Ashmore

Stewardship Code

For year ending 31 December 2022

Statement from the CEO

Ashmore was accepted as a signatory to the UK Stewardship Code in 2023.

Ashmore is a specialist Emerging Markets investment manager with a thirty-year track record of investing clients' capital in these markets. This success is inextricably linked with a deep understanding of Environmental, Social and Governance (ESG) factors, exercised via stewardship and engagement across a broad and diversified range of issuers.

Developing countries are likely to face a disproportionate impact from some of the sustainability challenges facing the world today, in particular the risks associated with climate change. Yet, Ashmore believes that this is also where the most interesting investment opportunities associated with the attainment of the Paris Agreement and the United Nations Sustainability Development Goals (SDGs) will take place and that, over time, this can be a valuable source of alpha.

Of course, the many facets of responsible investing continue to evolve, including the nature of engagements with issuers in the Emerging Markets and clients' expectations of effective stewardship of their capital. Ashmore's governance framework, strong team-based culture, and proven investment philosophy with ESG factors integrated into all equity, fixed income, and alternatives strategies, means it is well-positioned to continue to help its clients achieve their investment objectives.

Ashmore's approach to stewardship is well-established and explained in detail in this document. However, we are also aware that whilst we have taken several important steps over the years, this is a journey, and we welcome feedback so we can continue to refine our approach in the years ahead. Ashmore is proud of its responsible investment initiatives and remains committed to making further progress, including continuing to deliver stewardship of its clients' capital in accordance with the Principles of the UK Stewardship Code as described in this document.

Mark Coombs
Chief Executive Officer

October 2023

Contents

Source: Ashmore for all charts, graphs, and figures unless stated otherwise.

Purpose and governance

PRINCIPLE 1: Purpose, strategy, and culture

This section will outline how Ashmore's purpose, investment philosophy, strategy, and culture aim to enable stewardship that creates long-term value for its clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

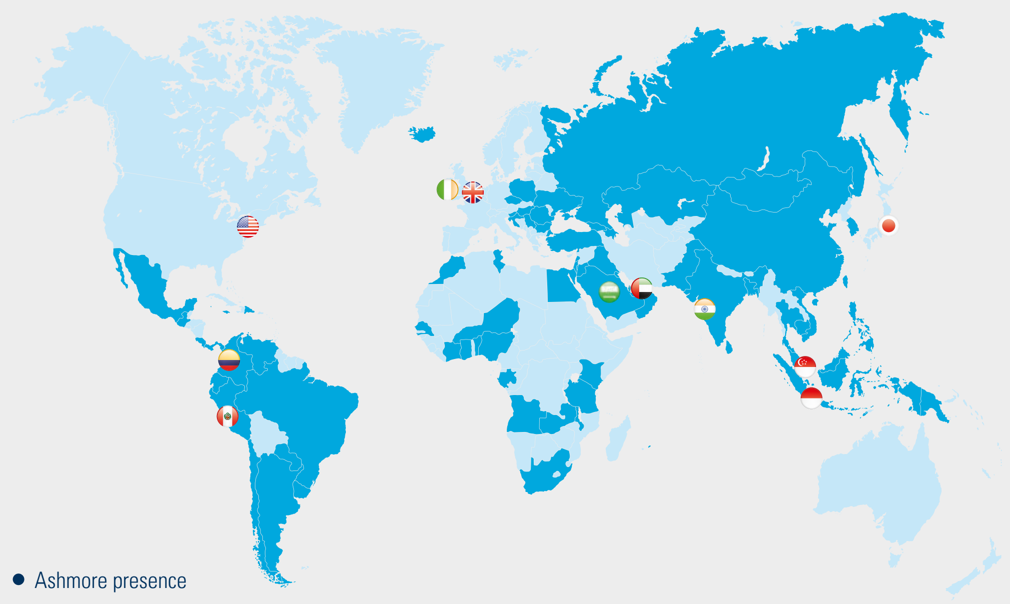
Context

Ashmore Group plc and its subsidiaries (Ashmore; the Group; the Firm) is a specialist investment manager with 30 years' experience investing solely in Emerging Markets. The Firm managed USD 57.2bn (as at 31 December 2022) on behalf of a broad range of institutional and intermediary retail clients, across six asset classes or investment themes: external debt, local currency debt and foreign exchange, corporate debt, blended debt, equities, and alternatives. For the purpose of this document, Ashmore refers to 'issuers' in a broad sense, including sovereign debt issuers, corporate debt issuers and equity issuers.

Figure 1: Diversified assets under management

Fixed Income	
Local currency	32%
Blended debt	22%
External debt	22%
Corporate debt	12%
Equities	
All cap	6%
Active	2%
Frontier	2%
Alternatives	
Alternatives	2%

Ashmore's Emerging Markets investments – a worldwide network



Ashmore recognises the role it plays in the deployment of its clients' capital and the impact this can have on issuers' governance, the sustainability of the environment and broader society. As such, the Firm has integrated sustainability and the understanding and consideration of ESG factors across its operations.

About Ashmore

Purpose

Ashmore's purpose is to deliver long-term investment outperformance for clients and to generate value for shareholders over market cycles, while ensuring it acts as a responsible investor and steward of clients' capital. Over three decades, Ashmore employees have established extensive relationships across the emerging world, which give the Firm great insights into local economic and business developments. These contacts have been nurtured through Ashmore's ongoing research activities, investment activities, and business with local asset owners. As a significant investor in the developing world, Ashmore has become a partner for leaders, companies, and entrepreneurs through their economic and business life cycles.

Culture

Ashmore aims to ensure that its culture and working practices encourage effective stewardship and that it recognises the Firm's broader set of stakeholders, including employees, regulators, clients, shareholders, third-party service providers, society and the environment. It does this by requiring its employees to act ethically and to uphold clearly the high standards of conduct expected by the Firm's stakeholders.

Ashmore has a distinctive, team-based culture that it has preserved since inception, growing from being a predominantly London-based firm with a relatively small number of employees to having more than 300 employees in 11 offices worldwide today. This culture is instilled and maintained by factors such as the Group's performance-based remuneration philosophy with an emphasis on long-term equity ownership, a robust compliance and risk management framework, and a clear 'tone from the top' imparted by the Board of Directors and senior executives. Furthermore, the Firm's investment committees oversee the management of client portfolios by investment teams that operate with collective responsibility. This team-based approach is echoed across Ashmore's operations including distribution and support functions, and its overseas offices. This results in a collegiate, collaborative, client-focused, and mutually supportive culture across the whole Firm. Additionally, the equity ownership culture also means that Ashmore's employees are suitably incentivised to collaborate to achieve appropriate outcomes for clients, stakeholders, and the business as a whole.

Strategy and business model

Ashmore's three-phase strategy is designed to capitalise on the powerful long-term growth trends across Emerging Markets, to deliver value for clients, shareholders, and other stakeholders.

1. **Establish Emerging Markets asset classes**
   Ashmore is recognised as an established specialist Emerging Markets manager, and is therefore well positioned to capture investors' rising allocations
2. **Diversify investment themes and developed world capital sources**
   Ashmore is diversifying its revenue mix to provide greater revenue stability through market cycles. There is particular focus on growing intermediary retail, equity and alternatives AuM.
3. **Mobilise Emerging Markets capital**
   Ashmore's growth is enhanced through accessing rapidly growing pools of investable capital in Emerging Markets.

Ashmore's business model to deliver on this strategy focuses on the Group's principal competitive advantage, which is its history of investing in Emerging Markets. The diversity of the investment universe, spanning investment opportunities in more than 70 countries and multiple asset classes, requires specialist, active fund management skills to deliver returns across market cycles. The Group's well-established investment processes place an emphasis on liquidity and operate with the formal discipline of an investment committee approach.

The Group's worldwide distribution capabilities and its global operations provide a platform that is scalable and therefore capable of delivering further profitable growth. Global operating hubs in London, Dublin, New York, and Singapore, together with a distribution office in Tokyo, support fund management activities across multiple time zones, and six local Emerging Markets fund management offices benefit from the scale, efficiency, best practices, and resources of a global asset management group.

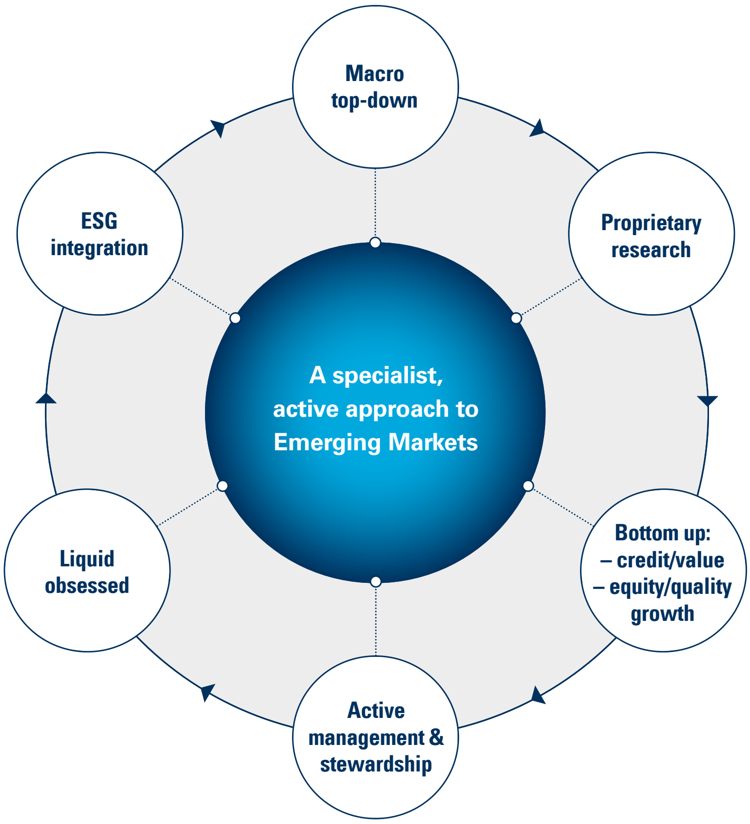
Furthermore, Ashmore's ability to act as a long-term steward of its clients' capital is underpinned by the principal financial characteristics of a flexible operating cost base delivering a high operating profit margin, and a well-capitalised and liquid balance sheet.

Investment philosophy

A fiduciary duty to its clients underpins Ashmore's investment philosophy. An integral part of this is Ashmore's commitment to enable the deployment of clients' capital in a manner that most appropriately meets their responsible investing considerations.

Ashmore's investment philosophy has been implemented consistently by investment committees since the Group launched its first fund in October 1992 and consists of common characteristics applied consistently across asset classes, as well as specific principles that recognise the key differences between them.

Figure 2: Principal characteristics of Ashmore's investment approach



Active management and stewardship

The Emerging Markets asset classes are large and diversified, but also inefficient compared with more mature capital markets in the developed world. This means index representation is relatively low and price volatility can be high, with short-term movements influenced by sentiment and factors other than underlying economic, political and company fundamentals. Active portfolio management also includes engagement with sovereign and corporate issuers, which Ashmore considers critical to delivering long-term outperformance for clients (see Principles 9-11).

Proprietary research

Ashmore's long history of specialist investing in Emerging Markets and its extensive network of relationships mean that proprietary research is an important source of investment ideas. As significant asset owners in their own rights, Ashmore's institutional and intermediary clients in Emerging Markets help the Firm understand domestic financial conditions and investment trends. In addition, Ashmore's local office investment teams in countries such as Colombia, Saudi Arabia, India, and Indonesia also collaborate with the global investment committees and can provide valuable 'on the ground' insights as well as benefiting from global macro views to assist in their own independent investment and engagement processes.

ESG integration

Ashmore recognises that non-financial factors also play an important part in ensuring sustainable growth and in building a robust and comprehensive understanding of an issuer, whether sovereign or corporate. Consequently, ESG factors, which in recent years have seen increased focus across the investment management industry, are consistently integrated. How such ESG considerations are integrated in Ashmore's investment process is further explained in Principle 7.

Activities

Importantly, Ashmore seeks to ensure that its culture, values and strategy enable effective stewardship by ensuring a common investment philosophy is implemented through its investment committees. Across the firm, these committees have a consistent approach to stewardship, whether in fixed income, equity, or alternatives strategies. For example, fund managers are directly responsible for integrating ESG factors in the credit and financial analysis, resulting in a consistent view of an issuer with engagement topics identified and acted upon.

Ashmore's ESG Committee (ESGC) oversees all responsible investment and stewardship activities across the Group. This Committee is further supported by the Local Office Responsible Investment Forum (LORIF) to ensure consistent implementation of sustainability factors, including the approach to stewardship activities. This is further outlined in Principle 2.

Ashmore supports a range of industry initiatives focused on responsible investing. These facilitate interaction with peers and underpin the ongoing evolution in Ashmore's approach to the various facets of ESG across the Firm, ensuring that its strategy is aligned with industry developments. These include:

- UN Principles for Responsible Investment (UN PRI)
- Climate Action 100+ (CA100+)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Net Zero Asset Managers Initiative (NZAMI)

Outcomes

Ashmore's primary objective is to be an efficient steward of its clients' capital, and this lies at the heart of its approach to stewardship, its investment strategy and its approach to decision-making. Ashmore believes that core to this is a consistent investment framework, a strong and effective culture, and a clear long-term strategy supported by a robust business model.

Throughout its 30-year history, Ashmore has demonstrated these characteristics and it continues to develop its capabilities to ensure that it remains a trusted long-term partner for its diversified client base.

Ashmore believes that through active management of portfolios delivering investment performance with appropriate consideration given to ESG factors, and by diligent application of stewardship activities, that it is fulfilling its responsibility to its clients.

Progress on stewardship and new developments

Over 2022 several changes took place to develop the Firm's approach to stewardship, including:

- Submitted the Interim Target as part of the Net Zero Asset Managers Initiative (NZAMI) in July 2022.
- Published the Engagement Report 2021, which also outlined the updated Engagement Strategy.
- Published the first stand-alone Taskforce on Climate-related Financial Disclosures (TCFD) Report.
- Continued to develop investment track records in the four dedicated ESG strategies covering external debt, corporate debt, blended debt, and equities.

Over the coming years, Ashmore aims to make progress on the following topics:

- Revisiting the NZAMI targets with the aim to set additional targets.
- Deepen engagement efforts aligned with the Ashmore Engagement Strategy (Principle 8-12).
- Expand disclosures aligned with the TCFD framework.
- Working with clients and prospects on relevant product development.

PRINCIPLE 2: Governance, resources, and incentives

This section will outline how Ashmore's governance, resources and incentives are designed to support high-quality stewardship.

Activity

Governance structure and processes

Ashmore has a premium listing on the London Stock Exchange with a unitary Board of Directors and an effective corporate governance framework. The Board currently comprises two executive directors, being the Chief Executive Officer (CEO) and Group Finance Director (GFD), and five independent non-executive directors (NEDs) including the Chairman.

The Board is responsible for the Group's strategy, management and control, and specialised management committees oversee the business, investments, and internal controls. Therefore, responsibility for stewardship activities ultimately rests with the Board of Directors, but on a day-to-day basis the authority is delegated to the executive directors and the specialised committees, of which the most relevant ones are described below.

Investment Committees (ICs)

Ashmore has independent investment committees responsible for management of client portfolios in the fixed income, equities, and alternatives asset classes. These operate along broadly consistent lines overlaid with variations to reflect the nature of each asset class. Ashmore's active management approach employs a combination of macro top-down views and rigorous bottom-up analysis with a focus on determining an issuer's financial and non-financial characteristics. For example, in relation to the Global Fixed Income IC, which accounts for approximately 90% of the Group's AUM, there is in-depth analysis to assess an issuer's ability and willingness to pay. Portfolio managers have geographic responsibilities that guide their research focus, which includes stewardship activities such as meetings with government officials, central banks, regulators, company management and other contacts within Ashmore's established network. Ashmore has integrated the consideration of ESG factors into all of its ICs.

ESG Committee (ESGC)

The ESGC has responsibility for setting out Ashmore's responsible investing framework and policy, and ensuring the appropriate implementation across Ashmore's corporate strategy and investment management activities, including control and oversight. The ESGC meets formally at least quarterly and is chaired by the CEO with the management of day-to-day activities conducted by the Responsible Investment (RI) function. Furthermore, the Committee has representatives from across the Firm, including investment teams, risk management, IT, distribution and corporate development.

The ESGC established the Local Office Responsible Investment Forum (LORIF) in 2021, with representatives from its local offices based in certain Emerging Markets, to enhance collaboration and to promote best practice across the Group. This recognises that an increasing proportion of client AUM is sourced and managed in accordance with Ashmore's network of local asset management platforms. The Forum meets monthly and reports to the ESGC.

Risk and Compliance Committee (RCC)

The Group's RCC meets monthly and is responsible for maintaining a sound risk management and internal control environment and for assessing the impact of Ashmore's activities on its regulatory and operational exposures. Responsibility for identifying risks is shared among the Firm's senior managers, with each individual responsible for the control of risk in their business area, and for appropriate reporting to the RCC. Please refer to Principles 4 and 5 for further information.

Resourcing stewardship activities

Ashmore aims to ensure it has appropriate resources to support stewardship activities. The ESGC has oversight of such activities and is chaired by a Board member (the CEO) with membership drawn from senior roles, such as desk or department heads, across the business.

The Firm's 109 investment professionals (as at 31 December 2022) are responsible for fundamental analysis, portfolio construction, ESG scoring, and engagement; resulting in comprehensive and consistent views of sovereign and corporate issuers. They are further supported by a network of Ashmore support and subject matter experts, including on ESG-related matters. Ashmore's research is primarily proprietary in nature and is supplemented by third-party data and analysis where appropriate as outlined in Principle 8. The heads of the fixed income and equity investment teams are highly experienced, with each having spent more than two decades investing in the Emerging Markets.

Today there is one full-time RI headcount, the Head of Responsible Investment and ESG Policy, whose role is to drive the Firm's responsible investment strategy and enable capacity building across the Firm. This supports Ashmore's view not to silo 'ESG' but to truly integrate it in existing roles.

Diversity

Ashmore's ability to act as a responsible steward for its clients' capital is ultimately dependent upon its c.300 employees, and hence it aims to attract, develop, manage, and retain a diversified workforce of high-calibre people. Employee diversity can be considered through many lenses including gender, ethnicity, experience, skills, tenure, age, disability, and sexual orientation. Ashmore believes that the diverse nature of an organisation can help to mitigate the risks of 'groupthink' and to promote an appropriate culture that supports the achievement of commercial and strategic objectives. During 2022, 69% of new hires were considered 'diverse'. Ashmore recognises that the financial services sector has historically been a male-dominated industry and is keen to promote gender diversity both within the industry and its own employee base.

In accordance with the UK Corporate Governance Code and the UK FCA's Listing Rules, Ashmore's current Board of Directors is diverse with four of the five NEDs being female, one of the NEDs is from an ethnic minority background, and the Senior Independent Director is female. As at 31 December 2022, 36% of its employees were female and 42% of the firm-wide hires in 2022 were female.

Training and qualifications

Ashmore staff have access to a range of training and development resources including sponsorship of professional qualifications and in-house courses. This ensures that staff have the necessary qualifications needed to perform their duty as it relates to stewardship and further training is encouraged. Moreover, Ashmore organises mandatory training on a variety of relevant topics for all employees, including but not limited to whistleblowing, information security, tax evasion, and market abuse regulations.

Incentivising stewardship

Ashmore's remuneration structure incentivises investment professionals and others within the Firm with exposure to ESG and responsible investment to act appropriately on a range of stewardship activities, including the completion of ESG analysis and engagement activities. Senior roles, including the Board, Investment Committee, and relevant Department Heads including investment team heads responsible for managing responsible investment products, have formal objectives for responsible investment as part of their role.

Of these, the last two groups as well as all investment professionals have their variable remuneration linked to the extent to which they have embodied the principles of Ashmore's ESG Policy as an integral part of their relevant responsibilities.

Outcomes

Ashmore's governance framework, resourcing, and incentive system are not static. They evolve to consider prevailing risks and opportunities outlined above, and consequently they have been effective in supporting high-quality stewardship. However, Ashmore is conscious that this is a developing area as it relates to both regulation and client expectations. Therefore, the Firm keeps its approach under review to ensure that it is well-positioned to adapt to such changes.

PRINCIPLE 3: Conflicts of interest

This section will outline how Ashmore manages its conflicts of interests with the aim to put its clients and beneficiaries first.

Context

Ashmore recognises the need to ensure that conflicts of interest are always effectively identified and managed in the course of its business, as between the Firm, including its directors, managers, employees, clients and other stakeholders.

When managing its business, it is inevitable that scenarios can arise where the interests of Ashmore's clients, shareholders, employees or the Company itself may be at odds with each other. The Firm's guiding principles are that it will always put the interests of clients and shareholders ahead of the Firm and its staff.

Ashmore values its reputation for doing business with integrity and shareholders and clients are entitled to expect that whenever a conflict of interest arises it will be managed effectively or disclosed to give full transparency to all parties concerned.

Activity

Ashmore has procedures in place designed to identify and manage any instances of actual or potential conflicts of interests, including those relating to stewardship.

Conflicts of Interest Officer – A member of Ashmore's senior management performs this role and is the first point of reference when a conflict matter arises. He/she may deal with the matter directly or perform other steps as needed to reach the desired outcome. Additional steps may involve consultation with other members of senior or executive management or seeking pre-clearance from other governing bodies associated with the matter.

Annual Conflicts of Interests Report – At least annually, a report is presented to the Ashmore Group plc Board on conflicts arising for the Group relating to the relevant reporting period.

Conflicts of Interest Table – Ashmore maintains a detailed conflicts of interest table that identifies potential conflicts within the Group into the categories of governance and corporate conflicts; employee conflicts; client conflicts; and operational conflicts. Under these headings, over 30 potential conflicts of interest have been identified detailing who they could affect, conflicting interests, and procedures to monitor and, handle the conflict as deemed appropriate. The table is reviewed on an annual basis. Actual conflicts are then identified in a conflicts of interest register.

Training and Attestation – All Employees make attestations on a quarterly basis in relation to various conflicts of interest including gifts and entertainment, political contributions and personal account dealing.

Ashmore's Conflicts of Interest Policy is reviewed annually and is available on Ashmore's website.

Outcome

All employees share the responsibility for conducting Ashmore's business in accordance with the highest standards in keeping with its obligations as a regulated firm and its duty to treat investors' interests as paramount.

Case study:
Approach to conflicts management

The Firm's organisational approach to handling conflicts is multi-faceted reflecting the importance the Group places on handling these matters appropriately.

A selection of areas identified as potentially exposed to conflicts of interests is outlined below.

Remuneration

Ashmore's remuneration policies aim to align the interest of its business with those of clients. This is achieved through significant deferrals of variable compensation and, in certain circumstances, forfeiture on leaving the company.

Wall-crossings

Ashmore has established and operates procedures to ensure the careful handling of inside information relating to investment opportunities presented to Ashmore to reduce the risk of any conflicts of interest. Where a wall-crossing event has occurred, these procedures include adding the relevant security to a restricted list that prevents all Ashmore accounts from dealing in the security until the information is cleansed or expires.

Personal dealing

Ashmore's personal dealing procedures are designed to prevent conflicts of interest from arising. Training is conducted periodically and all breaches of this policy result in a disciplinary hearing (internal) the outcome of which will vary in severity depending on the circumstances and reasons for non-compliance.

External business interests and directorships

Ashmore management and staff are required to seek approval before these activities are undertaken. An annual reminder is sent group-wide and quarterly declarations are completed to confirm that employees have complied with these requirements or declare any cases that may have been missed. Any activity that is judged to conflict with Ashmore's business or interests will not be permitted.

Gifts and entertainment

The giving and receiving of gifts or entertainment has the potential to create a conflict of interest. Ashmore employees are not permitted to give or receive any form of inducement that may impair Ashmore's duty to conduct its business in the best interests of its clients. The receipt of modest gifts is permitted but subject to surrender to the Ashmore Foundation. Entertainment received is subject to pre-approval. Ashmore does not provide entertainment for the Firm's clients other than lunches or dinners are permitted where appropriate and subject to reasonable spending rules per person as set out in Ashmore's internal expenses policy.

Whistleblowing

Ashmore's whistleblowing policy is designed to ensure that all employees across the Group are able to raise concerns relating to potential wrongdoing or matters of public interest in a safe and protected manner. Employees receive an annual reminder providing details of the policy including the independent hotline that operates in all jurisdictions where Ashmore conducts its business. The Group's Chair of the Audit and Risk Committee is the nominated Board Director for whistleblowing.

PRINCIPLE 4: Promoting well-functioning markets

This section will outline how Ashmore aims to identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity

As an Emerging Markets focused investment manager, Ashmore's success is inextricably linked with the achievement of sustainability goals in the markets in which it operates and invests. Ashmore recognises its role as a responsible investor in making capital allocation decisions that benefit the transition towards a sustainable economy, and to identify and mitigate market-wide and systemic risks in the markets in which the Firm operates. The Group has 'three lines of defence' against unintended outcomes both in terms of the principal and emerging risks that it faces and the potential effects its actions may have on the broader market. Further details of the Group's 'three lines of defence' are outlined in Principle 5.

Ashmore believes that the Group's overall culture and conduct in relation to market integrity and being stewards of clients' assets are critical roles in achieving the investment objectives, including contributing to the stability of financial markets in which we participate. All employees receive annual training on market conduct and the relevant laws designed to avoid abusive practices.

More generally, systems of internal control required to identify and respond to market-wide and systemic risks cannot be static and as such, Ashmore is committed to continually strengthening and evolving its risk management activities to ensure these are aligned with the evolving market environment as well as client expectations. A key factor in the Firm's ability to manage through challenging market conditions and significant business change is its risk-aware culture and integrated and global approach to risk management. This risk management framework enables the investments to be aligned accordingly, given the market-wide and systemic risks identified. Ashmore's internal controls also includes monitoring of all trading activity to further underpin the Firm's desire to responsibly deliver value in the context of the wider market.

Identification and response to market-wide and systemic risks

Market-wide and systemic risks are broad in nature, and the identification and response to these are organisational responsibilities which requires close collaboration across the Firm's different departments and their respective areas of responsibility and these can often be complex and long-term in nature.

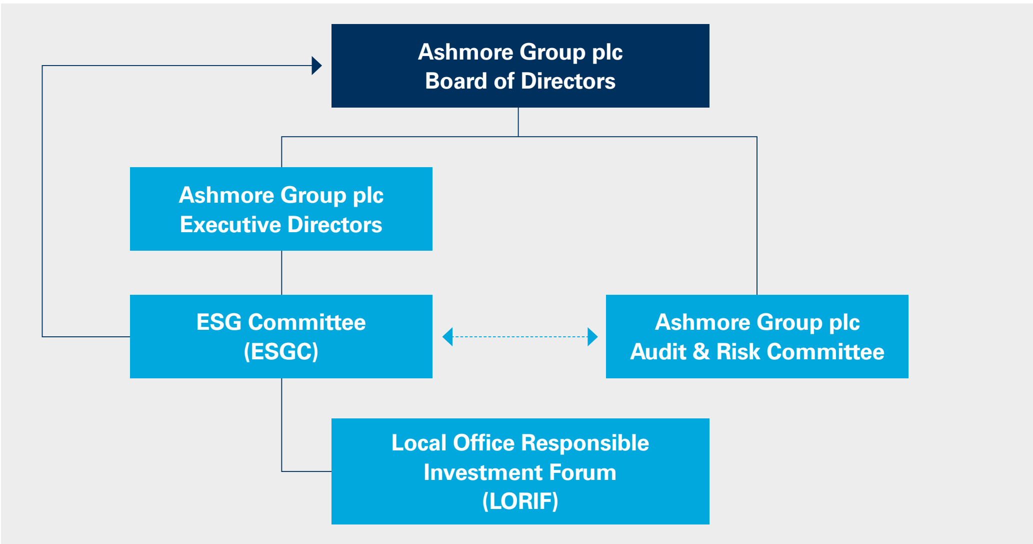
The investment process comprises top-down macro and bottom-up idiosyncratic analyses. This takes into account macro-economic and geopolitical risks and general trends, including ESG factors that may impact our responsible investment approach. In so doing, Ashmore's approach is to develop relationships with key stakeholders in the markets in which the Firm operates and invests. These stakeholders are diverse and include government officials, industry forums, regulators, NGOs, advisers, as well as the boards and management teams of investee companies. This approach is supplemented by investment in third-party ESG data sets that are used in the analysis of long-term sustainability risks relating to the Group's investments.

Ashmore's internal control framework provides an ongoing process for identifying, evaluating, and managing the Group's emerging and principal risks. The 'principal risk framework' includes climate risk and identifies associated controls and mitigants and is subject to regular review by the Board's Audit and Risk Committee.

Figure 3: Risk management structure

Ashmore Group plc Board of Directors	The Board and its committees, including the Audit and Risk Committee, are ultimately responsible for the Group's risk management and internal control systems, and for reviewing their effectiveness, in the context of wider markets.		
↑ **Group Risk and Compliance Committee**	Maintains a sound risk management and internal control environment and assesses the impact of the Group's activities on its regulatory and operational exposures as well as in relation to our clients' expectations.		
↑ **Chairman**	Head of Risk Management and Control		
Members	Chief Executive Officer Group Finance Director Group Head of Compliance	Group General Counsel Group Head of Human Resources	Group Head of Finance Group Head of Distribution Head of Internal Audit

Figure 4: Overseeing climate-related issues



The ESGC receives frequent and regular updates on legal and regulatory developments relating to sustainability issues including climate risk, covering both operational and investment activities. This enables the Committee to address actual or potential risks and to consider opportunities, whether from an investment, marketing, or operational viewpoint.

Selected principal and emerging risks and mitigants

A subset of certain of the Group's principal and emerging risks and related mitigants is included in the table below.

Principal and emerging risks	Mitigants
Failure to understand and plan for the potential impact of investor sentiment and regulatory changes relating to sustainability and climate change, and the impact to fund products.	Oversight by ESGC, which has overall responsibility for Ashmore's sustainability and responsible investing framework across its corporate and investment activities. The Product Committee periodically reviews existing products as well as the approval of new ESG products and funds.
Sustainability risks, including those relating to climate change and the suitability of climate metrics especially in relation to Emerging Markets, have implications for individuals, businesses, and investors.	ESGC has oversight of risks, and the RI function updates the Board regularly. Dedicated ESG funds with minimum ESG scoring thresholds. Using our platform in Emerging Markets to emphasise climate concepts and data to market participants.
Heightened geopolitical and sanctions risk as well as supply chain issues leading to higher levels of inflation.	Ashmore has more than 30 years investing in Emerging Markets and during that time, the Investment Committee has developed significant experience of managing macroeconomic and geopolitical risks across Emerging Markets, including the use of Ashmore's proprietary ESG scorecard to evaluate both sovereign and corporate issuers.

Stakeholder collaboration

Constructive collaboration with other financial market stakeholders with the aim to promote continued improvements in the functioning of financial markets is an important part of how Ashmore responds to market-wide and systemic risks. For example, the systemic risk of lack of meaningful action on climate change remains an area in which Ashmore pays close attention given the vulnerability of Emerging Markets to the damaging consequences of climate change and the important role these markets play as part of climate mitigation. Therefore, Ashmore continues to participate in industry initiatives such as Climate Action 100+ targeting large GHG emitters, TCFD which specifically focuses on the identification and management of climate-related risks, as well as NZAMI which aids Ashmore in its own decarbonisation journey. This is further detailed in Principle 10. The Firm believes that its commitment to these initiatives is important both for its business and for Emerging Markets more generally and acknowledges this is expected to remain an ongoing pursuit in future years.

Impact of market-wide and systemic risks considerations on the investment process

The consideration of ESG factors, including climate risks, is integrated into all of Ashmore's investment processes covering the fixed income, equities, and alternatives asset classes. Importantly, the Group does not consider ESG risks and opportunities in a silo, rather the Investment Committee in each asset class oversees ESG analysis in a cohesive manner alongside fundamental macro-economic, financial performance and credit analysis for sovereign and corporate issuers. The analysis is based primarily on proprietary research, including engagement with issuers to identify potential investment opportunities. This is further outlined in Principle 7.

Investment risks

Ashmore's Investment Committees and portfolio management teams are supported by a combination of the Group's Risk Management and Control Department and the RI function to carry out thematic macro and issuer specific analysis to understand and assess the suitability of ESG metrics (including climate change concepts) and risk factors of its portfolio investments. In so doing, the Firm can create detailed knowledge of material market-wide and systemic risks, including sustainability risks and opportunities. This knowledge is then used to further:

- assess the risks and opportunities afforded by the investment, including those related to responsible investing;
- consider any mitigating factors that may be present;
- highlight the need to use appropriate climate change concepts; and
- explore the opportunity to engage with and constructively influence issuers and investee companies.

Outcome

The below examples aim to illustrate Ashmore's assessment of the effectiveness of the identification and response to certain principal risks, which could adversely impact Ashmore in particular, and the promotion of well-functioning markets more generally.

Example 1:
Longer-Term Viability

The promotion of a well-functioning financial system requires Ashmore to have robust processes in place to identify and manage market-wide and systemic risks. This is achieved by having a strong control culture, a focus on internal controls, and a clearly defined risk management framework.

As noted in the 2022 Annual Report, the Ashmore Group plc Board is ultimately responsible for oversight of the Group's system of internal control and risk management and during the period, the Board has conducted an annual review and assessment of the effectiveness of the Group's risk management and internal control systems, and has not identified any significant failings or weaknesses during this review.

Furthermore, in accordance with Provision 31 of the UK Corporate Governance Code, during 2022 the Board had assessed the current position and prospects of the Group over a three-year period, which is consistent with the planning and stress testing timeframe used historically in the Group's ICAAP. This included as an assessment of Strategic and Business risks, in which aspects of climate change and sustainability risks and mitigants are specifically referenced.

The stress tests included the impact of negative investment performance, failure to comply with regulations, breach of client mandate guidelines or restrictions, a substantial decline in AuM and ineffective third-party services.

Additional reverse stress testing was also performed to identify extreme scenarios that would cause Ashmore Investment Management Limited's (AIML's) business model to become unviable.

The reverse stress test was conducted by taking a hypothetical combination of severe circumstances. These included factors that could be a result of a war between two or more geopolitically significant nations, or other significant global risk event that results in widespread investor risk aversion and a dramatic shift in portfolio allocations to 'safe haven' assets, leading to a severe downturn in EM markets, and therefore resulting in a material loss of assets under management; a cyber-attack resulting in sustained failure to access critical systems and the Firm is unable to provide/receive services to/from its clients/counterparties; or a severe regulatory breach resulting in significant reputational damage for the Firm, substantial fines and material litigation claims being settled.

The Group delivers a high level of profitability together with healthy cash flows, and has a strong and liquid balance stress that is able to withstand the financial impact of the range of adverse planning scenarios. Consequently, in the 2022 Annual report, the Board of Directors had confirmed they have a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and maintain sufficient regulatory capital over the next three years.

Example 2:
Advocating for a fair transition in Emerging Markets

It will be difficult to achieve the well-established 1.5-degree target unless Emerging Markets significantly leapfrog the energy transition and to do this significant capital needs to flow into these markets. The challenge is to direct investment capital in a way that decarbonises the global economy, rather than a narrow objective of decarbonising one's individual portfolio.

Over the last year, there has been an increasing acknowledgement that 'ESG investing' could have the unintended consequence of directing money away from Emerging Markets, as such markets are perceived to be too risky from an ESG perspective or, depending on the metric being used, fail various GHG emission tests.

Consequently, care must be taken to ensure that ESG investment efforts actively consider the complex role of Emerging Markets in this transition, as well as the wide variety of circumstances between countries that make up Emerging Markets (typically low- and middle-income countries).

The role of advocacy cannot be overestimated in promoting:

i) a 'Just Transition', defined by EBRD as *"a just transition seeks to ensure that the substantial benefits of a green economy are widely shared, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers, or consumers"*; and

ii) 'Climate Equity', which seeks to address the inequalities stemming from the imbalance between those having benefitted from historical emissions (predominantly today's high-income countries) and those suffering the most from the consequences of the effects of climate change (predominantly low- and middle-income countries).

Both these concepts are essential to pursue responsible investment allocations, and consequently to raise awareness.

Ashmore has previously written about these concepts and during the period has continued to promote these concepts with our clients and where possible, also with ESG third-party data providers and policy makers. This has included feedback to investment frameworks such as ASCOR (Assessing Sovereign Climate-related Opportunities and Risks), as it relates to decarbonising sovereign debt.

Example 3:
Collective Engagement

Ashmore considers collective engagement a useful tool to respond to systemic and market-wide risks, and promote well-functioning markets.

During the period, Ashmore participated in two types of collective engagement. Examples included:

i) The Investor Agenda; and

ii) Net Zero Asset Managers Initiative.

Further details of these are included on the next page.

Collective Engagement

About	**The Investor Agenda** is a group of ESG-focused investor initiatives, including the UN PRI of which Ashmore is a signatory.
Type	Collective engagement
Ashmore's involvement in 2022	Following on from the 2021 letter, Ashmore again supported the call for governments to radically raise their climate ambition ahead of and beyond the upcoming COP. Ashmore signed the 2022 Global Investor Statement to Governments on the Climate Crisis letter, sent in advance of COP27 in Egypt.
Outcome	Ashmore believes that it is important to highlight the urgent need for action, and the significant need for clear and meaningful climate policies as these would aid investor response to the challenge. There is still a need to increase policy pressure and Ashmore looks forward to supporting future such efforts by The Investor Agenda.

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
Ashmore's involvement in 2022	Ashmore responded to the consultation on the Net Zero Asset Owner Alliance (NZAOA) Target-Setting Protocol version 3. In particular the feedback focused on supporting the use of the PCAF Standard and the Assessing Sovereign Climate-related Opportunities and Risk (ASCOR) for assessment of sovereign issuers. As an Emerging Markets investor, Ashmore is conscious of the particular challenge of many developing countries in adapting to a changing climate and transitioning to a low-carbon economy while also growing their economy. Consequently, Ashmore stressed these topics in the consultations.
Outcome	The third version of the Protocol has been published and both PCAF and ASCOR remained in the final report.

PRINCIPLE 5: Review and assurance

This section will outline how Ashmore has processes in place enabling the review of its policies, assurance of its procedures and assessment of the effectiveness of its activities.

Activity

All Ashmore's policies, statements, and disclosures with respect to stewardship have a formal owner and are reviewed annually, with core policies signed off annually by the ESGC.

As described in Principle 4, Ashmore's key controls are documented in the Principal Risk matrix overseen by the Risk Management & Control department and compliance with regulatory requirements is monitored by the Group Compliance function.

Three lines of defence

Ashmore has three lines of defence against unintended outcomes arising from the risks it faces:

1. Risk Ownership – This rests with line managers, whether they are in portfolio management, distribution, or support functions.
2. Risk Control – Provided by Group Risk Management and Control and Group Compliance.
3. Group Internal Audit – The Head of Internal Audit reports to the Chair of the Audit & Risk Committee and provides independent assurance over agreed risk management, internal control, and governance processes.

Ashmore's Group internal audit function operates as the 'third line' to provide assurance to the Group's Audit & Risk Committee and, by extension, shareholders. The internal audit function operates independently but in association with the 'first' and 'second' lines to provide assurance to key stakeholders regarding the management of risks, the system of governance and the system of internal control. The annual internal audit plan is designed to ensure that there is an appropriate mix of review of 'first line' and 'second line' activities. The plan is reviewed regularly to ensure it remains relevant. Each internal audit is individually planned to address the audit objectives and, where appropriate, relevant elements with respect to Ashmore's Responsible Investment and ESG framework are included in the audit scope.

Internal and external assurance

Each internal audit report includes formal confirmation on the operation of the controls which management has identified to mitigate the relevant Principal Risks, and to which management attests quarterly. There is a separate annual exercise to ensure all controls on the Principal Risk Matrix are independently assessed by internal audit on a rolling three-year basis.

Given the independence of Ashmore's Group internal audit function and the level of internal involvement of Executive/senior management in Ashmore's Sustainability and ESG policies and processes, the Firm does not use external assurance to evaluate its Responsible Investment & ESG framework. Whether this will continue to be the case is something which Ashmore will monitor as it assesses the most appropriate method for assuring the effectiveness of its stewardship activities on behalf of its clients.

Review of stewardship policies

Our stewardship-related policies, as published on the Group's website, include:

- ESG Policy
- Proxy Voting Policy
- Engagement Policy (SRD II)
- Ashmore Exclusion Policy
- Supplier Code of Conduct
- Conflicts of Interest Policy Statement
- Modern Slavery Act Statement

Our policies, including those listed above, are reviewed annually by the Policy Owner, taking into consideration whether they still represent best practice and whether they need to be updated to better reflect our stewardship practices. The Policy Owner will be the subject-matter expert and is responsible for the oversight and review of these policies.

Outcome

The Firm's 'three lines of defence' model ensures that stewardship activities are subject to review on a risk-based frequency basis approved by the Group's Audit & Risk Committee. Through independent reporting lines to executive management and the Audit & Risk Committee, Ashmore ensures that any recommendations for improvement are tracked to completion to ensure the agreed management action plans are implemented in a timely manner and address the issue identified.

Example: Review of stewardship reporting

To ensure the Sustainability Report is fair, balanced, and understandable, it was reviewed by the Global Head of Distribution; the Head of Risk Management and Control; and the Group Head of Investor Relations. It was formally signed off by the Group Chief Executive Officer. Those elements of reporting which are included in the Group's Annual Report and Accounts were additionally reviewed by the Group Finance Director, Group Company Secretary, and the Group's external auditors, KPMG, as part of a further fair, balanced and understandable exercise.

Investment approach

PRINCIPLE 6: Client and beneficiary needs

This section will outline how Ashmore considers clients and beneficiaries' needs and communicates the activities and outcomes of its stewardship and investments to them.

Context

AUM breakdown by client type

The Firm values its diversified client base, which includes a wide range of sophisticated asset owners. As of 31 December 2022, 96% of Ashmore's investor base was comprised of long-term institutional investors including public and private pension funds, insurance companies, endowments, financial institutions, government-related entities (sovereign wealth funds, central banks, pension schemes), and corporate clients. The balance of AUM is sourced from retail clients via intermediaries. Figure 5 provides an overview of Ashmore's client base by investor type.

Figure 5: AUM breakdown by client type

Central banks	19%
Sovereign wealth funds	19%
Governments	2%
Pension plans	25%
Corporates / financial institutions	23%
Funds / sub advisers	7%
Intermediary retail	4%
Foundations / endowments	1%

Source: Ashmore. Data as at 31 December 2022.

AUM breakdown by investor geographies

Headquartered in London, Ashmore has a worldwide footprint and a local presence in some of the largest Emerging Markets, with offices in Colombia, India, Indonesia, Peru, Saudi Arabia, Singapore, UAE, as well as in Ireland, the United States and Japan. This brings with it the following benefits:

- Local knowledge in a global firm brings a competitive advantage as the value added is critical to understand local markets and to deliver better outcomes for clients and stakeholders.
- Local offices benefit from the support and resources of a global firm.
- Integration of local offices through Ashmore's global infrastructure facilitates efficient communication and dissemination of information throughout the Firm and with clients and stakeholders.

Ashmore's client base is global and geographically diversified across all continents, as highlighted in Figure 6.

Figure 6: AUM breakdown by geography of clients

Europe (ex UK)	37%
Asia Pacific	25%
Middle East & Africa	18%
Americas	15%
UK	5%

Source: Ashmore. Data as at 31 December 2022.

Lastly, please find below a breakdown of assets under management across asset classes.

Figure 7: AUM breakdown by asset classes (primary investment themes)

Fixed Income	
Local currency	32%
Blended debt	22%
External debt	22%
Corporate debt	12%
Equities	
All cap	6%
Active	2%
Frontier	2%
Alternatives	
Alternatives	2%

Source: Ashmore. Data as at 31 December 2022.

Ensuring an appropriate investment time horizon aligned with clients' needs

As outlined in Principle 7, Ashmore has a large proportion of institutional clients with long investment horizons, allocating to Emerging Markets for the length of the corresponding market cycle. Depending on the client and the strategy in which they are invested, investment horizons may vary from up to 3 years for EMD Short Duration Strategies, to 3-5 years for core approaches such as EMD external debt, local currency debt, corporate debt, blended debt and EM Equities, to over 5 years for EM ESG equity strategies and alternative portfolios. Consequently, this alignment ensures that Ashmore's decision-making process is designed to take a similar view, keeping in mind issues linked to the Tragedy of the Horizons.[1]

Ashmore aims to keep an open dialogue with its clients to ensure that the way the Firm invests is truly aligned with the needs of its clients.

[1] Breaking the tragedy of the horizon – climate change and financial stability'. Speech by Mr Mark Carney, Governor of the Bank of England and Chairman of the Financial Stability Board, at Lloyd's of London, London, 29 September 2015

Activity

Bespoke relationship management

Ashmore works in partnership with its clients and keeps a regular and ongoing dialogue. Portfolio reviews are typically conducted on a quarterly basis, with the Account Manager and a member of the portfolio management team. Ad-hoc calls and meetings take place to discuss significant market and portfolio events. Clients (and Ashmore) benefit from extensive discussions during portfolio review meetings and other exchanges. These occasions are also the opportunity for Ashmore to learn about and understand client thinking and their feedback.

Examples of how client views have been considered, include:

- Client input to define and frame the development of new investment strategies
- Updates/changes to client guidelines (for clients invested in segregated accounts)
- Design of reporting, including carbon reporting

Ashmore's relationship with its clients is proactive, iterative, and evolving. The Firm recognises that client needs change over time due to their own circumstances or outside factors (such as regulations) or new objectives such as alignment with the Net Zero Asset Owner Alliance (NZAOA) or other industry frameworks. Therefore, Ashmore continuously listens to the client needs and strive to incorporate those in the way relationships are serviced and portfolios are managed.

Extensive research on Emerging Markets

Ashmore prides itself on its comprehensive research programme on Emerging Markets, which is made accessible to clients via a wide-ranging suite of research publications, as follows:

- Weekly research piece, covering major developments across all main Emerging Markets, including country updates, macro, politics, and any other significant events in the global macro landscape. Available on the Firm's website and by email.
- Monthly Emerging Markets Insights, focused on debt, equities, or a specific market theme.
- Ad-hoc market commentaries to keep clients informed of market and corporate events across the Emerging Markets.
- Annual Market Outlook, outlining the views of Ashmore's investment teams for the year ahead.

Client reporting

Ashmore's aim is to provide timely, dedicated administration and reporting services tailored to clients' requirements. The strength of the Firm's relationship with existing clients is derived from a constant re-evaluation of those requirements to provide a professional and competitive service. Ashmore provides a comprehensive standard suite of reporting for investors:

- Monthly Reports, providing performance information, portfolio characteristics versus the benchmark, top country attribution, etc.
- Quarterly Investment Reports, offering more detailed data on portfolios, as well as customised commentary on performance and positioning for each individual portfolio.

Depending on specific requirements, Ashmore offers an enhanced ESG reporting package to consider the evolving needs of clients around sustainability metrics, which includes the following:

- Carbon intensity and carbon footprinting metrics.
- A detailed Engagement Report.
- A stand-alone TCFD Report.

In 2022, Ashmore extended the availability of Carbon Reporting to investors in the SICAV funds as a default; the report is also available to segregated account clients who have requested it.

The Firm also publishes details of its engagements and proxy voting activities for equity and debt portfolios in its annual Sustainability Report and in its Engagement Report, and also provides clients with additional details on request. This includes completing the engagement reporting template created by the Investment Consultant Sustainability Working Group (ICSWG), providing case studies with reference to engagement themes and topics, rationale for the engagement, action taken, outcomes, and next steps.

The Firm regularly assist clients with ad hoc reporting requirements as they arise from time to time. Such tailored reporting forms part of the Firm's client service package and can be refined to meet client specific feedback, needs, and expectations; particularly as they evolve over time.

Ad hoc seminars/webinars, conferences, and training programs

Prior to the Covid-19 pandemic, Ashmore hosted several local and regional seminars and client events that brought together clients with experts from Emerging Markets, other regular commentators, and Ashmore professionals. At these forums, Ashmore discussed the broader macro-economic drivers of asset allocation, exploring the individual asset classes of Emerging Markets equities, external sovereign debt, local currency and corporate debt. Post pandemic, Ashmore noticed that online webinars have become a preferred option for clients and prospects as they better suit the needs of remote working. During 2022, Ashmore hosted six online webinars addressing various topics, including the outlook, Emerging Markets equities and frontier markets.

In addition, Ashmore hosts a training programme for central banks, sovereign wealth funds, social security funds and government pension funds, designed in cooperation with Bayes Business School. This week-long programme offers both academic lectures by Bayes' finance professors, and practical insights by Ashmore's portfolio managers and research staff into key aspects of the management of Emerging Markets portfolio assets. The initiative was launched in 2010 and the next roll out is in October 2023. Historically, this programme has received positive feedback with several participants from different institutions in Africa, Asia, Europe, and Latin America including from central banks and leading sovereign wealth funds.

Outcome

Several of Ashmore's client relationships have a history of more than ten years, which is an indicator of the Firm's ability to adapt and respond to clients' changing needs over time. This includes not only meeting financial risk and return objectives, but also providing transparent reporting, meeting regulatory requirements, and more recently, assisting clients in framing and working towards their sustainability objectives for instance through the TCFD and NZAOA frameworks.

Below are three case studies of the outcomes Ashmore delivered for clients during 2022 and one example of the work conducted with a prospective client on a topic of important relevance for Ashmore as an investor in Emerging Markets.

Case study 1:
Dutch pension fund

In 2022, Ashmore worked with a pension fund client in the Netherlands to refine its investable universe in Emerging Markets debt.

The client asked Ashmore to assess its eligible country universe to ensure it matched its expectations for the incorporation of specific E, S and G factors in the countries in which it is permitted to invest.

Ashmore was asked to provide its assessment and, ultimately a score, for a number of Emerging Markets countries identified as being potentially out of scope based on the client's initial screenings.

Ashmore considered the client's country framework which scores countries on ESG indicators including a country's climate vulnerability and readiness, human development trajectory (health, knowledge and standard of living), corruption, democracy, as well as long-term fundamental factors on creditworthiness. As a result of Ashmore's feedback, the client subsequently decided to adapt its investable universe by reducing the number of countries in which its managers are permitted to invest.

Case study 2:
European insurance company

Ashmore manages an EM Corporate Debt mandate for a European client.

The client is committed to achieving Net Zero by 2030 and asked Ashmore to manage down the carbon footprint of their portfolio in line with their overall corporate target.

Ashmore worked with the client and agreed on certain interim carbon reduction targets.

To achieve them, Ashmore focused on three distinct directions:

1) divestment from high-emitting issuers;
2) engagement with issuers to steer them towards a more sustainable path; and
3) investment in green bonds, after having agreed with the client to apply a discount on the carbon footprint of the issuer when investing in a green bond compared to 'no discount' for standard bonds.

In line with those action vectors, Ashmore exited 15 exposures, conducted over 70 climate change focused engagements and purchased 20 new green bonds. Those actions resulted in almost a 20% reduction in owned emissions at the portfolio level in the period to year end 2022.

Case study 3:
South African pension fund

This client has been invested in Ashmore's Africa ex South Africa (ex SA) equity strategy for the last eight years.

A recent change in South Africa regulations meant that a regulatory carve-out for Africa ex SA investments was removed, and instead the general limit on non-South African investments was raised to 45%.

Ashmore engaged with the client to review their investment requirements in light of these new regulations. The client confirmed that they would continue to look at a separate asset allocation to Africa ex SA, but would also be happy to consider alternative investment solutions.

In addition, they already have exposure to global Emerging Markets equities. Ashmore provided a number of options for the client's consideration, including: retain the existing Africa ex SA equity mandate; add Africa ex SA fixed Income; or broaden the equity scope to include Global Frontier equity markets.

Case study 4:
UK pension fund

The prospective client is one of the twelve leading UK pension funds, representing a total of GBP 400bn in assets in aggregate, announcing in May 2022 that they would collaborate in support of climate transition in Emerging Markets.

Ashmore responded to the consultation launched by one of the members of the group on the 'Guiding Principles on Emerging Markets Just Transition Investment Initiative' and subsequently opened discussions with the individual organisations to identify practical investment solutions to help deliver the Just Transition.

During these discussions, Ashmore and the prospective client came up with specific objectives for a bespoke Emerging Markets Equity Portfolio, centered around Net Zero targets and climate solutions, and the investment horizon over which they sought to achieve those objectives.

Taking into account the prospective client's feedback and their specific investment needs, Ashmore designed a customised EM Equity model portfolio of which over one third of investments are directly related to companies providing cutting edge climate solutions. The prospective client was positively surprised with this outcome, having originally set a target of 20%.

Ashmore's proposal may be implemented if the client increases their allocation to EM equities, or if they decide to replace one of their existing EM Equity managers.

Such an appointment would be for a minimum of three years, but the underlying investment and climate objectives are considered over a longer time horizon, at least until the interim targets in the client's Net Zero commitment, by 2030, and beyond that all the way to achieving Net Zero by 2050.

PRINCIPLE 7: Stewardship, investment and ESG integration

This section will outline how Ashmore systematically integrates stewardship and investment, including material environmental, social, and governance issues, and climate change, to fulfil its responsibilities as stewards of assets.

Context

Ashmore has explicitly integrated the analysis of ESG factors into its investment processes recognising its critical role to the success of the Firm. The Firm's philosophy is underpinned by a belief that such 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 help foster more sustainable economic development. As with its credit and financial analysis, Ashmore's ESG research is primarily proprietary in nature, based on research visits and meetings with issuers, with additional context obtained using third-party data.

Prioritised ESG issues

Ashmore's approach to ESG integration is applied and implemented consistently across all the strategies managed by the Firm. These 'ESG scorecards' form an integral part of the investment assessment both prior to holding as well as throughout until exiting. The ESG scores are reviewed at least annually and are also flagged for review on an event-led basis. The investment teams approach ESG factors in the form of a questionnaire, where every issuer that is either owned or considered for investment, is scored. The ESG scores are both historical and forward-looking and assess issuers on a global absolute basis.

While Governance has historically dominated non-financial factor assessment in Emerging Markets, climate and social issues have notably risen in importance as both drivers of risk as well as opportunity. The below ESG factors have been identified by Ashmore to be of particular importance for the assessment, seen through an Emerging Markets lens.

Figure 8: Factors considered in the ESG scorecard

	Corporate	Sovereign
Environmental E	Global impact including GHG emissions, local impact including water and waste management, incidents of environmental pollution, energy management, and use of green energy, policies, and innovations to limit negative impact.	Carbon emissions, clean energy development, climate adaption strategies, natural disasters risk and preparedness, resource use, and environmental regulations.
Social S	Employee diversity and inclusion, customer welfare, human rights and community relations, labour practices including health and safety, supply chain management, materiality of philanthropy spend, and product quality and safety.	Basic needs of population, societal stability, human development, economic freedom, labour rights, and inequality.
Governance G	Transparency and disclosure, governance structure, fair representation of minority interests, public listing and reporting, management accessibility, long-term incentive scheme KPIs, and strategies to mitigate the impact of ESG risks.	Progress to sustainability, institutional strength, rule of law, democratic processes, and corruption.

Interaction between different teams

Responsibility for ESG analysis lies with the investment teams, with support from the RI function, and is undertaken alongside the traditional economic and financial assessment of an issuer. Importantly, this enables the Portfolio Manager, who understand an issuer best, including its credit profile, business model, and its management team, to have a comprehensive and consistent view of an issuer's ESG profile.

Exclusions

Ashmore believes that investments that do not meet certain minimum standards should be excluded from client portfolios. One such standard is compliance with applicable government authorities, including screening all investments against the UN Security Council, EU/UK sanctions and the US Office of Foreign Assets and Control lists. The Firm has implemented two value-based exclusions: companies engaged in the manufacture, distribution, and maintenance of controversial weapons, and those with significant involvement in the manufacture, distribution, or sales related to pornography. Additionally, for the Firm's 'ESG fund ranges', additional industry exclusions are applied as per the Ashmore Exclusion Policy.

Activity

Differences in approach across funds, asset classes and geographies

All of Ashmore's strategies managed globally across fixed income, equity, and alternatives explicitly integrate ESG into their investment approach using the above outlined ESG scorecard process. In addition, as described above, there are firm-wide exclusions for issuers that generate revenues derived from the production or trading of controversial weapons and pornography as the Firm considers these areas non-redeeming and does not believe it can engage to change their practices.

Ashmore has managed dedicated EM ESG strategies in both fixed income and equity since 2019 and 2020, respectively. These approaches consider sustainability issues and opportunities in more depth and apply a selection of industry and issuer exclusion criteria such as defence, gambling, tobacco, and fossil fuels as outlined in detail in the Ashmore Exclusion Policy. For segregated mandates Ashmore has the flexibility to incorporate individual client requirements to exclude certain geographies, industries, and issuers of bonds or equities.

Sovereign issuers are scored by Ashmore's sovereign bond investment teams. The corporate debt and equities teams share the responsibility for the evaluation of the issuers that have issued both debt and equity instruments, resulting in Ashmore having one common, joint corporate ESG assessment across the Firm. All the ESG scoring sheets, notes and engagement activities are shared across Ashmore.

Ashmore's alternatives theme covers a diverse range of real assets in private equity, healthcare, infrastructure, special situations, distressed debt, and real estate opportunities. As such, the approach to ESG integration is tailored to the context of each market. Notwithstanding, the ESG scoring of these issuers is also conducted using the same proprietary ESG scoring methodology described above.

Process used to ensure alignment with clients' time horizons and to ensure clear communication with service providers

Ashmore has aimed to align its investment approach, including how ESG issues are integrated, with the investment horizon if its clients. As outlined in Principle 6, this is primarily done through dialogue with the clients to account for liquidity requirements, performance objectives, and sustainability concerns.

As outlined in Principle 8, Ashmore complements primary research with some third-party service providers to facilitate its delivery of stewardship responsibilities. Where relevant, Ashmore share with the third-party provider how they intend to use the data to ensure that it is appropriate.

Outcome

Ashmore's assessment of issuers' ESG performance, as outlined above, is integral to the determination of their fair value. ESG factor analysis acts as both a form of portfolio risk management and a source of alpha generation, ensuring the Firm best serves its clients. The information gathered is systematically structured via Ashmore's ESG scorecard process and is incorporated in portfolio construction through the investment teams' financial estimates and/or the valuation assessment. Consequently, this ESG assessment directly impacts the decision to invest or exit a position, as well as its portfolio position sizing. Please find below some examples of how this was done in practice during 2021.

Example: Sovereign Fixed Income
Brazil

In November 2022, Ashmore's sovereign Investment Team updated the ESG scores in Brazil's scorecard, with an upgrade of the forward-looking Environment score.

In November 2022, Ashmore's sovereign Investment Team updated the ESG scores in Brazil's scorecard, with an upgrade of the forward-looking Environment score.

This change to the forward-looking score was chiefly motivated by the environment policy platform of the incoming administration of president Lula.

Lula has been vocal about fighting deforestation in Brazil in stark contrast to his predecessor Jair Bolsonaro. Following the election, political leaders from Germany and Norway notably indicated they are willing to restart payments into Brazil's Amazon Fund to aid conservation efforts.

Furthermore, at the G20 meeting Brazil joined Indonesia and the DRC in plans to work together to protect their tropical rainforests.

The exposure to Brazil sovereign bonds in Ashmore funds had been increased in the run-up to the election. This was notably rooted in a decrease in political risk ahead of the head to head run-off vs. Bolsonaro.

Lula's environmental platform has been one specific policy difference which shows better alignment of Brazil with international partners, and which helps raise the country's soft power and access to resources.

Example: Corporate Fixed Income
Central European real estate company

The company is a large owner and operator of shopping centres in Central and Eastern Europe (CEE), with presence in nine countries. In September 2022 Ashmore upgrade the company's Governance scores (both current and forward looking).

The main reasons for this upgrade was the steps taken to improve the independence of the board. The company now has a majority independent board and separate chair and CEO, which Ashmore considers to be key elements of best practice in corporate governance.

Ashmore would look for a further increase in the number of independent directors and greater gender diversity before applying a further upgrade.

The company already rates highly against the Environmental current and future performance scores: 100% of assets (excluding strip retail centres and industrial properties) have Excellent or Very Good BREEAM certification and they are investing €37m in on-site renewable energy generation between 2022 and 2023.

Example: Equity
Chinese IT service provider

The completion of the proprietary ESG scorecard raised concerns around weak board independence, poor financial disclosure, and related party transactions.

Ashmore's view was reflected by scoring the company poorly across several Governance factors which in turn weighed on the overall quality view of the company, a key company attribute that is prioritised in the strategy.

The concerns were also reflected in the valuation assessment by applying a 100 basis point increase to the cost of capital in the financial model, reducing the forecasted stock price upside.

The company scored reasonably well across Environmental and Social factors and, overall, no concerns prevented Ashmore from at first investing, albeit the stock was a lower weight in the portfolio than would have otherwise been the case.

The analysis also led Ashmore to engage with the company. The proposals to the management team included: greater board independence, more systematic financial reporting, and the advocating for official accounts to be better aligned with business divisions.

After a period of monitoring and a lack of evidence of progress, Ashmore viewed the governance risk as too significant and divested from the stock, notifying company management.

PRINCIPLE 8: Monitoring service providers

This section will outline how Ashmore monitors and hold to account its service providers.

Activity

The efficiency and scalability of Ashmore's operating platform relies in part on high-quality third-party service providers. Ashmore maintains a broad range of service providers ranging from investment research, risk management, ESG analytics, pricing, and valuation services, legal and financial, fund administration and custody services, as well as proxy voting service. The Firm's main supplier relationships were substantially unchanged during the year.

Ashmore conducts due diligence on all new third-party service providers, and monitors and reviews its relationships with existing providers. The Group's Supplier Code of Conduct Policy, which is published on the Group's website, outlines the minimum ethical standards that must be met to do business with the Group. Ashmore expects its suppliers, and their subsidiaries, affiliates, employees, agents, and subcontractors (collectively, Ashmore's 'suppliers') to operate in accordance with this Code as well as all applicable laws and regulations and has established and implemented appropriate policies and procedures to ensure they do so.

Figure 9: Main stages of due diligence and monitoring of third-party service providers

In selecting its third-party service providers, the Firm considers the nature and materiality of the service type and consider specific factors including those relating to sustainability. For example, Ashmore expect its service providers to adhere to high standards in the way that they operate, including key social issues such as modern slavery. More details of how the Firm manages issues relating to modern slavery are provided in the Modern Slavery Statement.

A register of the Group's third-party service providers is maintained and updated on a quarterly basis as part of the Group's Principal Risk Review. As part of this review of the "Database of Outsourcing and Other Related Dependencies", relevant department heads are responsible for identifying suppliers handling the Group's Key Information Assets (KIAs) as defined in the Group Information Security Policy. No significant issues were reported during 2021.

Monitoring of ESG service providers

Generally, Ashmore prefers to develop its own proprietary view rather than rely on third-party ESG ratings. The Firm believes an external third party would struggle to match Ashmore's understanding of a particular sovereign or corporate issuer, particularly in Emerging Markets where data availability, its transparency and accuracy are generally poor. Moreover, in the absence of regulatory standards, a strong reliance on third-party ESG metrics could provide an inconsistent basis for ESG scoring due to the risk that the methodology they are based on changes without the Firm's approval.

Considering the integration of ESG factors into Ashmore's investment processes, there has been an increasing focus on third-party ESG related data and services with respect to investment, regulatory, and client requirements. This includes third-party vendors who provide a combination of ESG-related research, scoring or rating, as well as underlying ESG data. Ashmore uses some third-party providers for ESG matters, namely MSCI, Bloomberg, ISS, and Sustainalytics, to complement its proprietary analysis which is carried out for every proposed investment. These third-party sources may alert the Firm to areas of change or provide historical context to equip investment professionals in their research. As the quality and depth of these services is variable, Ashmore maintains a close dialogue with these providers to make sure the data is appropriate for its intended use. This review and monitoring includes:

- Regular analysis of the evolving landscape of current and new third-party ESG data providers.
- Understanding the impact of changing regulation and working collaboratively with the providers to develop related solutions.
- Highlight and request correction of data inaccuracies.
- Push for increased issuer coverage, which is an issue particularly relevant to the Emerging Markets.
- Close dialogue with the ESG data providers to provide feedback e.g. to highlight data anomalies or potential areas of focus.
- Ensure the accuracy and quality of the services by the proxy voting technology provider.

The Group continues to have a constructive and mutually supportive relationship with service providers and the regular dialogue and feedback with those providers means that the Firm can achieve favourable outcomes for clients and broader market participants.

Outcome

This is illustrated below with the following two examples.

Example: Proxy voting process

Ashmore continues to use ISS Proxy Exchange to manage the workflow for proxy voting. Ashmore's Operations team is responsible for the processing of proxy voting, while the decision-making is the responsibility of Portfolio Managers. To ensure, as far as can reasonably be achieved, that voting is successfully achieved, the following steps have been established:

- Work with custodians to ensure relevant documentation is in place to facilitate proxy voting.
- Ensure votes are sourced and captured by the proxy voting provider.
- Manage the workflows associated with sharing votes and research with Portfolio Managers.
- Make sure that Portfolio Managers make a decision on every vote.
- Process the Portfolio Managers' votes and monitor for completeness.
- Produce reports to verify the completion of voting.
- Manage relationships with custodians and vendors to support the above processes.

The Operations team monitors the reporting which verifies the completeness of the process. Once the votes have been cast, these reports are available within ISS. These reports are shared either periodically or on an ad-hoc basis as requested, including internally for committees and externally for fund boards.

Furthermore, there is a regular Compliance Monitoring Program overseen by the Compliance department, which on a periodic basis, reviews the accuracy of the proxy voting process.

The process is also subject to the regular internal and external audits. The Operations team also works with custodians to ensure that the appropriate processes operate smoothly and remain optimal. For example, this includes working with custodians on an ongoing basis to ensure market specific Powers of Attorney documents (POAs).

Furthermore, where there are additional companies' requirements, such as event-specific POAs when there is no regulatory market requirement to do so, the Operations team will engage with the Portfolio Management team to provide feedback to issuers on the impact of these requirements.

Example: Appointment of ESG data provider

Ashmore appointed MSCI as primary ESG data provider in 2022.

As a result of a review of current (in early 2022) and expected future required ESG data sets, as well as client requests for specific data points, Ashmore decided to reassess its ESG data providers and investigate new data sets.

Following a review of potential data providers, including considering data availability, quality, and coverage, MSCI was appointed as the primary data provider in late 2022.

One of the areas which was of particular high importance to Ashmore during this process was issuer coverage. ESG data coverage of Emerging Markets issuers is often limited and given Ashmore's investment focus it was important that the selected data provider had sufficient Emerging Markets coverage.

Since the appointment, Ashmore has had regular weekly meetings with the MSCI team to ensure efficient and accurate data integration. In addition, several educational sessions have also been set up with new users and expected stakeholders.

PRINCIPLE 9: Engagement

This section outlines how Ashmore engages with its issuers in order to maintain and/or enhance the value of investments.

Activity

Ashmore seeks to engage with issuers, both sovereign and corporate, carried out as part of an ongoing dialogue with government officials and company management as well as other key stakeholders.

As a longstanding investor in Emerging Markets economies Ashmore recognises the importance of ongoing issuer engagement in its investment strategy. In markets where, historically, corporate disclosure has been less transparent than in developed markets, effective stewardship to promote high standards of corporate governance has been proven to add value and to the success of companies. As an active manager, Ashmore believes that stewardship helps to safeguard and enhance the risk-adjusted returns of clients' investments. Furthermore, good corporate governance supports the alignment of the interests of company management with those of its investors. Consequently, through effective stewardship, Ashmore aims to deliver long-term performance for clients. Furthermore, 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.

Primarily, these disclosures cover sovereign debt, corporate debt, and equities, which accounts for the bulk of the Group's AUM.

Selecting and prioritising engagement

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 splits its 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 below.

Example: Bilateral Engagement – Equities

What was the key issue/trigger for the engagement?	Ashmore's equity team invests in a dominant banking and financial services provider in Kenya and east Africa. Our assessment of the company's employee compensation framework, conducted via our proprietary ESG scorecard, was highlighted to be underdeveloped. This in turn risked suboptimal alignment of company employees and the company's shareholders, as well as weak employee retention potentially eroding the company's expertise.
What became the engagement objective?	The equity team sought to leverage its experience investing across developing countries to propose to the company a 'best in class' long-term investment scheme and a key performance indicators framework. The goal was to see the company improve employee alignment with minority shareholders and also to sustain the company's growth rate by ensuring incentivised employees. The team also hoped that by setting an example to other, especially regional companies, it could highlight the importance and reward of implementing strong employee compensation structures.
What activities did Ashmore do over the year?	The team examined the best examples of employee share option and long-term investment schemes within its universe of developing countries. The team also engaged with other investors across Ashmore seeking more examples of 'best in class' schemes in more advanced countries. A detailed list of the key criteria for compensation and reward schemes was ultimately shared with the bank's management team, together with supporting rationales. This included, for example, highlighting that by issuing shares to employees at market price this would align with prices paid by investors.
What was the outcome?	Our motivation was supported by the company's willingness to be guided towards implementing a more structured and equitable employee share owning scheme. Consequently, this has become an ongoing source of dialogue; for example, the equity team have since met with the company CEO, alongside other senior members of the management team, who thanked Ashmore for its engagement. They also fed back that they have incorporated an employee share owning scheme for senior, as well as lower level employees, reflecting the recommendations. They now plan to table the framework at the next Extraordinary General Meeting.
What were the implications for Ashmore's investment?	Ashmore is encouraged by the willingness and aspiration of the company, which have underpinned the constructive view of the company, and serves to highlight the value of proactive engagement with companies.

Example: Bilateral engagement – Sovereign Debt

What was the key issue/trigger for the engagement?	The devastating floods in Pakistan in 2022 put sustainability on the agenda as both an investment risk and a relevant sustainability issue. The floods affected 33 million people, with more than 1,700 lives lost and over two million houses damaged or destroyed. Unsafe water, poor sanitation, and malnutrition are still concerns.
What became the engagement objective?	An engagement was initiated with the government of Pakistan to raise the government's awareness regarding ESG investments and open an ongoing positive dialogue with the government on sustainability issues. In particular, the effort concentrated around raising awareness of the value of publishing an annual sustainability report and provide information to investors on ESG initiatives.
What activities did Ashmore do over the year?	The engagement activity was conducted during an in person one-on-one meeting, led by Ashmore with the central bank deputy governor and MOF officials. This meeting provided an opportunity to raise the benefits of improved sustainability disclosure and communication.
What was the outcome?	This engagement effort is still ongoing. Progress on developing and communicating on the country's ESG efforts remain slow, as Pakistan has been faced with mounting political and economic challenges. However, the government has been directing enormous attention to climate risk adaptation in particular following the floods. In January, international donors committed over USD 9 billion to help Pakistan recover from the floods, paving the way for a new model on raising funds to fight climate disasters in poorer countries.
What were the implications for Ashmore's investment?	The engagement itself has not led to specific portfolio allocation decisions, but the country's response to the floods, and the support that the country has received for climate adaptation has been an integral part of the investment decision to remain invested since last year.

'Thematic engagement' efforts are overseen by the ESG Committee (ESGC) and typically led 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.

Example: Thematic engagement

What was the key issue/trigger for the engagement?	Building on the thematic engagement focus of 2021, on the need for companies to consider their decarbonisation strategy and disclosure, the focus for 2022 remained on decarbonisation efforts however with a stronger focus on target setting.
What became the engagement objective?	The setting of corporate 'net zero targets' has become a frequent occurrence over the past few years. Efforts were made to encourage such target setting and to highlight the need for targets to be science-based, clear, comprehensive, and transparent.
What activities did Ashmore do over the year?	Ashmore raised the topic of decarbonisation and climate strategy 41 times with 39 issuers. Of these engagements, eight had a specific objective to increase disclosure, with a further 15 requesting change such as setting an appropriate decarbonisation target. These efforts were particularly prevalent with Ashmore's Corporate Debt issuers.
What was the outcome?	Climate change continues to be an important area for Ashmore to engage with the companies and markets of which it invests. Improved GHG emission disclosure aids the tracking of net zero investment products, while target setting and climate transition plans are increasingly becoming best practice. With concepts such as a Just Transition and Fair Share particularly prominent in Emerging Markets, this is an area Ashmore will continue to focus on.
What were the implications for Ashmore's investment?	These engagement efforts contributed to the inclusion of 'climate targets' to be a standard item in the Ashmore ESG Scorecard meaning it will, going forward, be formally assessed for all Ashmore's investments. Given the long-term, complex nature of climate change this theme is expected to be a multi-year thematic engagement effort.

Finally, 'Interactions' are driven by Portfolio Managers, often to gain information or increased ESG-related disclosure. The Emerging Markets are often relatively 'new' to 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 raising awareness and highlight investor expectations as they relate to management of ESG risks, sustainability issues, and/or related reporting.

Key engagement issues

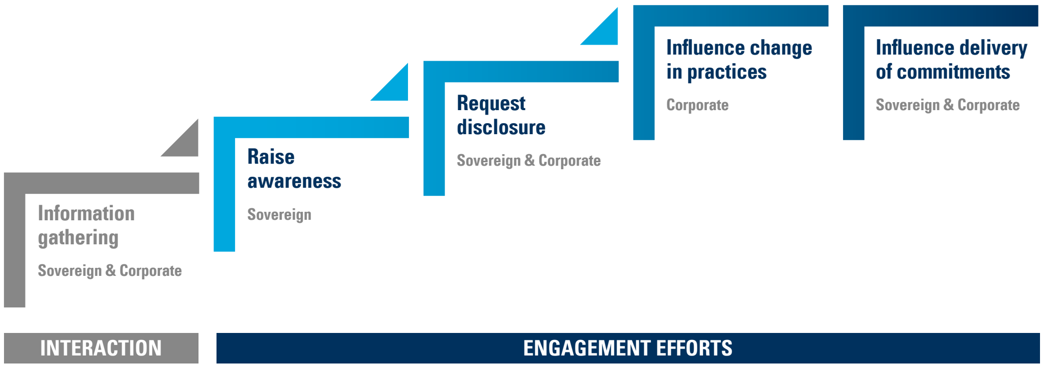
Ashmore focuses its engagement efforts on ESG risks and sustainability issues that are of particular relevance to where it invests i.e. the Emerging Markets. The most prominent of these is climate change, including the risk to individual issuers as the low-carbon transition materialises and the physical 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.

The focus on climate change further influences social issues such as the rights to a Just Transition and allowing for Climate Equity. Consequently, climate change has influenced the Portfolio Managers in much of their bilateral engagement work.

Engagement objectives

Over the past year Ashmore has refined its engagement objectives to better accommodate corporate and sovereign engagement approaches. For example, when engaging with corporate issuers it might be appropriate to influence changes in practices, for sovereign issuers it is often more natural to frame engagement efforts around the delivery of existing commitments. Efforts to gather information on ESG and sustainability issues continues to be tracked as interactions but are not considered 'an engagement'.

Figure 10



Methods of engagement

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

• Conference	• Call / Video call	• Formal letter
• Email correspondence	• Questionnaire	• In-person meeting

During 2022, 73 in-person meetings took place. Of the remaining engagement activities, 33% were done over calls and zoom, 22% as part of email correspondence, and the remaining during virtual conferences or by letter or questionnaire.

Who Ashmore engages with:

• 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.

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.

Direct engagement during 2022

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. Examples includes regions or countries where certain social issues are considered sensitive or where 'ESG engagement' is at a less advanced stage and where the approach needs to reflect this.

In 2022 Ashmore engaged with corporates and sovereign issuers in 37 different countries as shown in Figure 11. The most frequent were Indonesia, Turkey, Brazil, Mexico, and South Africa.

Figure 11

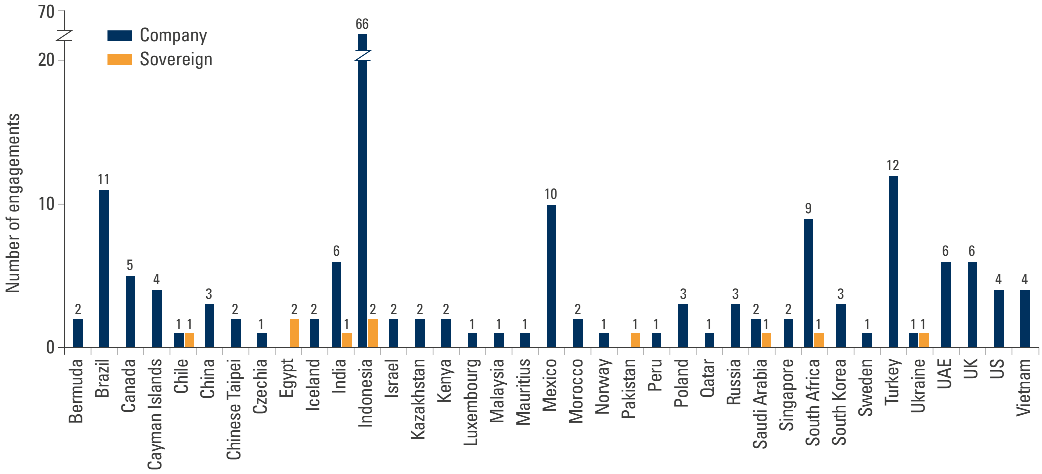
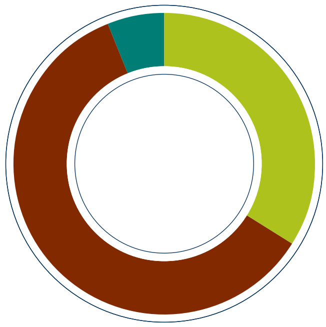


Figure 12 shows how Ashmore's engagement efforts are distributed across corporate debt, equities, and sovereign debt.

Figure 12



Corporate debt	34%
Equities	60%
Sovereign debt	6%

169

Number of issuers with which Ashmore engaged.

193

Number of engagement efforts undertaken by Ashmore.

Outcome

In 2022 Ashmore engaged with 169 issuers across 193 engagement efforts. Of these, 46% were considered engagements i.e. they had pre-determined objectives, while the remaining 54% represented interactions with issuers. Combined, these covered a range of different topics with the primary being 'strategy, financial, and reporting' followed by 'decarbonisation'.

'Generic ESG', in Figure 13, relates to ESG disclosure and reporting. With differing standards in Emerging Markets compared to developed markets, this has continued to be an important area of engagement during 2022.

Figure 13: Engagement themes

Environmental	
Climate change	25%
Environment	5%

Social	
Society	7%
Workplace	9%

Governance	
Board	10%
Core governance	8%
Other	14%

ESG	
Generic	22%

Engagement themes

E	**ENVIRONMENTAL – 55 engagement efforts**	
	Climate change	**41**
	• Decarbonisation	29
	• Strategy and other	12
	Environment	**14**
	• Natural resource and biodiversity	4
	• Pollution, waste, recycling	10
S	**SOCIAL – 23 engagement efforts**	
	Society	**14**
	• Health and education	8
	• Inequalities	6
	Workplace	**9**
	• Ethics (corruption / bribery / lobbying)	1
	• HR (inclusion / diversity / safety)	3
	• Human and labour rights	5
G	**GOVERNANCE – 74 engagement efforts**	
	Board	**11**
	• Board	1
	• Diversity	2
	• Independence and oversight	5
	• Other (e.g. individual vote count in Board elections)	2
	• Expertise and time commitment	1
	Core Governance	**17**
	• Cyber security	4
	• Other (leadership / tax)	6
	• Remuneration	3
	• Shareholder rights	4
	Other	**46**
	• Other	1
	• Strategy, financial and reporting	45
ESG	**ESG – 41 engagement efforts**	
	Generic	**41**
	• Reporting	15
	• Sustainability and ESG other	24
	• Sustainable financing	2
	Total engagement efforts	**193**

0 10 20 30 40 50

PRINCIPLE 10: Collaboration

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."

Ashmore is willing to engage and act collaboratively with other investors, where appropriate and in the interests of clients, and permitted by regulations. In addition to collaborating with other investors, Ashmore will look to join collective engagement opportunities with relevant initiatives who bring together investees to engage and discuss focused issues.

Activity and Outcome

Ashmore has engaged with the Climate Action 100+ initiative as part of three collaborative engagement efforts. The nature of such initiatives means that it is not always possible to measure precisely the contribution to the success of the initiatives themselves but below are some reflections of the outcome of the Firm's involvement. Opportunities to engage collaboratively with sovereign issuers are much rarer than those of corporate issuers, and during the reporting period Ashmore has not had cause for specific collaborations with sovereign fixed income issuers.However, with the aim to take a holistic approach to its collaborative engagement efforts, Ashmore has taken steps to approach its CA100+ engagement activities across asset classes as outlined in Figure 14.

Figure 14: Investor organisation membership/signatory, involvement, and outcome

Climate Action 100+

About	**Climate Action 100+** (CA100+) is a global investor initiative to address climate change, focused on the world's top GHG emitters. Ashmore became a signatory to CA100+ in 2019.
Type	Collaborative engagement
Ashmore's involvement in 2021	Since joining in 2019, Ashmore has been engaging with one Latin American state-owned energy provider as part of a working group led by a fellow investor. In 2022, Ashmore joined a further two working groups: one focused on a Middle Eastern state-owned energy provider, and one focused on a Latin American paper company. Over 2022, Ashmore participated in several CA100+ dialogues with these issuers. With exposure to these issuers across sovereign debt, corporate debt, and equity strategies, Ashmore representatives from both fixed income and equity teams participated in these engagement efforts.
Outcome	These dialogues have been useful to gain a better understanding of how the issuers approach climate action and their decarbonisation efforts. It is challenging identifying specific outcomes from collaborative engagement efforts. Reflecting on the progress made by the issuer, which Ashmore has engaged with since 2019 as part of this initiative, compared to in the previous reporting period, there has been progress on setting a net-zero ambition and long-term target now being considered partially met. However, Ashmore would be cautious of claiming that this progress is due to the undertaken engagement activities.

PRINCIPLE 11: 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 potential implications to 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. Ashmore expects investees to respond to requests in a timely manner. Where they fail to respond or to appropriately engage in dialogue on the issues raised, the investment team may review its investment decision in consideration of the materiality of the issue and its impact on the long-term value of the investment.

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 Directors
- Vote against Management proposals at shareholder meetings
- Make concerns public
- File or support shareholder resolutions
- Divestment

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 throughout 2022 there has been increased guidance and public expectations when it comes to issuer engagement, including escalation, in the UK and northern Europe, this is not the case in many developed and Emerging Markets.

Outcome

Examples

In 2022, there were limited cases where engagement efforts were escalated. There was one case where Ashmore chose to divest from an issuer due lack of receptiveness to engagement efforts. This is outlined in more detail below, where poor governance and unwillingness to change led Ashmore to exit the stock.

For sovereign and corporate debt, there were no need to escalate the engagements during the period.

Example of escalation – Equity

What was the key issue/trigger for the engagement?	Ashmore's equity team engaged with a leading Asian IT service provider given several specific concerns around governance. These comprised: weak board independence with only two 'truly' independent directors out of a total of eight; poor financial disclosure given regular changes in the company's reporting structure; and concerns over related party transactions given the issue of convertible notes at favourable terms, among other factors.
What became the engagement objective?	Ashmore notably wanted the company to put in place steps to improve board independence and to make the structure of financial reporting more systematic and periodic to facilitate comparison and analysis. Ashmore also advocated that the company's official accounts be aligned with their divisional breakdown to improve the analysis of its operational performance.
What activities did Ashmore do over the year?	The company was scored poorly for its Governance score in Ashmore's proprietary ESG scorecard with the lowest possible score for the company's governance and transparency standards. This directly weighed on the 'Quality' view of the stock, an attribute the team targets. Ashmore also applied a 100 basis point cost of capital penalty in the valuation model to compensate for the associated risks, which weighed on the forecast upside for the stock price. The poor scoring and highlighting of specific concerns triggered a request for a meeting with management.
What was the outcome?	A video call took place with investor relations where the company acknowledged the equity team's concerns but did not commit to make any material changes.
What were the implications for Ashmore's investment?	After the release of the company's Annual Report, which showed no improvement in financial disclosure, the decision was taken to divest from the stock.

Exercising rights and responsibilities

PRINCIPLE 12:

Exercising rights and responsibilities

Context

How Ashmore exercise its rights and responsibilities and how this differs for funds, assets, or geographies

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'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. The review of voting statistics is a standard item on the ESG Committee's agenda. The voting process is kept as consistent as possible across Ashmore's offices, appreciating local variations.

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.

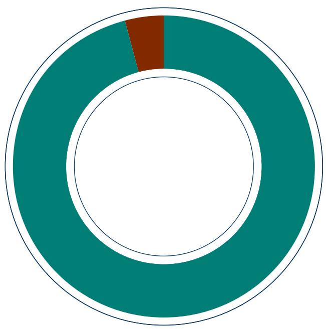
Where appropriate, Ashmore will inform issuers of planned negative votes as part of its engagement efforts, including engaging with the companies in advance of an upcoming shareholder meeting should it consider the resolutions contentious.

Ashmore discloses its firm-wide Proxy Voting Policy on its website. The policy outlines how, where Ashmore is given responsibility for proxy voting, it will take reasonable steps under the circumstances to ensure that proxies are voted in the best interests of its clients. Protecting the financial interests of its clients is the primary consideration for Ashmore in determining how to protect such interests. 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 whether individually or as a whole.

Default recommendations of 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 2022 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.

Figure 15: Vote alignment with ISS Policy



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.

Stock lending and empty voting

Ashmore does not undertake securities lending in its commingled funds; however, it permits securities lending on behalf of segregated accounts at the discretion of the underlying client.

Activity

Listed equities

The following forms of 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 95% of votable proposals. Reasons for why the Firm did not vote on the remaining 5% include situations where votes could not be completed due to sanctions prohibiting Ashmore from voting, or where voting 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.

95%

Percentage of votable proposals on which the Firm voted.

Figure 16: Voting Statistics

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 16 shows Ashmore's voting record for 2022. While 83% of votes were for the proposal, the Firm abstained from 4% of the votes, withheld 0.16% of the votes, and voted against 11%.

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 17, Ashmore voted against management on 10% of resolutions. This type of active management is encouraged at Ashmore.

Figure 17: Vote cast statistics

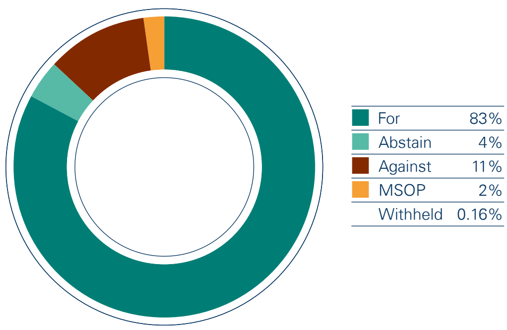
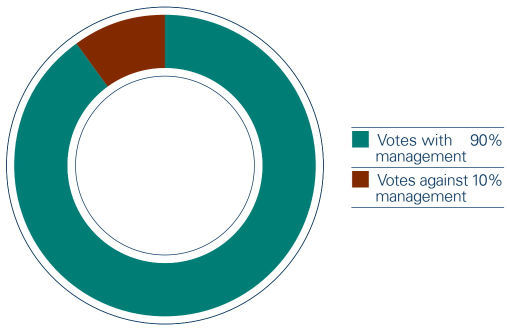


Figure 18: Vote alignment with Management

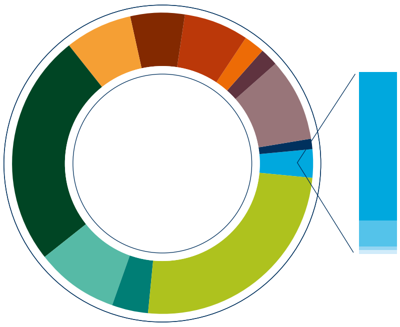


Among the resolutions put to Ashmore, there is a clear lack of shareholder proposals, accounting only for 3% of all the votable proposals and these are mostly directors related.

Figure 19: Proposal categories

Management proposals

	Votes	%
Routine/Business	841	25
Non-routine/Business	137	4
Directors related	311	9
Director election	834	25
Capitalisation	236	7
Audit related	200	6
Company articles	222	7
Strategic transactions	83	2
Miscellaneous	72	2
Compensation	308	9
E&S blended	1	
Social	13	1
No research	3	



Shareholder proposals

	Votes	%
Audit related	8	0.24
Director election	56	1.67
Directors related	14	0.42
Miscellaneous	13	0.39

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 team's 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, corporate reorganisations, restructurings, events of default, bankruptcy proceedings, and buy-backs.

Ashmore's in-house Legal team is responsible for 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 2022 can be found below using the PLSA format.

Figure 20: Proposal categories

PLSA Question	Ashmore
How many meetings were you eligible to vote at?	**394**
How many resolutions were you eligible to vote on?	**3,357**
What % of resolutions did you vote on for which you were eligible?	**95%**
Of the resolutions on which you voted, what % did you vote with management?	**90%**
Of the resolutions on which you voted, what % did you vote against management?	**10%**
Of the resolutions on which you voted, what % did you abstain from voting?	**4%**
In what % of meetings, for which you did vote, did you vote at least once against management?	**42%**
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 21: Voting examples

Company sector	AIRPORT	TELECOM	BANK	MATERIALS	CONSUMER
Date of vote	**April 2022**	**June 2022**	**June 2022**	**September 2022**	**April 2022**
Approximate size of fund's/mandate's holding as at the date of the vote (based on % of portfolio)	<1%	<1%	<1%	<1%	<1%
Summary of the resolution	**Board related:** Elect Director.	**Political spending:** Approve donations.	**Miscellaneous:** Management compensation.	**Merger:** Minority investors.	**Charitable donations:** Approve charitable donations.
How Ashmore voted	**AGAINST**	**FOR**	**AGAINST**	**AGAINST**	**FOR**
Whether Ashmore communicated its intent to vote against management to the company ahead of the vote	No	No	Yes	N/A	Yes
Rationale for the voting decision	Ashmore voted against management aligned with independent advice by ISS, on the proposal to elect the Director at a Mexican consumer staples company. The nominee served on more than five public boards making him considered 'overboarded' under ISS's policy. Ashmore believed that the Board needed a refresh, a matter which had been the topic of past engagements.	Ashmore voted in favour of authorising a telecom company primarily operating in Africa, to make political donations and incur political expenditure. The Board was seeking shareholder approval for the authority to make UK political donations. ISS recommended to vote FOR because the intention is not to make large political payments but is attempting to avoid inadvertent contravention of UK legislation.	Ashmore voted against management, aligned with independent advice by ISS, requesting to increase disclosures at a Slovenian banking and financial group surrounding management compensation. Through engagement with the company on the matter, it was uncovered after the vote that disclosure was limited due to confidentiality and commercial sensitivity, this was considered reasonable.	A South Korean gas producer planned to merge with subsidiary which would mean buying-out minority investors (including Ashmore) at a price meaningfully below our appraisal of the stake's fair value. Ashmore believed that minority investors did not have a fair influence on the matter, not least given the company held 49% of the subsidiary. Ashmore considered this poor governance which would also limit the potential upside in the investment.	Ashmore voted in favour of management's proposal to allocate a proportion of net profit after tax to for charitable activities at a Vietnamese consumer company. The activities included supporting the Government of Vietnam's prevention of Covid-19. ISS recommended voting against the proposal due to a lack of information on the proposed donation, however this concern was not considered material by Ashmore since the size of the donation was very modest.
Outcome of the vote		**FOR**	**FOR**	**FOR**	**FOR**
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	Ashmore will continue to engage on this issue and to vote against future appointments should the issue persist.	No specific implications are expected resulting from this outcome.	Ashmore will continue to engage with the company on adequate and timely transparency.	Given its significance to the investment thesis, Ashmore exited the stock.	No specific implications are expected resulting from this outcome.
Criteria used to assess the vote as 'most significant'	Voted against management	ESG relevance (donations)	Voted against management	Voted against management	ESG relevance (donations)

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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