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Basak Yeltekin, Head of ESG

Basak is Head of ESG at TT. Working alongside the Investment, Risk and Marketing teams, she helps to integrate ESG across TT's 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.



TT Global Environmental Impact Fund

The TT Global Environmental Impact Fund, distributed in Australia exclusively by Copia, invests in the TT Environmental Solutions Strategy UCITS.

TT International ESG update

For global asset manager TT International (TT), 2021 was a year in which it sought to strengthen and go beyond ESG integration. The asset manager had 73 targeted ESG engagements with 51 companies. It continued and expanded its collaborative engagements by joining Climate Action 100+. It voted at 408 meetings and published voting records on its website. Finally, TT has grown its ESG team.

Active ownership: TT determined the “high priority” ESG areas for 2021 as physical and transition climate risk, biodiversity, and human rights risks in supply chains and raised these topics, amongst others, in its company engagements.

TT joined the Climate Action 100+ collaborative engagement in October 2021. CA100+ focuses on 167 companies that are critical to the net-zero emissions transition. Investors are responsible for driving engagement and developing and implementing company-specific engagement strategies. As a part of this engagement, TT liaised with Environmental Defense Fund, a US-based non-profit environmental advocacy group, about methane emissions in the oil and gas industry.

TT successfully appointed an independent director at VEON, a Dutch-domiciled telecommunications company, in collaboration with other investors and guided by Association of Institutional Investors (API).

TT also started a thematic biodiversity engagement with a subset of the investee companies in its Environmental Solutions strategy using its biodiversity engagement guide. The firm also documented the biodiversity disclosure of the companies that have had the highest number of such controversies in all TT portfolios as a precursor to engaging with them on this topic in 2022.

Research: Using historical ESG data, TT concluded an ESG data project where the environmental and social factors that are most correlated with excess shareholder returns in emerging markets were identified.

A framework was created for scoring companies on their contributions to the UN Sustainable Development Goals.

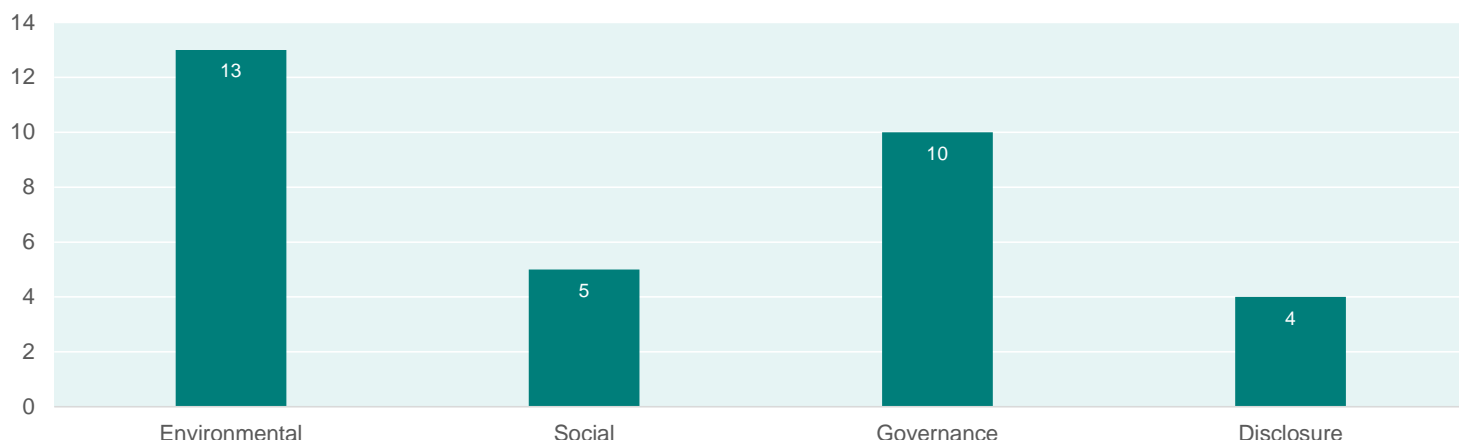
TT subscribed to the MSCI Climate Value-at-Risk and EU Sustainable Finance data and research modules and started using these in its analyses. The climate scenarios utilised by MSCI were discussed and the team debated which ones are most aligned with TT's views on renewables penetration. An internal, real-time carbon measurement tool was created which calculates the weighted average carbon intensity of investment portfolios and benchmarks.

Processes: TT started holding monthly ESG risk meetings on its long-only portfolios with the portfolio managers and TT Risk team. At these meetings, a review is undertaken on the portfolio holdings with relatively high governance risks (including accounting flags), low ESG scores, and controversies. The portfolio's weighted average carbon intensity is also calculated and with analysis on the companies that contribute most substantially to this metric.

Reporting: TT published its inaugural stewardship report which explains the asset manager's stewardship philosophy, resources, process, and activities for 2020 and subsequently became a signatory to the UK Stewardship Code.

Regulatory: TT classified its funds as per the EU Sustainable Finance Disclosure Regulation and updated all fund documents to address the integration of sustainability risks into investment decisions.

Engagement Breakdown by Theme



Engagement highlights

TT engaged with **Weyerhaeuser**, the largest private timberland owner in North America, on the company's physical climate risk and carbon opportunity. Weyerhaeuser's carbon removal activities store the equivalent of 32 million metric tonnes of CO₂ in their wood products annually, the equivalent of taking 7 million cars off the road as per company statistics. TT were satisfied with the company's response to its concerns on the management of fire risk and encouraged by the formation of its new business unit, 'Natural Climate Solutions', which is on course to generate \$100 million EBITDA by 2025.

TT engaged with **KWS SAAT**, a German agricultural seed company, on the biodiversity impacts of their products and the impact of climate change on major crops. Questions ranged from the assistance provided to farmers on pesticide use, to the impact on their business from the loss of pollinators, to the impact on corn yields from climate warming. KWS has team of agronomists in each region and gives advice with respect to efficient pesticide use; however, this is not their main focus as they are not the AgChem producer. On the pollination question, the company pointed out that some crops are also self-pollinating, and KWS with its 24 crops (including many bee-friendly catch-crops) tries to provide a broad range of products to maintain the diversity in their farmers' rotation and fields. Regarding the impact of climate change on corn yields, the company believes that lower corn yields will primarily result from the most productive land being farmed, but breeding and modern genomics will help to increase yields and provide solutions to climate change.

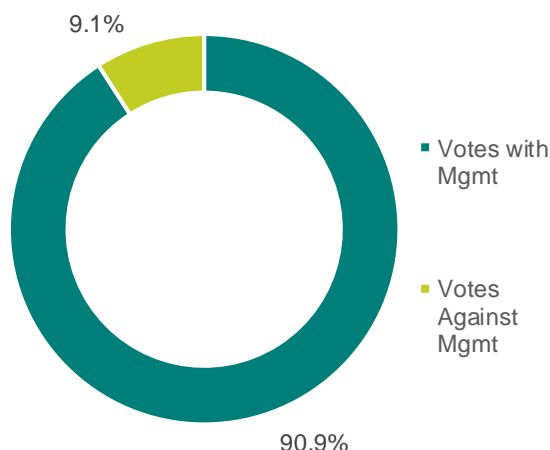
TT engaged with the Chief Impact Officer of **Planet Labs**, an Earth imaging company, on the protection of human rights, environmental impact, and the monitoring of customer usage of data. The outcome from the call was an array of clear examples that assuaged TT's ethics concerns including cases where the company refused to sell their data to third parties due to the assessment of the ethics committee. TT subsequently engaged with the company on their ESG disclosure, specifically disclosure of carbon emissions. The company said that they had completed a full inventory of their 2020 emissions and would be offsetting the balance. Planet Labs announced in February 2022 that they had become a carbon-neutral company.

TT engaged with **Installed Building Products**, a leading U.S. new residential insulation installer, in January 2021 regarding their ESG policies and lack of carbon emissions disclosure. The company provided its existing policies and committed to increasing ESG disclosure and subsequently published its inaugural ESG report in September 2021.

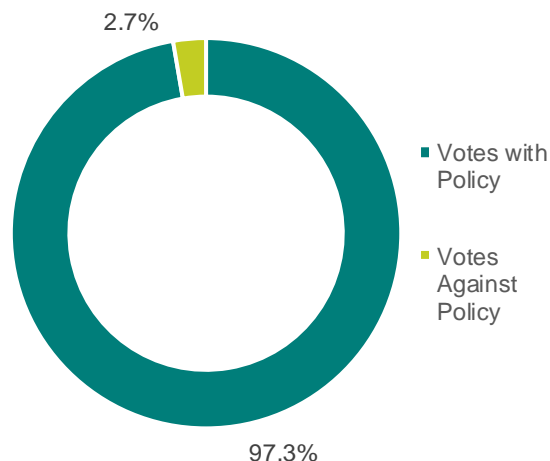
TT engaged with **Knorr-Bremse**, a German manufacturer of braking systems for rail and commercial vehicles, in July 2021 on the proposed acquisition of Hella, a German automotive parts supplier. TT did not believe that the target was a good strategic fit for Knorr-Bremse and strongly suggested that the company put the transaction to a shareholder vote. As a result of significant shareholder opposition, the company pulled out of the transaction.

TT engaged with **Renew Energy Global**, an Indian renewable energy generation company, on capital allocation and suggested that the company should consider a share buyback. The company announced a \$250 million share repurchase program in February 2022, to be funded through cash received from the company's recent sale of its solar rooftop portfolio.

Proxy voting – Alignment with management



Proxy voting – Alignment with Policy



Source: ISS

Proxy voting - Highlights

- TT voted at 48 meetings (out of 50 meetings, or 96%) in the twelve months ending 31-December-2021.
- Votes cast during the reporting period were least in line with management on anti-takeover related matters, where only 71% of votes followed management recommendations.

Proxy voting – Significant examples

- **Solarpack Corporacion (04/21) Approve Remuneration Policy**
ISS recommended voting against the remuneration policy on grounds that it includes open-ended one-off awards and as it is unclear whether the sign-on awards are subject to performance conditions. The policy indeed allowed for sign-on bonuses to compensate for lost remuneration from the previous employer. Without this flexibility, TT believe it is significantly more difficult for these businesses to attract strong executives in a sector that sees substantial competition for talent.
- **Smart Metering Systems Plc (05/21) Approve Remuneration Report**
ISS recommended voting against the remuneration report, as SMS paid transaction-related bonuses (an individual cash bonus of 40% of salary) related to the successful completion of the company's meter assets disposal. TT did not see a problem voting for this given that SMS's policy allows for a bonus grant "to recognise an exceptional contribution to a discrete project outside the ordinary course of business". Furthermore, this sale resulted in a transformation of the company's capital structure by allowing SMS to repay all outstanding debt on its revolving credit facility, whilst also demonstrating the inherent value present within the meter assets. Finally, TT believe the cash bonus was not exorbitant, and the overall remuneration quantum was low.
- **Agromonics Ltd (05/21) Authorise Issue of Equity without Pre-emptive Rights in Connection with the Fundraising, Broker Option, and Warrants**
ISS recommended voting against this issuance, as it would be highly dilutive to non-participating shareholders, and the proposed amounts under the general authority included in these resolutions exceeded the recommended limit of 10% of issued share capital for share issuances without pre-emptive rights. While the issuance was at a significant discount to the price immediately prior announcement, the share price had been highly volatile, and the placing was done at a substantial premium to NAV, which is the basis for valuation. Finally, TT did not want to vote against an issuance that it participated in.
- **KWS SAAT SE & Co. KGaA (12/21) Approve Remuneration Policy**
ISS recommended voting against the remuneration policy, as it allows for special remuneration. According to the policy, any "special remuneration is only permissible if its purpose is in the interests of the company and brings a future-oriented benefit to the company". This language is required by the 2020 German Stock Corporation Act; furthermore, KWS has a ceiling for management remuneration. TT therefore supported the management.

Carbon footprint – (t CO₂E/\$m invested)

	Portfolio	Benchmark
Carbon footprint	67	80

Source: MSCI

Carbon intensity: Portfolio coverage 88% (including cash), Benchmark coverage 100% (not scaled to 100%)

Top 5 contributors to the portfolio's carbon footprint

Rank	Company	Portfolio weight	Sector (GICS)	Carbon intensity	Contribution to carbon footprint of the portfolio
1	Owens Corning	4.70%	Industrials	473	30.3%
2	Renewi	1.35%	Industrials	329	19.1%
3	Smurfit Kappa	3.00%	Materials	319	11.4%
4	Steico	2.10%	Industrials	1325	9.6%
5	ON Semiconductor	3.40%	I.T.	557	5.9%

Source: MSCI

Comments

- **Owens Corning** (30% of the portfolio's carbon footprint) is a major provider of residential insulation which helps improve the thermal efficiency of buildings and thus reduces their CO₂ footprint. Owens Corning has reduced absolute GHG emissions by 14% from the 2018 base year, in part due to efforts related to its renewable energy strategy as well as energy efficiency and process improvements. The company's products help to save emissions that are more than twice its scope 1+2 emissions on an annual basis.
- **Renewi** (19% of the portfolio's carbon footprint) is a waste-to-product company that turns waste into useful materials such as paper, metal, plastic, glass, and wood. The company's services prevent disposal through mass burn incineration or landfill and help to save emissions that are approximately five times its scope 1+2 emissions on an annual basis.
- **Smurfit Kappa** (11% of the portfolio's carbon footprint) is one of the leading providers of paper-based packaging in the world. Smurfit's products are 100% renewable and produced sustainably, and they provide an important alternative to plastic packaging, which is highly damaging to the environment. Ambitious CO₂ reduction targets in the EU could become a long-term issue for some mills and will play to the strengths of players such as Smurfit Kappa, which has spent well over a decade reducing its carbon footprint (compared to its baseline year 2005, Smurfit Kappa had reduced its emissions intensity by 37.3% by the end of 2020). The increased investment required by some mills to reduce their CO₂ footprint could take capacity out of the European containerboard system over time or conversely act as a hurdle to new capacity coming onstream.
- **Steico** (10% of the portfolio's carbon footprint) produces wood fibre building insulation, which improves the thermal efficiency of buildings and reduces their CO₂ footprint. It has a relatively high carbon intensity due to the production of heat and steam required in the manufacturing process. The emissions avoided through the use of Steico's products are approximately twice the company's total scope 1+2 emissions.
- **ON Semiconductor** (6% of the portfolio's carbon footprint) is a semiconductor company with a fast-growing auto division geared to electric vehicles. Furthermore, roughly 70% of ON Semi's fast-growing silicon carbide revenues are for traction inverters in electric vehicles. Enabling and accelerating the transition of global fleets to electric vehicles will contribute to mitigating climate change through reduced tailpipe CO₂ emissions.

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