



## Marathon Sustainability Charter 2021

This Sustainability Charter articulates Marathon's commitment to considering environmental, social, and corporate governance ("ESG") factors as part of our investment process.

### Our sustainability commitment

As responsible owners and a client fiduciary, Marathon Portfolio Managers take full account of ESG issues at all stages of the investment process:

- due diligence and monitoring of holdings
- engagement with company management
- voting proxies

### Background

The Capital Cycle investment philosophy - consistently applied since Marathon was founded in the mid-1980s - assesses supply-side dynamics and how management teams allocate capital over the long-term. The latter necessarily involves consideration of material ESG factors which play out over the long-run. Companies whose culture leads executives to take account of the long-term impact of ESG factors are likely to have enhanced brand strength, reputation and prospects, and as a result, higher profitability. This is especially important as brand, reputation and other intangible assets become more and more prominent over time.

Conversely, Marathon will invest in companies which may not score highly on contemporary ESG measures but where we believe that the valuation discount is excessive and / or management teams have the opportunity to take positive steps and create value for shareholders. We subscribe to the principle that you can convert a sinner, but never a saint. If public market equity investors eschew these investment opportunities, the likelihood is that private markets will take control and ESG matters may be left unresolved.

### ESG Leadership

Marathon has established a governance framework under the leadership of the Executive Committee ("ExCo"), to review ESG integration and ensure that any issues are escalated promptly. To this end Marathon has adopted an integration and engagement approach to responsible investing via this Charter which ExCo and the Portfolio Managers attest to each year.

### Responsible investing

**Due diligence and research:** Marathon has a small team of autonomous, generalist Portfolio Managers who use a range of tools and sources to undertake research and oversee their investments.

- We seek additional insights from external sources, including MSCI ESG research and ISS for proxy voting recommendations.
- We do not outsource responsible investing to a separate team. We consider it to be a key responsibility of Portfolio Managers, and wish to avoid creating silos or bureaucracy.

**Stewardship:** As long-term shareholders, Marathon holds significant ownership positions in many small and mid-sized companies, typically for many years.

- We meet with management of investee companies, focusing on strategy, capital allocation, and understanding competitive positioning. We also use these meetings as a private forum in which to challenge management on issues, including ESG, where we feel they are not acting in the long-term interests of their business and shareholders.
- We believe management is more receptive to challenge by investors directly than by separate ESG specialists who may lack the direct contact or influence and pursue a prescriptive, box-ticking approach. If need be, we also include Portfolio Managers from other firms in these conversations on a collaborative basis, with appropriate safeguards to protect Marathon's ability to trade.

**Proxy voting:** Portfolio Managers vote all proxies on our clients' behalf at Marathon.

- We will often vote in-line with management or ISS recommendations, but sometimes we take a different line and keep records to explain why we have chosen to vote a different way.

Investments are judged on a case-by-case basis and Marathon does not seek to exclude investments in any sector based on an over-riding moral judgment. Clients with separate accounts are of course free to impose their own restrictions.

### Reporting and oversight

Marathon activities which underpin this Sustainability Charter are 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. This report includes the following topics:

Due diligence and monitoring of holdings

- Description of meeting notes which incorporate ESG considerations
- Examples of investment rationale for new / sold positions
- Reporting in Global Investment Review articles

Engagement with company management

- Number of company meetings by industry, sector and type
- Documenting any increase above and beyond business as usual engagement or new activism
- Recording any lobbying or bi-lateral, multi-lateral engagements

Voting proxies

- Monitoring and examples of significant voting activity.

This report is submitted to ExCo for review, discussion and challenge.

Signed by ExCo & Portfolio Managers