Social Impact Update

Domini SOCIAL INVESTMENTS®

Third Quarter 2015

Investing for Good[SM]
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Department of Labor Removes Perceived Barriers to Sustainable Investing

We believe that responsible investing, which considers the full social and environmental implications of each investment decision, is the fulfillment of fiduciary duty, the set of legal obligations that investment managers and trustees owe to the people whose money they manage. Unfortunately, some money managers use fiduciary duty as an excuse for why they cannot take into account human rights or environmental considerations. They argue that they are legally required to pursue profits, and profits alone. Until now, they were able to offer legal guidance from the Department of Labor (DOL) in support of that position.

In 2008, the Department of Labor published two bulletins that made it clear that, for the trustees of 401(k) and other private pension plans governed by ERISA, social considerations should be "rare" and set what we believed to be unacceptable obstacles to investing in "green companies," or considering the positive economic benefits of an investment in addition to its financial performance. At a press conference in October, Secretary of Labor Thomas Perez said that in 2008 the DOL had given environmental, social and governance (ESG) investing "the cooties." We are pleased to say that has now changed.

> *"… I often talk about the need for us to reject false choices. We don't have to choose between doing right by your workers and doing right by your shareholders. There's a growing national conversation that rejects the zero-sum game in favor of a win-win mindset, embracing the idea that these goals are complementary and not at cross-purposes."*
>
> -Thomas E. Perez, U.S. Secretary of Labor
> (Best Interests, Better Outcomes, Huffington Post, 10/22/15)

Domini has taken a leading role in an investor engagement with the DOL. We conveyed our concerns that the 2008 bulletins were inconsistent with a pension fund's obligation to put the best interests of its beneficiaries first, and these interests include clean air and water. We also explained that social and environmental factors can affect the financial performance of investments, and should therefore be considered. These efforts, which included meetings and correspondence with the DOL as well as coalition-building with other investors, culminated in a meeting with Secretary Perez in May to convey a clear request from the responsible investing community and organized labor. We asked Secretary Perez to pull back the 2008 bulletins and restore earlier guidance, which made it clear that fiduciaries may consider the social implications of their investment decisions, as long as they do not knowingly accept lower returns by doing so. In October, the DOL did exactly that.

As of today, ESG factors are no longer disfavored or frowned upon by the Department of Labor. The thumb is off the scale.

Sustainable Seafood and Animal Welfare

In 2013, working closely with Greenpeace, we began an engagement with **McDonald's**, asking one of the largest buyers of Alaska pollock to take action to protect the canyons of the Bering Sea, a delicate ecosystem that is threatened by the lucrative pollock fishery. During the quarter, we were pleased to learn that McDonald's sent a public letter to the North Pacific Fishery Management Council in May, asking "that it move swiftly to take all appropriate measures to protect the habitat of the Bering Sea canyons and sustain the long-term viability of its fisheries."

(continued on reverse)

Additional Dialogues

In addition to those discussed in this Update, we also engaged with the following companies during the quarter on these issues:

Apple, Disney *Global Tax Practices*
AT&T *Sustainability update, including discussion of NSA surveillance*
Coca-Cola, McDonald's *Funding of scientific research; public health*
Google, Microsoft, Yahoo, Facebook, LinkedIn *Global Network Initiative, freedom of expression and privacy rights*
Intel *Annual CSR update, including a focus on innovations in diversity, a key concern for Silicon Valley firms.*
Pfizer* *Sustainability Strategy*
SolarCity *Accounting practices, sustainability reporting, end of life recycling*
TeliaSonera* *Human Rights*

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For several years, we have participated in annual calls with **Costco** to discuss its sustainable seafood policies and sourcing practices. This year's call included an update on Costco's work to address forced labor in the Thai shrimp fishery and its animal welfare standards including efforts to increase the supply of cage-free eggs.

United Nations Includes Corporate Sustainability Reporting in Sustainable Development Goals

In September, the United Nations' General Assembly adopted its 2030 Agenda for Sustainable Development. In meetings with UN delegates in 2012 and 2013, we explained that the private sector and, in particular, multinational corporations, will need to play an important role if these ambitious "Sustainable Development Goals" are to be realized. We asked that the UN include a commitment to corporate sustainability reporting, which was ultimately reflected in SDG 12.6, which encourages companies to "adopt sustainable practices and to integrate sustainability information into their reporting cycle" in order to help "ensure sustainable consumption and production patterns." We were pleased to have played a small part in this landmark for corporate accountability (visit domini.com for more details).

Thought Leadership

Every year, we see a proliferation of corporate sustainability reports. Very few reports issued by American companies are audited, however. How do we know whether to trust these claims, particularly when they address human rights performance, which is so difficult to measure? Last year, Shift, a human rights organization, and Mazars, an international accounting firm, developed a new reporting framework to guide companies seeking to demonstrate compliance with the United Nations' Guiding Principles on Business and Human Rights. They are now working on a new framework for independent auditing firms to use when evaluating these reports. As a member of the Eminent Persons Group that helped develop the reporting framework, our Director of Corporate Engagement attended a working session to provide feedback on this new framework. The meeting included other investors, auditors and corporations, including **Microsoft**, **Coca-Cola** and **Newmont Mining***.

We participated in an expert brainstorming session on Climate Justice and Business with **Citigroup***,**UBS***, the Natural Resources Defense Council (NRDC), the World Resources Institute (WRI) and others.

We also participated in a one-week online think tank, which brought together over 70 thought leaders and practitioners from different disciplines to explore how investors can best address big climate risk. The resulting report on "forceful stewardship" was covered in Forbes.

Supporting the EPA's Clean Power Plan

Joint letters submitted by coalitions of like-minded investors can send a powerful signal to the marketplace on key issues of concern. This quarter, we were a lead signatory to an investor letter to roughly fifty companies that are on the board or prominent members of the U.S. Chamber of Commerce, asking these companies to assess misalignments between their position on climate change and the Chamber's aggressive opposition to the EPA and the Clean Power Plan. Ultimately, more than sixty investors managing more than $320 billion signed the letter.

We also joined fellow members of Ceres, including 365 corporations and investors, on letters to more than two dozen governors in support of state implementation of the EPA Clean Power Plan. (Letter available at http://www.ceres.org/files/clean-power-plan-state-letters/national-cpp-letter).

About Domini Social Investments

Domini Social 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.

*TeliaSonera, Pfizer, Newmont Mining, Citigroup and UBS are not currently approved for investment by the Domini Funds.

As of September 30, 2015, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Alphabet Inc. (2.73%), Apple Inc. (6.45%), AT&T (4.01%), The Coca-Cola Co.(<0.01%), Costco (<0.01%), Intel Corp. (1.17%), McDonald's Corp. (<0.01%), Microsoft Corp. (4.61%), The Walt Disney Co. (<0.01%), and Yahoo Inc. (<0.01%). Facebook Inc., LinkedIn Corp., and SolarCity were not held by the Fund. The composition of the Funds' portfolios is subject to change.

DSIL Investment Services LLC, Distributor. 12/15