

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 had been 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, 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.

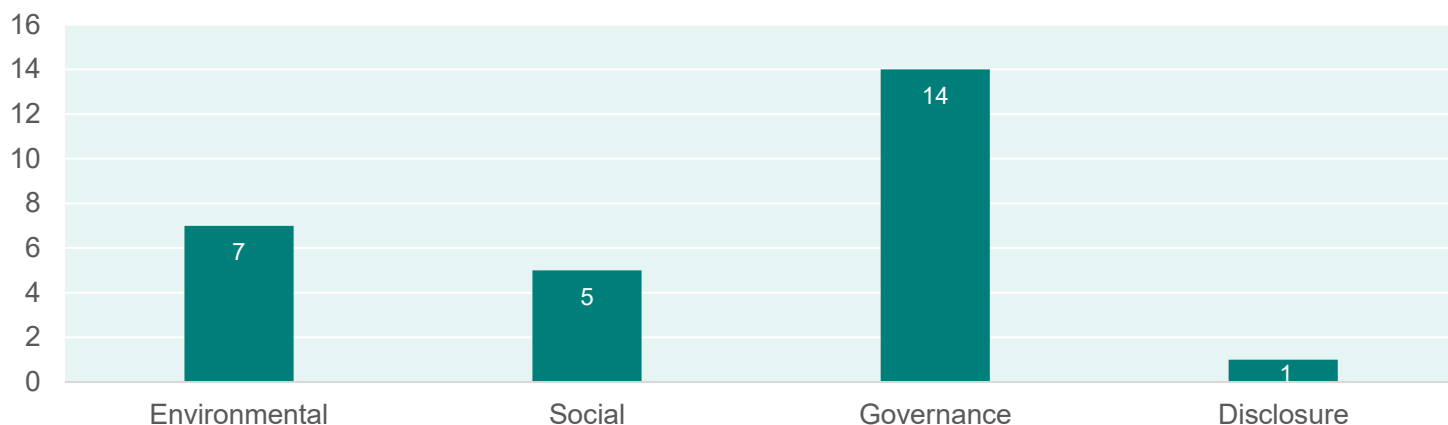
We participated in Jefferies EU Policy Trip to Brussels in November 2024 with policymakers in defence, agriculture, sustainability reporting, and climate adaptation and resilience. We also had two calls with DG Energy on the financial market barriers to energy transition in the EU and highlighted where 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 signatories to the UK Stewardship Code since 2021.

Engagement breakdown by theme

- 21 targeted engagements in 2024 with 16 companies in the Emerging Markets Unconstrained strategy covering environmental, social and governance topics (at some of these engagements, we discussed multiple topics across environmental, social, and governance areas).



Engagement highlights

Environmental

In April 2024, we engaged with **Oceanagold Philippines** regarding 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, monitored by the Department of Environment and Natural Resources, 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.

In our Climate Action 100+ collaborative meeting with **Samsung Electronics** in May 2024, the company reiterated its plans to increase power purchase agreements. There are still some areas of uncertainty which we 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 strategy, 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. Although regulations in Korea limit Samsung's ability to explicitly demand decarbonisation from its suppliers, the company is encouraging suppliers to set their own decarbonisation goals and launched an ESG partnership fund to support its suppliers.

We re-engaged with **Serena Energia** in June 2024 as part of our review of biodiversity policies, commitments, and actions. The company confirmed that it achieved 100% Environmental Management System implementation and will conduct an environmental audit in 2024 to identify areas for biodiversity improvement, followed by an action plan in 2025. The company also clarified that its wind park designs minimise environmental impacts and comply with legislation, with compensatory measures proposed by environmental agencies, such as payments up to 0.5% of CAPEX or further studies.

Social

Health and Safety

In June 2024, we engaged with **OceanaGold Philippines** again, this time enquiring about health and safety practices following the first fatality at its Didipio mine and a notable increase in total recorded injuries in 2023. The company clarified

Engagement highlights (cont.)

that Didipio's injury rate is no longer above average, and a new health and safety programme improved injury rates by 40% in 2024. The company confirmed that the fatality incident will negatively impact the vesting of the executive bonuses for 2024.

Governance

Shareholder Rights

We engaged with **Savannah Energy** in February 2024 on instating a formal dividend policy if the deal in South Sudan proceeds, in conjunction with the re-listing of shares. We observed that oil companies have significantly improved their dividend policies globally, such as Seplat Energy PLC, whose dividends have helped to support the company's valuation over the past decade.

Following a meeting with **SK Square** in June 2024, we sent a letter to the company's chairman about capital allocation. We strongly believe 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 increase the price/book value above 1x by 2027.

Litigation

On 18 January 2024, the Sao Paulo Prosecutor's Office opened an investigation into **Hapvida Participacoes** for allegedly failing to comply with court decisions favourable to the company's healthcare beneficiaries. We subsequently spoke to the company to understand the implications of this investigation; the company explained that over-judicialisation has been a key industry theme, and the lawsuits often request services that are not within the plan's scope.

Board Diversity

We discussed board composition and the company's efforts to increase gender diversity in a meeting with **Serena Energia's** CFO in April. The company explained it has started a board refreshment process via an external agency and has had discussions with two senior executives for the independent NED role. We believe this was a positive step of looking to recruit female directors which can succeed in the medium term.

Remuneration

In April, we engaged with **Pampa Energia** about our concerns over its remuneration proposal for the upcoming AGM and recent director resignations. The company provided justification for its remuneration quantum (that General Law of Companies does not bar from paying said directors' fees, as long as they do not exceed 25% of retained earnings; at 8.3% of the retained earnings, the company remained within this threshold), and we voted in favour. Pampa explained that one director resigned to take a role in the Milei government and wanted to avoid a conflict of interest, while a second director who was appointed by the National Pension Fund (20% shareholder) resigned because she was appointed by the previous administration.

Audit

In October, we engaged with **Serena Energia** about the auditor concerns over restatements of FY23 financial statements. The company said it historically restated statements for the three previous years to better present the market-to-market value of its energy platform in the balance sheet, clarifying that there were no changes in the net income, nor in the net position between assets and liabilities.

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. The company explained that the long-serving directors would step down, and the company intended to improve shareholder returns.

Engagement highlights (cont.)

Ethics

In August, we met with **Apollo Hospitals** to discuss the Telegraph's allegations that company was involved in the illegal kidney trade involving impoverished people from Myanmar. Apollo explained that it has taken appropriate measures to address these concerns, suspending the accused doctor, and writing to embassies encouraging them to strengthen their processes to prevent the use of falsified documents. Apollo's authorisation committee assesses each organ transplant case, and the company introduced further verifications to make its assessment more robust – biometrics to assess family relationships, vetting the back stories between a recipient and potential donor, and strengthening of documentation requirements presented to the committee.

Anti-Corruption and Anti-Money Laundering

In July, we discussed anti-money laundering (AML) and counter-terrorist financing (CTF) topics with **Emaar Properties**. Emaar outlined its strict payment policies, including rejecting cash over 40,000 Dirham (USD ~\$11,000) and cryptocurrency, with AML checks handled by banks. Its security team screens customers for sanctions compliance, and the company plans to release its whistleblowing policy in 2025.

In October, we discussed the announcement by **PKO BP**, the Polish state-owned bank, about suspected mismanagement and irregularities in real estate, human resources policy of the bank and group companies, as well as in the management and supervision of the PKO BP Foundation. The IR confirmed that audits were conducted about management decisions of all state-owned companies during the prior (PiS) government. The external audit has concluded and there is no financial ramification for the bank, only legal ramifications for prior management.

Cross-cutting

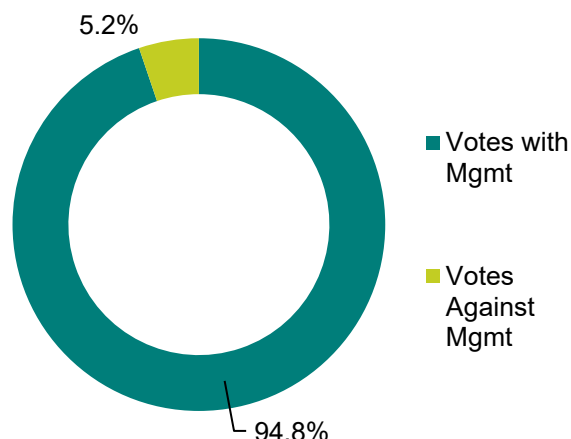
Following the appointment of **Samsonite's** new Head of Sustainability, we discussed the company's carbon emissions targets, raw material traceability, and human rights practices in February 2024. After poor performance in a Forest500 report, we were concerned about the deforestation risk in the company's leather supply chain. Samsonite clarified that leather is not a large material risk considering the volume used (low-single digits in terms of sales) and that it expects 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. We maintained strong relations with Samsonite and the company followed up later in the year to share its new science-based emissions reduction goals. The company is pursuing SBTi certification, as we had recommended, which is particularly encouraging given that their targets address Scope 3 emissions, which constitute over 95% of their total emissions.

In September, we discussed board diversity and sustainable financing targets with the Sustainability and IR teams at **Akbank**. The company reassured us that it is addressing our concerns about board diversity with a formal target to improve this to 30 percent by 2027, up from 10 percent today, and also indicated that more than half of the direct reports to the CEO are female. Regarding our questions on the controversial Ilisu dam, Akbank clarified it did not directly finance the project and now has stricter loan assessments, citing its decision not to finance a new airport in Turkey.

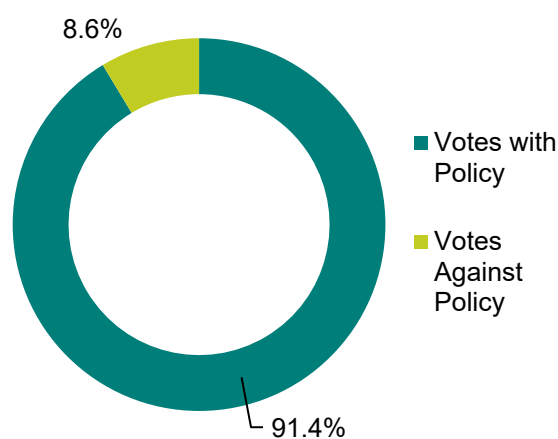
Disclosure

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 followed up with Hansol 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.

Proxy voting – Alignment with management



Proxy voting – Alignment with Policy



Source: ISS

Proxy voting - Highlights

- We voted at 94 meetings (out of 95 meetings, or 99%) in the twelve months ending 31-December-2024.
- Votes cast during the reporting period were least in line with management on capitalisation.

Proxy voting – Significant examples

- **YPF SA (01/24) Amend Articles, Bylaws and Charter**
YPF sought to combine the Chair and CEO roles, reversing its 2016 amendment to separate the roles which we believe is negative for its corporate governance. This unnecessarily complicates executive management of the business as one person can wield significant power over the board's decision-making process. We voted against the bylaw amendments.
- **Serena Energia (04/24) Elect Directors (Bundled)**
We diverged from ISS policy which had advised voting against the bundled elections due to concerns about board independence and gender diversity. Having previously engaged with the company on gender diversity and board independence, Serena subsequently tried to appoint an independent female director to the board; however, neither of the two candidates accepted due to the demands of the director position, including site visits and monthly meetings – commitments neither candidate could make. Furthermore, the board met the Novo Mercado requirements of having more than 20% independence or at least 2 independent directors. Our rationale was that the company had taken steps to address both the gender diversity and board independence but, going forward, we will closely monitor the company's board appointments and may not vote in favour of the directors if they fail to make an appointment this year.
- **PetroChina Company Limited (06/24) Approve Report of the Board of Directors**
In-line with ISS recommendation, we voted against the report because the company is a significant greenhouse gas (GHG) emitter, but its disclosure did not refer to climate change risks. PetroChina has not set any mid-term Scope 1 and 2 GHG emissions reduction targets and only vaguely commits to carbon neutrality. PetroChina's emissions increased by 7% in 2023 from 2022 and are not decreasing in line with reaching net zero by 2050. PetroChina has a new energy business which includes geothermal, wind, PV, hydrogen, as well as CCUS; however, the capital expenditure allocated to this business segment is only 7% of the total spend.

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

	Portfolio	Benchmark
Weighted Avg. Carbon Intensity	270	316

Source: MSCI

Carbon intensity: Portfolio coverage 89%, 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	Pampa Energia	3.3%	Electric Utilities	4,247	52.4%
2	Transportadora de Gas Internacional	2.9%	Oil & Gas Storage & Transportation	1,772	19.0%
3	TSMC	10.2%	Semiconductors	167	6.3%
4	InterGlobe Aviation	0.9%	Passenger Airlines	1,020	3.2%
5	YPF	1.6%	Integrated Oil & Gas	536	3.1%

Source: MSCI

Comments

Pampa Energia (52.4% of the portfolio's carbon intensity) is one of Argentina's largest electricity companies. The bulk of its emissions are from its thermal power business. Whilst the company has no public carbon reduction targets, it remains committed to investing in renewable energy and promoting energy efficiency in its production. Pampa's high carbon intensity is due to energy subsidies from the Argentinian government which curtail Pampa's revenues. In terms of oil and gas GHG intensity and power generation GHG intensity, Pampa is in line with global peers.

Transportadora de Gas Internacional (19.0% of the portfolio's carbon intensity) is the major natural gas transporter in Argentina, leader in the production of derivative liquids and the first mid-streamer of Vaca Muerta. The majority (66%) of the company's emissions are caused by combustion in operational equipment. Transportadora aims to reduce 50% of its methane emissions by 2030 through five different lines of work including eliminating gas leaks that contribute to flaring. The company has also optimised its emissions inventory through a gap analysis, made progress in quantifying leaks, and created a database of detected leak points.

TSMC (6.3% 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 to reach net zero emissions by 2050. The GHG reductions will be achieved through increased renewable energy usage and the reduction of direct emissions from manufacturing.

InterGlobe Aviation (3.2% of the portfolio's carbon intensity), operating under the brand name IndiGo, is India's largest passenger airline and one of the leading airlines globally. InterGlobe's decarbonisation plan focusses on fleet mix, SAF adoption, and the electrification of ground operations. In FY24, the company reduced its GHG emissions intensity by 19% and allocated 84% of its total capex to acquiring the latest generation fuel-efficient aircraft.

YPF (3.1% of the portfolio's carbon intensity) is Argentina's state-owned integrated oil & gas company. Production at YPF's Vaca Muerta, which holds the world's second largest unconventional gas reserves and fourth largest unconventional oil reserves, is very competitive in terms of CO₂e per barrel of crude oil. In the short term, the company targets a 30% reduction in greenhouse gas direct emissions intensity by 2027 compared to a 2017 baseline, whilst also purchasing 50% of electricity from renewable sources by 2026. YPF also has a target for zero routine flaring by 2030 and a 30% reduction of methane emissions by 2030. YPF said that in the next 5 years close to 70% of its portfolio will come from non-conventional deposits which have lower GHG emissions intensity.

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