

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.

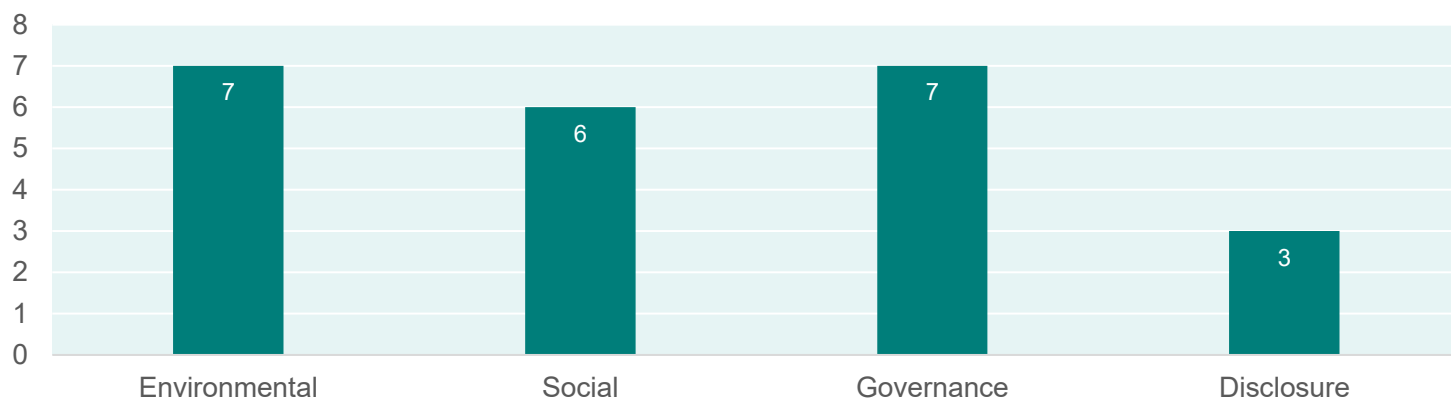
We participated in Jefferies EU Policy Trip to Brussels in November 2024 with policymakers in defense, agriculture, sustainability reporting, and climate adaptation and resilience. We also had two calls with DG Energy on the financial market barriers to energy transition in the EU and highlighted where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

- 16 targeted engagements in 2024 with 12 companies in the Global SMID 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

We reached out to **Aixtron** in October 2024 after noticing that while the company disclosed its methodology for avoided emissions in its CDP report, it did not provide actual figures for avoided emissions. We asked the company if further disclosure on this matter was available.

Biodiversity

In April 2024, we engaged with **Oceanagold Philippines** regarding the water discharge from its Tailings Storage Facilities into the Dinauan 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.

Social

Forced Labour

In light of the forced labour allegations made against industry peer Shimano and following our assessment of **KMC Kuei Meng International's** human rights practices, we engaged with the company in February to understand how it is working to prevent instances of forced labour in its supply chain. We asked if KMC assess the labour conditions of its suppliers on-top of its disclosed supplier assessments of raw material quality and whether they could provide some detail on the scope of its auditing. Considering the supply chain challenges and strong demand from COVID, we also asked the company to provide some details on its main suppliers and geographies. The company did not fully address our questions but explained their environmental and social due diligence process for new suppliers which was adopted in 2024 and their response on breaches of the company's sustainable development policy. KMC also shared with us their human rights policy, which makes an outright commitment to "eliminate all forms of forced labour." The policy also bars child labour, guarantees minimum wages, and controls working hours.

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.

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, 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.

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.

Remuneration

We gave **Cadeler** feedback on its remuneration policy in February 2024. We believe good remuneration practices include transparent KPIs, disclosure of the threshold, target, and maximum payouts and retrospective disclosure of achievements. In terms of key performance indicators, we suggested performance targets based on EBITDA and ROIC, as well as a minimum vesting period of 3 years and a 2-year post-vesting holding period. Despite giving this clear guidance, the company's plan had no references to performance targets, and the plan was schedule to start vesting after one year. We subsequently met with the company in July 2024 to revisit remuneration alongside EU taxonomy alignment and biodiversity. Cadeler refuted that the plan starts vesting after one year; however, the company's new remuneration policy does state that "(w)here a performance bonus is to be paid in shares or other share-based incentives, the entitlement to shares shall be subject to a vesting period of at least 12 months and requirement of continuous service during the vesting period." The company cited difficulties in hiring sustainability experts and its focus on compliance with US SOX standards as the primary reason for not publishing its taxonomy alignment second year in a row.

Audit

In October 2024, we discussed governance and audit practices with **Sunteck Realty** after it was flagged as having higher governance risks in our monthly ESG risk review. The company acknowledged the importance of separating the chair and CEO roles and will consider this as the business evolves. It clarified that while its audit committee is not fully independent, the chair of the committee is. However, we explained that executives should not sit on this committee.

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 two environmental criticisms concerning hazardous chemicals and air pollution. There is 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.

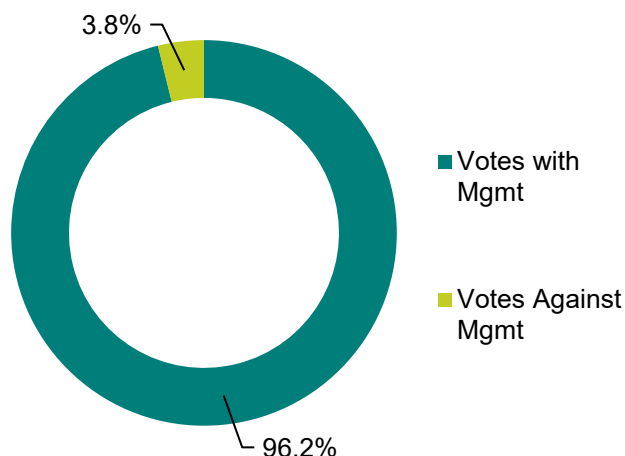
Engagement highlights cont.

Cross-cutting

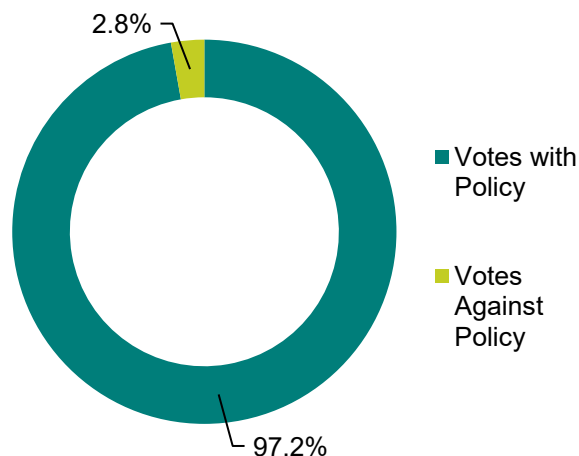
Following the appointment of **Samsonite's** new Head of Sustainability, we discussed the company's carbon emissions targets, raw material traceability, and human rights due diligence in February 2024. After the company's poor assessment by Forest500, we wanted to discuss the deforestation risks in the 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.

We engaged with **Puma** in January over concerns about its remuneration policy as well as potential exposure to forced labour through its connection with supplier Gain Lucky. The company acknowledged the compensation plan as a legacy of the previous management and reassured us that it was in the process of being amended. We recommended that the renewed policy provide more transparency on short-term incentives and simplify long-term incentives to align with best practice standards. Puma also clarified that it has a policy against sourcing from Xinjiang and that suppliers do not produce garments for brand with less stringent stipulations. The company is introducing random isotope testing to improve traceability and has targets in place to continually improve labour standards. Puma updated its remuneration policy in 2025 and set a more ambitious TSR target for the long-term incentive plan; although the below-median vesting still persists, albeit much less severely vs before.

Proxy voting – Alignment with management



Proxy voting – Alignment with Policy



Source: ISS

Proxy voting - Highlights

- We voted at 55 meetings (out of 57 meetings, or 97%) in the twelve months ending 31-December-2024.
- Votes cast during the reporting period were least in line with management on executive remuneration.

Proxy voting – Significant examples

- **Glanbia Plc (03/2024) Approve Remuneration Policy**
ISS objected to the one-off retention award being granted to the CFO, citing its lack of performance-based criteria and deviation from good-market practice. While acknowledging that the award has no specific conditions, Glanbia iterated that the CFO, being a dual US and Irish citizen with US work experience, could secure a better-paying role in the US. We believe that retaining a highly regarded CFO is crucial for management continuity and the success of the company, especially as the CEO was only appointed in early 2024, and voted in favour of the remuneration policy.
- **Surgical Science Sweden AB (05/2024) Re-elect Thomas Eklund as Director**
ISS recommended voting against the Thomas Eklund due to his status as a non-independent director and the lack of overall independence on the board. We agreed that the consulting agreement of SEK 248,000 per year does compromise his status as an independent director, taking board independence below 50% and voted against Eklund. However, we felt voting against the other independent directors was counterproductive because we would be voting against key shareholders.
- **Silergy Corp. (05/2024) Approve Amendments to Lending Procedures and Caps**
We diverged from ISS recommendation and voted in favour of the amendments. While ISS concluded that the proposed increase of caps in endorsement and guarantee provision may expose the company to unnecessary risks, the subsidiary that would be the recipient of the guarantee was a wholly owned subsidiary. We believe this is important for Silergy's operations, especially in China, as its local subsidiary partners with foundries and demands specific investments from their supply chain. As such, we think the subsidiary is likely to get better terms, and shareholders receive higher profits, if Silergy is viewed as a safer counterparty with the full backing of the corporate entity. Silergy also has a 10% net worth limit for guarantees for subsidiaries where they have more than 90% (but less than 100%) ownership, which limits risks further.

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

	Portfolio	Benchmark
Weighted Avg. Carbon Intensity	74	186

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	Hyatt Hotels	3.0%	Hotels, Resorts & Cruise Lines	595	24.1%
2	Accor	2.4%	Hotels, Resorts & Cruise Lines	637	20.6%
3	Lemon Tree Hotels	1.9%	Hotels, Resorts & Cruise Lines	402	10.5%
4	Gerresheimer	2.7%	Life Sciences Tools & Services	269	10.0%
5	Capstone Copper	1.3%	Copper	455	8.1%

Source: MSCI

Comments

- **Hyatt Hotels** (24.1% of the portfolio's carbon intensity) is a global hospitality company that manages, franchises, owns and develops branded hotels. The firm has 2030 SBTi-confirmed targets, which include an absolute reduction of Scope 1 & 2 emissions by 27.5% from a 2019 baseline. The target will be achieved through a combined focus on energy efficiency and renewable energy, including Environmental Attribute Certificates (EACs). Carbon intensity figures for hotel companies are overstated because the revenues only reflect a proportion of the revenue generated from managed and franchised hotels, but the emissions include the entire carbon emissions of managed and franchised hotels.
- **Accor** (20.6% of the portfolio's carbon intensity) is a French multinational hospitality company. The company adopted SBTi approved targets compatible with a 1.5 degrees Celsius warming trajectory. Accor plans to reduce absolute Scope 1 & 2 GHG emissions by 46.2% by 2030 compared to 2019 levels, and to be carbon neutral by 2050.
- **Lemon Tree Hotels** (10.5% 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.
- **Gerresheimer** (10.0% of the portfolio's carbon intensity) is a pharmaceuticals company providing drug delivery systems and medical devices. The company has committed to a 50% reduction in Scope 1 & 2 emissions by 2030 vs 2019, which is in the process of being SBTi validated. In the meantime, Gerresheimer plans to use state-of-the-art production technology to reduce energy demand while meeting 100% of its electricity needs from renewable sources by 2030. In 2023, the firm's energy intensity declined by 8% and energy consumption remained stable despite the firm's year-on-year growth.
- **Capstone Copper** (8.1% 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.

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