the company (if we continue to hold it) to see if it does add women to its board. The type of monitoring depends on the issue at hand. Sometimes progress is made in increments, and sometimes it's more of a yes or no proposition.

☐ No

## Process for engagements conducted via collaborations

**LEA 05**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA  
05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

☒ Yes

**LEA  
05.2**

Describe how you identify and prioritise collaborative engagements.

The formal process at Pax is triggered when we consider signing on to a multi-investor or multi-stakeholder initiative. In that case, signoff is required from the CEO, CFO and SVP of Sustainable Investing. Other than such collaborative engagements, the process we use is to identify key issues of concern to shareholders and stakeholders, focusing on those that have the greatest impact on investors and on sustainability, choosing a medium to use (e.g., letters, dialogue, shareholder proposals), defining measures of success, and reporting quarterly to our board of trustees on these engagements and outcomes. We also report on these in our annual Communication on Progress to the Global Compact.

☐ No

**LEA 06**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA  
06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- ☒ Yes
- ☐ Yes, for all collaborative engagement activities
  - ☒ Yes, for the majority of collaborative engagement activities
  - ☐ Yes, for a minority of collaborative engagement activities
- ☐ No

**LEA  
06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

- ☒ Yes
- ☐ Yes, in all cases
  - ☒ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases

**LEA  
06.3**

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

As explained earlier, sometimes there is a formal outcome-measurement system in place (this is typical of collaborative engagements through the PRI), and other times we make our own decisions. For example, when we file shareholder proposals, we agree on what we will accept in order to withdraw the proposal, but we may accept another choice as we negotiate with the company, with advice from the other shareholders or investors in the collaborative engagement.

☐ No

### General processes for all three groups of engagers

**LEA 09**

Voluntary

Additional Assessed

**PRI 1,2**

**LEA  
09.1**

Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
--------	-----------	-----------------------	-------

LEA 10.1	Indicate if you track the number of companies you engage with.
----------	--

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

## Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
--------	---	---------------	-------

LEA 11.1	Indicate the number of companies with which your organisation engaged during the reporting year.
----------	--



	<b>Number of companies engaged</b> (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	320
Collaborative engagements	574

<b>LEA 11.2</b>	Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]
-----------------	---

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

<b>LEA 11.3</b>	Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional]
-----------------	--

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

<b>LEA 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
---------------	------------------	----------------------------	--------------

<b>LEA 12.1</b>	Indicate if your engagements in the reporting year covered E, S and/or G issues.
-----------------	--

Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

**LEA  
12.2**

Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

40

% Social only

15

% Corporate Governance only

35

% Overlapping ESG issues

10

**100%**

Collaborative engagements

% Environmental only

23

% Social only

1

	% Corporate Governance only
--	-----------------------------

74

	% Overlapping ESG issues
--	--------------------------

0

100%

LEA 13	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

<b>LEA 13.1</b>	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
-----------------	--

☐ Yes

☒ No

<b>LEA 13.3</b>	Additional information.
-----------------	-------------------------

Many of the collaborative engagements we do are not concluded with outcome information.

LEA 14	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

<b>LEA 14.1</b>	Provide examples of the engagements that your organisation carried out during the reporting year.
-----------------	---

☒ Add Example 1

Topic or ESG issue	Fossil fuels: carbon reserves, stranded assets, and climate change physical risks
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	We wished to acquaint fossil fuel companies with the issue of unburnable carbon or stranded carbon assets and understand how they are planning to cope (or coping) with this issue.
Scope and Process	Pax wrote to 42 fossil fuel companies that we held asking whether the companies were acquainted with the concept of unburnable carbon, and requesting that they inform investors of their own plans to adjust to that issue, or if not, to report on how they plan to deal with the physical risks of the climate warming by at least an additional 4 degrees C.
Outcomes	We heard back from nine companies. Some wrote brief replies explaining that as natural gas E&P companies they felt that the risk was not material for them; others wrote back describing their diversification into renewable energy sources or decarbonizing their reserves.

☒ Add Example 2

Topic or ESG issue	Worker safety in the garment industry
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	We wished to let garment manufacturers and retailers know that we consider the safety risks to workers in garment manufacturers to be a reputational and possibly litigation risk issue, and to bring their attention to the fact that shareholders are aware of these issues in contract garment manufacture.
Scope and Process	Pax wrote to the CEOs and women board members of each garment retailer/manufacture in the MSCI World index, totaling 35 companies, describing the state of safety protection in garment manufacture and noting that these conditions primarily affect women. We asked that the companies sign and implement the Women's Empowerment Principles as a way to address the issue globally, not just in Bangladesh.
Outcomes	Pax received replies from five of the companies we wrote to. None of the companies agreed to sign and implement the WEPS, and we will repeat this letter-writing in 2014.

☒ Add Example 3

Topic or ESG issue	Board diversity
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	To advance gender diversity on corporate boards.
Scope and Process	Pax World always votes against or withholds votes from board slates that include no women, and from the male members of boards that include only one woman in most countries. After those votes are cast, Pax writes to each company and lets them know why we voted as we did on the board slate, to help encourage boards to add gender diversity.
Outcomes	We received responses from seven companies in 2013.

☒ Add Example 4

Topic or ESG issue	Board diversity
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	The objective of the letter writing campaign was to urge companies to consider gender diversity in the boardroom as a priority and request companies take steps to diversify their boards.
Scope and Process	Building on 2012 efforts, in 2013, the Thirty Percent Coalition wrote to companies in the Russell 1000 Index with no women board members. Letters went to 127 companies.
Outcomes	<p>24 companies responded to the letter.</p> <p>Seven companies we wrote to and had direct engagement with (resolution or dialogue) have reported to us that women have since been appointed to their boards.</p>

- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

## Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA  
15.1

Indicate whether your organisation proactively discloses information on its engagements.

☒ We disclose it publicly

please provide URL

<http://www.paxworld.com/advisors/approach/shareowner-activism/say-no-to-all-male-boards>

please provide URL

[http://www.paxworld.com/system/storage/12/3b/5/2536/connection\\_summer13.pdf](http://www.paxworld.com/system/storage/12/3b/5/2536/connection_summer13.pdf)

LEA  
15.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

LEA  
15.3

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Engagement information disclosed

- ☐ Details of the selections, priorities and specific goals of engagement
- ☐ Number of engagements
- ☐ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

LEA  
15.4

Indicate how frequently you typically report engagements information.

- ☐ Disclosed continuously (prior and post engagements)
- ☐ Disclosed quarterly
- ☐ Disclosed annually
- ☐ Disclosed every two years or less
- ☒ Other, specify

We disclose the outcomes of engagements that we believe are particularly noteworthy.

☐ No

☐ We disclose it to clients and/or beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

## (Proxy) voting and shareholder resolutions

### Overview

LEA 16	Voluntary	Descriptive	PRI 2
LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).		

At Pax World, once our Funds invest in a company, we take our responsibilities as a shareholder and stakeholder seriously.

We:

- vote shareholder proxies in accordance with our environmental, social and governance (ESG) criteria;
- engage in dialogue with corporate management on issues of concern;
- initiate or support shareholder resolutions at annual stockholders meetings aimed at persuading companies to adopt higher standards of corporate responsibility; and
- support public policy initiatives that promote greater corporate transparency, accountability, and social responsibility.

### Process

LEA 17	Mandatory	Descriptive	PRI 2
LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.		

#### Approach

☐ We use our own research or voting team and make our own voting decisions without the use of service providers.

☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on
--------------------

- ☐ the service provider voting policy signed off by us
- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain

☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

☐ We hire service provider(s) which make voting decisions on our behalf.

<b>LEA 17.2</b>	Additional information.[Optional]
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Pax World's full proxy voting guidelines are available at

<http://www.paxworld.com/investment-approach/shareowner-activism/proxy-voting>.

<b>LEA 19</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 19.1</b>	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
-----------------	---

☒ Obtain confirmation that votes have been lodged:

- ☒ for a majority of votes
- ☐ for a minority of votes

☐ Participate in projects to improve the voting trail and/or to obtain vote confirmation

☐ None of the above

<b>LEA 19.2</b>	Provide additional information on your organisation's vote confirmation efforts.
-----------------	--

Pax conducts an audit each year to verify that proxy votes transmitted to our service

provider are actually voted, and any omissions are verified and reported on in our annual N-PX filing with the SEC.

<b>LEA 20</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
---------------	------------------	----------------------------	--------------

<b>LEA 20.1</b>	Indicate if your organisation has a securities lending programme.
-----------------	---

☒ Yes

<b>LEA 20.2</b>	Indicate how voting is addressed in securities lending programme.
-----------------	---

**Please select one of the following**



- ☒ We recall most securities for voting on all ballot items
- ☐ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☐ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes
- ☐ Other (please specify)
- ☐ No

LEA 21	Mandatory	Core Assessed	PRI 2
--------	-----------	---------------	-------

LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
----------	---

- ☐ Yes, in most cases
- ☒ Sometimes, in the following cases:
  - ☐ votes in selected markets
  - ☒ votes on certain issues (all markets)
  - ☐ votes for significant shareholdings (all markets)
  - ☐ other, explain
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
----------	------------------------------------

We inform all companies if we voted against or withheld votes from board candidates due to lack of gender diversity. We always withhold or vote against all-male slates, and we vote against or withhold votes from the male members of board slates that include only one woman in most countries.

## Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
--------	-----------	---------------	-------

LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
----------	---

- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------



100

**Specify the basis on which this percentage is calculated**

- ☒ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

<b>LEA 23.1</b>	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
-----------------	--

- ☒ Yes, we track this information

<b>LEA 23.2</b>	Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:
-----------------	---

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	 47
Against (opposing) management proposals	 52
Abstentions	 1

100%

**LEA  
23.3**

For the reporting year, describe your approach towards voting on shareholder resolutions.

Pax World's approach to voting all proposals, management or shareholder, is contained in our proxy voting guidelines, which are available at <http://www.paxworld.com/advisors/approach/shareowner-activism/proxy-voting>.

☐ No, we do not track this information

**LEA  
23.4**

Additional information.

The voting record on shareholder proposals at Pax in 2013 was:

- Shareholder proposals voted for: 72%
- Shareholder proposals voted against: 20%
- Shareholder proposals voted abstain: 7.6%

It is customary for management to oppose shareholder proposals; this happens in the vast majority of the cases, in our experience. We do not track which shareholder proposals management recommends votes for or against.

LEA 24	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

**LEA  
24.1**

Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

☒ Yes

**LEA  
24.2**

Indicate the number of ESG shareholder resolutions you filed or co-filed.

Total number

6

**LEA  
24.3**

Indicate what percentage of these ESG shareholder resolutions.

Went to vote	<div><div></div><div>%</div></div> 33
Were withdrawn due to changes at company and/or negotiations with the company	<div><div></div><div>%</div></div> 60
Were withdrawn for other reasons	<div><div></div><div>%</div></div> 7

Total
-------

100%

<b>LEA 24.4</b>	Of the ESG shareholder resolutions that you filed or co-filed and that were put to vote (i.e. not withdrawn) how many received:
-----------------	---

>50% approval
---------------

0

50-20% approval
-----------------

1

<20% approval
---------------

1

<b>LEA 24.5</b>	Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.
-----------------	--

Pax filed two proposals on board diversity (requesting modification of the nominating committee charter to make gender diversity part of all director searches); two proposals requesting that companies report on all political contributions and lobbying spending; and one proposal on lead battery recycling.

☐ No

<b>LEA 25</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
---------------	------------------	--------------------	--------------

<b>LEA 25.1</b>	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
-----------------	---

☒ Add Example 1

Topic or ESG issue	Board diversity
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To promote gender diversity on boards of directors
Scope and Process	Pax World votes against or withholds votes from every slate that includes no women, and against the male candidates on boards that include only one woman in most countries. We then send letters to the companies explaining those votes.
Outcomes	In 2013, Pax World voted against or withheld votes from directors at 183 companies due to no or token representation of women on the boards. We received responses from seven of those companies.

- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

## Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
----------	--

- ☒ We disclose it publicly

provide URL
-------------

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000076721&type=npx&dateb=&count=40&scd=filings>

provide URL
-------------

<https://viewpoint.glasslewis.net/webdisclosure/search.aspx?glpcustuserid=PAX108>

**LEA  
26.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

**LEA  
26.3**

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

**LEA  
26.4**

Indicate how frequently you typically report voting information.

- ☒ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

# Pax World

## Reported Information

### Public version

#### Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

### Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

Fixed income – government

### Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - government

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.



Credit quality	Fixed Income - Corporate	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

**FI 02.2**

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate	Fixed Income - Government
Primary market (new issues)	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

**ESG incorporation in actively managed fixed income**
**FI 03**
**Voluntary**
**Descriptive**
**PRI 1**
**FI 03.1**

Provide a brief overview of how you incorporate ESG issues in fixed income investments.

## Fixed Income - Corporate

With respect to the fixed-income portion of the Balanced Fund, Pax World seeks to avoid companies that fail our exclusionary criteria on weapons and tobacco, that it determines are the subject of significant environmental, social or governance controversy or that it determines significantly underperform their peers on key (but not necessarily all) ESG or sustainability criteria.

The Pax World High Yield Bond Fund seeks to avoid investing in companies that its investment adviser determines are significantly involved in the manufacture of weapons or weapons-related products, manufacture tobacco products or engage in unethical business practices, as well as companies that the Adviser determines are the subject of significant environmental, social or governance controversy or significantly underperform their peers on key (but not necessarily all) ESG or sustainability criteria.

## Fixed Income - Government

For sovereign debt, Pax World's ESG analysis ranks countries based on four independent rankings: the Freedom in the World survey assessing political rights and civil liberties; country rankings on gender empowerment from the UN Human Development Index of the United Nations; State Department rankings of countries on involvement in human trafficking; and Transparency International's rankings of countries related to bribery and corruption.

## Fixed Income - Corporate

### Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
FI 04.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.		

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☒ Screening + Integration strategies

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> <div>100</div>
---	--

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed fixed income - corporate
---

100%

<b>FI 04.2</b>	Describe your primary reasons for choosing a particular incorporation strategy.
----------------	---

Pax World believes that companies that are attentive to their sustainability impacts are in the long run better managed, more forward-thinking companies.

<b>FI 04.3</b>	If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]
----------------	---

We use screening to identify companies with substantial involvement in the manufacture of weapons, tobacco, coal mining, producing oil from oil sands regions, and utilities whose dependence on coal exceeds the relevant national average. All other ESG issues are part of our ESG integration process, to identify leaders and avoid investing in companies that are laggards on ESG performance and policy.

<b>FI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>FI 05.1</b>	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
----------------	---

**Type of ESG information**

- ☒ Raw ESG company data

Describe who provides this information.

Companies, regulatory (government) websites, ESG data service providers, media reports, nonprofits.

☒ Issuer-related analysis or ratings

Describe who provides this information.

Pax World uses ratings and data from MSCI and Governance Metrics International for publicly traded companies.

☒ Sector-related analysis or ratings

Describe who provides this information.

One of Pax World's service providers, MSCI, provides sector/industry reports that describe and weight key issues for the sector and provide company rankings within sector.

☒ Country-related analysis or ratings

Describe who provides this information.

One of Pax World's service providers, GMI, provides country rankings in addition to company rankings on corporate governance.

☐ Screened bond list

☒ Issue-specific analysis or ratings

Describe who provides this information.

Pax World uses information from several nonprofits that provide issue-specific ratings of companies, including but not limited to CDP, Silicon Valley Toxics Coalition (solar scorecard), Access to Medicine Index, BankTrack, etc.

☐ Other, specify

**FI 05.2**

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

Pax World gathers a great deal of information regarding ESG policies and performance from many sources, including service providers (principally MSCI and GMI), media reports, regulatory databases (e.g., EPA ECHO), nonprofits, and company sustainability, financial and integrated reporting. There are frequently differences of opinion among these sources on how to score and weight the information collected, and at times there may be biases as well. In our analysis, we take care to recognize these differences and sources of bias and make unbiased decisions as to what securities meet our criteria for inclusion in Pax World portfolios.

**(A) Implementation: Screening****FI 06****Mandatory****Descriptive****PRI 1****FI 06.1**

Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.

**Type of screening**

☒ Negative/exclusionary screening

**Screened by**

- ☒ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

**Description**

We seek to avoid companies significantly involved in the manufacture of weapons or tobacco. We also seek to avoid, for environmental reasons, companies for which the majority of revenue comes from production of coal, oil from oil sands, and utilities whose dependence on coal for power generation exceeds the relevant national average.

☒ Positive/best-in-class screening

**Screened by**

- ☐ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

Description
-------------

In the Pax World High Yield Fund and the fixed income proportion of the Pax World Balanced Fund, we use company ESG rankings and analysis to avoid investing in laggards, and to identify leaders.

- ☐ Norms-based screening

FI 06.2	Description
---------	-------------

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

Screening criteria are established, monitored and adjusted through internal discussions at Pax World. These discussions include the CEO, CCO, the Sustainability Research Department, and the Portfolio Management Department.

FI 07	Mandatory	Core Assessed	PRI 1
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FI 07.1	Description
---------	-------------

Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.

- ☒ Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- ☒ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

FI 08	Voluntary	Additional Assessed	PRI 1
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**FI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached in corporate fixed income investments.

☒ Checks are performed to ensure that issuers meet the funds' screening criteria. These checks are:

☒ Systematic

☐ Occasional

☒ Automated IT systems prevent investment managers from investing in excluded bonds or those that do not meet positive screening criteria

☒ Audits of fund holdings are undertaken regularly by internal audit function

☐ Other, specify

☐ None of the above

**FI 08.2**

If breaches of fund screening criteria are identified, describe the process followed to correct those breaches.

We use Charles River, which draws information on which securities meet Pax World's ESG criteria and which do not. That system notifies us if any security is bought in error in time to void the trade.

## (C) Implementation: Integration of ESG factors

**FI 10****Voluntary****Descriptive****PRI 1****FI 10.1**

Describe how you integrate ESG issues into investment decision-making processes.

ESG factors are integrated into investment decision making in several ways. At a minimum, each stock or bond that portfolio managers and analysts think might be appropriate for a portfolio must be approved by our Sustainability Analysis Department.

With respect to the Pax World's High Yield Bond Fund and the fixed-income portion of our Balanced Fund, our Sustainability Research Department conducts primary research on the issuer, and, when applicable, combines that information with data from third-party research providers. If the issuer has faced environmental, social or governance controversies, or if the issuer is significantly exposed to environment-, social- or governance-related risks, the significance of those controversies or risks is compared to the companies' policies and procedures for managing related controversies or risks in the future. This often involves discussion among portfolio managers, financial analysts and sustainability analysts.

That analysis, along with a determination as to whether or not the issuer meets Pax World's sustainability criteria, is then shared with the portfolio manager as they consider what allocation to make to that issuer, if any. (If Pax World's Sustainability Research Department determines the issuer does not meet our sustainability criteria, the fund may not purchase the security.)

FI 11	Mandatory	Core Assessed	PRI 1
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FI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
---------	---

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 12	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
---------	---

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

FI 12.2	Describe how ESG information is held and used by your portfolio managers.
---------	---

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☐ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify

## Fixed income - Government



FI 13	Mandatory	Core Assessed	PRI 1
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FI 13.1	Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.
---------	---

☒ Yes

FI 13.2	Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.
---------	---

- ☐ <10%  
☐ 10-50%  
☐ 51-90%  
☒ >90%

FI 13.3	Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.
---------	--

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

☐ No

## Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
-------	-----------	-------------	-------

FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
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**Fixed Income - Corporate**

- ☒ Narrow down or prioritise the investment universe
- ☐ Buy / sell / weight decisions
- ☐ Other, specify

#### Fixed Income - Government

- ☒ Narrow down or prioritise the investment universe
- ☐ Buy / sell / weight decisions
- ☐ Other, specify

FI 16	Voluntary	Descriptive	PRI 1
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<b>FI 16.1</b>	Indicate if you believe (by applicable strategy) that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.
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#### Fixed Income - Corporate

	a) Impacted funds' financial performance
--	--

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

	b) Reduced funds' risk or volatility
--	--------------------------------------

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

	c) Improved funds' ESG performance
--	------------------------------------

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No

#### Fixed Income - Government

	a) Impacted funds' financial performance
--	--

<b>ESG incorporation (for actively managed funds)</b>	
<input checked="" type="radio"/> Yes <input type="radio"/> No	

b) Reduced funds' risk or volatility

<b>ESG incorporation (for actively managed funds)</b>	
<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance

<b>ESG incorporation (for actively managed funds)</b>	
<input checked="" type="radio"/> Yes <input type="radio"/> No	

**FI 16.3** Additional information.

For the Pax World High Yield Bond Fund and the fixed-income portion of the Pax World Balanced Fund, the determination was based on the opinions of the fund managers and portfolio analytics staff, based on monitoring of funds' performance and characteristics.

## Communication

<b>FI 18</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2,6</b>
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<b>FI 18.1</b>	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
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☒ We disclose it publicly

Provide URL

[http://www.paxworld.com/system/storage/12/00/c/764/pax\\_world\\_prospectus.pdf](http://www.paxworld.com/system/storage/12/00/c/764/pax_world_prospectus.pdf)

Provide URL

[http://www.paxworld.com/system/storage/12/34/9/780/commentary\\_highyieldfund.pdf](http://www.paxworld.com/system/storage/12/34/9/780/commentary_highyieldfund.pdf)

**FI 18.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes**FI 18.3**

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

☒ Broad approach to ESG incorporation☐ Detailed explanation of ESG incorporation strategy used**FI 18.4**

Indicate how frequently you typically report this information.

☒ Quarterly or more frequently☐ Between quarterly and annually☐ Less frequently than annually☐ Other, specify☐ No☐ We disclose it to clients/beneficiaries only☐ We do not proactively disclose it to the public and/or clients/beneficiaries

## Engagement in fixed income investments

### Fixed Income - Corporate

**FI 19**

Voluntary

Descriptive

**PRI 2****FI 19.1**

Indicate if you engage with corporate issuers.

☒ Yes**FI 19.2**

Describe your organisation's approach to engagement in corporate fixed income.

When Pax World finds an ESG-related concern, we may contact the company via letter or phone call to obtain additional information about the company is doing to manage that particular risk or concern. Additionally, we work with our portfolio management team to raise questions about these ESG-related issues during meetings with company management. Similarly, we will meet with a company if they express interest in meeting with us to learn how we have evaluated its ESG profile.

☐ No

### Fixed Income - Government

**FI 20**

Voluntary

Descriptive

**PRI 2**

**FI 20.1**

Indicate if you engage with government issuers such as government departments (national or local), agencies and other entities in order to influence their approach to ESG issues that may affect creditworthiness.

☐ Yes

☒ No

# Pax World

## Reported Information

### Public version

#### Direct - Inclusive Finance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Context

IFD 01	Voluntary	Descriptive	PIIF General
--------	-----------	-------------	--------------

**IFD 01.1** Indicate if you have a distinct mission and investment objective for your investment in inclusive finance.

☒ Yes

**IFD 01.2** Describe your inclusive finance mission and investment objective.

Pax World invests in communities and promotes sustainable development, most commonly through ongoing investment in debt instruments issued by non-corporate entities and certificates of deposit. Each of the Pax World Funds may invest up to 5% of fund assets in community development financial institutions that target underserved localities in the areas of affordable housing, small businesses, community development and revitalization, health care, education, and the environment. Examples include investments in micro-credit or micro-finance institutions that advance women's equality and sustainable development. We believe these investments may have positive direct impact on local communities which is an important principle of our investing and business philosophy.

☐ No

IFD 02	Voluntary	Descriptive	PIIF General
--------	-----------	-------------	--------------

**IFD 02.1** Provide a brief description of the governance and management structures and processes you have in place for your responsible investment activities and implementation of the PIIF.

Each of the Pax World Funds may invest up to 5% of fund assets in inclusive finance securities.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

IFD 03	Voluntary	Descriptive	PIIF General
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**IFD 03.1** Indicate if you set social targets for your organisation, specific to inclusive finance.

☐ Yes

☒ No

IFD 04	Mandatory to Report Voluntary to Disclose	Gateway	PIIF General
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**IFD 04.1**

Of your total assets invested directly in inclusive finance, indicate what percentage is invested in the following:

Equity	<input checked="" type="radio"/> 0% <input type="radio"/> <20% <input type="radio"/> 20-40% <input type="radio"/> 41-60% <input type="radio"/> 61-80% <input type="radio"/> >80%
Debt	<input type="radio"/> 0% <input type="radio"/> <20% <input type="radio"/> 20-40% <input type="radio"/> 41-60% <input checked="" type="radio"/> 61-80% <input type="radio"/> >80%
	<div>Of which, subordinated debt</div> <input checked="" type="checkbox"/> 0% <input type="checkbox"/> <20% <input type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80% <input type="checkbox"/> >80%
Guarantees	<input checked="" type="radio"/> 0% <input type="radio"/> <20% <input type="radio"/> 20-40% <input type="radio"/> 41-60% <input type="radio"/> 61-80% <input type="radio"/> >80%
<div>Other, specify</div> Certificates of Deposit	<input type="radio"/> 0% <input type="radio"/> <20% <input checked="" type="radio"/> 20-40% <input type="radio"/> 41-60% <input type="radio"/> 61-80% <input type="radio"/> >80%
<b>Total</b>	<b>100%</b>

**IFD 05**
**Mandatory to Report Voluntary to Disclose**
**Gateway**
**PIIF  
General**
**IFD 05.1**

Of your total assets invested directly in inclusive finance, indicate what percentage is invested in the following:



<b>Microfinance</b>	<input type="checkbox"/> 0% <input type="checkbox"/> <20% <input checked="" type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80%
	<input type="checkbox"/> 0% <input type="checkbox"/> <20% <input checked="" type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80%
<div>Other, specify</div> Certificates of Deposit	<input type="checkbox"/> 0% <input type="checkbox"/> <20% <input checked="" type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80%
<b>Total</b>	<b>100%</b>

**IFD 05.2** Additional information. [Optional]

Pax World invests in communities and promotes sustainable development, most commonly through ongoing investment in debt instruments issued by non-corporate entities and certificates of deposit. Many of these securities and cash management products benefit both microfinance and SME defined entities. Due to the nature of these securities, we are unable to determine the exact percentage that is invested in microfinance or SME finance.

IFD 06	Mandatory to Report	Voluntary to Disclose	Descriptive	PIIF General
<b>IFD 06.1</b>	Indicate if you track the geographical spread of your total assets invested directly in microfinance.			
<input type="radio"/> Yes <input checked="" type="radio"/> No				

## PIIF Principle 1: Range of services

IFD 07	Mandatory	Core Assessed	PIIF 1
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### Possible action:

*Develop and extend the range of financial services available to low-income populations. Extensions could include savings, loans, insurance, payment services, remittance facilities and pension plans.*

IFD 07.1	Indicate if you track the percentage of your microfinance investees' portfolio that is in microenterprise loans.
----------	--

- ☐ Yes, we track  
☒ No, we do not track  
☐ Not applicable (there are no microenterprise loans in the portfolio)

IFD 07.2	Indicate if you track the percentage of your microfinance investees' portfolio that is in loans for immediate household needs (i.e. consumer loans).
----------	--

- ☐ Yes, we track  
☒ No, we do not track  
☐ Not applicable (there are no loans for immediate household needs in the portfolio)

IFD 07.3	Indicate if you track the percentage of your investees' portfolio in housing loans.
----------	---

- ☐ Yes, we track  
☒ No, we do not track  
☐ Not applicable (there are no loans for housing in the portfolio)

IFD 08	Mandatory	Core Assessed	PIIF 1
--------	-----------	---------------	--------

IFD 08.1	In your microfinance portfolio, indicate if you support the provision of financial services beyond credit, compulsory savings and/or compulsory insurance.
----------	--

- ☐ Yes  
☒ No

## PIIF Principle 2: Client protection

IFD 11	Mandatory	Core Assessed	PIIF 2
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### Possible action:

*Publicly endorse the Client Protection Principles (CPP).*

IFD 11.1	Indicate if you have publicly endorsed the Client Protection Principles.
----------	--

- ☐ Yes  
☒ No

IFD 13	Mandatory	Core Assessed	PIIF 2
--------	-----------	---------------	--------

IFD 13.1	Indicate if you include the Client Protection Principles and/or other client protection measures in your investment policies.
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- ☐ Yes  
☒ No

### PIIF Principle 3: Fair treatment

IFD 14	Mandatory	Core Assessed	PIIF 3
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**Possible action:**

*Provide financing in an appropriate currency and tenor.*

IFD 14.1	In relation to your direct portfolio in debt, indicate if you provide investment in local currency.
----------	---

- ☐ Yes  
☒ No

IFD 14.3	Additional information. [Optional]
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Not applicable to Pax World's inclusive finance investments.

IFD 15	Mandatory	Descriptive	PIIF 3
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**Possible action:**

*Provide financing in an appropriate currency and tenor.*

*Actively support the building of a diversified funding base.*

IFD 15.1	In relation to your direct portfolio in debt, indicate what percentage have a maturity (from the point of investment) of the specified duration:
----------	--

- ☐ 12 months or fewer  
☐ 13 to 24 months  
☒ 25 to 60 months

	Indicate percentage
--	---------------------

- ☐ <20  
☐ 20-40%  
☒ 41-60%  
☐ 61-80%  
☐ >80%  
☐ Over 60 months

<b>IFD 15.2</b>	Indicate if you have a set limit regarding the maximum fixed income investment exposure of the investees in which you invest. [Optional]
-----------------	--

- ☐ Yes  
☐ No

IFD 17	Mandatory	Core Assessed	PIIF 3
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**Possible action:**

*Negotiate terms and conditions that are transparent, fair and reasonable, including fair break-up clauses.*

<b>IFD 17.1</b>	Indicate if you adopt the following practices:
-----------------	--

- ☐ For fixed income investments: Use the Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance as an example or reference document.  
☐ Ensure that the investee understands the terms, covenants and their implications prior to signing loan / shareholder documentation.  
☐ Foster trust and proactive dialogue with investees through straightforward discussions on issues such as a covenant breach.  
☐ In the case of material covenant breach, create/participate in a voluntary workout group where applicable, with the goal to help the investee remain a going concern whenever possible.  
☐ For fixed income investments: Train your staff on effective monitoring and covenant waiver negotiations to manage deteriorating conditions, and transition a non-performing loan from loan origination staff to specialised workout staff.  
☐ Encourage investee skills-building on financial projections, scenario planning and stress-testing for management, and on financial expertise and governance for Directors.  
☐ Other (explain)  
☒ None of the above

## PIIF Principle 4: Responsible investment

IFD 18	Mandatory	Gateway	PIIF 4
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**Possible action:**

*Negotiate terms and conditions that are transparent, fair and reasonable, including fair break-up clauses.*

<b>IFD 18.1</b>	Indicate if you use the following tools for social performance reporting:
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**Externally developed tools**

During due diligence.

- ☐ Yes
- ☒ No
- ☐ We don't track social performance

For monitoring and reporting purposes.

- ☐ Yes
- ☒ No
- ☐ We don't track social performance

#### In-house tools based on externally developed tools

During due diligence.

- ☐ Yes
- ☒ No
- ☐ We don't track social performance

For monitoring and reporting purposes.

- ☐ Yes
- ☒ No
- ☐ We don't track social performance

#### Tools developed solely in-house

During due diligence.

- ☐ Yes
- ☒ No
- ☐ We don't track social performance

For monitoring and reporting purposes.

- ☐ Yes
- ☒ No
- ☐ We don't track social performance

IFD 19	Mandatory	Descriptive	PIIF 4
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IFD 19.1	Indicate if you require the retail institutions in which you invest to have an independent financial rating.
----------	--

- ☐ Always
- ☐ In a majority of cases
- ☐ In a minority of cases
- ☒ No

IFD 19.2	Indicate if you require the retail institutions in which you invest to have an independent social rating.
----------	---

- ☐ Always
- ☐ In a majority of cases
- ☐ In a minority of cases
- ☒ No

IFD 19.3	Indicate if you require the retail institutions in which you invest to have an independent social audit.
----------	--

- ☐ Yes
- ☒ No

IFD 20	Mandatory	Core Assessed	PIIF 4
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**Possible action:**

*Assist in developing appropriate references for corporate governance issues.*

IFD 20.1	In relation to your due diligence on and monitoring and reporting of corporate governance among investees, indicate if you assess:
----------	--

**Compensation of the Board of Directors and Executive Directors (i.e. its transparency, the use of benchmarking)**

	Pre-investment
--	----------------

- ☐ Yes
- ☐ No
- ☒ Not for all of our investments in inclusive finance

	Post-investment
--	-----------------

- ☐ Yes
- ☐ No
- ☒ Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

Pax World specializes in sustainable investing, the full integration of environmental, social and governance (ESG) factors into investment analysis and decision making. We seek to periodically review all securities post-investment on an ongoing basis. Our governance criteria include such issues as executive compensation, board structures, actions and charters and the protection they afford to the interests of both shareholders and stakeholders.

**Composition of the Board (i.e. breadth and depth of experience, effective client representation, diversity)**

Pre-investment

- ☐ Yes
- ☐ No
- ☒ Not for all of our investments in inclusive finance

Post-investment

- ☐ Yes
- ☐ No
- ☒ Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

Pax World specializes in sustainable investing, the full integration of environmental, social and governance (ESG) factors into investment analysis and decision making. We seek to periodically review all securities post-investment on an ongoing basis. As part of our ESG criteria, Pax World seeks entities that encourage and foster diversity in the workplace, that offer transparency around policies and programs and that report on diversity performance.

**Whether the Board receives social performance management-related information from the management team that is analysed and contributes to Board decision making.**

	Pre-investment
--	----------------

- ☐ Yes  
☒ No  
☐ Not for all of our investments in inclusive finance

	Post-investment
--	-----------------

- ☐ Yes  
☒ No  
☐ Not for all of our investments in inclusive finance

IFD 23	Mandatory	Descriptive	PIIF 4
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**Possible action:**

*Assist in developing appropriate references for environmental issues.*

IFD 23.1	Indicate if you have a procedure to integrate the consideration of environmental issues in your investment decision processes.
----------	--

- ☒ Yes
  - ☒ For all inclusive finance investments
  - ☐ For a majority of inclusive finance investments
  - ☐ For a minority of inclusive finance investments

IFD 23.2	Describe how your procedure to integrate the consideration of environmental issues in your investment decisions processes affect decisions pre-investment. [Optional]
----------	---

Pax World specializes in sustainable investing, the full integration of environmental, social and governance (ESG) factors into investment analysis and decision making. 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. Generally, we favor entities with comprehensive environmental policies, practices and performance, those with good environmental performance compared with industry peers, and those that are working to improve environmental sustainability.



**IFD 23.3**

Describe how your procedure to integrate the consideration of environmental issues in your investment decisions processes affect decisions post- investment. [Optional]

Pax World specializes in sustainable investing, the full integration of environmental, social and governance (ESG) factors into investment analysis and decision making. 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. Generally, we favor entities with comprehensive environmental policies, practices and performance, those with good environmental performance compared with industry peers, and those that are working to improve environmental sustainability.

☐ No

**IFD 23.4**

Indicate if you request your investees to comply with an environmental exclusion list.

- ☐ Yes, for all investees
- ☐ Yes, for a majority of investees
- ☐ Yes, for a minority of investees
- ☒ No

**IFD 24**

Voluntary

Additional Assessed

PIIF 4

**Possible action:**

*Promote implementation of anti-corruption practices.*

**IFD 24.1**

Indicate if you have anti-corruption policies.

- ☒ Yes, published
- ☐ Yes, but not published
- ☐ No

**IFD 24.2**

Indicate if you have internal whistle-blowing policies.

- ☐ Yes, published
- ☒ Yes, but not published
- ☐ No

**IFD 24.3**

Indicate if you review whether your investees have anti-corruption policies as part of your due diligence process.

- ☐ Yes
- ☒ No

IFD 24.4	Indicate if you review whether your investees have internal whistle-blowing policies as part of your due diligence process.
<input type="radio"/> Yes <input checked="" type="radio"/> No	

## PIIF Principle 5: Transparency

IFD 25	Voluntary	Additional Assessed	PIIF 5
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### Possible action:

*Fully disclose policies, criteria and related conditions of products and services to investees and other relevant stakeholders.*

IFD 25.1	Indicate how your mission and investment objectives communicated to stakeholders (e.g. investees, investors).
----------	---

☒ Publicly

Provide a URL
---------------

<http://www.paxworld.com/system/storage/13/3e/a/3491/pax-sustainability-report.pdf>

☐ Selected stakeholders only

☐ On request only

IFD 26	Mandatory	Core Assessed	PIIF 5
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### Possible action:

*Fully disclose policies, criteria and related conditions of products and services to investees and other relevant stakeholders.*

IFD 26.1	Other than the PRI/PIIF, indicate if you provide your investors and/or the public with information aligned with industry standards.
----------	---

☐ Yes

☒ No

IFD 27	Mandatory	Core Assessed	PIIF 5
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### Possible action:

*Ensure that investees adequately disclose the pricing, terms and conditions of financial products and services offered, and that the pricing, terms and conditions are understood by clients.*

IFD 27.1	Indicate if you encourage the retail institutions in which you invest to ensure that the following are transparent and fully explained to their clients (i.e. those seeking financial services from them) in a form they can understand.
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	Pricing
--	---------

- ☐ Yes  
☒ No

	Other terms and conditions
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- ☐ Yes  
☒ No

## PIIF Principle 7: Standards

IFD 32	Mandatory	Core Assessed	PIIF 7
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### Possible action:

*Participate in networks to share tools, information and resources.*

IFD 32.1	Select which of the following collaborative initiatives your organisation has supported or participated in, and the role you played.
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	The Principles for Investors in Inclusive Finance
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- ☒ Yes  
☒ Basic  
☐ Moderate  
☐ Advanced  
☐ No

	The Smart Campaign
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- ☐ Yes  
☒ No

	Social Performance Task Force
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- ☐ Yes  
☒ No

	Council for Microfinance Equity Funds (CMEF)
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- ☐ Yes  
☒ No

	European Microfinance Platform (eMFP)
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- ☐ Yes  
☒ No

Global Impact Investors Network (GIIN)

- ☐ Yes  
☒ No

Other network, association memberships and/or specific collaboration related to the promotion of inclusive finance, specify

- ☐ Yes  
☐ No