Ashmore

Environmental, Social and Governance (ESG) Policy

Group Policy Document

Published: November 2020

1. Introduction

The growing awareness of the importance of sustainability leads to opportunities and risks in investment portfolios. Environmental, Social and Governance (ESG) factors can have a material positive or negative effect on the value of an issuer's debt or equity. The assessment of those ESG opportunities and risks in conjunction with other fundamental factors is an important area of focus for both asset owners and investment managers.

At the same time, there are currently only limited voluntary industry-wide standards and approaches and therefore ESG can mean different things to different investors. Moreover, Ashmore recognises that many investors continue to evaluate the exact nature of the role that ESG will play in their strategies and portfolios.

This policy has been developed in collaboration with Ashmore's ESG subject matter experts and investment teams and was then discussed with and approved by Ashmore's ESG Committee. This policy is reviewed on an annual basis and approved by the ESG Committee.

This document seeks to outline Ashmore's approach to integrating ESG into its investment processes. This policy is one of a number that encompass Ashmore's broader approach to responsible investing, and should therefore be read in conjunction with Ashmore's Engagement, Proxy Voting, Controversial Weapons policies and Climate Change position paper which can also be found on our website.

2. Scope

The approach outlined in this document applies to fixed income and equity investments in publicly traded securities.

3. Responsibility and oversight

Overall responsibility for Ashmore's responsible investing activities lies with the Board of Directors, which delegates day to day responsibility to:

(1) an ESG committee which has responsibility for setting out Ashmore's responsible investing framework and ensuring the appropriate implementation of all elements of this framework across Ashmore's corporate strategy and investment management. The ESG Committee meets formally at least quarterly, and includes representation from across the organisation, in particular the Investment Teams, Distribution, Operations, Risk Management and Corporate Development.

(2) the Investment Committee and the relevant theme sub-Investment Committees which are responsible for the investment decisions and all ESG investment-related activities. Oversight of the ESG scoring process and its application in investment management decisions is undertaken by the Investment Committee and the relevant theme sub-Investment Committees.

4. Definitions

The ESG criteria are chosen by Ashmore Investment Management Limited and Ashmore Investment Advisors Limited as investment managers (each an “**Investment Manager**” and together the “**Investment Managers**”) from among the categories listed in the table below. The Investment Managers take into consideration in their credit and equity analyses the issuer’s performance and policies against all the relevant ESG criteria.

As noted in Section 1 of this Policy, ESG can mean different things to different investors. At Ashmore, when we talk about environmental, social and governance opportunities and risks, these terms cover but are not limited to:

Environment	
Corporate	**Sovereign**
Global impact and GHG emissions	Environmental footprint
Local impact and water and waste management	Clean energy / climate adaption strategies
Incidents of environmental pollution	Utilisation of natural resources
Energy management and use of green energy	Natural disasters risk
Policies and innovations to limit negative environmental impact	Incidents of environmental impact

Social	
Corporate	**Sovereign**
Employee diversity and inclusion	Inequality and social disparity
Customer Welfare	Ability to meet populations basic needs
Human rights and community relations	Social stability
Labour practices and health and safety	Political liberties
Supply chain management	
Materiality of philanthropy spend	
Product quality and safety	

Governance	
Corporate	**Sovereign**
Transparency and disclosure	Societal infrastructure and delivery of services
Governance structure	Government effectiveness and accountability
Minority interests fair representation	Regulatory environment
Public listing and reporting	Strength of institutions
Management Accessibility	Rule of law
Long-term Incentive Scheme KPIs	Measures to improve sustainability
Strategies to mitigate the impact of ESG risks	

5. Principles

The Investment Managers' philosophy is underpinned by a belief that the incorporation of non-financial factors is essential to building a robust understanding and assessment of an issuer and that over time this will improve investment performance, promote better corporate business models and result in sustainable economic development.

Central to the Investment Managers' investment process is the ability to create value and deliver returns in line with clients' investment objectives, including sustainability preferences.

Integral to the Investment Managers' approach to investing is to understand the alignment with fundamental principles and adherence to international laws and norms governing matters including human rights, labour, bribery and corruption, climate risks and the environment. These principles underpin the Investment Managers' ESG criteria and processes and guide our understanding of sustainability risks and impacts.

As a signatory of the UN Principles for Responsible Investment (PRI), Ashmore seeks to align our policy with the six PRI principles.

6. ESG Process / Procedure / Framework

ESG risk analysis is explicitly integrated into the investment process across all Fixed Income and Equity strategies by the Investment Managers. The process is fundamentals driven and issuer analysis encompasses a multitude of factors, including ESG.

The Investment Managers' assessment of an issuer's ability to manage ESG successfully is integral to the determination of fair value (equity) and fair spread (credit). Sovereigns and corporates that can demonstrate strong ESG credentials are more likely to boost economic development and financial performance over time; for example by growing faster, reducing the cost of capital and generally managing risks better compared to their peers. Consequently, ESG factor analysis is integrated into the investment processes in the same way as we assess macroeconomic risk, financial performance and credit metrics. It acts as both a form of risk management and a source of alpha generation.

With over 90 investment staff dedicated to Emerging Markets, the Investment Managers have always relied on their own proprietary research. The Investment Managers' approach to ESG analysis uses a similar process to help them consider some of the principal adverse impacts of sustainability factors, including various environmental, social and employee-related matters, on their investment decisions. Our portfolio managers use a variety of external secondary data sources, which are complemented by research visits, meetings with companies and data provided by third parties, which add depth of understanding, and help substantiate the data from our own research and assessment.

The portfolio managers and analysts score each issuer by asking two underlying questions for each of the ESG aspects of an issuer: (i) the relevant issuers' current level of performance against developing best ESG practice; and (ii) the quality of such relevant issuer's policies and initiatives which seek to improve its' ESG performance.

In undertaking this assessment, portfolio managers and analysts assess a variety of environmental, social and governance factors in order to score each issuer. The key components considered as part of this process are listed in Section 4 of this Policy. These components include an element of both historic performance and intended future action, with portfolio managers and analysts being provided with specific risks and indicators to consider and assess under each component. Final scores are then prepared based on the assessment of the investment against each component. These scores are reviewed at a minimum every 12 months and may be reviewed sooner on a key events basis.

7. Stewardship / Voting

Ashmore seeks to be active and to engage with issuers, both at sovereign and corporate levels, on how they can improve their ESG outcomes. This is carried out as part of ongoing dialogue with government officials and company management. Where there are concerns, Ashmore engages with management and key stakeholders. This approach helps create a positive feedback loop, whereby investors reward positive performance with a lower cost of capital (and access to international capital markets) and penalise poor performance with withdrawal of capital. Over time, such incentives should lead to behaviour changes among issuers in favour of more sustainable economic development and corporate management models. As more asset managers implement similar investment processes, the changes in behaviour should accelerate across Emerging Markets issuers. Ashmore's approach to engagement is set out in its Engagement policy available on the website.

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. For further details of Ashmore's approach to voting including the management of conflicts of interest, please refer to the Proxy Voting policy available on the website.

8. Minimum Restrictions / Exclusions

The Investment Managers believe that investments which do not meet minimum standards should be excluded from client portfolios. The Investment Managers restrict investment in companies engaged in the manufacture, distribution and maintenance of controversial weapons. The scope and breadth of this restriction is outlined in the Investment Managers' Controversial Weapons policy.

For the Investment Managers' ESG product range, minimum ESG score criteria and industry-based exclusions are also applied to the portfolio.

The Investment Managers seek to comply with applicable government authorities, and at a country level, screens across all investment against the UN Security Council and EU/UK Sanctions and the US Office of Foreign Assets and Control lists.

The Investment Managers are able to customise client portfolios to meet specific requirements for geographic, sector and stock specific restrictions.

9. Monitoring

The Investment Managers' portfolio managers and analysts periodically monitor the performance of an investee company on a range of metrics, including an issuer's ESG performance. Any changes in performance will in the first instance be raised with the issuer. Depending on the outcome of this engagement, the issue will be formally raised and addressed through the relevant sub-Investment Committee.

For ESG products, the Investment Managers set out ESG performance criteria, which are then assessed through Ashmore's compliance systems and procedures. This includes various industry exclusions and minimum scores which are coded by Ashmore's Compliance team.

10. Disclosure / reporting

In line with the Shareholders Rights Directive II, Ashmore discloses its engagement and proxy voting record on an annual basis in its Annual Report.

In addition, Ashmore will comply with any disclosure obligations in line with applicable laws and regulations which may differ depending on the Ashmore entity, product or service provided.

11. Training

Ashmore seeks to provide its investment teams with appropriate training to enable them to integrate ESG assessment into their investment analysis. Fixed Income (Corporate Debt) and Equity portfolio managers / analysts undertake "Advanced Financial Analysis" training. Furthermore, updates and changes to Ashmore's ESG policy are carried forward through the ESG Committee. This ensures that all relevant teams are updated and trained on any changes in a timely manner.

12. Reporting ESG issues

Any relevant ESG issues relating to Ashmore's responsible investing framework are escalated to the ESG Committee.

Any relevant ESG issues relating to the investment process are escalated through the Investment Committee and relevant theme sub-Investment Committee.

13. Disclaimer

For product-specific information, please consult the relevant product-related disclosures for more information. Any product-specific information will prevail.