



# Arabesque

UNITED NATIONS GLOBAL COMPACT  
COMMUNICATION ON PROGRESS

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2017



SUSTAINABLE IS POWERFUL

*THROUGH THIS COMMUNICATION ON PROGRESS WE ARE KEEPING OUR SHAREHOLDERS, EMPLOYEES, SERVICE PROVIDERS AND OTHER STAKEHOLDERS INFORMED ON OUR PROGRESS FOR THE PAST YEAR IN IMPLEMENTING THE UNGC'S PRINCIPLES AND IN SUPPORTING THE UN DEVELOPMENT GOALS*

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# STATEMENT OF SUPPORT



**OMAR SELIM**  
CEO ARABESQUE

The world has moved on. There is now an additional dimension to investing—a double bottom line. It is no longer good enough for investments to yield a return. Today, people should care precisely how that return is made. The future is very clear: investments need to be sustainable and responsible.

Arabesque is more than just an idea or concept, it is one of the world's first asset managers to bring a uniquely quantitative approach to sustainable investing in order to drive financial outperformance.

We offer an asset management service that combines state-of-the-art portfolio management technology and quantitative models with the values of the UNGC and the Principles for Responsible Investment (UN PRI), together with balance sheet and business activity screening.

The name 'Arabesque' represents geometric colors and patterns drawn with mathematical equations. It reflects what we believe is a pioneering approach to finance. Through big data and machine learning, our technology integrates ESG information with quantitative investment strategies, with the aim of delivering long-term performance whilst reducing portfolio risk. By making this approach accessible to all, we believe that finance can be a catalyst for change and allow us to invest through our values.

In 2017, we launched Arabesque S-Ray™, a unique tool that allows anyone to monitor the sustainability of thousands of the world's largest corporations. It is the first technology of its kind to rate companies on the normative principles of the UNGC.

Arabesque is based on the recognition that our actions have a direct and indirect impact on a wide range of stakeholders, ranging from suppliers, employees, investors, and investee companies to the local communities in which all these entities operate.

We take our operational and investment decisions very seriously, and respecting sustainability and ESG issues is at the heart of what we do.

Where certain conditions are met, we undertake proxy voting and shareholder engagement for our UCITS funds and our US mutual funds. We have delegated proxy voting activities of our mutual funds to an external service provider, Institutional Shareholder Services ("ISS") and have adopted the proxy voting guidelines of ISS. We have mandated Hermes Equity Ownership Services Limited (HEOS) to perform both services in relation to our UCITS funds and they do so in accordance with pre-agreed voting policies based on the OECD Principles of Corporate Governance, the ICGN Global Corporate Governance Guidelines, and the Hermes Responsible Ownership Principle, which embraces transparency, communication, corporate culture, strategy, financial disciplines, structure and risk management, stakeholders, environmental and social issues, and governance.

We became signatories to the United Nations Global Compact (UNGC) on the 19th September 2013. Almost four years on, I am pleased to confirm that we at Arabesque and our associated companies reaffirm our support for the ten principles of the UNGC in the areas of Human Rights, Labour, Environment, and Anti-Corruption. This is our second annual Communication on Progress and where applicable we set out herein our actions to integrate the UNGC and its principles into our business strategy, culture, and daily operations, along with a measurement of outcomes for the past year.

We are committed to sharing this information with our stakeholders via our website and other primary channels of communication.

Yours sincerely

A handwritten signature in black ink that reads "Omar Selim". The signature is fluid and cursive, with the first name "Omar" being larger and more prominent than the last name "Selim".

Omar Selim, CEO

# RESPONSIBLE INVESTING AT ARABESQUE

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Arabesque was developed by a leading investment bank from 2011 to 2013 in cooperation with leading academics from universities including Harvard, Stanford, Oxford, Cambridge, Maastricht, and the German Fraunhofer Society. The firm was established independently in June 2013 through a management buy-out of all Arabesque-related rights and intellectual property.

Arabesque Group companies are based onshore with full legal and financial accountability. Arabesque Asset Management Ltd is based in the UK and is regulated by the UK Financial Conduct Authority (FCA). Arabesque Asset Management Ltd (Germany) is a branch office based in Frankfurt and is supervised by BaFin. Arabesque Asset Management Ltd is also registered with the SEC as Registered Investment Advisor (RIA).

Arabesque's investment funds are transparent and domiciled in Luxembourg and the USA, both of which are highly regulated environments. Our Luxembourg funds are UCITS IV compliant and our US mutual funds comply with SEC and the Investment Company Act 1940 requirements. Arabesque offers bespoke investment formats and managed accounts are available at the request of clients.

We aim to bring a new dimension to investing, using self-learning quant models and big data to assess the performance and sustainability of globally listed companies. Our rules-based approach to stock selection integrates ESG information with financial and momentum analysis, processing over 100 billion data points via 250,000 lines of code to conduct our strategies.

Ours is a story of partnership between leaders in finance, mathematics, and sustainability working together to develop the next generation of asset management.

For further information, please refer to our website at [www.arabesque.com](http://www.arabesque.com).

## ARABESQUE CORE VALUES

Group and individual integrity lies at the heart of our core values:

- 1. Responsible investment**

*We exclude companies with poor relative performance on the UNGC principles, In addition, we favor companies exhibiting superior ESG/sustainability performance*

- 2. Responsible to our stakeholders**

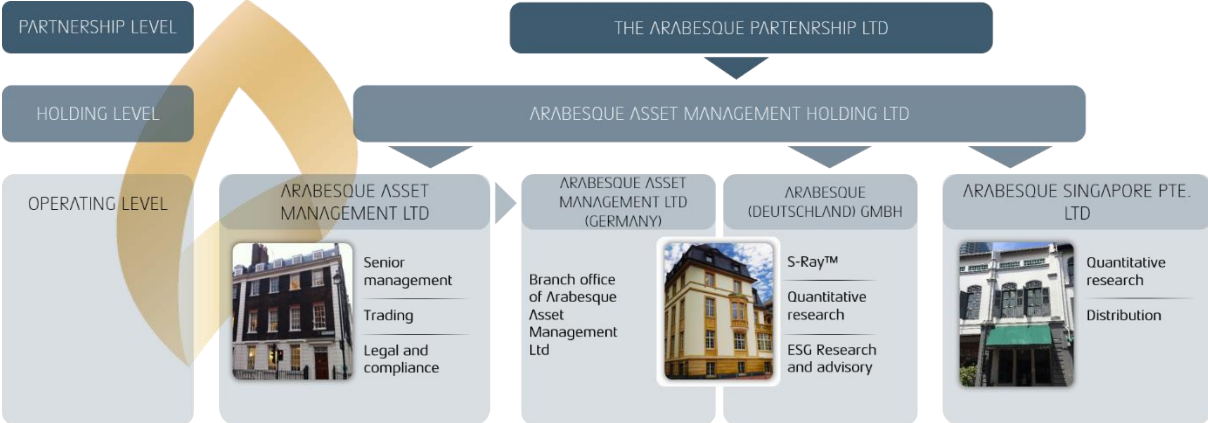
*We act responsibly towards our suppliers, employees and investors.*

- 3. Responsible to the environment**

*We seek to minimize any adverse impact our actions might have on the environment*

# ARABESQUE AT A GLANCE

## ARABESQUE GROUP – A TRANSPARENT ORGANIZATION



## AWARDS AND RECOGNITION

Arabesque’s contribution to responsible investing has been widely recognized:

- Arabesque Systematic fund (R) share class was given an ‘A’ rating by Scope. Please see [link](#).
- Arabesque Systematic fund was awarded Germany’s most prestigious finance award, the ‘Golden Bull’, as the Most Innovative Fund 2015
- Winner of the ‘Best Thought Leadership Paper on Sustainable Investing’ award at the Sustainable Investment Awards 2015
- ‘ESG Manager of the Year’ at the Global Investor ISF 30<sup>th</sup> Anniversary Awards, 2016
- Arabesque won the ‘Award for Innovation (Funds and Portfolio)’ and was commended for ‘Best ESG Fund Management Group’ at the Sustainable Investment Awards 2016

## SUPPORTER OR MEMBER



# ARABESQUE LEADERSHIP

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## ARABESQUE BOARD

- Non-Executive Chairman: Professor Robert G. Eccles of the Said Business School, University of Oxford
- Vice Chairman: Georg Kell, founding Executive Director of the UN Global Compact
- Non-Executive Director: Barbara J. Krumsiek, President & CEO Calvert Investments, 1997-2014

## ARABESQUE ADVISORY BOARD

Our Advisory Board members are industry leaders and leading academics:

Sustainability:

- Professor Robert Bauer, Director, ECCE, Maastricht University
- Professor Tensie Whelan, NYU Stern School of Business
- Professor Gordon Clark, Director SSEE, Oxford University
- Michael Jantzi, CEO, Sustainalytics
- Mohamed Donia, CEO, IdealRatings
- Professor George Serafeim, Harvard Business School
- Carl L. Liederman, Senior Adviser
- Dr. Philipp Aeby, CEO, Reprisk

Quantitative:

- Professor Michael Griebel, Director, SCAI, Fraunhofer Institute
- Professor David Tuckett, Director, Centre for the Study of Decision-Making Uncertainty, UCL

# UN GLOBAL COMPACT ANNUAL COMMUNICATIONS ON PROGRESS

The aim of this communication on progress is to provide our key stakeholders and other interested parties an update on how we are working to meet the 10 key principles that form the basis of the UN Global Compact. It sets out our plans going forward in the four main areas of Human Rights, Labour, Environment, and Anti-Corruption.

## HUMAN RIGHTS

### ARABESQUE'S POSITION

Arabesque complies with all applicable laws and regulations and respects and supports the principles of the Universal Declaration of Human Rights and principles 1 and 2 of the UN Global Compact.

### PRACTICAL ACTIONS

Arabesque takes Human Rights issues very seriously and has published a Statement on Human Rights (Statement) which specifically addresses the two principles of the UN Global Compact. Please see Appendix A for current Statement.

Principle 1: The operations of Arabesque Group are governed by the Arabesque Statement on Human Rights in order to ensure that principles 1 and 2 of the UN Global Compact are fully respected, supported and that we are not complicit in any Human Rights abuses.

Principle 2: Arabesque aims to avoid direct, beneficial and silent complicity of human rights. We continuously strive to ensure we are not complicit in any human rights abuses. In compliance with our Statement on Human Rights, we expect and require our business partners and suppliers to adhere to good Human Rights practices.

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights

PRINCIPLE 2: Businesses should make sure that they are not complicit in human rights abuses

### MEASUREMENT OF OUTCOME

We are pleased to report that we have never been subject to any investigation, legal proceedings, or any incident involving Human Rights abuses.

## LABOUR STANDARDS

### ARABESQUE'S POSITION

Arabesque fully endorses the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and principles 3, 4, 5 and 6 of the UN Global Compact. Each Arabesque employee is bound to uphold these fundamentally important principles.

### PRACTICAL ACTIONS

Principle 3: Arabesque personnel are free to associate and organize themselves collectively in accordance with local laws, if they choose to do so.

# UN GLOBAL COMPACT ANNUAL COMMUNICATIONS ON PROGRESS

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

PRINCIPLE 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

PRINCIPLE 5: Businesses should uphold the effective abolition of child labour

PRINCIPLE 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Principle 4: All Arabesque staff work on a contractual basis with a strong element of alignment of interest in the success of the business. We do not tolerate forced or compulsory labour within our own business or within that of our business partners.

Principle 5: We have a zero tolerance policy towards child labour. We do not employ children and we would not accept it if any of our suppliers or partners were to violate this principle.

Principle 6: We take a strict approach to employment and occupation discrimination of any kind and our company policy prohibits discrimination on grounds such as race, gender, religion, political opinion, nationality, age, disability, and sexual orientation. We would not accept it if any of our business partners were to disregard Principle 6 of the UN Global Compact. In fact, personal integrity is one of the three key components in our hiring and evaluation process, and we value individuals who are respectful of other races, religions, nationalities, and backgrounds.

Arabesque's business model operates with a flat hierarchy. The CEO and Chairman both have an 'open-door' policy where each member of staff is able to directly file a complaint in relation to discrimination, without fear of repercussion. Alternatively every employee has the right to file a complaint to the Group's General Counsel and Head of Compliance on an anonymous basis.

## MEASUREMENT OF OUTCOME

We encourage diversity and our staff consists of over 15 different nationalities from around the world. More than 20 percent of our workforce is made up of women which is higher than the widely accepted UK fund industry average of around 13 percent<sup>1</sup>. In June 2014, we became members of the International Corporate Governance Network (ICGN) and are active members of the network. The Arabesque partnership is fully cognizant of ICGN's best practice guidance and adopt the ICGN Global Governance Principles which includes embodying high standards of business ethics and overseeing the implementation of codes of conduct which engender a corporate culture of integrity.

We are pleased to report that we have never been subject to any investigation, legal proceedings, or any incident involving a breach of any employment or labour rights.

## ENVIRONMENT

### ARABESQUE'S POSITION

Arabesque is fully supportive of the Rio Declaration on Environment and Development. Although our line of business is not resource intensive, we strive to improve our efficiency and minimize any negative impact our business might have on the environment.

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<sup>1</sup> <http://professionalism.cfauk.org/women-are-still-underrepresented-in-fund-management>



# UN GLOBAL COMPACT ANNUAL COMMUNICATIONS ON PROGRESS

## PRACTICAL ACTIONS

Principle 7: Arabesque is cognizant of the effect of greenhouse gases on global warming and is supportive of initiatives that lead to the reduction of the emission of greenhouse gases. Specifically, Arabesque is a member of the Carbon Disclosure Project and supports disclosure to improve the management of environmental risks.

Principle 8: We continuously strive to minimize our impact on the environment, and are conscious of our carbon footprint and aim to reduce it where possible. We avoid unnecessary employee and business travel.

Principle 9: Arabesque strives to adopt environmentally sound technologies and become a paperless business. Where possible, printing is avoided and information is stored and scanned electronically which has led to a reduction in the use of paper. We also separate waste and recycle all recyclable materials where possible.

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges

PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility

PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

## MEASUREMENT OF OUTCOME

We are proud to announce that during the period covered, all staff travel was either by train or in economy class aircraft.

We are pleased to report that we have not had any environmental incidents at any of our offices since our incorporation.

## ANTI-CORRUPTION

### ARABESQUE'S POSITION

Arabesque is fully supportive of the United Nations Convention against Corruption and is strongly opposed to, and does not tolerate, any form of corrupt business practices, bribery, extortion, and all forms of dishonesty.

### PRACTICAL ACTIONS

Principle 10: As a UK regulated asset manager and US Securities and Exchange Commission (SEC) Registered Investment Adviser, we are fully cognizant of, and compliant with, UK and US anti-corruption and anti-bribery rules. The Financial Conduct Authority (FCA) and the SEC requires all authorized firms to have in place policies and processes which prevent corruption and bribery and to conduct their business with integrity.

# UN GLOBAL COMPACT ANNUAL COMMUNICATIONS ON PROGRESS

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Our partnership agreement governs the business conduct of our employees. All employees are required to work with the utmost level of integrity. We highly value personal integrity, and rely on it as one of the three key components in our hiring and on-going evaluation process.

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery

Furthermore Arabesque is a member of ICGN and fully supports its mission to inspire and promote effective standards of corporate governance to advance efficient markets and economies worldwide.

## MEASUREMENT OF OUTCOME

We are pleased to report that we have not had any legal proceedings or any events related to corruption or bribery.

# UN GLOBAL COMPACT ANNUAL COMMUNICATIONS ON PROGRESS

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## OUTLOOK AND FUTURE PLANS

### ARABESQUE'S POSITION

Values lie at the heart of what we do, and we are fully committed to advancing the UN Global Compact's principles and in complying with and promoting the UN PRI. We aim to implement the following steps in relation to our core values:

- Responsible investment. We have published our second UN PRI report in 2017 where we highlighted our progress in implementing the six Principles in the 2017 report.
- Responsible to investee companies. Where applicable, we aim to report on our proxy voting and shareholder engagement activities in 2018. Owing to confidentiality issues, these results will only be shared with our shareholders.
- Responsible to our stakeholders. We will continue to implement and promote all 10 UN GC principles with our suppliers, employees, investors, investee companies, and the local communities in which all these entities operate.
- Responsible to the environment. We aim to improve and develop our policies around environmental management.

### CONTACT AND FEEDBACK

If you would like to find out more information, have any questions, or would like to provide any additional feedback on this Communication on Progress, please address your request to the contact person below.

<b>Company Name</b>	Arabesque Asset Management Limited
<b>Contact Address</b>	68 Brook Street, London W1K 5DZ
<b>Contact Person</b>	Andreas Feiner (Head of ESG Research and Advisory)
<b>Contact Email</b>	andreas.feiner@arabesque.com

June 2017

# ARABESQUE STATEMENT ON HUMAN RIGHTS

This human rights statement sets out the Arabesque group's (the "Group") policy on, and expectation of partners, personnel, business partners, and other parties linked to the Group's operations, products, and/or services with regard to, human rights.

The Group offers an asset management service combining, inter alia, portfolio management technology and quantitative models with the values of the United Nations Global Compact (UN Global Compact) and the United Nations Principles for Responsible Investment (UNPRI). The Group strongly supports, and is fully committed to, respecting the following international human rights standards:

1. Universal Declaration of Human Rights
2. International Covenant on Civil and Political Rights
3. International Covenant on Economic, Social, and Cultural Rights
4. International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work

## THE GROUP

Group companies are located in the United Kingdom and the Federal Republic of Germany. These countries ratify and embed within their national laws the above human rights standards, and each company within the Group complies strictly with the national laws in the jurisdiction within which it operates.

## PARTNERS AND PERSONNEL

The Group's operations are governed by its partnership agreement, which explicitly references respect for the values of the UN Global Compact including principles 1 and 2 relating to the respect and support of human rights and avoiding complicity with human rights abuses. Each employee is required to respect these values and be cognizant of any potential abuses.

The Group provides for labour and work place rights which comply with human rights standards. The Group does not employ child labour and does not use forced labour. The Group provides for the right to equal pay for equal work, just and favourable remuneration, freedom to associate, right to form and join trade unions, right to rest and leisure, periodic holidays with pay, and reasonable limitations on working hours. The Group respects all religious observances and practices.

Respect for privacy is taken into account in the Group's infrastructure by providing an Information Technology (IT) environment which offers the appropriate standards of data privacy.

## BUSINESS PARTNERS AND SERVICE PROVIDERS

The Group operates within the financial services sector and its business partners and supply counterparties are predominantly research firms and service providers within the financial services sector. The Group evaluates each business partner and service provider to ensure the partner lives up to appropriate standards of integrity and sound business practices.

## INVESTORS, COMMUNITY, SOCIETY, AND OTHER STAKEHOLDERS

The Group is founded on the principle that investments which favour good environmental, social, and corporate governance provide positive performance and returns. The Group's investment and selection process complies with the values of the UN Global Compact.

## THE GROUP APPROACH TO HUMAN RIGHTS

The Group is committed to supporting human rights through its research and engagement with universities, institutions, and governmental organizations. The Group is a member and supporter of

various organizations which respect and support human rights, and is constantly engaged in discussions with stakeholders in order to progress and secure the promotion of international human rights standards. By way of example, the Group is a signatory to the UN PRI and is member of the International Corporate Governance Network (ICGN). Please see page 5 above for a representation of our memberships.