

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.

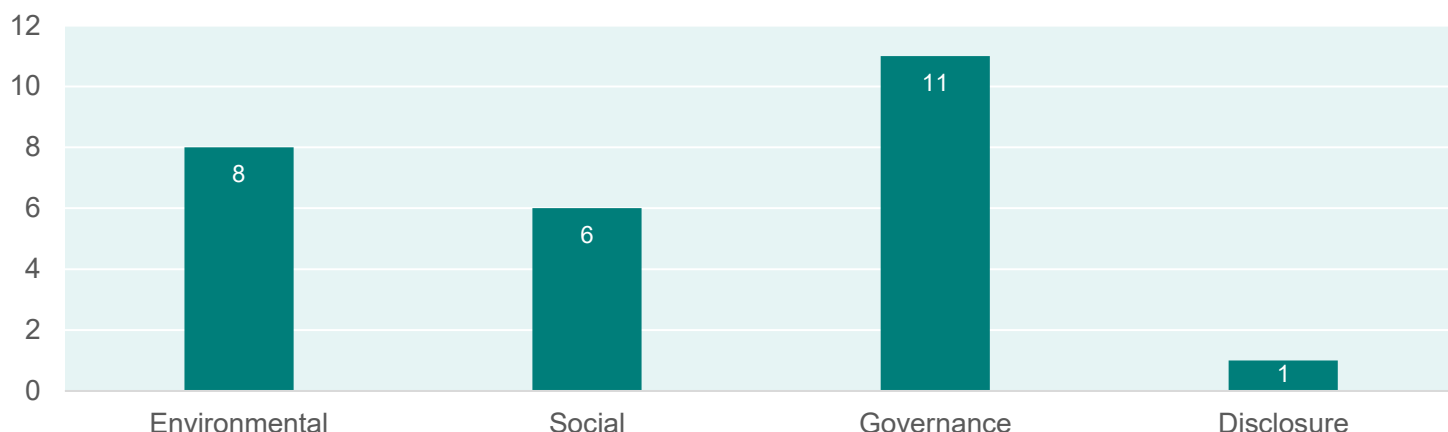
We participated in Jefferies EU Policy Trip to Brussels in November 2024 with policymakers in defence, agriculture, sustainability reporting, and climate adaptation and resilience. We also had two calls with DG Energy on the financial market barriers to energy transition in the EU and highlighted where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

Engagement Breakdown by Theme

- 17 targeted engagements in 2024 with 15 companies in the Global Emerging Markets strategy covering environmental, social, governance, and disclosure topics (at some engagements, we discussed multiple topics across environmental, social, and governance areas).



Engagement highlights

Environmental

In January 2024, we spoke to **Lundin Mining** about the sinkhole incident at the Candelaria mining complex, the company's relationships with regulators, and the ongoing litigation.

In October 2024, we met with **NTPC** and **NTPC Renewable Energy** ahead of the NTPC Renewable Energy IPO. We enquired about the company's plans to increase the renewable energy capacity in India. NTPC Renewable Energy reiterated its 2032 60GW renewable energy capacity target whilst emphasising that it will likely reach this target well ahead of schedule. The company also explained how it is addressing land and connectivity challenges facing renewables by partnering with PSUs (Public Sector Undertakings) and purchasing private land. We asked NTPC about its plans for green hydrogen development; the company sees green hydrogen adoption as still 6 to 7 years away, but it has been conducting several pilot projects with the plan to use solar energy to power the electrolysis process for green hydrogen production.

Social

Forced Labour

We engaged with **Zijin Mining** in August after the US government placed Xinjiang Habahe Ashele Copper Co., Ltd on the Uyghur Forced Labor Prevention Act (UFLPA) Entity List due to alleged recruitment of Kazakh workers through PRC labour programs. Our goal was to understand if Zijin was involved in forced labour transfers and what prevention measures were in place. Zijin asserted that there are no human rights violations or forced labour transfers within their operations. They are making considerable efforts to align with international human rights and labour standards, including conducting an ESG risk audit compliant with the Responsible Critical Mineral Initiative last year, which confirmed their practices at Ashele were in line with the OECD standards. We enquired about the increase in human rights-related whistleblowing reports; the company explained that these did not relate to forced labour but were complaints about holidays and salaries. The workforce at Ashele is primarily local (around 90%), with a small percentage of migrant workers, which they assert is the norm globally due to higher salaries, promotions, and managerial needs. When we specifically asked about Kazakh migrant workers, the company did not seem aware of any working there. Zijin is seeking legal advice and considering next steps.

Harassment

We engaged with **Samsung Biologics** on the allegations of workplace harassment and bullying, in the aftermath of an investigation by Korea's Ministry of Employment and Labour following an employee's death in November 2023. The company outlined the measures they are taking following this incident.

Engagement highlights (cont.)

Governance

Shareholder Rights

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 bring the price/book value above 1x by 2027.

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 it has taken appropriate measures to address these concerns, suspending the doctor mentioned in the article and writing to embassies encouraging them to strengthen their processes to prevent the use of falsified documents. Apollo's authorisation committee assesses each 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 personal and 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, as we had anticipated. The external audit has concluded and there is no financial ramification for the bank, only legal ramifications for prior management.

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 and were satisfied by their explanation that over-judicialisation has been a key industry theme and the lawsuits often request services that are not within the plan's scope.

Cross-cutting

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.

In June, we met with the ESG and IR teams of **Sabanci Holding**, the Turkish conglomerate with substantial banking, cement, and energy businesses. We discussed the company's investments in the new economy and renewable energy. We also discussed the company's executive remuneration incentives and potential ways of closing the holding discount.

Engagement highlights (cont.)

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.

Geographic Exposures

We engaged with **LPP SA** in February 2024 on the company's Russian exposure, governance, remuneration practices and human rights exposure in Myanmar. We specifically asked the following questions on the company's transition out of Russia:

- What receivables are still due from the Russian business? (PLN804m receivables at Q323). Are you still co-operating with the Russian buyer?
- Did you recognise the revenue on Russian sale? (With COGS being the value of divested inventory?) Was the revenue booked in continuing operations?

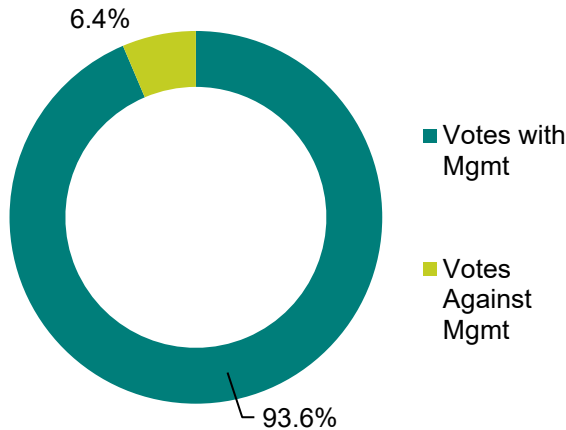
The company's responses on these did not indicate that they continued to consolidate the Russian sales. However, on 15 March 2024, Hindenburg Research published a short-seller's report on **LPP SA**, alleging that the company had not truly divested its Russian operations and that these operations were still directly controlled by LPP and its board. We engaged with LPP again who strongly denied the claims and explained that the sales to the entity were as a part of the Transition Plan. We ultimately exited our investment as our conclusion was that the company's reporting was not sufficiently transparent about the Russian sales through the Transition Plan.

Collaborative engagements

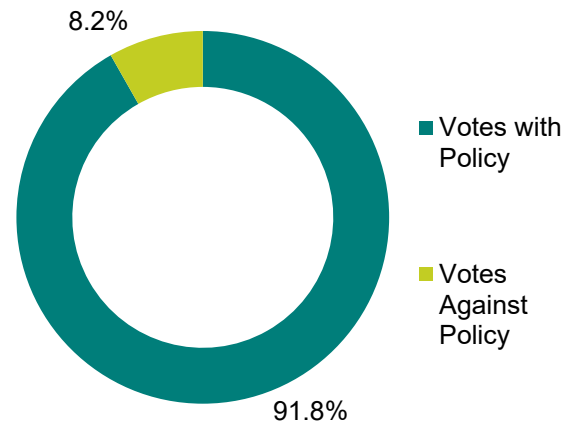
We had our initial company collaborative engagement through the Nature Action 100 initiative with **Zijin Mining** in May. We discussed the company's approach to biodiversity, including how its "green mine" strategy addresses nature risks. Positively, the company retained consultants to assess its most material nature risks across the Chinese and international operations, expecting to complete this assessment by end of 2024. Zijin clarified that it follows standardised practices across its operations, which include nature restoration activities such as monitoring and seed collection from local vegetation. The company was eager to learn about best-practice with regards to setting biodiversity net-positive commitments; therefore, we followed up with examples of strong commitments made by other global mining companies.

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. 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.

Proxy voting – Alignment with management



Proxy voting – Alignment with Policy



Source: ISS

Proxy voting – Highlights

- We voted at 86 meetings (out of 88 meetings, or 98%) in the twelve months ending 31-December-2024.
- Votes cast during the reporting period were least in line with management on compensation matters.

Proxy voting – Significant votes

- **Hapvida Participacoes e Investimentos SA (04/24) Approve Remuneration of Company's Management**
ISS recommended voting for this proposal, on the basis that the company provided reasonable disclosure of its remuneration practices. In 2023, we had voted against the egregious BRL 224 million cap against a backdrop of expected loss and liquidity problems to which the company ultimately awarded BRL 176 million for 2023 against a loss of BRL 734 million. While the current year's policy reduced the global remuneration cap to BRL 167 million, we considered this to be still high on an absolute basis (USD 32 million) and therefore voted against.
- **Prosus NV (08/24) Advisory Vote to Ratify Named Executive Officers' Compensation**
Both ISS and Glass Lewis recommended voting against the report, highlighting the exorbitant total pay package, particularly the vested value of the LTI awards some of which are not subject to performance conditions, and the insufficient response to shareholder dissent. Additionally, we found the exit arrangement with former CEO Bob van Dijk concerning. His pay package continued for six months post-mandate in an advisory capacity, including both short and long-term incentives. Our analysis revealed ambiguity regarding van Dijk's role during this period; his continued eligibility for receiving STI and LTI suggests his pay package persisted without corresponding tasks and responsibilities, which we felt was problematic. We also noted that, in addition to receiving a full salary for an advisory role, he experienced no loss for the lapse of his LTI awards, instead receiving an additional severance payment of USD 747,000. Given that his compensation is already over eleven times the median of peers, we found this particularly troubling and voted against the report.
- **Prosus NV 2024 (08/24) Approve Remuneration Policy**
The executive remuneration policy proposes a moonshot award of \$100 million to the incoming CEO, Fabricio Bloisi, contingent upon meeting two key conditions by June 30, 2028. First, the combined market capitalisation of Naspers and Prosus must double from USD 84 billion to USD 168 billion and be sustained for at least one year. Second, the group's net value creation must exceed the 50th percentile of a Total Shareholder Return (TSR) peer group. We do not believe that achieving median performance justifies such a significant payout. This concern is further amplified by the fact that the payment was not subjected to a shareholder vote but was instead implemented at the board's discretion in July. We voted against the policy.

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

	Portfolio	Benchmark
Weighted Avg. Carbon Intensity	316	316

Source: MSCI

Carbon intensity: Portfolio coverage 94%, 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	3.1%	Electric Utilities	4,247	41.8%
2	NTPC	0.6%	Independent Power Producers & Energy Traders	15,532	30.5%
3	TSMC	10.2%	Semiconductors	167	5.4%
4	InterGlobe Aviation	1.5%	Passenger Airlines	1,020	4.7%
5	YPF	1.8%	Integrated Oil & Gas	536	3.0%

Source: MSCI

Comments

Pampa Energia (41.8% 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 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.

NTPC (30.5% of the portfolio's carbon intensity) is India's largest power generator, contributing 24% of the nation's electricity with a 17% share of installed capacity. NTPC has a target to reach net zero by 2070 and reduce its Scope 1 emissions intensity by 17% by 2032 from 2012 levels. To reach these targets, the company said it would transform the maximum of its power generation capacity to renewables and use CCUS for remaining capacities. NTPC aims for nearly 45-50% of its capacity to come from non-fossil fuels by 2030, with a medium-term target of 60 GW of renewable capacity by 2032.

TSMC (5.4% 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 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 (4.7% 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 (3.0% 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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