



Shareholder Proposals

Each year, Domini files shareholder proposals to appear in corporate annual proxy statements as a tool for change. These proposals, which come to a vote at corporate annual meetings, ask companies to address a broad range of social and environmental issues.

Here is a look at the proposals that came to a vote this year:

Company	Vote
AT&T <i>Political contributions disclosure</i>	24.6%
Chipotle Mexican Grill* <i>Sustainability reporting</i>	31.3%
Energen* <i>Methane emissions</i>	26.8%
Google <i>Corporate tax avoidance</i>	1.0%
PNC Financial Services* <i>Coal financing</i>	23.4%
United Parcel Service* <i>Political Lobbying Disclosure</i>	16.8%
Verizon Communications <i>Political lobbying disclosure</i>	26.6%

We withdrew a proposal at **JetBlue Airways** when the company agreed to begin publishing its political contributions, including contributions to trade associations.

* Domini is playing a supporting role in these engagements.

CORPORATE TAX AVOIDANCE

One of the most important areas of corporate social responsibility has gone largely ignored, until now. The headlines are filled with stories of aggressive strategies by corporations to minimize or eliminate their tax payments, primarily through the use of offshore tax havens. Countries around the world are losing billions in tax revenues, all in the name of shareholder value.

Tax avoidance weakens societies and threatens long-term wealth creation. That is why Domini is taking a lead role in asking corporations to adopt more responsible and transparent tax strategies.

Tax is an investment in society. What is our return on investment? Corporations and investors depend upon government services funded by tax revenues, including law enforcement, market regulation, judicial systems, infrastructure maintenance, public education, poverty alleviation, environmental protection and national defense. These indispensable services can only be funded by tax revenues.

Economist Joseph Stiglitz warns that corporate tax avoidance threatens the wellspring of “future innovation and growth.” Companies like Google and Apple have benefited from taxpayer-funded scientific research.

Investors need to speak up, and end this global race to the bottom. At Domini, we are asking companies to adopt ethical principles to guide their tax strategies, considering their impact on society and brand value, just as they have with bribery, child labor and climate change.

Quick Facts on Corporate Tax Avoidance

Corporate profits are booked in places like Bermuda to avoid paying taxes where those profits were actually earned. How do we know? In 2010, the amount that American companies told the IRS they actually earned in Bermuda was 1,643% of that country’s entire yearly economic output. †

At least 362 companies (72% of the Fortune 500), operate subsidiaries in tax haven jurisdictions as of 2013. †

When corporations don’t pay their taxes, somebody else needs to pick up the tab. In 1952, 32% of U.S. federal tax revenues came from corporate income tax. By 2012, this portion had shrunk to only 8.9%. (Source: Congressional Research Service)

† Source: *Offshore Shell Games 2014* (U.S. PIRG Education Fund and Citizens for Tax Justice)

Investors may only just be waking up to this critical issue. Our first of its kind proposal, asking **Google** to adopt a set of ethical principles to guide its tax strategies, went to a vote at the company’s annual meeting in May. Although we received a very low vote, nearly 20% of investors abstained, telling us that many investors are undecided. In the meantime, our proposal helped to raise awareness, and led to our first conversation with Google about its tax strategies, a dialogue that we hope will continue.

(continued on reverse)



Corporate Responsibility at Disney

This quarter, we participated in a half-day meeting with the **Walt Disney Company** to discuss a variety of sustainability issues, including a focused discussion with the company's Chief Financial Officer.

Domini has been in dialogue with Disney for more than 15 years on a variety of issues, and played a role in the development of the company's international labor standards program, responsible for addressing working conditions in the thousands of factories around the world that produce Disney-branded products.

Firearm Accessory Sales

We are continuing to successfully engage **Amazon.com** on the sale of semi-automatic weapons accessories (see our Social Impact Update for the first quarter). This quarter, the company removed several additional items we identified that appeared to violate their policies regarding weapons sales, and agreed to continue our dialogue.

As of June 30, 2014, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Amazon.com (<.01%), AT&T (0.22%), Chipotle Mexican Grill (0.69%), Energen (<.01%), Google (0.29%), JetBlue Airways (<.01%), Lowe's (<.01%), Mondelez International (<.01%), PepsiCo (<.01%), Pioneer Natural Resources (<.01%), PNC Financial Services (1.74%), United Parcel Service (<.01%), Verizon Communications (1.71%), and The Walt Disney Company (0.36%). Krispy Kreme is not currently held in any of Domini's mutual fund portfolios. The composition of the Funds' portfolios is subject to change.

ENVIRONMENTAL ENGAGEMENTS

Addressing Deforestation: In the wake of our shareholder proposal withdrawal and growing campaigns by environmental groups, including Rainforest Action Network, **PepsiCo** adopted forestry and palm oil policies. The forestry policy contains a number of very strong commitments, although there are areas in both policies that require clarification. We will be following up to learn more about how the company intends to implement and report out on these commitments. This quarter, we also signed a letter to **Krispy Kreme**, asking the company to address the impact that its palm oil purchases are having on forests.

Keeping Your Garden Safe for Bees: As previously reported, we have been discussing the sale of neonicotinoid pesticides with **Lowe's**. Neonics are a class of pesticide that has been linked to Colony Collapse Disorder—a mysterious malady that has been killing honeybee populations in dramatic numbers. A recent analysis of 800 peer reviewed scientific studies pointed to neonics as a prime culprit behind CCD, and last year the EPA required warning labels be put on certain products containing neonics. Lowe's is evaluating the science and currently offers both neonic and neonic-free pesticides, as well as plants that may be pre-coated with neonics. We are encouraging the company to take neonic-containing products off the shelves and educate its consumers about the threats to pollinators.

Climate Change Financing: After two years of submitting shareholder proposals to **PNC Financial Services** regarding its investments in the Pennsylvania coal industry and its "financed greenhouse gas emissions", we were rewarded this quarter with a conversation with the bank's Chairman and CEO. We discussed the risks climate change presents to the bank and also stressed PNC's responsibility to account for any environmental risks its financing activities may be causing. We are looking forward to continuing our conversation.

We also participated in a meeting with **Citigroup** (not currently approved for the Domini Funds) to discuss the bank's draft 2020 environmental strategies, including financing fossil fuel companies, carbon risks, and retail and commercial bank risk assessment and management. The meeting, which included Rainforest Action Network, Environmental Defense Fund and World Wildlife Fund, was coordinated by Ceres.

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.

The Domini Funds are not insured and are subject to market risks, such as sector concentration and style risk. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. 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.

You should consider the Domini Funds' investment objectives, risks, charges, and expenses carefully before investing. Obtain a copy of the Funds' current prospectus for complete information on these and other topics, by calling 1-800-582-6757 or online at www.domini.com. Please read it carefully before investing or sending money.

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