

## SECOND QUARTER 2005



### 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.

### Continuing Dialogues

In addition to those companies discussed in this report, we continued our dialogues with a number of additional companies, including **Coca-Cola** (human rights and water), **Gap Inc.**, and **Nordstrom** (global labor standards). We also helped convene a conversation between a group of investors and **Procter & Gamble** to discuss the social and environmental impact of the company's acquisition of **Gillette**. We continued our dialogue with **P&G** on paper sourcing, and wrote to **Limited Brands** and **Kimberly Clark** to open dialogue about their forestry policies.

In the second quarter of 2005, shareholders like you helped us to investigate labor standards in China, achieve strong votes for a variety of shareholder resolutions, and convince a major bank to adopt a far-reaching new environmental policy.

**Environmental Policy:** When you write a check or make a bank deposit, you may not consider the powerful impact your bank may be having on people thousands of miles away.

This quarter, Domini Social Equity Fund shareholders participated in a significant win for the environment by helping to convince **JPMorgan Chase** — a \$1.1 trillion bank with operations in more than 50 countries — to adopt a comprehensive environmental policy.

The Equator Principles, created by the banking industry in 2002, address environmental and social risks associated with the financing of projects. The principles followed protests over projects funded by international banks, such as China's Three Gorges dam: one of the most ambitious construction projects in history, which will force the relocation of more than a million people who live along the Yangtze River.

In April 2005, JPMorgan Chase adopted the Equator Principles as part of its new environmental policy. Chase hired its first director of environmental affairs last year, after a long-term dialogue with social investors including Domini and led by Christian Brothers Investment Services. The bank said it would apply the principles to projects of \$10 million or more, rather than the less stringent \$50 million or more that they were originally intended for.

The bank's new policy, which addresses **global warming**, **illegal logging**, **protection of habitats**, and the concerns of **indigenous peoples**, will impact not only its loans and investments but also its research and lobbying activities, training for employees, and internal operations. In its press release, the bank acknowledged that it carefully considered the viewpoints of a variety of stakeholders, including our shareholder group.

We congratulate Chase on a job well done, and look forward to continuing our dialogue as the bank works to implement this important set of commitments to sustainability.

**Global Labor Standards:** In June, our Director of Shareholder Advocacy traveled to China to visit factories manufacturing goods for **McDonald's** and **Walt Disney**, as part of an ongoing project to improve working conditions. A public report will be issued in early 2006. For more information about this project, visit the Shareholder Advocacy section of our website and select "Current Work" and then "Global Labor Standards" from the left-hand menu.

**Shareholder Proposals:** A number of our proposals went to a vote this past quarter, and all received sufficient support to allow us to refile next year. Several proposals received some of the season's highest votes, and **Merck** agreed to disclose more information about its political contributions.

COMPANY	PROPOSAL REQUEST	VOTE
AT&T	Submit executive retirement plans to vote	29.4%
Avon	Reformulate products to meet EU toxics ban	4.8%
Bell South	Disclose political contributions	12.2%
Merck		8.8%
SBC Communications		12.5%
Verizon		15%
Home Depot	Disclose diversity data	29%
Emerson	Sexual Orientation Non-discrimination	38.9%

We often collaborate with others on advocacy campaigns. The following institutions are leading the initiatives noted above: Home Depot (Walden Asset Management); JPMorgan Chase (Christian Brothers Investment Services); 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
Resolution	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 \$1.8 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). 08/05

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