

Social Impact Update

Fourth Quarter 2016



Protecting Migrant Workers

For decades, Domini and other investors have engaged corporations to address working conditions in their global supply chains. Most of this work has focused on what happens within the four walls of the factory or the borders of the farm. Far less attention has been paid to the process that brought these people to the workplace, in many cases from distant countries. Now, that is changing.

Around the world, people leave their countries in search of economic opportunities elsewhere, often passing through the hands of unscrupulous recruiters. Many workers unknowingly find themselves in conditions of bonded labor, working months on the job simply to pay off improper and exorbitant recruitment fees.

A growing number of leading corporations have responded to these abuses by adopting “no fees” commitments, seeking to ensure that recruiters are paid by employers, not workers. The Interfaith Center on Corporate Responsibility (ICCR), has developed a “No Fees” initiative, asking companies to adopt a set of ethical recruitment policies for their supply chains, including a commitment to ensure that their suppliers reimburse workers for any fees that are charged.

On behalf of a group of ICCR members, we wrote to **IBM** and **Motorola Solutions** with a series of questions about how they are holding their suppliers accountable for these widespread abuses. We followed our letter to **Motorola** with a shareholder proposal on the topic. We also signed letters to **Broadcom, Canon, Cisco, EMC, Hitachi, Johnson Controls, Medtronic, Microsoft, Qualcomm, Texas Instruments** and **Xerox**.

Although these issues have received high profile attention in electronics and seafood, unethical recruitment practices cut across industries. During the quarter, we wrote to **Ralph Lauren, Michael Kors, Nike, L Brands** (Victoria’s Secret, Bath & Body Works) and **Coach**.

We had a very constructive meeting with **Gap** at our office, focused on Gap’s efforts to address unethical recruitment practices in its global supply chain. Gap has already adopted most of ICCR’s requests.

Climate Change

In January, Domini joined more than 630 corporations and investors in a public statement to the incoming administration expressing strong support for the Paris Agreement on climate change. We also contacted several companies to encourage them to sign. The statement was released in November and again in January. According to Ceres, one of the coordinators of the statement, the November release generated 3,000 articles within 24 hours of its release, including *CNN, the New York Times, the Christian Science Monitor, Forbes, NPR* and *The Guardian*, with a potential reach of more than 1 billion people. The statement is available at www.lowcarbonusa.org.

Working with other investors, we participated in a call with **United Parcel Service (UPS)** to discuss the company’s renewable energy goals for its buildings, which represent about 8% of UPS’ overall greenhouse gas footprint. In exchange for withdrawal of the group’s shareholder proposal, UPS agreed to announce that it is exploring a renewable energy goal as part of a revamp of its overall climate strategy, and to continue dialogue with the investors.

More than 200 major companies have made public commitments to set “science-based targets” (SBTs) for their greenhouse gas emissions, meaning that they will seek absolute reductions in line with what climate science demands, while continuing to grow their companies. These commitments replace climate goals that improve efficiency but may not actually reduce emissions as companies grow.

We believe this is a critical development and encourage all companies to consider developing SBTs. To that end, we signed an investor letter coordinated by the Interfaith Center on Corporate Responsibility (ICCR) as a sign of support to **over 100 companies** that have previously signaled an intention to adopt an SBT in the next two years.

We remain optimistic about the rapid growth of the market for green bonds, including bonds targeted to achieve specific climate mitigation or adaptation goals. It is critical, however, that clear and meaningful standards guide the development of this market. During the quarter, we submitted detailed written feedback to **S&P Global Ratings** on its proposed ESG Assessment and Green Bond Evaluation tools.

Additional Engagements

In addition to those discussed in this report, we also engaged with the following companies during the quarter on these issues:

AMD

Determining material sustainability issues

Walt Disney Co.

Human Rights

Amazon, Chipotle, Intercontinental Exchange (NYSE)

Sustainability reporting

Colgate Palmolive

Public Health

Dr Pepper Snapple

Nutrition

Con Edison

Climate Change

Target

Share buybacks

*We also continued to work closely with the **Global Network Initiative** and its corporate members, **Facebook, Google, Microsoft, LinkedIn, Yahoo** on freedom of expression and privacy issues.*

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Current Shareholder Proposals

The Domini Impact Equity Fund submitted ten shareholder proposals this season addressing migrant worker rights, climate change, biodiversity and corporate transparency.

Domini has submitted more than 250 shareholder proposals to more than 95 different corporations since 1994, placing key issues of concern on the formal corporate agenda. We file these proposals each year because they have proven to be a highly effective tool for changing corporate behavior. They send a strong message to corporate management, and can often encourage corporate management to work with us to improve their company's social, environmental and governance performance.

Current Shareholder Proposals:	
AT&T	<i>Indirect Political Contributions</i>
Kraft Heinz	<i>Deforestation</i>
Nucor	<i>Lobbying report (tied to climate change)</i>
Chipotle	<i>Sustainability reporting</i>
Intercontinental Exchange (NYSE)	<i>Stock exchanges and ESG disclosure</i>
Motorola Solutions	<i>Ethical recruitment</i>
Merck*, Biogen*	<i>Pharmaceutical pricing</i>
Pepsico*	<i>Pesticide pollution</i>
UPS*	<i>Renewable energy goals (withdrawn)</i>

*Domini is serving in a supporting role

BIODIVERSITY – DEFORESTATION AND POLLINATOR DECLINES

We are continuing our work to address corporate impacts on biodiversity through sourcing practices that are driving deforestation, and the use of systemic pesticides that have been linked to declines in key pollinators, including honeybees.

We filed a shareholder proposal with **Kraft Heinz** seeking a report on the company's efforts to address deforestation and human rights abuses connected to its sourcing of palm oil, paper/pulp, beef, soy and sugar. The proposal picks up on an effort we began with Kraft, prior to the merger. We also joined a call with a representative of the **Consumer Goods Forum**, an industry association of 400 companies and other stakeholders, to learn more about their response to deforestation.

CDP has been a leader in driving corporate reporting on key risks to forests, and Domini has been a long-time supporter. We were pleased to participate in a panel discussion to launch CDP's annual *Forests Findings & Forestry Report*, an event that also included an address from Kevin Rudd, the former prime minister of Australia.

In 2014, we helped convince **Pepsi** to adopt a set of forestry commitments, a dialogue that continues. This quarter, we joined other investors in submitting a shareholder proposal on pesticide pollution, an issue we have raised with the company in the past. We are hoping to ensure that the company applies responsible pesticide management policies across its global agricultural supply chain.

DEPARTMENT OF LABOR ISSUES NEW GUIDANCE ADDRESSING SUSTAINABILITY

For roughly eight years, we have worked to convince the U.S. Department of Labor to revise legal guidance it has provided to investors about the consideration of social and environmental factors. We met with DOL officials by phone and in person numerous times, including two in-person meetings with the Secretary of Labor, and we submitted lengthy letters.

Thanks largely to the leadership of Secretary Perez and his team, we have achieved our goals. In 2015, the Department withdrew a legal bulletin that discouraged fiduciaries from considering the social or environmental impacts of their investments. In December, the Department issued guidance reinforcing the positive benefits of proxy voting and investor engagement with companies on a range of issues, including sustainability issues. We were privileged to help lead this engagement, along with Trillium Asset Management, US SIF: The Forum for Sustainable and Responsible Investment and our labor union and impact investing allies.

Domini Impact Investments LLC and Trillium Asset Management are unaffiliated.

As of December 31, 2016, these companies represented the following percentages of the Domini Impact Equity Fund's portfolio: Advanced Micro Devices (<0.01%); Alphabet Inc. (Google) (2.26%); Amazon.com Inc. (2.84%); AT&T Inc. (0.29%); Biogen Inc. (1.12%); Chipotle Mexican Grill Inc. (<0.01%); Cisco Systems Inc. (<0.01%); Coach Inc. (<0.01%); Colgate Palmolive Co. (0.99%); Consolidated Edison Inc. (2.68%); Gap Inc. (<0.01%); IBM Corp. (<0.01%); Intercontinental Exchange (NYSE) (<0.01%); Kraft Heinz Co. (<0.01%); L Brands Inc. (<0.01%); Merck & Co. Inc. (2.03%); Michael Kors Holdings (1.11%); Microsoft Corp. (0.94%); Motorola Solutions (<0.01%); Nike Inc. (<0.01%); Nucor (<0.01%); Pepsico Inc. (2.34%); Ralph Lauren Corp. (0.27%); Target Corp. (<0.01%); United Parcel Service (<0.01%); Walt Disney Co. (<0.01%); Xerox Corp. (1.26%); Yahoo Inc. (<0.01%). Broadcom Inc., Canon Inc., Dr. Pepper Snapple Group, Dell EMC, Facebook Inc., Hitachi Inc., Johnson Controls, Medtronic Inc., LinkedIn Inc., Qualcomm Inc., S&P Global Ratings and Texas Instruments 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 Impact 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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