



SECOND QUARTER 2007

New and Continuing Dialogues: During the second quarter, we met with 12 companies, including **Chubb** and **Gap Inc.** on sustainability reporting. We wrote to five additional companies — including **Black & Decker**, about the company's use of PVC packaging. We filed a resolution on Internet censorship with **Cisco Systems** for the fourth year in a row, and withdrew shareholder resolutions filed with two other companies, including a resolution with **Procter & Gamble** regarding forestry practices.

Our shareholder resolution filed with **Xerox** regarding labor standards received a vote of 7.6% at the company's annual meeting in May. The resolution sought a code of conduct for Xerox's supply chain that would be consistent with the core conventions of the International Labor Organization.

Protecting Shareholders' Voices: Domini is working to protect the fundamental right of investors to influence the policies of companies they own. Shareholder resolutions are one of our most important tools for changing corporate behavior. While many resolutions on environmental, social, and governance issues don't win a majority — partially because the largest mutual fund companies routinely vote with management — they often compel companies to pay attention to issues that matter.

Domini, on behalf of our investors, has filed or co-filed about 150 resolutions since 1994, and voted in favor of hundreds more — helping us convince companies to report greenhouse gas emissions, publish sustainability reports, disclose political contributions, prohibit discrimination against gay and lesbian employees, and more.

In late July, a sharply divided SEC proposed two rules governing the nomination of corporate directors. In addition, the Commission raised a number of questions that could significantly impair shareholders' ability to file shareholder resolutions if they should become a formal rule. More than 400 people had already responded to a Domini Action Alert in defense of shareholder rights, and the SEC referred to these comments in a footnote to its proposal. We continue to work with our colleagues around the world to protect these critical tools for corporate accountability. Check www.domini.com for up-to-date information, and for further opportunities to join us in this historic effort.

Starbucks Acknowledges Ethiopian Rights: In our last Social Impact Update, we reported on Starbucks' high-profile dispute with the Ethiopian government, and our efforts to convince Starbucks to come to an amicable agreement with the Ethiopians. For more than a year, Starbucks refused to acknowledge the country's ownership of the names of its prime coffee-growing regions: Yirgacheffe, Sidamo, and Harar. We are pleased to announce that Starbucks has signed a licensing agreement acknowledging Ethiopian rights to these names.

“With this agreement,” according to Oxfam America's president, “Ethiopians can build the value of their coffees and farmers can capture a greater share of the retail price. This should help improve the lives of millions of poor farmers, allowing them to send their children to school and access healthcare.”

Gender Diversity in Japan: Japanese companies have been slow to offer opportunities to women. While surveys have indicated that 86% of U.S. Fortune 500 companies have at least one woman on the board of directors, only 3% of Japanese companies do. In the second quarter, Domini used our funds' proxy voting rights to let Japanese companies know that gender diversity matters. Our proxy voting guidelines require that when a company has an all-male board, we vote against the entire slate of directors. Among the 46 Japanese companies that we held, we voted against the board slate of all but one (**Sony**, which has one woman on its board).

FIRST SHAREHOLDER RESOLUTION IN EUROPE

During the second quarter, we co-filed our first shareholder resolution in Europe, with the British transportation company **FirstGroup**. The proposal was filed to address allegations of anti-union activity at its U.S. schoolbus company, **First Student**.

The proposal was co-filed along with the International Brotherhood of Teamsters, the Service Employees International Union, and more than 140 FirstGroup employees, on behalf of both the Domini European Social Equity Fund and Domini EuroPacific Social Equity Fund, each of which held stock in FirstGroup. Domini's participation was critical in allowing the unions to meet the onerous British filing requirements. We attended a meeting in London with FirstGroup's CEO and chairman to discuss these issues, and we continue to engage in dialogue with the company on this issue.



2006 Highlights

ANNUAL ADVOCACY STATISTICS

Action	2005	2006
Resolutions Filed*	20	16
Additional Dialogues	22	35
Additional Companies Contacted	2	211
TOTAL**	44	262

* Count includes proposals filed during the calendar year for the following year's proxy season.

** Includes filing of a shareholder proposal, 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.

UPDATE: SUSTAINABLE FORESTRY

After two years of filing resolutions and engaging in dialogue with **Kimberly-Clark** over its forestry practices, in the second quarter of 2007 the company issued a new policy expressing preference for fiber certified by the Forest Stewardship Council. This sends an important signal to the marketplace from a very significant purchaser of wood fiber.

As a shareholder in the Domini Funds, you make a difference in the world. Below are highlights of how you made a difference in 2006. To read our quarterly Social Impact Updates and find out more about the shareholder advocacy efforts we conduct on your behalf, visit the Shareholder Activism section of our website, www.domini.com.

"Most Activist": Domini was one of four mutual fund families rated "most activist" by The Corporate Library, a respected information resource on corporate governance. This meant we were least likely to support management, and most likely to support shareholder resolutions on corporate governance and social and environmental issues in our proxy voting. (Interested in how your other mutual fund companies rated? See www.fundvotes.com.)

Human Rights: Coca-Cola has been accused of draining aquifers in a drought-stricken region of India, and of complicity in the deaths of trade unionists in Colombia. As part of our ongoing dialogue, we met with Coke's new CEO and asked the company to address human rights in a more comprehensive way.

Freedom of Expression and the Internet: Domini achieved a significant vote of 29% for a resolution calling on Cisco Systems to report on its involvement with repressive regimes seeking to "balkanize" the Internet through censorship. Domini also joined a multi-stakeholder group working to address violations of fundamental human rights, including freedom of expression and privacy. The group includes **Microsoft**, **Google**, **Vodafone**, and **Yahoo!** in addition to a range of human rights groups and academics.

Climate Change: Following a shareholder resolution filed (and later withdrawn) by Domini, **Devon Energy** committed to measure and publicly report its greenhouse gas emissions. As part of this agreement, Domini also hosted a meeting with Devon's president. Devon is the largest U.S.-based independent oil and gas producer. Working with the Carbon Disclosure Project, we wrote to more than 200 U.S. and European companies asking them to disclose their greenhouse gas emissions and climate change policies.

Forestry Practices: After discussions with Domini, **Kimberly-Clark** commissioned a study to evaluate the feasibility of phasing out its use of wood fiber from sources not certified by the Forest Stewardship Council (FSC). Also following discussions with us, **Limited Brands**, the parent company of Victoria's Secret, agreed with the nonprofit ForestEthics that it would use more wood certified by the FSC, increase the recycled content of its paper, and reduce the use of paper in catalogs.

ABOUT DOMINI SOCIAL INVESTMENTS Domini Social Investments manages more than \$1.6 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. Visit www.domini.com or call 1-800-762-6814 to find out more.

The Domini Funds are subject to market risks and are 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 Funds' 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). 08/07

YOUR DOLLARS AT WORK FOR CHANGE

Domini can help you bring about positive change in three ways: by applying social and environmental standards to our holdings, by engaging the companies we invest in, and by directing capital to communities where the need is greatest. Domini also speaks out on public policy issues where we believe we can bring a unique perspective as a socially responsible investment firm.

By creating and applying standards of corporate behavior, we encourage transparency, spur demand for more information, and reshape the way the world thinks about corporations and their role in our lives.

By writing letters, meeting directly with corporate management, filing shareholder resolutions, and actively voting our proxies, we make the voices of our shareholders heard on a wide range of issues.

And by investing in underserved communities, we help low-income people buy homes, start businesses, and revitalize their neighborhoods.