Ashmore

Engagement Report

For year ending 31 December 2021

Contents

Introduction and executive summary

Ashmore believes that through strong relationships with sovereign and corporate issuers, of debt and equity, the Firm can positively influence outcomes related to ESG risks and an issuer's management of sustainability concerns. Ashmore sees such active ownership to be an integral part of its fiduciary duty as well as an important tool to enhance and preserve the value of its clients' investments.

Building on the Firm's previous engagement activities, the Ashmore Engagement Strategy was updated over 2021 and 2022 to reflect prevailing industry guidance. The updated Strategy consists of four areas – outlined in this report:

- direct engagement with issuers;
- collaborative and collective engagement efforts;
- escalation strategies; and
- exercising voting rights and responsibilities.

The main body of Ashmore's engagement efforts is in the form of engagements between Ashmore's portfolio managers and issuers. In 2021 Ashmore engaged with 228 issuers across 331 engagement efforts. Of these, 55% had a pre-determined objective. The main topic for engagement was climate change followed by the need for better ESG disclosure and reporting.

Another important component of the Engagement Strategy is engagement conducted as part of collaborative efforts with other investors or collective efforts typically arranged by industry initiatives. In 2021 Ashmore participated in three such efforts of note: the Firm supported a letter to governments on strong climate action arranged by The Investor Agenda, participated in decarbonisation-focused engagements as part of Climate Action 100+, and published a position paper on policy required to address the Paris Agreement highlighting the contrasting position of emerging and developed markets.

In cases where Ashmore determines that its engagement efforts are not yielding the desired results the Firm might choose to escalate the engagement. This is considered on an exception basis and can take several forms e.g. a downgrade of the Ashmore ESG score, a vote against the re-election of Directors, or divestment. Selling a position is considered a last resort as by divesting, Ashmore would no longer have the opportunity to directly influence the issuer.

Ashmore considers exercising voting rights and responsibilities to be an important aspect of its role as a responsible investor. Consequently, Ashmore aims to vote on all votable ballots and voted in 2021 on 93% of the votes presented. Ashmore has an active approach to voting with all votes being instructed by portfolio managers. As a result, in 2021 9% of votes were against management while 4% of votes were against independent advice.

Direct engagement

Ashmore seeks to engage with issuers, both sovereign and corporate, on how they can improve their ESG disclosures and outcomes. This is carried out as part of an ongoing dialogue with government officials and company management and may involve other key stakeholders.

The Ashmore Engagement Strategy has evolved over the years in response to increased client expectations of how asset managers approach and document engagement on ESG risks and sustainability issues. This has been accompanied by increased availability of industry guidance and clients' expectations of engagement with issuers, both of which have been valuable contributors to guiding Ashmore's approach, which attempts to adapt to such changing requirements and guidance whilst at the same time ensuring that the engagement efforts remain impactful.

Ashmore believes engagement with issuers can impact investment outcomes as it is an important avenue both for managing ESG risks and as a lever to have an impact on sustainability matters.

The Engagement Strategy is consistent across Ashmore's offices and asset classes as far as practically possible to ensure expectations are consistent and best-in-class practices are shared. Nonetheless, it is acknowledged that there be certain differences to reflect local requirements and norms.

Ashmore has adopted the UK Investment Consultants Sustainability Working Group (ICSWG)'s definition of an 'engagement' as:

"a purposeful, targeted communication with an entity on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk."

Ashmore has been making improvements to the way it systematically tracks how the outcomes of its engagement efforts have informed investment decisions and looks forward to sharing this in future reports.

Ashmore splits its direct engagement efforts into three high-level groups:

- Bilateral engagements
- Thematic engagements
- Interactions

'Bilateral engagement' efforts are led by the relevant Portfolio Manager, overseen by the Responsible Investment (RI) function. Typically triggered by the identification of unintended ESG risks or sustainability issues, often during the ESG scoring process, these engagement efforts tend to target single issuers, and are conducted directly with that issuer to address an issuer-specific or sector-specific risk. An engagement objective is determined in advance and the outcome tracked. Two examples of such bilateral engagement efforts are included on page 8.

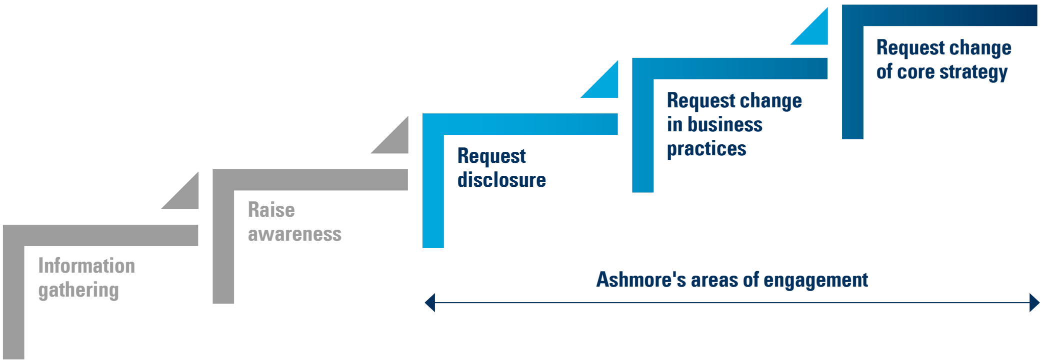
'Thematic engagement' efforts are overseen by the ESG Committee (ESGC) and typically led by the RI function, triggered by Ashmore's involvement in various initiatives including Climate Action 100+ and the Net Zero Asset Management Initiative (NZAMI). These engagement efforts usually target several issuers, often as part of collaborative efforts designed to address market-wide or systemic issues. An engagement objective, or potentially a series of milestones, are determined in advance and the outcome tracked. An example is included on page 9.

'Interactions' are driven by Portfolio Managers, often to gain information or raise awareness of ESG risks or sustainability issues. The Emerging Markets are often relatively 'new' to the evolving ESG requirements and their breadth, requested by institutional managers. Hence Ashmore's role is often in an educational capacity. Such requests form part of ongoing due diligence and focus on highlighting investor expectations as they relate to management of ESG risks, sustainability issues, and/or related reporting.

Consistent with industry guidance, the Engagement Strategy applies an appropriately high bar for what qualifies as an 'engagement' requiring a pre-determined objective. As a result, general interactions portfolio managers have with issuers on ESG and sustainability issues are still tracked but will not be counted as an engagement from 2022 onwards.

Engagement objectives

As mentioned, thematic and bilateral engagement efforts are required to have clear objectives of triggering a particular change, whilst interactions focus on information gathering and raising awareness. Ashmore considers three types of objectives, these are listed below in order of low-to-high impact: request disclosure, change in business practices, and change of core strategy.



Methods of engagement

Each engagement effort consists of one or more activities designed to achieve the engagement objective. Methods used for such engagement activities with issuers include:

• Conferences	• Call / zoom	• Formal letters
• Email correspondence	• Questionnaires	• In-person meetings

During 2021, due to the Covid-19 pandemic, no in-person meetings took place. Of the engagement activities 63% were done over calls and zoom, 33% as part of email correspondence, and the remaining during virtual conferences. Ashmore engages with the following groups:

• Board-level	• ESG / Sustainability team	• Investor relations
• Executive-level	• Senior management	• Government representative

If Ashmore finds that these methods are not effective, the Firm may escalate the engagement efforts as outlined later in this Report.

Direct engagement during 2021

In 2021 Ashmore engaged with corporates and sovereign issuers in 51 different countries. The most frequent were Brazil, Colombia, Russia, India, Mexico, and South Africa. Figure 1 shows how Ashmore's engagement efforts are distributed across corporate debt, equities, and sovereign debt.

Figure 1

Corporate debt	35%
Equities	46%
Sovereign debt	19%

228
Number of issuers with which Ashmore engaged.

331
Number of engagement efforts undertaken by Ashmore.

In 2021 Ashmore engaged with 228 issuers across 331 engagement efforts. Of these, 55% were thematic or bilateral engagements i.e. they had pre-determined objectives, while 45% represent interactions with issuers. Combined, these covered a range of different topics with the primary being climate change. 'Generic ESG', in Figure 2 below, relates to ESG disclosure and reporting, with differing standards in Emerging Markets compared to Developed Markets and has therefore been an important area of engagement during 2021.

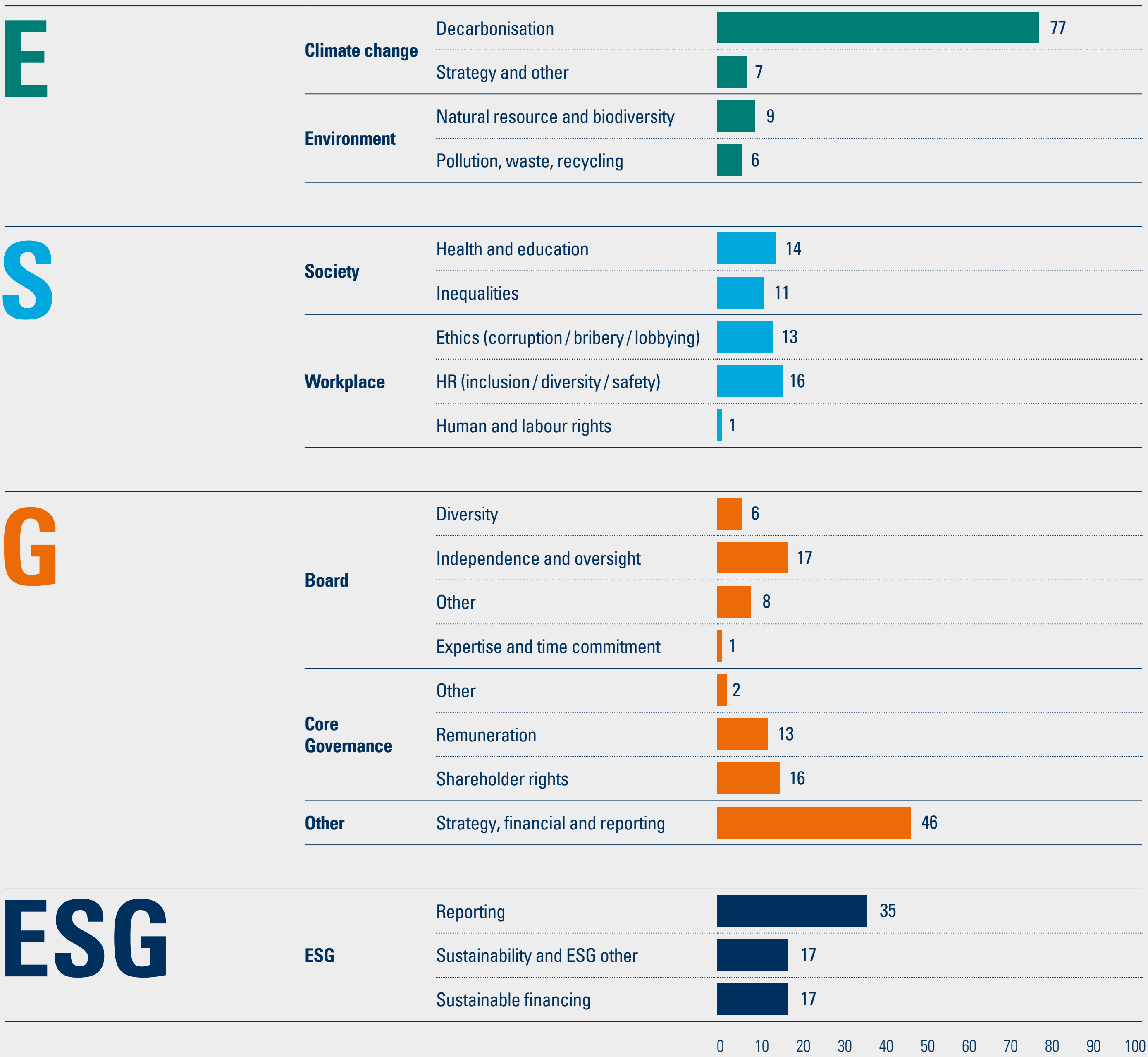
Figure 2: Engagement themes

Environmental	
Climate change	25%
Environment	5%
Social	
Society	7%
Workplace	9%
Governance	
Board	10%
Core governance	8%
Other	14%
ESG	
Generic	22%

Key engagement issues

Ashmore focuses its engagement efforts on ESG risks and sustainability issues that are of particular relevance to where it invests i.e. the Emerging Markets. The most prominent of these is climate change including the risk to individual issuers as the low-carbon transition materialises and the physical impact of climate change worsens. Furthermore, Ashmore views climate change as a multiplier issue, meaning that action on climate change (SDG 13) will also affect many of the other Sustainable Development Goals. Consequently, climate change has dominated thematic engagement efforts so far and influenced the Portfolio Managers in much of their bilateral engagement work. The focus on climate change further influences social issues such as the rights to a Just Transition and allowing for Climate Equity.

Engagement themes



Examples

Bilateral engagement – Equities

What was the key issue/trigger for the engagement?	Ashmore's equity team decided to engage with a leading yeast producer in Asia due to concerns around remuneration, specifically its Key Performance Indicator (KPI) required to unlock a proposed Employee Stock Ownership Plan (ESOP).
What became the engagement objective?	Ashmore wanted the company to better align KPIs with minority shareholders' interests given current KPIs were not considered sufficiently demanding, based on sales growth and profitability in the context of the company's stated target growth.
What activities did Ashmore do over the year?	Ashmore approached company management, primarily through email correspondence, to set up dialogue about the issue. This view was highlighted to senior management but due to lack of action further escalated by a vote against the management recommendation at a shareholder meeting.
What was the outcome?	The company acknowledged Ashmore's comments and explained that as this was its first ESOP given they are partly state owned, the ESOP was modest (as a percentage of remuneration and share dilution) and it would like to ensure a high success rate of vesting to motivate its employees. The company stated it would consider more demanding KPIs in the future. The ongoing dialogue with the company was considered encouraging, and the investment team will continue to monitor progress on the specific engagement objective.
What were the implications for Ashmore's investment?	The investment in the company is maintained.

Bilateral engagement – Fixed income

What was the key issue/trigger for the engagement?	The dual impact of the Covid-19 pandemic and oil price shock created a deficit in the government financing plans of a Latin American country. Despite the country making good progress in complying with the terms of its IMF Extended Fund Facility (EFF) programme, the exogenous shock led Ashmore to engage with the government in discussions that would preserve access to emergency funds to fight the Covid-19 crisis by granting temporary cash flow relief to the government.
What became the engagement objective?	The engagement objective was to work together with the government and the international financial community (and the IMF) to provide assistance and facilitate the country's return to the capital markets after the crisis was over. In addition to immediate financial objectives, throughout the discussions Ashmore placed significant emphasis on improving governance and sustainability of the sovereign's debt profile.
What activities did Ashmore do over the year?	Ashmore led efforts to design and agree with the government two innovative mechanisms in the transaction to promote better governance: 1. The first innovation was the creation and application of an 'Information Covenant' for the first time in the legal terms of the new sovereign bonds issued out of the restructuring. As a result of this covenant, the failure to make timely annual disclosure of debt statistics (with a specific certain level of details required) is now an event of default, which ensures a minimum standard of debt transparency, and opens up an important new avenue for bondholders to promote better governance; 2. The second innovation was the explicit incorporation of IMF involvement into the conditionality of the restructuring, again for the first time in a sovereign restructuring.
What was the outcome?	The nature of the bonds' indentures, the ownership structure of the bonds, and the support from the IMF all combined to expedite the negotiations. The debt exchange negotiations were successfully concluded.
What were the implications for Ashmore's investment?	The deal, which met with acceptance from 98.5% of bondholders, reflected the good faith efforts of the issuer. It was rewarded via a small principal adjustment, maturity extension and lowered interested payments. For their part, bondholders switched into bonds with much better documentation and guarantees of transparency and IMF support, which enhanced the secondary market value of the claims.

Thematic engagement

What was the key issue/trigger for the engagement?	As a signatory to Climate Action 100+, and acutely aware of the importance of the Emerging Markets in achieving a low-carbon world, Ashmore decided to increase its emphasis on the need for companies to consider their decarbonisation strategy and disclosure.
What became the engagement objective?	Conscious of the low starting point for many corporates in Emerging Markets, the focus was first on awareness raising among the issuers, followed by a defined objective to achieve appropriate levels of climate-related disclosures.
What activities did Ashmore do over the year?	Ashmore raised the topic of decarbonisation 77 times with 67 issuers. Of these engagements, 20 had a specific objective to increase disclosure, with a further seven requesting change such as setting a decarbonisation target.
What was the outcome?	Overall, Ashmore has seen climate-related disclosures improve, however these efforts were carried into 2022 as such disclosure is still relatively underdeveloped in the markets where the Firm invests.
What were the implications for Ashmore's investment?	These engagement efforts have contributed to increased coverage of GHG emission reporting used as part of investment decision-making, and which also fed into Ashmore's 2021/2022 project to increase reporting of its funds' GHG emissions.

Collaborative and collective engagement

Ashmore believes that there is value in collaborating with investor and industry groups when engaging with issuers. Furthermore, the Firm finds that by engaging collaboratively and joining collective initiatives, it can reach a wider number of issuers and that such avenues are particularly suitable for policy engagement.

Ashmore has adopted the ICSWG's definition of collaborative and collective engagement as:

"a form of engagement where investors work with each other in some way to achieve a common engagement goal."

'Collaborative engagement' is considered to be where the Firm works with other investors or stakeholders to achieve an engagement objective, while 'collective engagement' is where Ashmore joins an engagement initiative run by a third party such as the UN PRI.

Ashmore has engaged with several investor initiatives designed to address and encourage investor collaboration as outlined below. The nature of these means that it is not always possible to measure the contribution to the success of the initiatives themselves but below are some reflections of the outcome of the Firm's involvement.

Figure 3: Investor organisation membership/signatory, involvement, and outcome

Climate Action 100+

About	**Climate Action 100+** (CA100+) is a global investor initiative to address climate change, targeting the world's top GHG emitters. Ashmore became a signatory to CA100+ in 2019.
Type	Collaborative engagement
Ashmore's involvement in 2021	As part of this initiative, Ashmore has committed to engage with one Latin American state-owned energy provider as part of a working group led by a fellow investor. This is an issuer with whom Ashmore has a strong relationship across the capital structure. Ashmore participated in two CA100+ dialogues with the issuer and in addition raised the CA100+ objectives at a number of meetings directly with the issuer.
Outcome	These dialogues have been useful to gain a better understanding of how the issuer approaches decarbonisation. As of end of 2021, the issuer, according to the CA100+ benchmark, had partial medium and short-term GHG reduction targets but lacked a clear 'net-zero GHG emission by 2050' ambition and a long-term target. It did not have a strong decarbonisation strategy and its capital allocation was not considered aligned with a low-carbon transition. Furthermore, its climate engagement policy and climate governance were only partially addressed, and it did not produce TCFD disclosures. These areas continued to be core engagement objectives for 2022.

THE INVESTOR AGENDA
ACCELERATING ACTION FOR A LOW-CARBON WORLD

About	**The Investor Agenda** is a group of ESG-focused investor initiatives. The UN PRI (of which Ashmore is a signatory) is a member.
Type	Collective engagement
Ashmore's involvement in 2021	Ashmore signed the 2021 Global Investor Statement to Governments on the Climate Crisis letter, sent in advance of COP26 in Glasgow.
Outcome	According to the Investor Agenda, the 2021 letter was its most ambitious yet. It argues that some of its key policy objectives were reflected in the policy outcomes from COP26, including increased climate risk disclosure mandates, increasingly ambitious Nationally Determined Contributions (NDS), and the UK's roadmap towards mandatory net zero transition plans. While these outcomes are welcomed, there is still a need to increase policy pressure and Ashmore looks forward to supporting future such efforts by The Investor Agenda.

NET ZERO ASSET MANAGERS INITIATIVE

About	**The Net Zero Asset Managers Initiative** (NZAMI) is an initiative for asset managers committed to support investing aligned with net zero GHG emissions by 2050 or sooner. Ashmore became a signatory to NZAMI in July 2021.
Type	Collective engagement: The Net Zero Asset Owner Alliance (NZAOA) Target-Setting Protocol, which Ashmore has adopted as its methodology for setting NZAMI targets, proposes 'position paper contribution' as one of its recommended engagement efforts.
Ashmore's involvement in 2021	The trigger for the activity was COP26 held in Glasgow in November 2021, gathering government representatives from around the world to further address climate action building on the 2015 COP25 in Paris. Ashmore published a policy position paper named "Seven policy proposals to meet the Paris Agreement objectives", arguing that, amongst other factors, the contrasting emissions profile of Developed and Emerging Markets had to be considered, and that equitable carbon trading and subsidy policies would incentivise greater private sector involvement in funding climate action.
Outcome	It is difficult to quantify the outcome or impact of such a position paper. However, it was widely distributed among Ashmore's network and is publicly available on the Ashmore website. Ashmore welcomed the emphasis at COP26 on the important role of the private financial sector's role in achieving the climate targets as well as the need for strong climate-related policy.

Escalation

Ashmore prefers to conduct its engagement efforts as part of confidential and constructive dialogue with issuers but accepts that where this is not yielding the desired results there might be a need to take a different approach. This could be where specific concerns are repeatedly raised with management without signs of these being taken seriously, where no clear action materialises, or it could be where ethical concerns warrant the escalation of activities. Any escalation activities conducted are typically dependent on the relationship Ashmore has with the issuer and the implication of the issue on the investment strategy.

The aim of any escalation tends to be to achieve the original engagement objective although through stronger means. In contentious situations Ashmore accepts that there may need to be a degree of compromise. Whilst Ashmore's intention is not to 'name and shame' issuers, where appropriate, the Firm may make its position public should it consider this to be the appropriate action to achieve the objective.

Escalation activities

Ashmore considers escalation activities on an exception basis. Whether an engagement activity is considered 'an escalation' is dependent on the situation and context. Ashmore looks to maintain good relations with issuers in its belief that constructive dialogue is more likely to yield the intended results, not to mention the resource-intensive nature of certain escalation activities. Portfolio Managers have several escalation options at their disposal as listed below:

- Write formal letter to company
- Request meetings with Board or other independent directors
- Collaborative engagement
- Downgrade Ashmore's ESG score
- Engage with regulators and policymakers
- Vote against Management proposals at shareholder meetings
- Make concerns public
- File or support shareholder resolutions
- Divestment

The most used escalation activities during 2021 were downgrading the issuer's ESG score, voting against Management proposals, and divesting. Issues leading to a downgrade of ESG score included climate change concerns, workplace ethics, and issues relating to shareholder rights. Ashmore also voted against management on several occasions, some of which were due to lack of response to Ashmore's engagement efforts. Finally, there were also cases where Ashmore chose to divest from an issuer due to disappointing response to its engagement efforts. An example of this is outlined in more detail on the next page, where despite escalating the engagement by voting against Management proposals no change was implemented leading Ashmore to decide to divest.

Approach

Ashmore's approach to engagement aims for consistency across its local offices. However, Ashmore is conscious of how stewardship expectations vary across the markets it invests in and attempts to strike a balance between being clear about expectations of issuers while also accommodating the different stages of stewardship across markets. For example, while in 2021 there has been increased guidance and public expectations when it comes to issuer engagement in the UK and northern Europe, this is not the case in some other Developed and Emerging Markets.

Examples of escalation

During 2021 Ashmore did not routinely track the use of escalation activities in detail nor the outcomes of such activities, both of which are being addressed over 2022 in the updated Engagement Strategy. However, two examples where Ashmore considered it necessary to turn to escalation during 2021 are outlined below.

Equity

What was the key issue/trigger for the engagement?	Ashmore was invested in an Asian materials company, which planned to buy out minority investors (including Ashmore) in a subsidiary, at a price materially below an appraisal of the stake's fair value.
What became the engagement objective?	Ashmore believed that minority investors did not have a fair influence on the matter, not least given the company owned 49% of the subsidiary. Furthermore, this action by management was considered poor governance that could also limit the potential upside in its investment. Consequently, Ashmore wanted the company to cancel the merger plans or to merge at a meaningfully higher stake price.
What activities did Ashmore do over the year?	Ashmore shared its view with the management team. When the response was not as hoped, Ashmore decided to vote against the merger.
What was the outcome?	The merger was agreed regardless of Ashmore's engagement.
What were the implications for Ashmore's investment?	Given the significant impact to the investment thesis, Ashmore proceeded to vote 'with its feet' and exited the stock. Whilst there was no apparent regulatory breach, Ashmore believed that the influence of the holding company affected shareholder value.

Fixed income

What was the key issue/trigger for the engagement?	During 2019, the Chairman of an Eastern European agricultural company ceded his independent non-executive status to take a greater involvement in the business as an executive member. The Company then disclosed in its 2019 Annual Report that it had extended a loan of initially USD 22m, which was increased to USD 56m, to its 60% founding shareholder (and CEO), with the approval of the Board. The trigger of the engagement was when one of the four independent Directors resigned from the Board in early in 2021.
What became the engagement objective?	The engagement objective was firstly to understand the governance implications of the company loan, and secondly to communicate Ashmore's concerns with this sort of financial practice.
What activities did Ashmore do over the year?	Ashmore engaged with the company and complemented our research by communicating with the ex-independent director. Ashmore spoke to the company about the loan and the fact that an independent Director had left and learned that the Director's concerns had been regarding the owner's ability to repay the loan, and that they felt the number of independent Directors was satisfactory.
What was the outcome?	The engagement with the company was not particularly constructive. Company management told us that they expected the loan to be repaid ahead of its maturity. Furthermore, they advised us that they were planning to replace another non-independent Director with an independent later in 2021, which would take them to 50% independent Board.
What were the implications for Ashmore's investment?	Given the response of the Company to the loan, Ashmore divested from the company's bonds.

Exercising rights and responsibilities

Ashmore sees voting as a core responsibility and aligned with its clients' interests. Furthermore, active voting can be used as a tool to influence issuers and is therefore an important part of the Firm's Engagement Strategy.

Ashmore aims to vote whenever possible, and the review of voting statistics are a standard item at the ESGC agenda. The voting process is kept as consistent as possible across Ashmore's offices, appreciating local variations.

Ashmore's aim is to vote on all proxies presented by portfolio companies. If the investment team has a concern, then it seeks to engage with the company management, Board of Directors, or other stakeholders to address the issue.

Protecting the financial interests of its clients is the primary consideration for Ashmore. This generally means proxy voting with a view to enhancing the value of the securities held by or on behalf of Ashmore's clients, through maximising the value of securities, taken individually or as a whole.

Where appropriate, Ashmore will inform issuers of planned negative votes as part of its engagement efforts, often engaging with the companies in advance of an upcoming shareholder meeting should it consider the resolutions contentious.

Ashmore discloses its firm-wide Proxy Voting Policy on its website.

Listed equities

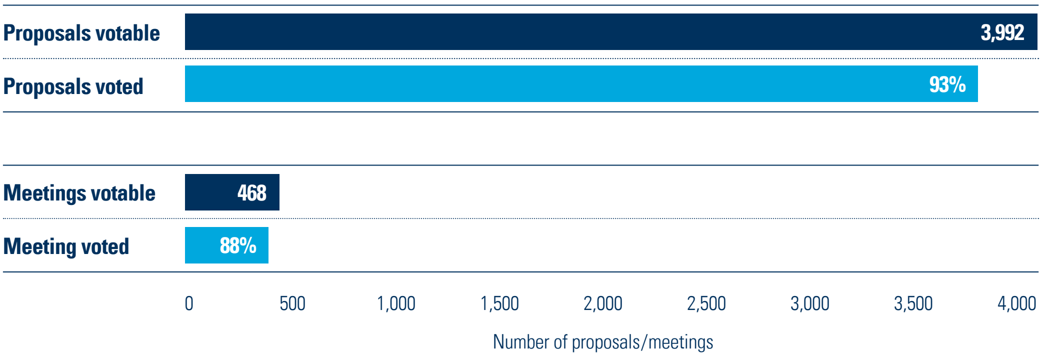
The following forms or proxy votes are typical (but not exhaustive) of those Ashmore is presented with: election of directors, ratification of auditors, management and director remuneration, changes to capital structures, takeovers, mergers and corporate restructurings, and social, environmental and corporate policy issues.

During the year, the Firm voted on 93% of votable proposals. Reasons for why the Firm did not vote on the remaining 7% include situations where this would have led to Ashmore being blocked from selling the stock until the upcoming meeting or where Ashmore exited the company before the votes took place.

93%

Percentage of votable proposals on which the Firm voted.

Figure 4: Voting statistics



Client overrides and direct voting

Ashmore has a long-standing tradition of supporting institutional clients who wish to instruct the voting. The Firm has clients who wish to maintain their right to cast votes directly or to set out voting principles, and Ashmore welcomes the opportunity to take into account clients' values and preferences.

All voting decisions are made by the Portfolio Manager responsible for the investment. This process is supported by the Operations team, which manages the proxy voting process. Ashmore's equity Portfolio Managers aim to vote on all proxies presented to them, using the ISS platform or equivalent to submit votes.

Figure 5 shows Ashmore's voting record for 2021. While 81% of votes were for the proposal, the Firm abstained from 9% of the votes, withheld 1% of the votes, and voted against 9%.

Proxy advisers

ISS research and voting recommendations are available to the Ashmore investment teams to help inform voting decisions. While Portfolio Managers take into account this independent advice from ISS, for each vote they maintain full discretion as to how to vote on any one resolution.

During 2021 Ashmore applied ISS's house policy, which was followed for 96% of the resolutions. For the remaining 4% the Portfolio Managers chose to vote against ISS's advice, believing this to be in the best interests of our clients.

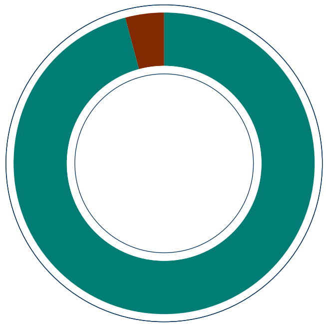
In cases where the Ashmore voting decision was either against Management's recommendations or shareholder resolutions, this would be either based on ISS recommendations or where the Portfolio Manager believed these not to be in the best interest of clients' interests.

For example, as shown in Figure 7, Ashmore voted against management on 9% of resolutions. This type of active management is encouraged at Ashmore.

Figure 5: Vote cast statistics

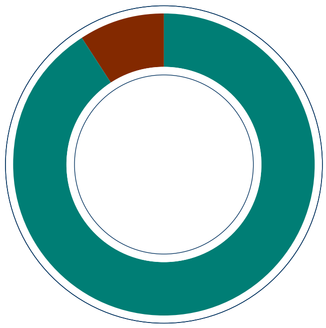
For	81%
Abstain	9%
Withold	1%
Against	9%

Figure 6: Vote alignment with ISS Policy



Votes with policy	96%
Votes against policy	4%

Figure 7: Vote alignment with Management



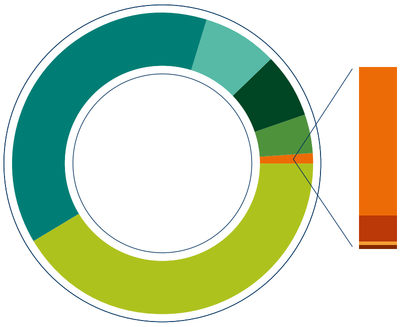
Votes with management	91%
Votes against management	9%

Among the resolutions put to Ashmore, there is a clear lack of shareholder proposals, accounting only for 1% of all the votable proposals, mostly being directors related.

Figure 8: Proposal categories

Management proposals

Directors related	41%
Routine/Business	38%
Capitalisation	8%
Reorganisations and Mergers	7%
Non-salary compensation	4%



Shareholder proposals

Directors related	0.90%
Routine/Business	0.10%
Corp Governance	0.05%
Compensation	0.05%

Fixed income

As a bondholder, Ashmore has a responsibility to exercise its rights and responsibilities. Whilst as bondholders, the investment team does not regularly vote on governance issues, it frequently uses engagement to inform its investment decisions, which ultimately has an impact on issuers. The fixed income approach in seeking amendments to terms and conditions, contracts, and other legal documentation depends on the issue in question, type of security held, investment strategy and the fiduciary duty to act in clients' best interests. Bondholder meetings tend to be less frequent but follow a similar approach to that of listed equities. The following forms of proxy votes are typical of those presented to Ashmore for debt: accelerations, exchanges, corporate reorganisations, restructurings, events of default, bankruptcy proceedings, and buy-backs.

Ashmore's in-house Legal team is responsible for with all contractual matters and where appropriate, will use external advisers. Additionally, the Legal team manages the more complex private debt and alternatives transactions. The lawyers responsible for these areas work alongside Portfolio Managers as well as other departments to ensure transactions are structured and executed in a highly professional manner and to ensure the legal documents reflect the commercial objectives and have the rights and protections necessary to protect the investment made by the funds and accounts.

Examples

Ashmore has embraced the work by the Pensions and Lifetime Savings Association (PLSA) to standardise voting reporting to institutional investors, considering it a positive innovation. The outcome of the equity resolutions Ashmore voted on in 2021 can be found below using the PLSA format.

Figure 9: Proposal categories

PLSA Question	Ashmore
How many meetings were you eligible to vote at?	**468**
How many resolutions were you eligible to vote on?	**3,992**
What % of resolutions did you vote on for which you were eligible?	**93%**
Of the resolutions on which you voted, what % did you vote with management?	**91%**
Of the resolutions on which you voted, what % did you vote against management?	**9%**
Of the resolutions on which you voted, what % did you abstain from voting?	**9%**
In what % of meetings, for which you did vote, did you vote at least once against management?	**36%**
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	**4%**

Please find some examples below, aligned with what Ashmore considers 'significant votes' as per PLSA guidance.

Figure 10: Voting examples

Company sector	ELECTRONICS	FOOD PRODUCER	SOFTWARE	TECHNOLOGY	CHEMICALS
Date of vote	**July 2021**	**March 2021**	**April 2021**	**May 2021**	**October 2021**
Approximate size of fund's/mandate's holding as at the date of the vote (based on % of portfolio)	~2%	~2%	~1%	~3%	~2%
Summary of the resolution	**Directors related:** Election of two non-independent Directors.	**Non salary remuneration:** Approve draft and summary of performance shares incentive plan.	**Non salary remuneration:** Approve long-term incentive plan.	**Directors related:** Election of two non-independent directors.	**Reorganisations and Mergers:** Approve merger agreement.
How Ashmore voted	**AGAINST**	**AGAINST**	**AGAINST**	**AGAINST**	**AGAINST**
Whether Ashmore communicated its intent to vote against management to the company ahead of the vote	Yes	Yes	Yes	Yes	Yes
Rationale for the voting decision	Ashmore voted against the election following its engagement with the company where the Firm requested that more independent directors be added to the board. At the time, only 3 of 11 board members were classified as independent.	Ashmore engaged and voted against the KPIs required to unlock the proposed Employee Stock Ownership Plan. The Firm considered the KPIs too undemanding, based on sales growth/ profitability in the context of the company's stated growth target.	Ashmore voted against the company's long-term incentive plan. This was part of the ongoing engagement with company management over its KPIs. Ashmore has also requested improved disclosure, specifically around GHG emissions and other ESG metrics, together with encouraging the company to produce a Corporate Social Responsibility report.	Ashmore voted against the election of certain board members. The Firm requested that the company add an additional independent director and provide an explanation for the long tenure for two independent board members.	The company planned to merge with a subsidiary which would mean buying-out minority investors (including Ashmore) at a price meaningfully below Ashmore's appraisal of the stake's fair value. The Firm believed that minority investors did not have a fair influence.
Outcome of the vote	**FOR** Board member was approved	**FOR** Non-salary remuneration plan was approved	**FOR** Non-salary remuneration plan was approved	**FOR** Board member was approved	**FOR** Merger was agreed upon
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome.	Ashmore's comments were acknowledged, and management stated its goal to adhere to improved standards of independence for the next election term in 2023. In a previous engagement, management had acted on Ashmore's request to replace a director who had already served three terms.	The company acknowledged Ashmore's comments and explained that this was its first ESOP since it is partly a State Owned Enterprise, the ESOP is modest (as a percentage of compensation and share dilution) and the company would like to ensure a high success rate of vesting to motivate its employees. It stated it would consider more demanding KPIs when it prepares for future rounds.	The company has acknowledged Ashmore's comments although the engagement remains ongoing focused on KPIs and the importance of Corporate Social Responsibility disclosure.	The company acknowledged Ashmore's comments and stated that the two independent directors would not stand another term. It plans to hire an additional independent director.	Ashmore considered the proposed merger to be poor governance which limited the potential upside of its investment. The merger was agreed upon, and given its significant to the investment thesis, Ashmore liquidated its position.
Criteria used to assess the vote as 'most significant'	ESG relevance (independent directors)	ESG relevance (remuneration)	ESG relevance (remuneration)	ESG relevance (independent directors)	ESG relevance (shareholder rights)

Note: Instructions of Do Not Vote are not considered votes, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.

Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

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