



## SECOND QUARTER 2011

### *Domini Files Amicus Brief to Defend Montana's Ban on Corporate Political Contributions*

Last year's U.S. Supreme Court decision in *Citizens United v. Federal Elections Commission* freed corporations to spend unlimited corporate funds on advertising supporting or opposing candidates for public office. The decision helped to unleash a flood of spending in last year's mid-term elections, and overturned numerous state laws banning corporate political contributions. One such law was enacted in 1912 to protect Montana's government from political corruption caused by the "Copper Kings" of that era.

Montana decided to defend its law, and the case has gone to the state supreme court. We thought we had a unique perspective to offer. In May, Domini filed an *amicus curiae* brief in *Western Tradition Partnership v. Attorney General of the State of Montana*. We were joined by a coalition of investors managing more than \$100 billion. We firmly believe that Montana enjoys the right to limit corporate money in its elections.

An *amicus curiae* (literally, "friend of the court") brief provides an opportunity for knowledgeable parties to share their perspective on a case, to help inform the court. Our brief draws on our experience as institutional investors, placing facts before the court that were not considered by the U.S. Supreme Court last year. We hope that our arguments will help to inform the development of post- *Citizens United* legal reforms across the country.

Corporations come in many shapes and sizes. Citizens United, the nonprofit advocacy organization that sued the Federal Election Commission, is not a company like Coca-Cola or Microsoft. Although the Supreme Court's decision has been widely understood to apply to all types of corporations — from small nonprofits to global oil companies — we believe the decision can and should be read much more narrowly.

The Supreme Court reasoned that corporations like Citizens United are voluntary "associations of citizens." Therefore they should be free to spend their resources influencing elections as if they were individuals, and if their individual members or shareholders object, they can say so.

*(continued on reverse)*

### Other Corporate Engagements

We met with the following companies during the quarter:

- **Apple** (supply chain labor standards)
- **Gap** (sustainability reporting)
- **Southwestern Energy, Exxon Mobil\*** (hydraulic fracturing)
- **T&D Asset Management\*** (sustainability strategy)

During the quarter, Domini continued to participate as an active member of the board of the **Global Network Initiative**, a human rights organization addressing threats to freedom of expression and privacy on the Internet and other telecommunication technologies. (GNI includes **Microsoft, Yahoo, and Google.**) We resubmitted a human rights proposal to **Cisco Systems**, this year as lead filer.

We joined nearly two dozen investors and investment organizations, representing over \$200 billion, in signing a letter to 43 major companies that sit on the board of directors of the **National Association of Manufacturers (NAM)**. The letter asks them to justify their support for NAM's climate work, which directly contradicts their own corporate policies on climate change.

We also continued to serve on the advisory board of the **Conflict Risk Network**. During the quarter, we worked with CRN on corporate operations in Libya.

Domini Shareholder Proposal Vote Results	
<i>Lead filer:</i>	
<b>AT&amp;T</b> <i>corporate political activity</i>	31%
<b>Cisco Systems</b> <i>Internet freedom</i>	Pending
<b>Coca-Cola</b> <i>toxins in consumer products: bisphenol-A</i>	25.1%
<b>Goldman Sachs</b> <i>corporate political activity</i>	13.8%
<b>JPMorgan Chase</b> <i>corporate political activity</i>	37.4%
<b>RR Donnelley</b> <i>sustainable forestry</i>	29.4%
<b>Southwestern Energy</b> <i>hydraulic fracturing</i>	Withdrawn
<i>Co-filer:</i>	
<b>3M</b> <i>corporate political activity</i>	36%
<b>Anadarko Petroleum</b> <i>hydraulic fracturing</i>	Withdrawn
<b>Best Buy</b> <i>corporate political activity</i>	Withdrawn
<b>IBM</b> <i>corporate political activity</i>	31.4%
<b>Pepsico</b> <i>corporate political activity</i>	11%
<b>Target</b> <i>corporate political activity</i>	Withdrawn

## Domini Social Bond Fund Boosts Its Commitment to Communities

The Domini Social Bond Fund has added four new high-impact community development investments to its portfolio, including a \$250,000 "Job Builder CD" with Hope Federal Credit Union of Jackson, Mississippi – an investment designed to support small businesses and entrepreneurs in economically distressed communities.

Small businesses are a strong engine for job growth and expansion of economic opportunity, goals to which the Fund is committed.

The Fund has also added CDs in Community Capital Bank of Virginia, Promerica Bank, and a new credit union launched by California by Self-Help.

Citizens United, however, is a very small company formed to advocate political positions. McDonald's is not. Nor is any other company the Domini Funds invest in. These companies are not voluntary associations of citizens, and there is no way for shareholders of such companies to assure the company fairly represents their political views. When a publicly traded corporation spends money on politics, it cannot possibly reflect the views of its millions of shareholders. These shareholders are regularly forced to "speak" against their interests. An association that forces its members to finance objectionable political views cannot claim First Amendment protection.

Our brief argues that the Montana ban on corporate political contributions is constitutional as it effectively protects the First Amendment interests of shareholders that would otherwise be compelled to speak on political matters. "Compelled speech," the brief argues, "is not free speech." The Montana court will hear oral arguments in September.

## Goldman Sachs Improves Board Oversight of Political Activity

We have been making gradual progress with Goldman Sachs\* over the years. The company adopted a policy to not make direct political contributions from the corporate treasury in response to our first proposal. Since then, we have been working to encourage the bank to publicly disclose its political activity through trade associations and other third parties, and to establish board oversight.

This year, Goldman adopted a new policy to provide for annual board review of trade association payments, an important channel for corporate indirect political spending. Another step in the right direction.

## Domini Supports President Obama's Call for Political Transparency

There was a silver lining in the Supreme Court's Citizens United decision. The Court strongly endorsed full disclosure of corporate political spending in that case and other decisions. In April, *Politico* reported that a draft executive order is circulating that would require all companies seeking government contracts to publicly disclose their political contributions. The U.S. Chamber of Commerce and others have strongly opposed it, claiming it would stifle speech – an argument the Supreme Court has already rejected, by an 8-1 majority.

Again, we felt that an investor voice needed to be heard. On May 10, Domini sent a letter to the President on behalf of investors managing more than \$130 billion, strongly endorsing the draft order. Our letter was quoted by Representative Cummings, and entered into the Congressional Record, at a Congressional hearing challenging the order. Visit [www.domini.com](http://www.domini.com) to read our letter and watch video of the hearing.

\*As of 6/30/11, ExxonMobil, Goldman Sachs, and T&D Asset Management were not held by the Domini Funds.

As of 6/30/11, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: 3M (2.3%), Anadarko Petroleum (0.2%), Apple (4.5%), Best Buy (<0.1%), Cisco Systems (<0.1%), Coca-Cola (0.2%), Gap (0.4%), Google (<0.1%), IBM (1.5%), JPMorgan Chase (2.9%), McDonald's (<0.1%), Microsoft (3.8%), Pepsico (<0.1%), RR Donnelley (2.0%), Southwestern Energy (<0.1%), Target (<0.1%), and Yahoo (<0.1%). Community Capital Bank of Virginia, Promerica Bank, and Hope Federal Credit Union each represented 0.2%, and Self-Help represented 0.48%, of the Domini Social Bond Fund's portfolio. The composition of the Funds' portfolios is subject to change.

**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](http://www.domini.com) or call 1-800-582-6757 to find out more.

The Domini Funds are subject to market risks and are not insured. You may lose money. This information is provided for educational purposes only, and should not be considered investment advice with respect to any of the holdings listed.

The Domini Social Bond Fund is not insured and is subject to market risks, including interest rate and credit risks. During periods of rising interest rates, bond funds can lose value. The 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 Fund's community development investments may be unrated and carry greater credit risks than its other investments.

*Before investing, consider the Funds' investment objectives, risks, charges, and expenses. Visit [www.domini.com](http://www.domini.com) or call 1-800-762-6814 for a prospectus containing this information. Read it carefully.*

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