

Social Impact Update

Third Quarter 2016



Thought Leadership on Climate Change

In September of 2015, Mark Carney, the Governor of the Bank of England, delivered a historic speech about climate change and its potential impact on global financial stability. In the speech, he announced the creation of a Financial Stability Board **Task Force on Climate-related Financial Disclosures**, chaired by former New York City Mayor Michael Bloomberg. In July, the Taskforce convened an event in New York featuring Domini's Steve Lydenberg, speaking about his work on 'scenario analysis,' the topic of a paper Steve wrote several years ago that has become required reading by the members of the Taskforce.

Steve explained that the best way to think about scenarios is in terms of "alternative futures. They are visions of what the future might be. They are not forecasts or predictions, which are the result of someone's opinion and the result of a model or a single view of a future. They are in fact a series of different potential futures." The Task Force convened the event to discuss what risks companies face as we transition to renewable energy-based economies, and what tools are available for companies to tackle climate risks and opportunities. We believe that scenario planning may be a key conceptual framework to help companies and investors envision pathways through an uncertain future.

We were also pleased to participate in a retreat organized by the **2° Investing Initiative**, a multi-stakeholder think tank working to align the financial sector with 2-degree climate goals. The retreat brought together financial institutions and policy makers from several European governments to discuss aligning the investment processes of financial institutions with climate scenarios and to develop metrics and tools to measure the climate performance of financial institutions.

Other industry events during the quarter included a meeting organized by **MSCI** and **Carbon Tracker Initiative** that focused on transition risk. Topics discussed included market disruption by electric vehicles and renewable energy and the risks to traditional fuels like coal, oil and natural gas.

SUSTAINABLE AGRICULTURE

Our corporate engagement and public policy work has always been collaborative, including work with non-governmental organizations and other investors. During the quarter, we became a member of FAIRR (Farm Animal Investment Risk and Return; www.fairr.org), a new \$1 trillion investor initiative focused on the social, environmental and financial risks of factory farming. We also received an update from our colleagues at **Friends of the Earth** to learn about their ongoing work to protect pollinators. The organization has provided invaluable guidance as we have worked with corporations to address the risks to honeybees and other pollinators from a variety of pesticides. That larger work has been coordinated by the **Investor Environmental Health Network**.

Corporate Engagement

Over the years, we have found an increasing number of companies that are embracing the practice of publicly reporting on their sustainability performance. Today, thousands of companies around the world publish some form of social and environmental report, and we are frequently called upon to provide our feedback on these efforts. This quarter, we participated in a call with a group of seven internet and communications technology (ICT) companies to provide feedback on a set of key performance indicators they have developed to streamline their public reporting. We offered substantial feedback and will follow up with written comments.

We also participated in the Interfaith Center on Corporate Responsibility's "healthy living" dialogue with the **Walt Disney Company**.

We were pleased to meet with the Chief Representative of the **Japan Exchange Group**, the operator of the Tokyo Stock Exchange and Osaka Securities Exchange, to discuss corporate governance and stewardship codes in Japan, as well as the practice by a number of exchanges to require listed companies to produce a sustainability report. We also discussed our approach to engagement and proxy voting.

Domini participated in an in-person board meeting and regular conference calls of the **Global Network Initiative (GNI)** to discuss a variety of matters relating to freedom of expression and privacy, including government efforts around the world to respond to "extremist content" online as a means to address terrorism. The GNI's multi-stakeholder board includes investors, academics, human rights groups and corporations, including **Facebook, Google, LinkedIn, Microsoft and Yahoo**.

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Fixed Income Engagement

COMMUNITY DEVELOPMENT CREDIT UNIONS

In August, we met with the **National Federation of Community Development Credit Unions**. The Federation promotes financial inclusion by organizing, supporting, and investing in community development credit unions “CDCUs,” focusing on populations with limited access to affordable financial services, including low-income wage earners, recent immigrants, and people with disabilities. During the meeting, we discussed ways the Federation serves low- and moderate-income people and helps communities to achieve financial independence through credit unions and shared Domini’s perspective on the market.

GREEN BOND ISSUER VISITS FROM NORWAY

We met with **Kommunalbanken Bank (KBN)**, a wholly owned Norwegian state company that provides low cost financing to local Norwegian governments for public goods, such as green infrastructure. KBN has issued green funding since 2010 and has issued multiple US dollar green bonds. We shared Domini’s perspective regarding the potential social impacts of green bonds and trends in the municipal green bond space.

Public Policy

FIDUCIARY DUTY

- We continued our work to encourage the **US Department of Labor** to issue new guidance on shareholder rights, and to withdraw a 2008 Bulletin that may have discouraged fiduciaries from voting proxies and engaging with corporations on social and environmental issues. This work has included regular communication with the Department of Labor, including a conference call this quarter.
- In October, The UN Principles for Responsible Investment published its latest report on fiduciary duty, “**US Roadmap for Fiduciary Duties**.” According to the report, “this roadmap enables the PRI and UNEP FI to work with investors, stakeholders and policymakers in the US to ensure that regulatory frameworks reflect the modern interpretation of fiduciary duty. This interpretation requires investors to consider long-term value drivers, of which ESG factors are a core component, in investment processes and decision-making.” We were pleased to be invited to provide comments on a draft of the report.

SUSTAINABILITY REPORTING

As discussed in last quarter’s Social Impact Update, the SEC’s comment period seeking input on corporate disclosure requirements closed in July. Domini submitted a comprehensive letter addressing sustainability reporting, tax reporting, share buy-backs disclosure and other related topics.

OPPOSING DISCRIMINATION IN NORTH CAROLINA

We signed an investor letter backed by \$2 trillion in assets under management, opposing North Carolina House Bill 2 (HB2), which overturns municipal non-discrimination protections for lesbian, gay, bisexual, and transgender people and prohibits transgender people from using restrooms consistent with their gender identity. The investor statement helped to draw renewed attention to the discriminatory law, receiving press coverage from Reuters, CBS News, The Washington Post and the Boston Herald.

About Domini Social Investments

Domini Social Investments manages mutual funds for individual and institutional investors who wish to create positive change in society by integrating social and environmental standards into their investment decisions. Visit www.domini.com or call 1-800-582-6757 to learn more.

As of September 30, 2016, these companies represented the following percentages of the Domini Social Equity Fund’s portfolio: Facebook Inc. (1.11%), Alphabet Inc. (Google) (2.29%), Microsoft Corp. (3.45%), the Walt Disney Company (<0.01%) and Yahoo Inc. (<0.01%). Japan Exchange Group, Kommunalbanken Bank and LinkedIn Inc. were not held by the Fund. The composition of the Fund’s portfolio is subject to change. Please see the Domini Funds 2016 Annual Report for more information.

The Domini Social Equity Fund is not insured and is subject to market risks, such as sector concentration and style risk. Investment return and principal value will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. You may lose money. This information is provided for educational purposes only, and should not be considered investment advice with respect to any of the companies listed.

You should consider the Domini Funds’ investment objectives, risks, charges, and expenses carefully before investing. Obtain a copy of the Funds’ current prospectus for complete information on these and other topics, by calling 1-800-582-6757 or online at www.domini.com. Please read it carefully before investing or sending money.

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