

Planting the Seeds for Our Emergent Forests Project

Deforestation is a primary factor in the destabilization of local and global climate through the release of carbon and disruption of the natural water cycle. Continued deforestation poses a macro risk to investments across all asset classes and has dire implications for biodiversity, agricultural productivity, and other key environmental and social systems. **We seek to address the dynamics causing deforestation to ensure the health of our portfolios and the sustainability of the global economy.**

To do so, we launched our ***Emergent Forests Project***, a more intentional and effective approach to addressing forest health. So far, we have undertaken the following:

- **Assessment of the direct and indirect value** that the economy receives from forests, broken out by the types of ecosystem services forests provide.
- **Mapping of the dynamics** causing poor outcomes from current forest-related practices. We found a negative reinforcing loop between forest cover, climate, agricultural stability, and human health.
- **Delineation of why** deforestation is a **global concern** as well as a **key challenge for specific industries, financiers, and investors**, including an **evaluation of why deforestation is a macro risk** that investors must address to help ensure the health of our portfolios.
- **Linkage analysis** to assess sub-industries' impacts, as well as dependence, on forests, **which can be applied to our equity portfolios**. The results of this analysis will inform how we develop and target actions to improve outcomes.

The results of these actions aid us in **identifying leverage points at which we can effectively intervene as investors to create positive change**. With input from other practitioners and experts on forests and financial markets, we are analyzing which interventions can be most impactful. We will continue to provide updates on our progress.

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



Standards

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



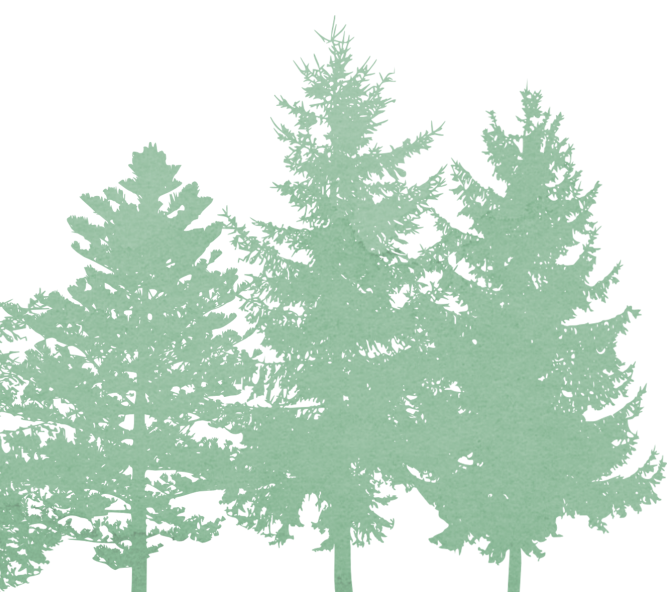
Community Investing

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



Engagement

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



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DOMINI FUNDS 2018 IMPACT REPORT**

at www.domini.com



UN Sustainable Development Goals & Our Impact Investment Standards

Our Impact Investment Standards, which were first published in 2005, are a broad set of standards and principles that provide transparency on the social and environmental factors used in our process. **In the recently published Domini Funds 2018 Impact Report we explain how each of the UN's 17 Sustainable Development Goals (SDGs) are reflected in our standards.** Through the application of these standards, we believe we can build SDG-aligned portfolios that support the strength and resiliency of our social, environmental and financial systems.

In our continued efforts to align capital markets with our shared vision for a sustainable future, we welcome the structure and coordination the SDGs provide. We have a long history of seeking impact in many SDG-related areas and, by helping to pioneer the use of social and environmental standards in investment decision-making, we have encouraged capital markets to support sustainable development.

At their core, the SDGs are inherently aligned with the fundamental goals we have pursued for over two decades: **universal human dignity and ecological sustainability.** We believe the SDGs can provide investors with valuable insights into the direction of the global economy and help them identify opportunities for long-term growth.



UN Sanctions & the Role of Private Investors

In a global economy, corporations and investors benefit from international peace, security, and free trade. Our standards lead us to **seek investments in companies that have strong policies and take preventative measures related to human rights, non-discrimination, ethics, anti-money laundering, anti-bribery, anti-corruption and lobbying.** The United Nations plays a key role in promoting such standards globally.

This quarter, Domini's Impact Investment Strategist Shin Furuya was invited to participate in the **UN Sanctions Committee High-Level Review** meeting as a **private sector expert** to provide **feedback on the current UN Sanctions regime.** UN sanctions help to prevent terrorist funding, corruption, and money laundering, all of which can be disruptive to our social, economic and political systems. As such, investors have a vested interest in the effective implementation of UN sanctions, and we believe they should be an important consideration in their corporate evaluation process. **Following our recommendation, the UN plans to host a large convening of private sector players to discuss how investors and companies can work together to ensure effective implementation of current and future sanctions.**

Shareholder Proposal Updates



Walgreens Boots Alliance: A Win for Opioid Accountability

Retail pharmacies have played an unfortunate role in the opioid epidemic, and while we acknowledge that Walgreens Boots Alliance has taken steps to address the crisis, we feel that risks remain. Late last year, as part of Investors for Opioid Accountability, we co-filed a shareholder proposal at Walgreens, led by Mercy Investments, requesting a report on the Board's efforts "since 2012 to **more effectively monitor and manage financial and reputational risks related to the opioid crisis.**"

This quarter, at the company's annual general meeting, we are happy to report that **our proposal received a rare majority vote from shareholders, with 60.5% support.** We believe it sends an important signal to Walgreens and other retail pharmacies that investors do not want these risks ignored. We are hopeful that Walgreens will continue taking steps to help address the opioid crisis and look forward to continuing the engagement.





Amazon.com: Assessing Impact on Communities

Through their operations, large companies can have significant social and economic effects on communities. By choosing to act as “**anchor institutions**,” companies can create a reinforcing cycle of positive impact that generates long-term sustainable value for their communities and their investors. We look for companies to proactively invest in their communities and empower them through responsible employment and procurement practices, as well as careful consideration of how their operations can impact important social and economic issues, such as housing availability, health outcomes, green spaces, schools, and physical and communications infrastructure.

On behalf of Domini Impact Equity Fund shareholders, we recently filed a **first-of-its-kind shareholder proposal** at Amazon.com for the 2019 proxy season, requesting that its Board of Directors conduct and share an **analysis of the risks and opportunities created by Amazon’s presence in communities**, considering both near- and long-term social and economic factors. The New York State Common Retirement Fund joined us in co-filing this proposal.

Amazon is a good example of how companies can have both positive and negative impacts on their communities. On one hand, the company has invested hundreds of billions of dollars into the U.S. economy and has directly or indirectly created hundreds of thousands of jobs. Recently, it raised its minimum wage for all full-time, part-time, temporary and seasonal employees to \$15 an hour—more than double the federal minimum of \$7.25. That decision will help lift the floor for large segments of the U.S. labor market and represents a major step forward for a fair minimum wage.

On the other hand, Amazon has been criticized for its impacts on small business, housing, and infrastructure. For example, the company has received blame for contributing to the housing and homelessness crisis affecting its home city of Seattle. Its “HQ2” plan in New York City also received pushback by many community members and lawmakers over planned subsidies and concerns that it would raise local housing prices and put additional strain on aging infrastructure. The company subsequently canceled its NYC expansion plans in February.

We believe Amazon’s community impacts can create reputational and financial risks, and, although the SEC omitted our shareholder proposal from Amazon’s proxy materials on the grounds that it did not address a “significant social issue,” we hope to work with Amazon on this issue through other channels. **By working to better understand both the risks and opportunities created by its presence in a community, and strengthening its relations with its neighbors, we believe Amazon can invest in its continued long-term success while helping build a more equitable economy for all.**



Nucor: Persisting in Our Pursuit for Lobbying Accountability

As stockholders, we believe companies should be transparent in their use of corporate funds to influence legislation and regulation. This was the fourth year in a row that we filed a shareholder proposal on political lobbying at Nucor, as we remain concerned with the company’s lack of **transparency and accountability around its lobbying activities**, particularly in regard to **climate-change denial**.

Nucor does not currently disclose its trade association memberships or lobbying payments, nor does it disclose its membership in or payments to tax-exempt organizations that write and endorse model legislation. Our 2019 proposal **requested an annual report on the company’s policies and procedures governing lobbying**, both direct and indirect, grassroots lobbying communications, as well as **disclosure of payments used for lobbying**. This quarter, the proposal received **36.2% support** at Nucor’s annual meeting.

We will be reaching out to Nucor to discuss the results of this proposal in the coming weeks.



Additional Engagements & Field-Building Collaborations

- As a signatory to ShareAction's **Investor Decarbonisation Initiative**, we participate in engagements to **encourage companies to adopt climate targets** in accordance with the Paris Agreement. This quarter, we signed on to letters sent to **Alibaba, China Vanke¹, IBM, Klépierre, STMicroelectronics**, and **Sysco**.
- Continuing our support for the **Plastics Solutions Investor Alliance**, we participated in a multi-stakeholder call with **Procter & Gamble** on **plastic waste and overall stewardship**.
- As part of our collaboration with the **FAIRR Initiative**, we sent a letter to **Chipotle Mexican Grill** on its meat and dairy sourcing practices. The letter asks Chipotle to establish and report on a clear strategy for how it is **de-risking its meat and dairy supply chains**.
- We joined a coalition of investors representing \$1.4 trillion in signing letters sent by Stewart Investors to **nearly 50 companies providing insurance services in emerging markets across Latin America, Africa and the Asia-Pacific region**. The letters encourage them to "take a leadership position in the development of **best practices around the provision of micro-insurance** tailored for those who are simultaneously in the most desperate need and yet are the least well served today."
- We met with the **Japan Exchange Group (JPX)**, the largest consolidated stock exchange in Japan, which combines all three of the country's major exchanges, including Tokyo Stock Exchange, Osaka Stock Exchange and JASDAQ. At the meeting, we **discussed Japanese corporate governance and stewardship codes, ESG listing standards, and disclosure requirements in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**.
- Last year, we joined the **Thirty Percent Coalition**, a collaboration of asset owners, asset managers, companies and human resource consultants **working to increase gender diversity in corporate board rooms**. This quarter, we participated in the Coalition's quarterly meeting, which covered updates on engagements, shareholder proposals and strategies.
- Domini CEO Carole Laible spoke on the evolution of our field at a panel hosted by Conscious Capitalism, moderated by the editor-in-chief of Investopedia. She discussed how perceptions of impact investing have changed, as well as her views on the **next horizons for impact management and measurement**.



Investor Statements & Public Policy Letters

During the first quarter, we endorsed the following statements and letters:

- Signatory to the Common Cause letter to Members of Congress in support of H.R. 1 ("For the People Act"), legislation that would **protect the SEC's ability to make rules around political spending disclosure** (signed by 29 institutional investors and NGOs)
- Signatory to Swiss Sustainable Finance's "**Open Letter to Global Index Providers**" **calling on them to exclude controversial weapons** from mainstream indices (signed by over 169 institutional investors representing \$9.0 trillion)
- Signatory to New York City Comptroller Scott Stringer's "**Institutional Investor Statement Regarding Decarbonization of Electric Utilities**" (signed by 20 institutional investors representing \$1.8 trillion)
- Signatory to Ceres' "**Investor expectations on deforestation in soybean supply chains**" (signed by 57 institutional investors representing approximately \$6.3 trillion)
- Signatory to the Investor Alliance for Human Rights statement "Making Finance Work for People and Planet" **calling on governments to support investor due diligence through better regulation of financial systems** (signed by 63 institutional investors representing \$1.9 trillion)

1. Not currently approved for investment by the Domini Funds.



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.

Domini Impact Bond Fund Theme Allocations¹

Access to Housing (55.0%)

Affordable Mortgage Credit & Rental Properties (52.4%)
Multifamily Collateralized Mortgage Obligations (2.6%)

Corporate Debt² (24.0%)

Corporate General Obligations & Bank Loans (24.0%)

Economic & Community Development (7.3%)

Farm Credit (2.2%)
Municipal General Obligations (2.0%)
Transportation (1.3%)
Nonprofit Education (0.9%)
Water (0.4%)
Business & Job Creation (0.3%)
Community Development Financial Institutions (0.2%)

Health, Well-Being & Aging Society (5.6%)

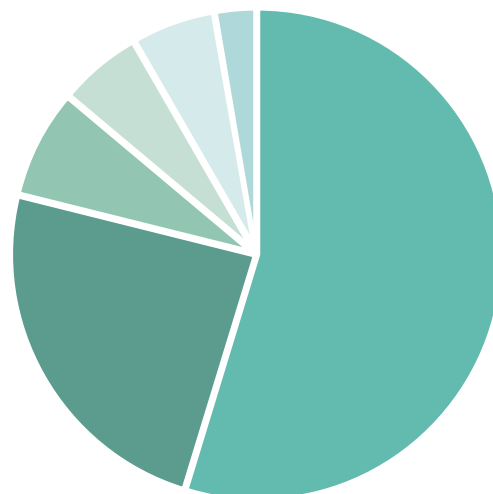
Nonprofit Healthcare & Healthcare Education Facilities (3.6%)
Continuing Care Retirement Communities (1.6%)
Pensions (0.4%)

Asset-Backed Securities (5.5%)

Commercial Mortgage-Backed Securities (4.4%)
Auto Loans (0.5%)
Other (0.5%)

Environment (2.7%)

Low-Carbon Transition (1.7%)
Energy Efficiency (1.1%)



Impact Highlights

\$26.4 million

in investments that support low- and very low-income housing, representing 7,340 units

\$5.3 million

invested in labeled & unlabeled green bonds



Investment Highlight: City of Philadelphia Water Department

Access to clean, potable water is essential to the development of healthy communities. The Fund seeks to support access to water through investments in municipal bonds that finance the construction and maintenance of water and sewage systems. We especially favor water investments that support affordable access in low-income and disadvantaged areas, as well as investments that promote water-use efficiency and climate adaptation and resiliency services, such as sea walls and flood and drought mitigation systems.

This quarter, the Fund purchased a water and wastewater revenue refunding bond issued by the City of Philadelphia to help finance the operations of the Philadelphia Water Department, which maintains the city's stormwater, drinking water and wastewater systems and facilities. The City offers water bill assistance options for low-income customers, senior citizens and those with special hardships, as well as free water conservation services for low-income residents. All residents can also sign up for a low-cost protection plan to cover plumbing repairs and replacements. Through its "Green City, Clean Waters" plan, Philadelphia is working to restore the city's watershed protection systems and implement green stormwater infrastructure projects, such as rain gardens and stormwater planters, to reduce water pollution. Through its "Climate Change Adaptation Program," it is also working to better understand how climate change will impact its water infrastructure and develop cost-effective strategies to minimize those impacts.

1. Based on portfolio holdings as of 3/31/19, 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 www.domini.com to view the most current list of the Fund's holdings.

2. "Corporate Debt" includes general-obligation corporate bonds, bank loans, and corporate debt not classified under other themes.

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Contact us for a prospectus containing this information. Read it carefully.


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 Fund are subject to market, market segment, foreign investing, impact investing, and style risks. The Domini Impact Bond Fund is subject to credit, interest rate, liquidity, impact investing, and market risks.

As of 3/31/19, these securities represented the following percentages of the Domini Impact Equity Fund's portfolio: Amazon.com, Inc. (4.25%); Chipotle Mexican Grill, Inc. (0.11%); International Business Machines Corporation (0.73%); Nucor Corporation (0.10%); The Procter & Gamble Company (1.48%); STMicroelectronics N.V. (0.26%); Sysco Corporation (0.19%); and Walgreens Boots Alliance, Inc. (0.29%). These securities represented the following percentages of the Domini Impact Bond Fund's portfolio: Alibaba Group Holding Limited (0.13%); Amazon.com, Inc. (0.38%) and City of Philadelphia Water Department (0.43%). Japan Exchange Group, Inc. and Klépierre S.A. were not held by any of the Domini Funds. China Vanke Co., Ltd. was 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.

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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