



Sustainability Reporting: What Gets Measured Gets Managed

INVESTING FOR GOOD™
www.domini.com

SUSTAINABLE STOCK EXCHANGES

Stock exchanges play a unique role in the capital markets. Although they are generally publicly traded companies themselves, they also perform a regulatory function in setting detailed “listing standards” – basic requirements a company must meet to trade on an exchange. Some exchanges, such as the Johannesburg Stock Exchange, have established rigorous sustainability standards, ensuring that any member company produce detailed sustainability reports. The time has come for a global sustainability reporting standard that all stock exchanges can adopt. Domini is pleased to participate on a drafting committee coordinated by the Investor Network on Climate Risk to produce a *draft listing standard* on corporate sustainability reporting. The draft standard is being prepared in response to a request from the NASDAQ OMX exchange for presentation to the World Federation of Exchanges, an association of the world’s stock exchanges. During the quarter, the drafting committee reported its recommendations in the form of a white paper that is now open for public investor comment (Visit ceres.org to read the paper). The comment period will close on May 1, at which point the drafting committee will regroup to address any comments received and produce a final recommendation for NASDAQ.

Domini is also pleased to participate in the *Sustainability Accounting Standards Board* (SASB), with executives on the board and advisory council, and through our participation in SASB expert working groups. SASB is a new organization seeking to create specific sustainability indicators for use by publicly traded corporations in their SEC filings. SASB’s work should help investors obtain a better understanding of each company’s sustainability performance and more easily compare companies to their peers. This quarter, Shin Furuya, one of Domini’s lead research analysts, participated in SASB’s Financial Sector Expert Working Group Structural Engagement to identify potential key performance indicators for the finance sector, including commercial banking and mortgage financiers.

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 we filed this year:

Company	Issue
AT&T	Corporate Political Contributions
JPMorgan Chase	Corporate Political Contributions (<i>withdrawn</i>)
Mondelez International (formerly, Kraft)	Sustainable Forestry
PNC Financial Services Group*	Climate Change Risks
US Bancorp	Impacts of Payday Lending (<i>withdrawn</i>)
Verizon*	Political Lobbying Disclosure

*Domini is playing a supporting role in these engagements.

Payday Lending

After dialogue with company executives, we chose to withdraw our shareholder proposal at *US Bancorp* addressing the community impacts of the bank’s “checking account advance” program, a payday lending service. The bank has agreed to continue dialogue with us and to improve public disclosure of its efforts to mitigate potential risks to consumers.

ENVIRONMENTAL ENGAGEMENTS

Putting Climate Change on the Agenda

Domini does not invest in coal companies, but we may be able to have an influence on that industry through its bankers. We were pleased to join Boston Common Asset Management in filing an important proposal with *PNC Financial Services* to address the climate impact of the bank’s financial services, including its lending to coal companies. At PNC’s annual shareholder meeting on April 23, our proposal received a vote of 22.8%, an extremely strong vote for a first-time resolution. We look forward to continuing our dialogue with PNC, where we have been stressing our serious concerns about greenhouse gas emissions produced by the burning of coal, as well as the damaging effects of mountaintop removal coal mining.

“Activist investors have succeeded for the first time in placing a shareholder resolution on the risks of greenhouse-gas emissions up for a vote at a major bank, a step toward making climate change an important consideration for corporations.”

- Los Angeles Times

Lead Paint and Pesticides

When we work in coalition with other investors, we can often magnify our impact. This quarter, we signed investor letters to *Target*, seeking disclosure of the company’s strategies to mitigate pesticide risks, and to *PPG Industries*, to address allegations that a company subsidiary in Cameroon had been producing lead paints for residential applications that, in some cases, exceeded 50 percent by weight.

(continued on reverse)



New & Continuing Dialogues

In addition to those discussed in this Update, we also engaged with the following companies during the quarter on these issues:

Apache <i>Chemicals used in hydraulic fracturing operations</i>
Atlas COPCO (of Sweden) <i>Human rights</i>
Coach <i>Supply chain labor standards</i>
Gap <i>Sustainability reporting</i>
JPMorgan Chase <i>Environmental policies</i>
Toshiba, Sumitomo Mitsui Trust Holdings, & Family Dollar Stores <i>General sustainability performance</i>

Public Policy Advocacy

This quarter, at the request of Global Witness, we sent a [letter to UK Prime Minister David Cameron](#), strongly endorsing his statement that the UK will use its presidency of the G8 to push for public disclosure of the beneficial owners of companies. Hidden company ownership of 'shell companies' is a significant problem that facilitates bribery, corruption, tax evasion and money-laundering.

We also joined the New Rules for Global Finance Coalition in urging Congress to pass [International Monetary Fund reforms](#), which would move one of the world's most powerful economic institutions a step towards more democratic governance with a potentially stronger voice for developing nations.

As of March 31, 2013, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Apache (2.90%), AT&T (0.37%), Coach (0.43%), Gap (1.27%), JPMorgan Chase (1.83%), Mondelez International (<.01%), PNC Financial Services Group (<.01%), PPG Industries (0.42%), Target (<.01%), US Bancorp (<.01%), and Verizon Communications (0.77%). Atlas COPCO represented 0.01% of the Domini International Social Equity Fund's portfolio. Family Dollar Stores and Sumitomo Mitsui Trust Holdings were not held by any of the Domini Funds. Toshiba was not approved for Domini's mutual fund portfolios. The composition of the Funds' portfolios is subject to change.

HUMAN RIGHTS AND DEMOCRATIC REFORM IN BURMA

In the wake of important democratic reforms in *Burma*, and the lifting of economic sanctions, the U.S. State Department began work on a set of reporting requirements to ensure that companies doing business in Burma disclose sufficient information to allow the US government to evaluate their impact on human rights and further democratic reforms. Last October, we sent a letter to the State Department with a series of detailed comments on these proposed reporting requirements. We were pleased to see that the State Department adopted at least two of our recommendations, including a reference to international human rights instruments and our suggestion to require companies that lack human rights due diligence policies to explain why they do not have these policies in place. Our most important concerns regarding public transparency, however, were not addressed. This quarter, we continued to work in coalition with other investors on a follow-up letter to the State Department from the Conflict Risk Network, which Domini signed. We were then one of the leading institutions inviting other investors to sign the letter through the United Nations Principles for Responsible Investment (PRI) network.

JPMORGAN CHASE AND AT&T MOVE TOWARD GREATER POLITICAL ACCOUNTABILITY

Disclosure is a bedrock principle of both our capital markets and our democracy. Neither can function properly without it. For the past ten years, we have devoted significant attention to the systemic risk of corporate political spending – the use of corporate funds to influence the outcome of elections.

Since 2009, we have been actively engaged with *JPMorgan Chase* to encourage full disclosure and effective board oversight of the bank's political spending. This quarter, after discussions with Domini, the bank completed a series of important changes to its political spending policies, effectively withdrawing from electoral politics. The bank's new policies prohibit the use of corporate treasury funds for any electoral activities – directly or indirectly (through trade associations, for example) – including political advertising. The bank may still finance ballot initiatives and may engage in certain electoral activities through its employee-funded Political Action Committee. This spending will be fully disclosed. As a result of these significant policy commitments, we withdrew our shareholder proposal.

After several years of receiving shareholder proposals from Domini, *AT&T* has taken an important step towards full political transparency and accountability. After a strong shareholder vote on our proposal last year, and dialogue with Domini, AT&T has begun complete disclosure of its direct political contributions, including payments to a variety of political organizations. The company stopped short of our request, however, by not disclosing its payments to trade associations – increasingly important players in electoral politics – and we therefore chose to leave our proposal on the ballot. We look forward to continuing our dialogue.

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. Investing internationally involves special risks, such as currency fluctuations, social and economic instability, differing securities regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity. 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.