

## SECOND QUARTER 2006



**Climate Change:** If you went to see the climate-change documentary *An Inconvenient Truth* this summer, with its images of melting glaciers and flooded coastlines, you might have walked out of the theater into a blistering heat wave. The first seven months of 2006 were the warmest January through July on record for the U.S., and 2005 was one of the hottest years on record. In addition, the strength of Hurricanes Katrina and Rita supported the predictions of climate scientists that global warming would lead to more frequent and more intense storm systems.

The U.S. is one of the largest emitters of greenhouse gases that cause climate change. Domini has been encouraging companies to inventory their greenhouse gas emissions, develop plans for reducing emissions, and integrate climate change concerns into their business decisions. During the second quarter, we were pleased to withdraw our resolution at **Devon Energy**, the largest U.S.-based independent oil and gas producer, in exchange for the company's commitment to measure and publicly report its greenhouse gas emissions. This data should help the company find opportunities to conserve energy and reduce its emissions of greenhouse gases.

Domini also signed a letter urging the Massachusetts legislature to pass Senate 2516, a bill that would have the state rejoin the Regional Greenhouse Gas Initiative.

**Forestry Practices:** Forests store extensive amounts of carbon and are critical to mitigating the effects of global warming. During this quarter, Domini continued to encourage **Procter & Gamble** and **Limited Brands** to increase their use of recycled paper and to purchase wood and wood products certified as sustainably harvested by the Forest Stewardship Council. We withdrew a resolution on this topic with Limited Brands, while resolutions with **Kimberly-Clark** and **Lowe's** achieved votes of 8.2% and 7%, respectively.

**Carbon Disclosure Project:** Investors are increasingly concerned about the potential risk and opportunities that climate change poses to the companies we invest in. Four years ago, the Carbon Disclosure Project (CDP) was launched, representing a large group of investors, including Domini, to ask companies to disclose their greenhouse gas emissions and their activities to curtail emissions. The CDP now represents investors with more than \$31 trillion under management.

This year, the CDP sent its fourth questionnaire to more than 1,800 of the world's largest companies. At the end of May, Domini sent follow-up letters to more than 200 U.S. and European companies that had not yet responded. Our letters have generated numerous responses, including requests for assistance from first-time responders.

**Voting Results:** During the second quarter, eight resolutions where Domini was the lead filer came to a vote. For more complete information, visit [www.domini.com](http://www.domini.com).

### New and Continuing Dialogues

We met with 16 companies during the quarter, including the following: **ABN AMRO** (sustainability initiatives and microlending), **Apple Computer** (global labor standards), **Coca-Cola** (water, labor rights, and stakeholder relations), **Colgate-Palmolive** (HIV/AIDS program update), **Dell Computer** (general social and environmental performance), **Hewlett-Packard** (sustainability reporting), **Johnson & Johnson** (safer chemicals in consumer products), **Johnson Controls** (supply chain initiatives), **McDonald's** and **Walt Disney** (global labor standards), **Merck** (political contributions), and **Procter & Gamble** (HIV/AIDS program update).

In response to a shareholder resolution filed by Domini, **Monster Worldwide** amended the charter of its board of directors' nominating committee to include race and gender in the qualifications sought of new board candidates. A resolution we co-filed at **Home Depot**, seeking disclosure of the company's equal employment opportunity (EEO) data, received a 36% vote: the highest vote ever received for a resolution of this nature.

### Public Policy

Our General Counsel joined as a party to an *amicus curiae* brief filed by the ACLU in *Center for Constitutional Rights, et al. v. George W. Bush, et al.*, challenging the legality of the Bush administration's wiretapping program.

In cooperation with 196 other organizations, Domini wrote to all members of Congress to seek their support for an amendment to block the Environmental Protection Agency from undermining the Toxics Release Inventory.

COMPANY	ISSUE	VOTE
AT&T	Political Contributions	15.2%
AVON	Toxics Policy Report	4.8%
BELL SOUTH	Political Contributions	12.1%
KIMBERLY-CLARK	Forestry Report	8.2%
LOWE'S	Forestry Report	7%
MONSTER WORLDWIDE	Board Diversity	9.7%
VERIZON	Political Contributions	33.4%
WENDY'S	Sustainability Reporting	38.2%

The following institutions are leading the campaigns noted above: ABN AMRO (Boston Common Asset Management), Colgate-Palmolive (Boston Common Asset Management), Home Depot (Walden Asset Management), Johnson & Johnson (Citizens Advisers), and Procter & Gamble (Evangelical Lutheran Church in America).



# 2005 Highlights

As a shareholder in the Domini Funds, you make a difference in the world. Listed below are highlights of how you made a difference in 2005. Read our quarterly Social Impact Updates and learn more about our shareholder advocacy efforts at [www.domini.com](http://www.domini.com). Select "Shareholder Activism."

## ANNUAL ADVOCACY STATISTICS

Action	2004	2005
Resolutions Filed*	20	20
Additional Dialogues	30	22
Additional Companies Contacted	25	2
<b>TOTAL**</b>	<b>75<sup>†</sup></b>	<b>44</b>
% of Domini Social Index Trust by Market Cap <sup>††</sup>	43%	40%

\* Includes resolutions filed during the calendar year.

\*\* Includes filing of a shareholder resolution, writing a letter to the company, or holding at least one teleconference or meeting with company officials. Proxy voting and related correspondence are not included.

† Includes a survey of 20 companies.

†† Based on companies in the Domini Social Equity Fund's portfolio as of the end of the calendar year. Does not include companies removed from the portfolio during the period.

## CORPORATE ENGAGEMENT

**Freedom of Expression and the Internet:** Domini, Boston Common Asset Management, and Reporters Without Borders drafted a joint statement of investors calling on Internet businesses to support freedom of expression worldwide, in response to recent revelations that U.S. companies are helping repressive regimes to censor the Internet and jail dissidents. The statement was endorsed by more than 25 institutions in four countries, representing more than \$20 billion in assets.

**Environment:** Domini helped convince JPMorgan Chase — a \$1.1 trillion bank with operations in more than 50 countries — to adopt a comprehensive environmental policy, addressing global warming, illegal logging, protection of habitats, and the rights of indigenous peoples. It will impact the bank's loans, investments, research and lobbying activities, employee training, and internal operations. Our coalition, led by Christian Brothers Investment Services, helped convince the bank to hire its first Director of Environmental Affairs in 2004.

**Global Labor Standards:** In response to a shareholder resolution filed by Domini, Apple Computer adopted a code of conduct for the suppliers that manufacture its products around the world. The code covers the core conventions of the International Labor Organization, including strong provisions on freedom of association, collective bargaining, and forced labor.

**Nondiscrimination:** After a five-year campaign, Emerson Electric agreed to amend its company-wide nondiscrimination policy to prohibit discrimination against its gay and lesbian employees.

**Retail Store Siting:** Domini and Christian Brothers Investment Services released *Out of the Box: Guidelines for Retail Store Siting*, a 38-page report including a set of nine social and environmental guidelines for big-box retailers to use in making decisions about store site locations, land procurement, and leasing. The guidelines were supported by an additional 16 institutional investors and mutual fund families representing \$32 billion in assets under management. (The report is available at [www.domini.com](http://www.domini.com).)

**Global Poverty and Trade:** Domini coauthored the report *Post-Multifiber Arrangement Challenges*, presenting the results of a survey of 65 American companies on their response to the expiration of the Multifiber Arrangement, an international treaty that established country quotas for garment production. It suggested how companies can lessen the negative impact on developing countries. (The report, published by the Interfaith Center on Corporate Responsibility in its "Corporate Examiner," is available at [www.iccr.org](http://www.iccr.org).)

## ABOUT DOMINI SOCIAL INVESTMENTS

Domini Social Investments manages more than \$1.8 billion in assets for individual and institutional mutual fund investors who wish to create positive change in society by integrating social and environmental standards into their investment decisions. The Domini Social Equity Fund (NASDAQ: DSEFX) is the first and largest index fund managed according to social and environmental standards. Visit [www.domini.com](http://www.domini.com) or call 1-800-762-6814 to find out more.

The Domini Social Equity Fund is subject to market risks and is 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 Fund's portfolio is subject to change.

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 1-800-762-6814 or online at [www.domini.com](http://www.domini.com). Please read it carefully before investing or sending money. DSIL Investment Services LLC, Distributor (DSILD).