



## FIRST QUARTER 2008

### New and Continuing Dialogues:

During the first quarter, we met with 28 companies. In addition to the companies noted in this report, we met with **Citigroup** (Sudan and subprime lending); **Coca-Cola** (human rights); **Colgate-Palmolive** (nanomaterials); **Cummins** (union relations); **France Telecom**, **Google**, **Microsoft**, **TeliaSonera**, **Vodafone**, and **Yahoo** (freedom of expression and privacy); **JetBlue**, **Johnson Controls**, and **Southwest Airlines** (sustainability reporting); **McDonald's** and **Walt Disney** (project to address factory conditions in China); **Staples** (sustainable forestry); and **Xerox** (global labor standards).

Citigroup became one of the few banks to make a public statement regarding Sudan, after dialogue with a shareholder group, led by Amnesty International, that included Domini. Citigroup stated that it supports UN Security Council Resolution 1769 calling for the deployment of a peacekeeping force, and that the Citi Foundation is funding food security and monitoring programs in Sudan. Importantly, the bank's statement said that in its contact with clients it will "continue to be keenly aware of and engaged in issues related to the situation in Sudan."

**Domini Reaches Agreements on Forestry and Climate Change:** Domini has made corporate forestry practices a focus of our shareholder activism in recent years because healthy forests play a crucial role in the fight against climate change.

Of the twenty shareholder resolutions Domini filed for the 2008 proxy season, six related to sustainable forestry and climate change. The electronics seller **Best Buy**, the home improvement retailers **Home Depot** and **Lowe's**, and the packaging manufacturer **MeadWestvaco** reached agreements with Domini in exchange for withdrawal of our resolutions.

Two other companies, **International Paper** and the printing company **RR Donnelley**, have not yet agreed to improve their forestry practices, so shareholder resolutions will be voted on at their annual meetings this spring.

In response to Domini's resolutions, Best Buy agreed to work with Domini to develop a sustainable paper purchasing policy and MeadWestvaco agreed to study the feasibility of phasing out the use of wood fiber not certified by the Forest Stewardship Council (FSC) and to increase the use of recycled fiber. The FSC certifies that forest products are harvested in a way that does not destroy habitat, pollute water, displace indigenous people, or harm wildlife.

Home Depot and Lowe's adopted sustainable forestry policies in 1999 and 2000, respectively. In our view, however, the companies have not provided investors with sufficient information to evaluate their compliance with these policies. We were pleased to withdraw our resolutions in exchange for agreements from both companies to publish reports detailing their efforts to implement these policies, including adherence to FSC standards.

**Success on Other Resolutions:** Domini achieved success on a number of shareholder resolutions on other topics, including the following successful withdrawals:

- **Nucor**, the country's second largest steel manufacturer, agreed to take additional steps to address the problem of slave labor in Brazil.
- **American Express** agreed to begin annual public reporting of its political contributions, including certain payments to trade associations.
- **J.C. Penney** agreed to develop a policy on the use of PVC plastic in products and packaging and begin replacing PVC with safer, more sustainable materials.

Our resolution calling on **Becton Dickinson** to phase out brominated flame retardants received a strong vote of 36% at the company's annual meeting, the highest vote ever received for a shareholder resolution focused on toxics in consumer products.

**Domini Recognized for Proxy Voting Leadership:** Domini's leadership in proxy voting was recently recognized by RiskMetrics Group, a leading proxy voting advisory service and an influential voice on corporate governance. A new section of the company's website highlights the voting policies of Domini and other select institutions.

Domini has published its voting guidelines regularly since 1992, and in 1999 became the first mutual fund manager in America to publicly disclose its proxy votes. In 2001, Domini successfully petitioned the SEC for the rule that now requires all mutual funds to publicly disclose their proxy voting policies and actual votes.

### When "Withdrawal" Means Success

We are pleased to report that we have withdrawn 45% (or 9 of 20) of the shareholder resolutions we submitted for the 2008 proxy season. Although "withdrawal" may sound passive, it is often the ideal outcome of a shareholder resolution filing.

Since 1994, we have filed more than 180 shareholder resolutions at 80 corporations. Our ultimate goal in filing these resolutions is to improve corporate practices. Resolutions often succeed in gaining the attention of corporate management and lead to productive negotiations. When negotiations are successful, the withdrawal of a resolution can signal an important step forward.

# 2007 Highlights

## ANNUAL ADVOCACY STATISTICS

Action	2006	2007
Resolutions Filed	16	22
Additional Dialogues	35	34
Additional Companies Contacted	211	197
<b>TOTAL</b>	<b>262</b>	<b>253</b>



Domini Social Investments was among the winners of *Fast Company* magazine's fifth annual Social Capitalist Award, in the first year that for-profit companies were eligible for selection.

These awards recognize organizations and companies that use the tools of business to solve the world's most pressing social problems. (Winners were featured in the December/January 2008 issue of *Fast Company*, with expanded online coverage at [www.fastcompany.com](http://www.fastcompany.com).)

As a shareholder in the Domini Funds, you make a difference in the world. Listed below are some of the ways that you made a difference in 2007. 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](http://www.domini.com).

**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.

**Rights for Shareholders:** Domini took an active role in opposing ideas advanced by the Securities and Exchange Commission (SEC) that could have restricted or eliminated the right of shareholders to file non-binding resolutions. Our two Action Alerts on the subject generated more than 2,000 responses. Domini also submitted three comment letters, including one submitted on behalf of 47 institutional investors and service providers from ten countries — all signatories of the United Nations Principles for Responsible Investment — representing approximately \$1.4 trillion under management. Ultimately, the SEC decided — at least for now — to continue allowing shareholders to place important social, environmental, and governance issues onto corporate proxy ballots.

**First Shareholder Resolution in Europe:** Together with trade unions and employees of the British transportation company FirstGroup, Domini co-filed its first shareholder resolution in Europe. The resolution addressed allegations of anti-union activity at FirstGroup's U.S. schoolbus subsidiary, First Student. Domini's participation was critical in allowing the unions to meet the onerous British filing requirements.

**Rights for Coffee Farmers:** Despite its generally positive social and environmental record, Starbucks refused for more than a year to acknowledge the Ethiopian government's ownership of the valuable naming rights for its prime coffee-growing regions: Yirgacheffe, Sidamo, and Harar. Domini engaged with Starbucks on this issue, beginning in August 2006, and helped enable representatives of Oxfam and Ethiopian coffee farmers to ask questions at Starbucks' annual meeting. We were pleased that Starbucks agreed to sign a licensing agreement acknowledging Ethiopia's right to the names. According to Oxfam, this agreement will improve the lives of poor farmers by helping them capture a greater part of the retail price of the coffee they grow.

**ABOUT DOMINI SOCIAL INVESTMENTS** Domini Social Investments manages more than \$1.3 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](http://www.domini.com) or call 1-800-762-6814 to find out more.

The Domini Funds are 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 1-800-582-6757 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). 05/08

## 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.

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 issue.

And by investing in underserved communities, we help low-income people buy homes, start businesses, and revitalize their neighborhoods. Domini also speaks out on public policy issues where we believe we can bring a unique perspective as a socially responsible investment firm.