



Environmental, Social and Governance (ESG) Policy

Ashmore Group Policy Document

Published: May 2022

Environmental, Social and Governance (ESG) Policy

1 Introduction

At Ashmore we recognise the importance of sustainability and responsible investing and the related opportunities and risks these present. Environmental, Social and Governance (ESG) factors can have a material positive or negative effect on the value of any given investment. 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 evolving 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 role that ESG will play in their strategies and portfolios.

This Policy has been developed in collaboration with our ESG subject matter experts and investment teams prior to its approval 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 factors into our investment processes. The ESG policy is one of a number that encompass our broader approach to responsible investing, and should therefore be read in conjunction with the Ashmore's Engagement, Proxy Voting, and Controversial Weapons and Exclusion policies, which can also be found on our website.

2 Scope¹

The approach outlined in this document applies to investments held in portfolios managed by us, including Ashmore sponsored funds and third-party mandates.

3 Responsibility and oversight

Overall responsibility for Ashmore's responsible investing activities lies with the Ashmore Group plc 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. This ESG Committee meets formally at least quarterly, and includes representation from across the organisation, in particular the Investment Teams, Distribution, Operations, IT, Legal, Risk Management and Corporate Development.
- (2) the Investment Committees 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

¹ For any given investment theme or fund, the nature and scope of ESG processes may be tailored to reflect regulatory, client and/or local market practice

decisions is undertaken by the Investment Committee and the relevant theme sub-Investment Committees.

4 Definitions

ESG factors include amongst others, the categories listed in the table below and the Investment Managers take these into consideration in their investment analyses.

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 to²:

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	

² Such ESG processes may be tailored to reflect any given investment theme or fund.

5 Principles

Our 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 or an asset and that over time this will improve investment performance, promote better corporate business models and result in sustainable economic development.

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

Integral to our 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 also seeks to align our Policy with the six PRI principles.

6 ESG Process / Procedure / Framework

ESG risk analysis is integrated into the investment process across all investment strategies. The process is fundamentals driven and issuer analysis encompasses a multitude of factors, including those relating to ESG.

Our Investment Managers' assessment of an issuer's ability to manage ESG factors successfully is integral to the determination of future value. Issuers 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. The integration of ESG factors into investment decision-making means that such decisions may also result in positive environmental and social impacts as well as long-term value creation. 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 around 100 investment staff dedicated to Emerging Markets, our Investment Managers have always relied on our own proprietary research. Our 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 and on-site 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.

Our portfolio managers and analysts score³ 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, our 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 our 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 corporate⁴ 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, we engage 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, partners and stakeholders in favour of more sustainable economic development, better corporate management models and operating practices. As more asset owners and managers implement similar investment processes, the changes in behaviour should accelerate across both Developed and Emerging Markets issuers and stakeholders. 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, our 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

Our 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. In addition, in accordance with its Exclusion policy our Investment Managers also exclude

³ In addition to scoring, certain investment themes may conduct additional analyses. For example, for real estate investments, due diligence findings are documented and presented to the Investment Committee as part of the investment thesis. Performance on such matters is then also monitored on a periodic basis

⁴ These engagements also include any other stakeholders and business partners and for real estate investments, these would also include developers, contractors and local communities

companies engaged in pornography.

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

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

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

9 Monitoring

Our Investment Managers' portfolio managers and analysts monitor the performance of its investments based on a range of metrics, including ESG performance. Any material changes in performance will in the first instance be raised with the relevant issuer or stakeholder. Depending on the outcome of this engagement, the issue will be formally raised and addressed through the relevant Investment Committees.

For certain ESG products, our Investment Managers set out additional ESG performance criteria, which are then assessed through Ashmore's compliance systems and procedures. This includes various industry exclusions and minimum scores and standards. Where appropriate, these are coded by Ashmore Compliance.

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, we 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 facilitate ESG integration and assessment into the investment analysis. Furthermore, updates and changes to our approach to Responsible Investment are shared 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 also 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.