MARATHON

Marathon's Compliance with Japan's Stewardship Code

This document describes the extent to which Marathon Asset Management Limited ("Marathon"), trading as Marathon-London in Japan, has applied the seven Principles for Responsible Institutional Investors, Japan's Stewardship Code.

Good company stewardship involves actively monitoring investee companies including, among other things, engagement with senior management to discuss strategy, performance, governance and risk.

The analysis of company management forms an intrinsic part of Marathon's investment process which seeks to identify companies that can deliver shareholder value through effective and sustainable use of cash flow over the longer term.

Principle 1

Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.

Marathon's investment philosophy places particular importance on corporate governance issues, specifically through the detailed analysis of the behavioural aspects of management. Marathon believes the approach of management should be consistent with the creation of shareholder value to the extent that actions are directly linked to the share price or to economic value creation.

Marathon's close and continuous engagement with investee companies helps to foster long term relationships. Successful stewardship then facilitates Marathon's capital cycle investment thesis, delivering shareholder value and alignment with the long term interests of clients.

Oversight of company management includes objective assessments and analysis of strategy, financial performance and capital planning alongside consideration of a range of applicable corporate governance issues.

Marathon's portfolio managers remain directly responsible for proxy voting decisions, ensuring clients are treated fairly and the right outcomes are achieved by company management. Client shares are voted by proxy based on publically available information with these decisions stored electronically.

Marathon's policy on stewardship activities is made available to stakeholders at the following website address: CLICK HERE.

Principle 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

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

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. The policy also sets out certain types of actual or potential conflicts of interest which affect Marathon's business and provides details of how these are managed. Examples of such conflicts of interest that could arise in connection with fulfilling our stewardship responsibilities include:

(a) any of Marathon's members or employees (or those of an associate) could be a director or member of, hold or deals in securities of, or is otherwise interested in a company whose securities could be held or dealt in on behalf of Marathon's discretionary investment management clients; and

(b) Marathon may effect transactions in which it, its members or employees or its associates has directly or indirectly, a material interest or a relationship of any description with another party which may give rise to a potential conflict with Marathon's duty to its clients and may make or receive a profit, commission, remuneration or other benefit from or by reason of such transactions or any connected transactions.

Marathon will seek to take all appropriate steps to identify and to prevent or manage conflicts of interest from adversely affecting the interests of its clients. Where Marathon is not able to do this, Marathon will inform the underlying clients of the general nature and/or sources of such conflicts of interest, so that they are able to make an informed decision about whether to continue to do business with Marathon.

Principle 3

Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

An important part of Marathon's philosophy focuses on interaction with management. The investment team conduct a large number of company meetings per annum. The aim of these company meetings is to make an assessment of the business model and corporate strategy, management competence and incentives as well as the company valuation. 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. Both portfolio managers and investment analysts participate in the company research process.

Occasionally, with express prior agreement, Marathon may obtain confidential, price sensitive 'inside' information; on the basis that any subsequent restriction upon trading will not be in place for an extended period and the information is to our clients' advantage. Once made insider, strict compliance is maintained with additional internal procedures and applicable legal and regulatory requirements.

Principle 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Marathon seeks an open and constructive dialogue with investee companies as part of the wider on-going analysis of a company.

Marathon's preference is to engage directly with company management as part of this interaction process. Nevertheless, should concerns arise with company performance or management quality, consideration will be taken to raise the issue directly with the relevant company board. If the concern relates to a systemic market issue, then Marathon may also discuss the matter with the appropriate regulatory and corporate institutions, as appropriate.

Principle 5

Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.

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. Once an investment decision has been made, a duty arises to exercise Marathon's fiduciary responsibility to vote. Marathon will usually vote for or against resolutions but may also abstain depending on the matter under consideration.

Marathon's policy on voting is available at the following website address, alongside information on the firm's proxy voting decisions: CLICK HERE.

Marathon will ordinarily vote by proxy all shares where the voting discretion has been delegated by clients. Input will be sought from available public sources and engagement where necessary with companies and their advisors, where necessary. Marathon also works with Institutional Shareholder Services (ISS), a proxy voting advisor, to gather information on company meetings and help formulate voting recommendations. Further details concerning the services provided by ISS, including the operational structure, management of conflicts of interest and procedures of developing voting recommendations can be found via the following link: www.issgovernance.com. Notwithstanding the involvement of ISS, Marathon maintains responsibility for any final voting instruction on the basis of all information available to us.

Due to the nature and volume of securities held on behalf of Marathon's clients, it is not practical to provide every reason for why a portfolio manager has voted for or against a particular agenda item using company specific voting records.

Nevertheless, set out below are the aggregated quarterly voting records for each major kind of proposal from the most recent quarter:

	With Mgmt	Against Mgmt	With ISS	Against ISS
Totals for Audit Related :	39	0	39	0
Totals for Capitalization :	62	0	62	0
Totals for Company Articles :	16	0	16	0
Totals for Compensation :	59	8	65	2
Totals for Director Election :	290	16	291	15
Totals for Director Related :	85	5	88	2
Totals for E&S Blended :	2	0	2	0
Totals for Miscellaneous :	6	0	5	1
Totals for Non-Routine Business :	4	0	4	0
Totals for Routine Business :	81	2	83	0
Totals for Social :	6	0	6	0
Totals for Strategic Transactions :	4	2	6	0
Totals for Takeover Related :	7	0	7	0

Marathon's clients can obtain further data on request.

Principle 6

Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

Marathon provides clients with detailed quarterly reports on voting activities upon request.

Internal records are also kept concerning engagement with company management and, separately, proxy voting activity. Marathon also uses an electronic voting platform to submit voting decisions.

Marathon's proxy voting procedures are independently reviewed on an annual basis by an external auditor, as part of an internal controls review based on the UK's AAF 01/20 (ISAE 3402) standards. Marathon also reviews its proxy voting activities as part of it compliance monitoring programme.

Principle 7

To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

As described above, Marathon undertakes detailed and forensic analysis of investee companies to develop a detailed knowledge of existing and proposed investments.

Marathon's investment team has extensive skills and knowledge and a proven track record of taking successful long-term investment decisions on behalf of our clients.

Marathon is committed to confronting important corporate issues to achieve the best outcome for our client base. On occasions this will involve acting in accordance with fellow shareholders. Past experience, however, has highlighted the inefficiencies of acting collectively with institutional shareholders who may hold conflicting views on the situation and is not our preferential approach.

Annual update

Marathon seeks to maintain full compliance with the Japanese Stewardship Code Principles and guidance. This fully compliant version of Marathon's Japanese Stewardship Code was considered and approved by the Board.

Contact Details

For further information on our approach to governance, engagement and stewardship matters please contact Ben Kottler at BKottler@Marathon.co.uk.