



Third Quarter 2014

INVESTING FOR GOODSM

ADDRESSING WORKER HEALTH AND SAFETY AT APPLE

In the Spring, Green America published a report highlighting the significant health risks electronics factory workers face when they are exposed to dangerous chemicals. In particular, the report discussed the use of N-hexane and benzene at **Apple** supplier factories in China.

We have had a long-term dialogue with Apple, dating back to 2005 when we convinced them to adopt their first code of conduct to govern working conditions in their global supply chain. We coordinated two calls with Apple and other investors to discuss these recent allegations. Apple provided us with a detailed discussion of the investigation they conducted into these allegations, which included factory visits and laboratory testing. They claimed that they did not find any unauthorized use of these chemicals, but were continuing to investigate. Apple set U.S. government standards for its factories, which establishes a limit for these chemicals so low that the company claims they were practically banned.

We recommended that Apple adopt a clearer policy prohibiting their use, and requested that they make their findings public and publish the standards they set for chemical use in supplier factories. As it turned out, Apple had already decided to adopt these measures, which were announced on their website within weeks of our call. We believe our continuing dialogue with the company on factory working conditions helped put these processes in motion, and reinforced the need for greater transparency and accountability.

Climate Change

During the quarter, we participated in separate meetings with the CEOs of **Apache** and **PNC Bank**. The Apache meeting was the latest in a series of annual three-hour sessions where participating investors have the opportunity raise a wide range of social and environmental topics. This meeting addressed climate change, the role of natural gas as a transportation fuel, and recent reports from the Carbon Tracker Initiative predicting a questionable future for oil. Our meeting with the CEO of PNC focused on the bank's response to climate change, following the submission of a shareholder proposal addressing the greenhouse gas emissions associated with PNC's coal mining clients.

ADDRESSING DEFORESTATION

In the first quarter, we reached an agreement with **Pepsi** to withdraw our shareholder proposal in exchange for a dialogue on the development of policies to address deforestation. We developed a proposal that we have submitted to several of the largest food companies, asking for public reports assessing each company's impact on deforestation and its plans to mitigate these risks. We've asked these companies to report on their impact by commodity, including palm oil, sugar, soy and paper, as each carries its own set of risks and possible solutions. Among these commodities, palm oil has received the most attention because its production is responsible for large-scale forest conversion in the tropics and extensive carbon emissions. In May, **Pepsi** published forestry and palm oil policies. This quarter, we continued our dialogue with the company, to begin to discuss the steps the company is taking to implement its policy commitments and to address concerns raised by a coalition of environmental groups.

We met with **Rainforest Action Network** and **Union of Concerned Scientists** during the quarter to discuss their work on palm oil.

Additional Dialogues

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

| Company | Issue |
|----------------------------|---|
| Twitter | Human Rights |
| Apple | Tax Avoidance |
| The Walt Disney Co. | General Corporate Social Responsibility |
| ABB (Switzerland)* | General Corporate Social Responsibility |



Sustainable Seafood: We continue to track developments in Alaska, as the North Pacific Fishery Management Council deliberates on a plan to protect the canyons of the Bering Sea from commercial fishing. Greenpeace and a coalition of NGOs have been arguing that the Canyons are a unique ecosystem that should be protected. In 2007, a Greenpeace submersible expedition brought back new evidence of a vibrant ecosystem at the bottom of the canyons, including rare corals and a new species of sponge. Their scientific research helped to spur the current process. During the quarter, we met with **Greenpeace** and coordinated an investor letter to the CEO of **McDonald's** – a large buyer of Alaskan Pollock – to counter claims made by Senator Murkowski (R-AK) that Greenpeace is seeking to shut down this lucrative fishery, rather than protect a unique ecosystem from overfishing.

Pesticides and Colony Collapse Disorder: We continued our engagement with **Lowe's** on the sale of gardening products, including plants, that contain neonicotinoid pesticides (“neonics”), a class of systemic pesticide that has been linked to colony collapse disorder, a malady causing alarming declines in honeybee populations in recent years. The Task Force on Systemic Pesticides, an international group of scientists formed to provide the “definitive view” on the impact of systemic pesticides on biodiversity and ecosystems recently produced a report that reviewed all available scientific studies. The report concluded that certain pesticides, including neonics, are causing significant damage to a wide range of species, including pollinators, worms and birds and that neonics are a “key factor” in the rapid decline of bees. We believe this study's release should put the scientific debate to rest, and are encouraging Lowe's to take action.

CORPORATE GOVERNANCE AND HUMAN RIGHTS: Every company, in every sector, is exposed to potential human rights concerns. This was evident during an invitation-only two-day Roundtable on Human Rights and Corporate Governance, where institutional investors and corporations, including **Coca-Cola, JPMorgan Chase*, Chevron*, Microsoft, PepsiCo, Goldman Sachs*** and **General Electric*** came together to discuss how to implement human rights policies into their operations. We were pleased to be invited to share our perspective.

Public Policy Advocacy: Domini has been engaged in a number of public policy initiatives to improve corporate accountability and disclosure to investors. During the quarter, we participated in a roundtable discussion on corporate climate disclosure hosted by the **Carbon Tracker Initiative** at the New York Stock Exchange. We also met with the Office of the Investor Advocate at the **Securities and Exchange Commission** to convey our support for mandatory corporate political contributions disclosure. We participated in the drafting of two letters to the SEC, focused on improving the shareholder proposal process and advocating for enhancements to corporate disclosures, including improved disclosures on sustainability issues such as climate change.

*Companies marked with an asterisk are not currently approved for investment by the Domini Funds.

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 learn more.

As of September 30, 2014, these companies represented the following percentages of the Domini Social Equity Fund's portfolio: Apache (2.85%), Apple (4.36%), Coca-Cola Co. (<.01%), McDonald's (<.01%), Microsoft (3.61%), Pepsico. (<.01%), PNC Financial Services (1.44%), The Walt Disney Company (0.26%). Twitter was not held by the Fund. The composition of the Funds' portfolios is subject to change.

The Domini Funds are not insured and are subject to market risks, such as sector concentration and style risk. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. 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. *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. Please read it carefully before investing or sending money.*