

Social Impact Update

FIRST QUARTER 2011



New and Continuing Dialogues

Domini also engaged with the following companies during the quarter:

- **Coca-Cola** (bisphenol-A)
- **Costco** (sustainable seafood purchasing)
- **ExxonMobil*** (deep sea drilling safety concerns)
- **Gap, Panasonic*** (sustainability reporting)
- **Sumitomo Trust Banking*** (governance trends in Japan)
- **AES,* Clorox,* Deutsche Telekom, Standard Chartered Bank,* Vodafone** (sustainability initiatives)

Domini met with a representative from the Gender Equality Bureau of the **Prime Minister's Cabinet Office of Japan** to discuss gender equity and discrimination in Japanese corporations.

We signed two letters to the **EPA**, supporting the agency's authority to regulate greenhouse gas emissions and supporting proposed fuel efficiency standards for trucks.

Shedding Light on the Environmental Risks of Hydraulic Fracturing

We withdrew two shareholder proposals with **Southwestern Energy** and **Anadarko Petroleum** earlier this year in exchange for agreements to improve the quality of information available to the public about the controversial practice of "hydraulic fracturing" (or "fracking").

Hydraulic fracturing involves high-pressure injection of water, chemicals and particles deep underground to break up shale formations and release trapped natural gas. Hydraulic fracturing has become a topic of intense public concern following the Oscar-nominated documentary *Gasland*, and a series of articles in *ProPublica* and the *New York Times* regarding radioactive wastewater, chemical spills, and other risks. Domini is a member of the steering committee of the Investor Environmental Health Network (IEHN), a coalition of investment managers with more than \$41 billion in assets. IEHN is helping to coordinate investor outreach to natural gas companies to better understand and mitigate these risks. Our proposals requested reports on the known and potential environmental impacts of hydraulic fracturing and policy options to reduce them.

We were impressed with Southwestern's candor about the risks and misconceptions surrounding hydraulic fracturing, and quickly reached agreement to work together to develop an appropriate public reporting format. In addition, the company agreed to improve its website disclosure.

We also participated in a call with Anadarko, and our partners reached an agreement to withdraw the proposal based on Anadarko's commitment to improve its website disclosure.

Corporate Political Accountability

Last year's Supreme Court decision in *Citizens United vs. Federal Election Commission* opened the floodgates for corporate-financed political advertising.

Target's indirect financing of election advertisements to support Tom Emmer for governor of Minnesota led to a public backlash, due to Emmer's opposition to gay marriage. We joined other investors in filing shareholder proposals with Target, **Best Buy**, and **3M** — all contributors to the same Minnesota political group — seeking a review of each firm's political activities.

Best Buy conducted a full review of its political activities and instituted a new committee, including employee representation, to review all future contributions. We were sufficiently impressed by their efforts to withdraw our proposal, and our colleagues also reached agreement with Target. The **3M** proposal received a 36% vote.

We successfully defended our political contributions proposals against legal challenges filed with the Securities & Exchange Commission by **JPMorgan Chase** and **Goldman Sachs**. Goldman Sachs announced in its proxy statement that its board now reviews the firm's political activity, one of the governance changes we have been seeking. Discussions with both companies continue.

Goldman Sachs' Business Standards Committee In 2010, Goldman Sachs established a Business Standards Committee to conduct an intensive firm-wide review of the company's business standards and practices. During the quarter, Domini was one of a small group of investors invited to meet with members of senior management, including the firm's vice chairman and CFO, to discuss the committee's findings.

We believe that corporate political activity was a contributing cause of the financial crisis. Although the Business Standards include many important reforms, we took the opportunity

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Shareholder Proposals

We were pleased to be able to withdraw four proposals after reaching agreements with companies.

Corporate Political Activity	AT&T, Goldman Sachs, JPMorgan Chase, 3M, Best Buy (withdrawn), IBM, PepsiCo, Target (withdrawn)
Sustainable Forestry	RR Donnelley
Toxins in Consumer Products	Coca-Cola
Hydraulic Fracturing	Southwestern Energy, (withdrawn), Anadarko Petroleum (withdrawn)

Boldface indicates Domini is the lead filer.

*AES, Atlas COPCO, Clorox, Exxon Mobil, Panasonic, Standard Chartered Bank, and Sumitomo Trust Banking were not held by the Domini Funds.

As of March 31, 2011, 3M, Anadarko Petroleum, AT&T, Best Buy, Coca-Cola, Costco, Gap, Goldman Sachs, Google, IBM, JPMorgan Chase, Microsoft, Pepsico, RR Donnelley, Southwestern Energy, Target, and Yahoo represented 2.2%, 0.3%, 0.3%, <0.1%, <0.1%, <0.1%, 0.5%, 0.2%, <0.1%, 1.4%, 3.2%, 3.7%, <0.1%, 2.0%, <0.1%, <0.1%, and <0.1%, respectively, of the Domini Social Equity Fund's portfolio. Deutsche Telekom and Vodafone represented 2.1% and 1.4%, respectively, of the Domini International Social Equity Fund's portfolio. The composition of the Funds' portfolios is subject to change.

to question why they fail to address the firm's political activities, and asked how Goldman ensures that these activities are in its clients' best interests.

Domini Calls on Multinationals to Pay Fair Share of Taxes Domini's Global Investment Standards seek "fair tax dealings" and openness in corporate government relations. Corporate tax evasion may appear to benefit shareholders, but it may in fact prevent us from obtaining a clear understanding of a company's source of profits and deprive governments, especially in developing countries, of the revenues needed to meet their obligations to society.

Working with Global Financial Integrity (GFI), a nongovernmental organization focused on curtailing the cross-border flow of illegal money, Domini helped to draft the New Haven Declaration on Corporate Financial Transparency, which was endorsed by a coalition of civil society and investor organizations.

The statement notes that "approximately \$100 billion in tax revenues leaves developing economies each year due to trade-related price manipulation by corporations." This figure exceeds the entire global aid budget. Signatories agreed to support appropriate public policies in this area, and to commit to monitoring corporate activity and raising these concerns with corporate management.

Global Network Initiative: Internet Censorship and Surveillance Domini is a founding board member of the Global Network Initiative (GNI), a human rights organization dedicated to addressing threats to freedom of expression and privacy on the Internet and other communication technologies.

During the quarter, events in the Middle East demonstrated the power of these technologies to bring people together to topple dictators, and express their political rights. Their fragility in the face of recalcitrant governments was also evidenced by the Egyptian government's temporary takedown of its national Internet and cell phone services. News of this takedown arrived during a meeting of the GNI board in Washington. A statement was drafted to express our deep concern and to highlight the role the GNI can play to help companies uphold human rights in difficult situations.

Google, Microsoft, and Yahoo are scheduled to undergo their first independent assessment of compliance with the GNI principles this year, and we worked with other board members during the quarter to finalize the framework for this assessment.

Conflict Risk Network: Sudan and Libya Domini is a founding member of the Conflict Risk Network, and an active member of CRN's advisory board. CRN is a coalition of investors focused on understanding and addressing the human rights impacts of corporate activities in conflict zones around the world.

During the quarter, we participated in a CRN engagement with the Swedish company **Atlas COPCO*** about its operations in Sudan and its approach to human rights impact assessments and training. We also signed a letter issued by CRN to **oil and gas companies operating in Libya**. CRN offered a proposal for a joint escrow account to hold payments that firms would otherwise make to the Qaddafi regime.

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 find out more.

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