TwentyFour
a boutique of Vontobel

TwentyFour Asset Management LLP

UK TCFD Report

Year ending 31 December 2023

We recognise that climate change has the potential to have profound effects on the global economy and financial markets.

Strategy for Climate-Related Risks and Opportunities

At TwentyFour, we recognise that climate change has the potential to have profound effects on the global economy and financial markets and that the financial sector can play an important role to help address the challenges related hereto.

Our inaugural Task Force on Climate-Related Financial Disclosure ("TCFD") Report is for TwentyFour Asset Management LLP (together with its subsidiaries, "TwentyFour" or the "firm") and provides an overview of our current strategy to climate-related risks and opportunities, including how TwentyFour considers, manages and oversees climate change across the business.

TwentyFour's approach to climate-related risks and opportunities encompasses two core considerations:

1. As an asset manager and fiduciary to our clients, we aim to help interested clients navigate climate-related risks and opportunities, while operating within the bounds of TwentyFour's clients' objectives and risk appetite; and
2. As a corporation that is impacted by and directly/indirectly contributes to climate-related risk and opportunities and the climate.

TwentyFour is committed to transparency with stakeholders and clients, and so this report also sets out the initial steps we have undertaken on climate risk scenario analysis to understand the impacts of both transition and physical risk on our business.

As acknowledged by TCFD recommendations, implementation of the recommendations is a journey which will evolve over time and we will continue to refine our climate strategy and engagement on this important topic.

Ben Hayward
Partner, Chief Executive

Sujan Nadarajah
Chief Compliance Officer

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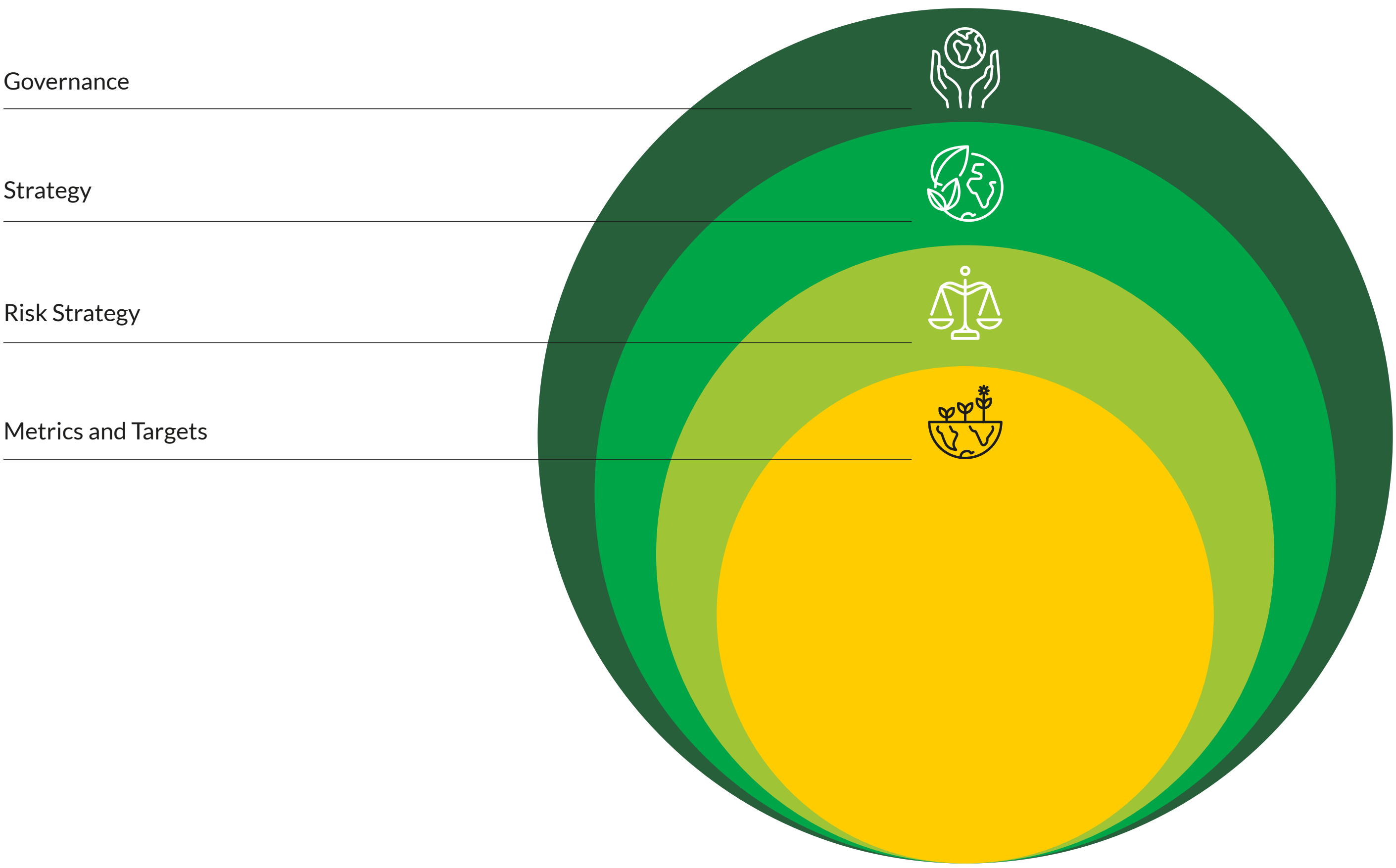
Introduction

The TCFD was established by the Financial Stability Board to develop recommendations for more effective climate-related disclosures in order to promote more informed investment decision making. TCFD is structured around four core pillars with eleven recommendations. The Financial Conduct Authority ("FCA") has developed rules for asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the recommendations of TCFD.

The purpose of this report is to disclose TwentyFour's approach and procedures for each of these four pillars. At TwentyFour, environmental, social and governance ("ESG") analysis is integrated into our investment process across all strategies and is seen as a financial risk to our investments, like any other. Climate change is one of the considerations factored in the environmental analysis that forms part of our investment process for all assets managed by TwentyFour.

As an asset manager we have a fiduciary duty to our clients to seek to achieve the investment objectives of the funds they have invested in, or as agreed with them for segregated accounts. We acknowledge that our clients' climate change preferences and ambitions may differ and accordingly we have not set transition targets or imposed climate-related exclusion policies unless agreed with our clients; instead we offer different solutions to support our clients' varying goals.

Pillars of recommended climate-related financial disclosures



Pillar	Recommendation to Asset Managers	Summary
GOVERNACE	Describe the board's oversight of climate-related risks and opportunities.	The Board has oversight of climate-related risks and opportunities via the ESG Committee and the Risk & Compliance Committee established by the Executive Committee. The ESG Committee oversees investment stewardship, policy and corporate sustainability, and the Risk & Compliance Committee oversees the firm's levels of risk, risk assessment and management, and compliance with regulation, together with sustainability risks including climate.
	Describe the management's role in assessing and managing climate-related risks and opportunities.	TwentyFour's Executive Committee is responsible for the firm's ESG strategy including climate-related risks and opportunities. The relevant committees and teams are responsible for implementation of the firm's ESG strategy and report back to the Executive Committee.
STRATEGY	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Risks: market, product, regulatory, reputational and physical risks. Opportunities: increased demand for sustainability products/strategies.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Climate-related risks and opportunities are considered in the business strategy, investment process, and systems and controls.
	Describe how climate-related risks and opportunities are factored into relevant products or investment strategies, and describe how climate-related risks and opportunities are factored into relevant products or investment strategies and how each product or investment strategy may be affected by the transition to a lower-carbon economy.	Climate-related risks and opportunities form part of ESG integration in the investment process, in a manner that is consistent with the relevant investment guidelines.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TwentyFour considers climate-related scenario analysis using data from a third party vendor, in understanding the potential impact of climate-related transition and physical risks to the firm's business strategy over different time horizons.

Pillar	Recommendation to Asset Managers	Summary
RISK MANAGEMENT	Describe the organisation's processes for identifying and assessing climate-related risk.	ESG, including climate change is integrated into the firm's investment process with the portfolio management teams, as primary risk owners, considering climate-related risks appropriate to client portfolios. TwentyFour's Risk and Compliance functions oversee the firm's ESG-related investment and operational risks. The Risk function evaluates investment risk including ESG/sustainability risks on an ongoing basis to ensure risks are well understood and monitored appropriately to complement the first line of defence. With ESG being integrated into the investment process and systems and controls, it is considered within the firm's standard product development and incident management processes.
	Describe the organisation's processes for managing climate-related risks.	
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
	Describe how material climate-related risks are managed for each product or investment strategy.	
	Describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks, in order to improve data availability and asset managers' ability to assess climate-related risks.	TwentyFour has engaged with companies for a number of years on ESG factors and during 2023 TwentyFour held 142 such engagements, of which 84 were engagements on environmental issues. These engagements helped TwentyFour better understand the companies' approach and commitment to improving their positioning and oversight of ESG factors, including climate change. TwentyFour has observed improved engagement with companies over the years as well as improved reporting.

Pillar	Recommendation to Asset Managers	Summary
METRICS AND TARGETS	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	TwentyFour discloses total Scope 1 and Scope 2 GHG emissions.
	Asset managers should describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, asset managers should also describe how these metrics have changed over time. Where appropriate, asset managers should provide metrics considered in investment decisions and monitoring. Asset managers should describe the extent to which their assets under management and products and investment strategies, where relevant, are aligned with a well-below 2°C scenario, using whichever approach or metrics best suit their organisational context or capabilities. Asset managers should also indicate which asset classes are included.	TwentyFour considers backward and forward looking metrics that have been employed to disclose the product-level climate-related risks where sufficient coverage of data and data models exists: 1. Scope 1 and Scope 2 GHG emissions 2. Weighted-Average Carbon Intensity 3. Carbon Footprint 4. Climate Value-at-Risk (forward-looking) The term 'product-level' refers to segregated accounts and funds managed by TwentyFour. TwentyFour will be disclosing these metrics for the first time; no comparison against prior years is available.
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	TwentyFour reports Scope 1 and 2 emissions where source data is available and reliable.
	Asset managers should disclose GHG emissions for their assets under management and the weighted average carbon intensity (WACI) for each product or investment strategy, where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology. In addition to WACI, asset managers should consider providing other carbon footprinting metrics they believe are useful for decision-making.	TwentyFour disclosures will include Scope 1 and Scope 2 GHG emissions associated with its assets classes within fixed income. The firm discloses carbon footprint and financed carbon emissions for corporates and ABS, and WACI for corporates. The firm has also opted to disclose Climate-Value-at-Risk across its products.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	In 2023, TwentyFour continued to support its clients' climate change/transition ambitions by providing them with appropriate investment solutions.

Governance

Board's Oversight of Climate-Related Risks and Opportunities

The Board of TwentyFour is responsible for the firm's overarching business strategy and direction, which includes our sustainability strategy. While the Board is ultimately responsible for oversight of the risks and opportunities that the strategy may present, it delegates the day-to-day governance and management of the firm to TwentyFour's Executive Committee ("ExCo"). ExCo is accordingly responsible for TwentyFour's sustainability strategies, overseeing its implementation and keeping the Board apprised.

The Chair of the Board is responsible for setting the Board agenda with a focus on the strategy, impact on the business, performance and value creation, systems and controls including risk management and firm culture.

The Board is periodically updated on pertinent ESG matters, including sustainability, related regulatory matters and the impact or potential impact on the firm's products and services.

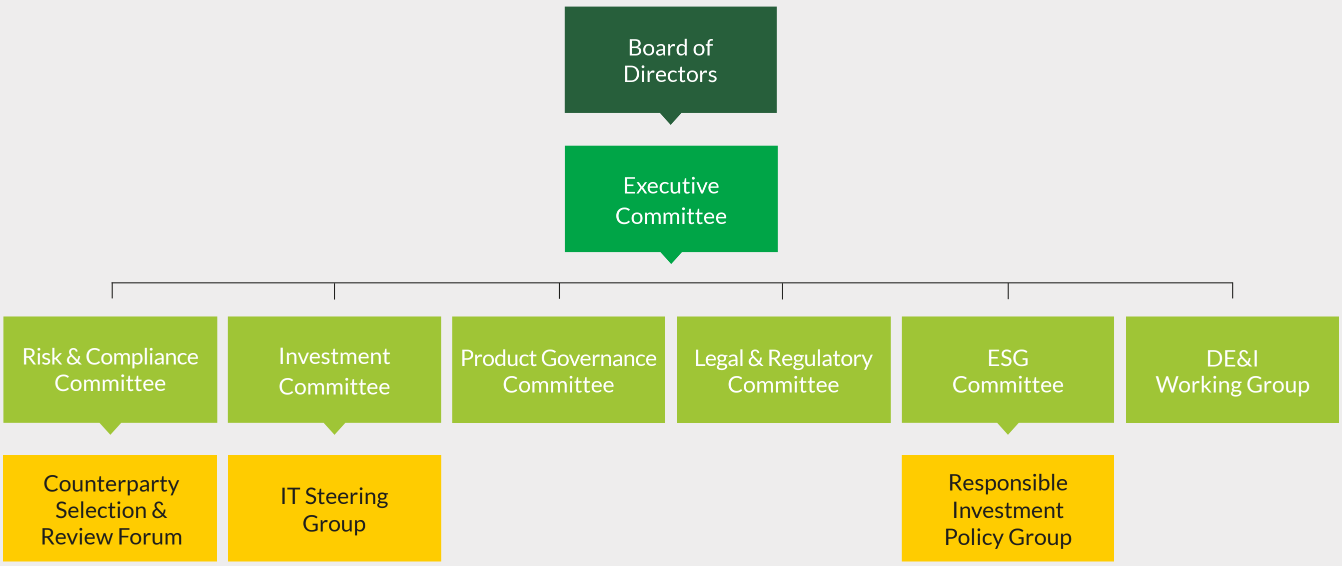
TwentyFour has a robust risk management framework to identify, assess and manage risks and opportunities including those related to sustainability and climate. ExCo receives a monthly report from the Risk function and the Board receives a quarterly report from the Chief Risk Officer on key risks impacting our business.

Management’s Role in Assessing and Managing Climate-Related Risks and Opportunities

TwentyFour’s Executive Committee is headed up by the firm’s Chair and consists of the firm’s senior leadership team. The composition of the leadership team is kept under review and currently consists of representatives of the portfolio management teams, sales, compliance and operations. ExCo is responsible for the firm’s ESG strategy, including sustainability and climate-related risks and opportunities for the firm as an asset manager and as a corporate entity.

To help ensure greater oversight of the issues facing the business and the decision making processes that underpin our business, ExCo has established committees to oversee certain aspects of the business. The committees report monthly to ExCo and in addition hereto, at least one member of ExCo sits on each of these underlying committees that report into it.

Board and Committee Structure



Source: TwentyFour, as at 31 March 2023.

ESG Committee & Responsible Investment Policy Group

TwentyFour's ESG Committee has been tasked with continually developing and implementing the firm's ESG strategy and process across the business. The Committee is co-chaired by Graeme Anderson (ExCo Chair) and Sujan Nadarajah (ExCo member, CCO) with members and invitees from functional areas across the firm. The permanent members of our ESG Committee comprise senior members of portfolio management, marketing, sales, compliance, risk, product and legal. The Committee has been deliberately made up of senior members of each business division within TwentyFour to ensure fair representation across the business, diversity of opinion and uptake of the initiatives proposed; ultimately this ensures ESG is implemented and embedded across TwentyFour. The Committee meets monthly and meetings are open to all members of staff that are interested.

The Responsible Investment Policy Group (a subgroup of the ESG Committee), is responsible for agreeing TwentyFour's responsible investment policies, and comprises partner portfolio managers, the firm's Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and Head of Legal.

Oversight by Risk & Compliance Committee

At firm-level a Risk Management Framework has been implemented that enables TwentyFour to effectively identify, monitor, communicate and manage risks across two key pillars: the Business/operational Risk associated with the operation of the firm and the Investment Risk we assume on behalf of clients when investing in financial markets. Under the two pillars, each risk is identified and quantified through a combination of qualitative and/or quantitative measures. TwentyFour employs the core risk management objectives (RMOs) of independence; analysis; monitoring; and understanding as the principles across the firm when considering the risk of our activity. ESG risks and their associated harms are considered across all areas of the firm's activity.

The TwentyFour Risk and Compliance Committee, co-chaired by the CRO and CCO, meets on a monthly basis and includes representation from across the firm. The Committee serves as the focal point for reviewing both portfolio investment risk and compliance; and firm-level risk including operational, technology, and compliance and regulatory risk. The Committee reviews the efficacy of the control environment, realised operational risk events and any emerging systemic risks/risk landscape changes that may impact client portfolios and the broader financial system. ESG considerations are integrated into these processes.

Strategy

Impact of Climate-Related Risks and Opportunities on TwentyFour's Business, Strategy and Financial Planning

TwentyFour's business is rooted in understanding and navigating fixed income markets, while managing investment risk along with clients' investment needs and goals.

We acknowledge the impact climate change may have on the global economy and financial markets as well as society, and the risk and opportunities both issuers and investors may face. As an asset manager and fiduciary our investment process is focused on considering relevant investment risks and opportunities that may impact portfolio construction.

TwentyFour deems ESG considerations as a financial risk to our investments like any other and seeks to include climate-related risks and opportunities as part of these ESG risk considerations, where relevant and mandated by the client(s). With ESG being embedded into our investment process, our portfolio management teams are responsible for incorporating ESG considerations in every investment they make. Every member of the portfolio management team at TwentyFour is responsible for considering ESG factors on every investment they make; we believe this ensures accountability.

Our strategy reflects our current ambitions for TwentyFour as an organisation, and in our role as asset manager we aim to support our clients to achieve their investment objectives and preferences. Accordingly, while considering ESG as a risk factor we have not, without instruction to do so, imposed any transition targets or climate-related exclusion policies on our client portfolios. As such we have developed a series of products to offer a range of investment solutions intended to cater to our clients' differing climate change ambitions.

TwentyFour's strategy over the 12 months to 31 December 2023 can be summarised as follows:

Strategy	Key Actions
Grow business with reference to sustainable finance	Integrate, manage and measure sustainable finance considerations in the investment process
	Identify ESG risks and opportunities over the short, medium and long term
Ensure robust governance, risk management and compliance frameworks	Align with the recommendations issued by the global Task Force on Climate-related Financial Disclosures (TCFD) to support informed risk assessments, capital allocation, and strategic planning
	Incorporate physical and transition risks in risk and compliance oversight frameworks
Contribute to improving ESG standards with stakeholders	Expand and deepen engagement with issuers
	Contribute to standard setting via involvement with industry bodies/peers
	Operate responsible supply chains
Maintain strong social and environmental considerations throughout business operations (CSR)	Operate on a carbon-neutral basis
	Reduction in air travel
	Achieve DE&I commitments

Underpinning the firm's strategy is:

1. Executive Committee responsible for ESG/sustainability and CSR
2. Integration across the business
3. Proprietary system that supports the integration of sustainable finance in the investment process

Climate-Related Risks and Opportunities Identified for our Clients' Investment Portfolios and our own Operations

Climate-Related Risks

TCFD recognises two broad categories of risk: physical risks and transitional risks.

Physical Risks

Physical risks can be event-driven or longer-term shifts in climate patterns. Event-driven physical risks, referred to as acute risks, include the risks associated with extreme weather events like hurricanes, wildfires and flooding. Physical risks that relate to changes in climate patterns, referred to as chronic risks, include the risks associated with increased frequency and intensity of extreme weather events. Physical risks may negatively impact resources available to issuers and value of investments, as well as business property and activities.

Transitional Risks

Transitional risks result from the move towards a low-carbon economy through changes to regulation, legislation, policy, technology and investor and consumer behaviour, all of which may, over time, impact issuer's business models, business and corporate operations, financial market pricing, and value expectations.

To understand the physical and transitional risks TwentyFour's business faces, we have conducted qualitative analysis using two scenarios:

> **"< 2°C" scenario**: where global warming is limited to less than 2°C with net zero achieved by 2050; and
>
> **"4°C" scenario**: where the goal of net zero by 2050 is not reached.

These scenarios were chosen to reflect the broad range of possibilities that could unfold given the differing levels of global engagement in tackling climate change.

Climate-Related Risks and Opportunities Identified for TwentyFour's Operations

As set out in the tables below, our analysis suggests a medium impact of climate-related risks and opportunities on the business operations of TwentyFour in the short to medium term. TwentyFour's exposure to climate-related risks is largely through the services we provide to our clients. We have identified both potential risks and opportunities related to the firm's infrastructure; however, as the firm is a tenant in a building with shared service providers we acknowledge that the firm's ability to affect change is limited.

For purposes hereof we consider:

Timeframe
Short term: 0–3 years
Medium term: 4–10 years
Long term: 10+ years

Impact rating
Low
Medium
High

Operational Risks Identified

Operational Risk	Risk Description	Timeframe	Impact	Business Impact	Actions to Mitigate Risk
Physical: Acute & Chronic	Increase in frequency and severity of extreme weather events	Short term	Low	Increase in disruption of business operations, insurance costs	• Ongoing engagement with the building management on risk assessment of office locations • Working from home provisions in place
Transition: Regulation	Increase in regulatory requirements including regulatory reporting	Short term	Low	Increased costs; purchase of third party data and headcount requirements	• Appropriate committee structures to assess new impact of regulation • Robust processes across the business to incorporate regulatory changes • Systems and controls to ensure compliance with regulations
Transition: Market	Volatility of energy costs	Short term	Low	Increased costs	• Engagement with building management to ensure procurement of suitable energy provider/costs • Energy costs are minimal to the firm

Table cont.

Operational Risk	Risk Description	Timeframe	Impact	Business Impact	Actions to Mitigate Risk
Transition: Reputational	Damage to reputation due to perception that we have not responded appropriately/ sufficiently to climate change	Short term		Reduced revenue	• Ongoing monitoring of best practice

Operational Opportunities Identified

Operational Risk	Risk Description	Timeframe	Impact	Business Impact	Actions to Mitigate Risk
Resource Efficiency	Increased efficiency of office space, transportation options, promoting recycling	Short to medium term		Decreased operational costs	• Deploy hybrid working to maintain existing office space as number of employees increases • Encourage more energy efficient modes of transport where available and remove unnecessary air travel
Energy Source	Lower emission sources	Short term		Decreased GHG emissions	• Engagement with building management to ensure procurement of suitable energy provider/costs • The building uses renewable energy • Business model is intrinsically low energy intensity

Climate-Related Risks and Opportunities Identified for our Products and Investment Strategies

Since 2019 we have built out our proprietary relative value system, Observatory, to include our ESG scoring system. Observatory is utilised in the integration of ESG considerations including climate change risks in our investment decisions, in line with investment guidelines and business considerations.

We look to reflect potential impacts of short, medium, and long-term climate change risks within our credit views where appropriate, and where this is not currently applicable we consider impact to issuer's bond characteristics over the mid to long term.

For purposes hereof we consider:

Timeframe
Short term: 0–3 years
Medium term: 4–10 years
Long term: 10+ years

Impact rating
Low
Medium
High

Investment Portfolio Risk	Risk Description	Timeframe	Impact		Business Impact	Actions to Mitigate Risk
			< 2°C	4°C		
Physical: Acute	Increase in frequency and severity of extreme weather events disrupting issuer business operations	Short term			Reduced revenues	• Monitoring controversies and momentum of issuers • Ongoing monitoring of allocations to climate sensitive sectors • Engagement with issuers on climate change mitigation • For chronic risk, under 4°C scenario we believe issuers will have a longer period to adapt and therefore an opportunity to minimise the impact
Physical: Chronic	Longer term shifts in climate patterns impacting issuer business operations	Long term			Reduced revenues	

<table>
<tr><th rowspan="2">Investment Portfolio Risk</th><th rowspan="2">Risk Description</th><th rowspan="2">Timeframe</th><th colspan="2">Impact</th><th rowspan="2">Business Impact</th><th rowspan="2">Actions to Mitigate Risk</th></tr>
<tr><th>< 2°C</th><th>4°C</th></tr>
<tr><td>Transition: Current Regulation</td><td>Breach of current regulation and potential costs to the business</td><td>Short term</td><td></td><td></td><td>Regulatory fine</td><td rowspan="2">For issuers:
• Monitoring controversies and momentum of issuers
• Ongoing monitoring of allocations to climate sensitive sectors
• Engagement with issuers on climate change mitigation
For the firm:
• Robust systems and controls to ensure compliance with regulation
• Appropriate committee structures to assess new impact of regulation
• Engagement with industry, trade bodies, regulator and client base</td></tr>
<tr><td>Transition: Future Regulation</td><td>Changes to current regulation impacting stakeholders’ existing positions and responses to regulation</td><td>Medium term</td><td></td><td></td><td>Cost to business operations to ensure compliance; reduced revenues</td></tr>
<tr><td>Transition: Market</td><td>Changes to client demand for more sustainable products</td><td>Short term</td><td></td><td></td><td>Business costs to ensure relevant product offerings; reduced revenues</td><td>• Target market analysis
• Robust product process aligning our products with client ambitions
• Thorough annual product review
• Under the 4°C scenario the firm will have a longer period to adapt and therefore an opportunity to minimise the impact</td></tr>
<tr><td>Transition: Reputational</td><td>Damage to reputation due to greenwashing/ not fulfilling strategic ambition</td><td>Short to medium term</td><td></td><td></td><td>Reduced revenue</td><td>• Ongoing dialogue with clients
• Product peer group analysis to ensure benchmarking
• ESG information publicly available
• Robust systems and controls
• Appropriate committee structures to assess new impact of regulation</td></tr>
</table>

Opportunities Identified for Products and Investment Strategies

For purposes hereof we consider:

Timeframe
Short term: 0–3 years
Medium term: 4–10 years
Long term: 10+ years

Impact rating
High Opportunity
Medium Opportunity
Low Opportunity

Investment Portfolio Risk	Opportunity Description	Timeframe	Impact		Business Impact	Actions to Take Advantage of the Opportunity
			< 2°C	4°C		
Markets	Diversification of products; An increased client demand for more sustainable products due to regulations creates opportunity for new product development	Medium term			Increased revenues	• Target market analysis • Ongoing dialogue with clients • Robust product process aligning our product with client ambitions • Robust systems and controls to ensure compliance with regulation • Appropriate committee structures to assess new impact of regulation • Engagement with industry, trade bodies, regulator and client base
Product: Climate Mitigation	Revenue generation from investment opportunities focused on climate change mitigation	Short term			Increased revenues	• Design and management of climate change focused investment strategies/ portfolios • Enhanced focus on investing in sustainable products
Product: Climate Adaptation	Revenue generation from investment opportunities focused on climate change adaptation	Short term			Increased revenues	

TwentyFour's Products

TwentyFour understands that our clients have differing ESG and/or climate change ambitions and to facilitate their requirements offer a range of funds with varying degrees of alignment with sustainability, taking on board the identified risks and opportunities. Our ESG methodology is embedded within our regular investment process, we believe this approach helps us target the maximum risk-adjusted returns for our clients while also being able to promote societal and environmental outcomes. We use Observatory and our internal systems and controls to accommodate regulatory requirements and client preferences.

Our current sustainability classifications are described below and are subject to change as regulation evolves:

Responsible Investment Waterfall

Integration Entails Relative Value Assessment of Observatory Scores
ESG considerations, including issuer engagement and exclusion of controversial weapons, are embedded into the investment process together with relevant credit considerations.

Integration
PLUS
Minimum environmental and social scores for strategies that strive to achieve a higher ESG performance relative to strategies applying integration only.

Promotion
PLUS
Minimum proportion of investments aligned to sustainability characteristics and positive and negative screens applied for strategies that seek to reward companies for sound ESG practises and achieve greater ESG performance (relative to the comparator).

Enhanced Promotion
PLUS
Mainly sustainable investments with an environmental and/or social objective for strategies that have 'climate change mitigation' and 'climate change adaptation' as part of their investment objective.

Some of TwentyFour's Enhanced Promotion funds include a commitment to invest at least 15% of their assets in 'sustainable investments' as defined in Sustainable Finance Disclosure Regulation (SFDR). The sustainable objective of these sustainable investments are climate change mitigation and adaptation, and to be considered a sustainable investment by TwentyFour, corporate issuers must fulfil at least one of the following conditions: (1) The company in which the investment has been made, has committed to being aligned with the Science Based Targets initiative; or (2) The company, in which the investment has been made, has made a public net zero commitment.

Risk Management

Identifying, Assessing and Managing Climate-Related Risks

Risk management is a key consideration for TwentyFour across all our activity, from the management of our business to the investments made on behalf of our clients. TwentyFour is confident in delivering high quality asset management services to its clients because integral to our investment process is our overarching Risk Management Framework (RMF) and specialised risk frameworks including the ESG and liquidity risk management frameworks, as well as our Operational Risk Framework.

The RMF and associated risk governance frameworks provide a robust framework for managing the firm's risks and covers roles and responsibilities, principles, policies, processes and tools, risk categorisations, and internal controls. As detailed in the RMF, our approach to managing risk is consistent across the firm, supporting our strong risk culture and reinforcing a shared understanding that investment decisions are made with the appropriate systems and controls in place.

In addition to the RMF the firm operates a three lines of defence model when it comes to integrating ESG risks into the investment process.

The first line of defence are the business functions and line managers themselves who identify potential risks, including sustainability/climate-related risks, in their respective business areas.

The investment management team is responsible for factoring into investment decisions, financially material environmental, social and governance risks and opportunities for a sector and/or company, consistent with portfolio investment guidelines and in addition to other economic considerations relevant to the investments.

The second line of defence are TwentyFour's Risk and Compliance departments, which are responsible for our RMF, ESG RMF and ESG compliance. The risk department monitors and evaluates all investment risks including sustainability-related investment risks on an ongoing basis; this is part of our standard risk monitoring process and also involves engaging with portfolio managers to ensure the risks are fully understood and captured within the RMFs. The compliance department operates a monitoring program that ensures security sustainability assessments comply with the relevant applicable regulations to each portfolio.

The third line of defence is Vontobel's internal audit function that independently and retrospectively assesses the adequacy and effectiveness of TwentyFour's RMFs and control environment.

TwentyFour has also obtained the ISAE3402 certification to validate the efficacy of our control framework with respect to portfolio management.

Operational Risks

Identify

- Operational and investment related risks considered
- Identify relevant key risks
- Line management accountabilty to identify relavant risks that impact their business area

Assess

- Operational risks across business areas assessed periodically by Risk and Compliance Committee
- Line management accountabilty to assess identifed risks that impact their business area

Manage

- Systems and controls are enabled to manage risks appropriately
- Risks reviewed at least annually
- Updates and outcomes communicated with ExCo

TwentyFour's overall risk framework integrates sustainability (including climate) related risk considerations. The firm's Legal & Regulatory Committee and ESG Committee analyse current and emerging regulatory and legislative risk trends, which inform our top down approach. Applicable risks are identified by line managers and are then risk assessed with appropriate controls developed to ensure any residual risk is consistent with the firm's risk appetite. The portfolio management team, as the first line of defence, is responsible for the identification of investment risks, including those related to sustainability.

Investment risks and ESG (including climate-related) risks are assessed and managed by the investment teams and risk function, utilising systems and controls implemented across the firm. Where applicable, climate risk features in our credit analysis and our proprietary ESG scores for the issuers we evaluate. These ESG scores are a component of our standard risk assessment process across all issuers and is not specific to portfolios with a sustainability focus/objective. TwentyFour's ESG scores have been developed based on a proprietary framework and applied across all strategies.

Engagement

We believe that engaging directly with issuers is a powerful tool in helping shape their behaviour and foster positive change, extending our objectives beyond mere profit growth. Engaging with companies, including those within the unlisted sector, (private companies not traded on public markets and often lacking data transparency) presents an opportunity to influence a company's sustainability strategy, its approach to risk management and transparency, and impact mitigation, which in turn allows for more responsible allocation, management and oversight of their capital. This enables us as investors to exert longer-term positive outcomes on the environment and society.

In our experience our engagements with large, well-established corporations, have most impact in conjunction with similar concerns from other investors. In contrast, we find that our engagement with smaller issuers, where we are often a key investor, can yield more significant results, given our greater influence over the company's direction and our more personal relationships with management. During 2023 TwentyFour held 142 such engagements, of which 84 were engagements on environmental issues. These engagements helped TwentyFour better understand the companies' approach and commitment to improving their positioning and oversight of ESG factors, including climate change.

Since 2021 the firm's portfolio managers have had an ongoing project under TwentyFour's Carbon Emissions Engagement Principles, aiming to highlight the importance of publishing carbon emissions data and encouraging issuers to establish robust CO_2 intensity data (to the extent not yet in place). As part of engagement activities TwentyFour assesses and monitors the progress of the CO_2 intensity reduction plan of the identified issuers over time. The engagement is targeted at both reducing CO_2 emissions and reducing production technologies which contribute to climate change and pollution.

TwentyFour engages with selected issuers on the following basis:

- If a selected issuer does not publish CO_2 intensity numbers, TwentyFour will through direct engagement encourage the issuer's senior management to do so as soon as possible;
- Where an issuer has a Carbon Emissions Reduction Plan TwentyFour will monitor progress of such a plan and engage with issuers to assess the plan's effectiveness in meeting its KPI objectives; and
- TwentyFour will through direct engagement with issuers' senior management encourage those issuers with relatively high CO_2 intensity numbers and no commensurate plan to produce a plan to reduce this number over time.

TwentyFour's portfolio managers will on an ongoing basis monitor issuers. Monitoring will take the form of assessing an issuer's CSR, financial and other relevant statements and/or by requesting progress updates by email, letter or other relevant forms of communication.

TwentyFour, in accordance with regulatory requirements, reports the findings and outcome of its engagement to clients.

Engagement Examples

German Auto ABS

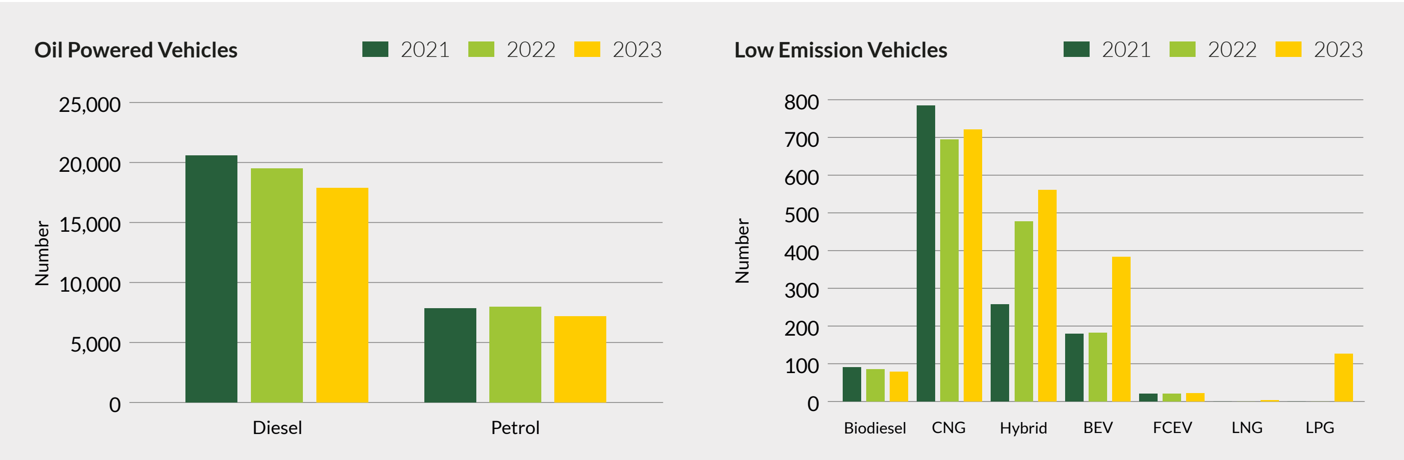
During February 2023 a German auto ABS deal came to the market with no carbon data included. We requested a one-to-one meeting with the issuer to discuss our dissatisfaction. As a result of the engagement the issuer updated their ESG questionnaire and provided the CO_2 data for the pool.

UK Bus Operator

Rationale/ Context:	We have been engaging with this bus operator for 3 years now as part of our Carbon Emissions Engagement Project and previously reported on this in our 2022 UK Stewardship Report. The purpose of our ongoing engagement is to drive long term environmental progress. Being a bus company the operator is a significant polluter but has enormous social impact given its role as a provider of essential public transport. Therefore, their decarbonisation is something that is particularly important and is the motive for this engagement.
Objective(s):	The key objective of this engagement is to drive long term change in the operator's bus fleet, primarily to encourage and accelerate their transition away from diesel to less polluting hybrid and renewables vehicles. Additionally, in 2021 we were disappointed with their decision to pull out of obtaining STBi verification, we wanted to express our concerns and encourage them to reconsider.

Table cont.

Action Taken:	We initially engaged in 2021, firstly to get the fuel breakdown of the operator's vehicles, their plans to transition away from diesel and fossil fuels, but also for a more detailed explanation as to why they pulled out of SBTi target verification. We have engaged every year since in order to monitor their progress shifting the fleet away from diesel and fossil fuels, this ensures we hold the company accountable, and progress continues. Given the scale of what we are asking and investment necessary, we believe 12 months is a reasonable time frame to expect meaningful progress and therefore have engaged on a yearly basis.
Outcomes:	The operator provided an update on the latest fuel breakdown of their bus fleet which continues to show a positive trend. Diesel and petrol (fossil fuelled) vehicles have continued to decline while low emission alternatives (hybrids and battery electric vehicles) have increased. The bus operator is making steady progress but given the scale of investment needed both by the bus operator and by governments, this is to be expected. A very important point to note is that the bus operator has a target for all vehicles to be zero emissions by 2040 therefore we certainly expect this trend to continue in order to meet this target. Additionally, the bus operator confirmed that they have developed STBi aligned targets and have submitted them to the SBTi's for verification – encouraging news and evidence our prior concerns were taken on board. We are encouraged by the progress, however, acknowledge that material change will take time and significant investment is needed. We are pleased they have submitted for SBTi verification, further highlighting our previous concerns were noted and taken on board – an indication of good governance at the company. We plan to follow up later in 2024 for an update on their progress with SBTi verification and for the latest data on their fleet to ensure the current trend continues.



Next steps:	We are encouraged by the progress; however, acknowledge that material change will take time and significant investment is needed. We are pleased the operator has submitted for SBTi verification, further highlighting our previous concerns were noted and taken on board – an indication of good governance at the company. We plan to follow up in 2024 for an update on their progress with SBTi verification and for the latest data on their fleet to ensure the current trend continues.

Metrics and Targets

Metrics Used by the Organisation to Assess Climate-Related Risks and Opportunities in Line with its Strategy and Risk Management Process

TwentyFour is exposed to climate-related risks and opportunities at an entity level and through the products and portfolios it manages on behalf of its clients.

As an entity, we understand the need to examine our own operations, resources and supply chains, and their environmental impacts in order to measure and reduce them over time; we continue to evaluate different ways of further reducing our greenhouse gas emission levels such as enhancing corporate policy and consideration of global standards within our frameworks. In this report we disclose entity-level carbon emissions.

For purposes of this report we have also employed backward and forward looking metrics to disclose the product level climate-related risks where sufficient coverage of data and data models exists:

1. Scope 1 and Scope 2 GHG emissions
2. Weighted-Average Carbon Intensity
3. Carbon Footprint
4. Climate Value-at-Risk (forward-looking)

TwentyFour has developed an active approach to ESG scoring, and ESG scoring is conducted for every security that is invested in by any of the portfolios managed by the firm, combining data from third-party data providers alongside our own analysis.

There are limitations in the available data (which may be estimated) and calculation methodologies, which may differ across asset classes, as more fully set out in the Limitations and Further Disclosures section in the Appendix. Definitions and additional information on how the reported figures have been calculated are included in the Methodologies and Glossary section in the Appendix.

As TwentyFour is disclosing both entity and product-level metrics for the first time, no comparison against prior years is available.

Entity-Level GHG Emissions

TwentyFour's operational emissions impact at entity-level is set out below. For purposes of our first TCFD report we have focused on TwentyFour's Scope 1 and Scope 2 emissions. We have used the GHG emission conversion factors; source of emission factors used is the UK Government Department of Energy Security and net zero's greenhouse gas reporting: conversion factors 2023 report.

We account for 100% of emissions from operations over which we have operational control. TwentyFour's operational GHG emissions includes consideration of Scope 1 and Scope 2 from owned sources and non-owned sources, respectively.

Scope 1 emissions are nominal due to building energy being derived 100% from renewable sources and including minimal fugitive emissions, while Scope 2 emissions include purchased electricity and municipal heating and cooling.

Total Scope 1&2 CO2 Emissions of the firm for the year ending 31 December 2023 is 28.4 tons.

Product-Level Metrics

In this section the term product-level refers to the sum of all discretionary investment portfolios the firm manages on behalf of its clients as at 31 December 2023; this includes segregated accounts and funds managed by TwentyFour. TwentyFour's investment portfolios had exposure only to fixed income securities and derivatives as at the reporting date.

The asset classes that have been included in our analysis are:

- Corporate bonds/issuers
- Asset-backed securities
- Sovereign issuers of government bonds

The breakdown of assets under management as at 31 December 2023 was as follows:

Asset Class	Asset Class
Corporate Bonds	52%
Asset-backed Securities	32%
Sovereign Bonds	14%
Cash & Equivalents	2%

Derivatives not linked to corporate issuers are excluded from our reporting. The only derivatives held as at 31 December 2023 were FX forwards used for currency hedging and their market value is included within the cash & equivalents figure.

Where relevant, coverage of each asset class has been included alongside the reporting metrics. Due to fundamental differences between the metrics reported and obtained for corporate bond issuers and asset backed securities versus sovereign issuers of government bonds, sovereign debt securities are reported separately.

TwentyFour is committed to transparency with stakeholders and clients.

Scope 1, Scope 2 Greenhouse Gas (GHG) Emissions, and the Related Risks

Subject to available data we have disclosed Scope 1 and Scope 2 emissions associated with TwentyFour's assets under management by asset class.

2023 (Base Year) Carbon Footprint

	Corporates	ABS
Carbon Footprint (tCO_2e/$m invested)	30.8	21.1
Asset Class Coverage (% of AUM)	69%	47%

The Carbon Footprint figures above are expressed as tons of CO_2e (tCO_2e) per million dollars of AUM invested. Total firm AUM coverage is 51%. Sources: Asset4, MSCI & TwentyFour, as at 31 December 2023.

Carbon footprint measures the carbon emissions (Scope 1 and Scope 2), for which an investor is responsible, per USD million invested, based on ownership. Emissions are apportioned differently by asset class (also see Methodologies and Glossary).

For corporate bond issuers, TwentyFour has used Enterprise Value Including Cash (EVIC) to calculate ownership. As EVIC is not applicable to asset backed securities, the total outstanding deal balance for each security is used and is deemed a comparable metric, which is also why carbon footprint is reported separately between asset classes.

Financed Carbon Emissions

	Corporates	ABS	Corporates + ABS
Scope 1+2 Emissions (tCO_2e)	253,794	73,351	327,145
Asset Class Coverage (% of AUM)	69%	47%	61%

Total firm AUM coverage is 51%. Sources: Asset4, MSCI & TwentyFour, as at 31 December 2023.

Absolute emissions shown are the sum of Scope 1 and Scope 2 emissions based on ownership. Scope 1 and Scope 2 emissions may be reported or estimated. The absolute emissions only represent those for the covered companies and securities.

Weighted Average Carbon Intensity (WACI)

	Corporates
WACI (tCO_2e/$m revenue	85.3
Asset Class Coverage (% of AUM)	98%

Total firm AUM coverage is 51%. Sources: Asset4, MSCI & TwentyFour, as at 31 December 2023

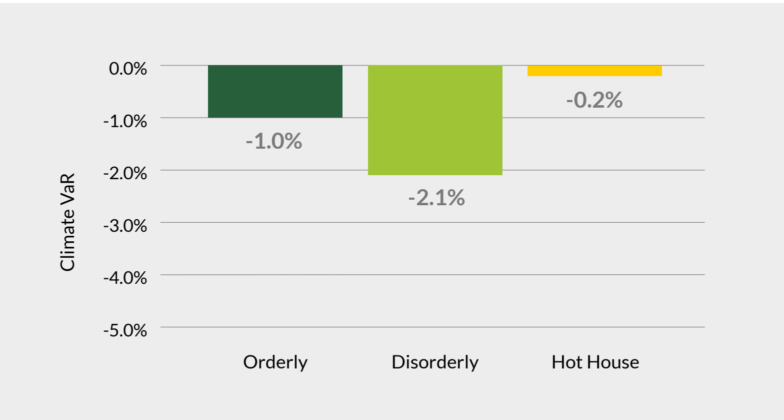
The table reports the WACI associated with TwentyFour's assets under management and represents financed carbon emissions that have been normalised by sales revenue making the figures comparable across different companies.

For asset-backed securities, as sales revenue is not applicable for this asset class, and alternative methodologies have not been established for this asset class, TwentyFour does not calculate a value.

Climate Value-at-Risk (Scenario Stress Testing)

TwentyFour has opted to disclose Climate Value-at-Risk (CvaR) to present a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities across its product level. The quantitative model is provided by MSCI and estimates how climate change could affect valuations under different scenarios.

CvaR is estimated by assessing each company's transition risks and opportunities relating to policy and technology, and each company's physical risks and opportunities to arrive at an Aggregated CvaR (%) number for each company and indication of valuation impact relating to climate risk. The available company level results combine to provide firm level CVaR values under three scenarios.



Corporate asset class coverage as a percentage of total AUM is 60%.
Total firm AUM coverage is 31%. Sources: MSCI & TwentyFour, as at 31 December 2023.

The analysis shown is for illustrative purposes only. MSCI's CVaR data model does not currently support asset-backed securities and as a result this asset class has been excluded from the analysis.

Please refer to Methodologies and Glossary for more detail on the scenarios presented.

Sovereign Bond Issuers

We have chosen to report sovereign debt assets separately due to fundamental differences between the metrics reported and obtained for corporate bond issuers and asset-backed securities versus sovereign issuers of government bonds. While it is challenging to normalise sovereign metrics with non-sovereign debt assets, we believe it is important to disclose metrics for our sovereign debt assets.

GHG intensity represents CO_2 intensity of an economy (in tons per USD million GDP nominal), meaning the higher the value, the more carbon intensive the economy is.

Sovereign	GHG Intensity	% of Sovereigns	% of Firm AUM
United Kingdom	131.7	16%	2%
United States	255.8	84%	12%
Total	**236.1**		

Coverage is 100% for the sovereign issuers invested in, which represent 14% of the total firm's AUM.
Sources: MSCI & TwentyFour, as at 31 December 2023.

Targets Used by the Organisation to Manage Climate-Related Risks and Opportunities and Performance Against Targets

For the period covered by this report TwentyFour has not set transition targets or climate-related exclusions for the assets managed on behalf of its clients; unless specifically agreed with clients. As an asset manager we have a fiduciary duty to our clients to seek to achieve the investment objectives of the funds they have invested in or as agreed with them for segregated accounts. Acknowledging that our clients may have differing climate change preferences and ambitions, we strive to offer different solutions to support these varying goals.

Appendix

Methodologies and Glossary

Terms	Additional Information
Asset 4	Refinitiv Asset4
Carbon Footprint	Refers to total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tons CO_2e/\$M invested. $$\frac{\sum_{n}^{i}\left(\frac{\textit{Current Value of Investment}}{\textit{Issuer's Market Capitalisation}}\ \textit{X Issuer's Scope 1 and Scope 2 GHG Emissions}\right)}{\textit{Current Portfolio Value (\$M)}}$$
Climate Value-at-Risk (CVaR)	For CvaR three scenarios are shown: • Orderly transition - assumes climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued and is based on a NGFS 1.5 °C warming scenario • Disorderly transition - assumes higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome and is based on a NGFS 2°C warming scenario • Hothouse world - assumes that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise and is based on a NGFS 3 °C warming scenario. Further information on the NGFS and models can be found here: www.ngfs.net/en
Emissions (Non-Sovereign)	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company. For corporate issuers, when Scope 1 and Scope 2 reported data is not available, Scope 1 & 2 carbon emissions may be estimated using MSCI's Scope 1+2 estimation model which is mapped to the data quality score defined by PCAF. Scope 3 emissions are excluded from financed carbon emissions, WACI and carbon footprint figures reported.

Terms	Additional Information
Emissions (Sovereign)	Scope 1 emissions excludes emissions relating to land use, land-use change and forestry (LULUCF) for the country. It also considers CO_2 emissions relating to fossil fuel use and industrial processes (e.g. cement production) (data sources MSCI/EDGAR/World Bank/IMF).
Fugitive Emissions	Refers to unintentional and undesirable emission, leakage, or discharge of gases or vapors from pressure-containing equipment i.e. leaking of refrigerant.
MSCI	MSCI ESG Research LLC
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System is a network of central banks and supervisors, the purpose of which is to help strengthen the global response required to meet the goals of the Paris agreement and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development. To this end, the network defines and promotes best practices to be implemented within and outside of the membership of the NGFS and conducts or commissions analytical work on green finance.
Ownership (Corporate Issuers)	TwentyFour have used Enterprise Value Including Cash (EVIC) as an alternate measure to Enterprise Value (EV) to estimate the value of a company by adding back cash and cash equivalents to EV. The EVIC calculation can be summarised as follows: EVIC = Market capitalisation at fiscal year-end date + preferred stock + minority interest + total debt + cash and cash equivalents. The underlying data used for EVIC calculation is sourced from a company's accounting year-end annual filings and is updated and reflected once a year as the data is sourced annually.
PCAF	Partnership for Carbon Accounting Financials
Scope 1 Emissions	Refers to all direct GHG emissions.
Scope 2 Emissions	Refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.

Terms	Additional Information
Scope 3 Emissions	Refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal. For forward-looking metrics, the data models incorporate Scope 3 emissions, however all Scope 3 emissions used are estimated by MSCI's Scope 3 estimation model, due to the current un-usability (inconsistency, volatility) of the reported Scope 3.
Total Carbon Emissions	Refers to the absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO_2e. $\dfrac{\sum_{n}^{i}\left(\frac{\text{Current Value of Investment}}{\text{Issuer's Market Capitalisation}} \text{ X Issuer's Scope 1 and Scope 2 GHG Emissions}\right)}{\text{Current Portfolio Value (\$M)}}$
Weighted-Average Carbon Intensity (WACI)	WACI measures the exposure to carbon-intensive companies defined as the weighted-average of each companies' carbon intensity (calculated as Scope1 + Scope 2 emissions, divided by companies' sales, in USD). $\sum_{n}^{i}\left(\frac{\text{Current Value of Investment}}{\text{Issuer's Market Capitalisation}} \text{ X } \frac{\text{Issuer's Scope 1 and Scope 2 GHG Emissions}}{\text{Issuer's \$M Revenue}}\right)$

Limitations and Further Disclosures

Limitations

TwentyFour recognises that there are limitations in data sets due to a variety of reasons, and these are outlined below but are not exhaustive:

- All data is based on unaudited figures and may be estimated.
- While many companies disclose the required climate-related risk metrics, others may not do so or are in the early stages of making this available. As a result estimated data may be used which reduces the reliability of the metrics shown.
- Different calculation methodologies are often available for each metric and there can be no guarantee that the methodology chosen is the most appropriate. Any comparison to other external firm's may not be possible or may not be appropriate.
- While the data is shown as at 31 December 2023, the underlying data, including but not limited to Scope 1 and Scope 2 emissions and EVIC, may not be reported as of the same date. Published data also may not be processed and incorporated into third party data models on a timely basis, leading to a misalignment in underlying metrics for a given date.
- All AUM data and product-level security market values are as at 31 December 2023 and exclude advisory assets which TwentyFour do not have discretion over.
- Low coverage of TwentyFour's asset classes will impact the reported metrics and may lead to the figures overestimating or underestimating the actual figures if all data was available and aligned to the reporting date.
- TwentyFour uses carbon emissions, weighted-average carbon intensity and carbon footprint metrics but these are backward looking and only consider historical emissions. Forward-looking metrics (such as Climate Value-at-Risk) are based on proprietary models from a third party which TwentyFour do not independently validate.
- As this is TwentyFour's first TCFD report no prior years' data is reported and therefore no comparative analysis has been performed.

TwentyFour uses two third party data providers to supplement ESG data that is sourced internally by the portfolio management teams, namely MSCI and ASSET4.

Disclosures

Metrics included in this report or similar instances are based on recommendations from the TCFD and similar voluntary frameworks, recommendations or proposals developed by various initiatives. This inherently involves methodologies and data that are at various degrees of development, quality and acceptance, notably as it relates to greenhouse gas emissions accounting, asset classes beyond corporate credit, and forward-looking assumptions.

There is no representation that data presented in this report will suffice to draw conclusions linked to investment decisions or make a positive or negative environmental impact claim. Past environmental performance and available proxies for the potential future performance is no guarantee of future results.

The information contained herein is as of December 31, 2023 unless otherwise noted.

This report contains examples of the firm's internal ESG engagement capabilities. The data contained within the report may be stale and should not be relied upon as investment advice or a recommendation of any particular security, strategy or investment product. In selecting case studies, TwentyFour considers multiple factors, including, but not limited to, whether the example illustrates the particular investment strategy being featured and processes applied by TwentyFour to making investment decisions. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

We use MSCI and other third-party ratings for reference but make our own assessment based on our own, independent analysis of the industry and relevant ESG factors.

Environmental ("E") factors can include matters such as climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social ("S") factors can include how an issuer manages its relationships with individuals, such as its employees, stakeholders, customers and its community. Governance ("G") factors can include how an issuer operates, such as its leadership, pay and incentive structures and internal controls.

ESG investing is qualitative and subjective by nature, and there is no guarantee that the factors utilised by TwentyFour or any judgment exercised by TwentyFour will reflect the opinions of any particular investor, and the factors utilised by TwentyFour may differ from the factors that any particular investor considers relevant in evaluating an issuer's ESG practices.

In evaluating an issuer, TwentyFour is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, or present conflicting information and data with respect to an issuer, which in e ach case could cause TwentyFour to incorrectly assess an issuer's business practices with respect to its ESG practices. An issuer's ESG practices or TwentyFour's assessment of an issuer's ESG practices may change over time and involves TwentyFour's subjectivity and discretion. There is no assurance that the ESG investing strategy or techniques employed will be successful.

Past performance is not a guarantee or reliable indicator of future results.

Please remember that all investments come with risk. Positive returns, including income, are not guaranteed. Your investment may go down as well as up and you may not get back what you invested.

Implementation of the recommendations is a journey which will evolve over time and we will continue to refine our climate strategy and engagement on this important topic.

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