



**Progressive Asset Management, Inc.**

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**Communication on Progress**  
***Supporting the United Nations Global Compact***



**Submitted February 2011**

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## I. Statement of Continued Support

We are pleased to re-confirm that Progressive Asset Management, Inc. and the Progressive Asset Management Network 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.



Richard W. Torgerson  
President and  
Director of Social Research  
& Shareholder Advocacy

## II. Profile of Progressive Asset Management, Inc. and the Progressive Asset Management Network.

**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 Network (PAM Network)**. Today, PAM's ground breaking social research, product development and RIA services are offered through members of the PAM Network.

The PAM Network 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 Network Financial Advisors and their clients the broadest range of SRI-related financial products and services available today, including high impact community development offerings.

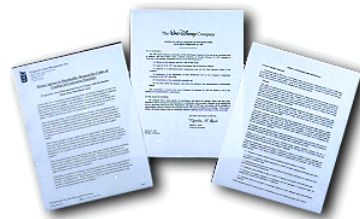
#### B. Our Social Screening Review Service

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](#)".



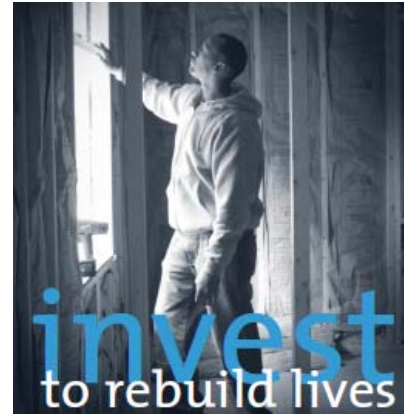
Since then, PAM has helped clients file or co-file resolutions on a wide range of social issues at different companies. Today, for those who want to make sure they support social issue shareholder resolutions as they arise in their portfolio holdings, PAM offers our proprietary **Shareholder Alert Service**, which alerts clients to significant proxy issues they may vote on as shareowners.

Shareholder advocacy is a key tool investors may use to influence corporate decisionmaking 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 Network, 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. 2009-2010 Achievements

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

- In Fall 2009, the PAM Network raised nearly \$1.5 million in preferred stock on behalf of **Equal Exchange**, a worker owned coop engaged in Fair Trade coffee, chocolate and fruit products.
- 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. The capital raised for this investment exceeded \$3.9 million.
- In January 2011, the successor to the matured RBC Direct Investment Note was launched. The equity basket for this note not only consisted of stringently screened companies engaged in solutions to the global water crisis, but also was constructed as to adhere to the UN declaration of access to water and sanitation as a fundamental human right. Accordingly, our Direct Investment Note became the first water-themed investment 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 was overwhelming, investing over \$5.6 million over a two week period. Clients have shown us and the SRI industry that there is a huge unmet demand for stringently screened proactive investment addressing global priorities.
- 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, Progressive Track Investments still significantly outperformed those benchmarks over the 4 year life of the program. (Past performance is not necessarily indicative of future results.)

- In our second 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 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.

In the past year we participated in several advocacy campaigns to pressure Washington and/or Wall Street on several fronts. We also incorporate the Global Compact principles into our social screening standards used in PAM programs and in custom investment advisory activities. Here's a snapshot of those efforts, with links to each:

#### A. Human Rights

1. We endorsed the [UN statement on business and human rights](#).
2. In the wake of a series of horrific suicides at **Foxconn Technology Group** factories in China, we joined with an investor coalition [urging 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.
3. 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.
4. We signed an [investor letter](#) to Governor Arnold Schwarzenegger urging him 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.
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.

#### B. Labor Issues

1. We received a prominent mention in [Bloomberg](#) last year for our strong support for the **Employee Free Choice Act**, a bill to end corporate abuses preventing workers from organizing unions.
2. We joined a [global investor group pressuring S&P 100 companies](#) how they ensure their workers' right to organize.
3. We are a charter business community endorser of the [Apollo Alliance](#), a coalition to support the investment of good jobs in the emerging green economy.
4. 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.

#### C. Environment

1. We endorsed the [Seal the Deal at Copenhagen](#) campaign, which sought to marshal support for a strong Climate Change treaty,
2. We signed the [CEO Water Mandate](#), which seeks to commit top CEO's to principles of water access and fairness across the globe,
3. 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.





4. 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.
5. We signed the [Investor Statement Opposing California Proposition 23](#), a measure to stop the state's landmark Clean Energy law.
6. We were part of the largest investor coalition ever assembled to endorse the [Global Investor Statement on Climate Change](#).
7. Environmental issues from climate change concerns, environmental justice, toxic emissions and biodiversity are central to our Social Screening Review Service.
8. Employees of PAM and members of the PAM Network are encouraged to minimize their carbon footprint substantially. All PAM Network members are independent contractors empowered to telecommute from home at their sole discretion. As of this date, no employee of PAM commutes to a separate jobsite as a result of their PAM employment.

#### **D. Anti-Corruption**

1. We signed the [UN Statement Against Corruption](#).
2. To stem the nationwide trend of income inequality, we joined other investors in an [open letter to 17 financial companies urging Say on Pay in 2010](#) to put pressure on exorbitant executive compensation.
3. In the struggle to achieve more corporate transparency on social and environmental problems, we were part of a coalition that urged the SEC to require environmental, social & governance (ESG) disclosure by public corporations, a campaign covered by [Financial Advisor Green Magazine](#).
4. We pressed President Obama to work towards improving corporate financial disclosure. We also supported a **Social Investment Forum** [sponsored investor statement on sustainability reporting in emerging markets](#).
5. To respond to the main Congressional battles of the year in health care and financial reforms, we joined with the **Interfaith Coalition for Corporate Responsibility** to [press dozens of companies](#) to disclose whether or not the **US Chamber of Commerce** speaks for them in opposing health care reform.
6. 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.
7. 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.
8. We joined with our colleagues to endorse the spirit of 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.
9. 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.

## IV. 2011 Goals

For 2011, PAM and the PAM Network seek to continue our leadership in the SRI industry through continuation of our social screening, shareholder advocacy and community investing activities. In addition we seek to advance our work in three new areas of emerging concern in our industry.

### 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.

### B. Private Equity Screening

One difficult area for social and environmental screening is the evaluation of private equity offerings considered by the PAM Network, 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.

### 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 Network members not to turn away potential customers because of the size of their investing ability.
- Encourage our PAM Network members to give pro bono social investment education seminars in public venues throughout our service areas.
- Encourage our PAM Network 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.

## V. 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, 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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