MARATHON

**Marathon's Compliance with the UK Stewardship Code**

*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"), operating as Marathon-London in North America, 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 2020 (the "Code"). The 2020 Code is a revision to the 2012 edition of the Code, which took effect from 1 January 2020.

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, 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.

**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 investment culture is characterised by intellectual curiosity, eclecticism and non-consensus decision-making. Marathon's vision being:

- 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.

The firm 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 based on long-term performance relative to the benchmark. 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 cap 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 a monopolistic, 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, in 2020 Marathon changed the period over which Portfolio Managers' investment performance is assessed for remuneration from three-years to five-years. This has further helped to ensure that in a tough environment for relative performance during the covid-19 crisis, Portfolio Managers remain consistent in their investment approach; continuing to focus on the long-term capital cycle and how management teams were allocating capital.

Finally, to ensure that these investment beliefs, strategy and cultural norms are actively embedded within the business, Marathon has drafted a new Sustainability Charter (the Charter), alongside the overarching Sustainability Policy, to explicitly reflect the commitment of the entire investment team. The Charter seeks to formalise and articulate Marathon's commitment to considering environmental, social, and corporate governance ("ESG") factors as part of our investment process. The charter can be found on our website CLICK HERE.

As responsible owners and a client fiduciary, Marathon Portfolio Managers take full account of ESG issues at all stages of the investment process; during due diligence and monitoring of holdings, engagement with company management and when voting proxies. Activities which underpin the Sustainability Charter are now documented in an internal report produced every six months. This sustainability report details work undertaken by the investment team and other departments as well as evidencing individual Portfolio Manager commitment to the Charter.

The Charter and the internal sustainability report are relatively new initiatives, and their full impact is yet to be felt, but we believe they should further strengthen our stewardship efforts over time.

**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. Marathon's remuneration structures are designed to reward longer-term results over short-term performance. We believe that this approach underlines the importance of stewardship which lies at the heart of our business."

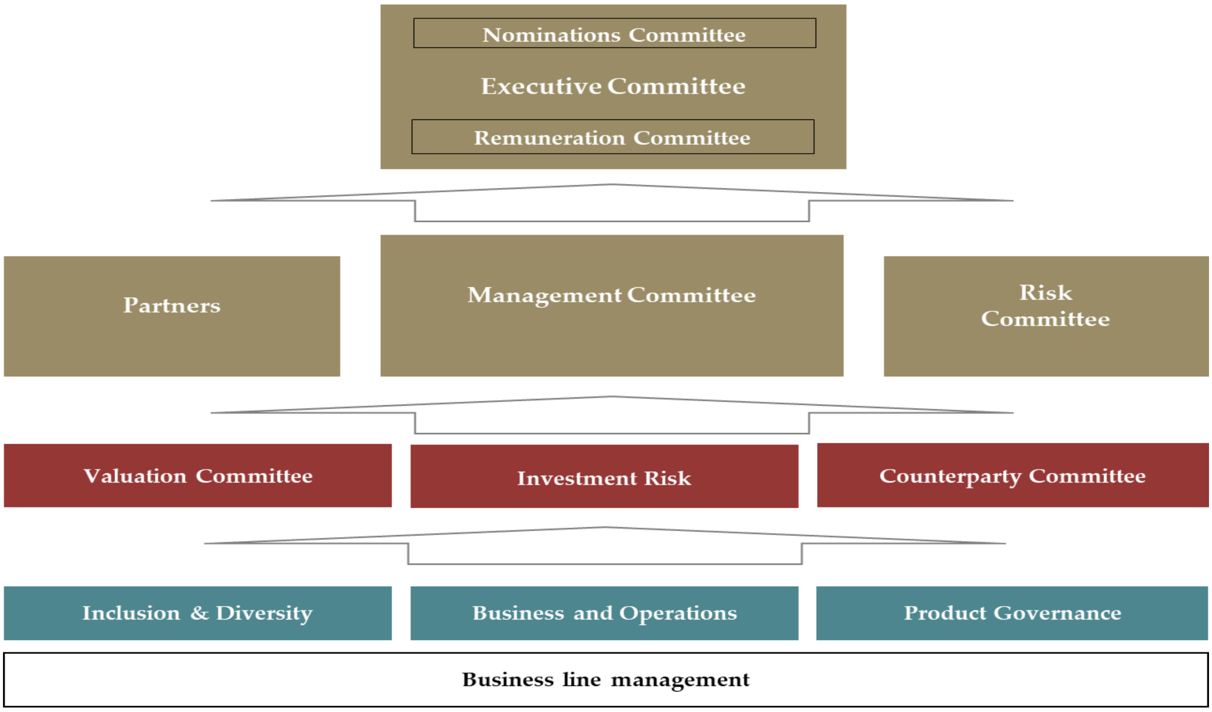
**Charles Carter, Managing Director and European Portfolio Manager**

Marathon's Executive Committee, 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 new Sustainability Charter.

Additionally, Marathon has a Remuneration Committee which meets at least annually 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 over the longer term.

MARATHON

**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 supporting stewardship is further supported by Marathon's investment team which is made up of a number of generalist Portfolio Managers specialising in their respective regions but who continue to deliver one consistent investment philosophy:

| | Europe | Japan | Pacific ex-Japan | Emerging Markets | North America | Global | Int. Small Cap |
|---|---|---|---|---|---|---|---|
| **Portfolio Managers** | **Neil Ostrer** (39/34)<br>**Charles Carter** (31/22)<br>**Nick Longhurst** (26/17) | **Bill Arah** (38/33)<br>**Simon Somerville** (31/4)<br>**Michael Nickson**[1] (17/8) | **David Cull** (14/7)<br>**Justin Hill** (24/0) | **Michael Godfrey** (23/8)<br>**David Cull** (14/7) | **Robert Anstey** (26/7)<br>**Michael Taylor**[2] (11/6) | **Michael Nickson** (17/8)<br>**Fahad Siddiqi** (25/0) | **Ian Deacon** (13/4) |
| Analysts | Jordane Guillot (10/1) | Yumiko Ogasawara (27/24)<br>Masanaga Kono (37/4)<br>Toma Kobayashi (6/2) | | | | | |

*As at 4 January 2021. Numbers in brackets denote experience in the industry/years at Marathon. [1]Michael Nickson manages 25% of the Japan sleeve of EAFE and ACWI ex US mandates. [2]Michael Taylor manages North American stocks in the Global strategy only.*

As Marathon has a long-term outlook, with 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.

It is noteworthy that 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. In addition, Ben Kottler, a Client Manager, was also asked to take a lead role in day-to-day implementation of ESG for Marathon's Executive Committee in 2020. These structures give the business an effective operational model to support active stewardship and deliver better client outcomes.

To help underline this belief and assess our progress, Marathon became a signatory of the Principles of Responsible Investing (PRI) at the beginning of 2019 as we believe the firm's longstanding investment approach is fully compatible with the PRI. In July 2020 Marathon received the first report back from the annual PRI survey performing in-line with other first-year signatories, but with room for improvement, particularly in areas of oversight; objective setting; monitoring; and communication. Marathon's current Transparency report can be found on the PRI website: CLICK HERE. There is work underway on each of these, which we will report on to clients over the coming year. We are wary of just adding resources to ESG, however, as Marathon's Portfolio Managers have always maintained direct responsibility for stewardship and we wish to retain this important defining characteristic.

Marathon also leverages a range of third-party data (e.g. MSCI; Brokers; S&P Capital IQ; Bloomberg – ESG research and technology enablers) and service providers (Institutional Shareholder Services (ISS) – proxy voting analysis) 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. To this end, the investment team are encouraged and supported to keep abreast of developments in stewardship and ESG through consideration of a range of information and data sources.

One of the areas that Marathon has been considering is how to be a more explicitly diverse and inclusive firm. To that end, Marathon has adopted an Inclusion and Diversity (I&D) strategy to further enhance the firm's inclusive culture and achieve increased diversity in the employee population over time.

The initiatives and actions that make up the I&D Strategy are grouped around four themes: 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 I&D focus). The implementation, and future development, of the I&D strategy is overseen by an I&D Working Group, chaired by the Head of HR.

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

**Introduce**

- Engage recruitment agencies with a clear I&D 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 Unconscious Bias)
- Employee training (e.g. on an Inclusive Mindset)

**Grow**

- Advertise all vacancies internally

**Community**

- Participation in appropriate external programmes (e.g. #10,000 BlackInterns)

Planned initiatives include: inclusion-focused performance objectives for line managers, reverse mentoring, a gender pay audit, parental leaver coaching, mentoring/sponsorship programme for diverse staff and engaging external experts and speakers for Marathon employee events.

In a business of c.100 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, Marathon will ask staff to self-report on a number of diversity characteristics. This data will be held by Marathon's Human Resources team and will be used to produce an I&D dashboard, the data from which should allow the business to assess the progress and impact of the I&D strategy at increasing the levels of diversity within the firm over time. It should be noted that self-reporting is voluntary, so there is will always be an option for staff not to disclose on any measure.

Marathon has had an Equal Opportunities policy for many years, stating the principal of equality of treatment; however, this strategy formalises the issue of inclusion and diversity, which was previously an informal consideration without a central policy guiding business practices. The formalisation is, in part, due to increased client engagement with the business on the issue focusing attention and, in part, due to the moral argument in favour of 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 is a step towards ensuring that this remains the case in the future, and that diversity becomes a more central consideration for the firm going forwards.

**Principle 3**

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

> "Marathon's corporate size, simple ownership structure and long-term investment focus minimises conflicts of interest arising compared to firms managing a wider range of asset classes or those that are subsidiaries of large broadly-based financial institutions. Nevertheless, Marathon has implemented robust policies and procedures around conflicts management. Systematic oversight of compliance with these policies also helps ensure that any 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 Compliance Officer**

The successful identification, mitigation and management of conflicts remains a central part for how Marathon delivers fair treatment of customer 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's personnel are required to avoid any activity or personal interest that creates or appears to create a conflict between the interests of the firm and/or themselves and the interests of Marathon's clients. Marathon is committed to increasing awareness of conflicts of interest identification and management amongst all its personnel and maintains a Conflicts Matrix which includes actual and potential conflicts which have been recognised; alongside arrangements which have been put in place to facilitate early detection management, mitigation and prevention of any such conflicts from having adverse impact.

In the unlikely scenario where for example the interests of clients diverge, or where a client relationship creates a conflict or potential conflict which cannot be adequately resolved by the relevant Portfolio Manager the matter shall be raised with the applicable internal governance forum and/or committee for review and consideration. Such conflicts or potential conflicts will also be considered and resolved by Marathon's Executive Committee and then logged accordingly within Marathon's Conflicts Matrix. The Executive Committee taking overall responsibility for ensuring all conflicts are appropriately identified, mitigated and managed.

For further detail see Marathon's conflicts of interest policy available at the following website address: CLICK 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.

It should be noted that, in the course of 2020, no material conflicts were identified across the firm.

**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 2008-2010, and the ongoing covid-19 pandemic. Marathon attempts to think about these risks from both an organisational and market-wide perspective, and seeks to develop strategies to recognise when such events occur in order to mitigate their impact."

**Joe Diment, Managing Director and Chief Operating Officer**

In a globalized 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. 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 permitting the rapid spread of pathogens have emerged.

In respect of our investment decision making process, Marathon's bottom-up 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. The aim is that systemic risks are acknowledged and considered within investment decisions. Examples of these concerns and considerations include the risk of stranded assets should economies decarbonise more rapidly than anticipated; the risks inherent in the global financial system and laid bare following the collapse of Lehman Brothers; the concentration of (for example) integrated circuits manufacturing in south-east Asia leading to issues for manufacturers of other electronic goods elsewhere should there be transport disruption, and so forth.

Marathon carefully monitors public disclosures and seeks to regularly meet with management, executive and non-executive directors as appropriate, to better understand the business, and the broader industry, proactively giving feedback as part of assessing a company's capacity to deliver its long-term strategy. 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 to a country, sector or industry and whether this requires either further engagement with management or a change to the investment rationale.

Marathon investors have typically placed a high degree of importance on meeting with company management teams, to assess long-term strategy and encourage appropriate capital allocation. When the covid-19 pandemic started to impact markets globally in early 2020, Marathon – like many businesses – rapidly switched to working from home, engaging with companies via video conferencing and conference calls instead of face-to-face. In a Global Investment Review article in June 2020, entitled "Virtual Reality", we discussed the pros and cons of virtual management meetings and working from home. Higher productivity has been possible, particularly in meetings where we have been interacting with managers that we know well as long-term shareholders. As ever, the challenge has been to ensure meetings focus on the long-term, rather than seeking to out-speculate other investors, keen to anticipate when and how the pandemic would end.

In Japan, Marathon Portfolio Managers have written extensively, for many years, about the impact of corporate governance reform in that market. For example, in a May 2020 GIR article, "Japanese Exceptionalism: Dividends, Cash and covid-19", we explored how dividend pay-outs are starting to catch up with those in other countries and management teams have chosen not to use the pandemic as an excuse to cut payments. Strong balance sheets have also been a benefit for many companies in weathering the crisis and this has been a focus for Portfolio Managers in other regions too.

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 initiatives we join. In late 2020 we began an assessment of the Task Force on Climate-related Financial Disclosures (TCFD), an organisation that has been created to improve and standardise disclosures in relation to climate change related metrics. We became supporters of the initiative shortly after the end of the 2020 reporting period.

Within the firm itself, Marathon undertakes rigorous Business Continuity planning. Marathon maintains a comprehensive Business Continuity Plan ("BCP"). The plan covers topics such as roles and responsibilities of the Crisis Management Team as well as contact details for staff and next-of-kin; service providers used by Marathon; and clients. The BCP is periodically tested by Marathon to ensure it remains appropriate and effective It is reviewed and, if necessary, updated at least annually as well as potentially 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.

**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 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 01/06 (ISAE 3402) standards.

A review of all policies is completed at least annually with any material amends to the assurance programme reported to the Executive Committee, and in particular the compliance monitoring programme ('CMP') which incorporates operational risk assessments. This review ensures continued alignment with current best market practice and effective implementation of Marathon's second line of defence compliance resources.

The review considers the following:

(i) the activities of the compliance department, including compliance risk assessments and checks, operational risk assessments and outputs from the compliance monitoring programme over the previous year;
(ii) feedback from the internal controls audit (AAF 01/06 report); and
(iii) business and regulatory developments.

The findings of this review feeds into any changes to the CMP.

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 the Risk team. 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. Finally, all ESG reporting materials are reviewed by Compliance to ensure it is clear, fair balanced and understandable.

The effectiveness of policies in achieving our aims is ultimately overseen by the Executive Committee

Two examples of engagement during 2020 which reflect Marathon's commitment to stewardship include both successful and unsuccessful shareholder engagements:

**Coloplast**. The vote was to allow board authorisation to decide on one-time discretionary bonuses for management of a Danish healthcare business that Marathon has owned since the mid-1990s. Resolutions like this may often be counter to shareholder interests, and are therefore opposed on an almost automatic basis by ISS, our voting service provider which provides recommendations on each proposal. However, Marathon's long and successful investment history in the firm and frequent interaction with management (over 80 meetings in more than two decades) gave us confidence that the board would not abuse this discretion. This type of authorisation is also common practice in Denmark. Although opposed by ISS, after discussion with management we voted for this proposal, as did the majority of shareholders.

**McCarthy & Stone,** the UK's leading developer and manager of retirement communities, received a bid from a real estate fund following a difficult several months caused by the ongoing coronavirus pandemic. Share prices had fallen by c.75% in the initial market sell off in March before recovering and stabilising around 50% down from their previous peak. Although the bid was at a substantial premium to the prevailing share price of the previous few months, and was unanimously supported by management, Marathon viewed it as opportunistic and not reflective the true value of the business. Marathon engaged with the Chief Executive of the business, and other senior managers, to express our dismay at their support of a bid which, in our view, significantly undervalued the business; however, as a significant portion of the company's shares had changed hands during the year at lower prices, our view was in the minority, and the bid was successful.

Whilst Marathon's engagement may not always result in the desired outcome that our Portfolio Management team is seeking on behalf of our own clients we will nevertheless continue to press company management to do what we think is right.

**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. In our view, stewardship activities are key to achieving this. 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. In recent years, heightened client interest and new regulation has spurred the development of better communication and reporting of our stewardship activities. To that end, we have created a web portal to provide clients with access to stewardship information. We continue to seek to improve the quality and content of the information we make available to enhance our clients' understanding of the stewardship activities we undertake on their behalf."

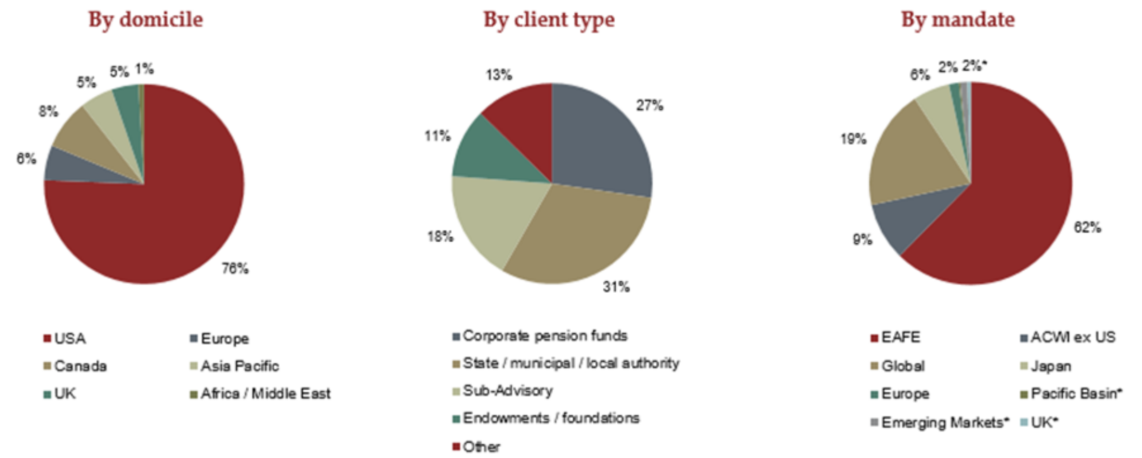
**Patrick Seth, Head of Client Service**

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, and meeting notes are used to feed this information back into the business. 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$55.9bn**

**Source: Marathon, 31 December 2020. *These mandates together represent 1.9% of firm AUM. Approximately US$694m of AUM are hedge fund assets, which are not included in the charts above.**

Marathon seeks to be transparent and open about our stewardship activities with our clients. Part of this work includes the publication of articles in Marathon's Global Investment Review (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 CLICK HERE (note that the page may take a few seconds to refresh).

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. Exercising proxy votes on investee companies on behalf of our clients is an instrumental tool in that effort and 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 documents 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.

**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 MSCI ESG Research, 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.

In respect of their potential impact on 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, the 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 Executive Committee which receive reports on work undertaken by the investment team and other departments 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.

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 actively on material issues and duly considered as part of Marathon's investment process.

In Japan, Marathon has advocated corporate governance reform on a frequent basis and it is our view that the pace of change is now greatly underappreciated by investors. Masanaga Kono is a Tokyo-based Analyst who focuses on corporate governance issues, by engaging with senior management of portfolio companies. He addresses issues such as cash deployment; the separation of Chairman and CEO roles; and proxy voting

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

**Principle 8**

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

> "Active oversight of service providers is a core part of Marathon's own governance practices. All material service providers are regularly monitored, and a market review is undertaken from time to time to ensure that our suppliers continue to be competitive and to provide the best quality of data and service to the business."

**Mel Freudenstein, Head of Operations**

Alongside the preponderance to rely 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.
- **ESG research** – MSCI provide 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 review services provided, discuss any service issues and areas of future change.
- **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. Marathon undertakes regular operations and compliance reviews of ISS services, with a minimum of two formal meetings per annum.

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 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.

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

**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 privately engage 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 better understand 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 CLICK HERE.

Marathon employs a highly 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 didactic "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 their 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.

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.

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. In such circumstances 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.

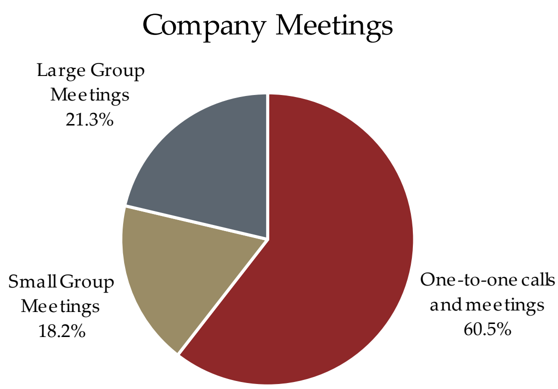
Marathon is currently part of three class actions in relation to past holdings for which we believe that compensation is owed by corporations for providing misleading or demonstrably false information to the market.

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 of acting collectively with institutional shareholders who may 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, going forwards 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.

If a concern relates to systemic market failure, falls within a wider thematic issue, or related to an urgent crisis scenario then Marathon may also discuss the matter with the appropriate regulatory and corporate institutions or 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.

Marathon's commitment to stewardship engagement can in part be evidenced via the company and broker research engagements which occurred in 2020; and which involved the investment team making over 1,700 meetings with company management primarily via one-to-one engagements:



**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**

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 historic 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, based on all the publicly available information available to Marathon, with these decisions stored electronically.

Marathon does not seek inside information and actively asks companies and their advisors not to put us in possession of such information. However, occasionally, with express prior agreement, Marathon may obtain confidential, price sensitive 'inside' information; on the basis that any subsequent trading restriction is not in place for an extended period and the information will be to our clients' advantage. Once made insider, strict compliance is maintained with strict additional internal procedures that meet all applicable legal and regulatory requirements.

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 and on occasions other investee company's rather than pressuring management through public proclamations or complex multi-lateral campaigns. From time to time, as mentioned in our response to Principle 9, where the matter is viewed as serious and it is in the best interests of our investors, Marathon may engage collectively with other shareholders; however, we did not undertake any collective engagement with an investee company in 2020 (though it should be noted that the example of the letter to the Greek Ministry of Finance, references under Principle 11, while undertaken independently, was part of a broader effort by Greek banks and resulted in similar letters from many investors).

## 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 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 expressing 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.

The approach to engagement and escalation does not materially differ across Marathon's geographical holdings, but rather based on Marathon's connections within a business and key touch points.

It should be noted that, in 2020, few matters were escalated beyond normal management discussions and dissenting votes (typically, but not always, where Marathon has aligned its vote with ISS against management).

However, one example of escalation of engagement in 2020 related to compensation practices at Greek Banks. Greek banks are prevented by law from paying bonuses to executives because of the various state bailouts they have received over the last decade. Whilst we appreciate the context, we think that correctly structured incentives would ensure that the banks are managed in a way that would be beneficial to all shareholders and also the Greek economy. Current remuneration practices do not particularly align the interests of staff with those of the bank, and have led to a talent drain from the industry as good staff members are attracted abroad. One of our holdings reached out and requested that Marathon join several shareholders in sending a letter to the Greek Ministry of Finance. Upon consideration a letter was drafted and sent to the Minister in December to express our support for the idea that an easing of these pay restrictions would benefit both the banks themselves and, ultimately, the Greek economy.

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: CLICK HERE.

**Principle 12**

*Signatories actively exercise their rights and responsibilities.*

> "Marathon considers part of its fiduciary duty to be an obligation to exercise all rights it holds over investments in what we believe to be the best long-term interests of our client base. This responsibility is taken very seriously, and Marathon seeks to take a decision on every resolution tabled at every company meeting at which we are entitled to vote."
>
> **Bill Arah, Co-Founder and Japanese 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, 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, 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 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, proxy voting decisions are 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*

Marathon's proxy policy on voting is available at the following website address: [CLICK 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 Institutional Shareholder Services ("ISS"), a 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 frequent and 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.

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

**Facebook Inc. (USA)** May 2020

Shareholders tabled several proposals including some to require the company to report on Median Gender/Racial Pay Gap, undertake a Civil and Human Rights Risk Assessment and to require and Independent Director Nominee with Human and/or Civil Rights Experience.

While ISS supported most shareholder proposals at the meeting, these three items were the exception. ISS stated that it believes adequate measures are already in place. However, Marathon believes that the added disclosures and pressure applied from a specialist independent director would further focus the company's thoughts and efforts on the role it plays in society, which have been subject to substantial criticism and scrutiny in recent years.

Unfortunately, Facebook's voting structure is such that, despite holding a minority ownership stake in the firm, two of the directors retain the majority of voting power, and as a result, proposals which they do not support cannot pass. Marathon continues to engage with Facebook and other companies to encourage them to behave more positively towards the societies they serve.

**Svenska Handelsbanken AB (Sweden)** March 2020

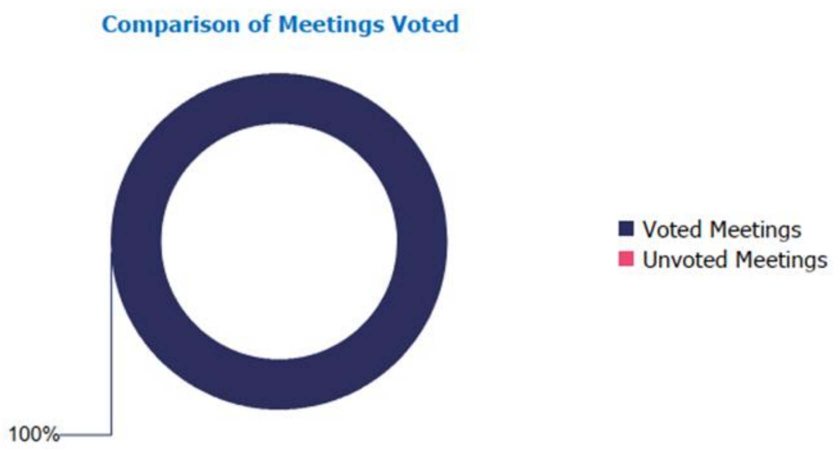
An apparently routine motion to re-elect a number of longstanding directors, including the CEO. ISS objected to the re-election or election of these directors either because they view them not to be independent or to have spent too long as board members. After speaking to management, we agreed with them that long, solid experience is important in a bank board, and that the proposed board provided a good combination of experienced and new members. Consequently, we voted with management and against ISS. As long-term shareholders, voting against the reappointment of directors we know well and admire simply due to their long tenure would send a contradictory message. Although we understand the rationale behind ISS's policy on director tenure, we believe that such decisions should be nuanced based on company needs and structure rather than determined by a quantitative cut-off.

Set out below are the aggregated annual voting records for each major kind of proposal from 2020:

| Issue | With Mgmt | Against Mgmt | With ISS | Against ISS |
|---|---|---|---|---|
| Management proposal: Routine/Business | 1,678 | 66 | 1,728 | 16 |
| Management proposal: Directors Related | 4,624 | 178 | 4,716 | 86 |
| Management proposal: Capitalization | 712 | 58 | 755 | 15 |
| Management proposal: Reorganisation and Mergers | 145 | 9 | 147 | 7 |
| Management proposal: Non-Salary Comp. | 736 | 77 | 765 | 48 |
| Management proposal: Antitakeover Related | 91 | 5 | 96 | 0 |
| Management proposal: Miscellaneous | 8 | 0 | 8 | 0 |
| Management proposal: Social Proposal | 2 | 1 | 3 | 0 |
| Shareholder proposal: Routine/Business | 34 | 9 | 40 | 3 |
| Shareholder proposal: Directors Related | 45 | 24 | 67 | 2 |
| Shareholder proposal: Corp Governance | 10 | 5 | 12 | 3 |
| Shareholder proposal: Soc./Human Rights | 4 | 2 | 5 | 1 |
| Shareholder proposal: Compensation | 10 | 7 | 17 | 0 |
| Shareholder proposal: Health/Environ | 25 | 5 | 28 | 2 |
| Shareholder proposal: Miscellaneous | 17 | 7 | 18 | 6 |
| Shareholder proposal: Social Proposal | 8 | 6 | 14 | 0 |

Marathon's clients can obtain further data on request.

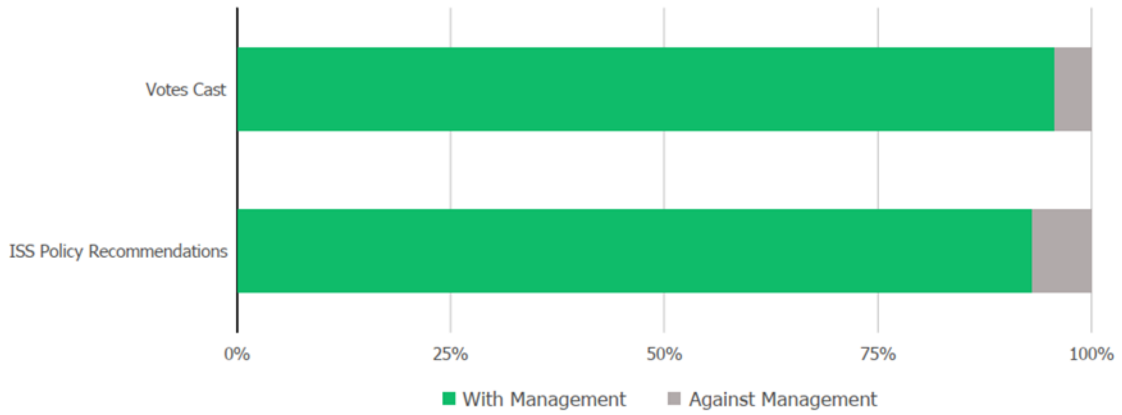
**Meeting overview**




Over 2020, Marathon voted at 671 meetings (100% of voteable meetings).

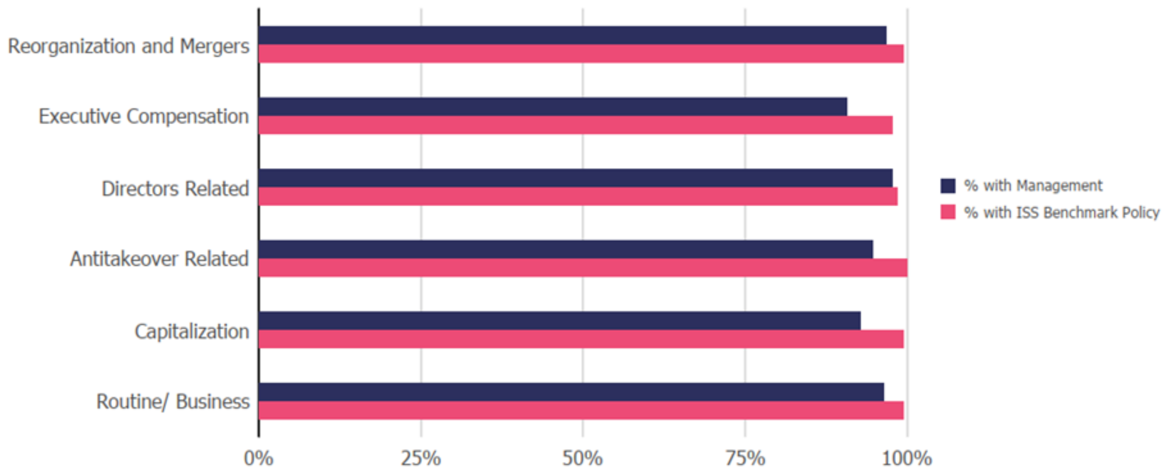
*Source: ISS*

## Alignment with resolutions




*Source: ISS*

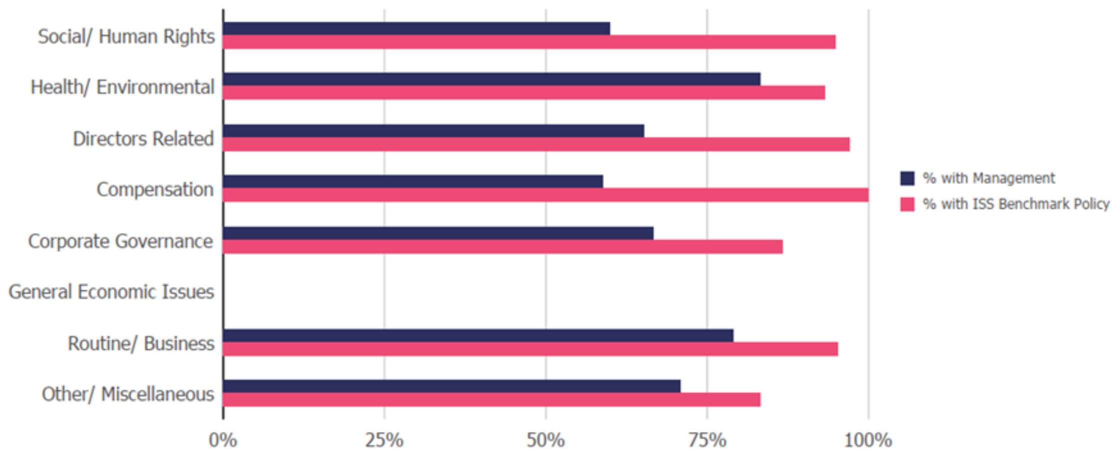
## Votes cast on management proposal categories




Votes cast during the reporting period were least in line with management on Social Proposal matters, where only 67% of votes followed management recommendations.

*Source: ISS*

**Votes cast on shareholder proposal categories**




During the reporting period, Marathon showed the highest level of support for shareholder proposals related to Compensation, at 41%.

*Source: ISS*