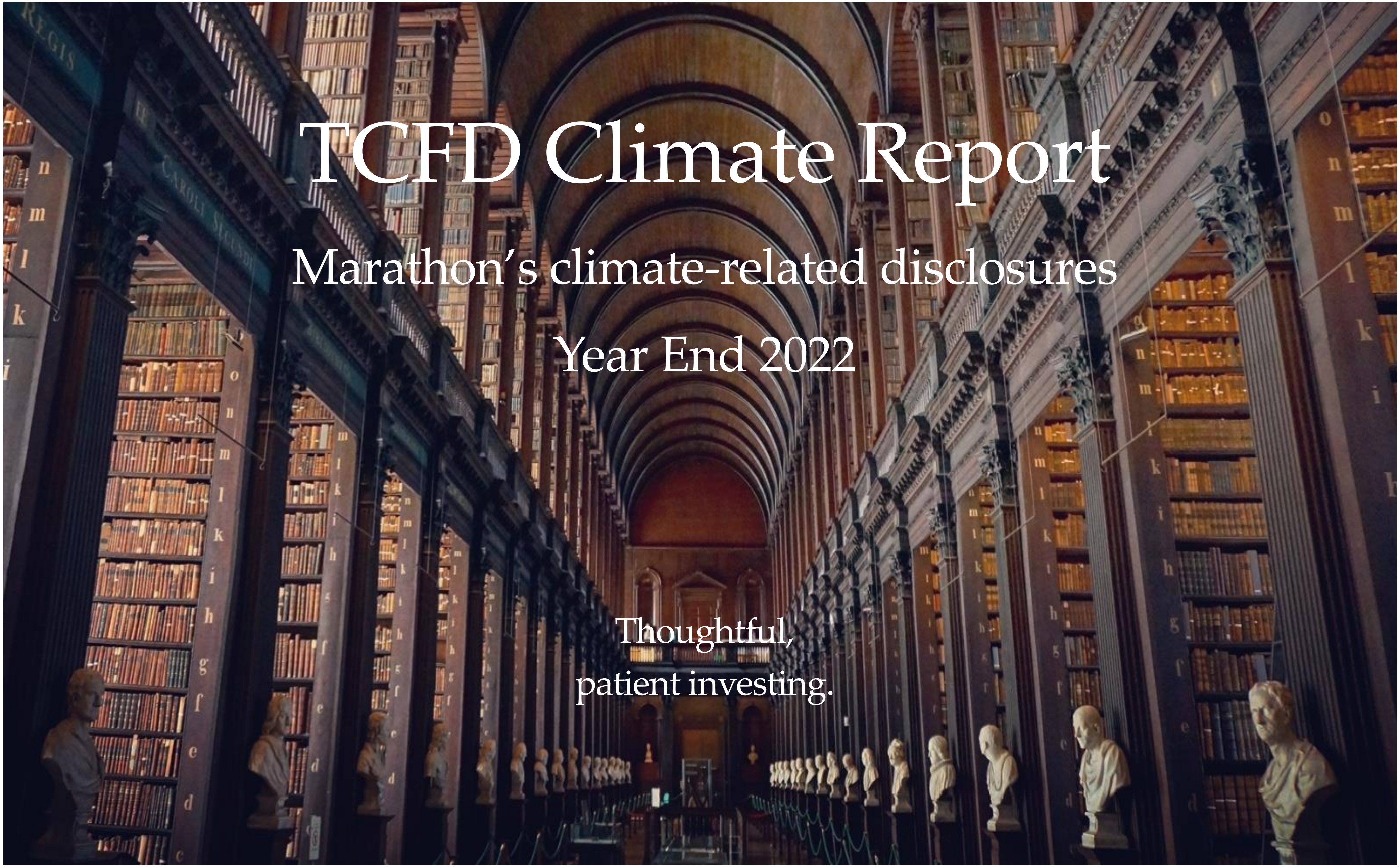
MARATHON
ASSET MANAGEMENT



TCFD Climate Report

Marathon's climate-related disclosures

Year End 2022

Thoughtful,
patient investing.

Contents

Introduction

Welcome to Marathon's first climate-related disclosures report.

Marathon became a supporter of the Task Force on Climate-related Financial Disclosures (usually known as TCFD) in 2021.

TCFD was created by the Financial Stability Board to produce recommendations for reporting by companies related to their output of emissions which may be contributing to climate change following a mandate given to it by the G20.

Staffed by prominent industry experts, the TCFD examined the physical, liability and transition risks associated with climate change, and effective financial disclosures across industries. The TCFD's recommendations aim to help companies provide consistent, comparable information relating to climate change. For asset managers it has created a framework by which we can aggregate this data in different ways to provide investors with a variety of information to help understand the potential climate impacts of the portfolios they invest in.

While Marathon is not an "ESG investor", in that we do not seek any particular non-financial impact from our investment activities, we do see certain value in the creation and use of a common framework for companies to assess and report on their greenhouse gas (GHG) output. As a result, Marathon seeks to encourage adoption of the recommended disclosures by the companies in which we invest and others with whom we interact.

As these standards have been gradually adopted by more companies, the availability of cross comparable data in relation to GHG emissions has improved and we are now in a position to provide certain information on both Marathon itself as well as particular core strategies which clients may find useful.

The following pages describe the governance structure overlying climate-related risks and opportunities at Marathon; the strategy adopted to consider these impacts; the risk management framework in place and metrics and information relating to GHG emissions for the total assets under management (AUM) of Marathon; and also for specific strategies.

TCFD recommends that companies organize disclosures to cover four pillars:

- **Governance:** The organisation's governance around climate-related risks and opportunities
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning
- **Risk Management:** The processes used by the organisation to identify, assess and manage climate-related risks
- **Targets and Metrics:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Furthermore asset managers are required to report both in relation to their corporate emissions and those of their investment strategies/portfolio.

Our report seeks to mirror this structure as well as including an assessment of our implementation of the TCFD disclosure recommendations to date.

Governance

Marathon has adopted an integration and engagement approach to climate-related issues described within Marathon's Sustainability Charter, a leadership statement which the Board and Investment Team have agreed upon (accessible HERE). The Charter explains Marathon's approach to investing, engagement and proxy voting – in which sustainability is considered in the context of maximising pecuniary value for clients over the longer term.

Commitment to the Charter is evidenced through various reports, including the PRI Transparency and Assessment reports, the responses to the UK and Japan Stewardship Codes and this document, amongst others. Marathon's Board also receives updates and information on this topic as part of wider strategic planning on managing climate-related risk and opportunities.

Consideration of sustainability is further embedded within Marathon's Purpose, Vision and Values Statement (accessible HERE). This statement outlines the firm's views and approach to dealing with clients, investee companies and colleagues; including an articulation of Marathon's culture and values that includes environmental, social and governance (ESG) factors important to the business. To ensure on-going compliance, all staff are expected to understand and implement these attributes in their work with adherence to the values, along with other non-financial criteria, considered by Marathon when contemplating remuneration awards. Further details about Marathon's remuneration arrangements can be found HERE.

In addition, Marathon employs an ESG policy which details how ESG factors, including climate-related issues, are factored into the investment process (accessible HERE). Marathon's approach is to assess ESG holistically, and thus portfolio managers integrate assessment of ESG, including climate-related issues, within their overall analysis of stocks, rather than treating it as a standalone issue in making investment decisions.

Sustainability topics often have a broad impact on the business, or may feed into regulatory requirements, so to this end the Sustainability Working Group was formed to co-ordinate Marathon's understanding and communication on the subject. This working group seeks to:

- support Marathon's sustainability approach to ensure consistency in presentation and policies, and alignment with regulatory requirements
- contribute to the implementation of the strategy by making recommendations on appropriate initiatives and activities, including review and recommendation of ESG-related data providers, regulatory and reporting updates;
- communicate implementation of the strategy both internally and externally;
- oversee Marathon's own Corporate Social Responsibility efforts (office recycling, energy supply, carbon offsetting etc.)

Membership is drawn widely from across business functions, including the Investment, Client Service, Operations and Compliance teams.

This working group then reports upwards into Marathon's formal committee structures.

Strategy

Climate-related strategy at the business level

Marathon is a socially responsible business and whilst we consider that we perform relatively well in this regard, there is always more that can be done. As a result, we consider the business's environmental impacts on an ongoing basis and actively seek out potential improvements where this is appropriate.

Marathon made a commitment in 2020 to become carbon neutral in its business operations. The objective was to seek to minimise our carbon footprint through consideration of our business processes and seeking to remove as much carbon emitting activity as practical.

Good progress was made through implementing measures such as:

- A firm-wide recycling review in order to increase the amount of waste recycled
- The installation of energy saving hardware (e.g. lightbulbs, sensor switches)
- Interest-free loan to allow staff to buy annual train tickets (thereby avoiding use of cars)
- A "Cycle to Work" scheme providing staff access to bicycles and e-bikes paid for via salary sacrifice pre-tax income and an "Electric Vehicle" scheme which operates in a similar way for electric cars
- The installation of water filtering taps, which provide chilled and boiling water, reducing the use of bottled water in our offices
- Electricity purchased from a "100% renewable sourced" supplier

Currently it is not possible to fully remove carbon emitting activities from our operations (e.g. staff commutes, data centres, gas and heating for the office, which although not a physically owned asset, must be captured in the firm's scope 3 emissions), so the decision was made to offset those GHG emissions which cannot yet be avoided.

By measuring, reducing and offsetting our emissions in line with The CarbonNeutral Protocol, Marathon has now achieved CarbonNeutral® company certification. To begin the process, Marathon undertook a third-party audit of its emissions calculations – the results of which indicated that Marathon had a carbon footprint of 283 tons (tCO_2e) for the year to 31 March 2022. This is less than average for financial companies of our size; however, the period measured included covid lockdowns and working from home. As a result, Marathon's Board has decided to offset 150% of the carbon measured this year. Marathon has purchased carbon offsets from two high quality, verified emissions reduction projects through Climate Impact Partners, a specialist in carbon market solutions for climate action.

The first project uses a well-known approach to removing carbon from the atmosphere; planting trees. In this case, we are supporting a project to plant new forest on degraded pasture in Uruguay. The main objectives of this project are sustainable wood production, land restoration, and carbon sequestration. The second project introduces families in Ghana to an efficient cookstove, the Gyapa. The Gyapa stove cooks food more quickly, requiring nearly 50% less fuel than a traditional heating source, and is less smoky. The stove therefore not only cuts carbon emissions, but also reduces exposure to toxic fumes and the usual amount of wood used for cooking. This both saves families money and helps to protect Ghana's tree cover.

Climate-related strategy at the portfolio level

Marathon is an equities-focused manager that works on behalf of large, institutional clients (e.g. pension funds, mutual funds, sovereign wealth, charities, foundations and endowments etc.). As such Marathon has been structured to align firm and client objectives, focusing on a long-term investment horizon rather than short-term outcomes. To this end the investment team's remuneration is largely based on long-term performance relative to the benchmark with an assessment of sustainability considerations taking place as part of Marathon's Sustainability Charter.

As long-term investors, analysis of the risks faced by a business, including those relating to its actual or potential environmental impacts, is viewed as a crucial part of the investment process. In respect of their potential impact on a client's portfolio return, climate-related 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. Such issues have led to the precipitous collapse of company share prices, and even to bankruptcies, in the past. Nevertheless, the poor practises may benefit a company in the short-term, so long as the worst is avoided, as it is often cheaper to behave badly than to behave well.

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 often includes focusing attention on climate-related risks, their mitigation and agitating for improved practice.

Identifying Investment Risks

Marathon considers ESG metrics, including those measuring climate-related risks, throughout the decision-making process. However, in our view, at present, disclosure by companies, or data provided from third parties, is not always adequate to assess climate risks. This data is still in its infancy, and targets will need to follow after more accurate data becomes available. Due to the qualitative nature of Marathon's investment process, and the embedded treatment of ESG risks, climate-related risks are rarely evaluated in isolation.

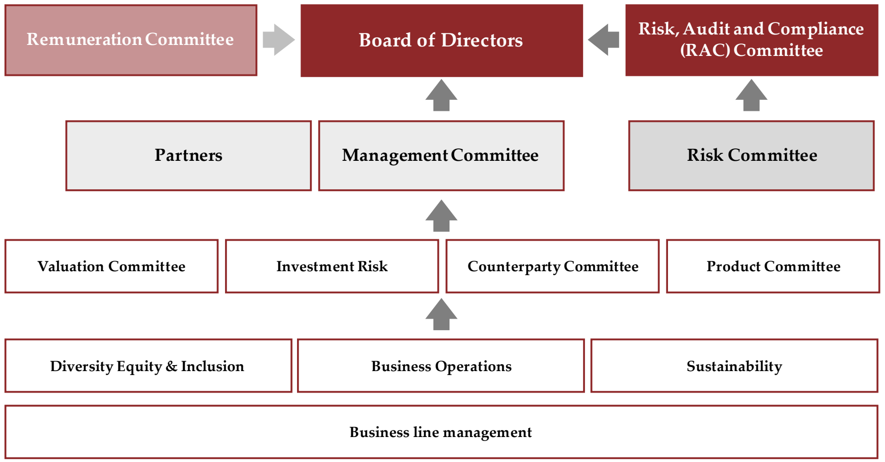
Treatment of Risks

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. Marathon leverages a range of third-party ESG research data and technology enablers (e.g. ISS; Brokers; S&P Capital IQ; Bloomberg) 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.

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.

Risk management

Set out below is a visualisation of the risk reporting within Marathon's current governance framework:



Marathon's Risk Committee provides a formal second line review point on how the firm is managing sustainability-related matters. On a quarterly basis this committee receives reports from the business on:

- sustainability-related regulatory change;
- incidents that indicate issues with Marathon's implementation of sustainability;
- confirmation of compliance with client mandated climate restrictions;
- the carbon intensity of the portfolios / strategies in place at Marathon.

A summary of findings alongside any material concerns from the Risk Committee will then be brought to the attention of the Board-level Risk, Audit and Compliance Committee on a quarterly basis. The Risk, Audit and Compliance Committee will in turn report any material concerns or issues into the main Board.

This risk reporting framework facilitates the Board and senior management to deliver on their responsibilities for sustainability-related matters as well as evidencing how climate-related risks are integrated into Marathon's overall risk management arrangements.

Separately, Marathon undertakes comprehensive risk control self-assessments within the business itself to seek out and identify risks; alongside maintaining a set of Key Risk Indicators. Work is also undertaken to stress test the business against core risks and ensure such risks are managed in line with Marathon's Board approved risk appetite. These measures generate relevant management information to be assessed within Marathon's risk infrastructure, with any major deterioration in the control environment escalated to senior management. This activity may include climate-related risks, as and where appropriate[1].

[1] Note: Marathon's second line processes remain under development as to when to explicitly raise and consider climate risks. It is expected this will continue to evolve in line with industry best practice.

Climate risk definitions

There is broad consensus within literature that climate risk drivers can be grouped into one of two categories[2]:

1. Physical risks, which arise from the changes in weather and climate that lead to economic costs and financial losses including:

    - extreme climate change-related weather events such as heatwaves, landslides, floods, wildfires and storms;
    - longer-term gradual shifts of the climate such as changes in precipitation, extreme weather variability, ocean acidification, and rising sea levels and average temperatures; and
    - indirect effects of climate change such as loss of ecosystem services (e.g. desertification, water shortage, degradation of soil quality or marine ecology).

2. Transition risks, which arise from the transition to a low-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may generate varying levels of financial and reputational risk.

Marathon remains cognisant of these definitions and the implications for the business; underlying client investments; and for future engagement/collaboration on climate risk matters with internal and external stakeholders.

[2] Basel Committee on Banking Supervision report *"Climate-related risk drivers and their transmission channels"* – April 2021

Targets & Metrics

Targets

An important part of the TCFD regime is the setting of, and monitoring of progress towards, targets in respect of GHG emissions.

This is a comparatively complex process at the individual company level, but it comes with an added level of complexity for asset management firms when considering their portfolios. So Marathon has adopted a two part approach; looking at our business operations and then separately at our client's investment portfolios.

Business level targets

In respect of its own business operations, Marathon made a commitment to become "net carbon neutral" in 2020. This was achieved in 2022 using the strategy explained in the Strategy section of this document (page 5) and Marathon now holds CarbonNeutral® company certification.

Marathon will continue to seek to reduce its physical emissions and will seek to use high-quality offsets in the interim period to maintain neutrality.

Portfolio level targets

In respect of the portfolios under our care, we have decided not to set net zero targets at present, for a number of reasons:

- Legislators in many of the jurisdictions in which we are active are working on new regulations and we do not wish to commit to a course of action that may conflict with these forthcoming obligations.
- While data has improved substantially, many companies worldwide still do not report emissions data in sufficient detail, and consistently enough, to make aggregated information for measurement and then reduction at the portfolio level reliable.
- Different clients have different views on the subject, and any adoption of non-pecuniary targets without a regulatory requirement would be dependent on client consent to alter contracts.

This decision will be revisited periodically as data improves and the regulatory landscape in relation to the subject becomes clearer.

Metrics

Business level metrics

Firms like Marathon have reported upon their energy and carbon information in their annual accounts and reports since 2019. Marathon has engaged the services of an energy consultant in order to independently review the energy use data and associated GHG emissions calculations and to confirm the accuracy, completeness and consistency of the data used, in line with the principles of ISO14065:2020.

For the last reported period (to 31 March 2022), the following output was calculated (note that Marathon Asset Management Limited was only operationally active from 23 August 2021, and the data provided therefore covers the total energy consumption for the seven months and nine days ending 31 March 2022. Prior to 23 August 2021 the business was a Limited Liability Partnership, with different reporting requirements).

	2022	
	GHG emissions – tCO_2e	Energy consumption for emission calculations - kWh
Scope 1 (Direct) GHG emissions:		
Emissions from combustion of natural gas in buildings	40.8	222,572
Scope 2 (Indirect) GHG emissions:		
Emissions from the purchase of electricity for buildings (location based grid average)	53.3	251,359
Emissions from the purchase of renewable electricity for buildings (market based)	-	251,359
Scope 3 (Other indirect) GHG emissions:		
Emissions from UK electricity T&D	4.7	-
Total gross tCO_2e Scope 1, Scope 2 location based & Scope 3 emissions	**98.9**	**473,931**
Total gross tCO_2e Scope 1, Scope 2 market based & Scope 3 emissions	**45.5**	**473,931**
Revenue - £million	106.5	
Intensity ratio: tCO_2e gross figure (location based) / £ million revenue	0.93	
Intensity ratio: tCO_2e gross figure (Market based) / £ million revenue	0.43	

Note that UK law requires disclosure of both a "location-based" and "market-based" metric as follows:

- The location-based data is the implied emissions associated with the average emissions of a given level of energy consumption on the energy grid in question.
- The market-based measure uses the emissions associated with the specific energy contracts held by the reporting entity.

Marathon's electricity supply, and that to the building in which our offices are located, are certified 100% renewable; hence the substantial difference between the two measures.

Portfolio Level Metrics

On the following pages we provide certain climate related information and metrics in relation to each strategy managed by Marathon; as well as the five positions in each strategy that contribute most to emissions. This is followed by information on the largest emitting holdings as at December 31st, 2022. As this is Marathon's first report, we have not included historical trend analysis but will look to include this information in future reports.

Below we provide an explanation of the measures we present along with their key advantages and drawbacks.

Explanation of measures used

Weighted Average Carbon Intensity (WACI) – this is a measure of emissions which considers carbon emissions in relation to sales, measured as tons of carbon dioxide equivalent, or CO_2e, per million US dollars of revenue (tons of CO_2e /$M revenue). In other words, presuming that the majority of production is sold and not stockpiled, it provides a measure of emissions related to value of production.

The measure is calculated by taking each portfolio company's Scope 1 & 2 emissions divided by its revenues in USD millions, and multiplying it by the percentage weight of the company in the portfolio, and then summing all results for a portfolio level number. The index number is calculated in the same way for comparison.

The metric has the advantage that it is comparatively intuitive, cross comparable and not especially altered by normal market price swings. Nevertheless, the measure is sensitive to outliers and, because it is revenue based, can flatter companies that have high pricing power.

Total Emissions – this measure looks at total GHG emissions in tons of CO_2e.

The calculation takes the proportion of each company owned (value in the portfolio/total market capitalisation) and multiplies this percentage by the company's Scope 1 & 2 emissions, summed across holdings. The metric is useful in tracking changes in a portfolio's GHG emissions, but is less useful for cross portfolio comparisons as the data is absolute rather than normalised for portfolio size.

Benchmark values for Total Carbon Emissions are based on a notional, fully replicated, index portfolio of the same size as the Marathon portfolio.

Carbon Footprint – is a measure which takes total emissions as described above and divides it by current portfolio value in USD Millions, expressed as CO_2e/$M invested, summed across holdings.

This is a fairly intuitive measure, showing the absolute Scope 1 & 2 emissions for the portfolio; however, it does not consider company size, so cannot help illustrate if a portfolio is invested in more or less carbon efficient companies, and as an absolute measure, smaller portfolios will show a lower carbon footprint than larger portfolios, and means that the data provided here relates *only* to the underlying representative account for the strategy. Client specific data can be provided upon request. Also, as it uses a portfolio value determined by share prices, the number is influenced by volatility and changes in market capitalisation.

Carbon Intensity – seeks to normalise carbon emissions by taking the Scope 1 & 2 data for each company and dividing it by the weighted revenues of the company (i.e. the proportion of each company owned [value in the portfolio/total market capitalisation] multiplied by the company's revenues in million USD), expressed, as with WACI, in tons of CO_2e/$M revenue.

The number is a useful measure of carbon efficiency, and is normalised allowing cross comparison of portfolios whether large or small, and mitigates for different sizes of company. However, this only holds true for data as at a specific point in time, as the data will change, potentially substantially, alongside changes to valuation.

What are Scope 1, 2 & 3 emissions?

In 2001, the Green House Gas protocol coined the term "Scope 1, 2 and 3" to describe GHG emissions arising from corporate activity.

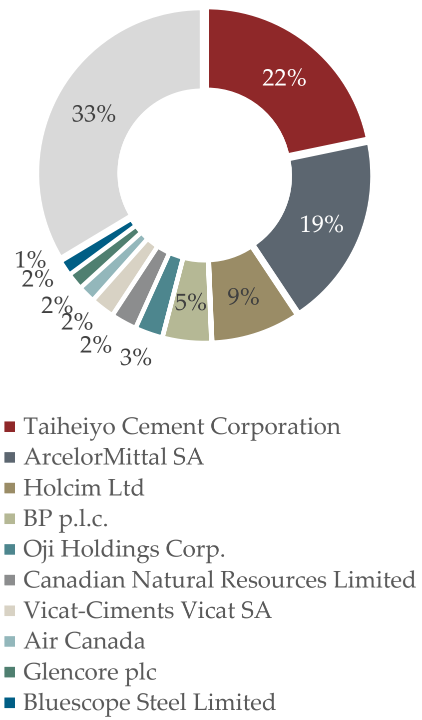
- **Scope 1** covers direct emissions that are made by, and emitted directly from, the company at sites or from owned assets. This might be the result of onsite boilers or furnaces, a proprietary fleet of vehicles or the output of a chemical process undertaken by the company at its site(s).
- **Scope 2** are the indirect emissions of the company; those that are the direct result of its activities but which are not emitted at company sites or by company assets. Electricity supplied to the company office but generated at a power station elsewhere is a typical source.
- **Scope 3** emissions are those associated with any activity within the company's value chain that resulted in GHG release. So it would capture the emissions associated in the production of plastic or metals used by a manufacturer, or the release of emissions by the purchaser of oil from an oil company. It also captures things such as business travel and commute-related pollution, and emissions that result from waste (landfill decomposition or incineration for example).

All data presented at the investment strategy/portfolio level this year relates to scope 1 & 2 emissions only. Marathon is still seeking robust scope 3 data in relation to portfolio holdings. We hope the representative information provided below is of interest and would be happy to provide portfolio specific data to existing clients upon request.

ACWI ex-US Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
ACWI ex-US Portfolio	155	114,496	150	173
MSCI ACWI ex-US	230	127,950	168	239

Ten largest emitters
(proportion of portfolio total emissions)

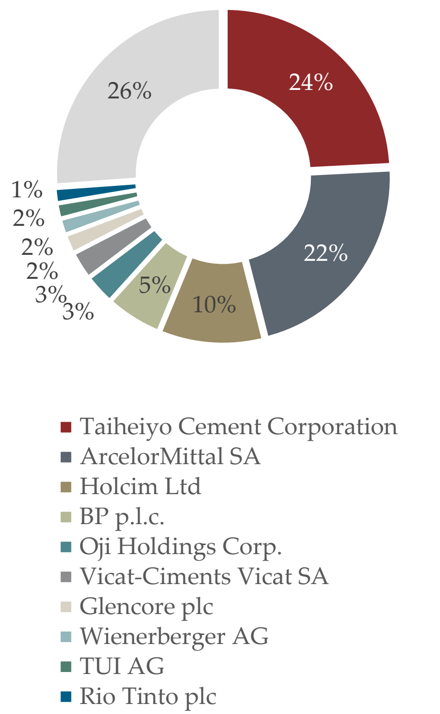


Portfolio information:
The ten largest emitters constituted 5.0% of the portfolio and were responsible for 67% of emissions.
The portfolio held 361 stocks as at 31 December 2022.

EAFE Equity *(includes an off-benchmark Emerging Markets allocation)*

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
EAFE Portfolio	146	914,430	201	200
MSCI EAFE	147	571,890	126	169

Ten largest emitters
(proportion of portfolio total emissions)

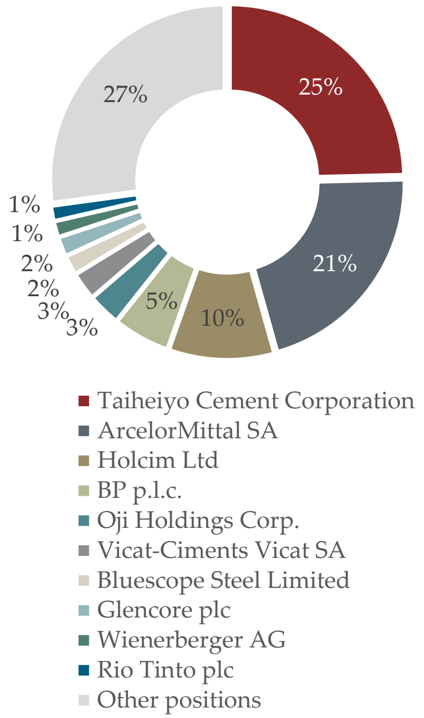


Portfolio information:
The ten largest emitters constituted 7.2% of the portfolio and were responsible 74% of emissions.
The portfolio held 356 stocks as at 31 December 2022.

EAFE Lite *(has no Emerging Markets exposure)*

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
EAFE Lite Portfolio	158	187,805	208	204
MSCI EAFE	147	113,493	126	169

Ten largest emitters
(proportion of portfolio total emissions)

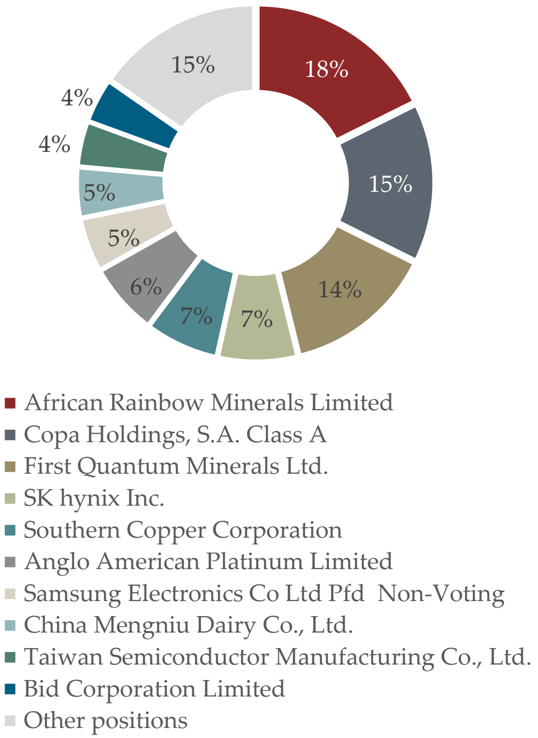


Portfolio information:
The ten largest emitters constituted 7.1% of the portfolio and were responsible for 73% of emissions.
The portfolio held 296 stocks as at 31 December 2022.

Emerging Markets Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
Emerging Mkts Portfolio	94	6,860	29	67
MSCI Emerging Markets	377	64,348	278	436

Ten largest emitters
(proportion of portfolio total emissions)



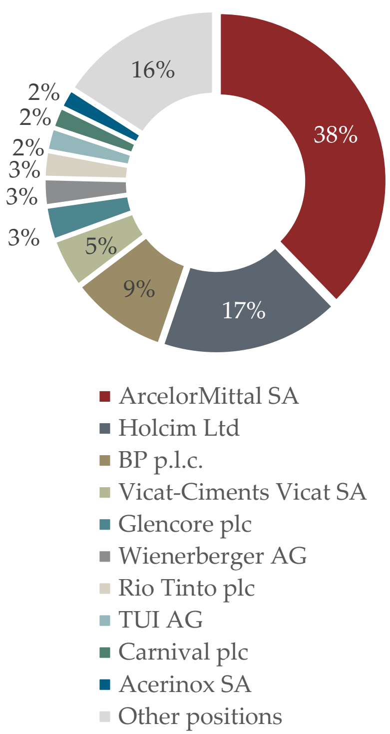
Portfolio information:
The ten largest emitters constituted 23.2% of the portfolio and were responsible 85% of emissions.
The portfolio held 49 stocks as at 31 December 2022.

European Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
European Portfolio	143	1,954	181	211
MSCI Europe	144	1,319	122	176

Ten largest emitters

(proportion of portfolio total emissions)



Portfolio information:

The ten largest emitters constituted 10.4% of the portfolio and were responsible for 84% of emissions.

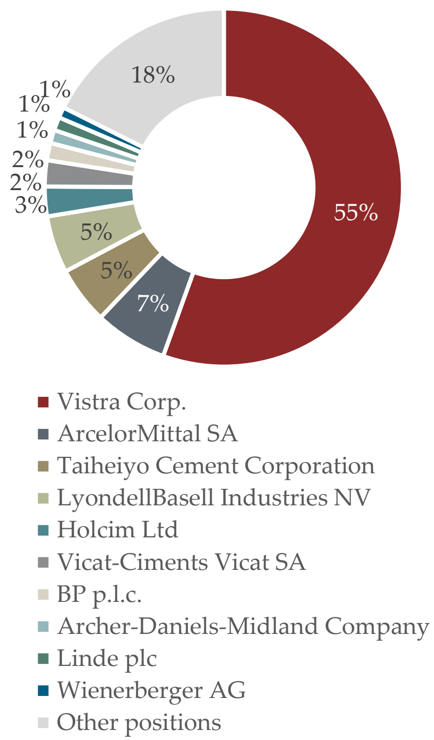
The portfolio held 168 stocks as at 31 December 2022.

Global Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
Global Portfolio	167	136,589	158	287
MSCI All Countries World	186	85,195	98	201

Ten largest emitters

(proportion of portfolio total emissions)



Portfolio information:

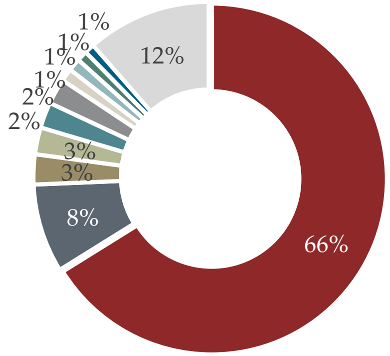
The ten largest emitters constituted 4.3% of the portfolio and were responsible 82% of emissions.

The portfolio held 341 stocks as at 31 December 2022.

Japan Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
Japan Portfolio	125	163,886	322	195
MSCI Japan	79	75,583	147	133

Ten largest emitters
(proportion of portfolio total emissions)



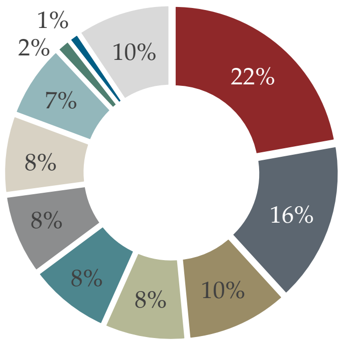
- Taiheiyo Cement Corporation
- Oji Holdings Corp.
- Air Water Inc.
- Inpex Corporation
- Toyo Seikan Group Holdings Ltd.
- Kawasaki Kisen Kaisha, Ltd.
- Nisshinbo Holdings Inc.
- Sumitomo Metal Mining Co., Ltd.
- Dowa Holdings Co., Ltd.
- Bridgestone Corporation
- Other positions

Portfolio information:
The ten largest emitters constituted 13.1% of the portfolio and were responsible for 88% of emissions.
The portfolio held 83 stocks as at 31 December 2022.

UK Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
UK Portfolio	118	27,173	135	140
MSCI UK	143	23,725	118	145

Ten largest emitters
(proportion of portfolio total emissions)



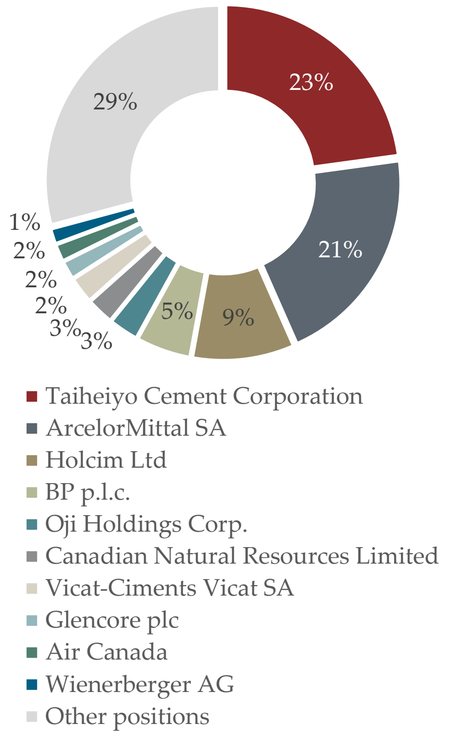
- BP p.l.c.
- Shell Plc
- Glencore plc
- TUI AG
- easyJet plc
- Carnival plc
- Rio Tinto plc
- DS Smith Plc
- National Grid plc
- Serco Group plc
- Other positions

Portfolio information:
The ten largest emitters constituted 24.4% of the portfolio and were responsible 90% of emissions.
The portfolio held 84 stocks as at 31 December 2022.

World ex-US Equity

	WACI	Total Emissions	Carbon Footprint	Carbon Intensity
World ex-US Portfolio	167	14,978	187	187
MSCI World ex-US	172	9,948	124	171

Ten largest emitters
(proportion of portfolio total emissions)



Portfolio information:
The ten largest emitters constituted 6.8% of the portfolio and were responsible for 71% of emissions.
The portfolio held 367 stocks as at 31 December 2022.

Information on the largest emitting holdings

We provide below brief information on the five largest emitters shown in each of the charts above, including a rationale for holding the company, an explanation of the reason for or source of high emissions and information about any public commitments made in relation to emissions.

African Rainbow Minerals Limited (ARM) is a South African miner, predominantly of metals, but also a legacy coal operation. Held because the issuer is viewed to have strong management and a progressive strategy, it is trading at a substantial discount to global peers. This is partly due to the corporate structure in which most assets are joint-ventures the income from which is booked as a dividend, and also because the business is a mid-cap.

ARM has a stated an aim in 2021 to achieve net zero GHG emissions from its mining operations by 2050, and has used various shorter-term goals in the past; however, it highlights that new technologies will be necessary to achieve this aim, and that the cost associated with net-zero commodities may be too much for the market to bear.

Air Water Inc. is a Japanese industrial gas and chemical firm, with an ancillary agricultural and food business line. Around 70% of emissions are related to electricity consumption by the industrial gas business, where electricity is used heavily. The shares are held due to the company's high-quality management team, track record of growth and book value expansion, and our belief that the share price is depressed by resolvable issues in relation to corporate governance and transparency.

One area where the company has become increasingly transparent is GHG emissions, albeit initially driven by legal requirements in Japan. The business has a stated aim of carbon neutrality by 2050, with a goal of a 30% reduction in CO_2e emissions from 2020 levels by 2030, and there is a credible plan to do so focusing on decarbonising energy supply (20% of electricity is still derived from coal generation); however, the announcement was made in late 2021, and no data is available to date to measure progress.

ArcelorMittal S.A. is a multinational steel maker which is considered to be undervalued despite its strong market position. Steel production is a carbon intensive activity.

The group has a 2050 carbon neutral ambition, and challenging targets for 2030, where progress is reportedly good; however, much of the information available seems to omit or obscure the challenges that will be faced in attaining the 2050 goal, with reference to the use of "future technologies" a key component of the strategy, without – at least in the published literature – much expansion on what those technologies might be.

BP p.l.c. is an oil/gas major which is held to benefit from the improvement to the sector's capital cycle which began 2020. As a producer of fossil fuels, the company is highly carbon intensive.

The group has a 2050 carbon neutral ambition, and interim targets for both 2025 and 2030. Progress in the last few years meant that the original interim targets, set several years ago, would be met well ahead of schedule. As a result new targets for significantly deeper cuts to carbon intensity, were set in 2022. The business is also actively increasing its renewables capacity and working closely with partners of carbon capture and storage. However, the company scaled back its ambitions in relation to reducing total oil and gas output due to the impact of the war in Ukraine on global supply. The oil majors now expect to produce more for longer to supply western demand in the face of supply cuts from, and sanctions on, Russia.

Copa Holdings, S.A. is a Panamanian airline, predominantly serving North, Central and South America, and the majority of emissions relate to the use of aviation fuels. The business is well run, with amongst the sector's lowest costs and highest profitability in the Americas, and has a strong position at Panama's central hub airport, providing it with a degree of protection from competition.

The company has a stated goal of net zero by 2050, but is one of comparatively few companies to explicitly state what it views as potential impediments to the achievement of that goal; namely variations in approach by the governments and regulators of the countries it operates in, availability of and access to Sustainable Aviation Fuels (a new product which creates fuel from crops, waste cooking oil etc. rather than fossil fuels, but which is in its infancy), as yet unproven technologies and high-quality carbon offset projects. That said, and despite a lack of published interim targets, the business has made significant reductions in carbon intensity through small but significant changes to operating practices and minor modifications to aircraft.

easyJet plc is a UK listed airline focused on the European market. The majority of emissions are associated with aviation fuels. The company was purchased as a leading low-cost airline with a strong position at premium airports where its main rivals are traditional firms rather than other low-cost carriers.

The company joined the UN-backed Race to Zero campaign in 2021, which committed it to reaching net-zero carbon emissions by 2050. The company has also committed to reaching an interim, science-based carbon emissions intensity improvement target of 35% by 2035 (from a base of 2019 levels), which has been validated by the Science-Based Targets initiative (SBTi). They are also working with Airbus to develop a zero emissions aircraft and on atmospheric carbon capture and storage technology.

First Quantum Minerals Ltd. is a Toronto-listed metals company, with operations in a number of countries, but particularly copper mines in Panama and Zambia. Emissions are largely the result of energy used in mining and smelting operations. The company is well managed, and we believe that the capital cycle in the mining industry, particularly for copper, is improving following a decade of capital flight leading to capacity constraints.

While the company has a variety of targets and ambitions in relation to reducing both absolute carbon emissions and the carbon intensity of coper extraction, including a 50% reduction in both measures by 2030, it has stated that it will not yet commit to a net zero target timeline, as there is no viable route to achieving the goal at present.

Glencore plc is a UK-listed international commodities trader and miner. The majority of emissions are the result of mining and refining. The position was purchased in anticipation of a change in the commodities capital cycle following a decade of capital flight leading to capacity constraints, and the stock remains, in our estimation, good value.

The company has a stated net-zero ambition by 2050, but focuses on short and medium term goals of a 15% reduction in total emissions by 2026, and 50% by 2035, from a 2019 baseline as they recognise the need for technological development to reach net zero.

Holcim Ltd is one of the world's largest cement producers. Cement is one of the world's most consumed commodities; however, the chemical process of production generates substantial quantities of carbon dioxide. The stock is held as we view it as undervalued and it also has a strong market position.

Holcim has a 2050 net zero (and 2030 interim) targets, validated by the Science Based Targets initiative (SBTi). According to the latest data available, progress has been made towards the interim target.

INPEX Corporation is a Japanese oil and gas company. The position was purchased due to our perception of a low valuation at a point where we considered the capital cycle for energy stocks to be likely to improve. This has transpired and the valuation of the business has improved, but not as far as we think it could.

In 2021, INPEX announced its support for a net zero 2050 goal, though, like many companies, it has caveated that there is no clear route for this to be achieved yet. Nevertheless, it has targeted a reduction of 30% from 2019 levels for the business's net carbon intensity by 2030 and stated that the net zero goal will be reassessed then in the light of technological progress made.

LyondellBasell Industries NV is a US-listed multinational chemicals company with a focus on oil-derived chemicals and polymers. The "cracking" process by which oil and other carbohydrates are turned into these chemicals is energy intensive, and some process outputs are GHG generative, hence the company's high emission footprint. The stock is held because it is well run and amongst the lowest cost producers, but still undervalued compared to peers.

In 2021, the company set a net zero ambition for 2050, and implemented more challenging goals, superseding those previously in place, for a 30% reduction, relative to a 2020 baseline, by 2030. It has laid out a clear plan of how it believes it can achieve this target, and notes that there is scope for overshooting if technology progresses quickly and renewables installations in the countries where it operates are faster than anticipated.

Oji Holdings Corp. is a Japanese paper and pulp business. The majority of emissions are in relation to the energy used in refining wood into pulp, with some from the chemicals involved in the bleaching and processing of the product. The company is well run, low cost and was purchased at a time when we expected a turn in the capital cycle after years of underinvestment.

The company has a net zero 2050 target, and is seeking an ambitious 70% reduction in total GHG emissions by 2030. For many companies this would appear unlikely to be achievable, but the business has pivoted strategy and is investing heavily in directly managed forests as a raw material for itself and as a social good, offering recreation for local populations, whilst making a commitment to sustainable forestry (seeking to replace monocultures with mixed timber for example); so the implication of the target is that they can achieve a 20% direct reduction in GHGs and (at least) a further 50% absorption by expansion of the forestry operations, in effect using a form of internal carbon offset scheme.

Shell Plc is an oil/gas major which is held to benefit from the improvement to the sector's capital cycle which began in 2020. As a producer of fossil fuels, the company is highly carbon intensive.

The group has a 2050 carbon neutral ambition, and targets a 50% reduction (from 2016 baseline) by 2030. Much of the planned reduction relates to a switch towards renewable energy generation whilst maintaining the core oil and gas portfolio. The company also points out that much of what it needs to achieve the 2050 goal is currently only theoretical or at prototype stage, and that it will regularly reassess the path it is taking.

SK Hynix Inc. is a Korean-listed semiconductor business and the majority of emissions relate to energy used in the process, with a notable contribution from gases released by the chemical processes involved in production. It was held as a value play in anticipation of an improved capital cycle in the DRAM computer memory market which played out over 2021-22 (the position was sold in Q1 2023).

The business has a net zero 2050 ambition, but it is seeking to grow substantially in the near term, so its 2030 target is that absolute emissions remain at or below 2020 levels. Given the company's growth trajectory, it has an interim target of emissions intensity reduction of 57% from 2020 levels by 2026. It is also seeking to reduce the gasses released by the process by 40%, in absolute terms, by 2030.

Southern Copper Corporation (SCC) is a US-listed copper miner, with operations in Central and South America, particularly Peru. The stock was bought in anticipation of a change in the commodities cycle, where capital had been withdrawn for many years and supply had fallen below demand.

The company is a listed subsidiary of Grupo México, which consolidates sustainability reporting. As a result, specific targets for SCC are not available, but there is a stated aim to reduce emissions gradually annually, and the consolidated reporting does carve out emissions for the different business lines including SCC, so this can be monitored.

Taiheiyo Cement Corporation is Japan's largest cement company. Cement production is a carbon intensive activity by dint of the chemical processes used in its creation. The company has a strong competitive position as the largest supplier in Japan and California (its two key markets), and remains undervalued when compared to global peers.

The company has committed to carbon neutrality by 2050, and has made good progress towards its 2025 and 2030 target reduction levels (vs. 2000 levels), though this has slowed since the outbreak of covid-19. Taiheiyo Cement is also a leader in the incorporation of waste material into its process whilst still producing a product robust enough to meet Japan's strict earthquake-focused standards.

Toyo Seikan Group Holdings Ltd. is a Japanese packaging producer making items such as metal cans, plastic containers and paper bags. Emissions result from its manufacturing and distribution activities. The company is actively looking to improve the overall environmental profile of its products and is moving away from plastics and investing in research into paper and metal alternatives. One example is drinks cans. Aluminium is energy intensive to produce from ore, but readily recycled. However, in standard drinks cans both the top and base have to be separated before recycling as they are different alloys of aluminium; which is an inefficient and energy intensive process. The company has a prototype "recycle in one piece" drinks can, which would substantially reduce the emissions involved in recycling as well as making the process easier and cheaper.

The company is seeking carbon neutrality by 2050, and a reduction on GHG emissions of 50% versus 2019 by 2030. These plans were announced in late 2021, so there has not yet been any reporting on progress made.

TUI AG is a Germany-listed travel company, with emissions primarily associated with its proprietary airline and cruise ships.

The company has committed to net zero but "as quickly as possible" rather than with an end date in mind, stating that it has been able to reduce emissions more quickly than anticipated in the past. Initially it has reduction goals for the three main business lines, TUI airline (24%), cruising (27.5%) and Hotels & Resort (46.2%) by 2030 (using 2019 as a base), which have been modelled and validated by the Science Based Targets initiative (SBTi) as challenging but realistic given the plans in place. Longer term targets are being regularly considered, but may not be set until a clear path to net zero can be found.

Vicat-Ciments Vicat SA is a French-based cement company. Cement production is a carbon intensive activity by dint of the chemical processes used in its creation.

The company made a commitment to "achieve carbon neutrality across the value chain" by 2050 in late 2021, but has not as yet fleshed out that commitment with publicly disclosed targets. However, one flagship product, DECA, is a low carbon concrete that uses a carbon negative binding agent to substantially reduce the overall emissions associated with the cement production process.

Vistra Corp. is a US-based integrated retail electricity and power generation company. Emissions are primarily the result of its electricity generation activities, a proportion of which is legacy coal fired. The stock is held because the market appears to be avoiding it as an ESG pariah, meaning that there is substantial scope for share price improvement as the company's pivot away from fossil fuels gains momentum or, in the shorter term, because electricity prices have risen substantially.

The business has committed to both net-zero carbon emissions by 2050 and a 60% emissions reduction by 2030 (compared to a 2010 baseline). It has also partnered with the Science Based Targets initiative (SBTi) to align its "pathway" to net-zero with the 1.5°C maximum rise envisioned under the Paris Agreement. Although the company still has coal-fired assets, there is an ongoing closing program in place with all coal plants scheduled for closure by 2030. The company is investing heavily in renewables, for example, in California it is developing what is currently the largest solar park with battery storage in the world. However, it is keen to point to the limitations of renewables at present and the need for reliable base load for periods with little wind or sun with a dearth of renewables storage available, so it is likely to remain a mixed player into the future, relying on renewables, nuclear and gas (and possibly "green hydrogen").

For those readers with access to Marathons *Global Investment Review* (our client newsletter), an article about Vistra and Marathon's views in relation to the company from a sustainability perspective was published in May 2023 under the title *Power Play* (Vol 37, No 3, May 2023).

Status of TCFD implementation

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As a supporter of TCFD, Marathon has been working hard in order to provide the disclosures recommended under the framework. While we feel we have made good progress, we have assessed below where we believe we are fully implementing the recommendations (coloured green) or only partially implementing or could improve disclosure with further work (amber).

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS & TARGETS
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	b) Describe the organisation's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

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All data provided in relation to portfolio level carbon metrics has been sourced from, or calculated based on information provided, by ISS ESG.

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