



SECOND QUARTER 2004

The second quarter of 2004 was dominated by issues revolving around the international trade in textiles and clothing, and its impact on the lives of workers.

GLOBAL LABOR STANDARDS

The clothing we wear is manufactured in factories around the world, and supplied to companies like **Gap** and Wal-Mart through complex global supply chains. Many reports have surfaced about sweatshop conditions in these facilities, yet few U.S. companies are willing to discuss how their products are made, and there is no generally accepted way for companies to report this information.

In May 2004, Gap Inc. set a high bar for the rest of the clothing industry when it released its first Social Responsibility Report. The report, which includes much information that other companies have been unwilling to reveal, represents the first time that a clothing retailer has publicly rated the way the factories in its global supply chain treat their workers.

Gap's report (available at www.gapinc.com) was the result of two years of dialogue between the company and a group of five socially responsible investors including Domini Social Investments, the As You Sow Foundation, the Calvert Group, the Interfaith Center on Corporate Responsibility (ICCR), and the Center for Reflection, Education and Action (CREA).

The report received global press coverage, almost uniformly positive. It was front-page news in the *Wall Street Journal*, which commented that the report was a "dramatic change in strategy" for the company, but that it might represent a "deft strategic move." The report may already be having an impact on other companies. According to the *Journal*, a spokesperson for Wal-Mart said his company is giving "serious consideration" to the best way to compile information on factory conditions.

GLOBAL POVERTY AND TRADE

Thousands of apparel factories are expected to close and millions of workers could lose their jobs when an international treaty called the Multifiber Arrangement (MFA) expires at the end of this year.

Since 1974, under the MFA, exports from developing countries to developed countries have been regulated by quotas that are negotiated on a country by country basis. With the expiration of the MFA, poor countries like Bangladesh that have benefited from these quotas will be forced to compete with producers elsewhere — especially China.

Domini wrote to 20 companies in our portfolio that we believe will be affected by the treaty expiration, asking for detailed information on how they plan to respond to the end of the MFA, and urging them to consider the human effects of their decisions. We are working closely with the Interfaith Center on Corporate Responsibility on this project.

For more information about our shareholder advocacy work, including a complete chart of all shareholder proposals filed and access to our current proxy voting decisions, please visit www.domini.com and select Shareholder Advocacy.

*Social investors often collaborate with others on these campaigns. The following institutions are leading the campaigns noted above: Apache (Boston Common Asset Management), Anadarko (Trillium Asset Management), Merck (Nathan Cummings Foundation), Amgen (Walden Asset Management).

Your Dollars at Work for Change

We engage the companies held in our portfolio by writing letters, filing shareholder resolutions, and meeting directly with corporate management to discuss issues of concern. We also speak out on public policy issues where we believe we can bring a unique perspective as a socially responsible investment firm.

Domini filed 22 shareholder resolutions to be voted on in 2004. Eleven were withdrawn when companies agreed to do what the resolution requested, or to meet us partway.

In addition to the resolutions discussed on this page, the following resolutions filed by Domini* received the following votes, all high enough to be refiled next year:

Amgen (<i>diversity disclosure</i>)	14%
Anadarko (<i>climate change</i>)	28%**
Apache (<i>climate change</i>)	37%**
Avon (<i>product safety</i>)	8.7%
Merck (<i>political contributions</i>)	10.4%
PepsiAmericas (<i>recycling</i>)	5.4%

** The two highest votes ever received for a shareholder resolution addressing climate change.

2003 Highlights

In 2003, Domini engaged companies making up 36% of the market capitalization of the Domini Social Equity Fund's portfolio on at least one social or environmental issue.

2003 ADVOCACY STATISTICS

Shareholder Resolutions Filed	26*
Additional Dialogues	10
Letters to Companies	25
TOTAL	61**

*Includes resolutions coming to a vote in 2004.

**Includes shareholder resolution filing, letter writing, or meeting(s) with company officials. Proxy voting and related correspondence is not included.

SHAREHOLDER ADVOCACY

Fair Trade Coffee: In recent years, overproduction and falling prices have led to a crisis in the coffee market, leaving millions of farmers unable to feed, clothe, and educate their families. The Fair Trade certification system helps to alleviate poverty and suffering by guaranteeing farmers a minimum price of \$1.26 per pound, far above current market levels. In September, after months of dialogue with an investor group co-led by Domini, **Procter & Gamble** offered its first line of Fair Trade Certified® coffee.

Women's Health: Despite the epidemic of breast cancer among American women, there is still insufficient understanding of its causes. At **Avon**, Domini sponsored the first shareholder resolution ever filed regarding parabens, chemicals found in cosmetics that may be implicated in breast cancer.

PUBLIC POLICY

Proxy Voting Transparency: Do you know how your mutual fund is voting? Domini has been disclosing its proxy voting guidelines since 1992, and its actual votes since 1999. In response to separate petitions from Domini, the AFL-CIO, and the Teamsters union, the Securities and Exchange Commission ruled that all mutual funds must disclose their proxy voting policies, procedures, and actual votes.

Corporate Free Speech Rights: When California activist Marc Kasky tried to hold Nike accountable for statements about its use of sweatshop labor, the company claimed these statements were protected as "noncommercial" or "political" speech. Domini filed an amicus brief with the U.S. Supreme Court, supporting Kasky and arguing that Nike's position threatens investors' ability to obtain information from corporations on a timely and accurate basis.

A New Forum for Dialogue: Domini Chief Investment Officer Steve Lydenberg helped launch the Institute for Responsible Investment, an affiliate of The Center for Corporate Citizenship at Boston College. The Institute provides a platform for dialogue on fundamental issues and theories underlying socially responsible investing and corporate citizenship. Visit www.bc.edu/centers/ccf/Pages/cv_iri.html.

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 criteria 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 1-800-582-6757 or online at www.domini.com. Please read it carefully before investing or sending money. DSIL Investment Services LLC, Distributor (DSILD). DSILD and Domini Social Investments are not affiliated with the Institute for Responsible Investment or Boston College. 10/04