TT EM Unconstrained – ESG Reporting

Author

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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

2025 was a watershed year globally for ESG. Our Head of Sustainability and Stewardship spoke at several marquee conferences – the Investors ACT 2025 on policy changes in the US and the ESG backlash, the Responsible Investor Europe conference on defence and sustainability, and the Local Authority Pension Fund Forum on what investors should be doing to ensure that there is no roll back on ESG. She contributed to articles in industry publications such as Responsible Investor and Investment Week.

We had certain team changes, including one of our analysts departing for a private credit opportunity, and the other starting his master's degree in climate change management and finance at Imperial Business School. He is continuing to work part time and support our stewardship work.

Products: Our Sustainable Emerging Markets fund reached its third anniversary, outperforming both its ex-fossil fuels benchmark (+2.66% per annum), as well as MSCI EM (+2.97% per annum), clearly proving that ESG integration adds value to our investment process. We unfortunately closed our Environmental Solutions Fund due to the fund not reaching a critical size; however, we are proud to have outperformed global equities through the fund's existence and donated nearly $1 million to environmental charities over five years.

Active ownership: We had 71 targeted ESG engagements with 61 companies at the firm level. We voted at 410 meetings and published our voting records on our website.

We most often engaged with our investee companies on climate change and natural resource use/impact (biodiversity, water), human and labour rights (e.g. supply chain rights, community relations), strategy, and capital allocation.

We continued 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.

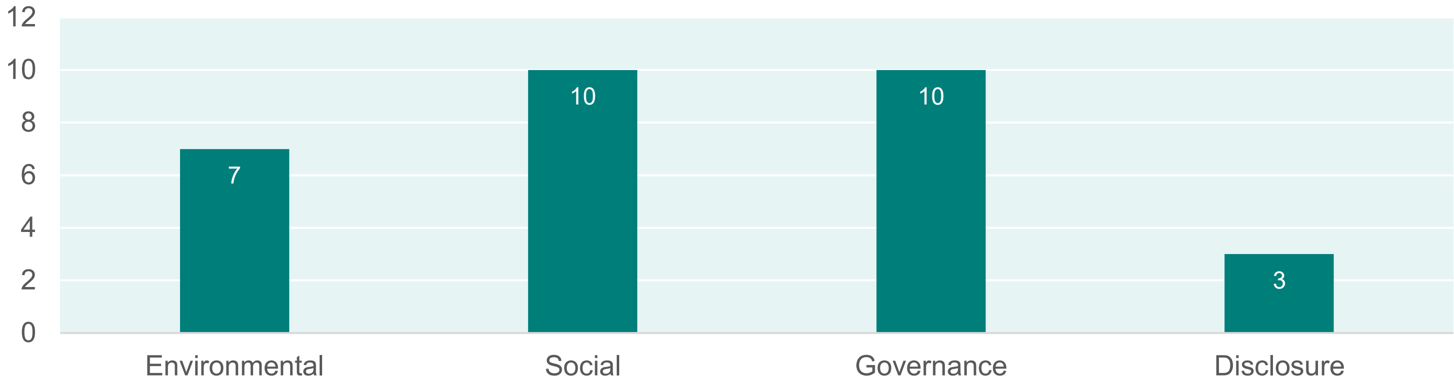
We continued our involvement in the CA100 and IIGCC sector engagement on green steel, which culminated in the publishing of a paper titled "Assessing the European Commission's recent steel sector initiatives." This publication examines recent policy initiatives from the European Commission aimed at supporting the EU steel sector's decarbonisation. Building on IIGCC's prior work - including on investor priorities for steel sector transition, to which we had contributed in 2024 - this report evaluates where recent EU initiatives align with investor expectations and where gaps remain. Key areas discussed include policy clarity, financial mechanisms to support investment, and the establishment of credible sector roadmaps to enable effective decision-making by investors.

We participated in Jefferies EU Policy Trip to Brussels in May and November 2025 with policymakers in defence, agriculture, sustainability reporting, and climate adaptation and resilience.

Reporting: We completed and submitted our full PRI report, although this was not a requirement for this year. We completed our second TCFD report which covers TT's governance, strategy, risk management for climate change risks and opportunities, and metrics and targets. We published our 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

- 21 targeted engagements in 2025 with 17 companies in the Emerging Markets Unconstrained strategy covering environmental, social, governance, and disclosure topics (at some engagements, we discussed multiple topics across environmental, social, and governance areas.)



Engagement highlights

Environmental

We engaged with **Capstone Copper** in March 2025, noting that MSCI had highlighted the company's environmental risk management as lagging behind industry leaders, particularly in areas like ISO 14001 certification and mitigation of environmental impacts from air, water, and waste emissions. The company explained it is prioritising Copper Mark certification over ISO 14001, citing the former's broader coverage and annual third-party audit requirements. Capstone is developing a sustainability roadmap aligned with Canadian Sustainability Disclosure Standards 1 and 2 and considering participation in CDP and SBTi. On water use, Capstone remains on track to meet reduction targets despite a temporary rise in freshwater intensity and is setting site-specific goals. At its Cozamin mine, where activities had been linked to micro-seismic impacts, the company shifted its mining methods in mitigation and separately introduced a new health and safety system that links safety performance to compensation across all levels of the organisation.

We met with **Pampa Energia** in February 2025 to discuss how the market liberalisation may impact the company's carbon intensity and profitability. Pampa's carbon intensity had been artificially high since legacy assets were not priced on true market rates, and the revenues from electricity production were depressed. Pampa confirmed their belief that carbon intensity will be lower post liberalisation, coupled with a significant reduction in carbon intensity for its E&P business in 2024, primarily due to a shift to shale production, continuing the trend seen in the last two years. Pampa noted that Argentina's power market liberalisation will begin in March 2025 and should be fully implemented by November 2026. However, contracts with CAMMESA, the government-run market operator, will remain in place until 2027-2028, limiting immediate financial impacts. The company also indicated that self-procurement of fuel could improve its emissions profile but remains uncertain about how much it can implement.

Social

Following reports of forced labour during the construction of **BYD**'s Brazilian automobile factory involving its subcontractor Jinjiang Construction, we sent our questions on human rights due diligence to the company as per their request. BYD terminated its contract with Jinjiang Construction. BYD also stated that it had previously conducted a detailed review of the working and living conditions for subcontracted employees and had asked Jinjiang to make improvements on several occasions. It temporarily hired the Brazilian subcontractor Sepeng Engenharia to oversee the regulation of safety standards, install rest areas, improve site signage, and ensure local employment. BYD restructured worker accommodations, providing a new cafeteria and fully equipped rooms with air conditioning to ensure a better and safer living environment for all employees. Importantly, it also facilitated the return of 167 workers to China whose passports were confiscated, providing financial compensation. Finally, a dedicated compliance committee was formed in response to this incident, consisting of BYD employees, legal professionals, labour law experts, and external consultants, and tasked with ensuring full adherence to labour laws and regulations.

Engagement highlights (cont.)

In response to our questions following the Camacari incident where its subcontractor was found in violation of labour laws, BYD provided an update in May on its human rights due diligence, particularly regarding suppliers and subcontractors. The company confirmed that 100% of its Tier 1 suppliers undergo human rights assessments and noted that the results of its 2,474 onsite audits (~18% of supplier base) in 2024 resulted in a 23% downgrade rate in suppliers for new project eligibility, indicating active enforcement of standards that lead to material consequences for suppliers. BYD strengthened its recruitment policies which now explicitly prohibit pay deposits, recruitment fees, and retention of identification documents. We asked about the scope of human rights training, which BYD confirmed is mandatory for all employees. Although it did not confirm whether this training extends to suppliers, contractors, or part-time workers, BYD does promote its human rights expectations to suppliers through conferences and exchanges. The company also plans to launch supply chain ESG management training for procurement personnel.

We engaged with **Endeavour Mining** in November 2025 on the allegations that the company (as well as other mining companies operating in Senegal) employs children in the mines. We had reviewed the company's policies and the Modern Slavery Statement and had not come across any specific risk exposures, as it does not buy from artisanal miners, has robust human rights policies in place, and did not have any reported modern slavery or child labour incident in 2024, but still enquired about this issue. We deemed the company's response to be very comprehensive and satisfactory. The company explained that they respect the minimum working age and require all employees to present their ID. Its contractors and suppliers are also required to comply with all of Endeavour's policies, which are enforced through regular audits.

Governance

We had met with **SK Square** in June 2025 during their London roadshow to discuss the Korean corporate governance reform, implications for listed companies, and specifically, the next steps for SK Square to reduce its NAV discount beyond what had been achieved thus far. We sent the company a letter following the publication of its Value-up Plan in November 2025 where we encouraged the company to ramp up its share buybacks to achieve its ambition to reduce the holding discount to 30%.

We engaged with **HD Hyundai** about the cancellation of the 10%+ treasury shares. We wrote to HD Hyundai in November 2025 asking that it retire the existing treasury stock as soon as possible and potentially raise the dividend payout. We suggested that the company commits to a Holdco discount target of 30% in its value-up programme and includes it in executive remuneration as a key performance indicator. We also encouraged more ambitious official shareholder return targets at its core subsidiaries.

Cross-cutting

In October 2025, we discussed dam safety with **Axia Energia**, as well as the improvement in government relations. Axia's 300 MW capacity Colider dam was put under an environmental and structural alert, and the public prosecutor filed for a preliminary injunction requiring Axia / Copel to submit a decommissioning plan within 120 days as a precaution. In that motion, they also demanded a cautionary guarantee of R$200 million to assure reparations for current and potential future damages. Hydro plants are much safer than tailings dams, but it was still helpful to understand the financial ramifications for the company. The company's relationship with the government under its new leadership has significantly improved, and this gave us confidence in terms of the investment thesis.

Collaborative engagements

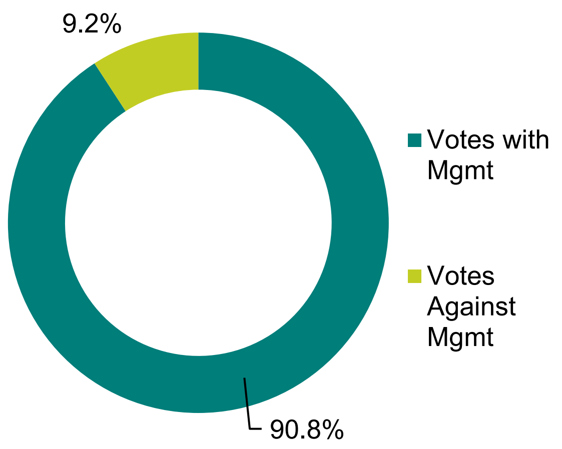
Continuing our CA100+ collaborative engagements, we engaged with **Samsung Electronics** twice to get an update on its climate strategy. The company outlined its progress in reducing Scope 1 emissions through operational improvements such as Regenerative Cathode System (RCS) installations, use of alternative gases, and energy efficiency initiatives. It is also in the early stages of supplier emissions mapping and aligning its DX division with SBTi methodologies. Samsung is prioritising near- to mid-term targets over long-term commitments, with a focus on practical integration into business strategy. While challenges remain, particularly around Scope 3 data, partial SBTi validation, and paucity of renewable energy procurement in Korea, the company is actively engaging with policymakers and industry groups to address these barriers.

Engagement highlights (cont.)

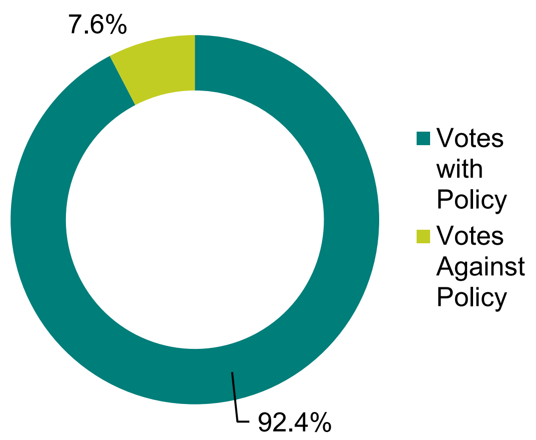
Later in 2025, the company noted that its DX division has set an SBTi-aligned Scope 3 target—a 25% reduction by 2030 which is currently awaiting third-party verification. Samsung confirmed Scope 1 & 2 rose 12% in 2024, which was attributed to higher production. Scope 3 also increased, mainly driven by the DS division; Samsung expects power consumption to grow with output and will aim to offset via RECs where available, while not disclosing detailed power forecasts due to commercial sensitivity. Samsung confirmed it remains on track to achieve RE100 by 2027, with overseas sites already sourcing 100% renewable electricity. We also discussed policy advocacy in South Korea. Samsung welcomed the government's more progressive approach to decarbonisation and stated that it continues to call for reforms to facilitate renewable procurement and grid modernisation. The company said it has emphasised to policymakers that expanding renewable energy availability is vital for industrial competitiveness. We were encouraged by the company's confidence in reaching its RE100 commitment and its PPA efforts despite market constraints.

We continued our Nature Action 100 engagement with **Zijin Mining** in October 2025. Zijin reported that Biodiversity Management Plans (BMPs) now cover 91% of sites (up from 66% in 2023). Each BMP includes project descriptions, biodiversity baselines, and mitigation measures, functioning as both internal guidance and external communication tools. We encouraged Zijin to enhance disclosure by publishing a sample BMP. For operations without full control, such as the Porgera mine (operated by Barrick), Zijin stated it monitors ESG controversies and engages partners to improve practices, including tailings management. The company acknowledged investor concerns about riverine tailings discharge and agreed to relay these to Barrick. Zijin confirmed none of its own operated mines use riverine tailings disposal. On water management, the increases in water withdrawal from high-risk areas reflect changes in Chinese government reporting definitions rather than actual increases in usage. The company confirmed that 28 of its 37 active mines directly access natural water sources, with each required to prepare a Water Resource Assessment Report. A "water balance model" is used to track and optimise water flows and enhance water treatment. Zijin has also expanded international recruitment, appointing a Chief Sustainability Officer with experience engaging with Indigenous communities. We thought this was a productive second NA100 meeting with Zijin and were pleased to see the progress the company is making on biodiversity.

Proxy voting – Alignment with management



Proxy voting – Alignment with Policy



Source: ISS

Proxy voting – Highlights

- We exercised our voting rights at 107 meetings (out of 110 meetings, or 97%) for this strategy in the twelve months ending 31-December-2025.
- Votes cast during the reporting period were least in line with management on director elections.

Proxy voting – Significant votes

- **Swiggy Limited (01/25) Amend Articles of Association**
  The company proposed to amend its articles of association to allow its co-founder and CEO Sriharsha Majety to nominate himself to the company's board as long as he either holds 67.7 million equity shares (3% of the issued share capital vs his then-ownership of 6.7%) or retains a senior management role. Unlike co-founder Lakshmi Nandan Reddy Obul, whose nomination rights are contingent on both a specific shareholding and full-time employment, Majety would retain the ability to nominate himself without holding a senior management role. ISS noted that this structure would allow him to remain on the board even if he stepped down from an executive position and significantly reduced his stake, creating an imbalance of rights compared to other shareholders. These differential nomination rights raised concerns for us, and we voted against.

- **Akbank (03/25) Elect Directors (Bundled)**
  For a company with 60% free float, there was only one independent director on the board, resulting in 11% board independence. There is no female director except for Ms Sabanci, the chair of Sabanci Holding and 41% owner of the bank; therefore, we voted against. We had discussed this issue with them before and the bank had pointed out that the majority of Akbank management is female; however, this is not the same as the supervisory board being independent or having sufficient gender diversity. Positively, the bank appointed three independent and highly qualified female directors to its board in 2026. By reaching 40% women's representation on the Board, the bank achieved its target of at least 30% by the end of 2027 ahead of schedule and exceeded its own commitment.

- **Alpha Services & Holdings SA (05/25) Amend Remuneration Policy**
  We do not think Alpha's remuneration report, policy, or the proposal to distribute profit to employees from its dividend reserve are problematic. We believe that it is only natural that the company will look to pay its employees after 15 years of legal constraints from the Hellenic Financial Stability Fund. We voted to support the proposal.

Weighted average carbon intensity – (t CO_2E/$m sales)

	Portfolio	Benchmark
Weighted Avg. Carbon Intensity	180	275

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	1.6%	Electric Utilities	4,247	37.8%
2	Transportadora de Gas Internacional	1.9%	Oil & Gas Storage & Transportation	1,594	16.4%
3	TSMC	10.0%	Semiconductors	139	7.7%
4	Pan African Resources	1.1%	Gold	940	5.7%
5	Samsung Electronics	8.7%	Technology Hardware, Storage & Peripherals	97	4.7%

Source: MSCI

Comments

Pampa Energia (37.8% 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 (17% of the power generated in 2024 was renewable) and operational efficiency. Pampa's high carbon intensity historically has been 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 per unit, Pampa is in line with global peers.

Transportadora de Gas Internacional (16.4% 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 (68%) of the company's Scope 1 emissions are caused by combustion in operational equipment. Transportadora aims to reduce 50% of its methane emissions by 2030 through 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 (7.7% of the portfolio's carbon intensity) is the world's leading semiconductor foundry. TSMC aims for renewable energy to account for 60% of its energy consumption by 2030 and to achieve net zero emissions by 2050. The company is planning to reduce GHG emissions through increased renewable energy usage and the reduction of direct emissions from manufacturing.

Pan African Resources (5.7% of the portfolio's carbon intensity) is a mid-tier gold producer with operations in South Africa and Australia. The company's decarbonisation strategy is focused on increasing renewable electricity, improving energy efficiency and reducing reliance on grid power. Pan African has a target to achieve a 15% renewable energy mix by 2027. In FY25, the company allocated US$17.8 million to various mitigation strategies such as solar energy, BEVs, and water treatment plants.

Samsung Electronics (4.7% of the portfolio's carbon intensity) manufactures a wide range of consumer and industrial electronic equipment and products. Samsung Electronics is aiming to achieve net zero in Scope 1 and 2 emissions by 2050. It plans to achieve net zero for the DX (Device eXperience) division by 2030 and company-wide – including the DS (Device Solutions) division – by 2050. The DX division recently set an SBTi-aligned target to cut Scope 3 emissions 25% by 2030.

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