TT INTERNATIONAL

TT UK – 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 rollback 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 throughout 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.

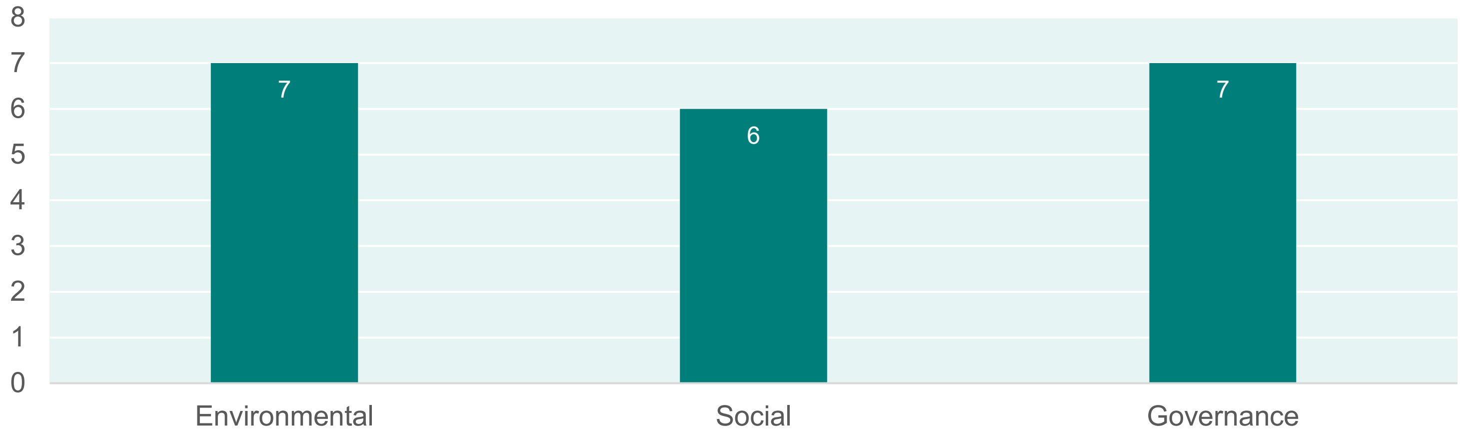
We continued our involvement in the CA100 and IIGCC sector engagement on green steel, which culminated in the publication of a paper titled "Assessing the European Commission's recent steel sector initiatives." This publication examines recent policy initiatives from the European Commission aimed at 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 the 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

- 17 targeted engagements in 2025 with 14 companies in the UK 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 met with **Breedon**'s CFO to discuss the company's strategy, market outlook, decarbonisation plans, and broader sustainability considerations across its UK, Irish, and US operations. A significant portion of the discussion focused on the company's decarbonisation strategy. Management highlighted two key levers for reducing emissions: replacing fossil fuels with alternative fuels and increasing the use of supplementary cementitious materials (SCMs), including limestone and calcined clay. Breedon noted that its Irish cement plant already operates with very high alternative fuel substitution rates, averaging in the low 80%, and is targeting the elimination of fossil fuels over time. The company has also invested in on-site solar generation, which can supply up to 100% of the plant's electricity needs at certain times and approximately 20% over a year.

We discussed carbon capture, utilisation and storage, particularly the Peak Cluster project in the UK. Management views carbon capture as a critical component of the long-term decarbonisation pathway for the cement industry and highlighted recent progress, including the project's entry into the FEED phase and support from the UK National Wealth Fund. Breedon stressed that the development of carbon transport and storage infrastructure remains essential, noting that carbon capture investments are only viable if storage solutions are available. The company also emphasised the importance of regulatory clarity around carbon border adjustment mechanisms (CBAM) in both the UK and Europe.

The conversation also covered sustainable construction materials and the role of SCMs in reducing clinker intensity. Management expects greater use of alternative cementitious materials over the coming years and believes these technologies will be increasingly important in delivering lower-carbon cement products.

Social

We engaged with **Endeavour Mining** in November 2025 on the allegations that the company (as well as other mining companies operating in Senegal) were employing children at 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 incidents in 2024, but still sought to understand their policies and risk mitigation measures around this issue. 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. We considered the response sufficiently detailed to address the concerns raised during the engagement.

Engagement highlights (cont.)

Governance

We engaged with **Lloyds Bank** on conduct and consumer protection risks arising from motor finance litigation. Management noted that the Supreme Court judgment in August 2025 removed several of the most severe downside scenarios, although uncertainty remained around the FCA's proposed redress scheme. Key variables include whether the scheme extends back to 2007 or 2014, whether compensation is delivered proactively or only following customer claims, and how the FCA defines a fair commission level. Lloyds currently holds a provision of approximately £1.15 billion and expects any further adjustment to be manageable in the context of the group, with greater clarity likely once the FCA finalised its approach. From an ESG perspective, the issue remains an important test of customer fairness, governance, and remediation processes.

Strategy

We discussed with **Dalata** its strategic review, which was initiated following continued shareholder frustration with the company's valuation despite substantial capital returns. Management explained that, despite introducing dividends in 2023 and returning approximately EUR 100 million to shareholders through dividends and share buybacks over the previous 12 months, the share price still failed to reflect the underlying value of the business, and this prompted the board to launch a strategic review to determine how they should maximise shareholder value.

Management emphasised that the review is considering two potential outcomes: a sale of the company or a significantly larger share buyback. They stressed that there is no preferred outcome from a management perspective and that the process is being conducted with a strong focus on governance. Although management would like to continue leading the business, they acknowledged the importance of avoiding conflicts of interest and confirmed that any decision would be based solely on what delivers the greatest value for shareholders. We understood that the process was being run in a disciplined and transparent manner, with clear communication to stakeholders and an emphasis on completing the review as quickly as possible to minimise uncertainty for employees.

From a capital allocation perspective, management highlighted Dalata's conservative balance sheet, noting that leverage of 1.3x was well below its preferred range of 2.5–3.0x. The company believes its significant property asset backing provides it with considerable financial flexibility. Around half of the group's value is represented by its Dublin hotel portfolio, and management discussed the potential for sale-and-leaseback transactions or selective asset disposals if required, although they acknowledged these options involve tax considerations and execution complexity. Overall, management reiterated that the business continues to generate strong cash flow, providing flexibility to support whichever strategic outcome best enhances long-term shareholder value. The company's acquisition by a consortium was announced in July and closed in November 2025.

Cross-cutting

We spoke to **Balfour Beatty** about the energy transition as a major long-term growth driver, particularly in power transmission, nuclear, carbon capture, hydrogen, and related enabling infrastructure.

The company explained that a key area of growth is power transmission and distribution. National Grid plans to build approximately five times more transmission lines, creating substantial demand for new infrastructure, and Balfour Beatty is already well positioned in this market and involved in early-stage works such as design and site clearance. Many projects are still in Phase 1, and as these projects move into full construction, this will likely increase revenues materially.

The company is also deeply involved in nuclear energy, particularly through Sizewell C. Balfour Beatty is one of three contractors selected to deliver the project and is already active on site, including building an 80-metre railhead to enable construction logistics. Around 45% of materials must be transported by rail, requiring new track and sidings. Government funding for Sizewell C is already committed, with the final investment decision materialising in the summer of 2025.

The company also discussed carbon capture and storage (CCS) as a major opportunity. Balfour Beatty is involved in Net Zero Teesside, a project valued at approximately £800 million to £1 billion over three to four years. The project has reached final investment decision, with Equinor and BP as sponsors. Balfour Beatty is currently delivering enabling works and is finalising contract terms, ensuring it takes no process risk and operates purely as a contractor. Beyond Net Zero Teesside, the company sees further CCS opportunities across the UK's three main industrial clusters: Teesside, Humberside, and the North West.

Engagement highlights (cont.)

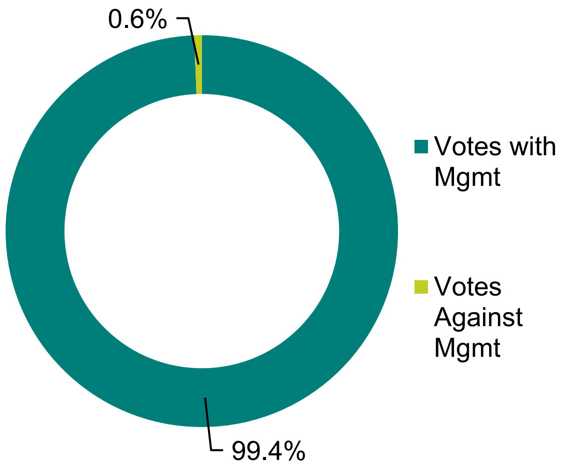
Adjacent to Net Zero Teesside, Balfour Beatty is also targeting hydrogen infrastructure opportunities, including a proposed hydrogen plant in Humberside. This creates potential cost advantages through workforce redeployment, as teams can move directly from Net Zero Teesside onto nearby hydrogen projects.

In small modular reactors (SMRs), Balfour Beatty is engaged as a construction partner. However, SMRs are viewed as a long-term opportunity, with no UK deployment expected until well into the 2030s. Simultaneously, the company is leveraging its civil nuclear capability into defence-related energy and security infrastructure, including nuclear-grade buildings and secure facilities required for the UK’s long-term nuclear and energy resilience.

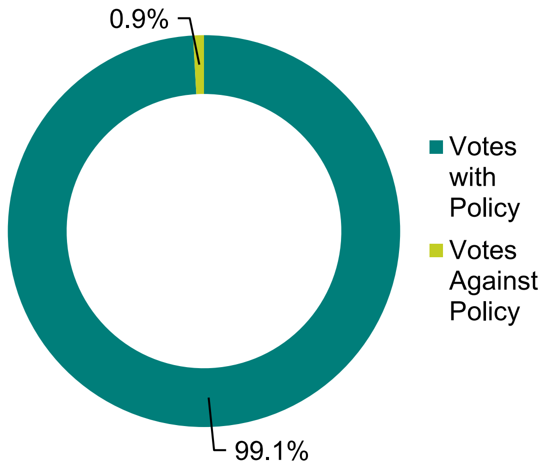
Overall, Balfour Beatty views the energy transition as a multi-decade opportunity, with strong positioning across regulated power infrastructure, nuclear new build, carbon capture, hydrogen, and emerging technologies, while maintaining a disciplined approach to risk and contract structure.

We also discussed Balfour Beatty's capital allocation framework, including its commitment to returning surplus cash generated from earnings rather than temporary working capital inflows, reflecting a disciplined approach to financial management. Finally, we touched on the company's military housing business and US civil infrastructure projects, including the management of contractual disputes and risk allocation, with management highlighting improvements in project execution and contract discipline.

Proxy voting – Alignment with management



Proxy voting – Alignment with Policy



Source: ISS

Proxy voting – Highlights

- We exercised our voting rights at 58 meetings (out of 59 meetings, or 98%) for this strategy in the twelve months ending 31 December 2025.
- Votes cast during the reporting period were least in line with management on compensation matters.

Proxy voting – Significant votes

- **Beiersdorf AG (04/25) Approve Remuneration Policy**
  ISS recommended voting against Beiersdorf's remuneration policy because of significant increases (+33%) in total maximum compensation for all executives without a compelling rationale, and as the policy contains significant scope for the award of discretionary payments via "reappointment" (retention) bonuses. We voted against as the company chose to increase salaries whilst curtailing bonuses, rather than increasing the LTIP. Furthermore, the retention bonuses continue to feature in its policy, and we believed this risked a disconnection between pay and performance and could result in a misalignment between shareholders and management.

- **Centrica Plc (05/25) Approve Remuneration Report**
  ISS recommended voting against Centrica's remuneration report because of a 28.7% increase in the CEO's salary that was materially above that of the wider workforce (3.5-4%). However, when Christopher O'Shea was appointed to this role, his pay was set lower to recognise that he was new in the role (£775,000 compared to the former CEO's salary of £957,000), and with this increase in salary, he is still achieving the median overall CEO remuneration for FTSE 100. Furthermore, the company had seen strong three- and five-year performance vs the broader FTSE. We voted in favour of the report.

- **London Stock Exchange Group plc (05/25) Approve Remuneration Report**
  ISS recommended voting against LSEG's remuneration report because the company sought to increase the threshold vesting level applicable to the LTIP relative TSR indicator. For this performance measure, which carries a 20% weighting, threshold vesting will increase from 25% to 50% for median performance against the global peer group. We considered the revised threshold to be reasonable. It remained more demanding than those applied by US peers and broadly comparable with European peers. We therefore voted in favour.

Weighted average carbon intensity – (t CO_2e/$m sales)

	Portfolio	Benchmark
Weighted Avg. Carbon Intensity	84	74

Source: MSCI
Carbon intensity: Portfolio coverage 93%, Benchmark coverage 94% (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	Rio Tinto	2.6%	Diversified Metals & Mining	586	18.5%
2	CRH	1.5%	Construction Materials	861	15.6%
3	Pan African Resources	1.2%	Gold	940	13.2%
4	Ryanair Holdings	1.0%	Passenger Airlines	1,098	12.9%
5	Endeavour Mining	2.1%	Gold	296	7.5%

Source: MSCI

Comments

Rio Tinto (18.5% of the portfolio's carbon intensity) is a global diversified miner targeting a reduction in its Scope 1 & 2 emissions by 50% by 2030 and net zero by 2050. The company is pursuing this through large-scale renewable power procurement and repowering its aluminium assets with 2.2 GW renewable energy in Queensland, alongside electrification, renewable diesel and lower-carbon process technologies such as hydrogen calcination, BlueSmelting, and biocarbon initiatives. Rio Tinto said its 2024 Scope 1 & 2 emissions were reduced by 3.2 MtCO2e thanks to new renewable energy contracts.

CRH (15.6% of the portfolio's carbon intensity) is a leading global building materials business. Due to CRH's exposure to aggregates and broader building materials, it has a significantly lower carbon footprint than pure-play cement peers. The company has SBTi-approved targets to reduce Scope 1 & 2 GHG emissions by 33.5% per tonne of cementitious product by 2030 (vs 2021). CRH is working to reduce the clinker content in cement by using low-carbon SCMs.

Pan African Resources (13.2% 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 its reliance on the predominantly coal-based 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.

Ryanair Holdings (12.9% of the portfolio's carbon intensity) is Europe's largest airline group by passenger numbers, providing low-fare passenger airline services. The company has a net zero by 2050 ambition and an SBTi-approved near-term target to reduce well-to-wake Scope 1 jet fuel and Scope 3 fuel-related emissions by 27% by 2031 from a 2023 baseline, in line with a 1.5°C trajectory. Ryanair aims to achieve this through newer aircraft and SAF adoption: in FY25 it took delivery of 30 Boeing 737-8200 aircraft and began procuring a 2% SAF blend at the EU and UK airports, while maintaining a 12.5% SAF target for 2030.

Endeavour Mining (7.5% of the portfolio's carbon intensity) is a leading West African gold producer that aims to achieve net zero by 2050 and reduce Scope 1 & 2 emissions intensity by 30% by 2030 from a 2022 baseline. The company is pursuing this through a mix of grid connections, renewable energy, power and processing efficiency improvements and fleet optimisation. The company's Scope 1 & 2 emissions intensity decreased by 9.4% in 2025 driven by increased adoption of renewable electricity and initiatives to reduce fossil-fuel reliance and improve energy efficiency.

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