



MARATHON
ASSET MANAGEMENT

Sustainability and Climate Report

Including Marathon's required climate-related disclosures
Year End 2024

Thoughtful,
patient investing.

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Introduction

Welcome to Marathon's combined Sustainability and Climate Report for the year ending December 2024.

Marathon published its first Sustainability report in 2021 and this was joined by a Climate report in mid 2023 (covering calendar year 2022) based on the recommendations of the Task Force on Climate-related Financial Disclosures (usually known simply as TCFD). Given that the topics are closely linked, for the convenience of readers, Marathon combined all of the information in one place, creating a Sustainability and Climate Report, from 2023.

This report informs clients and other stakeholders on how Marathon has implemented sustainability policies over the past year through a number of examples. It also provides climate-related disclosures aligned with the TCFD framework.

Some readers might question why Marathon is producing such a report when we do not offer any products labelled as "Sustainable", nor any which seek to generate a particular impact beyond financial performance (other than to the extent directed by certain clients in separately managed accounts).

The simple answer is because these matters are important considerations within our investment approach. Marathon has always emphasised the long-term, and therefore has always sought out sustainable businesses to invest in. Risks relating to actual or potential environmental or social impacts can cost a company dearly over the long-term, so assessment of these risks and opportunities is – and always has been – part of our process.

While not a "sustainability investor", in that we do not seek any particular non-financial impact from our investment activities, we see value in the creation and use of a common framework for companies to assess and report on their greenhouse gas (GHG) output. Marathon is now under a regulatory obligation to report on these metrics as we are authorised and regulated by the UK's Financial Conduct Authority; which has required firms like Marathon to report under the TCFD framework.

This recommends that companies make disclosures to cover four pillars:

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

Furthermore, asset managers are required to report both in relation to their corporate emissions and those of their investment strategies/portfolio. This report seeks to mirror this structure, following the disclosures relating to sustainability more broadly.

What Marathon means by sustainability

At Marathon, sustainability covers a variety of topics including:

- the impact of non-financial factors on our investment philosophy and process;
- stewardship activities such as engagement with companies and active ownership (i.e. voting at company meetings) which seek to improve the businesses in which we invest; and
- what Marathon is doing itself as a company – rather than in the portfolios under our care – in relation to similar factors, such as efforts towards reducing carbon emissions, improving conditions for our staff and considering our societal impact.

In relation to the first point, it may be useful initially to define what Marathon does *not* do.

Marathon does not claim to be an “sustainability manager” – whatever that might mean – and we have no intention of using this document to lay dubious claim to our portfolios being somehow more ‘virtuous’ than others. We do not seek to invest in accordance with any particular ethical view, nor do we screen out companies, countries or industries from our investment universe based on sustainability or other criteria (beyond any legal or regulatory obligations to which we or our clients/funds may be beholden, for example in relation to sanctions, or as required under client guidelines).

Nevertheless, we do consider sustainability risks and opportunities within the process.

What are now described as “sustainability risks” are nothing new. They have always presented the possibility of loss over the long-term for the

companies in which Marathon invests, and as such they have been considered in the investment process. The opportunities presented by sustainability related issues are also an important source of investment ideas and many holdings have been bought over the years, at least in part, because their sustainability characteristics were not fully appreciated – or valued – by the stock market at the time.

Stewardship is also core to Marathon’s process. Voting thoughtfully, engaging actively and, where necessary, escalating persuasively are, we believe, core investment duties. At Marathon, we see ourselves as company owners on behalf of clients. We are not price speculators or passive shareholders. Where we see aspects of a business that, in our view, could be improved, we make our views known, and vote for those resolutions that we believe are most likely to improve matters, and thereby enhance asset values, over the long-term. Acting for long-term shareholders, Marathon often has a strong relationship with the boards of companies we invest in. As a result, they also contact us from time to time to solicit our views on various matters.

Finally, Marathon itself is committed to being a good corporate citizen. Marathon conducts regular reviews of its business activities. Recent reviews have focused on environmental impact and diversity, equity and inclusion (“DEI”) within the business, but we also consider staff wellbeing and community impact.

The following pages provide examples on all of these issues.

Examples of sustainability: investment decisions

Marathon's primary objective – the fiduciary duty to add value within clients' agreed risk parameters – is enhanced by considering material sustainability issues and opportunities. Although sustainability will rarely be the main reason for an investment, or for the avoidance of one, it can have a material impact on such decisions.

As previously mentioned, sustainability risks are, amongst other things, 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 relatively sudden fines, litigation and clean-up costs at any time.

Even though the long-term risks are clear, management teams often suffer from short-termism. This results from a temporal form of "moral hazard"; poor practices may benefit a company's finances in the short-term as long as the worst does not happen, because it is often cheaper to behave badly than to behave well. Combine this with short-term incentives for management and short director tenures and the hazard is magnified.

To compound the issue, this moral hazard is shared by those investment managers who look at shorter performance time horizons and trade positions frequently. We would argue that the use of "sustainability screens" and distinct sustainability research and/or engagement teams which separate stewardship functions from investment management, is an attempt to mitigate this inbuilt conflict.

At Marathon, our investment horizon is long-term (currently the business has a firm-wide weighted average holding period of around eight years). As

a result, our portfolio managers are not as susceptible to this conflict and have an incentive to seek improvements in the companies they invest in, even at the expense of short-term performance.

This long-termism forms the foundation for our stewardship efforts with the companies in which we invest.

Examples of holdings and transactions where sustainability factors are or were considered:

Cemex, Mexico

Cemex is a Mexico-based global cement manufacturer. Cement production is carbon intensive, and Cemex has introduced aggressive CO₂ reduction targets, centred around the use of alternative fuels, decarbonated raw materials and the reduction of the 'clinker factor' in cement. Clinker is usually a key component of cement, and its production generates the majority of direct CO₂ emissions in the overall cement production process; the company believes that by substituting it with suitable by-products from other industries, these emissions can be drastically reduced. The company is seeking a reduction in CO₂ emissions to 430kg/t by 2030 (from 604kg/t in 2021), which, if achieved and in the absence of a game-changing technological discovery in the meantime, puts them on course to be the 'cleanest' cement producer globally.

Marathon's decision to purchase the business was based on a variety of considerations, not least that its shares appeared undervalued given its market position; however, the prospect of producing less emissions-intensive cement was viewed as a potential differentiator in respect of what

is otherwise a fairly commoditised market. If global standards in relation to emissions reductions continue to tighten on average (albeit that there are jurisdictions where this trend may reverse or be challenged), then the ability to produce lower emission cement may become a material demand driver. If not, the company remains a well-managed, cost-efficient producer of a vital product which we believe to be undervalued even in the absence of specific “low carbon cement” demand.

Hi-Lex Corporation, Japan

Governance factors were a key factor in the decision to purchase Hi-Lex Corporation, a Japanese supplier of window regulators, door modules and mechanical control cables for the auto industry.

The company’s management team have increasingly focused efforts on improving profitability in recent years; selling cross-shareholdings and buying back stock, for example, alongside increased consideration of what might constitute growth areas for the business and faster decision making. These efforts to improve corporate governance have achieved financial improvements which, at the time of purchase, were underappreciated by the market, leading to what Marathon’s investment team perceived as an unreasonably low valuation. Marathon believes that the ongoing focus on capital allocation and more shareholder-friendly governance decisions will increase the business’s profile with investors and should lead to a sustained revaluation over time.

Vail Resorts, USA

Vail Resorts is the largest owner of ski resorts in North America, and a growing player internationally. The company is facing a capital cycle that has been partially caused by climate change.

The industry has had diminishing supply for over 40 years, exacerbated by climate change which has made lower altitude resorts less and less viable. Vail has made numerous acquisitions over the last several decades in order to expand its portfolio of ski resorts, and is well positioned for further consolidation as global warming continues to impact smaller players in the industry. The company has invested heavily both in improving access to higher areas within its portfolio of properties and in transforming its resorts into vibrant summer destinations. These initiatives help ensure the future of its resorts should climate change continue to push viable skiing higher and developing new attractions such as hiking, mountain biking, golf, fishing and adventure activities to attract people year round.

Examples of sustainability: stewardship

Engagement with management

A distinguishing characteristic of Marathon's investment process is the number of company meetings which are undertaken as part of our research and ongoing monitoring efforts in portfolios. See also our response to the UK and Japan Stewardship Codes for further details, found on our website at www.marathon.co.uk.

We provide examples of recent engagements between Marathon's portfolio managers and investee companies below:

Playtech, United Kingdom

Playtech, a UK-based developer of gambling software and technology. Marathon saw potential for consolidation in the industry and bought Playtech several years ago as it was viewed as being both a potential target and potential buyer of other companies.

In 2024, following an approach by peer (and Marathon holding) Flutter Entertainment, the company disposed of its Italian subsidiary in a trade sale. Subsequent to the sale, Playtech called a special meeting outside of the normal cycle to implement a substantially revised remuneration and incentive plan for senior management following the disposal of the firm's Italian subsidiary. The proposals included; transferring a substantial proportion of the proceeds (not the profits) from the sale into a bonus pool for the senior executives – primarily the CEO – as well as diverting some of any future sales proceeds to a bonus pool for the management team.

The proposal was, we believe, an unprecedented use of transaction proceeds for a UK-listed company. Worse, the change in policy could

incentivise management to sell any part of the business, whether in the best interests of shareholders or not, at almost any price because a proportion of any proceeds would be diverted to them as cash.

The board recommended the proposal; but the chair of the remuneration committee chose to resign rather than support the proposal. In Marathon's view, the proposal highlighted the weak governance of the business, which has a long history of controversial actions and shareholder dissent as a result. Following an exchange of views with the company's management we voted against it and, given that years of discussions around poor governance structures and practices had not resulted in improvement, divested the shares.

Voting

As well as engaging with management, Marathon is an active owner of the companies selected for our client portfolios. Information on proxy voting firmwide can be found on the Marathon website (www.marathon.co.uk) and, for clients, details of all votes which impact their portfolio can be found in the client area of the website.

Marathon's portfolio managers are ultimately responsible for each vote cast. ISS provides expert recommendations for all votes based on a number of criteria, often based on quantitative data. While this is a useful starting point, it can ignore local norms and business specific nuance. Portfolio managers dissent from ISS views where they believe it is in the best interests of clients to do so. See our proxy voting policy and breakdown of voting on our website for further information.

Although many votes are routine in nature, on matters of substance we sometimes disagree with management or ISS. Overall, in 2024 Marathon's voting was aligned with ISS 97.6% of the time (5,684 proposals were voted upon at 399 company meetings) and with company management 95.3% of the time.

We provide below information on some instances where Marathon has dissented from ISS views:

Great Eastern Holdings, Singapore – April 2024

Great Eastern is the largest and oldest life insurance company in Singapore and Malaysia. The company has a very small free float with almost 90% ownership by Oversea-Chinese Banking Corporation, and the business's behaviour is not always well aligned with smaller shareholders.

At the company's AGM this year Marathon voted against the election of two company Directors, against both ISS and company management recommendations. Given a lack of concern for minority shareholders' interests and an inadequate response to proposals by minority shareholders to tabled resolutions at the firm's Annual General Meeting, Marathon's investment team felt a vote against certain incumbent directors was appropriate, namely Ng Chee Peng, who had been in place for three years, and Lee Kok Keng, formerly Chief Marketing Officer and not an "independent" director as the company were claiming him to be.

Marathon also voted against approving directors' fees given the fact that a 16% increase was proposed; this was considered excessive, particularly in light of the foregoing.

Despite all proposals passing, with in excess of 98% support, Marathon will continue to make the case for greater consideration of smaller shareholders and stronger, more independent governance wherever possible.

Flutter Entertainment – UK/USA (and Ireland) – May 2024

UK listed, Ireland based gambling company Flutter had been considering a move of listing from London to New York for some time. The rationale was - essentially - "American Market Exceptionalism"; that shares command a higher valuation on the US exchanges.

While Marathon could see that appeared to be the case at the time, our view of equity investment is that we are owners of a business rather than holders of a speculative asset; the prospect of a windfall was attractive to those that wanted to sell out of their holding; however, our team viewed the position in Flutter as a long-term opportunity and were concerned by the prospect of the company moving its listing to a market in which it had a comparatively small foot print. We also view the "Exceptionalism" argument as spurious over the long-term; we believe that - barring barriers and inefficiencies - markets should value an opportunity similarly over a medium- to long-term time horizon. Therefore, any relative uptick in share price would be likely to be transitory, and ongoing holders would face a period of retrenchment and underperformance.

Other than the prospect of a rapid revaluation of a stock we hold for its compounding growth potential, we saw no advantage to the change in listing venue and voted against the move, against the recommendation of both Management and ISS, although we were aware that most holders would prefer the prospect of short term gain.

Despite the proposals passing, with over 98% support, Marathon will continue to oppose decisions by companies which have been taken for short-term purposes rather than necessarily with the view of long-term shareholder benefit.

Sustainability within Marathon

Marathon seeks to be a socially responsible business. We consider the business' environmental and social impacts, including staff wellbeing, on an ongoing basis and actively seek out potential improvements.

Initiatives include:

Environmental impact

- Office recycling initiatives – seeking to increase amount of waste recycled.
- Various actions and programmes which target carbon emission reductions, discussed in more detail in the “Climate Strategy” section of the document.
- Marathon has achieved CarbonNeutral® company certification, having purchased emissions reductions from verified carbon reduction projects through Climate Impact Partners.
- Staff have access to a “Cycle to Work” and “Electric Vehicle” scheme allowing them to pay for access to these vehicles from pre-tax salary, incentivising use of more environmentally friendly transportation.

Community

- A “payroll giving” scheme is available, which allows staff to pay regular charitable donations from pre-tax income.
- Marathon participates in the #10,000 Interns initiative to provide paid internships to young people from minority and disadvantaged backgrounds, providing access to financial service experience that might otherwise have been out of reach for them and improving their career options as a result.

- The company runs a volunteering scheme whereby staff may periodically volunteer to work at a partner charity.

Diversity, Equity and Inclusion (DEI)

- Engage recruitment agencies with a clear DEI direction, review job descriptions to ensure usage of gender-neutral language, diverse candidate slate for all positions and ensure interview panels are diverse.
- Staff training on inclusion in the workplace, such as Inclusive Leadership training for line managers. All employees work towards ‘Inclusive Culture’ objectives within bi-annual reviews.
- Initiatives (including mentoring and internal recruitment) to improve the career options for diverse staff members.
- Data collection to measure and provide meaningful information on diversity across the business, within the constraints imposed by UK law.

Staff wellbeing

- Marathon provides a competitive package of pay and benefits for staff in order to attract and retain talented employees, and to support them in achieving a happy and healthy lifestyle.
- Flexible working policy allowing staff to work remotely periodically.
- Access to “wellbeing” resources including a mindfulness app and gym membership discounts.
- An Employee Assistance Programme providing access to counselling and advisory services.
- A program of social events across the year.

Marathon's external commitments

In addition to the internal initiatives discussed above, Marathon is also committed to working with various external organisations, as well as being subject to some specific regulations related to sustainability. Marathon's Sustainability Working Group regularly reviews and assesses external initiatives, and we may subsequently commit to these where they align with Marathon's longstanding investment process and approach to sustainability.

Current commitments include:

Principles for Responsible Investment (PRI)

Marathon became a signatory of the UN-supported Principles for Responsible Investment in 2019.

Marathon's latest report was submitted to the PRI in September 2023 and the PRI's Assessment and Transparency reports can be found on Marathon's website [HERE](#) and [HERE](#) respectively. Marathon will be submitting updated information to the PRI in 2025.

Task Force on Climate-related Financial Disclosures (TCFD)

Marathon became a supporter of the TCFD in March 2021. The TCFD's goal was to encourage companies to report on climate related risks, and how they plan to respond to them, in a uniform way, improving market transparency and stability. The task-force was disbanded in late 2023 and

its recommendations were integrated into the disclosure framework overseen by the International Financial Reporting Standards foundation.

Marathon produced its inaugural TCFD Climate Report to cover 2022, and has merged reporting with its annual sustainability report since 2023. The report describes the governance structure overlying climate-related risks and opportunities at Marathon; the strategy adopted to consider these impacts; the risk management framework in place and metrics and information relating to GHG emissions for the total assets under management (AUM) of Marathon; and also for specific strategies.

The 2024 report can be found later in this document.

Stewardship Codes

Marathon is a signatory of both the UK and Japanese Stewardship Codes.

Marathon was re-confirmed as a signatory of the UK Stewardship Code during the third quarter of 2024 following a Financial Reporting Council review of Marathon's updated UK stewardship code statement, which covered the 2023 full-year period. The report covering 2024 data was submitted to the FRC in April 2025; we await the FRC's feedback with interest.

Marathon's Japan Stewardship Code statement was also updated.

Reports in relation to all of these commitments can be found on Marathon's website at www.marathon.co.uk/sustainability

Climate Report

Climate governance

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

Commitment to the Charter is evidenced through various reports, including the PRI Transparency and Assessment reports, the responses to the UK and Japan Stewardship Codes and this document, amongst others. Marathon's Board also receives updates and information on this topic as part of wider strategic planning on managing climate-related risk and opportunities. The Risk Committee also receive papers on carbon intensity across the portfolios at Marathon; any material concerns would be raised with the Board-level Risk Audit and Compliance Committee before being passed on to the Board.

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

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

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

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

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

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

Climate strategy

Climate-related strategy at the business level

Marathon is a socially responsible business. As a result, we consider the business's environmental impacts on an ongoing basis and actively seek out potential improvements where this is appropriate.

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

Good progress continues to be made in implementing measures such as:

- The installation of energy saving hardware (e.g. lightbulbs, sensor switches)
- Interest-free loan to allow staff to buy annual train tickets (thereby avoiding use of cars and lowering Scope 3 emissions)
- A "Cycle to Work" scheme providing staff access to bicycles and e-bikes paid for via salary sacrifice pre-tax income; and an "Electric Vehicle" scheme which operates in a similar way for electric cars
- The installation of water filtering taps, which provide chilled and boiling water, reducing the use of bottled water and kettles in our offices
- Electricity purchased from a "100% renewable sourced" supplier

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

By measuring, reducing and offsetting our emissions in line with The CarbonNeutral Protocol, Marathon has achieved CarbonNeutral® company certification. Since 2021, Marathon has worked with Climate Impact Partners, a specialist in carbon market solutions for climate action, to audit its emissions and source high quality carbon offsets.

All offset projects are certified by at least one, and often several, independent certifying bodies including Gold Standard, Verified Carbon Standard (VCS), Climate, Community and Biodiversity Standards (CCB) and American Carbon Registry (ACR) amongst others.

Although offsetting is not our preferred methodology, while it remains impossible to fully decarbonise our operations, Marathon is committed to utilising certified carbon offset projects in order to seek to mitigate its climate impact. We will continue to seek further reductions in operational emissions to reduce our reliance on offsets.

Climate-related strategy at the portfolio level

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

As long-term investors, analysis of the risks faced by a business, including those relating to its actual or potential environmental impacts, is viewed as a crucial part of the investment process. In respect of their potential impact on a client's portfolio return, climate-related risks are, ultimately, financial risks to a company. Many environmental risks, however, are "long tail risks", meaning they could occur at any time, but have a low probability of occurring at any particular time. For example, poor environmental practices may not have an impact today, or in the next year but could lead to huge fines, litigation and clean-up costs. Such issues have led to the precipitous collapse of company share prices, and even to bankruptcies, in the past. Nevertheless, the poor practices may benefit a company in the short-term, so long as the worst is avoided, as it is often cheaper to behave badly than to behave well.

Marathon is a genuinely long-term investor, with a long-term asset-weighted average holding period across the business of around eight years and some holdings which remain in the portfolio for much longer. As a result, these risks are more likely to crystallise while we hold a position than is the case for peers with substantially shorter time horizons. As such, they are taken seriously both prior to investment and while a position is held. Marathon's primary focus remains finding companies that it believes are

able to generate good returns over time. The firm's strong track record of engagement with company management helps to encourage long-term value creation; which often includes focusing attention on climate-related risks, their mitigation and agitating for improved practice.

Identifying investment risks

Marathon considers sustainability metrics, including those measuring climate-related risks, throughout the decision-making process. Presently, our view is that disclosure by companies, or data provided from third parties, is not always adequate to assess climate risks. This data is still in its infancy, with issuers starting to utilise audits to verify climate data. Marathon will look to develop further its scenario analysis after more accurate data becomes available and as scientific models develop.

Due to the qualitative nature of Marathon's investment process, and the embedded treatment of sustainability risks, climate-related risks are rarely evaluated in isolation, and it should be emphasised that Marathon's processes in this regard are aimed at understanding and mitigating the financial risks to which our clients are exposed rather than at any particular non-financial outcome.

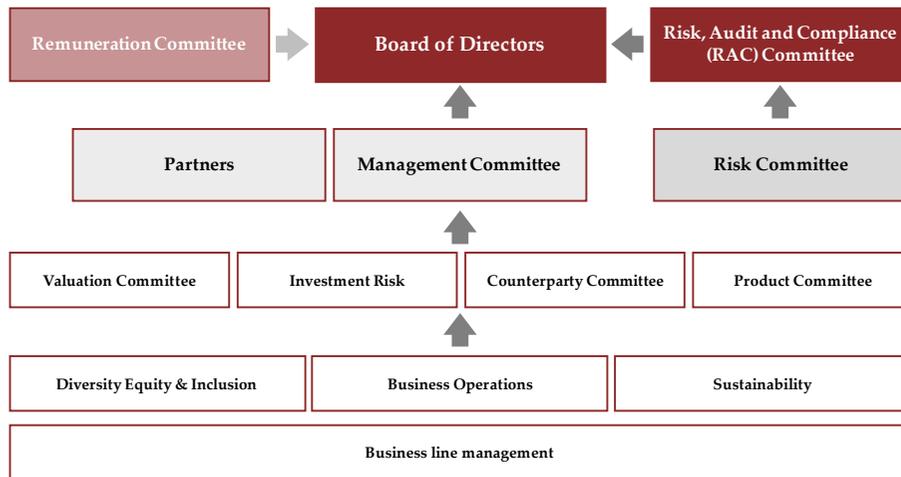
Treatment of risks

Marathon's Investment team takes full account of financially material sustainability issues at all stages of the investment process; during due diligence and monitoring of holdings, engagement with company management and when voting proxies. Marathon leverages a range of third-party sustainability research, data and technology enablers (e.g. ISS; brokers; S&P Capital IQ; Bloomberg) to both reinforce our primary internal, bottom-up analytics, and provide market colour and industry viewpoints, thereby helping to formulate and refine Marathon's investment thesis and often contrarian positioning.

It is the Investment team at Marathon that is primarily responsible for stewardship activities, as portfolio managers have the most experience and understanding of the companies in which they invest through their research of prospective and actual holdings. Individuals within this team are also charged with owning and maintaining Marathon's investment culture that encompasses bottom-up stock picking and the generation of internal research.

Climate risk management

Set out below is a visualisation of Marathon's current governance framework:



Marathon's Risk Committee provides a formal review point on certain sustainability-related matters. On a quarterly basis this committee receives data (where applicable) on:

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

A summary of any material findings or concerns from the Risk Committee will then be brought to the attention of the Board-level Risk, Audit and Compliance Committee on a quarterly basis; based on Key Risk Indicators flagged using a 'traffic light' approach (i.e. items for concern will be flagged Amber or Red as appropriate). The Risk, Audit and Compliance Committee will in turn report any material concerns or issues into the main Board.

This risk reporting framework supports the Board and senior management oversee sustainability-related matters; as well as helping to evidence how climate-related risks are integrated into Marathon's overall risk management arrangements.

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

Climate risk definitions

There is broad consensus that climate risk drivers can be grouped into one of two categories¹:

1. Physical risks, which arise from the changes in weather and climate that lead to economic costs and financial losses including:
 - extreme climate change-related weather events such as heatwaves, landslides, floods, wildfires and storms;
 - longer-term gradual shifts of the climate such as changes in precipitation, extreme weather variability, ocean acidification, and rising sea levels and average temperatures; and
 - indirect effects of climate change such as loss of ecosystem services (e.g. desertification, water shortage, degradation of soil quality or marine ecology).
2. Transition risks, which arise from the transition to a low-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may generate varying levels of financial and reputational risk.

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

¹ Basel Committee on Banking Supervision report “Climate-related risk drivers and their transmission channels” – April 2021

Climate targets & metrics

Targets

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

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

Business level targets

In respect of its own business operations, Marathon made a commitment to become "net carbon neutral" in 2020. This was achieved in 2022 and has been maintained using the strategy explained in the Climate Strategy section of this document (page 13) and Marathon now holds CarbonNeutral® company certification.

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

Portfolio level targets

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

- Different clients have divergent views on the subject, and any adoption of non-pecuniary targets without a regulatory requirement would be dependent on client consent to alter contracts.

- Legislators in many of the jurisdictions in which we are active are working on new regulations and we do not wish to commit to a course of action that may conflict with these forthcoming obligations.
- While data has improved substantially, many companies worldwide still do not report emissions data in sufficient detail, and consistently enough, to make aggregated information for measurement and then reduction at the portfolio level reliable. This is improving as issuers start to produce third-party audits on their climate data.

This decision will be revisited by members of the Sustainability Working Group and senior management as data improves and the regulatory expectations in relation to the subject becomes more tangible.

Metrics

Business level metrics

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

For the last reported period (to 31 March 2024), the following output was calculated:

	2024		2023	
	GHG emissions – tCO ₂ e	Energy consumption for emission calculations - kWh	GHG emissions – tCO ₂ e	Energy consumption for emission calculations - kWh
Scope 1 (Direct) GHG emissions:				
Emissions from combustion of natural gas in buildings	56.5	308,922	67.1	367,596
Emissions from the purchase of electricity for buildings (location-based grid average)	68.3	329,880	89.1	460,537
Emissions from the purchase of electricity for buildings (market based)	-	329,880	-	460,537
Emissions from UK electricity T&D	5.9		8.1	-
Managed Assets – Grey Fleet	0.1	587	-	-
Total gross tCO₂e Scope 1, Scope 2 location based and Scope 3 emissions	130.8	638,389	164.3	828,133
Total gross tCO₂e Scope 1, Scope 2 market based and Scope 3 emissions	62.5	638,389	75.2	828,133
Revenue - £ million	137.05		152.30	
Intensity Ratio: tCO ₂ e gross figure (location based)/ £ million revenue	0.95		1.08	
Intensity Ratio: tCO ₂ e gross figure (market based)/ £ million revenue	0.46		0.49	

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

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

Marathon’s electricity supply, and that to the building in which our offices are located, are certified 100% renewable; hence the substantial difference between the two measures. The firm has also recently (May 2025) moved

into a newly refurbished office inside a more energy efficient building than Marathon’s previous address; this should further improve energy consumption in next year’s Report.

Portfolio Level Metrics

On the following pages we provide certain climate related information and metrics in relation to each strategy managed by Marathon; as well as the five positions in each strategy that contribute most to emissions. This is followed by information on the largest emitting holdings according to data available at December 31st, 2024.

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

Explanation of measures used

Total Emissions – this measure looks at total GHG emissions in tons (or kilotons) of CO₂e.

The calculation takes the proportion of each company owned (value in the portfolio/total market capitalisation) and multiplies this percentage by the company’s Scope 1 & 2 (and, separately Scope 3) emissions; summed across holdings. The metric is useful in tracking changes in a portfolio’s GHG emissions, but is less useful for cross portfolio comparisons as the data is absolute rather than normalised for portfolio size. This also makes “through time” comparisons difficult where a portfolio’s size changes materially.

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

Weighted Average Carbon Intensity (WACI) – this is a measure of emissions which considers carbon emissions in relation to sales, measured as tons of carbon dioxide equivalent, or CO₂e, per million US dollars of

revenue (tons of CO₂e /\$M revenue). In other words, presuming that the majority of production is sold and not stockpiled, it provides a measure of emissions related to value of production.

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

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

Carbon Footprint – is a measure which takes total emissions as described above and divides it by current portfolio value in USD Millions, expressed as CO₂e/\$M invested, summed across holdings.

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

Carbon Intensity – seeks to normalise carbon emissions by taking the Scope 1 & 2 data for each company and dividing it by the weighted revenues of the company (i.e. the proportion of each company owned [value in the portfolio/total market capitalisation] multiplied by the company's revenues in million USD), expressed, as with WACI, in tons of CO₂e/\$M revenue.

The number is a useful measure of carbon efficiency, and is normalised allowing cross comparison of portfolios whether large or small, and mitigates for different sizes of company. However, comparison through time can be problematic, as the data will change, potentially substantially, alongside changes to revenue; so the measure is less useful in industries with particularly volatile pricing (energy and mining for example) or between points in time during which there has been high inflation.

What are Scope 1, 2 & 3 emissions?

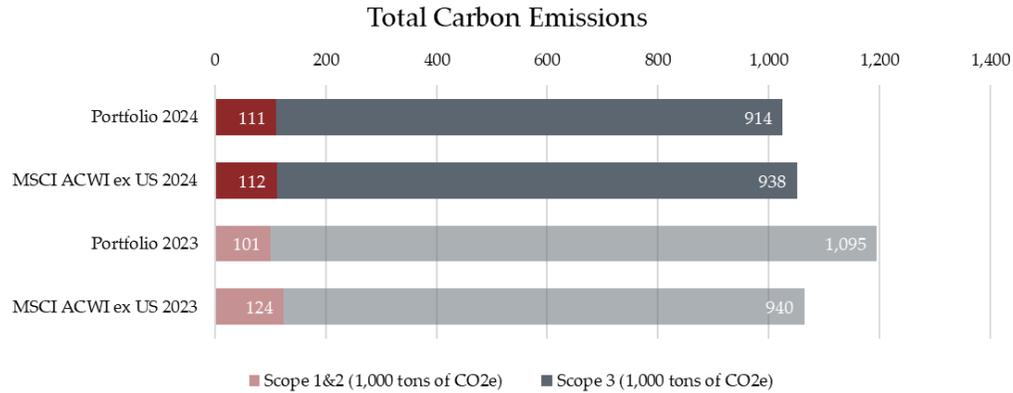
In 2001, the Green House Gas protocol coined the term “Scope 1, 2 and 3” to describe GHG emissions arising from corporate activity.

- **Scope 1** covers direct emissions that are made by, and emitted directly from, the company at sites or from owned assets. This might be the result of onsite boilers or furnaces, a proprietary fleet of vehicles or the output of a chemical process undertaken by the company at its site(s).
- **Scope 2** are the indirect emissions of the company; those that are the direct result of its activities but which are not emitted at company sites or by company assets. Electricity supplied to the company office but generated at a power station elsewhere is a typical source.
- **Scope 3** emissions are those associated with any activity within the company's value chain that resulted in GHG release; for example emissions associated with the goods and services purchased by the company, business travel, transportation/distribution, staff commuting, waste disposal, investments etc. or generated by customer's use of the company's products.

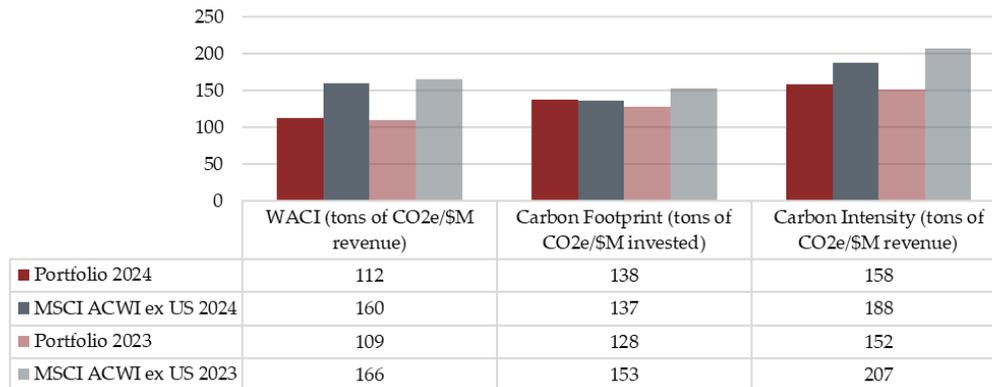
It should be noted that, while the recording and reporting of Scope 1 & 2 emissions are increasingly standardised and comparable, Marathon remains sceptical of Scope 3 data, as this is often estimated by data providers and is subject to substantial variation between sources.

We hope the representative information provided below is of interest and would be happy to provide portfolio specific data to existing clients upon request. All data has been sourced from ISS ESG.

ACWI ex-US equity

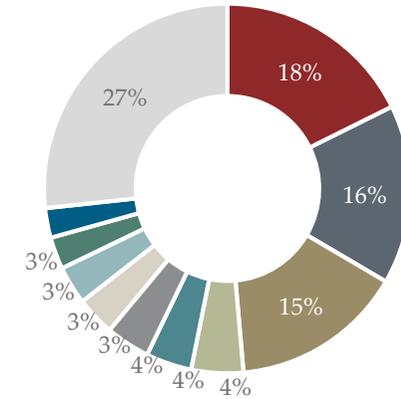


Other Emission Metrics



Ten largest emitters

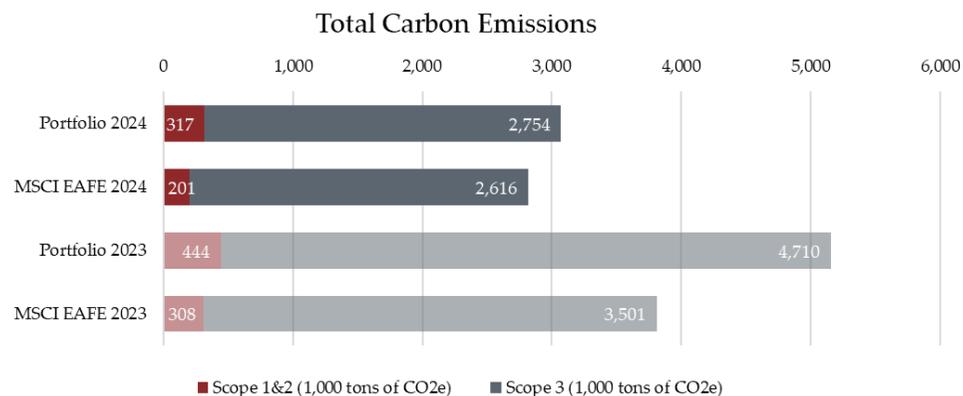
(proportion of portfolio scope 1&2 total emissions)



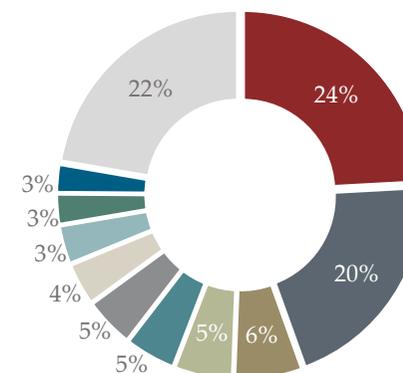
- ArcelorMittal SA
- Cemex SAB de CV Sponsored ADR
- Taiheiyo Cement Corporation
- Holcim Ltd
- Copa Holdings, S.A. Class A
- Qantas Airways Limited
- easyJet plc
- BP p.l.c.
- Idemitsu Kosan Co., Ltd.
- Glencore plc
- Other positions

Portfolio information: The ten largest emitters constituted 4.9% of the portfolio and were responsible 73% of scope 1&2 emissions. The portfolio held 245 stocks as at 31 Dec 2024. Rep account AUM: Dec 2024: \$848m; Dec 2023: \$815m.

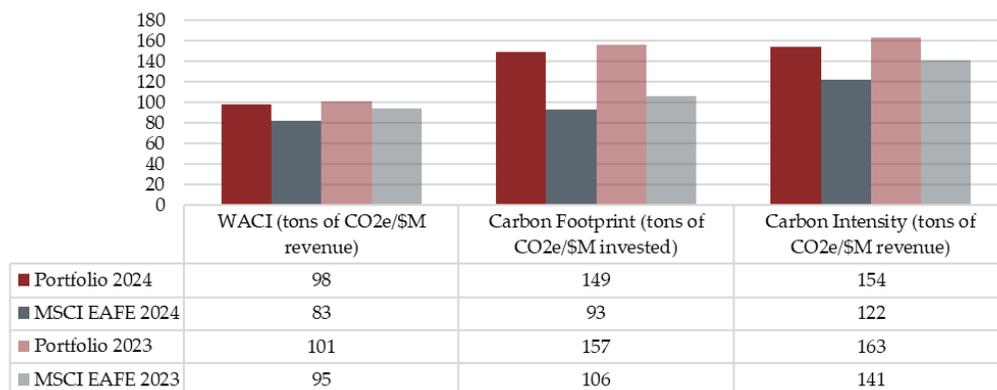
EAFE equity (with Emerging Markets allocation)



Ten largest emitters
(proportion of portfolio scope 1&2 total emissions)



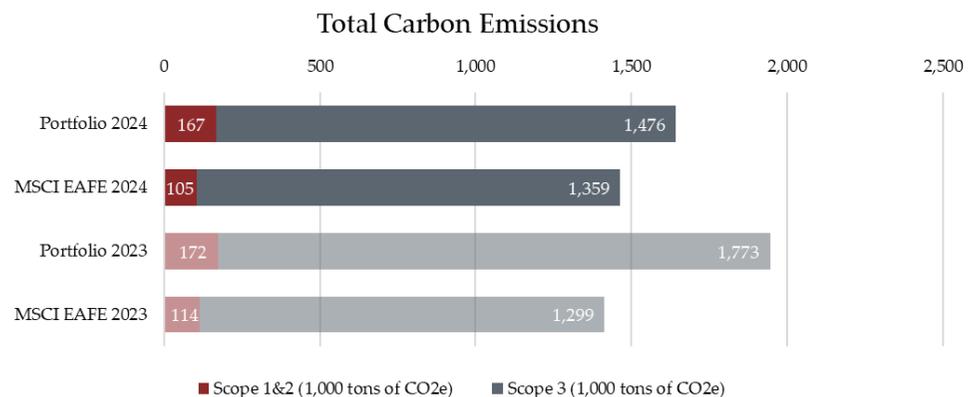
Other Emission Metrics



- ArcelorMittal SA
- Taiheiyo Cement Corporation
- Holcim Ltd
- Qantas Airways Limited
- easyJet plc
- BP p.l.c.
- Idemitsu Kosan Co., Ltd.
- Glencore plc
- Wienerberger AG
- Cemex SAB de CV Sponsored ADR
- Other positions

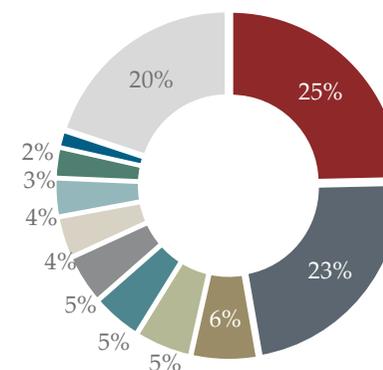
Portfolio information: The ten largest emitters constituted 6.3% of the portfolio and were responsible 78% of scope 1&2 emissions. The portfolio held 224 stocks as at 31 Dec 2024. Rep account AUM: Dec 2024: \$2,201m; Dec 2023: \$2,922m.

EAFE equity (no Emerging Markets allocation)

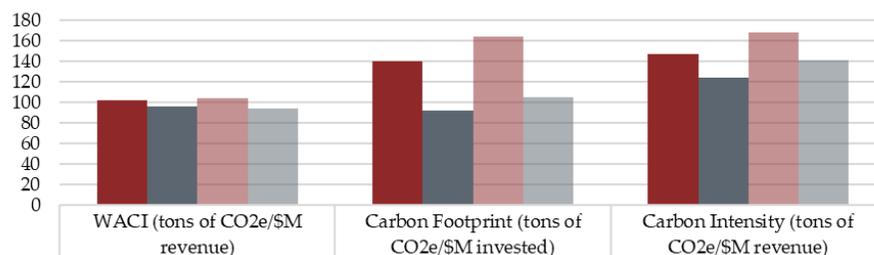


Ten largest emitters

(proportion of portfolio scope 1&2 total emissions)



Other Emission Metrics

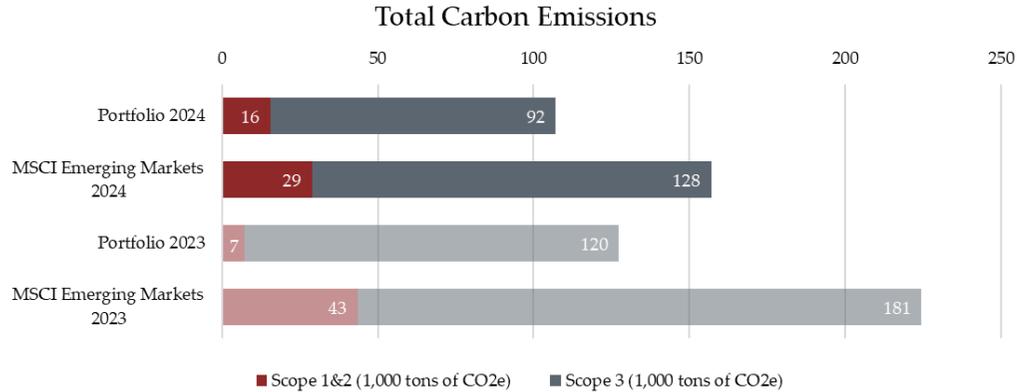


	WACI (tons of CO2e/\$M revenue)	Carbon Footprint (tons of CO2e/\$M invested)	Carbon Intensity (tons of CO2e/\$M revenue)
Portfolio 2024	103	140	147
MSCI EAFE 2024	97	93	125
Portfolio 2023	105	164	169
MSCI EAFE 2023	95	106	141

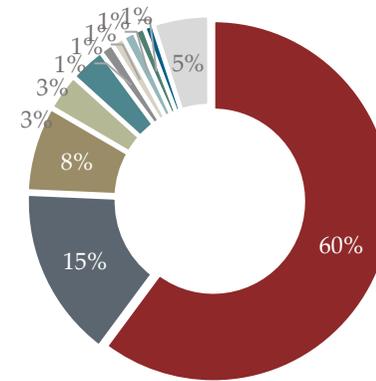
- ArcelorMittal SA
- Taiheiyo Cement Corporation
- Holcim Ltd
- Qantas Airways Limited
- easyJet plc
- BP p.l.c.
- Idemitsu Kosan Co., Ltd.
- Glencore plc
- Wienerberger AG
- Air Water Inc.
- Other positions

Portfolio information: The ten largest emitters constituted 6.7% of the portfolio and were responsible 80% of scope 1&2 emissions. The portfolio held 187 stocks as at 31 Dec 2024. Rep account AUM: Dec 2024: \$1,145m Dec 2023: \$1,085m.

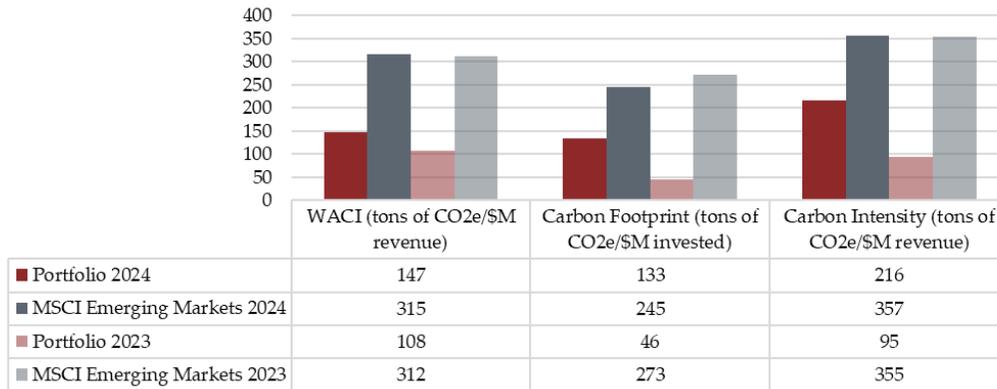
Emerging Markets equity



Ten largest emitters
(proportion of portfolio scope 1&2 total emissions)



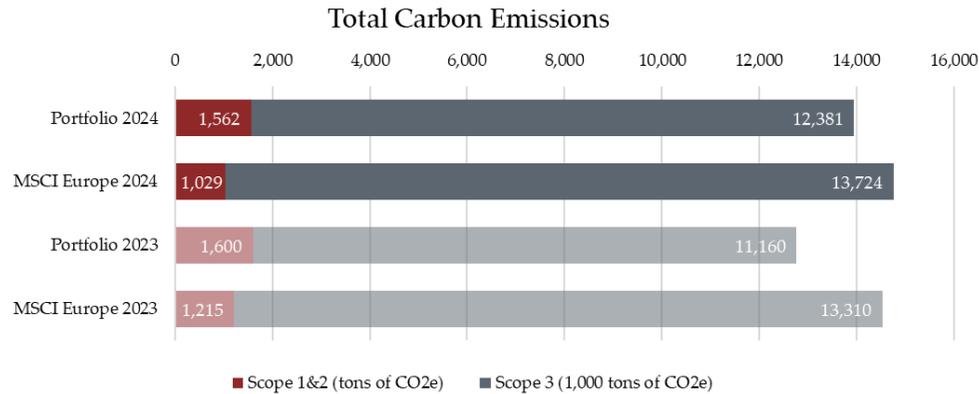
Other Emission Metrics



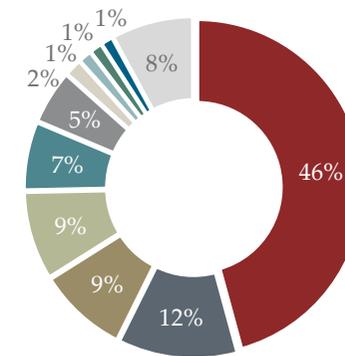
- Cemex SAB de CV Sponsored ADR
- Copa Holdings, S.A. Class A
- African Rainbow Minerals Limited
- First Quantum Minerals Ltd.
- Gruma SAB de CV Class B
- Shenzhou International Group Holdings Limited
- Samsung Electronics Co., Ltd.
- Taiwan Semiconductor Manufacturing Co., Ltd.
- AVI Limited Class Y
- Bid Corporation Limited
- Other positions

Portfolio information: The ten largest emitters constituted 26% of the portfolio and were responsible 95% of scope 1&2 emissions. The portfolio held 39 stocks as at 31 Dec 2024. Rep account AUM: Dec 2024: \$125m; Dec 2023: \$159m.

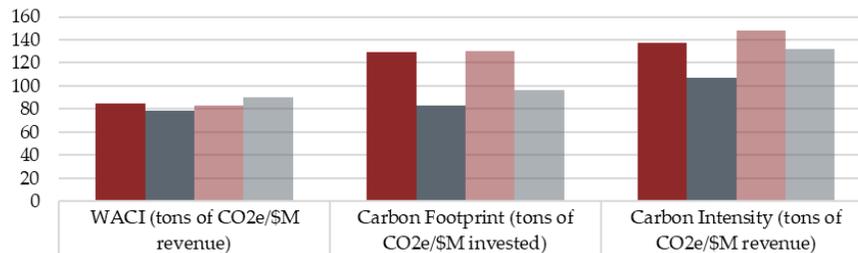
Europe equity



Ten largest emitters
(proportion of portfolio scope 1&2 total emissions)



Other Emission Metrics

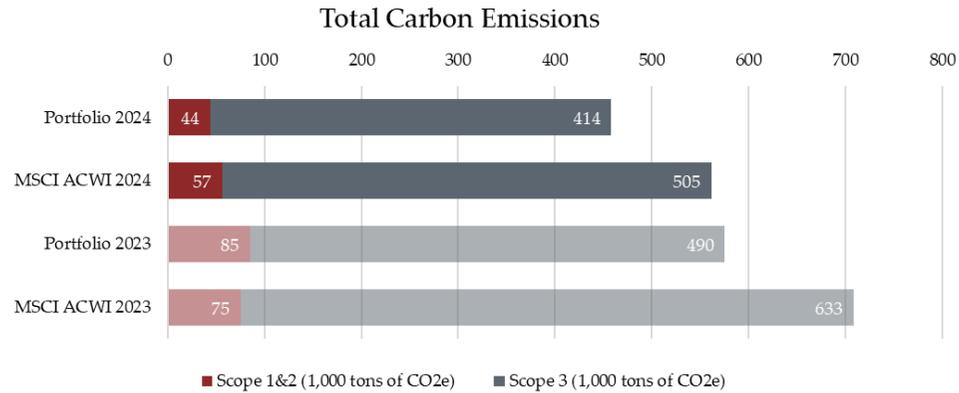


	WACI (tons of CO2e/\$M revenue)	Carbon Footprint (tons of CO2e/\$M invested)	Carbon Intensity (tons of CO2e/\$M revenue)
Portfolio 2024	85	129	137
MSCI Europe 2024	79	83	107
Portfolio 2023	83	130	148
MSCI Europe 2023	90	96	132

- ArcelorMittal SA
- Holcim Ltd
- easyJet plc
- BP p.l.c.
- Glencore plc
- Wienerberger AG
- Befesa SA
- DS Smith Plc
- Irish Continental Group PLC
- Acerinox SA
- Other positions

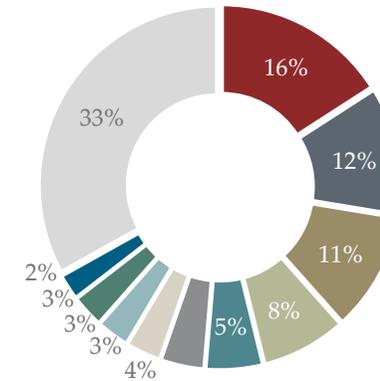
Portfolio information: The ten largest emitters constituted 9.3% of the portfolio and were responsible 92% of scope 1&2 emissions. The portfolio held 102 stocks as at 31 December 2024. Rep account AUM: Dec 2024: \$12m; Dec 2023: \$13m.

Global equity

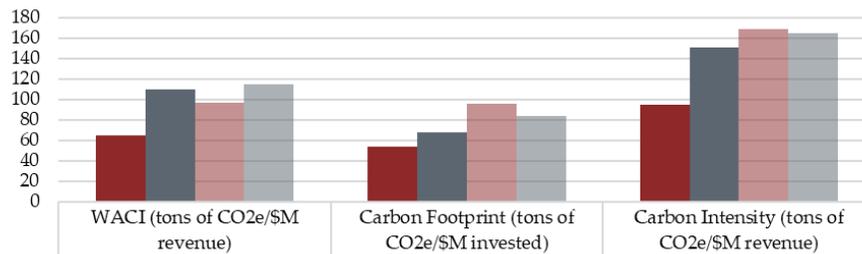


Ten largest emitters

(proportion of portfolio scope 1&2 total emissions)



Other Emission Metrics

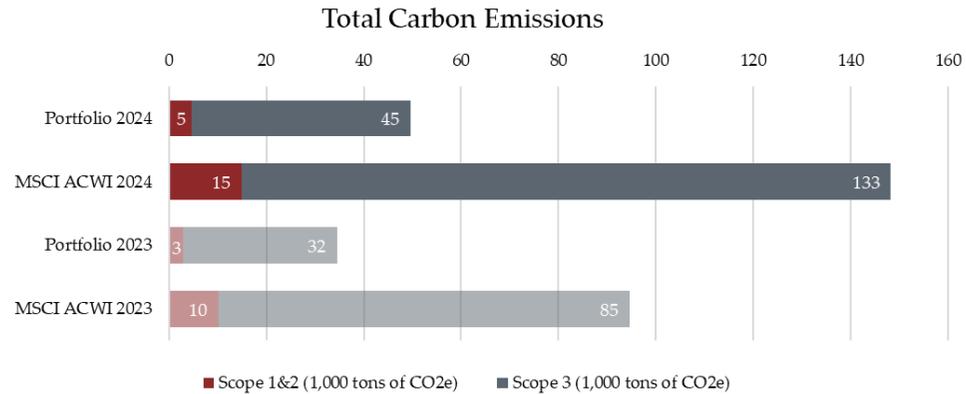


	WACI (tons of CO2e/\$M revenue)	Carbon Footprint (tons of CO2e/\$M invested)	Carbon Intensity (tons of CO2e/\$M revenue)
Portfolio 2024	65	53	95
MSCI ACWI 2024	110	67	150
Portfolio 2023	97	96	168
MSCI ACWI 2023	115	84	165

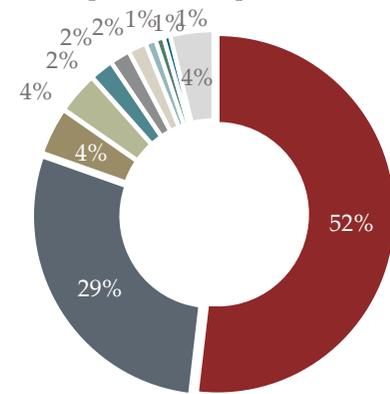
- ArcelorMittal SA
- Cemex SAB de CV Sponsored ADR
- LyondellBasell Industries NV
- Holcim Ltd
- Archer-Daniels-Midland Company
- Qantas Airways Limited
- easyJet plc
- Copa Holdings, S.A. Class A
- BP p.l.c.
- Linde plc
- Other positions

Portfolio information: The ten largest emitters constituted 3.1% of the portfolio and were responsible 67% of scope 1&2 emissions. The portfolio held 243 stocks as at 31 December 2024. Rep account AUM: Dec 2024: \$853m; Dec 2023: \$913m.

Global Opportunities equity

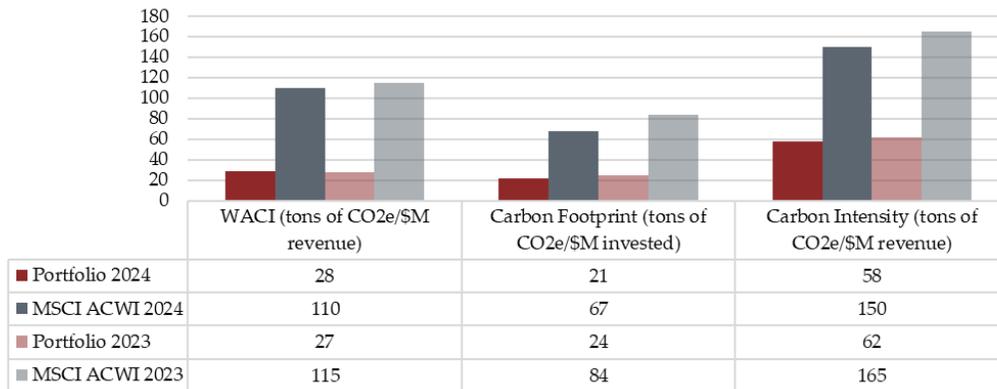


Ten largest emitters
(proportion of portfolio scope 1&2 total emissions)



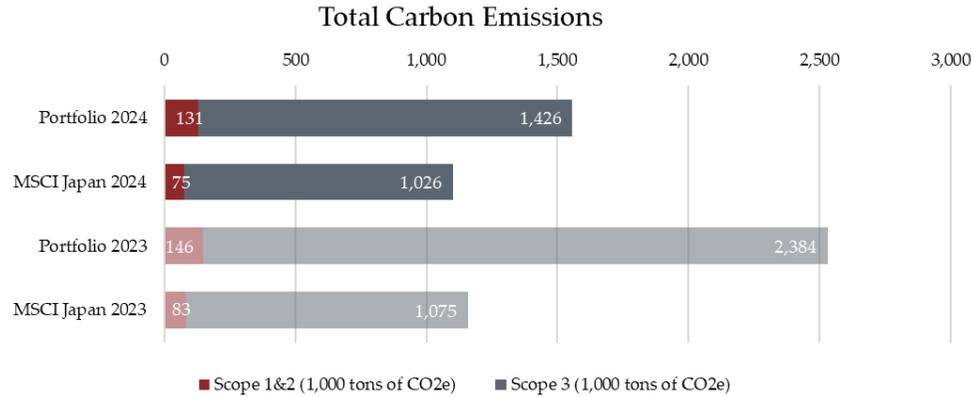
- LyondellBasell Industries NV
- Glencore plc
- Samsung Electronics Co., Ltd.
- Taiwan Semiconductor Manufacturing Co., Ltd.
- Amazon.com, Inc.
- Merck KGaA
- PT Bank Rakyat Indonesia (Persero) Tbk Class B
- Soitec SA
- Align Technology, Inc.
- Alphabet Inc. Class A
- Other positions

Other Emission Metrics



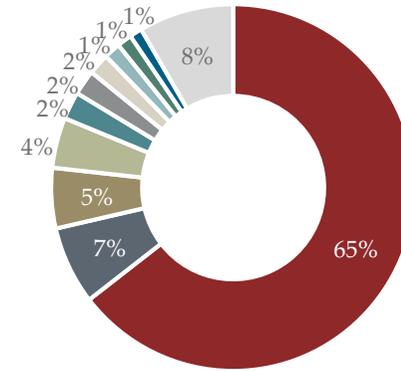
Portfolio information: The ten largest emitters constituted 31.4 % of the portfolio and were responsible 96% of scope 1&2 emissions. The portfolio held 38 stocks as at 31 Dec 2024. Rep account AUM: Dec 2024: \$224m; Dec 2023: \$120m.

Japan equity

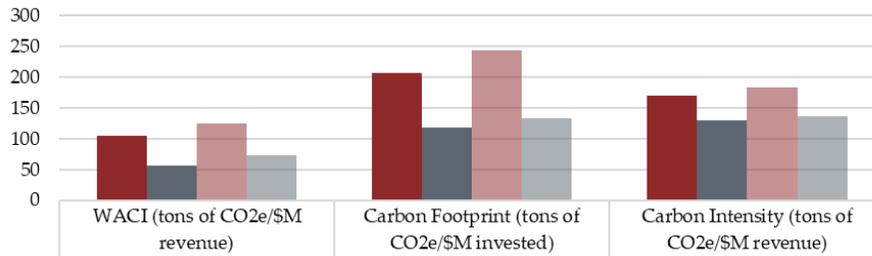


Ten largest emitters

(proportion of portfolio scope 1&2 total emissions)



Other Emission Metrics

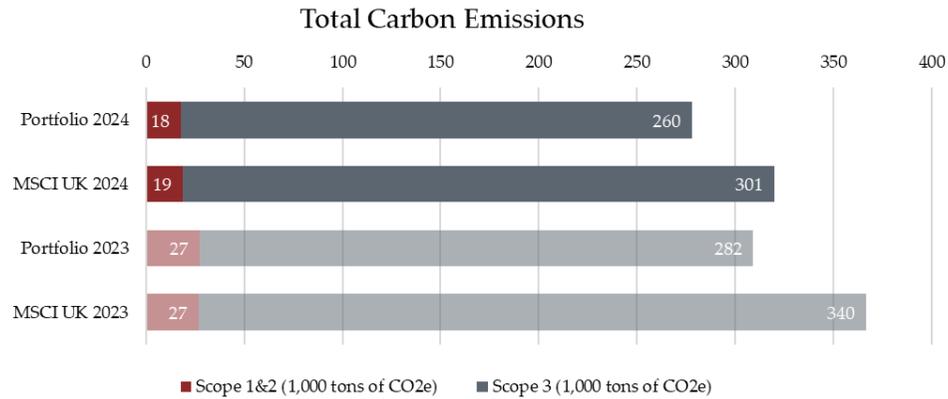


	WACI (tons of CO2e/\$M revenue)	Carbon Footprint (tons of CO2e/\$M invested)	Carbon Intensity (tons of CO2e/\$M revenue)
Portfolio 2024	105	207	170
MSCI Japan 2024	55	119	130
Portfolio 2023	124	243	182
MSCI Japan 2023	72	134	137

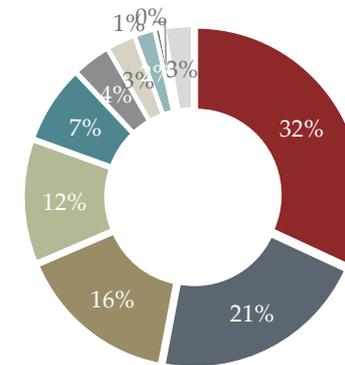
- Taiheiyo Cement Corporation
- Idemitsu Kosan Co., Ltd.
- Inpex Corporation
- Air Water Inc.
- Sumitomo Metal Mining Co., Ltd.
- Toyo Seikan Group Holdings Ltd.
- Dowa Holdings Co., Ltd.
- Mitsubishi Corporation
- NH Foods Limited
- Bridgestone Corporation
- Other positions

Portfolio information: The ten largest emitters constituted 13.6% of the portfolio and were responsible 92% of scope 1&2 emissions. The portfolio held 71 stocks as at 31 December 2024. Rep account AUM: Dec 2024: \$671m; Dec 2023: \$624m.

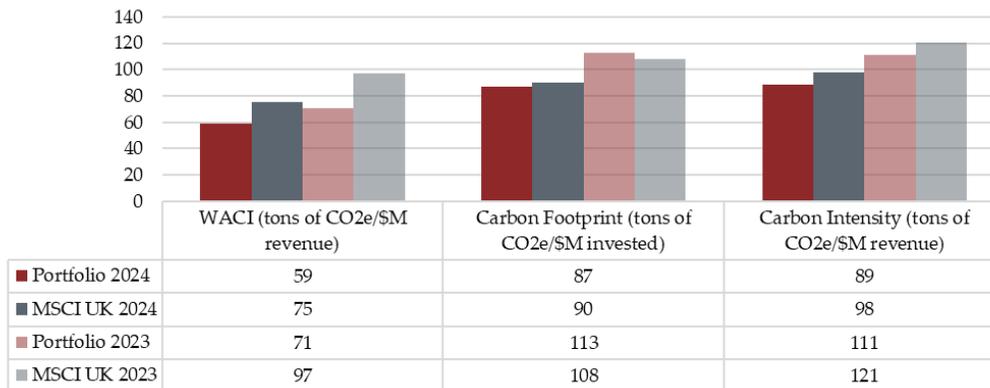
UK equity



Ten largest emitters
(proportion of portfolio scope 1&2 total emissions)



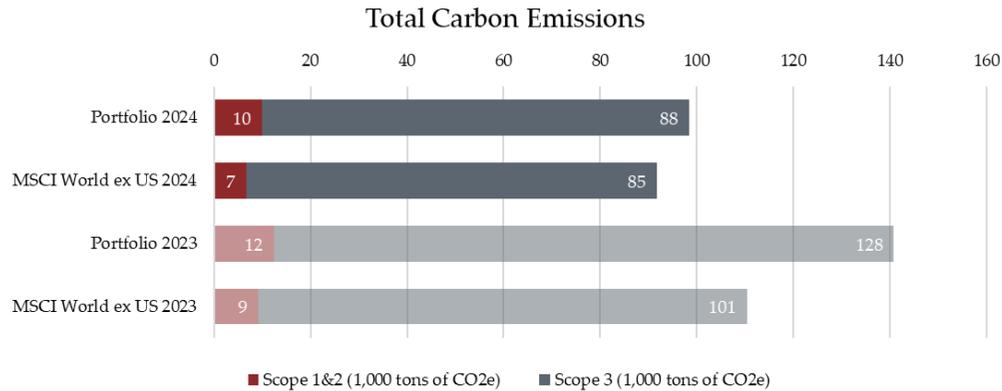
Other Emission Metrics



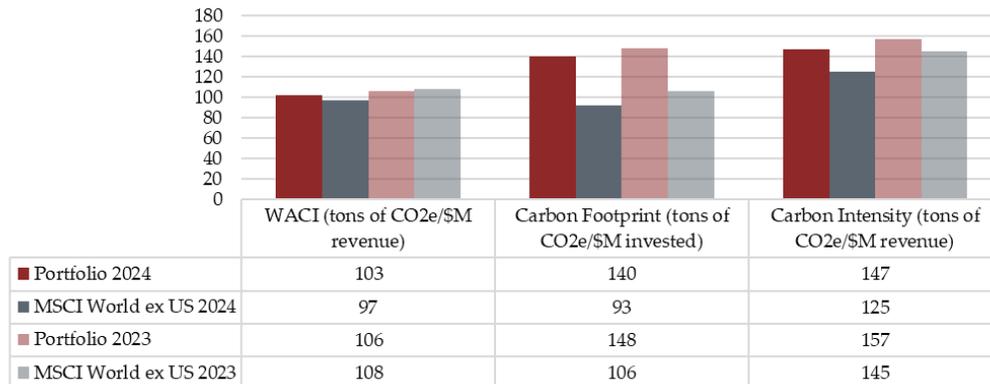
- easyJet plc
- BP p.l.c.
- Glencore plc
- Rio Tinto plc
- Shell Plc
- DS Smith Plc
- Ibstock Plc
- National Grid plc
- SSP Group Plc
- Intertek Group plc
- Other positions

Portfolio information: The ten largest emitters constituted 18.9% of the portfolio and were responsible 97% of scope 1&2 emissions. The portfolio held 57 stocks as at 31 December 2024. Rep account AUM: Dec 2024: \$211m; Dec 2023: \$249m.

World ex-US equity

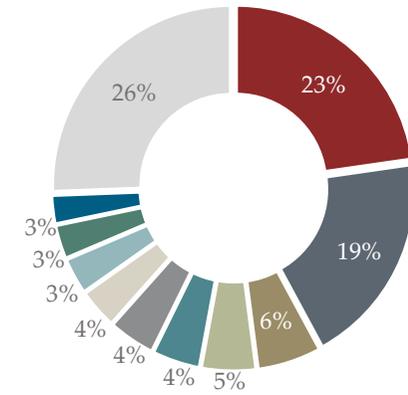


Other Emission Metrics



Ten largest emitters

(proportion of portfolio scope 1&2 total emissions)



- ArcelorMittal SA
- Taiheiyo Cement Corporation
- Holcim Ltd
- Qantas Airways Limited
- easyJet plc
- BP p.l.c.
- Idemitsu Kosan Co., Ltd.
- Glencore plc
- Cemex SAB de CV Sponsored ADR
- Wienerberger AG
- Other positions

Portfolio information: The ten largest emitters constituted 5.6% of the portfolio and were responsible 74% of scope 1&2 emissions. The portfolio held 240 stocks as at 31 December 2024. Rep account AUM: Dec 2024: \$75m; Dec 2023: \$88m.

Information on the largest emitting holdings

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

We are also providing year-on-year total comparative emissions data. It is important to understand that the data shown is that available on the ISS ESG system as at December 31st each year; however, *it is not data as at December 31st 2024*. Typically carbon data is only reported by companies annually in their report and accounts. The data provided for a given company may therefore relate to a period 12 months or more prior to the date shown, depending upon the specific company's year-end and the delay between year-end and financial statement publication (or example; if a company has a year-end of November 30th, the data extracted for 2024 is likely to be that shown in its November 30th 2023 Financial Statements, covering 1st December 2022 to 30th November 2023). As a result of this significant lag, some of the data shown in the 2023 report, and potentially some of that shown in this report, may cover periods that were impacted by covid-related lockdowns and other measures which often reduced output. This is likely to explain some large jumps in emissions, particularly for companies in those industries most impacted by anti-covid measures or that are based, or have significant operations, in countries which imposed particularly long lasting measures (such as Japan and China for example), or which were subsequently impacted by supply chain issues which limited output.

Current Holdings (as at 30th June 2025)

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

One area where the company has become increasingly transparent is GHG emissions, albeit initially driven by legal requirements in Japan. The business has a stated aim of carbon neutrality by 2050, with a goal of a 30% reduction in CO₂e emissions from 2020 levels by 2030, and there is a credible plan to do so focusing on decarbonising energy supply (20% of electricity is

still derived from coal generation); however, the announcement was made in late 2021, and no data is available to date to measure progress.

Total S1&2 emissions have fallen somewhat year-on-year according to ISS data (2,690kt from 3,036kt CO₂e in 2023); however, this number is at odds with the company's own published data, which showed a slight increase, when it has previously been aligned. While the business publishes data, it does not appear to provide any regular commentary around it to indicate key drivers of change.

Amazon.com, the world's largest retailer as well as being a major supplier of cloud computing services, was purchased by Marathon during the third quarter of 2024. Marathon had liked the company for some time, but felt that the valuation was too rich; however a cautious release of earnings

guidance resulted in a sharp dip in the share price and Marathon's investment professionals decided to take a position.

The company has made a commitment to achieve net-zero carbon emissions across its global operations by 2040, a goal that is 10 years ahead of the Paris Agreement. This commitment is part of the company's co-founding of The Climate Pledge, a collaboration with Global Optimism to encourage other businesses to also reduce their carbon footprint. Amazon is taking various steps to achieve this goal, including investing in sustainable transportation, building materials, and innovative technologies.

The business has invested c.\$2 billion into "The Climate Pledge Fund" to support the development of sustainable technologies, and has made significant progress on normalised measures (such as carbon intensity and carbon footprint) through some aggressive actions; for example, the business globally achieved a 100% rate of renewable electricity usage in 2023, a full seven years ahead of expectations. This has led to a fall of 13% in carbon intensity globally versus 2022 data.

The business has been growing, however, and absolute emission levels have risen year-on-year with total S1&2 emissions of 17,060kt CO₂e versus 16,290kt CO₂e reported for the previous period, and carbon intensity has also fallen.

ArcelorMittal is a multinational steel maker which is considered to be undervalued despite its strong market position. Steel production can be a carbon intensive activity (though certain production methods can make it less so).

The group has a 2050 carbon neutral ambition, and challenging targets for 2030, where progress is reportedly good; however, much of the information available seems to omit or obscure the challenges that will be faced in attaining the 2050 goal, with reference to the use of "future technologies" a

key component of the strategy, without – at least in the published literature – much expansion on what those technologies might be.

The data available suggests that progress is being made. The total S1&2 emissions at the time of Marathon's 2023 report were 119,000kt CO₂e (which itself was a drop of more than 21% versus 2022) and this has fallen to 114,400kt CO₂e.

Archer-Daniels-Midland (ADM), a US based agricultural commodities business, has pledged to reduce greenhouse gas (GHG) emissions by 25% by 2035, including Scope 1 and 2 emissions (from 2019 baseline) and Scope 3 emissions (using a 2021 baseline). This commitment is part of their broader "Strive 35" initiative, which also includes goals for energy intensity, water intensity, and landfill diversion. ADM is also focused on deforestation-free supply chains, aiming for 100% deforestation-free by the end of 2025. In 2022 the company said that they "aspired" to reach net-zero by 2050 and began working with the Science-Based Targets Initiative (SBTi). to create a glidepath to achieve that aspiration.

Subsequent to these announcements the company provided an update in November 2023, saying the SBTi requirements had changed as they prepared their plans and they were revising them to meet the new, more challenging, requirements ready for submission by April 2024. Subsequently, although some data has been published, no further statements or documents appear to have been released and the last corporate sustainability report was published to cover 2022, suggesting that climate change and sustainability reporting more generally may have fallen down the company's list of priorities.

In spite of this, the data suggests that some progress may be being made as absolute emissions have fallen from 15,630kt CO₂e in 2023 to 14,630kt CO₂e for 2024, a 6.4% fall.

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

The group has a 2050 carbon neutral ambition, and interim targets for both 2025 and 2030. Progress in the last few years meant that the original interim targets, set several years ago, would be met well ahead of schedule. As a result, new targets for significantly deeper cuts to carbon intensity, were set in 2022. The business is also actively increasing its renewables capacity and working closely with partners for carbon capture and storage. Nevertheless, the company scaled back its ambitions in relation to reducing total oil and gas output in 2023 due to the impact of the war in Ukraine on global supply. The oil majors now expect to produce more for longer to supply Western demand in the face of supply cuts from, and sanctions on, Russia.

Following a substantial 22% fall in S1&2 emissions the previous year, progress has slowed this year with total emissions of 33,400kt CO_{2e} versus 35,500kt CO_{2e} in 2023.

Cemex is a Latin American cement producer with leading market positions in LatAm and North America. The stock was purchased in the first quarter of 2024 when it traded at a material discount to the replacement cost of its assets whilst generating healthy free cash flow making it attractive to Marathon as the capital cycle for cement improves.

Cement is one of the world's most consumed commodities; however, the chemical process of production generates substantial quantities of carbon dioxide.

Cemex has amongst the most aggressive emission reduction targets across the industry; seeking to reduce emissions by 47% per ton of cement and by 35% in concrete by 2030. These targets are aligned with the Science Based Targets initiative's "Well Below Two Degree" scenario. This would make

them the 'cleanest' cement producer globally if achieved and if competitors reduction rates follow the current projections.

Based on ISS data, it seems to be making progress towards its goal, with total S1&2 emissions falling from 3,9307kt CO_{2e} in 2023 to 36,200kt CO_{2e} in 2024, and 8% fall, and a much larger 17.5% fall in carbon intensity.

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

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

Copa's data comparing year-on-year numbers shows an increase in emissions from 2023's 2,802kt CO_{2e} to 3,048kt CO_{2e}; however, this is one set of data that is still recovering from the covid-19 pandemic, so absolute emissions have risen due to more miles flown, but carbon intensity (which normalises emissions per dollar earned) has fallen by around 7% over the period.

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

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

Similar to its peer Copa, discussed above, easyJet has seen an increase in total carbon emissions year-on-year, from 6,421kt CO_{2e} to 7,518kt CO_{2e}, largely for the same reason. However, the business has made progress in replacing older planes with newer, more efficient models and this, alongside other efficiency improvements, has meant that carbon intensity has fallen by almost 14%

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

While the company has a variety of targets and ambitions in relation to reducing both absolute carbon emissions and the carbon intensity of copper extraction, including a 50% reduction in both measures by 2030, it has stated

that it will not yet commit to a net zero target timeline, as there is no viable route to achieving the goal at present.

Carbon emissions at the company fell from 4,376kt CO_{2e} to 4,067kt CO_{2e} over the reporting period. In spite of that, carbon intensity rose; however, that may not be a particularly helpful figure for through-time comparison when considering a mining business (or any business where prices are highly volatile or cyclical) due to the mechanics of calculation. As the measure revenue-weights emissions, price volatility can result in higher or lower readings if the price of the commodities that the company produces trends down or up respectively. In this case, the copper price was lower over the period than the previous year, causing the intensity measure to rise.

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

The company has a stated net-zero ambition by 2050, but focuses on short- and medium-term goals of a 15% reduction in total emissions by 2026, 25% by 2030 and 50% by 2035, from a 2019 baseline as they recognise the need for technological development to reach net zero. The company has also developed a Climate Action Transition Plan, which details the steps the business will take to meet these targets.

Carbon emissions fell from 28,040kt CO_{2e} in the last report to 27,048kt CO_{2e}, though intensity has risen, in common with most extractive companies as energy and hard commodity prices have, generally, been lower this period than last.

Gruma is the world's leading and largest tortilla and corn flour producer. It owns the market-leading tortilla and corn flour brands (Mission® and

Maseca®) in America, Mexico, Central America and Asia and Oceania. The firm has maintained high and materially improved levels of profitability since its founder's son assumed leadership in 2012, and is a resilient business positioned to grow steadily alongside the economies in which it operates. This, coupled with a reasonable share price, resulted in Marathon taking a position during the first quarter of 2024.

The company acknowledges the potential impacts of climate change on its business and publishes data, but provides relatively little information about its efforts and plans to reduce emissions simply stating that it is seeking to improve emissions output and providing a few examples; for example buying eight electric vehicles in Costa Rica and seeking to scale up solar self-generation in Spain.

Emissions increased, year-on-year, from 1,052kt CO₂e to 1,121kt CO₂e over the period, but carbon intensity declined (implying either higher prices per unit sold or production increases in excess of the 7% increase in emissions).

Holcim is one of the world's largest cement producers. The stock is held as we view it as undervalued and it also has a strong market position.

Holcim has a 2050 net zero (and 2030 interim) target, validated by the Science Based Targets initiative (SBTi). The firm plans to reach its goals through four main focus areas; reducing the 'clinker factor' in its cement (by replacing with mineral components), using alternative fuels and raw materials, increased use of renewable energy, and advancing its carbon capture, utilisation and storage capacity.

Through these initiatives, Holcim has reduced its carbon emissions slightly over the period, falling from 83,240kt CO₂e to 80,000kt CO₂e (c.4%). This a much smaller decrease than that seen over the last couple of years and, given that production levels are very similar, it is possible that the easier reductions have now been made.

Idemitsu Kosan is a Japanese oil company with a focus on refining that was purchased in the second quarter. The refinery industry in Japan has been through an extended period of rising costs, falling returns and consolidation, allowing a structural increase in refining margins, making it attractive to Marathon as we consider it highly unlikely that additional capital will come into the sector unless returns on assets move much higher from the current levels.

The company reports in line with the TCFD recommendations, including significant information on targets and reduction measures that it is employing over the short-, medium- and long-term. They seek to be net-zero by 2050; however, they also say that there is no path to achieving that at present and that technological innovation will be required.

Emissions fell slightly from 14,411kt CO₂e last year to 13,960kt CO₂e this year, largely as a result of energy saving initiatives at refineries.

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

In 2021, INPEX announced its support for a net zero 2050 goal. The firm has now launched its long-term strategy and medium-term business Plan (INPEX Vision @2022), which lays out its plans to achieve this, and also committed to an additional interim target to reduce "carbon intensity" by at least 10% over the three years from 2022. Note that this measure is not the same as carbon intensity data in this report – which attributes emissions against revenue – but is rather a measure of emissions generated per "barrel of oil equivalent" (or BOE, a standard measure in the industry) produced, and appears to have been adopted by Japan's oil sector as a key metric (it

can also be seen in the climate reporting of other oil majors from time to time, and seems to be gaining a creeping acceptance as a measure that can be tracked and usefully compared through time in an industry with notoriously volatile and cyclical prices).

The company has reported a tiny increase in S1&2 emissions year-on-year; from 6,908kt CO₂e previously to 6,919kt CO₂e, equating to a 0.16% rise. The figure for its own metrics on “BOE carbon intensity”, having fallen annually for several years, has also remained the same year-on-year, indicating little progress towards its goals in the last reported period.

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

In 2021, the company set a net zero ambition for 2050, alongside more challenging interim targets. These interim goals have now been strengthened to target a 42% reduction in S1&2 emissions and a 30% reduction in S3 emissions by 2030. It has laid out a clear plan of how it believes it can achieve this target, and notes that there is scope for overshooting if technology progresses quickly and renewables installations in the countries where it operates are faster than anticipated.

The firm has reported that early actions across its focus areas – of energy efficiency, renewable electricity and electrification, the use of hydrogen, and the development of carbon capture, utilisation and storage capacity – means it is on track to meet its 2030 targets. Nevertheless, S1&2 emissions increased slightly year-on-year from 22,094kt CO₂e to 22,400kt CO₂e.

Qantas Airways, Australia’s flag carrier airline, was originally purchased due to its relative strength coming out of the covid-19 pandemic, and the position was more or less doubled during the period thanks to a short lived pull-back in share price; hence its appearance in this section for the first time.

Qantas has set a target of achieving net zero emissions by 2050, with an ambitious interim target to reduce net Scope 1 and 2 GHG emissions by 25% by 2030. The airline is also working towards a 10% use of sustainable aviation fuel (SAF) in its fuel mix by 2030 and 60% by 2050.

Although upbeat, the company does recognise that its goals are not achievable without support by itself, and the industry more broadly, for innovation and, particularly, development of SAF sources. To that end it has invested AUD \$400 million dollars into a fund to help in the development of an Australian SAF industry/market, and is working with local and global peers on further development.

They are also looking at their supply chains (Scope 3) and have committed to eliminate all single use plastics by the end of 2027, and the use of landfill for waste disposal globally by 2030.

Nevertheless, they acknowledge that part of their long-term plan does rely on the use of “high-quality carbon credits” to offset emissions in the absence of future, as yet unknown, technological breakthroughs.

Carbon emissions have increased markedly from the previous year; from 9,783kt CO₂e to 11,517kt CO₂e. The company says that this is related to an increase in passenger numbers and flights back to pre-pandemic levels.

Rio Tinto is an international mining company listed in the UK. The company is committed to reaching net zero by 2050 and set interim targets (relative to a 2018 emissions baseline) to reduce GHG emissions by 15% by 2025 and by 50% by 2030. In 2021, the company launched a new business

strategy with the low-carbon transition its key focus. The strategy has three pillars:

1. Grow in materials essential for the energy transition
2. Accelerate the decarbonisation of its assets
3. Partnering across its value chains to help its customers and suppliers decarbonise

Despite the ambitious targets the company warns that “around 80% of operational emissions come from hard-to-abate processing activities for which many of the necessary technological solutions do not exist at commercial scale today”. The company is held as it is reasonably valued and provides broad exposure to the commodity capital cycle, which is coming to the end of a famine period as many commodities are moving from surplus production to deficit due to the changes wrought by the energy transition. Rio Tinto is, in Marathon’s view, well positioned to benefit.

S1&2 emissions rose during the period from 30,300kt CO_{2e} to 32,600kt CO_{2e}. This is largely due to growth in mining and processing operations, particularly in iron ore and bauxite (an aluminium ore). Rio Tinto regularly cautions that emissions from its business will fluctuate over time due to output changes, as many of their processes do not currently offer significant scope for decarbonisation, but many are also vital to the success of any broader energy transition.

Samsung Electronics is one of the world’s largest ICT (Information & Communication Technologies) manufacturing companies. The company is based in Korea, but has global operations. It has committed to net zero by 2050, but also to net zero in its Device Experience (DX) division by 2030. Emissions stem primarily from electricity use, but gases emitted by business processes are a close second. The company points out that Korea is one of

the most challenging markets in which to source renewable power at present (as confirmed by several independent reports), there is limited supply for a large manufacturing base and fewer options to increase it than is the case in many other countries. Nevertheless, the business has worked hard to increase the renewable proportion of its electricity mix, and has fully transitioned many sites in regions with greater access to renewables. Within Korea it has achieved 100% renewable energy for its DX division and is working in partnership with providers to expand capacity, seeking to transition all operations as soon as practical. On direct gas emissions, the business is seeking to improve or install process gas treatment facilities, retire some inefficient sites and improve the manufacturing efficiency of processes.

Despite the foregoing, the company is light on detail with regard to how these objectives will be met, and its “Climate Action” website appears not to have been updated since 2018; however it does publish a sustainability report, which provides consolidated data, but comment by division, so it is difficult to map comment to results. Nevertheless, total S1&2 emissions have fallen from 15,053kt CO_{2e} to 13,291kt CO_{2e}, though the commentary makes it difficult to see where this reduction has come from.

Shell is a UK-listed oil and gas major. The company started the period with several climate-metric based goals, many of which were weakened in March 2024 as the company decided to refocus on fossil fuels and de-emphasise its electricity (including renewables) business.

It previously sought to cut “net carbon intensity” (see comment on INPEX for more on this energy specific measure) by “at least” 20% from a 2016 base by 2030. This was relaxed to seeking a reduction of 15-20%. At the same time it retired its 2035 target (a 45% reduction) completely citing “uncertainty in the pace of change in the energy transition” as justification.

Climate activists were critical of the move, but the share price responded positively.

Despite the foregoing, total S1&2 emissions fell slightly from 90,100kt CO_{2e} to 89,000kt CO_{2e} over the period.

Sumitomo Metal Mining (SMM) is a Japanese miner and smelter of metals. Marathon views the capital cycle for many metals to have been positive for a few years as capital withdrawal stopped and demand began to exceed supply in some of the company's products, making the business an attractive prospect under Marathon's approach.

Like many natural resource companies, the business produces high levels of emissions while producing the raw materials needed for the energy transition. The company has committed to:

- Take action to reduce GHG emissions by at least 38% (at least 50% in Japan and at least 24% overseas) by 2030 compared to a 2015 base and achieve net zero GHG emissions by 2050
- Reduce "GHG emissions intensity" (that is emissions per set weight of production) by at least 26% compared to a 2013 base by 2030
- Expand contribution of GHG reduction by products contributing to a low-carbon society: At least 600kt CO_{2e} by 2030

It reports that it has achieved the following at its latest report date:

- Reduction of 21% compared to 2015 (36% in Japan and 3% overseas)
- GHG intensity was 3% *higher* compared to 2013
- GHG reduction contribution: 567 kt-CO₂

Data indicates that the company has S1&2 emissions of 2,556kt CO_{2e}, down from 2,834kt CO_{2e} the previous year.

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

The company has committed to carbon neutrality by 2050, and has made good progress towards its 2025 and 2030 target reduction levels (vs. 2000 levels). The 2025 target was a reduction of at least 10% below 2000 levels for "specific" CO₂ emissions (essentially Scope 1, which are high for cement businesses as the chemical process of production releases significant quantities of CO₂) was achieved in both 2023 and 2024. On its 2030 target of a 40% reduction in total (S1&2) emissions, this was first achieved seven years earlier than anticipated, and has been met again in 2024; though the company cautions that there may be volatility in these numbers year-on-year for some time. Taiheiyo Cement is also a leader in the incorporation of waste material into its process (whilst still producing a product robust enough to meet Japan's strict earthquake-focused standards) and has begun running a prototype facility that captures the overwhelming majority of emissions for use or storage. While they view this facility as a great step, and a useful test space for new idea, they point out that – at least at present – cement produced through this process costs several times more than "traditionally produced" cement.

In terms of ISS data, S1&2 emissions have dropped a little to 19,498kt CO_{2e} from 20,933kt CO_{2e} in 2023.

Taiwan Semiconductor Manufacturing (TSMC) is the world's leading fabricator of (non-memory) chips. The company is highly profitable, growing and trades at a reasonable valuation, hence its inclusion in portfolios.

From a climate change perspective, the process of manufacturing is both energy intensive and results in emissions from the chemical processes used in manufacturing. TSMC has committed to having zero growth in carbon emissions and achieving a reduction on a yearly basis starting from 2025, setting the goal to gradually reduce emissions to return to 2020 emission levels by 2030 and net zero emissions by 2050. The company is proud to be sourcing 100% of non-Taiwanese energy from renewables; however, they stress that most production remains in Taiwan, and renewables represent a very small part of Taiwan's electricity generation (less than 5% in total) and

that there is no trading scheme in place allowing them to purchase renewables directly within the market.

Looking at the company's own reporting, progress has been somewhat mixed against many of its goal and S1&2 emissions have increased slightly 2023 to 2024 from 11,558kt CO₂e to 11,783kt CO₂e. The company itself foresees at least another year of expanding emissions due to growth in output and number of "fabs" as it seeks to bulk up outside of Taiwan to better address the potential geopolitical challenges of the territory.

Holdings that have been sold between data generation and report publication

Below we include comment on a stock which was a portfolio holding at the end of 2024, but was sold between that point and the publication of this report at the end of June 2025.

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

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

Total S1&2 emissions have fallen slightly year-on-year (1,721kt CO₂e in the figures we have as at 31st December 2024 from 1,805kt CO₂e in 2023). According to the company's 2024 Climate Change and Water Report the

declines relate predominantly to a fall in diesel consumption due to improvements in electricity supply, the decommissioning of a furnace part way through 2023 (such that the full impact is reflected in the 2024 figures) and the impact of various incremental emissions reduction initiatives, such as seeking to use/install renewable electricity, replacing ICE vehicles with battery vehicles etc.

Status of TCFD recommendations implementation

Marathon continues to seek improvements in the disclosures recommended under the framework. We have assessed below where we believe we are fully implementing the recommendations (coloured green) or only partially implementing or could improve disclosure with further work (amber).

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

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

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