Ashmore

Climate Change Position Statement

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1. Introduction

This document summarises the policy of Ashmore Group plc and its affiliated companies (Ashmore) and its approach to assessing and integrating climate-related risks and opportunities into its business and operations. The policy also covers all funds and client accounts for which Ashmore serves as investment manager or adviser, and outlines how Ashmore seeks to understand and incorporate climate-related risks and opportunities, as well as how these are disclosed.

2. Background

The climate is changing and while the reasons for these changes may not be fully understood, it is clear that these changes will have significant impact on the way societies exist and conduct business.

As an Emerging Markets focused asset manager, Ashmore recognises the effects of these changes to the climate will be most significant and felt more immediately by those societies in which we are operating and investing. Ashmore therefore appreciates that climate change could have a significant impact on its operations and the sustainability of its investments.

Ashmore's position on climate change and its approach to addressing the challenges posed by it are framed within the context of meeting the objectives of the Paris Agreement, the recommendations of the special report Intergovernmental Panel on Climate Change (IPCC), and the targets set by the Sustainable Development Goals (SDGs).

As the regulatory environment continues to develop and evolve[1], Ashmore will review and develop its approach to how it assesses the systemic risks climate related issues pose and their potential impact on its business. With this in mind, Ashmore seeks to understand the risks that significant temperature changes will have on its ability to operate as well as on the operations of the companies in which it invests and the impact of those risks.

In formulating its approach, Ashmore has drawn upon the recommendations of the Financial Stability Board's Taskforce for Climate-related Financial Disclosures (TCFD).[2]

3. Objectives

As part of its fiduciary responsibility to its clients and shareholders, Ashmore's response to climate related issues will seek to increase the resilience and sustainability of its operations and investments, and contribute to solutions that lead to a low-carbon economy.

4. Climate-related Risks and Opportunities

Ashmore understands that the risks associated with climate change are varied and far reaching, some still unknown. Efforts to mitigate the effects of climate change and adapt to a low-carbon

[1] The Financial Conduct Authority (FCA) has been consulting on the impact of climate change and the reporting of these risks. In its most recent consultation paper, published in March 2020, the FCA set out a proposal for the disclosure of climate-related financial risks and opportunities.
[2] https://www.fsb-tcfd.org/publications/

economy will generate new opportunities. In line with the TCFD recommendations, Ashmore will assess risks and opportunities in the following way:

Physical Risks

- **Acute:** Event-driven such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires)
- **Chronic:** Longer-term shifts including temperature changes, rainfall and variations in weather patterns

Transition Risks

- **Policy and Legal:** Policy changes attempting to constrain actions that contribute to the adverse effects of climate change or that seek to promote adaptation. Litigation claims brought by property owners, municipalities, NGOs, insurers and shareholders
- **Technology:** The adoption of technological improvements and innovations that support the transition to the low-carbon economy and their ability to improve effectiveness and ultimately market demand
- **Market:** The impact of policy and technology changes and shifts in supply and demand for products, services and commodities
- **Reputation:** The perception of a company in contributing to or detracting from the transition to a low-carbon economy

Climate-related Opportunities

- **Resource Efficiency:** Efficiencies such as energy and waste management and the use of new technology result in direct cost savings to operations over the medium and long term
- **Energy Source:** Moving to low emission energy sources could see organisations save on annual energy costs
- **Products and Services:** Innovations in products and services may enable improved competitive advantage
- **Markets:** Organisations that diversify their activities maybe in a position to access new markets and develop new business partnerships
- **Resilience:** In responding to climate-related impacts, organisations may develop new processes, systems and products that protect them from shocks

Ashmore acknowledges that the risks and opportunities of climate change will vary across sectors and geographies as well as under different scenarios. Its approach to assessing and measuring the impact of climate-related investment risks and opportunities will therefore be tailored accordingly.

5. Approaches

Ashmore acknowledges that no single approach to managing climate-risks and opportunities is sufficient to providing a holistic understanding of these risks and opportunities. Outlined below are the approaches that Ashmore currently takes. Ashmore accepts that as understanding about climate change evolves and scenarios emerge Ashmore’s approaches will evolve.

Operational

Ashmore recognises that over time climate change may have an impact on Ashmore’s operations globally, both in terms of physical impacts and transition impacts on its operations.

Corporate Strategy
Ashmore will incorporate the assessment of climate risks into the review of its corporate strategy across the Group including its subsidiaries using the TFCD framework to set out physical and transition risks and opportunities and their impact on Ashmore's business and implementation of our corporate strategy.

Disclosure
Ashmore will disclose identified climate-related financial risks alongside actions taken to mitigate those risks. Ashmore will continue to disclose data on its environmental impact and ongoing measures to reduce its contribution to climate change.

Investment

Climate change has the potential to significantly impact the long-term value of assets, thereby affecting fund performance. To ensure that these risks are appropriately incorporated into the value of an asset, Ashmore fund managers will incorporate climate related assessments into their valuations.

ESG assessment
Ashmore has incorporated climate considerations into the investment decision making process. As part of their Environmental assessment, Portfolio managers consider an issuer's Global impact and Greenhouse Gas (GHG) emissions, local impact and water and waste management, incidents of environmental pollution, energy management, and use of green energy, as well policies and innovations to limit negative impact. The assessment of these factors is used to determine an issuers final ESG score, which is ultimately discussed and approved (or not) at the sub-Investment Committee for the relevant strategy. Climate issues and carbon emissions will be a factor in this consideration.

Stewardship
We seek to be proactive and engage with issuers, both at government and corporate levels, on how they can improve their ESG outcomes. This is carried out as part of our ongoing dialogue with government officials and company management. Ashmore portfolio managers / analysts engage directly with issuers to ascertain how they address business sustainability, climate-related issues and adaptation to a low carbon economy.

In keeping with Ashmore's policy on Proxy Voting, equity portfolio managers aim to vote on all proxies presented to them. Where they have concerns, they seek to engage with company management and other key stakeholders to address these. Portfolio managers / analysts will vote on climate related resolutions that align with Ashmore's responsible investment and ESG approach.

Company Disclosure
Portfolio managers / analysts encourage companies to publish targets and report on steps taken to reduce Greenhouse Gas (GHG) emissions. They encourage companies to disclose climate risk in accordance with the TCFD recommendations.

Portfolio Emissions
Ashmore seeks to understand better the carbon emissions of its portfolio, and is seeking to develop these capabilities where data is available and reliable. However, Ashmore also understands that a company's carbon footprint provides a snapshot of a company. Therefore, our

portfolio managers seek to understand the forward looking trajectory and preparedness to transition to a low-carbon economy.

Collective Engagement
Where appropriate, Ashmore investments teams will seek to engage collectively with other stakeholders on climate-related issues.

6. Governance

Ultimate accountability for the integration and management of climate related issues into Ashmore's business and operations lies with the Board, which delegate day to day responsibility to an ESG committee. The ESG committee meets formally on a quarterly basis, and has representation from across all relevant parts of the organisation. The ESG Committee reviews and ensures the maintenance and integrity of all responsible investment / ESG processes and procedures. This includes climate-related issues.

As Ashmore's approach to climate change develops, the ESG Committee may delegate the assessment of climate-related risks and opportunities, and the implementation of the TCFDs recommendations to an internal working group. The ESG Committee will continue to review trends and developments in climate-related issues and update its approach as required.