

Investors Controlling \$1 Trillion in Assets Call on Russell 1000 Companies to Integrate Sustainability Into Business Models

Environmental, Social and Governance Concerns Are Clear Material Business Risks, Say 31 Letter Signers; Companies Asked to Demonstrate Actions, Disclosure Steps

Citing global climate change, resource constraints and growing population pressures, more than two dozen major institutional investors including Progressive Asset Management, collectively managing \$1 trillion in assets, have asked the Russell 1000 companies in a jointly-signed letter to actively embrace the “new reality” of so-called ESG risks – environmental, social and governance – in both their actions and required investor disclosures. Progressive Asset Management is a founding member of the CERES Coalition. “Environmental and social sustainability is-

ssues can no longer be considered off-balance sheet issues,” wrote the investors. “Rather they are material, financial issues posing both risks and opportunities to the long-term success of corporations.”

Major investors signing the letter include the nation’s two largest public pension funds, the California Public Employees Retirement System (CalPERS) and California State Teachers’ Retirement System (CalSTRS), as well as state treasurers and comptrollers from New York, Illinois, California and Connecticut, the AFL-CIO and Laborers’ International Union of North America (LIUNA), and several church-based investment funds.

Ceres President Mindy Lubber, whose investor/business/public interest coalition organized the signatories, said mainstream investors

like these can no longer stand still while companies their clients depend on fail to see these wide-ranging risks.

“We’ve seen enough hidden financial risks with globally-damaging economic results in recent years,” Lubber said. “The collapse of financial markets, the BP oil spill, the Massey coal mine disaster and other mishaps make clear it’s time that companies operate with a clear view of all their risks and costs – but also the tremendous opportunities open to those businesses across all sectors who compete by developing solutions to environmental and social issues.”

The letter urges companies to use a Ceres-developed tool to catalyze comprehensive strategies and actions to imbed sustainability across all aspects of their business. That tool, the *21st Century Corporation*:



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PAM, Inc. Reports Work in Support of United Nations Global Compact Principles

Progressive Asset Management, Inc.’s (PAM) annual report detailing the work of both PAM and the PAM Group of Financial Advisors in support of the United Nations Global Compact has been submitted to the UN. PAM is the only registered retail brokerage firm in the United States that is a signatory to the United Nations Global Compact. Signatories to the Global Compact commit themselves to reporting each year on corporate activities in support of the principles of the Compact.

The UN Global Compact covers ten principles organized in four areas of concern: human rights, labor issues, the environment and anti-corruption. “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. Since PAM is the only broker/dealer firm in the United

States founded and dedicated to socially responsible investing, adherence to and promotion of the Global Compact is central to our mission,” stated PAM President Richard W. Torgerson in the report.

Founded in 1987, PAM formed a strategic alliance in 1999 with Financial West Group (FWG), 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. A complete range of investment services for individuals, organizations, families and institutions are offered through the group members’ relationship with FWG.

PAM’s Communication on Progress (COP) Report details services and resources made available to PAM Group advisors, the socially responsible investing movement and the general public covering all three pillars of socially responsible investing: social screening, shareholder action and community investing.

For example, PAM’s Social Screening Review Service analyzes companies on over 75 social and environmental measures, including each one of the issue areas of the Global Compact. Clients of PAM Group advisors are able to access that research in the form of customized portfolio review and design adhering to personalized social and environmental standards.

In addition, shareholder advocacy is a key tool investors may use to influence corporate decision making at the highest levels. PAM’s commitment to supporting clients in their shareholder advocacy efforts extends from filing a shareholder resolution in 1997 challenging

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SRI Assets Up 13 Percent in Current Economic Downturn, While Overall Assets Increased Less Than 1 Percent; Several Factors Driving Current and Expected Future SRI Growth.

Despite the recent economic downturn, sustainable and socially responsible investing (SRI) in the United States is continuing to grow at a faster pace than the total universe of investment assets under professional management, according to the new 2010 edition of the Social Investment Forum Foundation's Report on Socially Responsible Investing Trends in the United States.

Key report findings include the following:

- The pool of assets engaged in SRI strategies – the use of environmental, social and governance (ESG) criteria, shareholder advocacy and community investing -- has grown more rapidly than the overall investment universe due to such factors as net inflows into existing SRI products, the development of new SRI products, and the adoption of SRI strategies by managers and institutions not previously involved in the field.
- Since 2005, SRI assets have increased more than 34 percent while the broader universe of professionally managed assets has increased only 3 percent. From the start of 2007 to the end of 2009, a three-year period when broad market indices such as the S&P 500 declined and the broader universe of professionally managed assets increased less than 1 percent, assets involved in sustainable and socially responsible investing increased more than 13 percent (from \$2.71 trillion to \$3.07 trillion).
- Nearly one out of every eight dollars under professional management in the United States today -- 12.2 percent of the \$25.2 trillion in total assets under management tracked by Thomson Reuters Nelson -- is involved in some strategy of socially responsible and sustainable investing.

The total value of assets managed under policies that explicitly incorporate environmental, social and governance criteria into investment analysis and portfolio construction are valued at \$2.51 trillion. Of these ESG assets, \$691.9 billion were identified within specific investment vehicles managed by money managers,

while at least \$2.03 trillion were identified as owned or administered by institutional investors. Of the institutional ESG assets, \$206.3 billion were managed through investment vehicles captured in research on money managers. The assets and numbers of fund vehicles tracked as incorporating ESG criteria rose 90 percent since the last SIF study conducted in 2007—from 260 to 493—and their assets increased 182 percent from \$202 billion to \$569 billion.

Social Investment Forum CEO Lisa Woll said: “Socially responsible and sustainable investing emerged from the recent financial crisis doing better than the overall market in terms of holding onto assets and attracting new investments. What is significant about this strong growth is that it encompasses both retail investors, including SRI mutual funds, and institutional investors, who hold the majority of SRI investments. We have also seen robust expansion of the strategies of shareholder advocacy and community investing. All of these developments show that the key principles of socially responsible and sustainable investing are being more widely embraced. All signs point to more investors looking for investments that support good governance and greater transparency and disclosure on ESG issues.”

Social Investment Forum Board Chair Cheryl Smith, PhD, CFA, president and senior portfolio manager, Trillium Asset Management Corp., said: “During the last three years of prolonged financial and economic turmoil, investors voted with their dollars, showing that they understand the value of incorporating environmental, social, and governance factors in the investment process. Over the three years, investors increased the percentage of their assets managed with socially responsible and sustainable investment strategies. Shareholder advocacy strategies increased in importance, as mainstream investors increasingly joined with SRI investors to support and advocate for strong corporate governance and environmental sustainability. Investors increased their commitment to community in-

vesting institutions by 62 percent, as the needs of communities underserved by mainstream banks became increasingly obvious.”

Trends report co-author Joshua Humphreys, PhD, Director, Center for Social Philanthropy, Tellus Institute, said: “SRI is a ray of hope across an otherwise dreary investment landscape. Increasing numbers of investors are moving their money and demanding more ‘responsible returns’ from their investments, by taking environmental, social and governance issues into account. Investment consultants and asset managers are rising to this growing demand from individuals and institutions, and we see impressive growth in new sustainable investment vehicles and strategies across asset classes, from ETFs to alternative investments in venture capital, ‘double-bottom-line’ private equity and responsible property funds that promote environmental sustainability and positive community impact.”

Other Key Findings

- Institutional investors: With \$2.3 trillion in assets involved in SRI strategies, institutional investors dominate the SRI universe documented in this report. Of this overall universe of institutional assets engaged in SRI strategies: \$2.03 trillion incorporate ESG factors into investment analysis and portfolio selection; \$858.8 billion is controlled by institutions that file or co-file shareholder resolutions on ESG issues; and \$586.2 billion were identified as involved in multiple strategies of ESG incorporation, shareholder advocacy or community investing.
- Alternative investment funds: The Trends report identifies 177 alternative investment vehicles that incorporated ESG criteria with \$37.8 billion in total assets. Alternative investment vehicles include hedge funds, social venture capital and double- and triple-bottom-line private equity funds and responsible property funds, typically organized as unregistered limited partnerships or limited liability companies and available only to accredited institutional and high-net-worth investors.

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Securities are offered through Financial West Group, a FINRA, SIPC member.

PAM, Inc. Reports Work in Support of United Nations Global Compact Principles *Continued from page 1*

Walt Disney to improve their suppliers' labor practices to alerting PAM Group clients to important social issues in their investments' proxy filings today.

To assist PAM Group advisors access to sound community and high impact investments, PAM teamed up with the Calvert Foundation to create PAM Community Investment Notes, high-impact social investments supporting low-income housing, better nutrition and education, and micro-lending enterprises for disadvantaged people and their communities.

PAM's COP report also detailed our unique Direct Investment Notes created with RBC Capital Markets. Our 2011 offering in this ongoing program consisted of stringently screened companies engaged in solutions to the global water crisis, and was constructed to adhere to the UN declaration of access to water and sanitation as a fundamental human right. Accordingly, this 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 program has been strong, investing over \$9.5 million between the two

notes created thus far. PAM Group clients have shown the SRI industry that there is a huge demand for stringently screened proactive investment addressing global priorities.

In addition, PAM's 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.¹

PAM also reported on its participation in many important advocacy campaigns through our active membership in the United Nations Principles for Responsible Investment, the Social Investment Forum, Interfaith Center for Corporate Responsibility, CERES Coalition and the Apollo Alliance. These efforts include important initiatives such as the Global Investor Statement on Climate Change, the United Nations Statement on Business and Human Rights, and demanding disclosure of corporate political actions in the wake of the Citizen's United Supreme Court decision.

Public policy initiatives supported include the proposed Employee Free Choice Act and California's Transparency in Supply Chains Act of 2010.

Finally, PAM's COP Report states PAM's goals for 2011 to expand our efforts to further the Global Compact principles. Three areas are targeted: expanding social and environmental research on companies by incorporating more activist and community level information, enhancing our due diligence efforts to ensure that private equity projects meet the same stringent screening standards we demand of publicly traded corporations, and improving access to financial services across the economic spectrum.

For further information on these initiatives and our UNGC Communication on Progress Report, please contact your PAM Group advisor or access the COP Report at <http://www.unglobalcompact.org/participant/7627-Progressive-Asset-Management>

1 Past performance is not necessarily indicative of future results.



Investors Controlling \$1 Trillion in Assets *Continued from page 1*

Ceres Roadmap for Sustainability, provides a platform for accelerating best practices in governance, stakeholder engagement, disclosure and performance across a company's entire operations and supply chains.

"We encourage you not only to design and implement a robust sustainability strategy," said the investors' letter, "but also to demonstrate to shareowners and other stakeholders how effectively you are managing sustainability risks and opportunities."

The letter also asks companies to "use your standard investor communication vehicles—analyst calls, road shows, annual meetings—to highlight actions you are taking to address material sustainability risks and transform them into competitive opportunities."

Several of the letter signers – CalPERS, CalSTRS and the AFL-CIO – announced a series of specific, coordinated commitments last month to combat climate change and other societal sustainability challenges as part of a larger group, the *Investor-Business Roundtable for a Sustainable Economy*.

The Roundtable grew from a process launched by Ceres where business, investor and labor leaders came together to discuss what they could do collectively to address these urgent global challenges.

As part of that process, CalPERS agreed to fully integrate ESG factors in all its investment decision-making and to use the Ceres Roadmap for its company engagement work. CalSTRS agreed to accelerate a program for

outside fund managers investing on its behalf to integrate sustainability and ESG factors into their decision-making. And the AFL-CIO committed to work with the Clinton Global Initiative, Taft-Hartley, public pension funds and private investors to create new financing mechanisms to boost investment and job creation in commercial building retrofits for energy efficiency and clean energy.

For PAM's part, we will incorporate companies' response to the Roadmap to Sustainability campaign into our social screening evaluations, which in turn informs investment decisions throughout PAM sponsored investment programs and SRI consulting. Contact your PAM Group advisor for more information.



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Shareholder Advocacy Resources:

Interfaith Center on Corporate Responsibility (ICCR): www.iccr.org
CERES: www.ceres.org

Friends of the Earth (FOE) Shareholder Activism Handbook:
www.foe.org/international/shareholder/

Social Investment Forum (SIF)'s Advocacy & Policy Program:
www.shareholderaction.org

AFL-CIO's Executive Pay Watch:
www.aflcio.org/corporateamerica/paywatch

Responsible Wealth's Shareholder Activism:
www.responsiblewealth.org/shareholder/index.html

Proxy Matters: www.proxy matters.com

The Corporate Library: www.thecorporatelibrary.com

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The number of alternative investment vehicles incorporating ESG criteria increased 285 percent since 2007, faster than any other segment of ESG vehicles, while their assets increased 613 percent.

- **Mutual funds:** The largest share of funds that incorporate ESG factors are mutual funds, with \$316.1 billion in total assets invested in 250 different funds. Of these ESG mutual funds, 27—with \$176.9 billion in assets—underlay annuity products.

- **Shareholder advocacy:** A wide array of investors now files or co-files shareholder resolutions at US companies on ESG issues, and hundreds of these proposals come to votes each year. From 2008 through 2010, more than 200 institutions—including public funds, labor funds, religious investors and foundations—and investment management firms filed or co-filed proposals. These institutions and money managers collectively controlled \$1.5 trillion in assets at the end of 2009.

- **Community investing:** Assets in community investing institutions rose more than 60 percent from \$25.0 billion in 2007 to \$41.7 billion at the start of 2010, reflecting healthy growth in all four categories of community investing institutions that the Social Investment Forum Foundation has tracked since 1999: community development banks, community development credit unions, community development loan funds and community development venture capital funds.

- **Exchange-traded funds:** Twenty-six ETFs with \$4.0 billion in total assets were identified as incorporating ESG criteria. Although ETFs

accounted for only 1 percent of the total assets of all ESG investment vehicles, their assets have grown 225 percent since 2007, the fastest of all registered investment vehicles.

- **Separate account vehicles:** Among separate account managers, 232 distinctive separate-account vehicles or strategies, with \$122.4 billion in assets, incorporated ESG factors into investment analysis.

Methodology


The 2010 Trends report has identified \$3.07 trillion in total assets under professional management in the United States using at least one of three socially responsible investing strategies:

- The incorporation of environmental, social and governance (ESG) factors into investment analysis and portfolio construction;

- The filing or co-filing of shareholder resolutions on ESG issues; and

- Deposits or investments in banks, credit unions, venture capital funds and loan funds that have a specific mission of community investing.

The Social Investment Forum Foundation has issued periodic Trends reports on the socially responsible and sustainable investment market since 1995.

This report excerpted from a Social Investment Forum Press Release announcing the completion of the 2010 Trends Report. 

Funding Environmental Justice



Peter Miguel Camejo was an American author, activist and politician. But perhaps most importantly, he was a passionate advocate of social and environmental justice. A past member of the EarthShare Board of Directors, Peter was dedicated to helping create a more sustainable environment and assisting communities directly affected by environmental problems. Upon his passing in 2008, EarthShare established the Peter M. Camejo Fund for Environmental Justice to honor his legacy and his many years of commitment to underserved communities. EarthShare is pleased to announce the first projects to receive support from the new fund..

“We are delighted to launch the Camejo Fund for Environmental Justice as a way to both honor our friend and former director, and to assist community based organizations whose programs align with Peter’s legacy of concern for the environment and social justice,” said Kal Stein, President and CEO of EarthShare. “We hope these grants are the first of many that help focus attention on the work of community organizations and how the environment affects all people.”

“Thank you very much for putting this together and selecting such interesting and worthy recipients,” said Camejo’s widow, Morella Camejo. “These projects are what gave meaning to Peter’s life and I am sure he would have been thrilled to know that in such terrible economic times, there is a fund in his name that is allowing individuals to make a difference in their community, and help the environment.”

The following projects were awarded \$1,000 each from the Camejo Fund for Environmental Justice through EarthShare: Clean Water Fund – CA, Gateway Greening – MO, Pacific Environment – CA, Tampa Bay Watch – FL, Willamette River Keeper – OR. If you would like information about contributing to this ongoing fund as an individual or as a corporate entity, please contact us at info@earthshare.org

