



PROGRESSIVE
Asset Management

Communication on Progress

Supporting the United Nations Global Compact

Submitted July 2012



This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact.

We welcome feedback on its contents.

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I. Statement of Continued Support

We are pleased to reconfirm that Progressive Asset Management, Inc. and the Progressive Asset Management Group supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. Progressive Asset Management will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within two years of joining the Global Compact, and every year thereafter according to the Global Compact COP policy.



Todd Melillo
CEO



Richard W. Torgerson
Director of Social Research
& Shareholder Advocacy

II. Profile of Progressive Asset Management, Inc. and the Progressive Asset Management Group

Progressive Asset Management, Inc. (PAM) is the only registered broker/dealer in the United States specializing in socially responsible investing. Founded in 1987, PAM formed a strategic alliance in 1999 with **Financial West Group**, a leading California broker/dealer, and formed the **Progressive Asset Management Group (PAM Group)**. Today, PAM's ground breaking social research, product development and RIA services are offered through members of the PAM Group.

The PAM Group is a national network of Financial Advisors who provide investors with a way to invest for competitive financial return and social and environmental progress at the same time. Through our broker-dealer relationship with Financial West Group (FWG), and our custodial and clearing relationships with **National Financial Services** (a division of Fidelity Investments) and **Charles Schwab and Co.**, we offer a complete range of investment services for individuals, organizations, families and institutions.



A. A Leader In Social & Environmental Investing

At PAM we believe that corporations that combine strong financial and social performance make the best long-term investments. We believe that companies that do not follow socially responsible practices will tend to have greater potential liabilities. Those liabilities may lead to sub-par financial performance.

PAM employs a personalized investment process designed to bring your financial investments in line with your social values. Because we feel that your investments should be governed by your definition of social responsibility, individualized standards and strategies can be developed according to your specific needs. Since our founding in 1987, PAM has been at the forefront of providing PAM Group Financial Advisors and their clients the broadest range of SRI-related financial products and services available today, including high impact community development offerings.

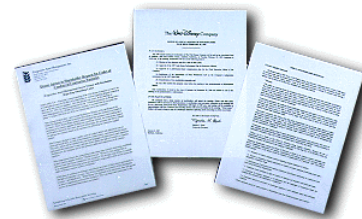
B. Our Social Screening Review Service

In addition to providing proprietary social and environmental research services for our clients' portfolios, we also maintain relationships with other providers of social research to give our clients a comprehensive social perspective on their current and potential financial investments.

Our **Social Screening Review Service** offers hands on, personalized service covering most available investments you may want to invest in. Analyzing as many as 69 objective quantitative measures and just as many qualitative areas, we can provide rigorous adherence to your social and environmental standards.

C. Client Centered Shareholder Advocacy

Not many investment advisors have their work enshrined at the **Smithsonian Institution**. In 1997, Progressive Asset Management filed shareholder resolutions challenging the **Walt Disney Company** to improve their suppliers' labor practices. After the publicity surrounding these resolutions, and the 39 million shares voting in support for the resolutions, Disney posted a contractor code of conduct and pledged to authorize audits and inspections of all their disparate contracted suppliers. Our effort was recognized as a major step forward in the Smithsonian's permanent exhibit, "[Sweatshops In America](#)".

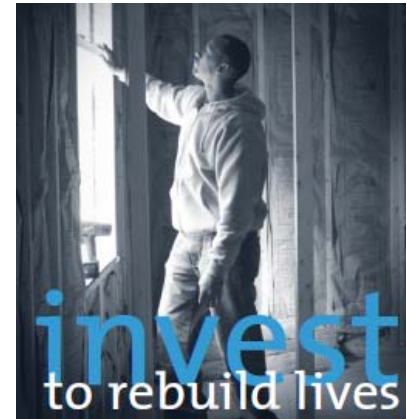


Since then, PAM has helped clients file or co-file resolutions on a wide range of social issues at different companies. Shareholder advocacy is a key tool investors may use to influence corporate decision making at the highest levels. PAM is committed to supporting our clients in their shareholder advocacy efforts.

D. A Leader in Social Purpose Investing

We provide our clients with a number of opportunities to invest in high-impact social investments supporting low-income housing, better nutrition and education, and micro-lending enterprises for disadvantaged people and their communities.

PAM has teamed up with the **Calvert Foundation** to create **PAM Community Investment Notes**. PAM Community Investments Notes are a powerful social investment program, professionally managed by the Calvert Foundation, a pioneer in the field of community investing.



From time to time, the PAM Group, as registered representatives of Financial West Group, raises private equity for high social impact ventures. Previous offerings have been in the areas of wind energy, organic foods and gardening, low income housing, Fair Trade commerce, and SRI mutual funds.

III. 2011-2012 Achievements

Since endorsing the Global Compact, PAM and the PAM Group have spearheaded or participated in many programs that directly pertain to the principles of the Global Compact.

A. PAM/RBC Water Resource Direct Investment Notes Series

Teaming up with **RBC Capital Markets**, in November 2009 we created the world's first Direct Investment Note based on an equity basket of companies determined by PAM research not only to be engaging in meaningful efforts to stem the global water crisis, but also screened to pass stringent ESG standards and the principles of the Global Compact. Subsequent Notes in the Water themed series were launched in January 2011 and April 2012. The latter two notes were constructed as to adhere to the 2010 UN declaration of access to water and sanitation as a fundamental human right. Accordingly, this program became the first water-themed investment series in the world to screen out all private investor owned water utilities and other companies deriving their profits from the direct ownership of water resources. Client response to this project has been extraordinarily positive, raising over \$12.2 million invested in the three notes of the series. Clients have shown us and the SRI industry that there is a huge unmet demand for stringently screened proactive investments addressing global priorities.

B. Progressive Track Investment Portfolios

Our **Progressive Track Investments** suite of portfolios benchmarked to well known market indexes became the first such programs specifically screened for UN Global Compact issue concerns. Screening out over half of the market capitalization of their respective benchmarks, this program proves that you can construct credible indexed portfolios while employing robust social and environmental screens. In 2011, we tightened the social screening parameters even further to disqualify an additional 5% of companies as qualifying investments.

C. UNPRI Assessment

In our third year of formal evaluation by the **UN Principles of Responsible Investment**, we scored highly versus our peers in the investment management industry. Overall scoring places us in the first or second quartile of application of the six responsible investment principles measured, a notable achievement given our relative size and the specific characteristics of our firm.

D. Advocacy Program

PAM is a member of several SRI organizations and issues coalitions such as the **US Social Investment Forum (USSIF)**, The **Interfaith Center for Corporate Responsibility (ICCR)**, the **Green America Green Business Network**, the **Apollo Alliance** (now affiliated with the **Blue/Green Alliance**) and the **Ceres Coalition**. Through these and other organizations we join with other investors, businesses, labor unions and community groups to form a powerful voice for change in Washington, on Wall Street, in Boardrooms and throughout the world. Initiatives we have participated in (with links to source documents or press releases) include:

1. Human Rights, Labor Issues and Social Justice

2011-2012

- i. PAM has endorsed and continues to support the [UN statement on business and human rights](#).
- ii. [Investor letter](#) urging Congressional leaders to pass the **Business Transparency Act (HR 2759)**. This bill requires larger companies to report any measures taken to identify and address conditions of forced labor, slavery, human trafficking, and the worst forms of child labor within the company's business operations, including supply chains and labor management.
- iii. [Urged passage](#) of California Senate Bill 861, a bill to help **curb the trade in illegally extracted minerals**.
- iv. The Center for Responsible Lending's [letter campaign to Federal regulators](#) calling for a **halt to usurious payday lending by major U.S. banks**. As a result of this campaign, the acting Chair of the Federal Deposit Insurance Corporation announced an investigation of the banks' practices.
- v. The Cotton Coalition's [letter to Secretary of State Hillary Clinton](#) to protest the State Department's failure to downgrade Uzbekistan to Tier III in the **2012 Trafficking in Persons Report**, and to call on the U.S. government to urge the Uzbek government to immediately invite the **International Labour Organisation (ILO)** to conduct unfettered monitoring of the 2012 cotton harvest. In 2011 and years prior, the Uzbek government-controlled system of cotton production forced more than a million adults and children to pick cotton under conditions defined as human trafficking by US law.
- vi. We are a signatory to the [Global Investor Statement on the Arms Trade](#) calling on UN Member States to adopt a binding and comprehensive Arms Trade Treaty when they convene in July 2012 for the **United Nations Diplomatic Conference on the ATT**. This is perhaps the most significant human rights issue facing the planet now.

Prior to 2011:

- vii. In the wake of a series of horrific suicides at **Foxconn Technology Group** factories in China, we [urged consumer electronics companies](#) to redouble efforts to strictly monitor the practices of their suppliers to insure safer, less stressful workplace conditions and to promote worker rights.
- viii. We received a prominent mention in [Bloomberg](#) in 2009 for our strong support for the **Employee Free Choice Act**, a bill to end corporate abuses preventing workers from organizing unions.
- ix. [Pressured S&P 100 companies](#) to report how they ensure their workers' right to organize.
- x. [Pressed dozens of companies](#) to disclose whether or not the **US Chamber of Commerce** speaks for them in opposing health care reform.

- xi. We joined with 80 religious groups and NGOs to pressure the Senate [for strong derivatives reform](#) to avoid future food and energy price bubbles that caused widespread famine and hardship throughout the third world in 2008.
- xii. [Urged](#) Governor Arnold Schwarzenegger to sign the landmark **California Transparency in Supply Chains Act of 2010** (SB 657), the first state legislation in the U.S. Directing companies doing business with the state to outline their efforts to end human trafficking and human rights abuses in their supply chains.
- xiii. In August 2008 we signed an [investor letter](#) to **Uzbekistan President Islam Abduganievich Karimov** demanding a **halt to child and forced labor** in Uzbeki cotton fields.

2. Environmental Action: Supporting the Planet

2011-2012:

- i. The **CERES Coalition's** [letter writing campaign](#) to all companies of the **Russell 1000** urging each to adopt the comprehensive **CERES Sustainability Roadmap**.
- ii. We're a signatory to the [2011 Global Investor Statement on Climate Change](#).
- iii. Called on 34 member companies of the **US Chamber of Commerce** to [renounce the Chamber's climate change policy](#) of denial.
- iv. Urged the US Senate and House leadership to extend the **Wind Energy Production Tax Credit**, enabling the continued growth and development of clean wind energy in the US (link pending).
- v. The **Investor Environmental Health Network's** (IEHN) [call for "best practices" in the fracking of shale gas](#), in support of IEHN's major report *"Extracting the Facts: An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations."* We will also be using this report to inform our own evaluation of natural gas companies.
- vi. Upholding the recently established **Environmental Protection Agency Clean Air Act Rule** by opposing Senator James Inhofe's (R-OK) effort to prevent the EPA from [implementing the Mercury and Air Toxics Standards for power plants](#). The rule would require significant reductions in power plant emissions.

Prior to 2011:

- vii. We endorsed the [Seal the Deal at Copenhagen](#) campaign, which sought to marshal support for a strong Climate Change treaty,
- viii. We are a signatory to the [CEO Water Mandate](#), which seeks to commit top CEO's to principles of water access and fairness across the globe,
- ix. Months before **Deepwater Horizon** put the spotlight on BP's safety issues, we endorsed a [Special Resolution to BP](#) requesting they undertake an honest environmental and community risk assessment of their Canadian oil sands operations.
- x. To keep the pressure on, we endorsed an effort of our London colleagues **Hermes Equity Ownership Service** (HEOS) to challenge international oil companies to reexamine their risk assessment and safety procedures in the wake of the Gulf disaster.
- xi. We are a signatory to the [Investor Statement Opposing California Proposition 23](#), a measure to stop the state's landmark Clean Energy law.
- xii. We were part of the largest investor coalition ever assembled to endorse the [2010 Global Investor Statement on Climate Change](#).

3. Corporate Governance and Anti-Corruption: Power to the People

2011-2012:

- i. We've signaled our support for the goals of the **Occupy Wall Street** movement with a strong public statement identifying how the US financial services industry has aided and abetted the concentration of wealth and power to a small elite over the past three decades. (Link to statement pending).
- ii. We're a signatory to the USSIF's Petition to require public companies to [disclose the use of corporate resources for political activities](#). In the wake of **Citizen's United**, the unprecedented flood of unfettered corporate cash into politics threatens to corrupt all levels of government. At this point only shareowners, the owners of those corporations, can stem the tide.
- iii. Called on the leaders of the G20 Countries to enact small financial transaction taxes (FTTs) to [rebalance financial markets away from the short-term trading mentality](#) contributing to instability in our financial markets. From the letter spearheaded by the **Institute for Policy Studies**: "In the last few decades, financial market activity has increased tremendously, with the value of transactions now seventy times greater than the size of the real global economy. The primary role of financial markets is to raise investment, allocate resources efficiently, and mitigate risk. However, much of today's financial activity does not contribute to these goals. Computer-driven, high frequency trading, for example, allocates resources on the basis of algorithms designed to turn very short-term profits and have been shown to drain liquidity in stressed markets when it is needed most."

Prior to 2011:

- iv. We are a signatory to the [UN Statement Against Corruption](#).
- v. To stem the nationwide trend of income inequality, we urged [17 financial companies to adopt Say on Pay measures in 2010](#) to put pressure on exorbitant executive compensation.
- vi. In the struggle to achieve more corporate transparency on social and environmental problems, we urged the SEC to require environmental, social & governance (ESG) disclosure by public corporations, a campaign covered by [Financial Advisor Green Magazine](#).
- vii. Also to further greater transparency, we urged the Financial Accounting Standards Board to adopt rules [disclosing environmental/social liabilities](#) in company financial statements/10Ks.
- viii. We pressed President Obama to work towards [improving corporate financial disclosure](#).
- ix. We supported the USSIF's call for greater [sustainability reporting in emerging markets](#).
- x. We weighed in on passage of the financial reform bill itself, with [letter writing campaigns](#) to over 50 Senators, Representatives and their legislative staff urging that the final bill retain greater investor protections, proxy access, say on pay and social and environmental disclosures.
- xi. In the wake of the Supreme Court's **Citizens United** decision that opened the floodgates for huge corporate dollars in political campaigns, we joined the **Center for Political Accountability's** letter campaign to all S&P500 companies [demanding disclosure](#) of their political spending policies and actions.
- xii. Endorsed the **New Haven Declaration of Financial Transparency** in [a letter](#) to the **European Commission's** Consultation on Financial Reporting on a Country-by-Country Basis by Multinational Companies, which advocated country-by-country reporting within

the annual audited financial statements of all multinational corporations listed on a stock exchange.

- xiii. We petitioned the **Securities and Exchange Commission** to oppose two separate efforts to cripple the shareholder resolution process in [July 2007](#) and again in [October 2007](#).

IV. Internal Operations, Implementation and Measurement of Outcomes

It's very important for companies reporting on progress to the United Nations Global Compact to be able to show not only what they advocate in the public sphere, but also to show how the actual operations, production and conduct of the enterprise itself is managed so as to be congruent with the Principles. PAM, Inc. is a small service oriented firm that has a negligible environmental or social footprint beyond our investment related activities. Further, as a firm founded on socially responsible principles, the measurement of outcomes of specific policies can simply be accomplished by noting the continuation of long running practices throughout the organization by management oversight and company policy.

A. PAM's Environmental Footprint

PAM's environmental footprint is negligible. Employees of PAM and members of the PAM Group are encouraged to minimize their carbon footprint substantially.

1. 100% of all PAM Group members are independent contractors empowered to telecommute from home at their sole discretion.
2. As of this date, no employee of PAM, Inc. commutes to a separate job site as a result of their PAM employment.
3. All PAM, Inc. management meetings are conducted via teleconference.
4. 100% of PAM, Inc. paper marketing materials are produced using recycled paper and soy based inks.
5. 100% of PAM, Inc. Social Screening Review Service and other program reports are produced in PDF format only to save the use of paper resources.
6. Environmental issues from climate change concerns, environmental justice, toxic emissions and biodiversity are central to our Social Screening Review Service and Proxy Guidelines.
7. 100% of PAM, Inc. managed or guided investment programs are screened for adherence to UNGC environmental principles.

B. PAM's Labor, Human Rights & Social Justice Issues Footprint

1. With the exception of two corporate officers, all PAM, Inc. employees and PAM Group financial advisors are independent contractors prohibited by U.S. law from collective bargaining or joining a union.
2. The PAM Group serves as an informal group of stakeholders giving feedback to PAM, Inc. on PAM, Inc. programs and delivery of services.
3. Two of the seven members of PAM, Inc. current Board of Directors are women. Three of the seven are also from the ranks of the PAM Group. Fourteen of the 41 members of the PAM Group are women. Two of the 41 members are minorities.
4. PAM, Inc. does have employee policies in place prohibiting discrimination by race, religion, ethnicity or sexual orientation.
5. Human rights issues, especially the rights of indigenous peoples, the situation in Burma and the Sudan and activities in repressive regimes, are prominent factors in our Social Screening Review Service and Proxy Guidelines.
6. Labor issues, including treatment of employees, collective bargaining rights and union relations, worker safety, workforce reductions, child and forced labor and sweatshop issues are prominent factors in our Social Screening Review Service and Proxy Guidelines.

7. We consider corporate governance, transparency, political involvement and executive compensation issues to be central in the battle against corruption in all its forms. Accordingly, we employ strict screens on governance and compensation issues as part of our Social Screening Review Service and Proxy Guidelines.
8. PAM, Inc. has had no employee related nor customer related complaints filed with any regulatory body for at least 10 years. Our complete regulatory record can be found at FINRA's [Broker Check Database](#).

V. Measurement of Outcomes - 2011 Goals

PAM and the PAM Group seek to continue our leadership in the SRI industry through continuation of our social screening, shareholder advocacy and community investing activities. In our last UNGC COP Report we committed to the following goals for 2011:

A. Community Level Research

The BP Gulf disaster highlighted a host of problems in the business community, but none struck closer to home for us than the pervasive corporate influence on SRI research. We were floored to realize that that in at least one 13 page research report on BP by one of the most respected SRI Research leaders contained nothing but a few government statistics and company provided data.

For 2011 we are working on integrating much more activist and community level information about global companies, balancing and augmenting the professional data we receive from SRI research houses. This street level data will then inform our social screening programs and investment products with more robust analysis of the social and ethical dimensions of our investments.

OUTCOME: OBJECTIVES MET. We overhauled our social screening system by incorporating several additional activist level sources of information in 2011. We also expanded the reach of this research by producing for in-house use our first comprehensive ranking report measuring the conduct of all of the companies of the Russell 1000 in regards to the UN Global Compact, Millennium Development Goals and the principles contained in the Preamble to the UN Charter.

B. Private Equity Screening

One difficult area for social and environmental screening is the evaluation of private equity offerings considered by the PAM Group, PAM, Inc. and our broker/dealer Financial West Group. We are convening an internal Task Force to develop guidelines for social, environmental and governance evaluation of private equity proposals, using the **UN Principles for Responsible Investment Private Equity Work Stream** as a constructive starting point. Our goal is to provide a measure of assurance that all private equity projects we participate in have the same or better social due diligence as from much larger institutions.

OUTCOME: ONGOING PROGRESS. We have convened a working group tasked with the adoption of ESG guidelines for private equity offerings, using the UNPRI Private Equity work stream as a starting point. That work is ongoing, but with a policy in place that any private equity offerings carrying the PAM endorsement will meet these guidelines. No private equity offering has been endorsed by PAM, Inc. since our last COP report.

C. More Universal Access to Financial Services and Management

The United States investor class is shrinking. With a national Gini coefficient of 0.46 and rising, the proportion of the public deemed to be attractive customers for the financial services industry is steadily decreasing. Many financial services firms are refusing full service advisory or brokerage services to any with less than 7 figure portfolios. Yet the “bottom 99%” of Americans need professional financial guidance now more than ever. We think that the increasing concentration of wealth and income is our own industry’s most important social issue. To tackle this issue we will:

- Reduce the minimum investment of our products and services to the lowest amount feasible to make them available to the most number of investors.
- Encourage our PAM Group members not to turn away potential customers because of the size of their investing ability.
- Encourage our PAM Group members to give pro bono social investment education seminars in public venues throughout our service areas.
- Encourage our PAM Group members to utilize commission-based, asset fee-based, planning fee-based and/or hourly fee-based strategies to insure that our products and services are available in the most cost effective way to all people in all situations.
- To seek out and develop products and services that are appropriate not only for high net worth investors, but to middle class investors as well.

OUTCOME: OBJECTIVES MET. Fee-based investment programs available through the PAM Group of financial advisors are available with minimums as low as \$25,000, 25% of typical industry minimums. PAM, Inc. programs are available for a \$25,000 minimum as well. PAM's RBC note series program offers entry for investors with as little as \$1,000. Various mutual fund programs available on a commission basis can be initiated for as little as \$250.

All investment inquiries coming to PAM, Inc. are directed to PAM Group advisors that are willing to work with new clients. PAM, Inc. does not impose any investment minimum in order to match investors up with a PAM Group Advisor.

93% of PAM Group financial advisors are now licensed to either serve clients on a commission basis, asset management fee, hourly fee or fee for service.

VI. Summary

At PAM, we feel that the principles of the **United Nations Global Compact**, together with the **Millennium Development Goals** and the **Preamble to the United Nations Charter** form a universal declaration and definition of socially responsible investing. As the only broker/dealer in the United States founded and dedicated to socially responsible investing, and as one of the premier networks of independent financial advisors specializing in socially responsible investing (the PAM Group), adherence to and promotion of the United Nations Global Compact Principles is central to our mission.

Our guiding principle is clients first. From a global perspective, we feel that our clients' financial futures will be healthy if our markets are healthy. Our markets can be healthy if our planet and people are healthy. It all ties together and together we'll make the difference.

Nothing in this document should be construed as a recommendation to buy or sell any security. The information in this report is believed to come from reliable sources. However, its accuracy or completeness cannot be guaranteed. Opinions expressed are solely those of Progressive Asset Management, Inc. and no other entity.

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