Domini Funds Impact Update

First Quarter 2018

Domini

Investing for Good℠

Changing Our Facebook Status

Every company in our Fund portfolios is subject to regular review to ensure it continues to meet our Impact Investment Standards. In the wake of revelations about the unauthorized disclosure of some 80 million **Facebook** users' data to Cambridge Analytica, we took another look at Facebook this quarter and decided to exclude the company from our portfolios.

In applying our standards, we assess each company within the context of its business model. Facebook presents significant challenges to that assessment, as it virtually stands alone in terms of the nature of its global reach.

Although we have taken note of a range of concerns about Facebook for some time, we felt this time was different. The announced departure of the company's Chief Information Security Officer, Alex Stamos, along with reports of an internal dispute regarding the disclosure of Russian trolls, was particularly telling. According to The New York Times, Mr. Stamos' requests for greater access to senior management were reportedly denied, and his role diminished. It became clear to us that this was a crisis of governance and accountability at Facebook, with significant societal ramifications.

Although Facebook has been presented with a number of unprecedented challenges over recent years, we view this latest crisis as one of its own making. The problem, we believe, is founded on a lack of sufficient attention to consumer privacy and data security, compounded by inadequate oversight of decision-making. The company's advertising-based business model creates strong incentives for it to monetize user data, and the governance structure currently in place fails to provide appropriate checks on those incentives, particularly when consumer privacy concerns—or the public interest more generally—may initially appear to present obstacles to growth.

Following our decision to downgrade Facebook, we sent a letter to CEO Mark Zuckerberg explaining our rationale and suggesting several "first steps" the company should take to restore trust. We look forward to continuing discussions with Facebook on these issues. The company has taken some hopeful steps in recent weeks to begin to address this crisis, and we hope that, in time, it will reform its governance and decision-making practices to the point where it can once again be eligible for investment by our Funds.

Visit **www.domini.com** to read past impact updates and download the **Domini Funds 2017 Impact Report.**

Our mutual funds employ **three fundamental impact-investing strategies** to create positive change:

Setting Standards

As **investors**, we participate in capital markets using financial, social, and environmental standards in all of our investment decisions.

Advocacy

As **owners**, we engage with issuers, civil society organizations, and policymakers to create financial, environmental, and societal value.

Community Investing

As **neighbors**, we seek to help build strong, sustainable communities by directing capital to where it is needed most.

KPI Spotlight: A Fresh Look at an Evolving Auto Industry

Our team uses proprietary **"Key Performance Indicators" (KPIs),** which we have developed for each of our subindustry categories, to help guide their social and environmental research for the Domini Funds. These KPIs help us focus our analysis on the most important sustainability challenges and opportunities each company faces, within the context of its business model and its industry. As industries evolve over time, it is important that we periodically revisit—and sometimes revise—our KPIs to ensure that we remain focused on the most relevant and meaningful information.

There are currently some major shifts occurring in the auto industry that prompted a recent review of our KPIs. The rapid pace of technological innovation and the transition to a low-carbon economy, combined with regulatory pressures and changing consumer demand patterns as the world increases efforts to address climate change, have created new risks and opportunities, leading many automakers to adapt their business models. Among the many changes taking place in the industry are the move to more automated manufacturing, the advent of electric vehicles, the development of autonomous-driving technologies, and disruption from the rise of a sharing economy. These are long-term fundamental changes that are transforming the industry, requiring investors to adjust the lens through which they view automakers.

In updating our KPIs to reflect these changes, we utilized a number of recommendations provided by peer groups and industry collaborators, including the Financial Stability Board's **Task Force on Climate-related Financial Disclosures (TCFD)**, **CDP** (formerly known as the Carbon Disclosure Project), and the **Sustainability Accounting Standards Board (SASB)**. Beyond revising the KPIs for existing Domini subindustries, we have also introduced a new subindustry for advanced and alternative vehicles, which we believe play a critical role in addressing both short-term risks from regulatory and policy changes, such as increases in fuel-efficiency standards, and long-term risks and opportunities related to the low-carbon transition.

Taking Action on Gun Violence

According to CNN, there were 17 school shootings in the U.S. during the first three months of the year, including the tragic shooting that took the lives of 17 students and teachers at Marjory Stoneman Douglas High School in Parkland, Florida. These events have many root causes, but we have always believed that sensible gun control measures can make our schools and public places much safer. Often when public policy is lacking, the private sector steps in. Spurred on by the outspoken and committed survivors of the Parkland shooting, citizens and companies are stepping up and taking action.

During the quarter, several companies announced policy changes in response to this epidemic of violence. We had a call with **Citigroup*** after they became the first major bank to issue a set of policies on guns, and were pleased to see **Bank of America** follow suit. In April, we joined investors managing more than $50 billion in sending letters to 18 U.S. banks and credit card companies, asking about their responses to gun violence.

Retailers are also taking action. We filed a proposal with **Kroger** in 2016 asking it to end the sale of semi-automatic weapons at its Fred Meyer stores, but the Securities and Exchange Commission (SEC) allowed the company to exclude the proposal from its proxy statement. Following the Parkland shooting, Kroger announced it would phase out all sales of semi-automatic weapons and raise the minimum age to 21 for firearm sales. The company is now working on plans to phase out sales of firearms and ammunition altogether. In their coverage of Kroger's announcement, The New York Times and Wall Street Journal both linked to our correspondence with the SEC defending our 2016 proposal. Although we were disappointed that Kroger refused to discuss these issues with us at the time, we are certainly pleased to see the actions it is taking now.

Building on this momentum, we worked with other members of the Interfaith Center on Corporate Responsibility (ICCR) during the quarter to develop an investor statement on gun violence. The statement, backed by 142 institutional investors managing $634 billion, asks companies to carefully reflect on how their operations, business relationships, supply chain policies, marketing practices and public voices might be used to counter gun violence. It includes detailed recommendations for gun manufacturers*, distributors and retailers, and financial institutions, while calling on all companies to:

- Revisit political spending and lobbying activities to ensure they are aligned with the defense of human rights, public health and safety;
- End commercial relationships and promotional ties with the NRA;
- Join other companies that are prohibiting open carry of weapons in their places of business; and,
- Consider publicly moving the location of corporate events to states with responsible gun legislation and that promote public safety.

> "While the business case for companies to reduce their exposure to this issue is clear, the moral case for action grows more urgent each day."
>
> —Investor Statement on Gun Violence, ICCR

* Not currently approved for investment by the Domini Funds

Additional Engagements and Field-Building Collaborations

Palm Oil and Deforestation

- We co-authored a letter to the **Roundtable on Sustainable Palm Oil (RSPO)** concerning human rights violations at RSPO members' palm oil plantations. The investor letter expresses our deep concerns that the RSPO is inadequately dealing with complaints pertaining to violations of its standards. We are calling on the RSPO to implement a more transparent and responsive complaints mechanism to properly uphold the credibility of its certification system to assure investors, companies, and other stakeholders that RSPO certified palm oil is, in fact, sustainable palm oil.
- We continued dialogue with **PepsiCo** about its palm oil sourcing practices and its ongoing business relationship with Indofood*, the parent company of Indofood Agri Resources, which, in turn, is the parent company of two entities that are the subject of a pending RSPO labor rights complaint that was the focus of our investor letter.
- **CDP** published "Valuing Forests: why investors must wake up to deforestation," an article written by our Managing Director of Corporate Engagement, Adam Kanzer.

Human Rights

- We joined the steering committee of the **Investor Alliance for Human Rights**, a collective action platform launched by ICCR to facilitate investor advocacy on a range of human rights issues.
- We presented the investor perspective at an event co-hosted by the U.S. State Department, "the Role of Business in the Protection of Fundamental Freedoms, Civic Space, and Human Rights Defenders Worldwide."
- **Boundless Impact Investing**, with support from Humanity United and the Freedom Fund, published "Labor Lens Investing: The Business Case for Fair Labor Practices." We were pleased to contribute to this report through an interview with our Managing Director of Corporate Engagement last year.

Corporate Sustainability Reporting

- As a member of the **Sustainability Accounting Standards Board's (SASB)** Investor Advisory Group, we participated in calls with five companies to discuss the use of SASB indicators in each company's public reporting.
- We had separate conversations with **Gap** about the use of their future sustainability reporting plans. The company has begun to integrate sustainability factors into its SEC filings.
- We were pleased to welcome the publication of **Chipotle Mexican Grill's** first sustainability report, issued in response to the withdrawal of our shareholder proposal in 2016. We provided guidance and feedback on the report.

Responsible Tax

- We presented the investor perspective at a roundtable discussion hosted by **Oxfam** and the **The B Team** to launch "A New Bar for Responsible Tax: The B Team Responsible Tax Principles." We were part of the Company Working Group that oversaw the drafting of the principles.

Investor Statements and Public Policy Letters

- 1/25: Signatory to ICCR's "Investor Statement Calling on Global Brands to Strengthen **Worker Safety in the Bangladesh Garment Sector**," which we helped draft (Signed by 150 institutional investors representing more than $3.7 trillion)
- 2/5: Signatory to Ceres letter to Governor Brown and Members of the State Legislature in support of California Senate Bill 100, which will accelerate the State's **clean-energy targets** (signed by 20 institutional investors representing $212 billion)
- 2/12: Signatory to ICCR letter to members of U.S. Congress urging action to **reinstate Temporary Protected Status (TPS)** for El Salvador, Haiti, and Nicaragua for another 18 months, and to extend TPS for Syria, Nepal, Honduras, and the remaining countries for at least another 18 months (signed by 113 institutional investors representing $500 billion)
- 3/12: **RSPO letter** discussed above (with Green Century Capital Management; signed by 101 institutional investors representing $3.2 trillion)
- 3/14: Co-author of letter to SEC expressing concerns about a recent decision to permit **EOG Resources*,** an oil and gas company, to omit a shareholder proposal on climate change from its proxy statement (with several attorneys that defend shareholder proposals)
- 3/29: Contributor to ICCR's "Investor Statement on **Gun Violence**" (signed by 142 institutional investors representing $634 billion)

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Investing in Communities

Through fixed-income investments, we seek to **increase access to capital**, **create public goods**, and **fill capital gaps**. **The Domini Impact Bond Fund** addresses a broad range of impact areas, which we classify into themes and sub-themes. The Fund's allocations to those themes and sub-themes as of March 31, 2018 is below.[1]

Housing (54.2%)
- FNMA DUS: Low- and Very Low-Income Housing (16.1%)
- Derivatives: TBA or When-Issued Affordable Housing Securities (14.0%)
- Affordable Housing Mortgage-Backed Securities (11.8%)
- Affordable Housing Agency Obligations (10.4%)
- Multi-Family Housing Mortgage-Backed Securities (1.9%)

Corporate Debt[2] (22.0%)
- Companies that Meet Impact Investment Standards (20.4%)
- Companies with Notably Strong ESG Profiles (1.6%)

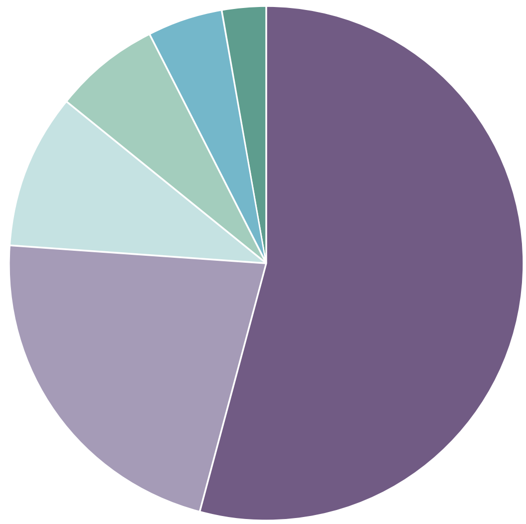
Economic and Community Development (9.7%)
- Farm Credit (3.9%)
- Transportation (2.1%)
- Municipal General Obligations (2.1%)
- Nonprofit Education (1.0%)
- Community Development Financial Institutions (0.3%)
- Business and Job Creation (0.3%)

Health, Well-Being, and Aging Society (6.8%)
- Nonprofit Healthcare and Healthcare Education Facilities (4.8%)
- Continuing Care Retirement Communities (1.5%)
- Pensions (0.6%)

Non-Housing Asset-Backed Securities (4.7%)
- Commercial Mortgage-Backed Securities (3.8%)
- Auto Loans (0.5%)
- Other Asset-Backed Securities (0.4%)

Environment (2.6%)
- Low-Carbon Transition (1.9%)
- Energy Efficiency (0.7%)

Numbers may not sum to 100% due to rounding.



Bond Fund Impact Highlights[1]

$29.3 million
invested in low- and very low-income housing, representing 4,438 units

$7.4 million
invested in labeled green bonds

2 Certificates of Deposit
with Self-Help Credit Union and Self-Help Federal Credit Union

Investment Example: Farm Credit

This quarter the Fund purchased three securities issued by the **Federal Farm Credit Banks Funding Corporation (FFCB)**, representing $7,035,241, or 3.9% of the portfolio. FFCB serves as the fiscal agent of the Farm Credit System, a government-sponsored enterprise created in 1916 to support rural communities and U.S. agriculture. It operates as a cooperative, owned by the Farm Credit System Banks, and is responsible for issuing and marketing debt securities to finance the Banks' loans, leases and operations. These Banks provide capital to retail associations around the country that lend to farmers, ranchers, rural homeowners, and agricultural cooperatives in their local communities. By investing in the securities issued by FFCB, investors have the opportunity to participate in this system and help support the economic development of America's rural communities.

1. Based on portfolio holdings as of 3/31/18, excluding cash & cash equivalents, cash offsets, futures and swaps, with the exception of short-term U.S. Agency bonds and Certificates of Deposit, which are reflected in this reporting.

2. "Corporate Debt" includes corporate debt and bank loans with the exception of corporate-issued green bonds, which are classified under "Environment."

The composition of the Fund's portfolio is subject to change. Visit www.domini.com to view the most current list of the Fund's holdings.

Carefully consider each Fund's investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' current prospectus, which may be obtained by calling 1-800-762-6814, or at www.domini.com. Please read the prospectus carefully before investing or sending money.

Past performance is no guarantee of future results. The Domini Funds are not bank deposits and are not insured. Investment return, principal value, and yield will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. You may lose money.

The Domini Impact Equity Fund and Domini Impact International Equity Funds are subject to market, market segment, foreign investing and style 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 are magnified in emerging markets.

The Domini Impact Bond Fund is subject to interest rate, liquidity, credit, and market 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.

Investments in derivatives can be volatile. Potential risks include currency risk, leverage risk (the risk that small market movements may result in large changes in the value of an investment), liquidity risk, index risk, pricing risk, and counterparty risk (the risk that the counterparty may be unwilling or unable to honor its obligations). TBA (To Be Announced) securities involve the risk that the security the Fund buys will lose value prior to its delivery, that the security will not be issued, or that the other party to the transaction will not meet its obligation, which can adversely affect the Domini Impact Bond Fund's results.

Although the U.S. government guarantees principal and interest payments on securities issued by the U.S. government and some of its agencies, such as securities issued by the Government National Mortgage Association ("Ginnie Mae"), this guarantee does not apply to losses resulting from declines in the market value of these securities. Some of the U.S. government securities that the Domini Funds may hold are not guaranteed or backed by the full faith and credit of the U.S. government, such as those issued by Fannie Mae (formally known as the Federal National Mortgage Association), Freddie Mac (formally known as the Federal Home Loan Mortgage Corporation) or the Federal Farm Credit Banks Funding Corporation, and no assurance can be given that the U.S. government will provide financial support.

The reduction of withdrawal of historical financial market support activities by the U.S. government and Federal Reserve, or other governments/central banks could negatively impact financial markets generally, and increase market, liquidity and interest rate risks which could adversely affect the Fund's returns.

As of 3/31/18, these securities represented the following percentages of the Domini Impact Equity Fund's portfolio: Bank of America Corporation (2.26%); Chipotle Mexican Grill, Inc. (<0.01%); Facebook, Inc. (2.15%); The Gap Inc. (0.73%); The Kroger Company (<0.01%); and PepsiCo, Inc. (1.17%). These securities represented the following percentages of the Domini Impact Bond Fund's portfolio: Federal Farm Credit Banks Funding Corporation (3.9%); Self-Help Credit Union (0.1%); and Self-Help Federal Credit Union (0.1%). Flex Ltd. was not held by any of the Domini Funds. Citigroup Inc., EOG Resources, Inc. and PT Indofood Sukses Makmur Tbk were not approved for investment and therefore not held by any of the Domini Funds.

The composition of each Fund's portfolio is subject to change. The Domini Funds maintain portfolio holdings disclosure policies that govern the timing and circumstances of disclosure to shareholders and third parties regarding the portfolio investments held by the Funds. Visit www.domini.com to view the most current list of each Fund's holdings. Obtain a copy of the Funds' most recent Semi-Annual Report, containing a complete description of each Fund's portfolio, by calling 1-800-762-6814 or at www.domini.com.

This Impact Update is provided for informational purposes only. 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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