



Third Quarter 2013

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PESTICIDES AND THE PLIGHT OF THE HONEYBEE

A recent *Time Magazine* cover story envisioned “A World Without Bees.” One third of U.S. honeybee colonies died or disappeared last winter, a 42% increase over the year before and well above the normal 10-15% losses. This alarming trend has been dubbed “Colony Collapse Disorder” (CCD), a global syndrome that is killing off honeybees in alarming numbers.

Why should investors worry about honeybees? Honeybees are the most economically important pollinators globally, and bee die-offs attributed to CCD pose serious threats to our food supply. According to the US Department of Agriculture, “Bee pollination is responsible for more than \$15 billion in increased crop value each year” and “[a]bout one mouthful in three in our diet directly or indirectly benefits from honeybee pollination.” The USDA warns that if losses continue at current levels, “it could threaten the economic viability of the bee pollination industry. Honeybees would not disappear entirely, but the cost of honeybee pollination services would rise, and those increased costs would ultimately be passed on to consumers through higher food costs.” Crops dependent upon honeybees include almonds, blueberries, apples, lemons, zucchini – the list goes on. Honeybees provide an invaluable service that has no substitute. As *Time Magazine* warned, “eliminate the honeybee and agriculture would be permanently diminished.” Other pollinators, including bumblebees, are also at risk.

Although the causes of this ongoing crisis remain unknown, recent studies show that even low doses of exposure to the class of pesticides called neonicotinoids (or “neonics”) undermine bee immunity against pathogens and impair critical brain functions, and may be a contributing factor to CCD. The European Union has taken steps to ban certain neonics, and the EPA has issued warning labels.

As diversified investors, the Domini Funds hold shares in companies dependent on pollinators at several points in their supply chains. Working with other concerned investors, we sent letters to food producers, retailers and home improvement retailers who sell pesticides, including *Mondelez* and *Lowe’s*, where we are taking a lead role. *Lowe’s* sells neonicotinoid-based pesticides and has been targeted by a Friends of the Earth campaign on this issue. We also spoke with *Campbell’s* about their approach to pesticide use in their supply chain. We will be encouraging companies to review the science and the risks of neonicotinoids and other pesticides to pollinators, and to act accordingly.

BANGLADESH: APPAREL FACTORY FIRE AND SAFETY

Domini is helping to coordinate a global investor response to the Rana Plaza factory collapse – a tragedy that has brought an overdue sense of urgency to long-standing fire and safety issues in Bangladeshi apparel factories. During the quarter, the investor coalition wrote to 23 companies, including *Coach*, *L Brands* (formerly *Limited Brands*), and *Nike*.

In 2004, Domini helped convince *Gap* to publish its first public report detailing its efforts to improve working conditions in its global supply chain. We have advised the company on each of its successive reports as a member of its Public Reporting Working Group (PRWG).

As a mark of the trust and respect that has developed between us, each year the company has provided space in its report for a statement from the PRWG. The content of the statement is determined entirely by the PRWG, and is published unedited. This year, we chose to use our statement to commend *Gap* for its efforts to improve labor conditions in its

A Seat at the Table

For the past several years, we have participated in an annual meeting with the CEO of **Apache**, an oil and gas company. This year’s investor meeting was a wide-ranging candid discussion covering climate change, human rights, chemical usage in fracking operations, methane emissions, and public policy.

New & Continuing Dialogues

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

Atlas Copco (Sweden) Human rights
Costco Sustainable seafood
Gap Bangladesh
Microsoft Tax avoidance
MTN (South Africa; Telecommunications) Freedom of expression and privacy rights
Nucor Human rights
The Walt Disney Co. International labor standards program

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Supporting Universal Human Dignity

Domini signed a letter to the Board of **FedEx***, the owner of the Washington Redskins, urging the company to re-evaluate its business relationship due to the profoundly insulting nature of the team name. The letter was coordinated by a group of social investment firms and Native American organizations.

supplier factories, but also to respond to the company's decision not to join the multi-stakeholder Accord on Fire and Safety:

"We are disappointed in Gap Inc.'s decision not to participate in the Accord on Fire and Safety in Bangladesh, which includes the participation of all key stakeholders, and to help organize a parallel effort which has weaker accountability mechanisms and no trade union participation—the Alliance for Bangladesh Worker Safety. In the coming months, we will look to Gap Inc. to bring to bear its resources, extensive experience of engagement with stakeholders—especially workers—and significant expertise to set high standards and work collaboratively with the Accord to bring about needed change." (Excerpt from PRWG statement. Full statement available at gapinc.com/socialresponsibility)

PUBLIC POLICY ADVOCACY

SUSTAINABILITY REPORTING: The United Nations is currently working on a set of "Sustainable Development Goals" to succeed the Millennium Development Goals. In September, Domini participated in meetings with *UN Ambassadors* representing Hungary, India, New Zealand, Denmark and Canada to advocate for the inclusion of corporate sustainability reporting in this new set of goals, a mechanism to help ensure that the private sector does its part to alleviate global poverty and environmental degradation.

CORPORATE POLITICAL TRANSPARENCY: Domini was pleased to have the opportunity to meet with SEC Chair Mary Jo White to discuss the need for a rule requiring corporations to disclose their political contributions. We believe this rule will help address political corruption, conflicts of interest and systemic risk caused by unaccountable corporate political spending.

FREEDOM OF EXPRESSION AND PRIVACY: In the wake of continuing revelations of widespread National Security Agency (NSA) surveillance, we signed a letter asking the Senate and House Judiciary Committees to consider legislation that would provide greater *transparency around national security-related requests by the US government* to Internet, telephone, and other companies for information about their users. Corporate signatories included AOL,* Apple, Google, Microsoft, Twitter* and Yahoo.

We also signed letters regarding the start of the annual *cotton harvest in Uzbekistan*, noting the continuing widespread use of forced adult and child labor, and a letter supporting new EPA regulations to address *carbon pollution from power plants*.

We were also pleased to publicly endorse *Oxfam's "Behind the Brands"* campaign, which focuses on the agricultural supply chain practices of the world's ten largest food and beverage companies, and plan to raise these issues with a number of companies next quarter.

*FedEx and AOL are not approved for Domini's mutual fund portfolios. Twitter was not publicly traded during the quarter and therefore was ineligible for investment.

As of September 30, 2013, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Apache (2.90%), Apple (1.64%), Coach (<.01%), Costco (<.01%), Gap (1.09%), Google (0.46%), L Brands (<.01%), Lowe's (<.01%), Microsoft (3.94%), Mondelez International (<.01%), Nike (<.01%), Nucor (<.01%), The Walt Disney Company (<.01%), and Yahoo (1.37%). These companies represented the following percentages of the Domini International Social Equity Fund's portfolio: Atlas Copco (0.01%) and MTN (0.91%). Campbell Soup was not held by any of the Domini Funds. The composition of the Funds' portfolios is subject to change.

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.

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