

# Respecting Forests and Nature

Forests are an essential part of a larger, interconnected system. They safeguard biodiversity and protect our climate. They help sustain Indigenous communities around the world and provide valuable economic resources. Yet, society and businesses continue to destroy or convert forests at an alarming rate, creating substantial systemic threats. These threats are interconnected, but at Domini we know that the solutions are interconnected as well. Governments around the world can collaborate with experts, including Indigenous leaders, to learn the best approaches for nature-positive action. Investors can invest in companies that are working to end deforestation and protect biodiversity.

There's no single solution, but there's a clear path ahead. Just last month, the United Nations' COP15 summit on biodiversity delivered a sweeping international agreement to protect earth's forests, oceans, and other vital ecosystems. Collective, ambitious work can deliver real progress. That work is already underway.

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## \*The UN Sustainable Development Goals (SDGs)

In the seven years since United Nations member states adopted the 2030 Agenda for Sustainable Development, the Sustainable Development Goals (SDGs) have been widely embraced by governments, civil society organizations, companies, and investors. The SDGs aim to address broad global topics such as poverty eradication, food security, protection of forests, sustainable cities and economic growth, gender equality, and climate change.

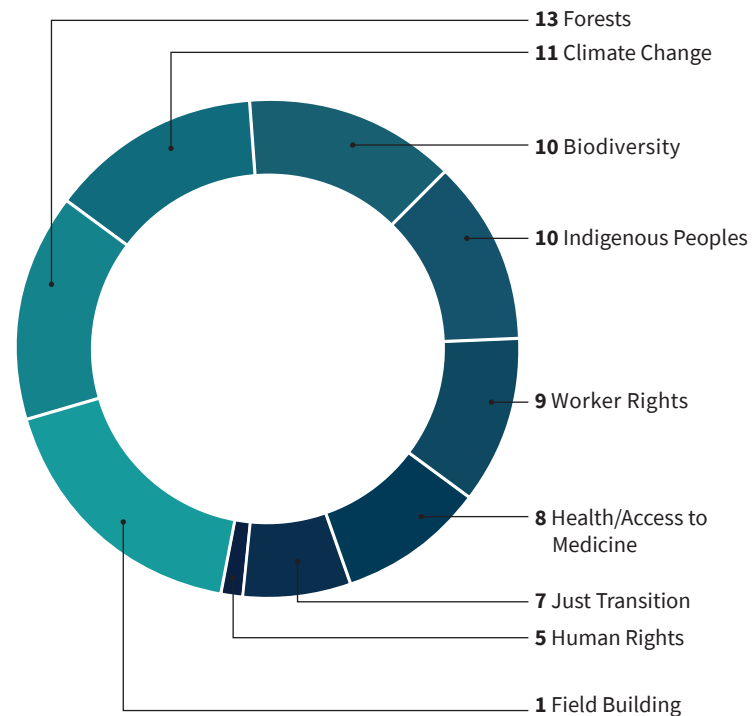
In each Impact Update, we'll feature a few of our engagements alongside an investment highlight and show you which SDGs these are aligned with.

	Goal 1: End poverty in all its forms everywhere
	Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
	Goal 3: Ensure healthy lives and promote well-being for all at all ages
	Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
	Goal 5: Achieve gender equality and empower all women and girls
	Goal 6: Ensure availability and sustainable management of water and sanitation for all
	Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all
	Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
	Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
	Goal 10: Reduce inequality within and among countries
	Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable
	Goal 12: Ensure sustainable consumption and production patterns
	Goal 13: Take urgent action to combat climate change and its impacts
	Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development
	Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
	Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
	Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

<https://sdgs.un.org/goals>

## Engagement Overview

Domini meets with company executives on its own and in collaboration with other investors to encourage stronger policies and practices on the issues that matter to us. Aligned with our standards, we seek improved disclosure, more responsible practices, and address emerging issues with our companies. Through this constructive interaction – via letters, dialogues, shareholder proposals, and proxy votes – Domini communicates its expectations to companies and encourages innovation and business models that uphold respect for human rights while contributing to ecological sustainability and resilience.



### Q4 Engagement Reach

Total number of engagements\*

74

38

Number of engagements incorporating a racial justice lens

Number of unique companies engaged

18

U.S. Companies

13

Non-U.S. Companies

\* Includes engagements with non-corporate entities and multiple engagements with individual companies



## Changing the Way Palm Oil is Produced



*\*see page 2*

The rich Leuser ecosystem in Sumatra, Indonesia is home to some of the world's largest intact forests and vital habitats for endangered species including orangutans, rhinos, elephants and tigers. But while overall deforestation rates have been dropping, tropical forests in Indonesia are being cleared for palm oil plantations, whose output is sold to global companies. Much of this land has allegedly been taken from Indigenous and local communities who are the rightful owners. People who try to protect their land and resist displacement—known as environmental human rights defenders—are at the forefront of the movement to protect global biodiversity. They have called for accountability from the local suppliers that sell palm oil to global food and beverage companies. Global companies often have strong

commitments around stopping deforestation and zero tolerance for land thefts.

We engaged with **Unilever PLC**, **Mondelez**, and **PepsiCo** to better understand how they implement their commitments to protect forests and communities. We will also encourage them to consider what more they could do to stop land grabs, end deforestation, and ensure respect for Indigenous and local communities. It is important that they respond to requests from advocates to make things fair and equitable—by returning land to communities or making payments to communities or making financial reparations, and by protecting environmental human rights defenders.

### Investment Highlight: Domini Impact International Equity Fund and Domini International Opportunities Fund

**Kao Corp** engages in the manufacture and sale of consumer and chemical products. The company launched a new 11-year initiative to assist small palm oil farmers in Indonesia to improve their yields. The palm oil industry has had a notoriously destructive effect on forests, and this sustainable supply chain partnership—between Asia's biggest palm oil producers and local processors—could have a significant impact by showing how companies can procure palm oil without damaging forests.

## Respecting Indigenous Lands in the Arctic



*\*see page 2*

The Arctic National Wildlife Refuge is home to Gwich'in Indigenous Peoples. Nine thousand Gwich'in people live along the migratory route of the Porcupine Caribou Herd—within the low boreal forest that spans the border between Alaska and Canada—and have depended on the animals for subsistence for thousands of years. Today, caribou are still vital for food, clothing, and tools, and are a source of cultural traditions for the Gwich'in. At the same time, oil reserves are found in this ecosystem. While oil exploration is currently on hold, many banks and companies—along with 17 global insurers—have committed to not be involved in oil exploration even if it resumes.

To support the rights of Gwich'in Indigenous Peoples, we are encouraging insurance companies **Chubb** and **The Hartford Financial** to meet with representatives of the Gwich'in Steering Committee and hear directly why their commitment is important for social justice, biodiversity, and climate change. We will continue to engage and make the case for better review of these human rights risks, including a commitment to Free Prior and Informed Consent (FPIC) of Indigenous Peoples, before underwriting a project.

### Investment Highlight: Domini International Opportunities Fund and Domini Sustainable Solutions Fund

**Amundi SA** provides portfolio management services to corporate and individual clients. It has set ambitious sustainability goals, aiming for 100% of its actively managed funds to apply environmental, social, and governance (ESG) screenings by 2025. In addition, it is an active owner and votes its proxies, which Domini encourages and views as a sign of good management. In 2021, Amundi engaged with 96 companies on deforestation issues. The firm has strong diversity both on its board and management team, and is led by a woman CEO, Valérie Baudson.

## Helping Make Agriculture More Sustainable



*\*see page 2*

**Deere & Co.** helps its customers make their agricultural practices more sustainable—for example, by reducing the use of fertilizers and creating more eco-friendly equipment that reduce greenhouse gas emissions from farming. 92% of Deere equipment emissions, however, are associated with customers' use of its tractors and other heavy-duty machinery, which are powered by fossil fuels.

Deere has set a 2030 target to reduce "Scope 3" emissions by 30%, but it hasn't yet adopted a long-term net-zero target or issued a report on its business-wide transition strategy. This will likely involve significant research and

investment to identify cleaner technologies that can power heavy farm equipment. Establishing a long-term climate strategy would help inform decision making and ensure consistent actions to reduce carbon emissions. We are engaging with Deere on this topic, and we'll work with the company as it develops disclosure that has a long-term target and includes information on how different pieces of their strategy, including capital allocation plans and lobbying activities, align with climate transition plans.

### Investment Highlight: Domini Impact International Equity Fund and Domini International Opportunities Fund

**General Mills** manufactures and markets branded consumer foods sold through retail stores—and has pledged to advance regenerative agriculture on one million acres of farmland by 2030. Regenerative agriculture supports biodiversity, it helps maximize water use efficiency, and promotes healthy soil. General Mills' programs in this area include: partnerships to provide tools to farmers, collaboration with leading conservation organizations to drive progress to achieve healthy soil, and farm-level research on the impact of regenerative agriculture.

## Focusing on Worker Well-Being



*\*see page 2*

**Dollar General** has 18,000 stores throughout the U.S., which help provide access to affordable goods and services to rural and remote communities. Still, there are concerns that this low-cost model operates at the expense of its workforce. The U.S. Occupational Safety and Health Administration recently identified Dollar General as a severe violator, due to repeat and willful offenses that put workers' safety at risk. OSHA noted that stores often have unsafe exits, fire hazards, and blocked aisles. Some stores have unfortunately been the site of violence and armed robberies, resulting in employee injury and death. In addition, 92% of employees earn less than \$15 per hour.

We are engaging with Dollar General about worker well-being, health, and safety to better understand what is being done about these workplace hazards and what input workers have. We filed a shareholder proposal asking for an independent review of worker safety, which may be on the ballot for the 2023 shareholder meeting.

### Investment Highlight: Domini Impact Equity Fund

**Fastenal** is an industrial company that provides supplies for product manufacturing, construction, facilities maintenance, and personnel protection. The company has developed a system to reward "near miss" reporting. All new employees are trained to report such incidents, and the safety team takes action immediately to retrain employees who were involved. Fastenal further encourages reporting by highlighting a few submissions each month and giving employee rewards. Through its reporting system, Fastenal has learned that a significant portion of incidents involve a new hire. It has strengthened its training programs accordingly and has been able to decrease incident frequency.

## Bond Fund: Prioritizing Electrification and Environmental Justice



We invest in a **General Motors** green bond that is dedicated to advancing electric vehicle infrastructure, clean transportation technology, and charging infrastructure. Accelerating the pace of the transition away from internal combustion engines would further align GM with Domini's Impact Investment Standards.

We recently joined a collaborative engagement with GM, coordinated by Ceres. The engagement encouraged GM to be ambitious in its electrification strategy and to further align the business with the 1.5 °C scenario. We raised issues of just transition and environmental justice, communicating that electrification can heighten certain human rights risks due to increased demand for raw materials like nickel, cobalt, and lithium. We stressed the importance of strong oversight and

recommended greater accountability for suppliers to reduce human rights impacts and provide remedy if harm is caused. We also noted the establishment of the Inclusion Advisory Board to address racial justice—both internally and connected to the business externally—and how important it is to create an inclusive, respectful, and equitable workplace culture.

### Domini Impact Bond Fund Theme Allocations<sup>3</sup>



#### Access to Housing

Supports affordable mortgage credit & rental properties, multifamily collateralized mortgage obligations, and other residential mortgage backed securities.

#### Corporate Debt<sup>4</sup>

Supports corporate general obligations & bank loans of companies that meet Domini's Impact Investment Standards.

#### Economic & Community Development

Supports nonprofit education, rural & agricultural communities, creative economy & public interest, transportation, access to water, business & job creation, and community development financial institutions.

#### Low-Carbon Transition

Supports renewable energy, energy efficiency and green buildings, sustainable cities, sustainable forestry and conservation, and corporate green and sustainability bonds.

#### Non-Housing Asset-Backed Securities

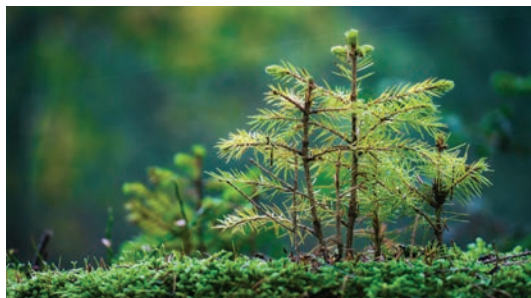
Supports commercial mortgage-backed securities, auto loans, and other asset-backed securities that meet Domini's Impact Investment Standards.

#### Health, Well-Being & Aging Society

Supports nonprofit healthcare and research facilities, housing and healthcare services, and pensions.

<sup>3</sup> Based on portfolio holdings as of 12/31/2022, excluding cash & cash equivalents, cash offsets, futures, swaps and options with the exception of short-term U.S. Agency bonds and Certificates of Deposit, which are reflected in this reporting. Numbers may not sum to totals due to rounding. The composition of the Fund's portfolio is subject to change. Visit [domini.com](https://domini.com) to view the most current list of the Fund's holdings.

<sup>4</sup> "Corporate Debt" includes general-obligation corporate bonds, bank loans, and corporate debt not classified under other themes.



### Investment Highlight: Domini Impact Bond Fund

**The Conservation Fund** was established in 1985 and is dedicated to acquiring and protecting land, primarily forests, in the United States. Additionally, its solutions business helps developers meet regulations and offset construction impacts to endangered species, migratory birds, aquatic resources, cultural resources and more. The Conservation Fund also manages the Working Forest Fund, which aims to protect at-risk forests by purchasing working forests, allowing timber to be sustainably harvested and allowing certain recreation leases.



## A Look Into Our Toolbox: Forest Stewardship Council Certification

Forests are a focal point at Domini. They're crucial to environmental and social systems, and they play an important role in combating climate change. Forest preservation ties in with our goals of universal human dignity and ecological sustainability, and our research process reflects that.

Most tropical deforestation is driven by just four commodities: palm oil, beef, soy, and wood products. We look closely at forest management practices in the supply chains of companies connected to these commodities because of the meaningful impact they have on forests.

Supply chains are complex and involve many steps, from farm to distribution to sale. They can be difficult to fully trace and verify, so that's where certification schemes come in. Certifiers set detailed standards and then conduct audits, assessing companies' management practices and supply chain operations. One particular certification that informs our research process is the Forest Stewardship Council's (FSC) certifications. FSC's focus on companies in forest-product-intensive industries and subindustries—including hospitality, real estate, household products and others—helps us understand which companies are making efforts to source wood and timber products sustainably and responsibly.

When the 1992 Earth Summit in Brazil failed to achieve a global agreement, a multi-stakeholder group of businesses, environmentalists, and community leaders knew that other measures were needed to help stop deforestation. The FSC was established in 1993 and has developed an accreditation system with clear expectations and a worldwide

standard, which is complemented by additional expectations for specific forests at the national or sub-national levels. It certifies areas of forests and offers chain-of-custody certifications, indicating a product's supply chain complied with its standards, which companies can indicate to consumers through one of three labels: FSC 100%, FSC Recycled, and FSC Mix.<sup>5</sup>

Many NGOs and firms recognize the FSC as the most credible and effective forestry certification scheme. It's important that the FSC accounts for different forest priorities—balancing the need for forest management that is environmentally appropriate, socially beneficial, and economically viable. Its standards address forests' biodiversity, productivity, and ecological processes; the longevity of forest resources and their role in communities that live in and depend on forests; and the profitability of forests without compromising environmental or social aspects. One of its main strengths involves its multi-stakeholder governance approach, providing equal voices to economic, social, and environmental groups. It also has a permanent Indigenous Peoples Committee, a global advisory committee of Indigenous representatives that advises the FSC International Board, and requires all forest owners and managers to uphold the principle of Free, Prior and Informed Consent (FPIC).

The FSC is among the best certifications available, but we're mindful that it is not perfect. There are certain deforestation concerns that it doesn't fully address, nor does it provide adequate solutions for communities harmed by forestry-related activities. Community groups have raised these concerns,

recommending areas for improvement to strengthen its credibility, like the full traceability of forest materials, enforcement of its standards, access to remedy for those affected by past forest conversion, and the independence of its auditing system.

The FSC certification is part of our research process, so we have a stake in understanding how it works, how it is addressing these critiques, and how we can encourage improvements. We have engaged directly with the FSC to understand and strengthen the certification, and recognize its leadership in expanding its impact on forest management, ecosystem services, and communities.

[Learn more at domini.com/forests](https://domini.com/forests)

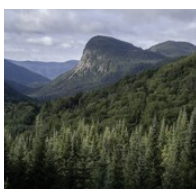
5. <https://us.fsc.org/preview.fsc-chain-of-custody-101.a-774.pdf>

## The care is mutual. The funds are too.

Seeking to harness the power of finance to create a better world involves many things. Below, we discuss a few. Namely, a recent global biodiversity summit, insights on forest-focused investing, celebrating Native American cultures.



**COP15: Global Progress on Biodiversity** The United Nations' COP15 summit on biodiversity delivered a sweeping international agreement, the Kunming-Montreal Global Biodiversity Framework, to protect 30 percent of the planet's land and oceans by 2030 and to take other rapid measures against biodiversity loss. Our CEO, Carole Laible, and our Engagement Director, Mary Beth Gallagher, went to Montreal for the summit. They took part in key conversations, speaking on behalf of the Finance for Biodiversity Foundation and the newly launched **Nature Action 100**.



**Why Investors (Should) Care About Forests** We live in a world of complex, interconnected systems. Our CEO, Carole Laible, recently published an article about Domini's efforts to make headway on system-level investing – through our Forest Project. Learn more about why forests matter and how investors can better recognize the value of forests in their portfolios at [domini.com/forestsmatter](https://domini.com/forestsmatter)



**Native American Heritage Month** November was Native American Heritage Month, an important time to celebrate the rich cultures and contributions of Native Americans and Alaskan Natives. Some members of the Domini team visited the National Museum of the American Indian near our office, exploring exhibits on the impact of COVID in Native American communities, the history of tribes across the U.S., and much more.

Learn more at [instagram.com/dominifunds](https://instagram.com/dominifunds)



**Does Your IRA Match Your Values?** The deadline for 2022 retirement contributions is on April 18th. Now is a good time to invest in a sustainable future. With Domini, you can roll over almost any retirement account into an IRA backed by our strict environmental and social standards. Learn more about how you can help create a greater and greener world, one retirement contribution at a time at [domini.com/ira](https://domini.com/ira)

**Before investing, consider each Fund's investment objectives, risks, charges and expenses. Contact us at 1.800.225.3863 for a prospectus containing this and other important information. Read it carefully.**

An investment in the Domini Funds is not a bank deposit, is not insured, and is subject to certain risks, including loss of principal. An investment in the Domini Impact Equity Fund is subject to certain risks, including impact investing, portfolio management, information, market, mid- to large-cap companies, and small-cap companies risks. An investment in the Domini International Opportunities Fund is subject to certain risks, including foreign investing, geographic focus, country, currency, impact investing, portfolio management, and information risks. An investment in the Domini Sustainable Solutions Fund is subject to certain risks, including sustainable investing, portfolio management, information, market, mid- to large-cap companies, and small-cap companies risks. An investment in the Domini Impact International Equity Fund is subject to certain risks, including foreign investing and emerging markets, geographic focus, country, currency, impact investing, portfolio management, and quantitative investment approach risks. Investing internationally involves special risks, such as currency fluctuations, social and economic instability, differing securities regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity. These risks may be heightened in connection with investments in emerging market countries. An investment in the Domini Impact Bond Fund is subject to certain risks including impact investing, portfolio management, style, information, market, interest rate, and credit risks.

The Adviser's evaluation of environmental and social factors in its investment selections and the timing of the Subadviser's implementation of the Adviser's investment selections will affect the Fund's exposure to certain issuers, industries, sectors, regions, and countries and may impact the relative financial performance of the Fund depending on whether such investments are in or out of favor. The value of your investment may decrease if the Adviser's or Subadviser's judgment about Fund investments does not produce the desired results. There is a risk that information used by the Adviser to evaluate environmental and social factors, may not be readily available or complete, which could negatively impact the Adviser's ability to evaluate such factors and Fund performance.

As of 12/31/22, these securities represented the following percentages of the Domini Impact Equity Fund's portfolio: Unilever PLC [0.52%], Mon-

delez International Inc [0.38%], PepsiCo Inc [1.04%], Chubb Ltd [0.35%], Hartford Financial Services Group [0.10%], Dollar General Corp [0.23%], Fastenal Co [0.11%]. These securities represented the following percentages of the Domini International Opportunities Fund's portfolio: Unilever PLC [1.89%], Kao Corp [0.27%], Amundi SA [0.05%]. These securities represented the following percentages of the Domini Impact International Equity Fund portfolio: Kao Corp [1.11%], Unilever [<0.01%]. These securities represented the following percentages of the Domini Impact Bond Fund's portfolio: General Motors Co. green bond [0.49%], The Conservation Fund [0.29%]. As of 12/31/22, the following was not held by any of the Domini Funds: The Working Forest Fund. The following was not approved for investment and therefore not held by any of the Domini Funds: General Motors Co. (equity and general obligation bonds).

Nothing herein is to be considered a recommendation concerning the merits of any noted company, or an offer of sale or solicitation of an offer to buy shares of any Fund or company referenced herein. Such offering is only made by prospectus, which includes details as to the offering price and other material information.

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“If we are to live on a green planet and if we are to allow every human to thrive, investors must play an active role.”

Amy Domini