

## FOURTH QUARTER 2012



### TACKLING CLIMATE CHANGE

#### Coal Financing

*PNC Financial Services* has been a long-term holding in the Domini Social Equity Fund. As a Pennsylvania-based bank, PNC has a number of large coal-mining clients and has, in the past, directly financed mountaintop coal removal, a destructive practice that adds to the already unacceptable environmental damage caused by the coal industry. In 2010, in response to public pressure, PNC adopted an mountaintop removal (MTR) policy prohibiting direct financing of the practice. The bank, however, like many other mainstream banks, continues to service coal mining clients.

Although we have monitored these developments for some time, during the quarter we received an email from a concerned Domini shareholder that pushed us to dig a bit deeper. Although our primary source did not report any new coal financing, we contacted the Rainforest Action Network and learned that, although PNC does not appear to be directly financing MTR, the bank had in fact engaged in a number of recent financial transactions with several coal companies that are the largest MTR practitioners. We reached out to other investors and decided to join them in filing a shareholder proposal with the bank. The proposal asks PNC to address the climate impacts of its “financed” emissions – the greenhouse gas emissions caused by the bank’s loans, investments, and financial services. The proposal submission led to a conference call with a senior PNC executive. We look forward to continuing our dialogue, focused on the climate impact of PNC’s financing decisions, and implementation of its MTR policy.

#### Sustainable Forestry

It is estimated that deforestation is responsible for 15% of global greenhouse gas emissions. Indonesia, despite its small size, has become the world’s third largest greenhouse gas emitter due to extensive ongoing deforestation, much of it illegal. In addition, deforestation has devastating impacts on biodiversity and indigenous and other communities that depend upon forests for their livelihoods.

Before we can begin to address this problem, we need quality information. *Lowe’s*, the home improvement company, adopted a comprehensive wood purchasing policy in 2000 to reduce its impact on forests. This quarter, in response to engagement by Domini, the company published a report on its website, providing valuable data on its efforts to purchase sustainably harvested wood, globally. We commend the company for this commitment to transparency and for its continuing work to reduce its impact on threatened forests.

We chose not to resubmit our forestry proposal to *R.R. Donnelley*, a global printing company, after company executives disclosed that since our last conversation, the company has taken several important steps to address its exposure to illegal deforestation. We look forward to continuing our dialogue with the company to build upon this important foundation.

#### New and Continuing Dialogues

In addition to those discussed in this Update, we also engaged with the following companies during the quarter:

- **Nucor** (human rights reporting)
- **Mondelez International**, formerly, *Kraft* (sustainable forestry)
- **AT&T** (corporate political activity)
- **Coach** and **EMC** (supply chain labor and environmental standards)
- **Apple** (factory working conditions; corporate political activity)

#### Collaborating with NGOs

Our corporate engagement strategies are often informed by the invaluable work of independent human rights and environmental organizations. During the quarter, we engaged with **World Wildlife Fund** and **Greenpeace** to inform a strategy to address corporate impact on the health of the world’s oceans, **Rainforest Action Network** on coal financing and forestry issues, and the **Center for Responsible Lending** on payday lending. We also remained actively engaged with two organizations we helped create – the **Conflict Risk Network** and the **Global Network Initiative**.

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## Shareholder Proposals

Each year, Domini files shareholder proposals to appear in corporate annual proxy statements as a tool for change. These proposals, which come to a vote at corporate annual meetings, ask companies to address a broad range of social and environmental issues.

Here is a look at the proposals we filed this year:

| Company                                     | Issue                             |
|---|-----------------------------------|
| AT&T  | Corporate Political Contributions |
| JPMorgan Chase                              | Corporate Political Contributions |
| Mondelez International<br>(formerly, Kraft) | Sustainable Forestry              |
| PNC Financial Services Group                | Climate Change Risks              |
| US Bancorp                                  | Impacts of Payday Lending         |
| Verizon                                     | Political Lobbying Disclosure     |

As of December 31, 2012, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Apple (5.79%), AT&T (0.53%), Coach (0.52%), EMC (<.01%), JPMorgan Chase (1.84%), Mondelez International (<.01%), Nucor (<.01%), PNC Financial Services Group (<.01%), RR Donnelley (0.18%), US Bancorp (<.01%), and Verizon Communications (2.88%). The composition of the Funds' portfolios is subject to change.

## ADDRESSING THE IMPACTS OF PAYDAY LENDING ON COMMUNITIES

The Center for Responsible Lending (CRL) is a leader in the fight to end abuses by “payday lenders” – small businesses that provide the working poor with advances on their paychecks, generally at exorbitant fees that can trap borrowers in cycles of debt. A number of large banks are now offering similar services. Working closely with CRL, we filed a shareholder proposal with *US Bancorp* to address concerns relating to the bank’s “checking account advance” program, which allows customers to borrow against their next paycheck, for a 10% fee. If used repeatedly, this can be an extremely expensive loan, although the fee is lower than traditional payday lenders.

Our proposal prompted an informative dialogue with bank executives, culminating in an agreement to withdraw our proposal in exchange for continuing discussions and the bank’s commitment to publicly address how it is mitigating the potential risks of its service.

## CORPORATE HUMAN RIGHTS ACCOUNTABILITY

The *Alien Tort Claims Act* has been a critically important tool to hold corporations legally accountable for human rights abuses. The U.S. Supreme Court, however, is currently considering whether the Act should apply to corporations at all (*Kiobel v. Royal Dutch Petroleum*). We signed an investor statement in support of the Act, and helped recruit a number of large international institutional investors to sign. We also signed a letter to the European Union recommending disclosure requirements for corporations doing business in *Burma*.

During the quarter, Domini was pleased to participate in an investor roundtable on the United Nations Guiding Principles on Business and Human Rights, hosted by the U.S. State Department.

## 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](http://www.domini.com) or call 1-800-582-6757 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. Investing internationally involves specific risks, such as currency fluctuations, social and economic instability, differing securities regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity.

*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](http://www.domini.com). Please read it carefully before investing or sending money.*