



THIRD QUARTER 2008

New and Continuing Dialogues

During the third quarter, we met with 13 companies and wrote to more than 100 companies in the United States and Japan, including the following:

- **Adidas** (cotton sourcing from Uzbekistan)
- **American Airlines, Baxter, JetBlue** (sustainability reporting)
- **Apache** (climate change)
- **Apple** (global labor standards)
- **Best Buy, MeadWestvaco, Meredith** (sustainable forestry)
- **Nucor** (slave labor in Brazil)

Public Policy

We submitted several letters on the following public policy matters:

- Financial crisis bailout (requesting bankruptcy protection for distressed homeowners)
- Corporate social responsibility in the Canadian extractive sector
- FASB accounting standards relating to corporate disclosure of future liabilities
- Unfair and deceptive practices among banks providing overdraft protection
- SEC disclosure requirements for the oil and gas sector

We also participated in comments on the recently issued OECD Pension Fund Governance guidelines, as part of our work with the Network for Sustainable Financial Markets (www.sustainablefinancialmarkets.net).

Forced Child Labor in Uzbekistan In 2007, the International Labor Rights Forum (ILRF) brought an alarming violation of children's rights to our attention. Every year, the government of Uzbekistan reportedly mobilizes hundreds of thousands of children — many from ten to fifteen years old — to harvest cotton by hand. Uzbekistan is the world's third largest exporter of cotton, and is ruled by a corrupt and repressive regime.

Can global companies trace the source of their cotton and influence conditions so far down their supply chain? This is a critical question, as forced and child labor is endemic to global cotton production. C&A, Levi Strauss, Limited Brands, Marks & Spencer, Target, Tesco, and other companies have already reportedly taken steps to exclude Uzbek cotton from their merchandise.

Domini is now working with the ILRF, the As You Sow Foundation, and a coalition of social investment firms and nonprofits to raise awareness and find solutions to Uzbekistan's bitter harvest. Our immediate goal is to encourage the Uzbek government to invite the International Labor Organization (ILO) into the country for a monitoring and assessment mission. We have met with State Department officials, and on behalf of investors with more than \$250 billion in assets we have sent letters to Uzbek President Karimov, the Secretary General of the ILO, and Secretary of State Condoleezza Rice. In August, trade associations representing close to 100% of all purchases of cotton products in the United States planned to meet with the Uzbek ambassador to express their deep concerns.

Our coalition is also working with other major companies to identify ways they can help to end this brutal practice. We have written to more than 100 companies around the world that produce or retail cotton-based products. As a result, companies are asking questions down their supply chain that were not asked before, and some are finding that it is indeed possible to trace the source of their cotton.

Domini Briefs U.S. Congress on Investing and Genocide On September 10, Domini briefed the Congressional Human Rights Caucus on what investors can do to address genocide and other crimes against humanity. Although we were the only financial services representative present at the briefing, we argued that our shareholders are not unique in refusing to profit from genocide, and that no law compels mutual funds to invest in companies that actively support genocidal regimes.

Diversity on Japanese Boards For many years, Domini has voted against board slates where the board does not contain at least one woman or minority. In Japan, women rarely serve as corporate directors. This quarter, we wrote letters to 33 Japanese companies explaining why we voted against their board.

Domini Honored for Influence on Corporate Governance and the Boardroom

Founder and CEO Amy Domini and Managing Director and General Counsel Adam Kanzer were included in *Directorship* magazine's Directorship 100 list, the magazine's annual listing of the most influential people on corporate governance and in the boardroom.

This year's list also includes congressman Barney Frank, Federal Reserve chair Ben Bernanke, Treasury Secretary Hank Paulson, and investors Carl Icahn and Warren Buffett. The complete article appears in the September 2008 issue of *Directorship* magazine (www.directorship.com).

2007 Highlights

ANNUAL ADVOCACY STATISTICS

| Action | 2006 | 2007 |
|--------------------------------|------------|------------|
| Resolutions Filed | 16 | 22 |
| Additional Dialogues | 35 | 34 |
| Additional Companies Contacted | 211 | 197 |
| TOTAL | 262 | 253 |



Domini Social Investments was among the winners of *Fast Company* magazine's fifth annual Social Capitalist Award, in the first year that for-profit companies were eligible for selection.

These awards recognize organizations and companies that use the tools of business to solve the world's most pressing social problems. (Winners were featured in the December/January 2008 issue of *Fast Company*, with expanded online coverage at www.fastcompany.com.)

As a shareholder in the Domini Funds, you make a difference in the world. Listed below are some of the ways that you made a difference in 2007. To read our quarterly Social Impact Updates and find out more about the shareholder advocacy efforts we conduct on your behalf, visit the Shareholder Activism section of our website, www.domini.com.

Sustainable Forestry: After two years of filing resolutions and engaging in dialogue with Kimberly-Clark over its forestry practices, in the second quarter of 2007 the company issued a new policy expressing preference for fiber certified by the Forest Stewardship Council. This sends an important signal to the marketplace from a very significant purchaser of wood fiber.

Rights for Shareholders: Domini took an active role in opposing ideas advanced by the Securities and Exchange Commission (SEC) that could have restricted or eliminated the right of shareholders to file non-binding resolutions. Our two Action Alerts on the subject generated more than 2,000 responses. Domini also submitted three comment letters, including one submitted on behalf of 47 institutional investors and service providers from ten countries — all signatories of the United Nations Principles for Responsible Investment — representing approximately \$1.4 trillion under management. Ultimately, the SEC decided — at least for now — to continue allowing shareholders to place important social, environmental, and governance issues onto corporate proxy ballots.

First Shareholder Resolution in Europe: Together with trade unions and employees of the British transportation company FirstGroup, Domini co-filed its first shareholder resolution in Europe. The resolution addressed allegations of anti-union activity at FirstGroup's U.S. schoolbus subsidiary, First Student. Domini's participation was critical in allowing the unions to meet the onerous British filing requirements.

Rights for Coffee Farmers: Despite its generally positive social and environmental record, Starbucks refused for more than a year to acknowledge the Ethiopian government's ownership of the valuable naming rights for its prime coffee-growing regions: Yirgacheffe, Sidamo, and Harar. Domini engaged with Starbucks on this issue, beginning in August 2006, and helped enable representatives of Oxfam and Ethiopian coffee farmers to ask questions at Starbucks' annual meeting. We were pleased that Starbucks agreed to sign a licensing agreement acknowledging Ethiopia's right to the names. According to Oxfam, this agreement will improve the lives of poor farmers by helping them capture a greater part of the retail price of the coffee they grow.

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 1-800-762-6814 to find out more.

The Domini Funds are 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 Funds' 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 1-800-582-6757 or online at www.domini.com. Please read it carefully before investing or sending money. DSIL Investment Services LLC, Distributor (DSILD). 12/08

YOUR DOLLARS AT WORK FOR CHANGE

Domini can help you bring about positive change in three ways: by applying social and environmental standards to our holdings, by engaging the companies we invest in, and by directing capital to communities where the need is greatest.

By creating and applying standards of corporate behavior, we encourage transparency, spur demand for more information, and reshape the way the world thinks about corporations and their role in our lives.

By writing letters, meeting directly with corporate management, filing shareholder resolutions, and actively voting our proxies, we make the voices of our shareholders heard on a wide range of issues.

And by investing in underserved communities, we help low-income people buy homes, start businesses, and revitalize their neighborhoods. Domini also speaks out on public policy issues where we believe we can bring a unique perspective as a socially responsible investment firm.