



## Domini Forest Project

### Process and Initiatives: Details

November 2022

This document provides context and results relating to the process steps taken in the Forest Project. It sets our initiatives in the context of past steps taken and future directions planned, and comments on lessons learned and decisions made as we proceeded down these paths.

#### Step One: Set Goals

*The purpose of this step is to clarify and state publicly the nature of Domini’s commitment to integrate a system-level approach into investment as a supplement to our ongoing management of portfolio-level risks and returns.*

| <b>Step One: Set Goals</b>   |
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| <b>Commit to integration of system-level approach</b>  |
| Tasks: <ul style="list-style-type: none"><li>• Commit to system-level approach.</li><li>• Incorporate commitment into Investment Belief Statement or other public communications.</li></ul>  |
| <b>Domini Outputs and Outcomes—Since 2017</b>  |
| <ul style="list-style-type: none"><li>• Domini created its Investment Beliefs, Objectives and Strategies document in 2017 and published it in our 2017 Annual Impact Report. It stated our belief that investments have “system-level impact on finance, society and the environment” and that we have an “ethical obligation to acknowledge these obligations.”</li><li>• This statement has been integrated into our Domini Impact Investments Standards as a public commitment since that time.</li><li>• These beliefs and standards serve as the foundation of our investments’ policies and practices.</li></ul> |
| <b>New projects in process as of 2022</b>  |
| <ul style="list-style-type: none"><li>• None necessary.</li><li>• These beliefs, objectives, and strategies are core to Domini’s philosophy, embody its commitment to a system-level approach, are evergreen, and will only need revision or updating in exceptional circumstances going forward</li></ul>   |
| <b>Long-term plans in development in 2022</b>  |
| <ul style="list-style-type: none"><li>• Updates to our Standards document will be necessary from time to time.</li></ul>   |
| <b>Comments</b>  |
| In the course of documenting our commitment to a system-level approach to investment we made the following considerations. <ul style="list-style-type: none"><li>• Although Domini has been exclusively focused on sustainable investment since our inception, we had not adopted a formal Investment Beliefs Statement. As we clarified our commitments as an emerging system-level investor, the need for a formal IBS became apparent. We</li></ul>   |

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incorporated into this IBS our beliefs about the importance of investments' impacts on finance, society, and the environment and our obligation to consider these impacts.

- In doing so, we realized that these beliefs were informed by our existing overall objectives and strategies, which we consequently also formalized and incorporated in the document.
- These beliefs, objectives, and strategies are core to Domini's approach to investment. They are "evergreen" and are unlikely to change in the near future.

**Step Two: Decide Where to Focus**

*The purpose of this second step is to clarify and state publicly which of a limited number of system-level challenges that Domini faces it has decided to focus on, why it has chosen to do so, why the current system is producing undesirable outcomes, and what themes and leverage points it can emphasize to help create a system that produces more desirable outcomes.*

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| <p><b>Step Two: Set Decide Where to Focus</b><br/> <b>Choose system-level challenge</b></p>  |
| <p>Tasks:</p> <ul style="list-style-type: none"> <li>• <i>System focus.</i> Identify the system-level challenge to integrate into the firm’s approach to investment.</li> <li>• <i>Justification.</i> Justify the selection of that challenge.</li> <li>• <i>Dynamics analysis.</i> Map the current system’s dynamics and determine the themes and corresponding leverage points related to desirable and undesirable outcomes.</li> <li>• <i>Themes and leverage points.</i> Identify key leverage points at which investors can exercise effective system-level influence and corresponding themes for action.</li> </ul>  |
| <p><b>Domini Outputs and Outcomes—Since 2017</b></p>   |
| <ul style="list-style-type: none"> <li>• <i>System focus.</i> Forests identified as a systemic challenge particularly in relation to climate change (2018). Our forest focus became a regular feature in Domini’s Annual Impact Reports and Updates.</li> <li>• <i>Justification.</i> Documented our justification of this choice on grounds of consensus, relevance, effectiveness, and uncertainty. This justification has informed presentations and communications since that time.</li> <li>• <i>Dynamics analysis.</i> Mapped forest systems dynamics and identified key leverage points and themes for effective influence. Used for internal planning and background in presentations.</li> <li>• <i>Themes and leverage points.</i> Formalized plans for ongoing actions relating to key themes and leverage points. Used for internal planning and background to presentations.</li> </ul> |
| <p><b>New projects in process as of 2022</b></p>   |
| <ul style="list-style-type: none"> <li>• <i>System focus.</i> Expand focus from forests narrowly conceived to include agricultural lands and biodiversity on land as key aspects of the systemic risks and reward.</li> <li>• <i>Justification.</i> Update our definition of deforestation risks and our analysis of our portfolios’ exposure to these risks.</li> <li>• <i>Themes and leverage points.</i> Set specific goals for forests by type, including agricultural lands and green spaces.</li> <li>• Pursue “value creators” approach to identify forward-looking companies.</li> </ul>   |
| <p><b>Long-term plans in development in 2022</b></p>   |
| <ul style="list-style-type: none"> <li>• <i>Justification.</i> Update justification document relating to consensus, relevance, and effectiveness to reflect new data.</li> <li>• Create forest-related “fact sheets,” organizing them by key questions relating the themes and goals so as to tie relevant facts to desirable outcomes when possible.</li> <li>• Explore a focus on the positive role that Indigenous peoples can play in relation to forests, along with investors’ ability to support that role.</li> </ul>  |

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| Comments  |
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| <ul style="list-style-type: none"><li>• <i>System focus.</i> In our first year, we identified nine systemic issues on which to focus. After a year of experimentation, it was apparent that nine was far too ambitious and we should focus on a deep dive on single issue. Our single-issue focus is a multi-year, possibly multi-decade commitment.</li><li>• Of the various options, we chose forests as it appeared to be a clearly defined, limited physical system with relatively clear positive and negative outcomes. Through their ability to store carbon, forests had a link to the system-level issue of climate change, but had fewer investors already focusing on it, leaving us room to exercise influence with our relatively limited resources.</li><li>• We conducted extensive background research, interviews, and analyses of systems dynamics as the initial step to launch this forest project. It was an exploratory process to identify the root of unsustainable current dynamics. Key leverage points identified included promoting awareness, developing metrics, increasing demand for forest-positive initiatives, due diligence processes, government regulation, and alignment of conflicting interests.</li><li>• <i>System Focus.</i> These exploratory efforts have led to several realizations over the years. For example, during 2021 it became apparent that for a truly systemic approach, our definition of the systemic issue needed to be broader than that of trees. It also involves important land-management issues and played a potentially crucial role in promoting and preserving biodiversity. We therefore decided to extend our definition of the “system” that we were focusing on to include the closely related issues of agricultural land and biodiversity loss on land.</li><li>• <i>Goal setting.</i> In 2021, we realized we had failed to set clear goals for both Domini’s action and progress at the system level for the themes and leverage point that are our focus. Hence the emphasis on establishing goals, metrics, and best practice at this time.</li><li>• <i>Justification.</i> Since justification for selecting forests was based on data for consensus, relevance, and effectiveness, we have decided that it will benefit from updating to reflect ongoing developments and the increase urgency for effective action. Updates would be necessary given our extended focus to include agricultural land and biodiversity loss on land, as well as any changes in our portfolio’s exposure to these risks</li><li>• <i>Plans.</i> In 2021, we became increasingly aware of the positive role that Indigenous peoples can play in the preservation and management of forests and agricultural lands. Hence our current plans to explore ways in which investors can appropriately support that role.</li></ul> |

**step Three: Asset Allocation**

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| <b>Step 3: Allocate Assets</b>                |
| Under development.                            |
| <b>Domini Outputs and Outcomes—Since 2017</b> |
| Under development.                            |
| <b>In Process—As of 2022 (new)</b>            |
| Under development.                            |
| <b>New projects in process as of 2022</b>     |
| Under development.                            |
| <b>Comments</b>                               |
| Under development.                            |

## **Step Four: Apply Investment Tools**

*The purpose of this fourth step is to extend Domini’s conventional portfolio-related tools to a system level. These tools are Investment Beliefs Statements, Engagement, Security Selection, and Manager Due Diligence. For each, Domini has adopted various practices that have impact on the management of system-level risks and rewards.*

| <b>Step 4: Apply Investment Tools</b>  |
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| <b>Extend conventional investment tools to systemic level</b>  |
| <p>Tasks:</p> <p>Each of four standard portfolio-related investment practices can be extended to include a system-level approach.</p> <ul style="list-style-type: none"> <li>• <i>Investment Beliefs Statement.</i> Develop IBS specifically focused on the system-level issue focused on.</li> <li>• <i>Engagement.</i> Extend engagement from a specific company to encouraging best practices for specific system-level issues to an industry level.</li> <li>• <i>Security Selection.</i> Integrate ESG KPIs from company-specific materiality to KPIs material at an industry level as well. Intentionally consider systemic risks and rewards in security selection.</li> <li>• <i>Manager Due Diligence.</i> Include details on our forest-related policies and practices in public presentations and updates to clients.</li> </ul>              |
| <b>Domini Outputs and Outcomes—2017-2021</b>   |
| <ul style="list-style-type: none"> <li>• <i>Investment Beliefs Statement.</i> Developed and publicized Forests-focused IBS and Principles.</li> <li>• <i>Engagement.</i> In addition to our ongoing engagement on deforestation issues relating to companies in our portfolios, we surveyed 143 financial and non-financial firms on their forest-related policies and practices and conducted follow-up conversations with more than 20 of them.</li> <li>• <i>Security Selection.</i> Updated the Key Performance Indicators for forests and biodiversity for the relevant industries. Highlighted equity holdings with forest-positive stories and similarly for holdings in the bond fund.</li> <li>• <i>Manager Due Diligence.</i> Included details on our Forest Project in our due diligence presentations to institutional investors.</li> </ul> |
| <b>New projects in process as of 2022</b>  |
| <ul style="list-style-type: none"> <li>• <i>Investment Beliefs Statement.</i> Revise forest-related IBS and Principles to reflect extension of focus to agricultural lands and biodiversity.</li> <li>• <i>Engagement.</i> Define best practices and Domini’s expectations on regenerative agriculture. Initiate engagement with relevant companies.</li> <li>• <i>Security Selection:</i> Update KPIs for agricultural lands. Expand efforts on inclusion and highlighting of companies with forest-positive stories in Domini funds.</li> </ul>  |
| <b>Long-term plans in development in 2022</b>  |
| <ul style="list-style-type: none"> <li>• <i>Manager Due Diligence.</i> Contemplating more detailed communication with the submanager of our equity and fixed-income funds on our forest-related concerns.</li> </ul>   |
| <b>Comments</b>  |

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- The extension of our existing practices was facilitated by our pre-existing work on a general IBS, our engagement on palm oil and other forest-related issues, and existing KPIs relating to the environment.

**Step Five: Leverage Advanced Techniques**

*The purpose of this fifth step is to explore the use of system-oriented techniques that have long-term implications for portfolio performance but are not directly related to day-to-day portfolio risk management. These system-oriented techniques include Self-Organization, Interconnectedness, Polity, Standards Setting, Solutions, Diversity of Approaches, Additionality, Evaluations, Locality, and Utility. For six of these, Domini adopted practices with the potential to help in the management of system-level risks and rewards.*

| <b>Step 5: Leverage Advanced Techniques<br/>Adopt techniques designed for system-level influence</b>  |
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| <p>Tasks:</p> <ul style="list-style-type: none"> <li>• <i>Self-Organization.</i> Participation in collaborative system-related organizations.</li> <li>• <i>Interconnectedness.</i> Sharing of data on a pre-competitive basis.</li> <li>• <i>Polity.</i> Advocacy for public policies facilitating system-level approaches.</li> <li>• <i>Standards Setting.</i> Establishment of cross-industry norms related to a system-level challenge.</li> <li>• <i>Solutions.</i> Solving system-level challenges, not simply profiting from them.</li> <li>• <i>Diversity of Approaches.</i> Intentional, coordinated use of multiple tools and techniques.</li> <li>• <i>Additionality.</i> Collaboration with underserved communities in investments addressing systemic challenges.</li> <li>• <i>Evaluations.</i> Incorporation of difficult-to-price system-related evaluations and considerations.</li> <li>• <i>Locality.</i> Focus on local systems as a pathway to macro-level systemic influence.</li> <li>• <i>Utility.</i> Use of asset classes’ natural strengths to target corresponding leverage points within the dynamics of the system.</li> </ul> |
| <b>Domini Outputs and Outcomes—Since 2017</b>   |
| <p>Domini has made use of seven of these ten advanced techniques:</p> <ul style="list-style-type: none"> <li>• <i>Self-Organization.</i> We have participated in forest-oriented organizations and their collaborative engagements.</li> <li>• <i>Interconnectedness.</i> We have integrated our commitment to forests and system-level investment into our public presentations, webinars, and blog postings.</li> <li>• <i>Polity.</i> We have garnered support for “no-deforestation” preferential purchasing legislation in California and New York. We are a member of the Investor Policy Dialogue on Deforestation.</li> <li>• <i>Standards Setting.</i> We have surveyed our equity holdings on their best practices with regards to forests, believing that this is an indicator of strong management.</li> <li>• <i>Diversity of Approaches.</i> We have intentionally adopted a wide variety of tools and techniques designed for system-level influence with regards to forest-related challenges.</li> <li>• <i>Evaluations.</i> We have initiated our Forest Value Creators project.</li> </ul>   |
| <b>New projects in process as of 2022</b>   |
| <ul style="list-style-type: none"> <li>• <i>Solutions.</i> Expand our highlighting of Domini equity holdings with forest-positive stories.</li> <li>• <i>Evaluations.</i> Develop profiles of forest-related value-creators</li> </ul>  |

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| <b>Long-term plans in development in 2022</b>   |
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| <ul style="list-style-type: none"><li>• <i>Additionality, Locality, Utility.</i> Understand if we could use these three techniques that we have not previously pursued. In particular, explore their usefulness with regards to issues relating to Indigenous peoples.</li></ul>  |
| <b>Comments</b>   |
| <ul style="list-style-type: none"><li>• We initially realized that various initiatives already underway could be categorized as using one or another of these techniques. For example, we had participated in the development of the standards for the Roundtable on Sustainable Palm Oil initiative.</li><li>• The process of categorizing various initiatives has been useful in tracking where we spend our limited resources, how the different initiatives related to one another, and where opportunities lie for increased emphasis.</li></ul> |



**Step Six: Evaluate Results**  
**Report on impact and assess progress**

*The purpose of this sixth step is to provide for Domini’s internal and potential external evaluation a retrospective analysis of the relative impacts of the initiatives taken and the degree to which they can be said to contribute to the overall goals of the process.*

| <b>Step 6: Evaluate Results</b><br><b>Report on and assess impacts and progress</b>  |
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| <p>Tasks:</p> <ul style="list-style-type: none"> <li>• Assess and report on the outputs and outcomes of our forest-related initiatives.</li> <li>• Conduct annual self-assessments of the effectiveness of the various Forest Project initiatives and adjust plans according to these assessments.</li> </ul>  |
| <b>Domini Outputs and Outcomes—Since 2017</b>  |
| <ul style="list-style-type: none"> <li>• Starting in 2017, regularly included descriptions of our forests-related activities in quarterly and annual Impact Reports.</li> <li>• For 2020, we conducted an in-house self-assessment of our various forest-related activities and their effectiveness.</li> </ul>  |
| <b>New projects in process as of 2022</b>  |
| <ul style="list-style-type: none"> <li>• Systematize our tracking of initiatives, their outputs, and their outcomes, including quarterly in-house reviews.</li> <li>• Understand better what types of evaluations and metrics can best be used to track progress for our goals for different types of forest and related issues.</li> </ul>  |
| <b>Long-term plans in development in 2022</b>  |
| <ul style="list-style-type: none"> <li>• Understand better how to exercise and document influence at key leverage points.</li> </ul>   |
| <b>Comments</b>  |
| <ul style="list-style-type: none"> <li>• We have generally been more successful in reporting outputs than outcomes.</li> <li>• We initially postponed formalizing short- and long-term goals with respect to forest-related outcomes, aside from a general “no-deforestation” commitment. In part this was a conceptual challenge in that it was not clear to us what type of impact goals were needed. We were aware that simple enumeration of actions taken was not enough, but when it came to forests and related lands, what were the interim and ultimate asks and how could they be measured?</li> <li>• We had many immediate challenges to confront as we ramped up the Forest Project and therefore put aside this difficult question of long-term goals setting and in our initial years. As we came to confront the fact of different types of forests with related but separate challenges such as soil quality and biodiversity, the types of goals and how to measure progress toward them began to emerge.</li> <li>• In 2021, the leader of our Forest Project left on short notice to join the Biden Administration and, although we were happy to see her put her talents to work in public service, our progress slowed on this front. In 2022, with new leadership we have been able to return to these challenging issues.</li> </ul> |

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**Before investing, consider each Fund's investment objectives, risks, charges and expenses. Contact us at 1.800.582.6757 for a prospectus containing this and other important information. Read it carefully.**

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