



FIRST QUARTER 2006

Being Heard at the Top: We are often asked whether socially responsible investing really makes a difference. Domini's recent meetings with the CEOs of **Coca-Cola** and **Merck** are clear evidence that the concerns of social investors are being heard at the top of major corporations.

Coca-Cola (Coke) has been accused of draining aquifers in a drought-stricken region of India, and of complicity in the deaths of trade unionists at an independent bottling facility in Colombia. Working with a small group of investors affiliated with the Interfaith Center on Corporate Responsibility, we have been in regular dialogue with Coke officials to discuss the development of a meaningful human rights policy. In a productive discussion with Neville Isdell, Coke's new CEO, we expressed our desire to see the company address human rights issues in a systemic fashion, as it is doing with its response to water scarcity issues, and to report more openly on the real challenges the company faces doing business in violent countries like Colombia.

Another productive meeting, with the CEO and executive committee of Merck, followed a shareholder resolution we co-filed last year, calling on the company to disclose its political contributions. We have begun a structured dialogue on that subject with the company.

Domini Resolutions Survive Challenges: Each year, companies seek permission from the Securities and Exchange Commission to remove resolutions proposed by their shareholders from the proxy statements they issue. This year, four of our 19 resolutions were challenged, by **AT&T**, **Kimberly-Clark**, **Lowe's**, and **Wendy's**.

Three of these companies claimed they already fulfilled our requests: Kimberly-Clark and Lowe's by reporting on the sourcing of wood products, and Wendy's by reporting on its social and environmental performance. We argued successfully that these reports were not detailed and complete enough to satisfy our requests, and our resolutions survived to be voted on by all shareholders. AT&T meanwhile sought to disqualify our resolution regarding political contributions on technical grounds, but was turned down.

Domini Rated "Most Activist": In 2001, Domini petitioned the SEC for the rule that now requires mutual funds to disclose their proxy votes. In January 2006, The Corporate Library, a respected information resource on corporate governance, issued the most comprehensive analysis of mutual fund proxy voting activity since the adoption of the rule, looking at two years of voting activity for 45 mutual fund families.

Domini was one of four fund families considered "most activist," meaning that we were least likely to support management, and most likely to support shareholder resolutions on corporate governance and social and environmental issues. By contrast, the report listed 11 mainstream fund families — including some of the largest in the country — that did not support a single shareholder resolution addressing a social or environmental issue.

*We did not hold BP or Novo Nordisk in any of our portfolios as of March 31, 2006.

The following institutions are leading the campaigns noted above: Anadarko (Trillium Asset Management), Chubb Insurance (Walden Asset Management), Coca-Cola & JPMorgan Chase (Christian Brothers Investment Services), Illinois Tool Works (F&C Asset Management), Merck (co-lead with Trillium. Last year's proposal was co-filed with the Nathan Cummings Foundation).

New and Continuing Dialogues

Discussions continued with **Apple** (overseas labor standards), **Dell Computer** (energy use, recycling, and overseas labor standards), **Disney** (global labor standards), **Hewlett-Packard** (takeback and recycling metrics), **JPMorgan Chase** (environmental practices), **Microsoft** (Internet censorship in China), **PepsiCo** (recycling and water use), and **Procter & Gamble** (Fair Trade coffee). We also met with **BP*** (corporate social responsibility performance) and **Novo Nordisk*** (public reporting).

We withdrew three resolutions after reaching agreement with **Chubb Insurance** and **Illinois Tool Works** (sustainability reporting) and **Anadarko** (climate change). We continue to discuss our climate change resolution with **Devon Energy**.

The **Global Reporting Initiative**, the world's leading reporting format for corporate sustainability reports, is in the process of developing the next generation of its report format. Domini submitted extensive comments on the new format, covering environmental, human rights and labor issues, and corporate political accountability.



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. Select "Shareholder Activism."

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.)

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.)

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 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. Please read it carefully before investing or sending money. DSIL Investment Services LLC, Distributor (DSILD).

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ANNUAL ADVOCACY STATISTICS

Action	2004	2005
Resolutions Filed*	20	20
Additional Dialogues	30	22
Additional Companies Contacted	25	2
TOTAL**	75†	44
% of Domini Social Index Trust by Market Cap††	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.