



### 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.

For more information about our shareholder advocacy work, including ongoing dialogues, please visit [www.domini.com](http://www.domini.com) and select "Shareholder Advocacy."

Every year, we draft and file "shareholder resolutions" to appear on corporate proxy statements in the spring. Each resolution presents an important social or environmental issue, and seeks approval from the company's shareholders for a new policy, or a report. We filed a total of 20 resolutions in 2004, addressing issues from global warming and labor rights to cosmetic safety and corporate political influence (see chart below).

### Corporate Political Contributions

Do you give money to political organizations? The corporations you invest in, either directly or through a mutual fund, are financing dozens of political causes and organizations. Some you may agree with. Some you may not. We believe you have a right to know how the companies you own are spending their funds to influence the political system. Technically, it is your money.

Disclosure of corporate contributions may help warn shareholders when their company is relying too heavily on political influence to advance its goals. (Enron is a notorious example.) In some cases, if you follow the money from one political organization to the next, corporations are indirectly financing radical political causes that the corporation, its shareholders, and its customers may not support.

Despite significant risks — to shareholder value and to the integrity of our political system — data on corporate political contributions remains extremely difficult to obtain. The fact is, even the corporations themselves don't always know where the money ends up.

We filed shareholder resolutions that address this problem with three of the "Baby Bell" telecommunications companies — **BellSouth**, **SBC**, and **Verizon** — as well as with the pharmaceutical company **Merck**.<sup>\*</sup> Each resolution asks the company to disclose its political contributions, the business purpose of each contribution, and the individuals responsible for making these decisions. We are working with the Center for Political Accountability on this campaign.

Additional resolutions filed for the 2005 proxy season are summarized below (some may have been withdrawn by the time this piece went to press).

ISSUE	COMPANY	PROPOSAL REQUEST
<i>Global Warming</i>	Apache* Anadarko*	Produce a climate change report.
<i>Recycling</i>	PepsiCo* PepsiAmericas	Report on recycling strategies.
<i>Global Labor Standards</i>	Apple Computer	Report on measures taken to protect labor rights at supplier factories.
<i>Land Use by Big-Box Retailers</i>	Costco*	Adopt a land procurement policy that incorporates social and environmental factors and solicits input from local communities.
<i>Women's Health</i>	Avon	Reformulate its products to meet new European Union cosmetic safety standards.
<i>Executive Compensation</i>	AT&T	Request shareholder approval of executive retirement plans that are proportionally more generous than those for other employees.
<i>Sustainability Reporting</i>	Wendy's	Report on the company's social and environmental performance.
<i>Diversity</i>	Dana* Emerson Electric	Amend corporate policies to prohibit discrimination based on sexual orientation.
	Home Depot* Amgen*	Disclose Equal Employment Opportunity data.

<sup>\*</sup>Social investors often collaborate with others on these campaigns. The following institutions are leading the initiatives noted above: Amgen, Home Depot, and PepsiCo (Walden Asset Management), Anadarko (Trillium Asset Management), Apache (Boston Common Asset Management), Costco (Christian Brothers Investment Services), Dana (New York City Employee Retirement System), and Merck (Nathan Cummings Foundation).

# 2004 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 2004. To read our quarterly Social Impact Updates and find out more about the shareholder advocacy efforts we conduct on your behalf, visit the Shareholder Advocacy section of our website, [www.domini.com](http://www.domini.com), and select “Current Work.”

## ANNUAL ADVOCACY STATISTICS

Action	2003	2004
Resolutions Filed	26	20
Additional Companies	35	55
<b>TOTAL*</b>	<b>61</b>	<b>75</b>
% of Domini Social Index Portfolio**	36%	43%

\*Includes filing of a shareholder resolution, correspondence with the company, or at least one teleconference or meeting with company officials. Proxy voting and related correspondence is not included.

\*\*Based on market capitalization of companies in the portfolio as of December 31, 2004. Does not include companies removed from the Portfolio during the period.

## CORPORATE ENGAGEMENT

**Global Labor Standards:** In May 2004, **Gap Inc.** released its first Social Responsibility Report, after two years of dialogue between the company and a coalition of socially responsible investors including Domini Social Investments. This report, which focuses largely on labor standards in the factories that make Gap products, set new standards of transparency for the apparel industry. Even Gap’s critics praised the company for its frank discussion of factory work conditions. The company plans to update the report annually in the future.

**Global Poverty and Trade:** From 1974 through 2004, developing countries benefited from quotas on exports to developed countries under an international treaty called the Multifiber Arrangement (MFA). The expiration of the treaty could create a significant humanitarian crisis. We wrote to 20 companies in our portfolio, asking how they plan to respond to the new quota-free environment, and urging them to consider the human effects of their decisions.

**Diversity:** **Masco**, **OGE Energy**, and **NiSource** agreed to amend their corporate policies to prohibit discrimination based on sexual orientation.

**Corporate Political Contributions:** **Time Warner** and **Tribune** agreed to disclose information on their websites regarding their political contributions. Time Warner’s website also includes its positions on public policy issues.

**Fair Trade Coffee:** **Procter & Gamble** began to sell Fair Trade Certified® coffee in supermarkets across the United States. P&G began selling Fair Trade Certified coffee online in 2003, after an intensive dialogue co-led by Domini.

## PUBLIC POLICY

**Proxy Voting Transparency:** In 2004, every U.S. mutual fund was required to reveal its complete proxy voting record for the previous year, under a rule that Domini petitioned for.

**Human Rights:** Domini signed a Supreme Court brief in support of the Alien Tort Claims Act, an important tool for holding human rights violators accountable (the brief was filed by the International Labor Rights Fund).

## ABOUT DOMINI SOCIAL INVESTMENTS

We manage more than \$1.9 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](http://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 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 1-800-762-6814 or online at [www.domini.com](http://www.domini.com). Please read it carefully before investing or sending money. DSIL Investment Services LLC, Distributor (DSILD). 03/05