Michael Kors Adopts Protections for Migrant Workers

No worker should ever have to pay for their job. Once they are employed, they must be able to understand the terms of their employment and be free to leave at any time. These are basic principles that most of us take for granted, but for millions of migrant workers around the world, they are very far from the norm. Many workers are placed in conditions of bonded labor, indebted to unscrupulous recruitment agencies, sometimes without access to their passports. We have been working with other investors and companies in our portfolios to change that.

We reached agreement to withdraw our shareholder proposal with Michael Kors, after several constructive conversations with the company’s General Counsel. Michael Kors improved its labor requirements for its suppliers, and updated its public reporting describing the actions it is taking to address modern slavery, based on our comments. Among the company’s new commitments, the company will ensure that no worker in its global supply chain pays for employment, and that any recruitment fees found will be “promptly” reimbursed. Michael Kors will also require all new suppliers to disclose information about the recruitment agencies they use, prior to onboarding these suppliers into its supply chain. In addition, the company strengthened its policies against non-discrimination and protections for younger workers. We look forward to continuing our conversation with the company about its work to implement these strong commitments.

Our shareholder proposal on ethical recruitment practices went to a vote at the Motorola Solutions annual meeting and was acknowledged by the CEO, who said he appreciated the Domini work. During the quarter, we were also in contact with Campbell’s, Coach and IBM to learn more about their approach to the protection of migrant workers.

Visit domini.com to read our paper on Protecting Migrant Workers.

Crisis in Bangladesh

For nearly twenty years, workers have toiled under egregious conditions at leather tanneries in Hazaribagh, Bangladesh. Many of these workers have been children. Toxic waste, flowing untreated from these facilities, has poisoned workers and their communities. Finally, after an unheeded order by the Bangladesh Supreme Court, the Bangladesh government has succeeded in shutting these tanneries down, and ordering that their operations be relocated. With thousands of people out of work and new, environmentally compliant tanneries still offline, however, the crisis has entered a new phase.

An investigative NGO called Transparentem has been on the scene, documenting conditions and tracing the leather to global brands, including Michael Kors, Coach, and others. Transparentem asked the Interfaith Center on Corporate Responsibility (ICCR) to bring together a small group of investors, including Domini, to receive their findings and use their leverage to engage with these companies. We have taken the lead with both Michael Kors and Coach, and have begun discussions about the appropriate corporate response. Both companies have terminated sourcing from the region.

In other Bangladesh news, we signed an ICCR-authored investor statement marking the fourth anniversary of the deadly collapse of the Rana Plaza apparel factory complex, and welcomed the three-year extension of the multi-stakeholder Accord for Fire and Building Safety, as well as its inclusion of several elements recommended by an earlier ICCR statement, including protection of workers’ rights to freedom of association and collective bargaining.

Addressing Forestry Crime

At the invitation of our colleagues at Friends of the Earth, Domini was pleased to speak at a Global Forestry Crime Conference at INTERPOL Headquarters in Lyon, France. INTERPOL (“The International Criminal Police Organisation”), the world’s largest international police organization, with 190 member countries, supports law enforcement agencies around the world. INTERPOL’s Project LEAF (Law Enforcement Assistance for Forests) is a specific initiative to combat organized criminal networks involved in forestry crimes, including illegal logging, illicit timber trafficking and related crimes. Illegal logging is responsible for an estimated 15-30% of global timber production.
INTERPOL is seeking to improve its ability to prosecute forestry crimes, and to work more closely with civil society and financiers in this work. We spoke on a panel designed to educate INTERPOL about the various tools investors use to address corruption and illegal deforestation. The event was attended by law enforcement representatives from many countries, including the United States, as well as a range of environmental organizations. Domini was the only investment manager represented.

Domini has had a long history of corporate engagement to address deforestation, including current dialogues with Kraft Heinz and Pepsi.

Defending our Right to Submit Shareholder Proposals

Domini has submitted more than 280 shareholder proposals to more than 100 companies since 1994, because the shareholder proposal has proven to be a highly effective corporate accountability tool.

The Financial CHOICE Act, pending before the U.S. Senate, includes a provision that would effectively eliminate our ability to submit shareholder proposals by raising the bar so high to submit a proposal that only a handful of the largest institutional investors in the world could do so.

We are actively coordinating with other investors to defeat this legislation. We published two articles about the importance of the shareholder proposal rule, in Responsible Investor and on the Harvard Law School Forum on Corporate Governance and Financial Regulation (these pieces are available at domini.com). In early July, we joined other investors in meetings with Senate Banking Committee staff members. The coalition was organized by Ceres and US-SIF, the Forum for Sustainable and Responsible Investment. Our articles were used by the coalition to help educate Senate staff about the importance of the shareholder proposal rule.

About Domini Impact Investments

Domini Impact 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 6/30/17, these companies represented the following percentages of each Fund’s portfolio: Domini Impact Equity Fund: Apple (2.88%), Campbell Soup Co. (0.50%), Coach (<0.01%), Colgate Palmolive (1.94%), Gap (<0.01%), Home Depot (<0.01%), IBM (2.70%), Intercontinental Exchange (<0.01%), Kraft Heinz (<0.01%), Kroger (<0.01%), Michael Kors Holdings (<0.01%), Mondelez (<0.01%), Morgan Stanley (<0.01%), Motorola Solutions (<0.01%), Pepsi (3.15%), UPS (<0.01%). Domini Impact International Equity Fund: Nine Dragons Paper (0.51%). Domini Impact Bond Fund: Home Depot (0.33%), Morgan Stanley (0.29%). The following companies were not held as of 6/30/17: Aeon, Texas Roadhouse, The Cheesecake Factory, Vopak.

The composition of each Fund’s portfolio is subject to change. Visit www.domini.com for a complete description of each Fund’s portfolio.

An investment in the Domini Funds is subject to market, sector concentration, foreign investing and style risks. You may lose money. 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. The Domini Impact Bond Fund is subject to market risks, including interest rate and credit risks. During periods of rising interest rates, bond funds can lose value. The Domini Impact Bond Fund currently holds a large percentage of its portfolio in mortgage-backed securities. During periods of falling interest rates, mortgage-backed securities may prepay the principal due, which may lower the Fund’s return by causing it to reinvest at lower interest rates. Some of the Domini Impact Bond Fund’s community development investments may be unrated and carry greater credit risks than its other investments.

The Domini Funds maintain portfolio holdings disclosure policies that govern the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio investments held by the Funds.

This commentary should not be deemed an offer to sell or a solicitation of an offer to buy the stock or bonds of any of the companies noted, or a recommendation concerning the merits of any of these companies as an investment.

Before investing, consider the Funds’ investment objectives, risks, charges, and expenses. Visit www.domini.com or call 1-800-762-6814 for a prospectus containing this information. Read it carefully.