

THIRD QUARTER 2006



Forestry Practices: What do Kleenex tissues have to do with grizzly bears?

According to environmental activists from groups including Greenpeace and the Natural Resources Defense Council, the manufacture of throw-away tissue products is making ancient forests “disposable” and destroying wildlife habitat.

Kimberly-Clark, whose paper goods brands include Kleenex, Huggies, and Scott, is the largest manufacturer of tissue products in the world. Last year we filed a shareholder resolution with the company, asking it to increase its use of recycled paper and phase out its use of virgin wood fiber that has not been sustainably harvested. Kimberly-Clark can readily ensure that its virgin fiber is sustainably harvested by purchasing wood fiber that has been certified by the Forest Stewardship Council (FSC), whose forest certification program is recognized by the conservation, aboriginal, and business communities for its independence, transparency, and inclusiveness.

In response to our shareholder resolution, **Kimberly-Clark** stated that it does not use wood from “ecologically significant old-growth areas,” and made specific reference to “temperate rainforests in coastal British Columbia” that are home to vulnerable wildlife including mountain goats, marmots, bald eagles, marbled murrelets, grizzly bears, and a rare white variety of the black bear called the Spirit Bear. The company said that the vast majority of the fiber it purchases comes from sawdust and wood chips produced by the lumber industry.

Greenpeace challenged these claims in a report issued this summer called “Chain of Lies,” and asked the Securities and Exchange Commission to investigate the company’s claims. Following the Greenpeace report, an internal review by **Kimberly-Clark** found that it had “purchased a small amount of wood chips” that were “derived from logs harvested from the British Columbia coastal area.” The company now acknowledges that it had “overstated” its policy.

We have written to the company, requesting a face to face meeting, and plan to refile our shareholder resolution if it is necessary.

We also continued our dialogue with **Limited Brands** (the parent company of Victoria’s Secret) to encourage the company to increase its use of recycled paper and its reliance on FSC-certified material. Our discussions to date have been productive, and we do not expect to refile our resolution at this time.

Product Safety: In 2005, we filed a shareholder resolution asking **Becton Dickinson** to report on use of brominated flame retardants (BFRs) in the healthcare supplies that it sells. The most common BFRs are known to disrupt the endocrine systems of rats and mice.

In a meeting during the third quarter, the company updated us on its efforts to identify the presence of these chemicals in its products. In view of the company’s progress, we decided not to refile our shareholder resolution.

We are on the steering committee of the Investor Environmental Health Network, a group of investors working to promote safer alternatives to toxic chemicals in consumer products. At a recent meeting, the group identified polyvinyl chloride (PVCs) as a priority. We initiated contact with **Bed Bath & Beyond**, **Black & Decker**, and **Best Buy** about each company’s use of PVCs in products and packaging.

New and Continuing Dialogues

During the third quarter, we met with 16 companies, and wrote to seven additional companies, including the following: **Hewlett-Packard** (co-filed a resolution seeking disclosure of political contributions and contributions to trade associations); **Coca-Cola** (human rights and water issues in India); **McDonald’s** and **Walt Disney** (global labor standards); **Procter & Gamble** (Fair Trade coffee update); **Intel** and **ITT*** (sustainability reporting); **Johnson & Johnson** (energy efficiency, philanthropy, product safety, political accountability); **Pepsi** (water issues in India); **Dell** (recycling, energy use, and global labor standards); and **Target** (gold mining).

As part of a long-term dialogue, we met with the president of **Devon Energy** to discuss energy efficiency and the company’s approach to climate change.

Freedom of Expression and the Internet

During the quarter, Amnesty International and Human Rights Watch each issued reports on this topic that quoted in full the joint investor statement we issued last year with Boston Common Asset Management and Reporters Without Borders. The statement, endorsed by institutions representing more than \$20 billion in assets, called on Internet businesses to respect freedom of expression worldwide.

Our discussions with **Microsoft** continued, and we filed a new shareholder resolution on this topic with **Cisco Systems**. The resolution will be voted on in November.

*As of September 30, 2006, none of the Domini Funds invested in ITT.

The following institutions are leading the campaigns noted above: Cisco Systems (Boston Common Asset Management); Coca-Cola (Christian Brothers Investment Services); Hewlett-Packard (Trillium Asset Management).



2005 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 2005. Read our quarterly Social Impact Updates and learn more about our shareholder advocacy efforts at www.domini.com. Select "Shareholder Activism."

CORPORATE ENGAGEMENT

Freedom of Expression and the Internet: Domini, Boston Common Asset Management, and Reporters Without Borders drafted a joint statement of investors calling on Internet businesses to support freedom of expression worldwide, in response to recent revelations that U.S. companies are helping repressive regimes to censor the Internet and jail dissidents. The statement was endorsed by more than 25 institutions in four countries, representing more than \$20 billion in assets.

Environment: Domini helped convince JPMorgan Chase — a \$1.1 trillion bank with operations in more than 50 countries — to adopt a comprehensive environmental policy, addressing global warming, illegal logging, protection of habitats, and the rights of indigenous peoples. It will impact the bank's loans, investments, research and lobbying activities, employee training, and internal operations. Our coalition, led by Christian Brothers Investment Services, helped convince the bank to hire its first Director of Environmental Affairs in 2004.

Global Labor Standards: In response to a shareholder resolution filed by Domini, Apple Computer adopted a code of conduct for the suppliers that manufacture its products around the world. The code covers the core conventions of the International Labor Organization, including strong provisions on freedom of association, collective bargaining, and forced labor.

Nondiscrimination: After a five-year campaign, Emerson Electric agreed to amend its company-wide nondiscrimination policy to prohibit discrimination against its gay and lesbian employees.

Retail Store Siting: Domini and Christian Brothers Investment Services released *Out of the Box: Guidelines for Retail Store Siting*, a 38-page report including a set of nine social and environmental guidelines for big-box retailers to use in making decisions about store site locations, land procurement, and leasing. The guidelines were supported by an additional 16 institutional investors and mutual fund families representing \$32 billion in assets under management. (The report is available at www.domini.com.)

Global Poverty and Trade: Domini coauthored the report *Post-Multifiber Arrangement Challenges*, presenting the results of a survey of 65 American companies on their response to the expiration of the Multifiber Arrangement, an international treaty that established country quotas for garment production. It suggested how companies can lessen the negative impact on developing countries. (The report, published by the Interfaith Center on Corporate Responsibility in its "Corporate Examiner," is available at www.iccr.org.)

ABOUT DOMINI SOCIAL INVESTMENTS

Domini Social Investments manages \$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 standards into their investment decisions. Visit 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 Fund's 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. Please read it carefully before investing or sending money. DSIL Investment Services LLC, Distributor (DSILD).

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ANNUAL ADVOCACY STATISTICS

Action	2004	2005
Resolutions Filed*	20	20
Additional Dialogues	30	22
Additional Companies Contacted	25	2
TOTAL**	75[†]	44
% of Domini Social Index Trust by Market Cap ^{††}	43%	40%

* Includes resolutions filed during the calendar year.

** Includes filing of a shareholder resolution, writing a letter to the company, or holding at least one teleconference or meeting with company officials. Proxy voting and related correspondence are not included.

† Includes a survey of 20 companies.

†† Based on companies in the Domini Social Equity Fund's portfolio as of the end of the calendar year. Does not include companies removed from the portfolio during the period.