



# TwentyFour Asset Management Engagement Policy

## November 2020

### 1. Purpose

This Engagement Policy sets out how TwentyFour Asset Management LLP and TwentyFour Asset Management (US) LP (together referred to as “TwentyFour”, “the Firm”) undertakes stewardship and shareholder engagement for its discretionary fixed income investment strategies. This policy has been written in accordance with the requirements of Directive (EU) 2017/828 and its implementing measures (together, the “Shareholder Rights Directive II”). This Engagement Policy complements and supplements the information available on our website and TwentyFour’s UK Stewardship Code submitted to the Financial Reporting Council.

TwentyFour interprets its fiduciary duty to its clients as an effort to maximise the value of their investments over the medium to long-term as well as the short-term, and fulfilment of its stewardship responsibilities not only by participating in corporate actions, but also by actively engaging with company management and promoting corporate governance. TwentyFour believes that faster growth and higher long-term returns can be achieved by incorporating sustainable business practices in its own infrastructure, as well as in the companies that it invests in. It therefore seeks to incorporate an assessment of environmental and social issues, as well as the quality of governance practices into its investment processes and how it manages its business.

### 2. How TwentyFour Monitors Investee Companies

As part of its investment process, TwentyFour undertakes a substantial portion of its investee company research via direct contact with multiple levels of company management including senior management, as well as monitoring public statements of investee companies through financial information platforms such as Bloomberg, financial statements and regulatory announcements, reports & accounts, and results meetings.

TwentyFour engages on a range of issues, including strategy, performance, risk, capital structure, and environmental, social and governance (“ESG”) considerations. Maintaining this dialogue is central to how we implement our stewardship responsibilities and informs the investment decisions we make on behalf of our clients.

Thus TwentyFour’s investment approach is proactive. On occasion investment opportunities (e.g. price action, regulatory changes, changes in economic or political outlook etc.) arise when management teams are unavailable (e.g. in a closed period), but generally the Firm’s



investment professionals meet the management team of a potential investee company before investing in it, as well as scrutinising their public statements.

TwentyFour's investment professionals monitor the strategy and capital structure of investee companies, analysing financial statements as they are produced, assessing execution of a stated strategy, and paying close attention to events like capital investment decisions, important features of capital structure like the term structure of borrowing, access to working capital and financial obligations that may not appear in their entirety on the balance sheet, and monitor changes in them over time.

TwentyFour's investment professionals pay close attention to changes in governance structures (board composition, voting rights, pre-emption rights etc.) and management incentives. The aim is to understand whether the interests of management are aligned with those of TwentyFour's clients.

### **Environmental, social and governance ("ESG")**

TwentyFour's responsible investment philosophy stems from a belief that long-term ESG factors such as globalisation, inequality and climate change present both financial risks and market opportunities for the companies that it invests in.

Through the establishment of a robust analytical framework, training, risk assessment and engagement, TwentyFour deploys an integrated ESG approach to its investment process: ESG parameters are included in the overall investment relative value analysis.

TwentyFour's monitoring and assessment of ESG issues is supported by the following:

#### **Research:**

TwentyFour's investment process is supported by proprietary research and financial analysis conducted by its investment professionals. This may involve one-on-one meetings with company management, and engagement on issues that might represent risks to long-term bondholders

#### **Tools and Resources:**

As an anchor to our ESG investment process the Firm utilises Thomson Reuters Refinitiv, a third party database, in order to help provide measurement and context. This data has been incorporated into the Firm's proprietary 'Observatory' relative value database. The data covers a comprehensive number of ESG parameters for publically listed companies and enables TwentyFour's investment professionals to place an issuer's ESG profile on a relative basis compared to its peers.

**Portfolio Analysis:**

Using the Firm's propriety 'Observatory' database, TwentyFour's investment team is able to analyse the impact of ESG factors on risk and performance. Whilst investment professionals do not manage portfolios based purely on these results, this tool is available to them as a way to further evaluate their portfolios with ESG considerations and to be aware of potential risks.

**TwentyFour ESG Steering Group**

The Firm has an ESG steering group representing all areas of the business and is led by the Firm's Chairman; it reports to, and is overseen by, the Executive Committee. The steering group is responsible for our responsible investing and the corporate and social frameworks.

**3. How TwentyFour Engages with Investee Companies**

The decision to engage with the management of an investee company is primarily based on what TwentyFour investment professionals believe will maximise bondholder value in the long-term, specifically the value of its clients' investments.

TwentyFour's investment professionals may engage with company management on a variety of issues, including ESG matters that present a potential material risk to a company's financial performance. The Firm believes that its investment professionals are in the best position to evaluate the potential impact that ESG issues or the outcome of a given proposal will have on bondholder value. As such, all of the Firm's engagement activities are the responsibility of investment professionals and are fully integrated into its investment process.

TwentyFour engages with the company management through periodic meetings, visits, and telephone calls during which Firm investment professionals discuss and pose questions on operational, strategic, and other management issues.

TwentyFour's investment professionals communicate internally on the status of engagement activities and any outcomes arising.

As a fixed income company TwentyFour's proxy voting rights are limited.

**4. Cooperation with other bondholders**

TwentyFour's investment professionals' engagement with investee companies is motivated by its fiduciary duty. In some instances TwentyFour is considered a strategically important stakeholder by its investee companies due to the quantity of the assets that it manages and the reputation of the Firm in fixed income markets. This usually enables TwentyFour's



investment professionals to gain access to these investee companies' management and/or board members.

Collaborating with other investors can add value on specific issues and on rare occasions, the Firm may be willing to participate in collective engagements where it believes it is in its clients' best interests and permitted by TwentyFour's Legal and Compliance departments.

TwentyFour is a signatory to investor collaborative organisations that promote responsible stewardship activities, including:

- United Nations supported Principles for Responsible Investment ("PRI"); and
- the UK Stewardship Code.

The Firm is also an advisor to the Bank of England, the PRA/FCA, the UK Treasury, the European Commission, the European Banking Authority and a number of other EU Finance Ministries. TwentyFour is the only UK asset manager who are founding partners of the Prime Collateralised Securities (PCS) initiative. The Firm is in its fifth term as vice-chair of the Association for Financial Markets in Europe (AFME) and a member of the Bank of England Residential Property Forum.

## **5. Conflicts of Interest**

TwentyFour has a conflicts of interest policy that applies to its investment activities, and is available on the Firm's website [here](#).

TwentyFour has adopted and implemented policies and procedures that are reasonably designed to manage conflicts if they arise in its stewardship activities, including corporate engagement.

## **6. Annual implementation of this Engagement Policy**

6.1 TwentyFour will annually disclose how this Engagement Policy has been implemented, including

- i. a description of its voting behaviour;
- ii. an explanation of the most significant votes;
- iii. the use of the services of proxy advisors; and
- iv. a description of how TwentyFour has cast votes in the general meetings of companies in which it holds shares on behalf of its clients.



## 6.2 Additional disclosures to institutional clients

As required by applicable law, TwentyFour will provide certain of its institutional clients with additional disclosures regarding how its investment strategy:

- i. complies with the arrangements in place with those clients; and
- ii. contributes to the medium to long-term performance of the assets of that institutional investor

## 7. Review

This Engagement Policy is reviewed and approved annually or more frequently as needed and is publicly available on the TwentyFour website.