

## FOURTH QUARTER 2011



### New and Continuing Dialogues

Domini also engaged with the following companies during the quarter:

- **Hewlett-Packard, Juniper, and Qualcomm** (censorship and surveillance)
- **Kraft** (sustainable forestry)
- **Nucor** (follow-up on 2010 slavery agreement)
- **Toyota Motor\*** (joint investor letter regarding human rights and supply chain management)
- **Walt Disney** (international labor standards, general CSR issues)

### Human Rights

Domini is a founding board member of the **Global Network Initiative (GNI)**, a human rights organization dedicated to addressing threats to freedom of expression and privacy rights online and through telecommunication technologies. During the quarter, the GNI welcomed a new corporate member: **Websense**, a global provider of web, data, and email security software.

Our human rights proposal at **Cisco Systems** received a very strong 42.5% vote, the highest it has ever achieved. In addition, in response to a shareholder question prompted by our proposal, the CEO delivered a speech focused on human rights.

### Addressing the Impacts of Hydraulic Fracturing

During the quarter, the **Investor Environmental Health Network (IEHN)** and the **Interfaith Center on Corporate Responsibility (ICCR)** released *Extracting the Facts: An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations*, containing a set of key performance indicators and best management practices to guide natural gas companies engaged in hydraulic fracturing, a controversial but widespread process used to extract natural gas from underground shale deposits. The report is informed by dialogue with numerous natural gas companies. Domini provided edits and comments to the report throughout the quarter. We hope to be able to use this document as a dialogue tool with natural gas companies, and as a platform for improving both operational and disclosure practices of natural gas companies.

In 2011, we filed and withdrew a shareholder proposal on hydraulic fracturing with **Anadarko Petroleum**, after a productive dialogue. We participated in a call with the company to continue our discussion, and ultimately chose to join other social investors in submitting a new proposal with the company. We worked with other investors over the summer and into the fourth quarter to develop this new proposal, seeking a report on a variety of community impacts of hydraulic fracturing.

### Additional Engagements on the Environment

In 2004 and 2005, we were part of a small group of shareholders that convinced **JPMorgan Chase** to adopt a comprehensive environmental policy and to hire its first Director of Environmental Affairs. Over the years, we have stayed in touch with the company to receive updates on its progress. During the quarter, we met with the bank's new Director of Environmental Affairs, a former Chief Operating Officer of the environmental NGO, the World Resources Institute. We are hopeful that we have an opportunity to make a new start with Chase on environmental issues.

We also met with 3 NGOs during the quarter to discuss how we can support their work as investors: **Forest Footprint Disclosure Project**, **Greenpeace**, and **Corporate Accountability International**.

### Sustainable Stock Exchanges

Stock exchanges have an important role to play in improving corporate behavior. If a company wishes to have its stock traded on an exchange, it must comply with the exchange's "listing standards," which may, for example, require the company to adopt certain corporate governance policies, or disclose certain information to investors.

During the quarter, we met with **Deutsche Boerse (DB)**, the operator of the Frankfurt Stock Exchange, to discuss the role stock exchanges could be playing to advance sustainability, primarily through the adoption of listing standards requiring sustainability reporting, and *de-listing* standards for companies that commit egregious human rights violations. The meeting was coordinated by the **Investor Network on Climate Risk**, in anticipation of DB's acquisition of **NYSE Euronext** (the deal later fell through). The meeting was very productive, as DB is already committed to a number of sustainability initiatives, and has been in dialogue with European responsible investors on these topics. We are looking forward to continuing these discussions, and also covering derivatives risks and short-termism, topics briefly touched upon during this introductory meeting. We also signed on to a letter to **NYSE Euronext** from the Investor Network on Climate Risk.

## 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.

For the third year, we asked **Coca-Cola** to report on its response to the challenges presented by the use of bisphenol-A (BPA) in the lining of its aluminum beverage cans. Although the science is far from settled, BPA has been connected to a variety of health concerns, and a number of groups are seeking to ban its use.

We filed proposals with **Kraft**, **Lowe's**, and **RR Donnelley** seeking reports on their efforts to address their impacts on deforestation. We also continued our work on corporate political accountability, re-submitting proposals at **AT&T** and **JPMorgan Chase**. With the exception of **AT&T**, all of the companies listed above have agreed to discuss our concerns with us.

\*Johnson & Johnson and Toyota Motors were not approved for Domini's mutual fund portfolios.

As of June 30, 2012, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Anadarko Petroleum (<.01%), AT&T (0.7%), Cisco Systems (1.4%), Coca-Cola (0.7%), Hewlett-Packard (<.01%), JPMorgan Chase (0.3%), Kraft (<.01%), Lowe's (<.01%), Nucor (<.01%), RR Donnelley (0.2%), Walt Disney (<.01%). Websense was not held by any of the Domini Funds. The composition of the Funds' portfolios is subject to change.

## Public Health and Safety

In the wake of the earthquake, tsunami, and nuclear power plant disaster in Japan, Domini analysts have been communicating with Japanese food retail companies, including convenience stores, regarding radiation levels in food. We've expressed our concerns that the current provisional level of radiation standards is too high, and asked these companies to provide details of how they manage risks by proactively monitoring radiation levels in their supply chain. We are seeing a wide gap in practices, even among major retailers.

Domini analysts met with **Johnson & Johnson\*** to discuss their research and development plans, including clinical trials and strategies, and to discuss their quality control issues and management's response to these issues. The company was excluded from our portfolios in 2011 primarily as a result of a series of recalls, manufacturing deficiencies, and related problems.

## Public Policy

The **International Integrated Reporting Committee (IIRC)** issued a discussion paper on their approach to developing a framework for the integration of financial and sustainability reporting. We submitted lengthy comments, focusing on the importance of adopting a broad view of materiality and value creation, and expressing our concerns that the IIRC's current focus is too investor and issuer-focused with insufficient emphasis on the concerns of other shareholders. We also expressed concern about the IIRC's vision of human, natural, and social capital, arguing that society and the environment cannot be reduced to forms of capital.

Domini participated in a high-level stakeholder meeting on natural resources and peace building with the **United Nations Peace-Building Unit**. The meeting focused on how proper natural resource management could prevent conflict, using various case studies as well as presentations from companies, government, and civil society groups. Representatives from the Democratic Republic of the Congo and Nigeria also shared their views.

## Corporate Political Contributions

After communications from Domini seeking greater accountability and transparency in the **Walt Disney Company's** political spending, this quarter the company announced a new policy addressing our concerns. The company announced that it will begin full disclosure of its political contributions in early 2012. We had a conference call with the company to discuss the new policy and suggest some possible next steps and additional improvements.

In August, the **Committee on Disclosure of Corporate Political Spending**, a group of ten prominent law professors, submitted a petition to the Securities and Exchange Commission requesting a rule requiring corporations to disclose to shareholders the use of corporate resources for political activities. In response, Domini sent a letter to the SEC expressing our strong support, and laying out detailed recommendations. Our letter was signed by an international coalition of investment professionals representing more than \$690 billion in assets under management.

**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.

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