



ESG RESPONSIBLE INVESTMENT POLICY¹

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¹ *To be approved by the Board of Directors*



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1. MARENGO FINANCIAL SERVICES LIMITED

Marengo Financial Services Ltd. (hereinafter the “Company” or “Marengo”), is a UK company approved and regulated by the FCA, which offers Advisory and Asset Management services for institutional clients.

Marengo is 100% owned by Marzotto SIM (hereinafter “Marzotto”).

Marengo target customers are exclusively institutional entities that essentially fall into four types:

- Banks, especially of small and medium size;
- Management Companies;
- Financial intermediaries;
- Corporates.

Marengo manages or advise clients on investments, with the support of professionals who work with the aim of maximizing the return for investors.

The adoption of responsible principles of management is a primary commitment for Marengo, and allows a new approach to creating value for the benefit of each class of stakeholders. The relevance of environmental, social and governance (ESG) elements is therefore a cornerstone in all investment and analysis activities.

In February 2021, Marengo formalized its commitment by drafting an ESG Investment Policy. The objective of this document, approved by the CEO of the company and subsequently by the Board of Directors, is therefore to integrate the ESG principles within the entire decision-making process, aimed mitigating risk and creating sustainable value in the long run.

The objective of the ESG Policy is to illustrate how Marengo integrates ESG factors within its investment process, ensuring a responsible approach aimed at sustainable long-term growth.



2. VISION AND OBJECTIVES

The inclusion of ESG factors within the investment process allows a better understanding of the risks and opportunities, while optimizing the creation of value in the long term.

Following the drafting and adoption of this ESG Investment Policy, Marengo has signed its commitment to:

1. Include ESG issues in the analysis and decision-making processes regarding investments;
2. Be active investors by incorporating ESG issues into active share ownership policies and practices;
3. Request adequate information on ESG issues from the companies in which it invests and in those in which it could invest;
4. Promote the acceptance and implementation of responsible principles within the financial sector;
5. Collaborate to improve the effectiveness of the implementation of the Principles;
6. Communicate on activities and progress made in implementing the Principles.

Consistently with what has just been described, the objective of this Policy is to affirm and clarify how these principles are integrated into the investment process of Marengo.

Furthermore, through the integration and implementation of these principles within the Governance and the investment process, Marengo aims to increase the creation of value for its stakeholders through:

- The creation and enhancement of new business opportunities to attract investors interested in the correct management of ESG issues and opportunities;
- The reduction of financial and reputational risks, through an in-depth knowledge of all the main non-financial metric related to ESG issues.



3. SCOPE OF APPLICATION

Full ESG commitment in Asset Management and Advisory activities, through a tailored approach to ensure efficient and effective action.

Marengo is committed to including ESG criteria into all its investment activities, adapting its approach according to each investment area, in order to ensure both efficient and effective action.

In particular, the scope of this ESG Policy concerns:

- (i) Asset Management Services;
- (ii) Advisory Services.

This ESG governs the principles and procedures applicable in the various phases of the investment process: analysis, acquisition, management and monitoring, divestment, of a single and specific security.

Similarly, the entire portfolio is constructed taking into account the exclusion lists and a methodology that includes sustainability factors of each specific security (for example the level of circularity of the inputs in one's business) and its rating, if available.



4. GOVERNANCE

ESG governance requires clear accountability across the organization.

The governance of ESG responsibilities within Marengo is shared between the following subjects:

- **Board of Directors**

Approves Marengo's ESG Policy and ESG strategies. Defines the degree of relevance of the ESG factors that can have an impact on Marengo's business, its investments and its stakeholders, taking into account the reports produced by the ESG Manager.

- **ESG Manager**

Reports to the Board of Directors of Marengo at least annually and periodically to the CEO and is responsible for ensuring, supervising and improving the implementation of Marengo's ESG policy within the organization. He is one of the members of the Investment Committee.

- **Investment Committee**

Decides the investment policy and strategies. This ESG Policy integrates ESG decisions into the selection and investment process for both Asset Management activities and Advisory services. The ESG Manager is one of the members of the Investment Committee of Marengo.

5. IMPLEMENTATION OF THE POLICY IN THE INVESTMENT PROCESS AND EXCLUSION LISTS

Effective implementation of the principles set out in this document requires a differentiated approach, taking into account the characteristics of the investments involved.

The analysis of ESG factors is integrated throughout the entire investment process.

The ESG analysis is planned and implemented taking into account the relevance of the investment and its characteristics, both in terms of objectives and in terms of the nature of the assets concerned.

Analysis and Valuation:

All potential investments are subject to a selection process based also on ESG factors, in order to exclude investments that are not compatible with the eligibility criteria established by Marengo.

Compatible investments are then further evaluated as part of a selection process, in order to verify the existence and relevance of any critical ESG issues in the following areas:

- Environmental issues: Marengo will assess the existence of environmental policies to protect against environmental risks. The focus is mainly on the production process, the raw materials used and the possible use of renewable energy.
- Social Issues: Marengo will assess the existence of sustainable practices in the management of human capital and in respect of human rights. A large number of Policies and the presence of Law 231 (or equivalent) are preferential elements.
- Governance issues: Marengo will assess the presence of an effective and balanced corporate governance system. The percentage of independent directors on the Board and the anchoring of a part of the overall salary of the C-Suite, are preferential elements.

In particular:

- For the activity of Asset Management and Advisory:

The investment process consists of building portfolios by theme, specific strategies (our QUANTAMENTAL approach) and industries.

For each portfolio, a universe of coherent securities is identified from which to choose. The construction of the investable universe is therefore at the basis of each individual portfolio. The analysis of the ESG component follows the fundamental analysis, which is initially based on a quantitative or QUANTAMENTAL approach.

Once the universe has been built following the application of our selection algorithms, the ranking obtained must be integrated with the ESG analysis.

We therefore proceed with:

- compatibility analysis between the different components of the portfolio and the exclusion lists;
- construction of a ranking within the selected universe deriving from the score of the main ESG Rating companies;
- Identification of relevant ESG elements such as the circularity of production factors.

Purchase: The Investment Committee chooses investments also taking into account the impact of ESG criteria within the universe of securities built for each individual portfolio.

Management: The management of investments in the portfolio is also carried out by monitoring the evolution of the ESG ratings of the investments and above all the ESG news flow of the main ESG issues.

Monitoring: The monitoring of ESG news and the change in score by the Rating Agencies takes place constantly, on an at least monthly basis.

Divestment: The sale of a security normally occurs because the target has been reached or due to a possible worsening of the news flow. The news flow linked to the ESG is considered particularly important within the decision-making process.

Exclusion lists

Marengo deems it necessary to draw up precise exclusion criteria for both shares and fixed income securities.

In particular, the Marengo ESG framework provides for total exclusion criteria for activities that violate Human Rights and, instead, only partial exclusion criteria for some controversial sectors, or as a percentage of the portfolio.

Total Exclusion:

- All producers and users of controversial weapons banned by UN Conventions that are contrary to fundamental humanitarian principles. These include anti-personnel mines, cluster bombs, chemical and biological weapons, depleted uranium, blinding white phosphorus lasers.
- Pornography.

Partial Exclusion:

- Investments in gambling may not exceed 5% of the portfolio
- Investments in tobacco will not exceed 10% of the portfolio
- Investments in the production of coal or in companies that use it within the production process may not exceed 15% of the portfolio

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6. APPROVAL OF THE ESG POLICY

The Board of Directors of Marengo Financial approved this ESG Investment Policy on the 25th March 2021

Marengo's commitment to environmental, social and Corporate Governance issues is considered to be of significant and substantial importance.

In consideration of the complexity and continuous evolution of the market context, Marengo will supervise the activities implemented in the ESG area, providing its customers with relevant updates as part of a process of constant improvement of its ESG practices.

In this context, the approval by the Board of Directors of Marengo on the 25th March 2021, of this ESG Policy therefore falls within this context.

The main terms of the ESG are set out below:

- Marengo will periodically communicate the results achieved in applying this ESG Policy.
- The ESG Manager will inform, at least annually the Board of Directors of Marengo about the state of application of this ESG Policy and any proposals for its improvement.
- Marengo will monitor the practices of the reference market. Where necessary, the Board of Directors of Marengo will make any updates or changes to this ESG Policy.

Lastly, Marengo undertakes to support the process of improving and disseminating the principles included in this ESG Policy also through participation in events and activities to promote the integration of ESG factors in financial choices, research and improvement of practices in this area (also using external consultants) and the promotion of an internal culture through continuous training and involvement of its staff.