MARATHON

Thoughtful,
patient investing.

Report on Marathon's Compliance with the UK Stewardship Code

For the year 2022

Contents

Introduction

This report seeks to provide Marathon's clients with information about our approach to Stewardship generally, and more specifically how we address the Principles embedded within the UK Stewardship Code.

The Code defines stewardship as follows:

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Good company stewardship involves actively monitoring investee companies including, among other things, engagement with senior management to discuss strategy, performance, governance and risk. These attributes form an intrinsic part of Marathon Asset Management Limited's ("Marathon")[1], investment process which seeks to identify companies that can deliver shareholder value through effective and sustainable use of cash flow over the longer term.

Marathon's investment process focuses on industry characteristics alongside in-depth research regarding the company management's motivation, incentivisation and skill at responding to the forces of the capital cycle.

This document reflects Marathon's approach to governance and stewardship as part of our fiduciary duty to preserve and enhance long-term shareholder value, overlaid against how Marathon has applied the Principles of the UK Stewardship Code ("the Code"). Marathon has also sought to define and explain current business practices surrounding engagement, collaboration and escalation and separately how the firm has responded to market-wide systemic risks alongside work to improve the functioning of markets generally.

The Code was developed to focus on how firms allocate, manage and oversee capital to create long-term value; leading to sustainable benefits for the economy, the environment and society. To this end, Marathon seeks to comply with the standards, implementing the Code and its twelve Principles in a manner that is aligned with our business model and long-term investment strategy.

In applying the Principles, Marathon has considered the following for the period of 1st January to 31st December 2022, among other issues:

- the effective application of the UK Corporate Governance Code and other governance codes;
- directors' duties, particularly those matters to which they should have regard under section 172 of the Companies Act 2006;
- capital structure, risk, strategy and performance;
- diversity, remuneration and workforce interests;
- audit quality;
- environmental and social issues; and
- compliance with covenants and contracts.

[1] Operating as Marathon-London in North America.

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

> "Marathon's long-term investment philosophy is aligned with taking a robust stewardship approach. Making an investment with the intention of holding it for around a decade, or more, one is incentivised to take an interest in ensuring that the business is managed to do well over a longer time frame. As such, ensuring the sustainability of the businesses in which we invest, and encouraging continuous improvement in practices and governance, is – and has always been – core to Marathon's success in meeting client expectations over the long-term."

Neil Ostrer, Co-Founder and European Portfolio Manager

Marathon is an independent, privately owned investment management firm based in London. Founded in 1986, Marathon has successfully applied longer-term and often contrarian strategies in its equity investments around the globe on behalf of its institutional client base of pension schemes, foundations, endowments, charities and sovereign wealth assets. In our assessment, based on the longevity of many of our client relationships, and feedback received, Marathon has been highly effective in meeting client expectations across its history.

Now in its fourth decade, Marathon's objectives remain the same: to meet our clients' expectations whilst preserving an entrepreneurial investment-led culture. Our purpose is to partner with our clients and help them meet their long-term financial objectives by outperforming stock market indices.

Marathon's strategic plan focuses on maintaining the ability to generate attractive investment returns for our longstanding and loyal institutional clients through the continued and consistent execution of our shared and time-tested capital cycle investment philosophy anchored around the tenets of the capital cycle; it also involves continuing the evolutionary process of empowering our investment professionals and adding resources as and when necessary, whilst at the same time fostering our investment-led culture.

Marathon does not have an explicit business objective centred around growth (growth in and of itself is not part of our strategic plan). However, given the profile of a significant portion of our client base (i.e. corporate and public defined benefit pension plans, etc.), Marathon is acutely aware of, and exposed to, the secular trends and cross-currents within the traditional retirement benefit pension world and is taking prudent commercial steps (consistent with our investment-centric cultural ethos) to address the more intermediated defined contribution channels. This has been achieved primarily through our sub-advisory relationships and, to a lesser degree, through the methodical build out of our institutional private fund investment vehicle architecture (such as our daily-dealing collective investment trust vehicles established specifically to accommodate US defined contribution plans). These efforts are being undertaken to complement and extend our longstanding institutional client partnerships (as their pension programmes evolve) rather than to divert attention elsewhere.

Marathon's Purpose, Vision and Values statement, outlines the firm's views and approach to dealing with clients, investee companies and colleagues. Individual application of the statement is monitored as part of the regular appraisal process for all employees.

Marathon's Purpose statement is:

> **" To partner with our clients and help them meet their long-term financial objectives by outperforming stock market indices"**

Marathon's Vision statement is:

> **" To deliver superior investment returns through the application of our distinctive capital cycle framework in a thoughtful and sustainable way.**
>
> **To act as a trusted partner for all clients.**
>
> **To maintain a dedicated, inclusive and energised workforce where we act with the highest levels of integrity in everything that we do."**

Marathon's Values statement is:

Client focus – such as working on all fronts to align our interests with those of our clients;
Long-termism – such as encouraging management of companies to eschew short-termism, and taking into accounts ESG issues at all stages;
Individual accountability – particularly in decision-making;
Intellectual honesty – candour and humility as expected conduct;
Owner mindset – support colleagues to work for the benefit of clients;
Operational excellence – employing a continuous improvement mindset.

The full Purpose, Vision and Values statement can be located on Marathon's website HERE.

Separately, Marathon's investment culture is characterised by intellectual curiosity, eclecticism and non-consensus decision-making.

Marathon has been structured to align firm and client objectives, including a long-term investment horizon and a focus on performance rather than asset gathering. The investment team's remuneration is largely based on long-term performance relative to the benchmark. Portfolio managers are also assessed on their efforts to integrate sustainability considerations into their investment decision making. Product proliferation is avoided to stay focussed on a narrow range of strategies.

Furthermore, the capital cycle approach, uncommon in the investment world, is not bound by style or market capitalisation restrictions which leads to a stimulating and independent investment environment in which portfolio managers have the intellectual freedom to invest widely across all industries.

Marathon broadly characterises investments within two opposite points of the capital cycle:

- **High return phase**: Investments in the top half of the capital cycle, where high rates of return within a business and/or industry are being attained, are often characterised as having some intangible asset(s) that allows them to fend off competition and excess capital that would otherwise be drawn to the prospects of high returns. These types of investments can also be characterised as having a consolidated industry market structure with high barriers to entry.
- **Depressed return phase**: Investments in the bottom half of the capital cycle, where rates of return have fallen to or below the cost of capital and where capital is being repelled as a result, are often characterised as contrarian, deep value investments where an improvement in the economic returns of a business is not accurately discounted by the broad market. A consolidating market

structure, where supply and competition are removed, or a radical shift in management strategy, are often conditions leading to these types of investments.

Business attributes that Marathon finds attractive include companies that:

- Deploy capital effectively and efficiently;
- Have high insider ownership and/or where company management are appropriately incentivised to focus on long-term results;
- Operate in an oligopolistic or consolidating industry.

These investment characteristics and Marathon's investment philosophy which places particular importance on corporate governance issues, specifically through the detailed analysis of the behavioural aspects of management, provides a stable framework for Marathon to deliver long-term outperformance on behalf of our professional client base which in turn leads to sustainable benefits for the economy, the environment and society.

As part of this belief in the benefits of long-term investing, Marathon portfolio managers' investment performance is assessed for remuneration over a five-year time horizon. This helps to ensure that in difficult market environments seen during 2022, due to the conflict in Ukraine alongside a high inflationary environment, portfolio managers can remain consistent in their investment approach; continuing to focus on the long-term capital cycle - which is fundamental to how Marathon invests - and the expectations for how company management teams allocate capital.

Finally, to ensure that these investment beliefs, strategy and cultural norms are actively embedded within the business, Marathon has a Sustainability Charter (the Charter, which can be found on our website HERE), alongside the overarching Environmental, Social, and Corporate Governance ("ESG") Policy (found HERE), to explicitly reflect the commitment of the entire investment team. The Charter articulates Marathon's commitment to considering Sustainability/ESG factors as part of our investment process.

As responsible owners and a client fiduciary, Marathon portfolio managers take full account of sustainability issues at all stages of the investment process; during due diligence and monitoring of holdings, engagement with company management and when voting proxies. Clients also have access to a detailed Sustainability Report (available HERE); outlining Marathon's understanding of sustainability both in relation to investee companies but also at a firm level. The report details work undertaken by the investment team and other departments as well as evidencing individual portfolio manager commitment to the Charter. The report also provides examples of investment decisions and stewardship that incorporate sustainability over the review period, evidencing its effectiveness as assessed by Marathon.

Marathon meets with its clients regularly, with many speaking to their relationship managers at least quarterly. These meetings frequently involve us asking for feedback on our stewardship approach. With a professional, sophisticated client base Marathon receives plenty of challenge and feedback on our activities; with constructive comments and suggestions fed back to the investment team. This feedback often highlights the value clients place on our approach of continuous review and challenge of company management and active voting based on an analysis of each resolution in context rather than using a "one size fits all" approach to decision making. As a result, we believe that we continue to serve our clients' best interests. Importantly, Marathon's engagement work and interaction with company management (as detailed in other sections of this report) seeks not only to enhance those individual companies but also where appropriate effect industry change to the benefit of the wider economy.

Principle 2

Signatories' governance, resources and incentives support stewardship.

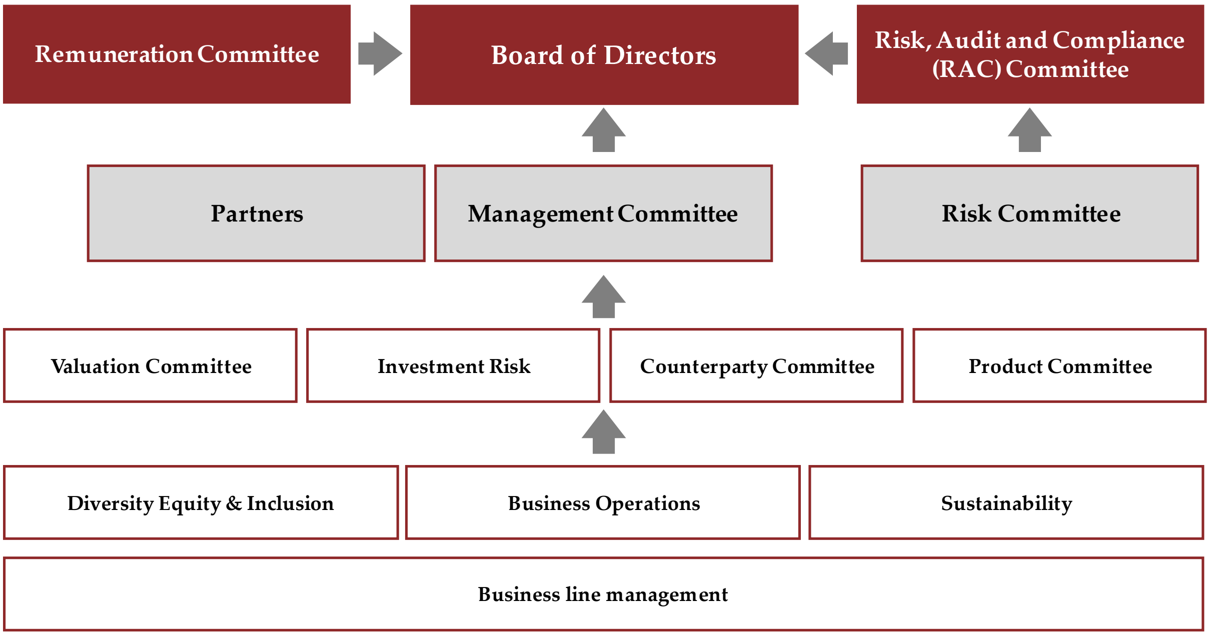
> "Our process is based on a long-term approach to investment, and our governance structure helps to support it. Short-termism is a feature of public capital markets. Often the desire to outperform over a month, a quarter or a year leads fund managers to focus excessively on short-term results and to encourage investee companies to do likewise. Necessary investments to ensure long-term sustainability may thus be discouraged in an environment where short-term profitability is paramount.
>
> Marathon's remuneration structures are designed to reward longer-term results over short-term performance, focusing on a five-year time horizon. They also seek to incentivise investment team members to remain with the business for the long-term. We believe that this approach underlines the importance of stewardship which lies at the heart of our business."

Charles Carter, Managing Director and European Portfolio Manager

Marathon's Board of Directors ("Board"), the senior governing body responsible for supervision and management of the business, has been strengthened over the past five years with the objective of putting in place a governance structure that sustains a multi-generational business. This body remains accountable for the overall delivery of stewardship activities across the organisation, supported by the firm's Partners group which seeks to protect and cultivate the investment philosophy and culture of Marathon, and underpinned by the Sustainability Charter.

Additionally, Marathon has a Remuneration Committee which meets at least four times a year and provides a forum to propose and agree remuneration arrangements for Marathon personnel. Incentives have been carefully designed to provide a material interest in the effective functioning of the firm and motivation to remain at Marathon. Portfolio bonuses are objective and based on the individual portfolio manager's five-year rolling performance relative to their geographical benchmark. The core principle being individual accountability as each portfolio manager has direct and sole responsibility for their own investment sleeve.

Marathon's governance framework



This relatively flat structure, coupled with the size of the firm make Marathon a nimble business, able to make decisions and, where necessary, effect change rapidly.

Marathon's robust governance model to support stewardship is further underpinned by Marathon's investment team which is made up of a number of portfolio managers specialising in their respective regions but who continue to deliver one consistent investment philosophy. All members of the multi-national investment team are experienced professionals; having many years between them in the industry. All are university graduates, with a number holding further qualifications such as MBAs or the CFA Charter.

Marathon's Investment Team

Europe	Japan	Pacific ex-Japan	Emerging Markets	North America
		Portfolio Managers		
Neil Ostrer (41/36)	**Bill Arah** (40/36)	**Justin Hill** (26/2)	**Alex Duffy** (18/1)	**Robert Anstey**[1] (28/9)
Charles Carter (33/25)	**Simon Somerville** (33/6)			**Ian Deacon** (15/6)
Nick Longhurst (28/19)	**Toma Kobayashi** (8/4)			
		Analysts		
Jordane Guillot (13/3)	Yumiko Ogasawara (29/26)	Samuel Dolton (5/1)	Kai Chen (10/1)	Tom Wharram (7/0)
	Masanaga Kono (39/7)		Laura Fyfe (3/0)	

As at 31st March 2023. Numbers in brackets denote experience in the industry/years at Marathon.
[1] Robert Anstey manages Canadian equities for International mandates which include Canada.

It is the investment team at Marathon that is primarily responsible for stewardship activities, as portfolio managers have the most experience and understanding of the companies in which they invest through their research of prospective and actual holdings. Individuals within this team are also charged with owning and maintaining Marathon's investment culture that encompasses bottom-up stock picking and the generation of internal research. Such research can include meeting with management of investee companies, which provides the opportunity to challenge various issues, including ESG, where it is felt that investee companies are not acting in the long-term interests of their business and shareholders.

In total, 1,739 company meetings and interactions were undertaken in 2022. Post covid-19 restrictions worldwide, many meetings continue to be via video or telephone call which offers greater efficiencies in terms of scheduling and administration for all parties concerned. Nevertheless, Marathon has also been able to revert back to face-to-face engagements which offer a more personal way to engage, collaborate and review company management.

Marathon's view is that investee company management is more receptive to challenge by the investment team directly rather than by separate ESG specialists who may lack the direct contact, ability to influence and/or pursue a prescriptive, box-ticking approach to stewardship. The only region where this view is tempered is Japan where Masa Kono, working as an analyst within the investment team, has a primary role to interact with Japanese company management on behalf of Marathon, encouraging them to focus on long-term returns, allocate capital effectively and make appropriate levels of pay-outs to shareholders.

Marathon then leverages a range of third-party data (e.g. Institutional Shareholder Services ("ISS" – appointed in 2022 to replace MSCI); brokers; S&P Capital IQ; Bloomberg – ESG research and technology enablers) to both reinforce our primary internal, bottom-up analytics, and provide market colour and industry viewpoints, thereby helping to formulate and refine Marathon's investment thesis and often contrarian positioning. This further supports the stewardship activities of the investment team as it helps provide context to the investee company, thereby providing further opportunities to challenge management, as appropriate. To this end, the investment team is encouraged and supported to keep abreast of developments in stewardship and ESG through consideration of a range of information and data sources.

In terms of governance, Marathon's approach to managing and controlling such vendors revolve around three separate but interconnected phases: (1) due diligence work carried out before entering into an outsourcing relationship; (2) the on-going monitoring and supervision of the service being delivered by the outsourced entity; and (3) recovery and resilience planning. The oversight arrangements in place for each provider is dependent upon the nature and scale of services provided to Marathon. On an ongoing basis, key counterparties are subject to annual due diligence questionnaires, reviews and on-site visits, as appropriate and dependent upon geographical location. Senior management are involved in this process. Furthermore, the Legal team support contract negotiations and renewals whilst Compliance participate in the RFP for key service providers and will undertake regular due diligence visits/meetings with the core service providers. Compliance also has oversight of ongoing contact and other due diligence documentation undertaken by the key business unit for the outsourced parties.

Marathon believes that the ability to vote is a key component of stewardship. To that end, Marathon aims to vote all resolutions, at all companies, on our clients' behalf (where permitted under a client's agreement). In order to facilitate the proxy voting process, Marathon has retained ISS as an expert in the proxy voting and corporate governance area. ISS is an independent proxy advisor firm which specialises in providing a variety of fiduciary-level proxy advisory and voting services. ISS also assist the firm by developing and updating their own set of guidelines which are incorporated into Marathon's guidelines by reference. They provide research and analysis on stocks within all of Marathon's portfolios, they facilitate voting ballots through their online portal and give recommendations based on each agenda item compiled by their analysts in each region.

Marathon does not automatically accept the pre-populated responses input by ISS, nor does it automatically submit the clients' votes. Instead all proxy events and supporting documentation (including internal research) are reviewed by the relevant portfolio manager(s)/analyst(s) for their consideration. Each portfolio manager has the option to accept the ISS recommendation, or to vote against the rationale provided by ISS. In these cases, a written explanation on the reasons to vote against the recommendation will be retained.

As Marathon has a long-term outlook, with a typical holding period of around eight years on average across the firm, portfolio managers have an in-built incentive to promote good governance and undertake stewardship activities in relation to their investments, as such initiatives typically have a gradual and lasting impact on a business rather than being fully felt immediately. Marathon's investment team has been recruited with its long-term approach in mind, and portfolio manager hires are typically both highly experienced and well aligned with our philosophy and approach, having significant experience not only in generating investment performance but also in working with company management teams on improving governance matters.

In addition, training courses are offered which can form part of portfolio managers' required Continuing Professional Development, and provide additional context around ESG and stewardship for other members of staff. Staff are encouraged to undertake qualifications such as the CFA's Certificate in ESG Investing. The investment team has also received training on the ISS ESG data; both on its use and the underlying methodologies behind the various ratings. Finally, and more broadly, all staff have received training on the concepts behind and the arguments in favour of promoting Diversity, Equity and Inclusion within both the business and society at large. Marathon continuously reviews and assesses the training needs of its staff in light of the changing investment and regulatory environment, and further training may be provided in future as the market continues to develop.

Marathon remains wary of simply adding dedicated ESG resources. Marathon's portfolio managers have always maintained direct responsibility for stewardship and we wish to retain this important and defining characteristic. Nevertheless, to supporting consistent and efficient implementation of sustainability, stewardship and other ESG matters across the firm, in 2021 Marathon created a Sustainability Working Group. This Working Group is constituted of members from across the business that are routinely involved in stewardship and sustainability matters; including members of the Investment, Client Service, Proxy Voting and Compliance teams. The Working Group is chaired by Ben Kottler, a Client Manager, who has experience with ESG matters in his previous investment-led role and who has completed qualifications such as the CFA Certificate in ESG Investing. This Group gives the business a further operational tool to support active stewardship in order to deliver better client outcomes.

To evidence Marathon's commitment to good stewardship and assess our progress, the firm became a signatory of the Principles of Responsible Investing (PRI) in 2019 with confidence that Marathon's investment approach is fully compatible with the PRI principles. In July 2020 Marathon received the first report back from the annual PRI survey, performing in-line with other first-year signatories, with room for improvement, particularly in areas of oversight; objective setting; monitoring; and communication. The second annual report was received in August 2022, with Marathon performing ahead of peers in each of the three main areas of assessment; investment/stewardship policy, incorporation, and voting. It should be noted that scoring methodology changed between the 2020 and 2021 reporting cycles, to reflect the new PRI Reporting Framework, and thus the most recent 'scores' are not immediately comparable to the previous year. Marathon's current Transparency report can be found on our website HERE.

Finally, Marathon has in place a Diversity, Equity and Inclusion (DE&I) strategy to further enhance the firm's inclusive culture and achieve increased diversity in the employee population. The initiatives and actions that make up the DE&I Strategy are grouped around four pillars: Introduce (supporting diverse recruitment), Include (promoting a culture of individual purpose and belonging), Grow (supporting the career advancement of diverse employees) and Community (external opportunities/initiatives that have an DE&I focus). The implementation, and future development, of the DE&I strategy is overseen by an DE&I Working Group, chaired by the Head of HR and including members drawn from across the business, with representatives from the Administration, Client Service, Compliance, Human Resources, Investment, IT, Legal, Operations and Trading teams. Marathon's initiatives in this area is supported by membership to the Employers Network for Equality and Inclusion, which provides access to training, materials and benchmarking data on DE&I for the members of the working group.

Following the approval of the DE&I Strategy, Marathon is undertaking or planning a number of activities to promote DE&I within each of the four pillars. Current initiatives and policies include:

Introduce

- Engage recruitment agencies with a clear DE&I Policy
- Mandate recruitment agencies to produce a diverse candidate slate
- Review job descriptions to ensure gender-neutral language is used
- Ensure all interview panels are diverse
- Structured interviews to assess all candidates consistently, objectively and fairly

Include

- Line Manager training (e.g. on Inclusive Leadership and Unconscious Bias)
- Employee training (e.g. on an Inclusive Mindset)
- Staff Working Groups on DE&I projects
- All employees to have "inclusive culture" objective in bi-annual reviews

Grow

- Advertise all vacancies internally
- Mentoring programme for diverse staff, following a successful pilot in 2022

Community

- Participation in the #10,000 BlackInterns initiative
- Research and recommend appropriate external programmes/partnerships (e.g. the Brokerage)

In a business of c.90 staff, and relatively low employee turnover, it is expected that these initiatives will take some years to have a material impact on diversity; however, Marathon is committed to measuring progress. In order to do this, staff self-report on a number of diversity characteristics. This data is held by Marathon's HR team and is used to produce a DE&I dashboard. The dashboard allows senior management to assess the progress and impact of the DE&I strategy at increasing the levels of diversity within the firm over time. It should be noted that self-reporting is voluntary, so there will always be an option for staff not to disclose on any measure.

Marathon has had a Dignity at Work and Equality of Opportunity policy for many years, stating the principle of equality of treatment; however, the DE&I strategy formalised the issue of inclusion and diversity, focusing attention and ensuring all staff, whatever their individual background or characteristics, are treated with equal dignity and respect.

Although we believe that the business has been successful in providing an inclusive environment in the past, codifying our approach has helped to ensure that this remains the case in the future, and that diversity becomes a more central consideration for the firm in the future.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

> "Marathon's uncomplicated structure, straight-forward investment thesis and clear corporate values allow conflicts to be appropriately managed in the best interest of our clients. Robust controls operate across the firm ensuring conflicts that might arise between the business and clients are fully mitigated in favour of clients, and those that arise between clients are treated fairly and equally."

James Bennett, Chief Risk and Compliance Officer

The successful identification, mitigation and management of conflicts remains a central part of how Marathon delivers fair treatment of client interests whilst generating superior investment returns. Conflicts, actual or potential, which arise when engaging in stewardship meetings and subsequent voting activity are managed within a clear, effective framework to protect client interests.

Conflicts may arise as a result of:

- ownership structure;
- business relationships between asset owners and asset managers, and/or the assets they manage;
- differences between the stewardship policies of managers and their clients;
- cross-directorships; and
- client or beneficiary interests diverging from each other.

Marathon maintains a strong culture of compliance where it expects all its personnel to exercise the highest standards of integrity and conduct in their business dealings. Marathon maintains a Conflicts of Interest Policy which covers all potential conflicts of interest which may arise within the investment process. As outlined within the policy, in order to maintain the highest degree of integrity in the conduct of Marathon's business and to maintain personal independent judgment, staff must avoid any activity or personal interest that creates, or appears to create, a conflict between personal interests and the interests of Marathon's clients. It is Marathon's policy that all clients will be treated fairly in accordance with relevant regulatory requirements, and in alignment with the firm's Purpose, Vision and Values statement. Marathon's Conflicts of Interests Policy is available publicly on the Marathon website HERE.

Marathon's Governance, Risk-Management and Compliance ("GRC") system is used to maintain a Conflicts Matrix, which includes actual and potential conflicts which have been recognised across the business; alongside arrangements which have been put in place to facilitate early detection management, mitigation and prevention of any such conflicts from having an adverse impact. If any new or potential conflicts of interests are identified, personnel will add or amend an existing conflict entry in Marathon's GRC system. This includes any outside business/trusteeships/directorships, political activities and other personal conflicts; in addition to business conflicts. New or amended conflict entries are flagged by the system to Compliance, which will review the conflict and support the business in implementing new controls surrounding a potential conflict &/or escalate the matter for

Board approval in the case where a material actual conflict is being reported. Marathon's Board of Directors has the final decision regarding issue resolution on material conflicts. In addition, all new/amended conflicts are provided for the Board's consideration, including mitigation, on an annual basis at minimum. Evidence of a review of the conflict and conclusions/approvals given are saved in the GRC system. Timely completion of the review is trackable as dashboard reporting within this system, showing progress and outstanding items for completion.

On a quarterly basis, personnel reaffirm that all conflicts have been disclosed via attestation surveys circulated via the GRC system. Results can be interrogated within the system or extracted as a report for senior management oversight. Personal conflicts, such as political activities or directorships, are independently verified by other types of screening, as appropriate.

Through this processes actual and potential conflicts are identified and managed on an on-going basis.

Occasions may arise during the voting process where a potential conflict of interest could materialise. Such conflicts could include (non-exhaustive):

- Where portfolio managers have opposing views in connection with voting shares of a company they are both invested in;
- Where Marathon has a separate material relationship with, or is soliciting business from, a company lobbying for proxies; or
- Where a personal relationship exists, such as where a friend or relation is serving as a director of a company soliciting proxies.

A conflict could also exist if a material business relationship exists with a proponent or opponent of a particular initiative. Where Marathon identifies a material conflict of interest, the team involved will raise the matter with Compliance. Such reporting will include full details of the issue including why the conflict is deemed material with confirmation how the proxy vote is to be undertaken in the best interests of all clients thereby helping to mitigate any conflict identified.

During the last twelve months, there have been no new material stewardship related conflicts; or potential conflicts identified beyond those disclosed above.

For further detail see Marathon's Conflicts of Interest policy, available HERE.

In keeping with Marathon's long-term approach, this policy enables us to make long-term decisions in the best interest of our clients.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

> "Since Marathon's founding, the world has become ever more closely connected and globalised. While this has presented great opportunities for companies, and has played a major part in Marathon's success, it has also brought with it a number of new risks and threats. While many systemic risks may never materialise, those that do can be devastating such as the Global Financial Crisis of 2007-2008, and the covid-19 pandemic. While globalisation has brought many benefits, the events above have highlighted the fragility of long supply chains and the problems that can arise as a result of increasing concentration of key industries within individual regions or countries. These issues appear to be making companies and countries reassess their global footprints and may lead to a dialling back of globalisation in the medium term.
>
> Marathon attempts to think about these risks from both an organisational and market-wide perspective, and seeks to develop strategies to mitigate the impact when major events occur."

Joe Diment, Managing Director and Chief Operating Officer

In a globalised world it used to be argued that resilience was built-in. Manufacturing could be moved anywhere; emerging economies would be levelled up and developed markets would benefit from better supplies at lower costs. While much of this has proved true, many economies have specialised, connections have become ever closer, supply chains longer and a level of fragility has become increasingly evident, as seen with the supply chain impacts resulting from covid-19 restrictions and the outbreak of conflict between Russia and Ukraine, with the knock-on impact of inflationary pressure across many economies. Risks ranging from the concentration of global manufacturing of particular products in one place through the interconnectedness of financial institutions to the speed and ease of travel.

In respect of our investment decision making process, Marathon's bottom-up investment research approach does not apply a universal top-down view on such issues; however, systemic risks are discussed regularly within the investment team and by senior management. These systemic risks to the financial system relate primarily to the interconnectedness of capital and the risks that, for example, excessive leverage in the system can lead to a negative cascading effect when capital is withdrawn after poorly considered risk is uncovered and assets are written off. As long-term investors, Marathon's portfolio managers consider these issues more than most, as the likelihood of an equity becoming impaired (potentially even falling to zero), becomes a bigger part of the equation the longer your investment duration. Marathon's often contrarian approach means that there has been a tendency to deploy capital to industries where others have exited, thus aiding the smooth functioning of the financial system. The aim is that systemic risks are acknowledged and considered within investment decisions.

Examples of these concerns and considerations include (but are not limited to):

- The risk of stranded assets should economies decarbonise more rapidly than anticipated in more carbon-heavy issuers – consideration of these issues is always at front of mind when evaluating energy-related businesses and Marathon chooses to invest in businesses which act pro-actively through capital allocation to position themselves to be on the right side of decarbonisation. Recent examples include an investment in Rexel, specialist in multichannel distribution for the energy world, which stands to benefit from ongoing electrification trends.
- The risks inherent in the global financial system, and laid bare following the collapse of Lehman Brothers, in any financial related issuers that Marathon invests in for our clients – Marathon's consideration of financial services businesses seeks to identify the levels of systemic interconnection and the latent risks these present. This risk was part of the driver for a very long-term underweight to European banking where there had been excess leverage and often poorly priced risk due in part to excessive competition resulting from conflicting rules complicating or preventing cross border consolidation. This led, in Marathon's view, to a heightened risk of systemic failure. After many years of capital flight, consolidation and struggling with low base rates, Marathon's European portfolio managers believe that a number of banks have reached a turning point in their capital cycle and the underweight was reversed over the final months of 2020 and early 2021.
- The concentration of systemically important industries in one country or region – for example, the concentration of integrated circuit manufacturing in south-east Asia leading to issues for manufacturers of other electronic goods elsewhere should there be transport disruption as evidenced in the covid-19 pandemic, and further exhibited by the effects on supply chains as a result of the Russia-Ukraine war. Supply chain review has become an increasingly important part of the issuer review process as a result.
- Geopolitical risk has been an increasingly important factor in our considerations over the past several years - for example around US/China relations and their mutual economic reliance and antagonism. Marathon considers the health of the overall country/market, property rights and the potential for expropriation as material matters of concern. These issues have resulted in a philosophical avoidance of majority state owned enterprises and lower-than-average weightings in those markets where we believe that these risks are higher. Often such markets are accessed through listed Depositary Receipts rather than via the local listing, both because of better liquidity management and may allow us to avoid rapidly imposed capital controls; however, we acknowledge that there will be occasions where geopolitical risks crystallise and impact portfolio returns. A good example of this occurred during the review period when sanctions and political decisions following the outbreak of conflict between Russia and Ukraine resulted in two positions is Russian companies, held via London listed GDRs, being delisted. The securities have no secondary market at present so they have been marked down to a nominal value, which impacted those portfolios which held them.
- Liquidity risks are ever-present for investors in multiple markets. The risk that we may not be able to exit a position in an orderly or rapid fashion is one taken very seriously. At a minimum, we limit the proportion of free float that can be held in a given security; consider the Average Daily Volume (ADV) traded and whether this is volatile or exhibiting a declining trend; we look at bid/offer spreads, which widen as liquidity falls; as well as considering the expected costs of execution under various scenarios. Before any new investment is made, or where a portfolio manager seeks to increase a position in a capacity constrained security, the Investment Implementation & Analysis (IIA) team assesses the liquidity of those investments and the appropriateness of the proposed order for Marathon's underlying client portfolios.

On occasion, systemic market risks may result in significant volatility; as seen due to the global covid-19 pandemic or the outbreak of conflict between Ukraine and Russia in 2022. Given Marathon's long-term approach to investing, averaging eight years or more, typically Marathon does not react in a knee-jerk way but will consider the impact of such events upon the investment rationale and thesis. In response to such volatility, positions may be retained, increased or decreased according to portfolio manager views and conviction. As an active manager, this is a key function in supporting and stabilising the market. One example of a divestment in response to such a situation in 2022 related to SKSHU Paint Co, a Chinese paint company. Marathon became concerned about the company's increasingly stretched balance sheet and large accounts receivable exposure to property developers. With most private property developers in China under financial stress, we considered this 'asset' to be questionable and highly likely not to be fully recoverable, bringing the company's solvency into question and risking the permanent loss of client capital.

Marathon carefully monitors public disclosures and seeks to meet regularly with management, executive and non-executive directors as appropriate, to better understand the business and the broader industry. At these meetings, Marathon takes the opportunity to give feedback on potential areas of improvement as part of assessing a company's capacity to deliver its long-term strategy, including market-wide and systemic risks. Notes of these meetings are recorded in a centralised database, which are also distributed weekly to the Investment team and Compliance teams, are available to all the investment team, who can challenge a particular portfolio manager's perspective of such risks. Successful stewardship facilitates Marathon's capital cycle investment thesis delivering shareholder value and alignment with the long-term interests of our clients as well as promoting continued improvement of the functioning of financial markets. Portfolio managers are then able to consider any market wide and systemic risks impacting a country, sector or industry and whether this requires either further engagement with management or a change to the investment rationale.

Marathon's investment team has typically placed a high degree of importance on meeting with company management teams, to assess long-term strategy and encourage appropriate capital allocation. Marathon utilises video conferencing and conference calls to interact with issuer companies and their brokers alongside in person meetings. Indeed, virtual meetings – introduced as a result of the covid-19 pandemic – have brought the benefit of facilitating more easy and frequent interaction with issuer management teams based in other time zones; allowing both Marathon's investment team and the issuers' management to connect more readily than with in-person visits, and with the added benefit of reducing the carbon impact of travelling to such meetings. As ever though, the challenge has been to ensure meetings focus on the long-term, rather than seeking to anticipate when and how short-term goals will be achieved and issues overcome.

In Japan, Marathon portfolio managers have written extensively, for many years, about a need for ongoing corporate governance reform in that market. More recently for example, in a February 2022 Marathon Global Investment Review ("GIR" – our investment newsletter) article, "Capital Allocation in Japan: Tick the Box", we explored Japan's history of aversion to change, and what is needed to drive improvement in Japanese board rooms. Marathon, as a provider of capital from overseas and long-term investor, was invited in to discussions held by the Ministry of Economy, Trade and Industry (METI) on the corporate governance code and corporate disclosures. While METI has sought to promote international investment to drive change, Marathon believes that Japanese institutions should focus on developing laws and rules for capital markets that are more acceptable to stakeholders, before relying on pressure from international capital to improve capital efficiency.

Governance is a frequent topic in GIRs, discussed by both European (September 2022, "Meeting Point") and Emerging Markets (June 2022 "ESG in EMs: GES-work") portfolio managers over the year. In the first of these articles Marathon sought to justify the benefits that meeting with company management teams (especially on a 1-on-1 basis) can have, especially when portfolio managers maintain discipline in the way meetings are conducted. The review explored the technique and process Marathon uses in company meetings in order to best improve our understanding of how a company makes money, and how management thinks about the business. The latter article looked at why character and culture matter most for sustainability in Emerging Markets. As long-term owners of companies we require the businesses in which we invest to be sustainable in every sense – socially, environmentally and financially. Marathon's contention is that sustainability is primarily concerned with corporate behaviour, which is determined by the actions of the people working within the companies whose shares we hold.

In terms of working with other stakeholders, Marathon's preferred approach is to assess industry initiatives and engage through them. As a smaller firm, which integrates stewardship and ESG considerations within its investment team and process, resources to participate in such initiatives are limited, so we are highly selective about which ones we join. Examples of initiatives which Marathon supports includes the Principles of Responsible Investing ("PRI") and the Task Force on Climate-related Financial Disclosures ("TCFD").

To support the functioning of the financial market system, Marathon also feeds into consultations with key regulators such as the UK's Financial Conduct Authority, the European Securities and Markets Authority and the US' Securities and Exchanges Commission via Marathon's industry body, the Alternative Investment Management Association ("AIMA"). Compliance individuals participate in regular conference calls hosted by AIMA with other managers to agree responses to consultations and requests for information, including in relation to ESG and stewardship matters. As part of this approach, Compliance source feedback from relevant staff internally. Once the views of AIMA members are consolidated, Compliance approve the document on behalf of Marathon, as do other managers, prior to AIMA submitting their response to the relevant body. Examples of this engagement during 2022 included providing input on sustainability proposals as well as particular regulatory issues, such as helping to change the FCA's definition of 'significant SYSC firms' thereby reducing the overall regulatory burden that would have applied to a wide range of firms. Marathon's view is that taking a collaborative approach like this helps to ensure consultation responses and future initiatives actually address potential market-wide risks.

Within the firm itself, Marathon undertakes rigorous Business Continuity planning. Marathon maintains a comprehensive Business Continuity Plan ("BCP") alongside a Recovery and Resilience plan. The BCP itself is periodically tested by Marathon to ensure it remains appropriate and effective. Both documents are updated at least annually as well as following any significant systems or infrastructure change. The BCP has been created, in part, considering a number of negative scenarios and systematic threats, including a number of different reasons why the office may be unusable, how the business would function should a significant proportion of staff be unable to work, and the impact of a global financial collapse. During 2022 and into 2023 work on Marathon's business continuity and operational resilience has continued. Detailed business impact assessments have been completed by all areas of the company to identify minimum levels of resources and key systems needed in order to maintain business-as-usual operations. This work supports Marathon's on-going planning to ensure the business is well placed to continue operations should it face internal or external disruptions; and it will remain an area of focus across the firm.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

> "Regular formal reviews of policies and procedures are undertaken throughout the business in order to ensure that Marathon remains in compliance with all applicable laws and standards; as well as fully up to date with material changes that occur to systems or team structures. In addition to our internal reviews, Marathon also commissions an annual external audit of core systems and controls to provide additional assurance that those controls are effectively operated."

James Bennett, Chief Risk and Compliance Officer

Marathon's policies and control procedures are reviewed both by relevant internal teams, including Compliance, and independently by an external auditor on an annual basis as part of an internal controls review based on the AAF 01/20 standards.

A review of all key policies, including stewardship and engagement, is completed at least annually by Compliance and relevant subject matter experts within the firm to ensure the documentation accurately reflects current practice, and remains fit for purpose and in-keeping with industry practice. Any proposed improvements to processes such as stewardship are flagged to relevant teams to ensure all are aware of enhancements. Furthermore, all personnel are required to attest on an annual basis, at minimum, that they have read and understood the firm's policies and procedures, including those related to stewardship and engagement. All staff are also actively encouraged to provide feedback and suggest changes and improvements where they see change is required.

In addition, Compliance undertakes an annual formal review of the assurance programme in place at Marathon. This review ensures continued the firm's alignment with current best market practice, along with effective implementation of Marathon's second line of Compliance and Risk resources.

To ensure a comprehensive annual review is conducted and to identify where 'second line' resources should be deployed, an analysis of strategic work, material business matters and regulatory developments has been undertaken; focusing on historic needs/trends and expectations for new work in the coming year, alongside of review of the compliance monitoring programme. In addition, to ensure effective and efficient implementation of second line resources, matters related to Risk have also been considered.

This report is reviewed and signed off by relevant senior management and the Risk, Audit and Compliance Committee; and will include any actions needed to improve engagement activity. The 2023 review identified the need to continue to provide advice and guidance on the ever changing and growing number of global sustainability related regulatory developments and initiatives; amongst others.

Marathon's key activity in relation to stewardship of investments is via its meeting and engagement with corporate management. Internal records are kept concerning engagement with company management and, separately, proxy voting activity, which is overseen by Risk and Compliance. Marathon uses an electronic voting platform to submit voting decisions. Proxy voting data is shared with clients alongside a detailed market commentary which may include insights into significant company meetings held during a particular quarter alongside any major shareholder engagement activities or developments. Marathon provides clients with detailed quarterly reports on voting activities, which provides another opportunity to be challenged on the firm's effectiveness with regards to stewardship.

Marathon continues to produce stewardship material for its clients to help explain Marathon's overall approach to engagement, collaboration and escalation. To ensure that such reporting is fair, balanced and understandable, the development and production of such material is subject to a rigorous approval process. All reports, including those related to stewardship activity, are subject to a four-eye review within the Client Service team, with input from the Investment team. In addition, Compliance undertakes a review of all reporting materials to ensure it meets all relevant regulatory standards, including that it is fair, balanced and understandable. Publicly available reports, such as the Sustainability Report and, indeed, this response, are also subject to review by members of the Board.

Effectiveness of stewardship activities, reporting and processes is also discussed at the Sustainability Working Group; a committee and constituted of Investment, Client Service, Operations and Compliance team members that are all actively involved in supporting Marathon's ESG efforts. This avoids duplication of effort and helps to ensure that deficiencies are not overlooked. In summary, this work helps ensure that stewardship reporting is fair, balanced and understandable.

Whilst Marathon's engagement may not always result in the outcome that our investment team is seeking on behalf of our own clients, we will nevertheless continue to press company management to do what we think is right. Indeed, the Sustainability report sets out examples of where Marathon has been successful or not.

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

> " Marathon's goals remain what they have always been; to generate attractive returns for our clients and to continue to meet their performance objectives. However, over the past several years client interest in non-financial matters such as stewardship, diversity and sustainability have increased substantially. This has led Marathon to develop better, more explicit communication and reporting of our longstanding stewardship activities, and to provide increased reporting and information via both the public website, for Marathon-wide information, and the password-protected Client Area for information specific to each client's mandate.
>
> In our view, stewardship activities are key to us achieving our clients' goals. As investors who seek to identify good long-term stewards of our clients' capital, voting and engagement with company management are core to our investment process; and a route to influence the structure and management of the companies held."

Zach Lauckhardt, Head of Client Service

Marathon's core values are twofold: to continue to meet our clients' performance objectives over the longer term and thereby retain long-standing institutional relationships; and to retain Marathon's investment-centric culture built upon the tenets of individual accountability and alpha generation.

Client service and engagement is therefore core to Marathon's approach in order to foster and maintain the long-standing client relationships upon which the business relies. Every client is assigned a Client Manager who seeks to meet with each of their clients regularly. These meetings typically focus on apprising the client of any relevant developments at Marathon, within their portfolios, and updating them on performance and other topics of interest. Meetings will sometimes include discussion of stewardship activities such as significant votes that may have occurred, or particular engagement activities undertaken. This is also the forum in which clients, from time to time, voice particular concerns or areas of interest in regard to stewardship. Marathon's client base, large institutional investors that are sophisticated in nature, are not shy in voicing their opinions of Marathon's investment, stewardship and ESG activities.

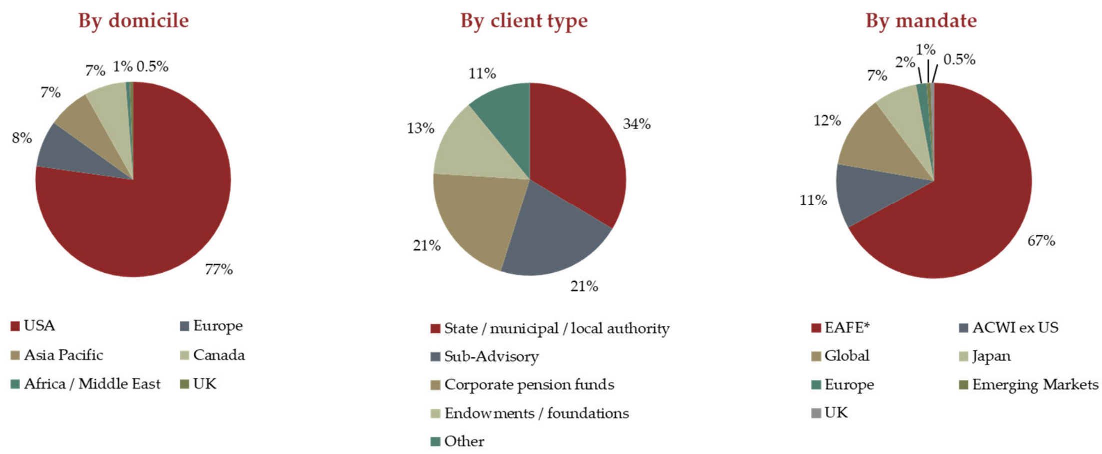
A written record of all these meetings is made available to key individuals within the business, which is then used to evaluate the effectiveness of the firm's current procedures and approach, including those that participate in the Sustainability Working Group and Compliance (see response to Principle 5 for further details). Marathon has also successfully instigated video conferences on top of face-to-face interaction to give numerous clients the opportunity to hear from, and interact with, Marathon's portfolio managers; including on stewardship and engagement matters.

Our rationale for engagement with clients focuses on providing a bespoke service aligned to our clients' needs. Through delivering operational excellence in client service we hope to mirror delivery of long-term superior investment returns. This approach has been refined year-on-year with material adjustments made as a result of client feedback and ensuring the business continues to deliver what our clients want, need and expect.

Marathon's diverse client base is 100% institutional, based in jurisdictions around the world and focussed on achieving various aims. It can be illustrated as follows:

Assets under management

29% of AUM represented by clients with 20 year plus relationships



Firm assets under management: **US$38.5bn**

Source: Marathon, 31 December 2022.
Approximately US$633m of AUM are alternative fund assets, which are not included in the charts above.

Client tenure is long, with 63% of clients (by number, representing 59% of assets) having been a client of Marathon for more than ten years. Our average investment holding period is also substantially longer than is typical in the industry at around eight years (weighted average holding period). As long-term investors, we view analysis of the risks faced by a business, including those relating to its actual or potential environmental or social impacts, as a crucial part of our investment process. These risks can cost a company dearly over the long-term, so assessment of these risks, and the governance structure and process which oversee and manage them, is – and always has been – an important part of our approach. Engagement with issuers, and with our clients and beneficiaries, is a key way to ensure that the investment rationale is sound.

Marathon seeks to be transparent and open about our stewardship activities with our clients. Part of this work includes the publication of articles in the GIR which is sent to all clients at least eight times a year. The GIR, written by members of the investment team, offers unique insight into topical issues, which sometimes include stewardship and ESG. It represents the most effective way for clients to understand Marathon's investment approach. Marathon will also look to share voting information with our clients and prospective clients (on a case-by-case basis) at least quarterly as part of Marathon's standard client reporting procedures; for example, where data is published online via Marathon's client reporting gateway. Marathon-wide voting data is also made publicly available on our website HERE (note that the page may take a few seconds to refresh). In addition, in response to client needs, Marathon publishes an annual sustainability report which is publicly available on our website HERE. This report outlines Marathon's approach to stewardship and ESG matters at the investment and firm level, including an assessment of our effectiveness. Feedback from clients has been positive.

It should be noted that Marathon considers the ability to influence management as an integral part of the investment management function. During the client onboarding process, Marathon's proxy voting approach is discussed with the new client, and typically forms part of contractual discussions, as well as periodic due diligence reviews. Clients often discuss sustainability issues with Marathon. Their views may be considered by portfolio managers as they prepare for company meetings and assess proxy voting decisions, alongside other external input and internal analysis. However, whilst we are happy to discuss voting with clients, the ultimate decision of how we decide to vote rests with the investment team. Where a client has their own policy in place, they are able to opt out of Marathon's voting policy and vote their own proxies.

Very occasionally, clients have approached Marathon directly about strongly held views, usually in regard to a specific upcoming vote, and seek to discuss their point of view with the investment team, seeking to persuade the portfolio managers to vote in line with their views. In these cases, the client's view will be assessed as additional information on the vote in question, and might influence how portfolio managers vote overall; however, all in-scope holdings are, ultimately, voted according to the views of the investment team.

Marathon provides proxy voting statistics to clients which document where Marathon has voted for and against management and/or ISS recommendations on a range of issues. Similar data, for the firm as a whole, is available directly on the Marathon website. Additional reports are also available which provide further data to show how Marathon has voted for and against company management on individual issues.

Monitoring by the second line ensures that the Investment team has followed the firm's agreed stewardship and engagement practices, with no material instances of failing to follow the policies evidenced in 2022. This monitoring is also reviewed independently by an external party as part of the internal controls testing undertaken annually.

Finally, the role of Marathon's Product Committee aims to ensure client views and requirements are actively considered across the business alongside ensuring Marathon's collateral of investment opportunities are aligned to client demands. The Product Committee is also charged with developing and evaluating current and future clients' needs by considering client feedback and assessing client sentiment surrounding existing Marathon strategies and funds.

Over the course of 2022 Marathon has made efforts to improve client communication. While we have always taken pride in our client service, improvements were made to the structure and content of the client area of Marathon's website. This area is accessible by password and contains a wide variety of documentation. While regular reporting has routinely been added to the area for some time, all client documents, including any presentations addressed to the client, are now added to the area. It has also been reorganised to make it clearer what content is available in each section. In addition, more documents and information have been added to the public website, particularly in the "sustainability" area, in an effort to be even more transparent and provide clients and other interested parties with ready access to more of the information that they need in order to understand and assess Marathon.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

> “ What are now referred to as ESG risks have always played a material part in the investment process at Marathon. Good governance has been an area of focus since the founding of the firm. Poor management and oversight of a business can become a key source of risk, resulting in poor performance.
>
> However, the separation of “E” and “S” from “G” is – arguably – false; poor environmental or social practices result from failures in management or oversight. The separation can be useful though, focusing the mind on these particular, often much longer-term, sources of risk when considering a new position or assessing a holding.”

Bill Arah, Co-Founder and Japanese Portfolio Manager

As an active long-term equity investor, sustainability has always been an integral part of Marathon’s investment decision-making process operated by the entire investment team as a matter of course. Marathon’s primary objective – the fiduciary duty to add value within clients’ agreed risk parameters – is enhanced by considering material environmental, social and governance (“ESG”) issues. Portfolio managers integrate assessment of ESG including climate change within their overall analysis of stocks, rather than treating it as a stand-alone issue in making investment decisions. Marathon utilises ISS, in addition to more traditional information sources, to assess ESG with the approach taken adjusted depending on the industry, sector or geography.

Marathon’s approach is to assess ESG holistically within the investment process, rather than applying quantitative rules or an overlay. Our approach does not seek any specific impacts, or target any particular metrics; rather we seek to understand, balance and, where possible, reduce or mitigate the financial risks associated with ESG factors.

Discussion in recent years has gradually moved away from viewing ESG issues as risk factors in relation to the potential returns of an investment and towards them being viewed as a separate issue, to be dealt with in their own right. This may be appropriate where clients choose to invest their money to achieve non-financial objectives, or “impact investing”; however, Marathon believes that it is a false distinction when considering financial performance.

While ESG risks clearly have an impact on various areas of life, and their impact on society and the wider economy is potentially significant, in respect of their potential to improve or reduce a client’s portfolio return, ESG risks are, ultimately, financial risks to a company. However; many are “long tail risks”, meaning they could occur at any time, but have a low probability of occurring at any particular time. For example, poor environmental practices may not have an impact today, or in the next year but could lead to huge fines, litigation and clean-up costs. Similarly, poor treatment of workers may eventually lead to strikes by staff or boycotts by customers and failing to address issues of governance may, in time, lead to fraud, scandal or censure. All of these issues have led to the precipitous collapse of company share prices, and even to bankruptcies, in the past. Nevertheless, poor practises may benefit a company in the short-term, as long as the worst does not happen, as it is often cheaper to behave badly than to behave well. It therefore presents company management with an issue of moral hazard; behave well and see competitors with worse practices do better, or join them and hope that the bad practices do not crystallise into as issue while you are on-board.

Marathon is a genuinely long-term investor, with a long-term asset-weighted average holding period across the business of around eight years and some holdings which remain in the portfolio for much longer. As a result, these risks are more likely to crystallise while we hold a position than is the case for peers with substantially shorter time horizons. As such, they are taken seriously both prior to investment and while a position is held. Marathon's primary focus remains finding companies that it believes are able to generate good returns over time. The firm's strong track record of engagement with company management helps to encourage long-term value creation; which invariably includes focusing attention on ESG risks, their mitigation and agitating for improved practice. Portfolio managers feel this is more effective than an activist approach of taking outsize bets with clients' assets and then publicly criticising companies in an effort to force short-term changes upon them.

Integration of stewardship and investment is overseen by Marathon's Board which receive reports on work undertaken by the investment team and other teams as part of Marathon's Sustainability Charter. This includes overseeing information on portfolio manager due diligence and their on-going monitoring of holdings; company engagement (focusing on number and types of meetings), and trends; any lobbying or bi-lateral/multi-lateral engagements; alongside feedback on significant voting activity.

Furthermore, as discussed in Principle 1, Marathon has a Sustainability Working Group which is tasked with ensuring consistent establishment of ESG and stewardship practices throughout the firm.

For proxy voting, whilst Marathon subscribes to an ISS service that include voting recommendations Marathon's portfolio managers have always voted their own proxies at Marathon. As noted above, we consider the ability to influence management to be an integral part of the investment management function. Portfolio managers having absolute discretion in taking a view on any given sustainability risk or opportunity. In connection with proxy voting decision portfolio managers are required to produce enhanced documentary records surrounding all materially significant votes. These records help evidence sustainability factors being considered as part of Marathon's investment process.

Marathon has advocated corporate governance reform on a frequent basis. The approach used does not vary materially by region and is uniformly applied regardless of vehicle. Portfolio managers undertake this function directly themselves, except in Japan, where Masanaga Kono, a Tokyo-based Analyst, focuses on corporate governance issues by engaging with senior management of Japanese companies held in Marathon portfolios. The reason for this slightly different approach is twofold; firstly, Japanese companies have not always been run with the shareholder's best interests in mind and secondly, being resident in Japan, Masa is more suited to maintain and foster local relationships to express Marathon's views (something that is not always achievable via fly-in, fly-out meetings). He addresses issues such as cash deployment; the separation of Chairman and CEO roles; and proxy voting. For all other matters, including proxy voting, the approach is consistent across Marathon.

Discussions with management are documented through Marathon's meeting notes database, and access to this resource has been widened to a larger audience to facilitate understanding of, and reporting on, our approach to corporate engagement across the business. The Marathon Partners Group (which all portfolio managers participate in, alongside senior representatives of other business areas) also discusses stewardship and ESG matters regularly, in order to spread best practice and relevant information more widely across the business and to ensure that such matters remain at the forefront of our investment approach.

While it is comparatively rare for stewardship and ESG matters to be the main driver of the purchase or sale of a holding, from time to time they can be key considerations. A recent example for a sale which was triggered by what we feel was a failure of governance, alongside other considerations, is Giant Manufacturing, a Taiwanese bike manufacturer producing conventional and E-bikes under an ODM and own brand model. The business has a high level of insider ownership, circa 25%, and concerns had been raised around succession planning, director remuneration and balance sheet management. The actions of the board and management raised questions as to whether decisions were being taken in the long-term interests of all shareholders. In addition, the business had clearly benefited from a strong demand, particularly during the various global lockdowns of 2020 and 2021, which appeared to be subsiding, leaving margins and asset turns at risk of contraction.

A recent example of a purchase where environmentally positive characteristics were a material consideration was that of Mitsubishi Heavy Industries ('MHI'), a multinational engineering, electrical equipment and electronics company headquartered in Tokyo. MHI's core domain is energy and environment, and the firm is a market leader in decarbonisation technology. Other notable businesses are aircraft components, logistics and infrastructure, industrial machinery, defence and aerospace. It is also a profitable after-sales service operator, an Energy Security name, a play on defence, a beneficiary of METI-endorsed overseas nuclear power components exports and a story of restructuring and improving corporate governance. Thus, the company is likely to profit from its competitive environmental and energy technologies in the medium-term, whilst also providing diversification through exposure to defence and nuclear power.

Similarly, Miura was purchased due to its ESG focused product offering. Miura manufactures once through boilers which are more efficient, smaller and environmentally friendly than traditional boilers. The company has dominant market share in the space, and continues to work on developing additional solutions whilst being driven predominantly by client needs and requirements.

Rexel, specialising in multichannel distribution for the energy world and connecting organisations with electrical products and solutions was purchased due to the likelihood the firm's importance in driving the energy transition. The company has benefitted from recent electrification trends, helped by both an increasing global focus on sustainability and higher energy prices. In addition, excess demand in the market for electrical products is likely to continue as digitalisation and ESG considerations accelerate, further bolstering Rexel's ability to benefit from inflation.

Lastly, OZ Minerals was purchased given its exposure to the materials driving the energy transition. The Australia-based mining company predominantly mines copper. The decarbonisation agenda is not only reducing supply, but also boosting demand; renewable energy generation, smart infrastructure and electric vehicles are all highly copper-intensive. Aluminium has been a plentiful substitute for copper in the past, but its relatively high carbon intensity has made it a much less attractive proposition. In addition, OZ Minerals has a strong management team with an excellent track record of project delivery, a sensible plan for sustainable growth and a focus on shareholder value.

For further details regarding Marathon's ESG position please see the ESG Policy HERE.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

> " Marathon is acutely aware of the role played by third-party providers in the delivery of our services to clients. A rolling program of oversight, including regular monitoring, periodic due diligence and occasional market reviews, is used to ensure that service levels continue to meet our high expectations and that the providers we select remain competitive and able to provide the highest quality of service to both Marathon and our clients. We also actively pursue resolution where service levels fall short, and seek comfort that systems and processes are updated to mitigate the risk of reoccurrence."

Andy Flawn, Head of Operations, Technology, Change and Data

Alongside the reliance on internal research combined with direct company engagement, Marathon does receive a range of services in support of our stewardship activities. These include third party company research; ESG research; and proxy voting services.

- **Company research** – Data, analysis and research is obtained from a wide range of third-party investment brokers and independent boutique research providers. Portfolio managers use this material in combination with their own research as part of the overall decision-making process. This type of research is subject to continuous on-going oversight and review. A formal assessment and peer analysis is undertaken quarterly with these materials paid for directly by Marathon and not using client commissions. Marathon also meets with an independent peer group assessor on a quarterly basis to ensure we are getting the best service and discuss industry trends. If the information is of insufficient quality, the relevant portfolio manager will cease to utilise the provider. This is a rolling update across the entire investment team.
- **ESG research** – ISS provides ESG-focused research to both Marathon's portfolio managers to supplement internal research and to Marathon's Client Service team for use when reviewing Marathon's own investments for clients. Formal review takes place at least every six months to assess services provided, discuss any service issues and consider areas of future change. Service is expected to be accurate, of good quality and readily-available. Marathon decided to move to ISS in 2022 from MSCI which provided operational synergies given other services delivered by ISS (see below).
- **Proxy voting services** – ISS provide proxy voting services via ProxyExchange. This system enables Marathon to manage up-coming votes and review ISS research as part of Marathon's voting procedures. In addition to quarterly reviews by Risk to ensure timely and accurate execution of proxy votes in accordance with Marathon's instructions, Marathon undertakes regular reviews of ISS by relevant Operations and Compliance teams, with a minimum of two formal meetings per annum. These meetings will discuss any issues identified over the period, discuss upcoming changes at the service provider or in the industry (e.g. changes to proxy voting requirements in the US) and look to see if the inherent conflicts at providers such as ISS are being appropriately managed. As part of this review, Compliance expects to review relevant conflict policies and codes of conduct for the provider. No issues were experienced in the period under review.

These services have been selected after a comprehensive review of the market in respect of potential service providers. Each has been assessed at the outset of our relationship with regard to the quality and breadth of information and services provided, alongside provision of relevant due diligence materials on the stability of the firm in question and their controls in place. The services provided are compared to the perceived needs of the business. As regulatory and client requirements have evolved, our regular meetings with service providers have enabled Marathon to express changing needs to the provider and for the provider to discuss new or expanded services and options with us. At relevant intervals, Marathon will also consider other alternative providers to ensure that the service provided is still in-line with market best practice. To date, this has worked well to ensure that Marathon has sufficient access to relevant information which, in turn, allows us to have faith that our stewardship decisions are robust e.g. as evidence by the move from MSCI to ISS in 2022. Should there be any material issues or concerns with service providers, Marathon would look to raise in the first instance with the service provider themselves, giving an opportunity to improve the service. If this was not resolved, Marathon would look to undertake a tender process to identify an alternate provider, in-line with the firm's *Outsourcing Guide*.

Marathon's oversight of these and other enablers seeks to drive better performance for the benefit of the business and our clients and ensures these service providers continue to meet our expectations.

The firm is due to formally reassess its external ESG research needs and providers again during 2023 following a year-long trial of the ISS ESG service and existent investment team concerns about the quality and accessibility of ESG analysis from external providers

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

> " Voting thoughtfully, engaging actively and, where necessary, escalating forcefully are, we believe, core investment duties. At Marathon, we see ourselves as company owners. We are not price speculators or passive shareholders. We seek out and buy into companies which we believe have the characteristics that will help them to thrive in the future. As owners, where we see aspects of the business that, in our view, could be improved, we will make our views known, and will vote for those resolutions that we believe are most likely to improve the business, and thereby enhance asset values, over the longer-term."

Masanaga Kono, Japan Research Representative, Analyst

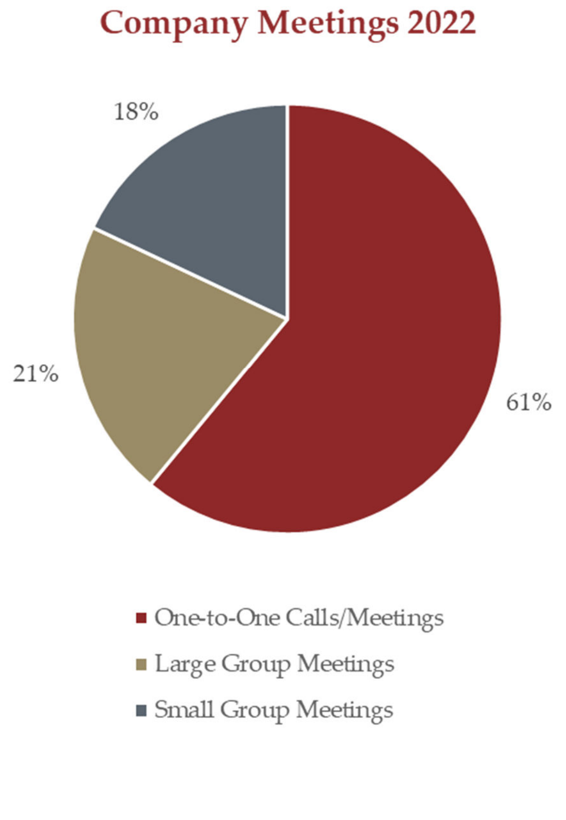
Whilst Marathon's primary focus is finding companies that it believes are able to generate returns over the longer term, Marathon remains committed to confronting important corporate issues in pursuing superior outcomes for its clients. Marathon has developed well informed and precise objectives for engagement. The approach taken is the same for all holdings globally; where, in our assessment, there are actions which could be taken by the management/board of a business to improve the value of shares in the long-term, Marathon will discuss this with management. To this end Marathon has clear and well-established protocols for when escalation of engagement may be triggered. In the first instance Marathon's preference is to engage privately with company management as part of the close and continuous interaction process discussed herein. This would usually involve direct contact with the relevant executives within a company's management structure to understand better strategic plans and intended future capital allocations. Our approach is further articulated in our response to the second Shareholder Rights Directive, which can be found on the Marathon website HERE and in the Sustainability Report HERE.

Marathon employs a small, yet highly effective and experienced, investment team, many of whom have been engaging with company management teams for decades. The Marathon team seeks to fully understand the individual dynamics of each business in which they invest; with Marathon's engagement intended to meet both best practice and business needs whilst being aware of local norms. For example, European companies typically expect regular meetings with investment firms like Marathon in a manner that may not be matched in other jurisdictions. We believe that there are often shades of grey in governance; what is most suitable for one business may not work well elsewhere, due to various factors including corporate structure, jurisdiction, regulatory or legal environment and even the particular experience and expertise of the individuals involved in managing the company. As a result, rather than applying a set of absolute rules or a prescribed "decision-tree" approach to engagement, portfolio managers use their own judgement and knowledge in engagement and voting to push for those improvements which, in their view, are most likely to lead to long-term value creation in an investment.

In addition to the London-based portfolio managers, Tokyo-based Masa Kono's primary role is to interact with Japanese company management on behalf of Marathon; encouraging them to focus on long-term returns, allocate capital effectively and make appropriate levels of pay-outs to shareholders. Corporate governance in Japan has often been designed to maintain the power or prestige of company management at the expense of shareholders. This has been gradually changing for decades, but was given particular impetus in 2014 when Japan published its own Stewardship Code. Whilst all portfolio managers interact with firms globally, the scale of the challenge in Japan warrants the use of a dedicated, locally-based, native-language speaking expert. To this end, Marathon has also hired a new locally based Emerging Markets investment analyst in Hong Kong to add further strength to the roster of Marathon's capabilities in this region.

Nevertheless, despite this regular interaction, should Marathon have concerns with company performance or management quality and where it appears necessary to protect and enhance our clients' long-term investment returns, then consideration will be given to escalating engagement and stewardship activities. This could involve a range of actions including directly raising the issue or concern with the relevant executives, company board or chairman through to leading or participation in initiatives with other investors. Likewise, Marathon also seeks to engage with non-executive directors of the companies in which we invest on behalf of our clients as part of encouraging a shareholder-friendly outcome. Indeed, the numerous meeting notes and correspondence surrounding this type of activity is further testimony to the importance that Marathon places on all aspects of corporate governance ideally addressing issues early and limiting the need for escalation. As outlined in Principle 6, Marathon is a long-term investor and therefore prefers to take this collaborative, rather than deliberately combative, approach with issuers as we have found issuers are typically more responsive to this approach. Issuer management are aware that Marathon is equally vested in ensuring the sustainability of an investee company to ensure long-term outperformance for clients, therefore they are more inclined to ask opinions and value Marathon's feedback on areas for improvement.

Marathon's commitment to stewardship engagement can in part be evidenced via the company and broker research engagements which occurred in 2022; and which involved the investment team making over 1,700 meetings with company management primarily via one-to-one engagements. This aligns with Marathon's Purpose, Vision and Values, outlined in Principle 1, where personnel are expected to demonstrate intellectual curiosity and question the readily-available market research on investee companies:



Marathon will take account of social, environmental and ethical issues relating to the conduct of a company to the extent that they are likely to impact shareholder value negatively. For example, a company polluting the environment may ultimately be forced to fund clean-up operations, which could negatively affect its cash flow.

One example of this is Vistra, one of the largest electricity generators in North America. The company has been pivoting away from its legacy assets, having already closed most of its coal plants. There are two remaining plants scheduled to close by 2030 and, as a result of this remaining coal exposure, the company's shares have been heavily penalized by the market in terms of a valuation discount. Marathon thus met with management in November 2022 to encourage accelerated closure of these plants beyond the stated timeline. The firm has since announced their proposed acquisition of Energy Harbor. If approved, this adds two more nuclear facilities to their asset base which will be placed, together with its existing nuclear asset, its entire retail business and all solar assets, into a new division called 'Vistra Vision', which will be entirely carbon-free, and by 2025 will account for more than half of company profits. The remaining generation assets will be part of 'Vistra Tradition'. This demonstrates a concerted effort to transition towards net zero, the discount applied to the shares ought to narrow as a result.

Marathon may also consider joining a class action on behalf of our clients where we see value has been destroyed and where an investment decision has been taken potentially based on false or misleading information. Marathon is currently part of two class actions in relation to past holdings for which we believe that compensation is owed by corporations for providing misleading or demonstrably false information to the market.

Separately, Marathon is committed to confronting important corporate issues to achieve the best outcome for our client base. Occasionally, this will involve acting in accordance with fellow shareholders, as was the case when Marathon took a lead role in the fight on behalf of Lixil shareholders in 2019. While we recognise the potential benefits of working alongside other long-term investors on policy and company specific matters, this experience highlighted the inefficiencies and challenges of acting collectively with other institutional shareholders. In particular the complexities of agreeing a collective opinion to effect particular change is a challenge; especially where different parties hold conflicting views on a situation. Collective action is therefore not our preferred approach as the constraints of such a process may not be in our clients' best interests. Consequently, in the future Marathon will only participate in collective engagement as part of the process of escalation of a critical issue which could have a material impact on shareholder value and where such a process is more likely to lead to a successful outcome.

Marathon may also provide feedback to a company surrounding a proxy vote in terms of whether Marathon is planning to either vote for or against management. Such feedback is provided on a case by case basis depending on the type of entity and term of relationship. Likewise, Marathon may also choose to provide feedback on a purely reactive basis depending on the company involved and its place within the capital cycle.

One example over the period related to UK listed gaming company Playtech. The firm was seeking approval from shareholders for it to be purchased by Australian peer and casino business Aristocrat Leisure, with which ISS, our proxy voting advisor, agreed. In Marathon's view, however, the £2.7bn takeover offer, which valued shares at 680p, was opportunistic and fundamentally undervalued the company. Though both ISS and company management were in favour of the transaction, Marathon communicated its views to Playtech's management before voting against the resolution. The takeover deal subsequently collapsed after only 54 per cent of shareholders voted in favour, falling short of the 75 per cent threshold needed for approval. Company management has since expressed that the process highlighted the premium value of the business, and is less likely to support any future takeover bids.

If a concern relates to systemic market failure, falls within a wider thematic issue, or is related to an urgent crisis scenario then Marathon may also discuss the matter with the appropriate regulatory and corporate institutions or trade associations, as appropriate. In extremis, Marathon may also consider whether clients’ interest may be better served by exiting from an investment, although this is not generally our favoured route.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

> " Meeting with management, discussing the business, and raising questions about long-term sustainability is core to Marathon's approach. A requirement of this approach is that we act in a way that is trusted, predictable and well understood by company management. Our approach does not assume that we know better how a business should be run and hence we do not see ourselves as activists lobbying for a particular course of action. Nevertheless, there may be occasional circumstances in which we feel our clients' interests are threatened by management behaviour and Marathon has worked with other stakeholders to press for change successfully from time-to-time."

Charles Carter, Managing Director and European Portfolio Manager

The majority of engagement undertaken by Marathon is direct and private. An important part of Marathon's philosophy focuses on regular interaction and ongoing dialogue with management. The investment team conduct a large number of company meetings per annum. The aim of these company meetings is to assess a range of factors including the business model and corporate strategy; operating performance; management competence and incentives; risk management and governance; as well as the company valuation and future intended capital allocations. Close and continuous analysis of investee companies also ensures a healthy dialogue exists to provide feedback to a company's senior management.

Initially, the identification and selection of investee companies involves a detailed and holistic review of company performance and strategy alongside a thorough understanding of company management, developed by reference to a variety of resources including interaction with investee companies, market news and independent research providers. Thereafter, active stewardship ensures Marathon maintains positions in companies which continue to deliver appropriate growth and shareholder value, key measures by which Marathon effectively monitors investee companies.

Marathon's portfolio managers maintain detailed records of their interaction with company management. These records form an important database of historical analysis and assessments which is then used as part of the investment selection and oversight process. Marathon is also able to leverage the detailed proxy voting records which Marathon maintains on each invested company. Historic voting decisions can be considered and reviewed when considering new matters or elevating issues in order to provide feedback to a company's management or board, especially concerning matters of leadership, effectiveness, accountability, remuneration and stewardship in order to understand any departures from the UK's Corporate Governance Code.

Marathon's portfolio managers and investment analysts lead and participate in this company research process. Client shares are then invariably voted by proxy, with decisions taken on a case-by-case basis, taking into consideration on all the publicly available information, with these decisions stored electronically.

Marathon also interacts with other investors on an ad-hoc basis through informal links such as investment associations or in response to particular events such as an industry consultation and public policy issues. Our preference for stewardship remains to engage in positive bi-lateral interactions with company management rather than pressuring management through public proclamations or complex multi-lateral campaigns. However, on rare occasions where the matter is viewed as serious and it is in the best interests of our investors, Marathon does seek to work with other investors to escalate the impact of engagement to management.

There have been several examples, both high and low profile, of this over the course of our 35-year history. The process is as follows:

- what Marathon considers to be a significant issue arises or is identified at a holding (this most often relates to a perceived failure of corporate governance);
- Marathon seeks to engage with senior management on the subject, to understand what has happened and to assess whether or not there are mitigating circumstances or a plan to deal with the issue;
- where we do not receive a satisfactory explanation we will lobby the business on the issue;
- we will also seek to discuss the matter with other significant investors in the business in question and, where there is also concern expressed by others, we will seek to lobby collectively where this is in the best interest of our clients.

Should the matter not be resolved or addressed by the business further escalation will occur. It should be noted that the level of collaboration will vary with the situation and could take various forms from an agreement that all concerned parties will raise the same issue at once, through to seeking cooperation to call an EGM or issue a shareholder proposal.

Marathon is also approached from time to time by other investors where they wish to take the lead on corporate engagement. Each approach is assessed on its own merits in respect of the situation and what should be the correct proposed approach to take in future engagement to obtain the desired outcomes.

All such collaboration, whether initiated by Marathon or by another investor, is undertaken by the Investment team under the advice and oversight of the Compliance and Legal teams in order to comply with any possible regulatory issues related to collusion and to manage and mitigate any potential conflict of interest.

As noted, however, Marathon's preference is to engage management on a one-to-one basis. A good example illustrating why Marathon tends not to engage collaboratively other than in extreme circumstance occurred in the period under review. Marathon was approached by a large, activist investor in Nisshinbo Holdings, where Marathon was the largest external investor at the time, in early 2022 to seek to engage together on certain matters. While the activist was considering several issues which Marathon had already raised with the business, their aims were not entirely aligned with our views and their objective was to engender rapid change rather than necessarily to improve the business for the long-term. As a result, Marathon expressed some sympathies for certain elements of the proposal but declined to collaborate as our objectives and time-frames diverged.

Subsequently the management of Nisshinbo contacted Marathon in some confusion, as the activist had included our name in the letter they addressed to the company. We had to reassure them that this was a misrepresentation of our position, that we had spoken with the investors in question and expressed some sympathy with certain points that they made, but that we did not support the approach they proposed and had declined their request that we engage jointly. Marathon's investment process relies on regular, open discussion between our investment team and company management teams and this event had the potential to impede this ability through confusing the Nisshinbo management team's understanding of our position and damaging the professional trust built between our organisations.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

> " A willingness and ability to escalate matters should an initial engagement prove ineffective is a key tool in Marathon's approach to stewardship. As with most matters relating to stewardship and governance, Marathon views escalation as more of an art than a science. The route taken will depend very much on the nature of the issue in question, the relationships our portfolio managers have within the business structure, and our view on where higher-level engagement might be most effective.
>
> This nuanced approach has fostered trust and respect in many management teams with whom we work, and has helped ensure that Marathon's views are seriously considered in the decision-making processes of the businesses we invest in."

Neil Ostrer, Co-Founder and European Portfolio Manager

Marathon prefers to discuss any concerns directly with management, usually as part of the regular private meetings that we have as long-term shareholders. That way, any conversation is held within the context of broader enquiries that we have about the capital cycle, strategy and capital allocation. In the unusual event that we feel our views are not being considered, then we sometimes choose to escalate particular areas of concern by, for example:

- Meeting or writing to the chairman or non-executive directors
- Withholding support or voting against particular resolutions, or management
- Submitting a resolution at a general meeting, or seeking to call an EGM
- Divestment of shares

Occasionally we might choose to collaborate with other investors or express our concerns publicly, but we consider either course to be a last resort. We seek to keep management informed, particularly if we intend to vote against their recommendations. As ever, it is the portfolio manager responsible for the investment who makes the final decision.

One example of escalation over the period related to UK listed gaming company Playtech, as discussed under Principle 9. The firm was seeking approval from shareholders for it to be purchased by Aristocrat Leisure, with which ISS, our proxy voting advisor, agreed. In Marathon's view, however, the takeover offer was opportunistic and fundamentally undervalued the company. Marathon thus escalated and communicated its views to Playtech's management before voting against the resolution. The takeover deal subsequently collapsed.

In addition, Marathon escalated prior engagement by voting against the reappointment of Mr Edward Chen to the Board of First Pacific in June 2022. Marathon has been an advocate for improving governance at First Pacific for many years, engaging in discussion on the dysfunctional relationships within the management team, and the lack of management focus on share-holder interests. Mr Chen had been an "independent" member of the board for over 29 years, and can therefore - in our view - not be considered truly independent. For more information on the vote please see Principle 12.

The approach taken to escalation does not vary geographically; however, it may vary by company culture or according to Marathon’s existing relationship. Due to the long-term nature of Marathon’s investments, engagement and escalation are usually taken seriously by investee companies. Marathon’s policy on stewardship activities is made available to stakeholders at the following website address HERE.

Principle 12

Signatories actively exercise their rights and responsibilities.

> "As a long-term owner of the companies in which we invest, Marathon has always viewed the exercising of all rights held as a central duty. Companies are often complex and nuanced, so the approach we take is equally so; every resolution tabled at each meeting, whether proposed by management or by a shareholder, is considered by the portfolio manager that holds the stock, with the owner of the company taking ownership for the decision of how to vote our shares."

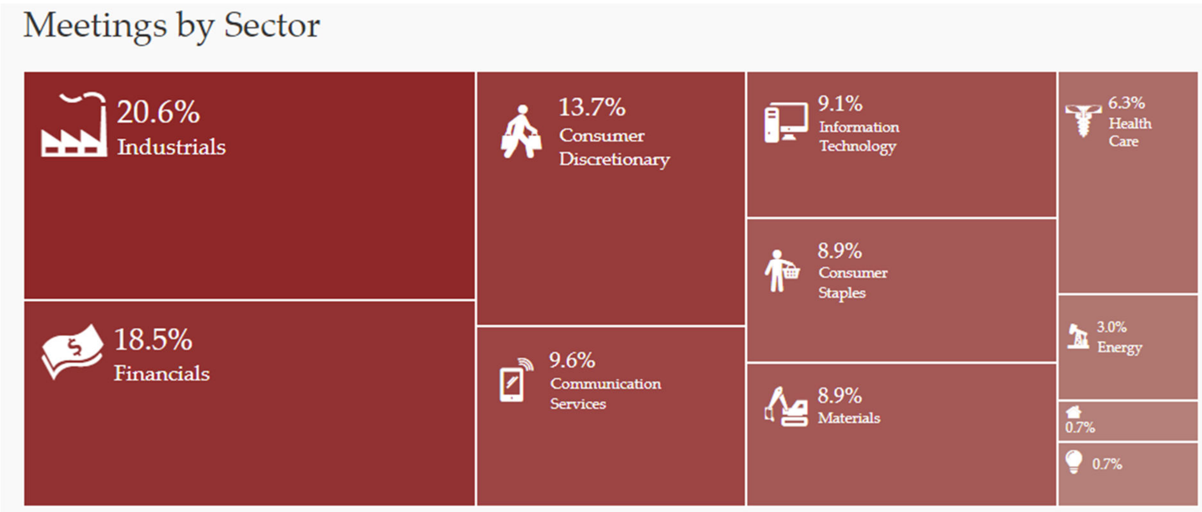
Alex Duffy, Emerging Markets Portfolio Manager

The prominence of the capital cycle and management in Marathon's investment approach makes the ability to vote proxies an inherent component of the investment decision process. We consider ourselves to be active investors rather than activists. The difference, in our view, is that Marathon seeks to invest in businesses believed to have great potential to generate long-term outsized returns for our clients from the outset rather than trying to find companies with problems, buy into them, and then seek to change them to make a return. However, few companies are perfect and we take our responsibility to maximise the long-term benefits to our investors very seriously. Once an investment decision has been made, a duty arises to exercise Marathon's fiduciary responsibility to vote.

Voting can diverge from the direction of company management, and/or the views presented by ISS, our proxy voting advisor, where Marathon considers it has a better understanding of the specific circumstances surrounding a particular issue. At all times Marathon will ensure proxy decisions are taken in what we believe to be the best interest of our clients, taking into consideration a range of factors such as internally generated research and, where available, data, research and opinions from external stakeholders and sources. In summary, each proxy voting decision is the result of careful judgements on how such matters relate to shareholder value. Marathon will usually vote for or against resolutions but may also abstain depending on the matter under consideration. The same approach is applied globally, to all holdings, to the extent that local rules allow.

The map below illustrates the meetings undertaken by market.

Source: ISS



Source: ISS

Marathon's proxy policy on voting is available at the following website address: HERE. This policy summarises Marathon's approach to voting and disclosure. The firm's full voting record is also available at the same location, with a 180-day lag.

Marathon's portfolio managers remain directly responsible for proxy voting decisions ensuring customers are treated fairly and the right outcomes are achieved by company management. Marathon considers that the ability to influence management is an integral part of the investment management function. Consequently, all voting decisions are passed to the relevant portfolio manager for their review and sign-off.

Marathon will ordinarily vote by proxy all shares where the voting discretion has been delegated by clients. However, Marathon may on occasion be restricted from voting all delegated proxies where for instance a particular client separately operates a stock lending programme and the relevant securities are not available, or where the costs or challenges of voting make it not in the clients' best interest. In such circumstances Marathon will work with our clients to recall shares or unblock custodial limitations etc, especially where there is a controversial issue to be voted on. In contrast, Marathon does not lend stock on behalf of our affiliated collective investment vehicles so all underlying shares are always available for voting.

Marathon uses the recommendations prepared by ISS, a specialist proxy voting advisor. In addition to providing advice on specific policy voting issues, ISS also coordinate the actual exercise of the proxy vote. This entails receiving voting instructions from Marathon and transmitting them to each of the clients' custodian for processing.

ISS provide a full reporting facility to Marathon detailing voting recommendations and actual votes transmitted to custodians. The information available from the ISS system, and the link between our own systems and the ISS system, permits Marathon to closely monitor both when we are entitled to vote and that the votes are processed in accordance with any instructions we provide that goes against ISS's own guidance.

As previously explained, Marathon does not apply blanket rules or a "decision tree" approach to proxy voting. Portfolio managers make their own decisions based on their knowledge of the company, the management team and the issues involved. Marathon receives recommendations from ISS on issues ranging from remuneration to board appointments to dividends; however, Marathon is comfortable voting against these recommendations when it believes it is in the best interest of shareholders to do so. Where a portfolio manager decides to vote against ISS recommendations, a note of the rationale for doing so is kept. Such instances are relatively infrequent but reflect the fact that ISS often applies universal rules for decision making, such as maximum tenures for directors, absolute requirements for separation of Chairman and CEO roles etc. While useful guidelines, these rules may not be appropriate in every instance where a more detailed understanding of a business may have occurred via our ongoing meetings with issuers; for example, it can be appropriate to have some longstanding board members to provide continuity of approach and depth of experience, or a founder may be best placed to act as both CEO and Chairman of a business, at least for a time. A copy of the ISS Proxy Voting Guidelines can be provided on request.

Input will be sought from public sources and engagement with companies and their advisors, where necessary as part of the decision-making process. Marathon also works with ISS to gather information on company meetings and help formulate voting recommendations. Notwithstanding the involvement of ISS, Marathon maintains responsibility for any final voting instruction on the basis of all information available to us.

Marathon often owns large stakes in investee companies on behalf of our clients and the ability to vote on these stakes in order to influence management is of utmost importance. Votes are considered on a company-by-company basis.

Marathon's voting process then involves the appropriate investment teams discussing the relevant voting options and, except on extremely rare occasions, Marathon will adopt a single voting position, taking into consideration all relevant factors, across all applicable funds and client accounts where Marathon has been granted voting control.

Once a decision has been made, Marathon may share its views on a forthcoming vote with company management or directly with the board in order to provide feedback and support to a company. However, the actual voting activity by itself remains only a formal part of the wider ongoing dialogue between Marathon and the investee company.

It should be noted that Marathon does not offer clients the ability to override or direct voting decisions. Where clients have their own policies, they may decide not to give Marathon voting authority and exercise their own proxies. Having said that, very occasionally clients have contacted Marathon about a particular vote and provided a strong view on their preferences. These views are conveyed to the portfolio managers, along with a consideration of potential conflicts of interest, and will be considered.

The client may be contacted by the portfolio manager to discuss their views further, and any such discussion will feed into the ultimate decision. Ultimately, the decision will be taken by the portfolio manager in accordance with their view of the best approach to maximise long-term client outcomes.

Voting process

In addition to providing advice on specific policy voting issues, ISS also coordinate the actual exercise of the proxy vote. This entails receiving voting instructions from Marathon and transmitting them to each clients' custodian for processing.

Marathon's proxy team have access to the ISS web platform where ballots are collated from each custodian and linked to the appropriate meeting. These meetings are monitored and recorded in a central spreadsheet. Once the research has been updated, it is sent to the portfolio manager to solicit their response by the stated deadline. From time to time, proxy votes will be solicited which involves special circumstances and require additional research and discussion. Any additional discussion may be conducted as soon as practical and with best endeavours before the ballot deadlines.

There may, from time to time, be instances when votes cast by Marathon on a client's behalf are rejected. This could be for various reasons outside of Marathon's control; including missing documentation that needs to be provided by the beneficial owner, for example, there are some countries that require Power of Attorney documentation which authorises a local agent to facilitate the voting instruction on behalf of the client in the local market. If the appropriate documentation is not available for use, a vote instruction may be rejected. On a best efforts' basis, Marathon requests custodians to provide a list of missing Powers of Attorney for each of our clients on an annual basis to avoid these issues.

Quarterly checks are also completed across different markets and mandates to ensure ballots are being received from the custodian. Quarterly checks on voting will also be conducted by Risk to ensure accuracy and to flag any concerns or breaches to this policy.

Examples of voting

We provide four examples below of voting over the period where our approach has been notable:

SSP Group (UK) *February 2022*

ISS advised against support for SSP's remuneration report on the grounds that a bonus was being paid, but that support provided to the company under various covid-19 schemes had not yet been repaid and the company had been forced into a dilutive equity raise in 2021.

The bonus in question, however, was a single payment to the CFO, moderated by the remuneration committee to 32% of maximum bonus pay (200% of base salary) following his appointment as interim CEO following the departure of the former CEO.

A gap of several months occurred before the new CEO joined the board meaning the CFO stepped in as an interim CEO to manage the business in what remained a very difficult market environment. Marathon is in frequent communication with SSP, and we were impressed by the CFO's performance in the role of Interim CEO, welcome the subsequent formal expansion of his duties to include Deputy CEO, and believe that the bonus payment was warranted on the grounds that taking on the CEO role was not planned for, nor envisioned in his pay packet, at the beginning of the period.

While in general Marathon is sympathetic to ISS's position, in this particular case we feel it was too prescriptive due to the specific and unusual circumstances of the bonus payment. Marathon thus voted in line with management, and against ISS, for the approval of SSP's remuneration report.

TUI (Germany) *February 2022*

Marathon voted against a resolution to create a specific pool of capital to guarantee conversion rights. As part of TUI's efforts to strengthen their balance sheet, following substantial suffering during the covid-19 pandemic, the company sought permission to issue various instruments. One of these pools was to guarantee the conversion rights associated with some of the proposed instruments (warrants, convertible bonds etc.). In combination with the other pools created, however, this would potentially allow issuance of new equity without pre-emption in excess of the 10% limit the company is required to comply with. Marathon supported ISS's view that this represented a substantial dilution risk and voted against the proposal.

First Pacific (Hong Kong) *June 2022*

Marathon voted against the reappointment of Mr Edward Chen to the Board of First Pacific, in opposition to the recommendation of both management and ISS. Mr Chen had been an "independent" member of the board for over 29 years, and can therefore - in our view - not be considered truly independent. Marathon has been an advocate for improving governance at First Pacific for many years, and the vote was aligned with our previous discussions with management.

Playtech (UK) *February 2022*

Playtech, a UK listed gaming company, was seeking approval from shareholders for it to be purchased by an Australian peer.

In Marathon's view, the offer was opportunistic and fundamentally undervalued the company, though both ISS and Management were in favour of the transaction. See discussions under Principle 9 for further details.

Marathon communicated its views to management and voted against the resolution.

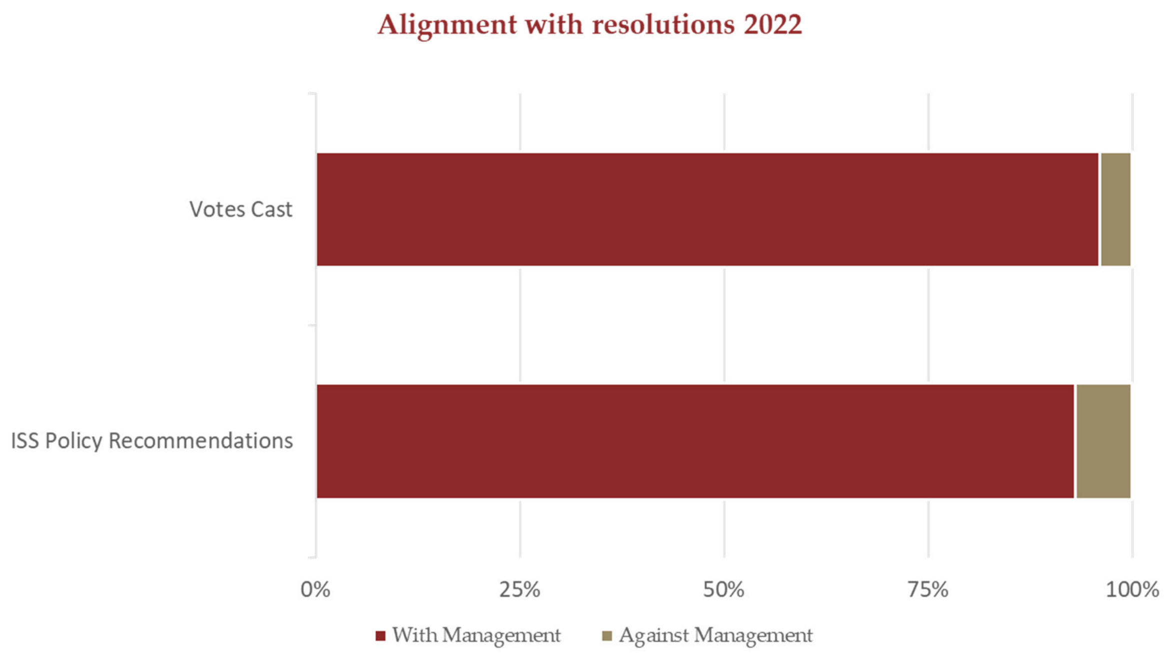
Overview of voting by Marathon across all products in 2022

Over 2022, Marathon voted at 525 meetings out of 525.

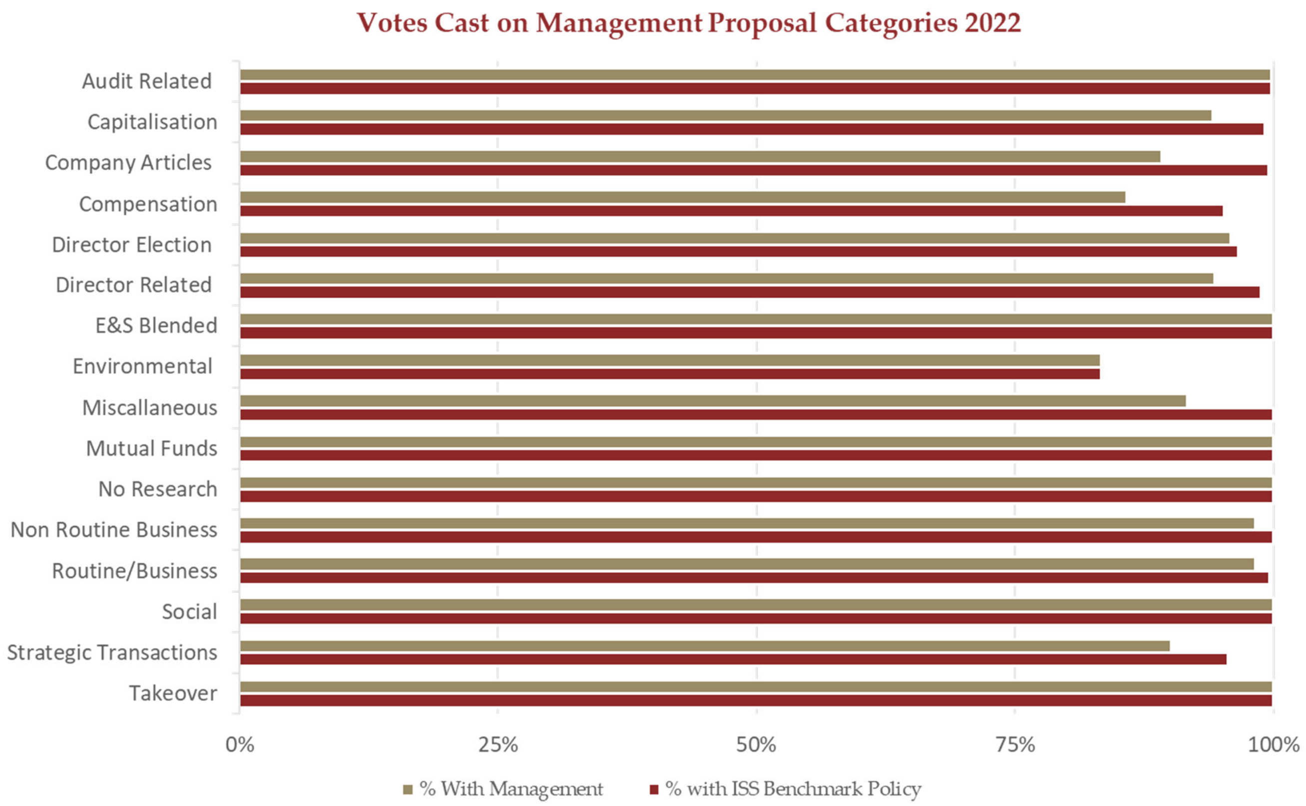
Set out below are the aggregated annual voting records for each major kind of proposal from 2022:	With Mgmt	Against Mgmt	With ISS	Against ISS
Management proposal: Audit Related:	422	1	422	1
Management proposal: Capitalisation:	653	41	688	6
Management proposal: Company Articles:	206	25	230	1
Management proposal: Compensation:	805	113	893	45
Management proposal: Director Election:	3363	144	3388	119
Management proposal: Director Related:	465	28	487	6
Management proposal: Environmental/Social Blend:	7	0	7	0
Management proposal: Environmental:	15	3	15	3
Management proposal: Miscellaneous:	22	2	24	0
Management proposal: Mutual Funds:	1	0	1	0
Management proposal: No Research:	2	0	2	0
Management proposal: Non-Routine Business:	57	1	58	0
Management proposal: Routine Business:	734	13	744	3
Management proposal: Social	54	0	54	0
Management proposal: Strategic Transactions	82	9	87	4
Management proposal: Takeover	85	0	85	0
Shareholder Proposal: Audit Related	3	0	3	0
Shareholder Proposal: Company Articles	6	1	6	1
Shareholder Proposal: Compensation	8	5	13	0
Shareholder Proposal: Corporate Governance	1	4	5	0
Shareholder Proposal: Director Election	11	0	9	2
Shareholder Proposal: Director Related	14	4	15	3
Shareholder Proposal: Environmental/Social Blend	9	1	10	0
Shareholder Proposal: Environmental	26	9	33	2
Shareholder Proposal: Miscellaneous	25	0	25	0
Shareholder Proposal: Non-Routine Business	2	5	6	1
Shareholder Proposal: Routine Business	1	2	3	0
Shareholder Proposal: Social	27	29	54	2

Source: ISS

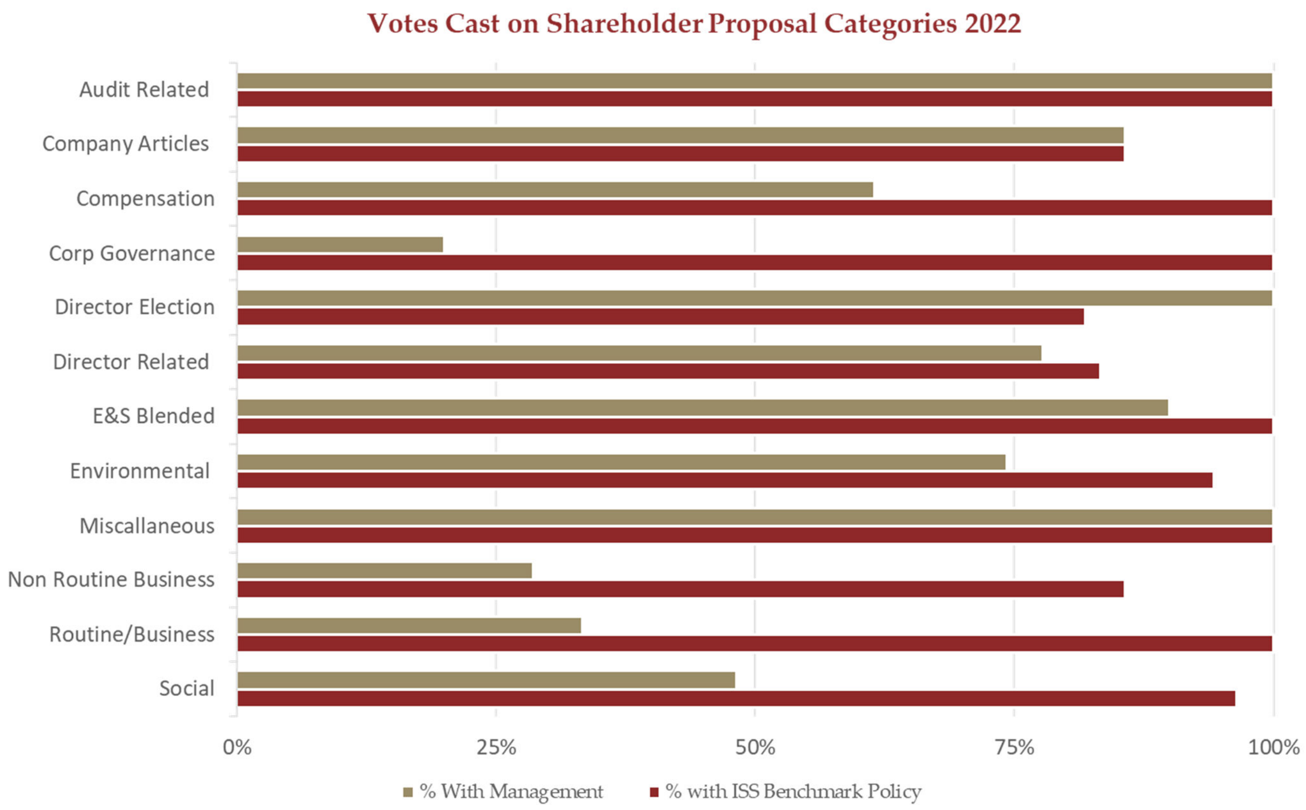
Marathon's clients can obtain detailed data around voting relating to their specific account(s) on request.



Source: ISS



Source: ISS


Votes Cast on Shareholder Proposal Categories 2022
Audit Related
Company Articles
Compensation
Corp Governance
Director Election
Director Related
E&S Blended
Environmental
Miscallaneous
Non Routine Business
Routine/Business
Social
0%
25%
50%
75%
100%
% With Management
% with ISS Benchmark Policy

Source: ISS