

Author

Basak Yeltekin, Head of Sustainability and Stewardship

Basak is Head of Sustainability and Stewardship at TT. Working alongside the Investment, Risk and Marketing teams, she helps to integrate ESG across our long-only products. Before joining TT in 2020, Basak spent six years at Norges Bank Investment Management, where she collaborated closely with the Investment teams and senior management to integrate ESG into their investment process. Prior to Norges, she was a Portfolio Manager on Harvard University's endowment fund, investing in Emerging Markets in a long/short equity strategy. Basak graduated cum laude with an A.B in Economics from Princeton University. She also has an MSc in Management and Regulation of Risk from London School of Economics.



Firm ESG update

We strongly increased our collaborative engagements in nature and climate in 2024, including through the Nature Action 100 initiative and our involvement in Climate Action 100+'s first sector policy engagement.

ESG products: We won the ESG Investing award for 'Best ESG Investment Fund: Global Thematic' for our Environmental Solutions strategy for the third year in a row in 2024. We successfully completed audit for the Responsible Investment Association Australasia (RIAA) certification for this strategy, where we were recognised as a Responsible Investment Leader, ranking in the top 20% of 272 investment managers. We finalised our sovereign SDG scoring and our Sustainable Bond Framework ahead of the launch of the EM Debt strategies, which are Article 8 strategies.

Active ownership: We had 83 targeted ESG engagements with 67 companies. We voted at 378 meetings and published our voting records on our website.

We most often engaged with our investee companies on climate change, natural resource use/impact (biodiversity and water), executive remuneration, human and labour rights, conduct, culture and ethics (tax and anti-bribery), capital allocation, and reporting (accounting and sustainability disclosure).

We started the Nature Action 100 collaborative engagements with Grupo Mexico, Glencore, Vale, Zijin Mining, and Inner Mongolia Yili. Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. Our team prepared detailed assessments of each of the companies, and we are an active participant in all these engagements.

We joined Climate Action 100+'s first collaborative sector policy engagement on green steel, working with the Institutional Investors Group on Climate Change (IIGCC) and two other asset managers on a "green steel" policy paper. TT's focus was on stimulating demand for green steel and what measures policy makers can take. In July 2024, we travelled to Brussels to meet with DG Energy, the European Commission department responsible for the EU's energy policy, and Eurofer, European Steel Association which represents the entirety of steel production in the European Union. The policy paper titled "Investor Priorities for Transitioning the European Steel Sector" was published in September 2024.

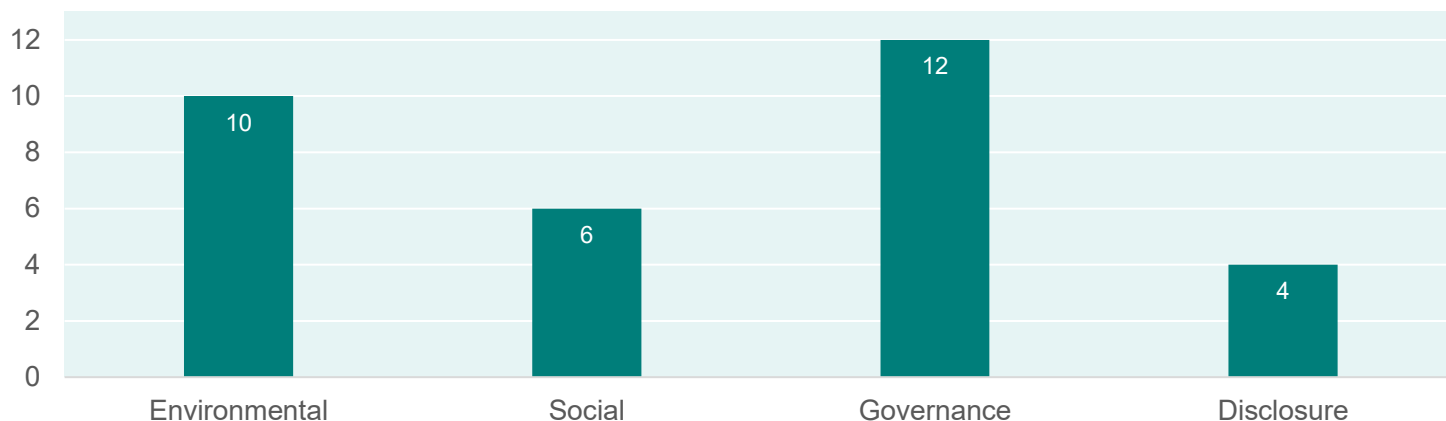
We participated in Jefferies EU Policy Trip to Brussels in November 2024 with policymakers in defense, agriculture, sustainability reporting, and climate adaptation and resilience. We also had two calls with DG Energy on the financial market barriers to energy transition in the EU and highlighted where the EU loans could be utilised with the greatest impact and where regulation was holding back investment.

Targets: We submitted our initial net zero commitment to the Net Zero Asset Managers initiative. We anticipate that the total AUM for our sustainable funds and assets managed for clients with net zero targets will reach 51.3% of the total AUM under our long-only equity strategies by 2030. Our 2030 target is that 50.5% of the AUM for our sustainable funds and assets managed for clients with net zero targets will have adopted science-based targets.

Reporting: We completed our inaugural TCFD report which covers TT's governance, strategy, risk management for climate change risks and opportunities, and metrics and targets. We published our fourth stewardship report and successfully renewed our status as a signatory to the UK Stewardship Code; we have now been a signatory to the UK Stewardship Code since 2021.

Engagement Breakdown by Theme

- 22 targeted engagements in 2024 with 17 companies in the Asia ex Japan strategy covering environmental, social, governance topics and ESG disclosure (at some engagements, we discussed multiple topics across environmental, social, and governance areas.)



Engagement highlights

Environmental

In April 2024, we emailed **Oceanagold Philippines** regarding the water discharge from its Tailings Storage Facilities into the Dinauyan River during periods of heavy rainfall. We inquired about discharge types, biodiversity programmes, and community relations, particularly regarding indigenous opposition to a 2021 project extension. The company confirmed that water discharge quality consistently meets recreational-class standards and is monitored by the Department of Environment and Natural Resources, which is an improvement from pre-mining conditions. Oceanagold also gathered baseline data in 2024 to enhance biodiversity management from 2025 onwards. Regarding community concerns, the company clarified that the group opposing the contract renewal refuses to engage via the grievance mechanism, and it is encouraging direct dialogue instead of legal action.

We met with **Bank Negara (BNI)** in May and discussed the reduced sustainability lending in 2023, which the bank said was due to asset quality issues; BNI assured us that SME lending and sustainable transport would continue to grow. BNI explained the increase in coal exposure with the nickel smelter development and confirmed they apply the Blue PROPER standard, though we communicated to the senior management that its environmental lending criteria lags peers.

Social

Health and Safety

In June 2024, we engaged with **OceanaGold Philippines** again to ask about health and safety practices following its first fatality at its Didipio mine and a notable increase in total recorded injuries in 2023. The company clarified that Didipio's injury rate is not above average, and a new health and safety programme improved injury rates by 40% in 2024. The fatality will also negatively impact the safety metric in the short-term incentive of the executive remuneration plan for 2024.

Governance

Board Diversity

In February 2024, we engaged with **Johnson Electric** on board independence and remuneration. We asked if the company looked to refresh the board due to the long tenure of independent directors. Johnson Electric said that it is looking to add board members who bring diversity and industry experience, especially those in new-age industries. We discussed the company's highly dilutive 2023 share award scheme, where the company clarified that its long-term plan has one-year and three-year goals conditioned on EPS only. We engaged with **Johnson Electric** again in May 2024 to encourage the company to include Total Shareholder Return (TSR) as a key performance indicator in its Performance Stock Unit Plan. We communicated that relative TSR versus a carefully selected group of peers or the broader index would provide greater alignment with minority shareholders and focus management on improving returns to shareholders.

Engagement highlights cont.

In September 2024, we engaged with **Cosmax**, the Korean cosmetics company, on succession planning given the founding family business has two sons active in its management. The company stated that succession is undecided, with the chairman evaluating each son's strengths. We also asked about the all-male board, given the company's focus on female customers. Cosmax acknowledged the issue but said it would adapt to board diversity regulations as the company grows. The company's response to our governance concerns were not particularly reassuring, evidenced by Cosmax's decision to buy the loss-making US business from the chairman (and founding family member), and this contributed to our decision to exit the investment.

Shareholder Rights

Following a meeting with **SK Square** in June 2024, we sent a letter to the company's chairman about capital allocation, where we asserted that SK Square has the capacity to increase its returns to shareholders with KRW 2 trillion in available funds through 2025 after accounting for debt repayments. We also encouraged the company to ask for higher dividends from SK Hynix, continue to divest non-core assets, and utilise the proceeds for further share buybacks. As a way of escalation, we requested to discuss this topic with the chairman via a call or virtual meeting and asked that the letter be shared with the rest of the board members. Our letter was shared with the rest of the board and the company released its Value-up disclosure in November 2024. Narrowing the NAV discount to 50% was included as a core management KPI, and the company adopted a target to bring the price/book value above 1x by 2027.

We sent a letter to **Ciputra Development** in July 2024 as we felt the company had the capacity to increase returns to shareholders through a higher dividend payout. In a subsequent meeting with the company, Ciputra stated it is paying enough dividends because peers in Indonesia are paying a similar or lower level; however, our view was that Ciputra had the room to increase its payout due to its capital-light joint-operation (JO) model (agreements with landowners that let Ciputra develop projects without buying the land), growth outside of Java, and strong pre-sales performance. Ciputra kept its payout ratio unchanged at 21% of net income in 2025.

We sent a letter on capital allocation to **Pakuwon Jati** in July advocating a higher dividend payout ratio. We suggested that even at a 40% payout ratio, which we consider to be low, shares would be at a 5% dividend yield which would make them highly attractive for investors. Following our engagement, Pakuwon raised its payout ratio to 30% in 2025.

Remuneration

In May 2024, we engaged with **Karoon Energy** after a group of activist fund managers declared their intention to vote against five of the nine resolutions tabled at the company's AGM. Regarding board refreshment, the chairman explained that the long-tenured directors would be stepping down in the year ahead and they will be looking to appoint directors with deep audit and ESG experience. On remuneration, Karoon explained the changes to the STIP structure which will be majority focused on operational excellence, cost control, and successful operational management.

Ethics

In February 2024, we spoke to **Nuvama Wealth Management** to discuss its ethics practices, as MSCI assessed the company as lagging its peers in adopting robust staff management practices and a business ethics framework. Nuvama explained that it has appropriate ethics mechanisms in place to help pre-empt potential unethical business conduct, such as oversight at board level, quarterly internal and external audits, annual risk assessments, and ethics training for all staff. In response to our questions on board diversity and independence, Nuvama disclosed its intentions to appoint another independent director but noted the challenge of hiring a woman due to the relative shortage of female directors.

Cross-cutting

In our engagement with **Pacific Textiles**, we sought clarification on management's remuneration structure, including the proportion of variable compensation and long-term incentive plans, as well as the independence of the board and protections for minority shareholders, particularly in the event of a takeover. Additionally, we discussed the company's environmental goals, including carbon emission reduction targets at its plants in Vietnam and Panyu, China, and the challenges of meeting these ambitions. We also enquired about customer expectations for decarbonisation, the company's approach to climate risk, and its plans for disclosing sustainability data to platforms such as the CDP.

Engagement highlights cont.

Following the appointment of **Samsonite**'s new Head of Sustainability, we discussed the company's carbon emissions targets, raw material traceability, and human rights due diligence in February 2024. After the company's poor assessment by Forest500, we wanted to discuss the deforestation risks in the company's leather supply chain. Samsonite clarified that leather is not a large material risk for them considering the volume used (low-single digits in terms of sales) and that it is expected to be Gold-standard certified through the Leather Working Group. The company recognised that its supply chain poses its biggest human rights risk, and we asked about mitigation practices through its social compliance programme. Samsonite explained its risk-based approach, which includes announced and unannounced audits, with a focus on Tier 2 suppliers. The company also highlighted its circularity strategy, which reduces the reliance on virgin raw materials, further mitigating potential risks. The company followed up later in the year to share its new science-based emissions reduction goals with us. The company is pursuing SBTi certification, as we recommended, which is particularly encouraging given that these targets address Scope 3 emissions, which constitute over 95% of the company's total emissions.

Sustainability Disclosure

We engaged with **Hansol Chemical** on the company's ESG disclosure and target setting in March 2024. We highlighted the company's lack of communications with MSCI since June 2022, as some potentially erroneous areas may need to be clarified. We also stressed that there was no disclosure on the registrations for the chemicals used in Hansol's operations and provisions for developing alternatives to potentially hazardous chemicals. As Hansol also lacks quantitative targets to reduce key air pollutants, we encouraged the company to set these alongside water targets. We sent Hansol a follow-up email in August because while we found improvements in the company's energy intensity and waste recycling, we still had concerns on hazardous chemicals and air pollution which were not addressed.

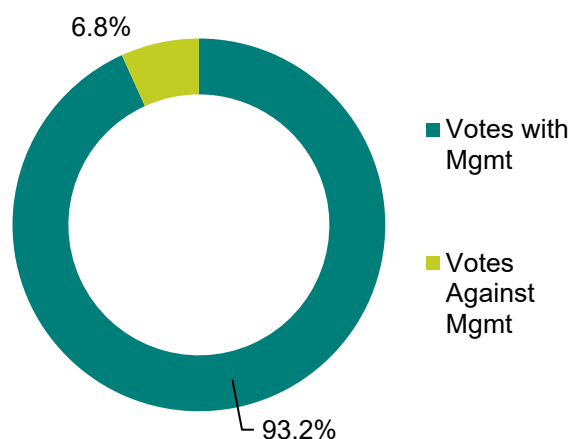
In June, we responded to **Capstone Copper**'s ESG reporting investor questionnaire, highlighting the reporting and certification standards we would like the company to adopt. We suggested the company pursue IRMA certification, achieve ISO certification at its sites, and report in accordance with the TNFD. We also recommended that the company set toxic emissions reduction targets and site-specific water targets.

Collaborative Engagements

In March 2024, we held our first collaborative engagement with **Inner Mongolia Yili** through the Nature Action 100 initiative, focusing on biodiversity governance, board oversight, and executive remuneration tied to GHG emissions and water management. Yili's main biodiversity strategy relies on raw material certification, and while they have not yet adopted TNFD reporting, they are working on implementing TCFD. The company maintains full compliance with environmental standards, operates 54 wastewater treatment plants, and recycles 88% of its solid waste. Yili is also exploring zero-landfill targets and adopted a target to achieve a deforestation-free supply chain in palm oil, pulp & paper, soy and soy in livestock feed by 2030. Despite progress, we encouraged earlier publication of these targets and agreed to prioritise governance engagement in future discussions. Later, FAIRR briefed us on Yili's biodiversity performance after Yili's competitor, China Mengniu, published a TNFD compliant report and received 50,000 tonnes of deforestation-free soybeans from Brazil – an unprecedented development in China. FAIRR recommended focusing on Yili's biodiversity efforts in collaboration with its key dairy supplier, Youran Dairy, as well as its governance structure, with plans to engage on these issues in 2025.

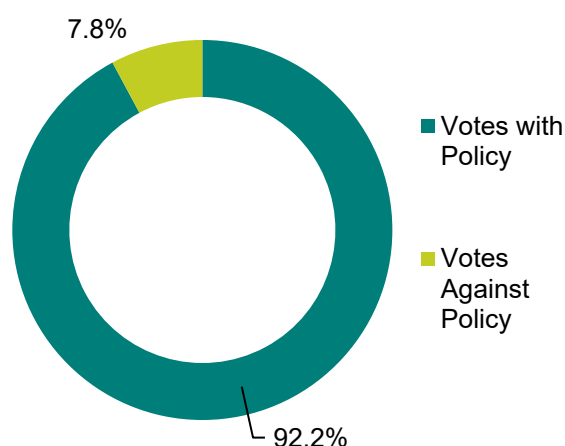
In our Climate Action 100+ collaborative meeting with **Samsung Electronics** in May 2024, the company reiterated its plans to increase power purchase agreements and said that it recently signed two renewable projects, one with 15MW capacity and the other with 10MW capacity. There are still some areas of uncertainty which we should continue to monitor; for instance, the company said it is looking at the possibility of introducing a Scope 3 target, but it did not commit to setting one. In November 2024, we discussed Samsung's energy procurement priorities, including its advocacy for infrastructure reform in Korea to strengthen the grid and the company's focus on carbon-free energy. The company is pushing for broader acceptance of nuclear energy as part of its decarbonisation efforts, especially in Korea where the nuclear value chain is already established, and the levelised cost of electricity is competitive. We also discussed the company's supply chain initiatives. Samsung is encouraging suppliers to set their own decarbonisation goals, though regulations in Korea limit Samsung's ability to explicitly demand this from its suppliers; therefore, the company has launched an ESG partnership fund to support its suppliers.

Proxy voting – Alignment with management



Source: ISS

Proxy voting – Alignment with Policy



Proxy voting - Highlights

- We voted at 65 meetings (out of 65 meetings, or 100%) in the twelve months ending 31-December-2024.
- Votes cast during the reporting period were least in line with management on strategic transactions matters.

Proxy voting – Significant examples

- **Advanced Micro Fabrication Equipment, Inc. (04/24) Approve Restricted Stock Plan**
ISS recommended voting against the restricted stock plan because directors eligible to receive performance shares under the scheme were involved in the administration of the scheme. We found the dilution levels manageable in our analysis, but the grant price was at a 45% discount to the prevailing share price. We voted against the remuneration as it would pay starting at 80% of the average growth rate of benchmarking semiconductor equipment manufacturing companies, which we believed was not sufficiently stretching.
- **Capstone Copper Corp. (05/2024) Amend Restricted Stock Plan**
ISS recommended voting against the treasury share unit plan, equivalent to 3.5% of the company's capital, having calculated an implied 11% dilution from all remuneration plans and noting that the scheme provides the board with discretion to accelerate the vesting of time-based awards in the event of a change of control. Considering the company's growth trajectory and general alignment of pay and performance, we did not oppose the dilution. Whilst we believe the company could retrospectively disclose the threshold, target, and maximum levels for the STIP, we did not find the amendments to the stock plan concerning and voted in favour of the proposal.
- **Ujjivan Small Finance Bank Limited (07/24) Elect Mona Kachhwaha as Director**
ISS recommended voting against the appointment of Mona Kachhwaha due to her reclassification as non-independent. However, we believe that even with Kachhwaha's appointment, the board would be majority independent, which we considered to be sufficient. We voted against ISS policy and supported management for this proposal.

Weighted average carbon intensity – (t CO₂E/\$m sales)

	Portfolio	Benchmark
Weighted Avg. Carbon Intensity	68	278

Source: MSCI

Carbon intensity: Portfolio coverage 84%, Benchmark coverage 100% (not scaled to 100%)

Top 5 contributors to weighted average carbon intensity

Rank	Company	Portfolio weight	GICS Subsector	Carbon intensity	Contribution to weighted average carbon intensity
1	TSMC	9.9%	Semiconductors	167	24.4%
2	PT Pakuwon Jati	1.3%	Diversified Real Estate Activities	574	11.4%
3	Lemon Tree Hotels	1.9%	Hotels, Resorts & Cruise Lines	402	11.1%
4	Capstone Copper	1.3%	Copper	455	8.7%
5	Tencent Holdings	9.5%	Interactive Media & Services	37	5.2%

Source: MSCI

Comments

TSMC (24.4% of the portfolio's carbon intensity) is the world's leading semiconductor foundry. TSMC aims for renewable energy to account for more than 60% of its energy consumption by 2030 and net zero emissions by 2050. The GHG reductions will be achieved through increased renewable energy usage and the reduction of direct emissions from manufacturing.

PT Pakuwon Jati (11.4% of the portfolio's carbon intensity) owns, develops, and manages shopping centres, business complexes, real estate, industrial estate and hotels. The company set SBTi-validated emissions reduction targets, aiming for a 73. % reduction in GHG emissions per square meter across scope 1, 2, and 3 emissions from owned and leased buildings by 2033. Additional targets include a 54.6 % cut in absolute Scope 1 and 2 emissions, as well as a 32.5 % reduction in Scope 3 emissions (fuel and energy-related), vs the 2023 baseline. The company also committed to not installing any new fossil-fuel equipment in its portfolio from 31 December 2030 onwards.

Lemon Tree Hotels (11.1% of the portfolio's carbon intensity) is one of the largest hotel chains in India, having established itself in the mid-market hospitality segment and now expanding into the luxury segment. The company is aiming to reduce emissions intensity by 40% by 2026 and energy intensity by 15% from 2019 levels. It is aiming to procure 35% of electricity from renewable sources by 2026 (50% by 2030). The firm is also taking steps to reduce the emissions from buildings via thermal insulation, LED lighting, and use of recycled materials.

Capstone Copper (8.7% of the portfolio's carbon intensity) is a leading copper mining company with operations in the US, Chile, and Mexico. Capstone Copper has a climate target to achieve a 30% reduction in GHG emissions from fuel and electricity by 2030, from a 2021 baseline. The company aims to reduce emissions by focusing on energy conservation and electrifying equipment and processes. The company has purchased four electric shovels at one of its facilities which are expected to displace 5 million litres of diesel fuel annually. The company aims to transition to 90% renewable electricity across Capstone by 2030.

Tencent Holdings (5.2% of the portfolio's carbon intensity) is the largest online community in China with core focuses on gaming, social media and networking (Weixin/WeChat), fintech (WeChat Pay), cloud computing and digital content. Data centre emissions are the leading source of Tencent's Scope 1 and 2 emissions. The company has committed to achieve carbon neutrality by 2030 in its own operations and supply chain. It also has SBTi approved targets to reduce its Scope 1 and Scope 2 emissions by 70% (against a 2021 base year), and Scope 3 emissions by 30% by 2030.

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