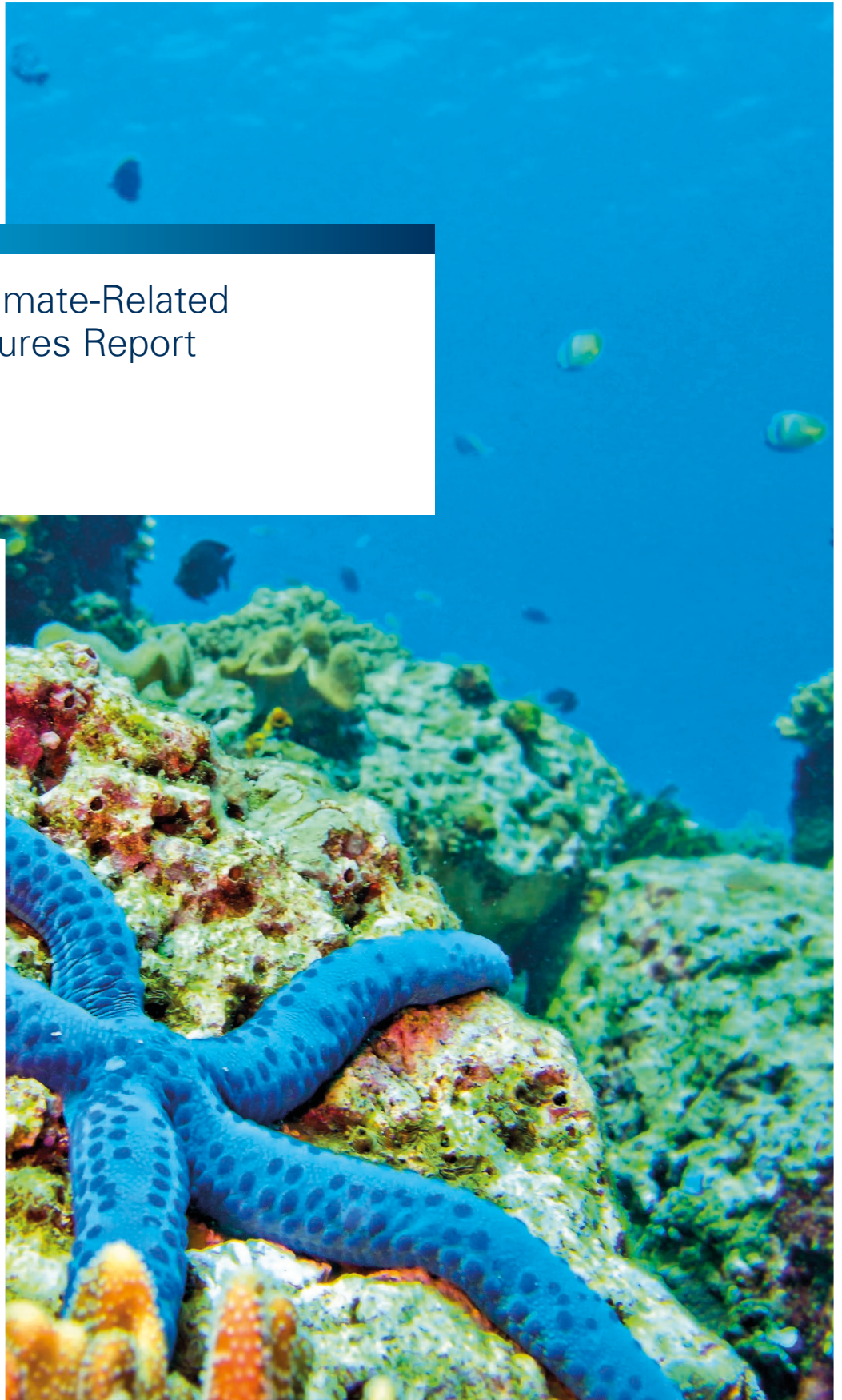


Ashmore

Task Force on Climate-Related Financial Disclosures Report 2022



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Ashmore Investment Management Limited
Climate reporting aligned with guidance by the
Task Force on Climate-Related Financial Disclosures (TCFD)
2022



About Ashmore Group

Ashmore Group plc (the Group, Ashmore) is a specialist Emerging Markets (EM) investment manager with thirty years' experience of investing in these markets.

Ashmore manages client portfolios within six core investment themes, namely External Debt, Local Currency, Corporate Debt, Blended Debt, Equities, and Alternatives. The Group continues to take a leading role in Emerging Markets product innovation, offering new strategies that provide an opportunity for investors to participate in the diversified and evolving Emerging Markets.

Today, Ashmore's global operating hubs in London, New York, Dublin, and Singapore support fund management activities across multiple time zones, and local Emerging Markets fund management offices benefit from the scale, efficiency, best practices, and resources of a global asset management group.

The Ashmore Foundation functions independently of Ashmore Group and is registered in the United Kingdom as a charity and company limited by guarantee. The Foundation was established in January 2008 and seeks to make a positive and sustainable difference to disadvantaged communities in the Emerging Markets countries in which Ashmore operates and invests.

In accordance with the UK's Financial Conduct Authority's (FCA) Listing Rules, Ashmore Group plc has provided TCFD-related disclosures in its latest Annual Report & Accounts.

Introduction

Ashmore is a supporter of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and welcomes the incorporation by the FCA of the recommended disclosures into its listing rules and its reporting requirements for financial services companies outlined in the ESG Sourcebook.

Ashmore recognises the responsibilities it has both as a premium-listed company on the London Stock Exchange and as a specialist Emerging Markets investment manager acting as a steward of clients' capital. It explicitly considers climate-related risks and opportunities in its operations and investment processes as recommended by the TCFD framework.

Environmental challenges, and specifically the effects of climate change, can be acutely felt by Emerging Markets countries and companies. Ashmore understands the climate-related challenges faced by these markets, as well as the need for investors from both developed and emerging economies to invest in Emerging Markets to finance sustainable growth.

About this report

The following pages present Ashmore Investment Management Limited (AIML)'s entity report in accordance with the TCFD framework and the FCA's ESG Sourcebook. AIML is a subsidiary of Ashmore Group plc. AIML is a UK authorised firm providing portfolio management services and is therefore in scope for this reporting requirement. The disclosures in this report cover all asset classes and strategies managed by AIML, which includes sovereign and quasi-sovereign debt, corporate debt, public equities, and alternative assets. Where a significantly different approach is taken for any asset class or strategy, efforts have been made to highlight this.

This report builds on the Ashmore Group plc TCFD Report 2021/2022, where references to the Investment Management function are included under the voluntary framework. This report was published both as a stand-alone document available on Ashmore's website [here](#) and included in its Annual Report, available [here](#). Any information considered relevant has been included in this report rather than relying on the Group's broader disclosures, however significant overlap should be expected given efforts to keep procedures consistent.

While the Ashmore Group plc disclosures are made as per the Group's financial year ending 30 June, the AIML entity report (this report) is based on a calendar year schedule ending 31 December.

In accordance with the FCA ESG Sourcebook, AIML makes available to clients, on demand, product reports and underlying data.

Statement of Support

As an Emerging Markets focused investment manager, Ashmore understands the importance of considering climate-related risks and opportunities in its investment processes. These markets have not historically contributed to human made climate change to the same extent as developed markets, and consequently do not bear much of the responsibility of global warming. Yet, many developing economies face some of the most serious physical consequences of a changing climate and must bear the burden of building adaptation measures. Consequently, this lack of climate equity makes it important to ensure that these markets receive the monetary support and technology transfers necessary to continue to raise living standards and support their populations

without adding to the mitigation challenge. It is worth noting that several developing countries have stated in their National Determined Contributions (NDCs) that they rely on international climate finance if they are to reach their stated targets.

Ashmore is strongly supportive of urgent action on mitigating global warming. Transitioning to a low-carbon economy will be fraught with challenges, such as ensuring a Just Transition, however Ashmore believes that it will also be a source of opportunities. Nowhere is this more the case than in Emerging Markets where the potential for developing sustainable economic growth, and supporting growing populations, on renewable sources of energy is significant.

Ashmore is supportive of efforts and Fair Share frameworks that consider the complexity and varying needs of countries to take action on climate change. For some countries the focus might be on decarbonising existing infrastructure, while for others it might be strengthening governance or protecting natural resources. For example, Emerging Markets countries are often the guardians of some of the world's most precious ecosystems and carbon sinks. It is therefore crucial that the global economy provides such markets the incentives to protect and restore these; treating them as the valuable resources they are.

Ashmore looks forward to continuing work with its clients to ensure capital is channelled to the Emerging Markets to support this transition.

Compliance statement

In accordance with the FCA's ESG Sourcebook, AIML has made these disclosures consistent with the TCFD Recommendations and Recommended Disclosures, including Sections C and D of the TCFD 2021 Annex. The disclosures in this report, including any third-party or Group disclosures cross-referenced in it, comply with the requirements under Chapter 2.2. in the FCA's ESG Sourcebook.

For recommendation 5 (scenario modelling), the disclosures are primarily qualitative, which in part reflects inherent data challenges faced by investment managers more generally, which in Ashmore's case is more pronounced for Emerging Markets issuers. At this time, AIML continues to engage with third-party ESG data providers to evaluate the range of options available to produce quantitative scenario analysis disclosures in future TCFD reporting.

Mark Coombs

Chief Executive Officer
June 2023

Contributing to the net zero transition

Ashmore recognises the importance for the financial sector to contribute to Climate Action (Sustainable Development Goal 13), and the related transition to net zero. To achieve the economic transformation required to deliver 'net zero by 2050' financial flows must become aligned with a low-carbon economy and incentivise climate mitigation and adaptation. This is particularly the case in Emerging Markets where there is a need to balance the low-carbon transition with improved access to energy and where the need for funding is paramount. Ashmore, as a specialist asset manager in Emerging Markets, is ideally placed to manage those investment flows and ensure a competitive return on capital, in both public and private markets.

Beyond its TCFD disclosures, Ashmore has also published a [Climate Change Statement](#) outlining the Group's approach to climate-related risks and opportunities in its investment processes, as well as how it considers its role in aligning finance with the low-carbon transition. To provide its clients with additional transparency, Ashmore is also evaluating additional types of disclosures such as a high-level Climate Transition Plan in 2023/2024. Ashmore is headquartered in the United Kingdom and consequently, the UK's commitment in the Climate Change Act 2008 (2050 Target Amendment) Order 2019 to a net zero economy has been considered as part of these current and planned disclosures.

Currently, the main framework for asset managers in this regard is the voluntary Net Zero Asset Managers Initiative (NZAMI), which Ashmore joined in July 2021. Ashmore submitted its NZAMI Interim Targets in July 2022, and this serves as the main mechanism by which Ashmore addresses climate change mitigation. This is further detailed on page 16.

Year in Review

Progress in financial year 2022

- Ashmore submitted its Interim Targets as part of the Net Zero Asset Managers Initiative in July 2022, outlining its choice of methodology, scope of AUM to be managed towards this target, and the portfolio targets.
- The Firm's investment team joined two new collaborative climate-related engagement efforts with Emerging Markets issuers through the Climate Action 100+ initiative.
- Ashmore invested in additional third-party ESG data to aid data availability and data quality. Ashmore developed GHG emission reporting for its corporate and sovereign investments, which is reported to clients to aid them in their own climate-related requirements.

Summary

Governance

1. The Board's oversight of climate-related risks and opportunities

In line with Ashmore's Corporate Governance framework, Ashmore's Board has delegated day-to-day responsibility for climate-related issues to Ashmore's Executive Directors and the Group's specialised committees, which includes the ESG Committee. The Board is updated at least annually on the Group's Responsible Investment Strategy, which includes climate-related topics.

Read more on page 9.

2. Management's role in assessing and managing climate-related risks and opportunities

The ESG Committee is the primary forum for responsible investment matters and is chaired by the CEO with representatives from across the Group. In addition, the assessment and management of ESG risks and opportunities within investment processes, including those related to climate, is also monitored through Ashmore's Investment Committees.

Read more on page 10.

Strategy

3. Climate-related risks and opportunities identified over the short, medium, and long term

The consideration of transitional and physical climate-related risks forms part of Ashmore's proprietary ESG Scorecard analysis, which is an integral part of the investment process.

Read more on page 11.

4. The impact of climate-related risks and opportunities on businesses, strategy, and financial planning

The extent to which climate-related issues, including the transition to a lower-carbon economy and physical impacts of climate change, impact individual investments is assessed through the investment team's ESG research and analysis.

Read more on page 12.

5. The resilience of Ashmore's strategy considering different climate-related scenarios

Ashmore continues to examine ways in which climate-related scenario analysis can be used to assist in the ongoing development of its investment management capabilities.

Read more on page 12.

Risk management

6. Process for identifying and assessing climate-related risks

Climate-related risks are identified and assessed as part of ESG research and analysis through the ESG Scorecard framework.

Read more on page 13.

7. Process for managing climate-related risks

The primary tool for managing issuers' climate-related risks is the ESG Scorecard, where issuers' ESG scores are reassessed at least annually. Ashmore also manages climate-related risks through its engagement efforts with sovereign and corporate issuers on a range of climate-related topics, both directly and in collaboration with other stakeholders.

Read more on page 13.

8. Integrating the identification, assessment, and management of climate-related risks into the overall risk management

Climate-related risks are considered in a similar manner to other emerging or principal risks. The identification, assessment, and management of such risks are integrated fully into Ashmore's robust risk management culture and its internal control framework.

Read more on page 14.

Metrics and targets

9. Metrics used to assess climate-related risks and opportunities

Ashmore uses a combination of qualitative and quantitative approaches to assess climate-related risks and opportunities. These will continue to evolve in response to client and regulatory requirements, industry best practice and as third-party data quality improves. The main quantitative metric currently considered is GHG emissions calculations.

Read more on page 15.

10. GHG emissions

GHG emission reporting is available to Ashmore's clients for individual funds and mandates. In addition, emissions for a representative selection of funds have been included in the Appendix (page 19).

Read more on page 16.

11. Climate targets

NZAMI, of which Ashmore is a signatory, provides the primary target-setting framework for Ashmore's Investment Management function. The Interim Target outlines how equity and corporate debt assets aligned to net zero by 2050 will be managed to a portfolio decarbonisation reduction target of at least 22% by 2025 and at least 49% by 2030.

Read more on page 16.

The following pages present Ashmore's entity report in relation to the TCFD framework.

Where appropriate and to aid understanding, the disclosures are split between Ashmore Group plc's operational activities and its investment management activities. The areas that are identified as substantially or partially compliant for the Investment Management function are progressing satisfactorily and, all things equal, will be completed by the 30 June 2024 deadline in accordance with FCA's ESG Sourcebook.

Governance

This section provides detail on the following recommended TCFD disclosures:

- 1| Board oversight of climate-related risks and opportunities.
- 2| Role of management in assessing and managing climate-related risks and opportunities.

AIML's governance around climate-related issues

AIML adheres to the TCFD recommendations and continues to satisfy the requirements of its regulators and other relevant bodies as they relate to the assessment, management, and disclosure of climate-related risks and opportunities.

Ashmore Group plc is a UK-listed asset manager with a robust corporate governance framework and a committee-based investment philosophy that has proven successful over more than 30 years of specialist investing in Emerging Markets. Therefore, the Group's governance structures are well established with the experience and expertise to enable Ashmore to assess and manage climate-related issues appropriately as they relate to its investment activities.

1

The Board's oversight of climate-related risks and opportunities

Ashmore Group plc has a premium listing on the London Stock Exchange with a unitary Board of Directors (the Board). The Board has ultimate responsibility for the Group's strategy and maintains full and effective control over appropriate strategic, financial, operational, and compliance matters, including material climate-related issues through its corporate governance framework. This framework provides for regular reporting and other updates to the Board, through which it is able to oversee progress against the Group's targets, including those relating to climate issues.

Hence, overall responsibility for climate-related risks and opportunities lies with the Board, however on a day-to-day basis the authority is delegated to the Executive Directors and the Group's specialised committees.

The consideration of climate-related issues as they relate to guiding strategy, major plans of action, risk management policies, annual budgets, and business plans is guided by the Responsible Investment Strategy presented to the CEO, extracts of which are also included and discussed in the annual update to the Board.

The consideration of climate-related issues is a core part of the investment framework applied by AIML's investment teams and consequently it is a component of their performance objectives. The oversight, monitoring, and implementation of a range of responsible investment activities also form part of the performance objectives of senior management, with ESG matters being one of the areas of performance considered by the Ashmore Group plc Remuneration Committee when determining variable remuneration on an annual basis for the Executive Directors.

2 | Management’s role in assessing and managing climate-related risks and opportunities

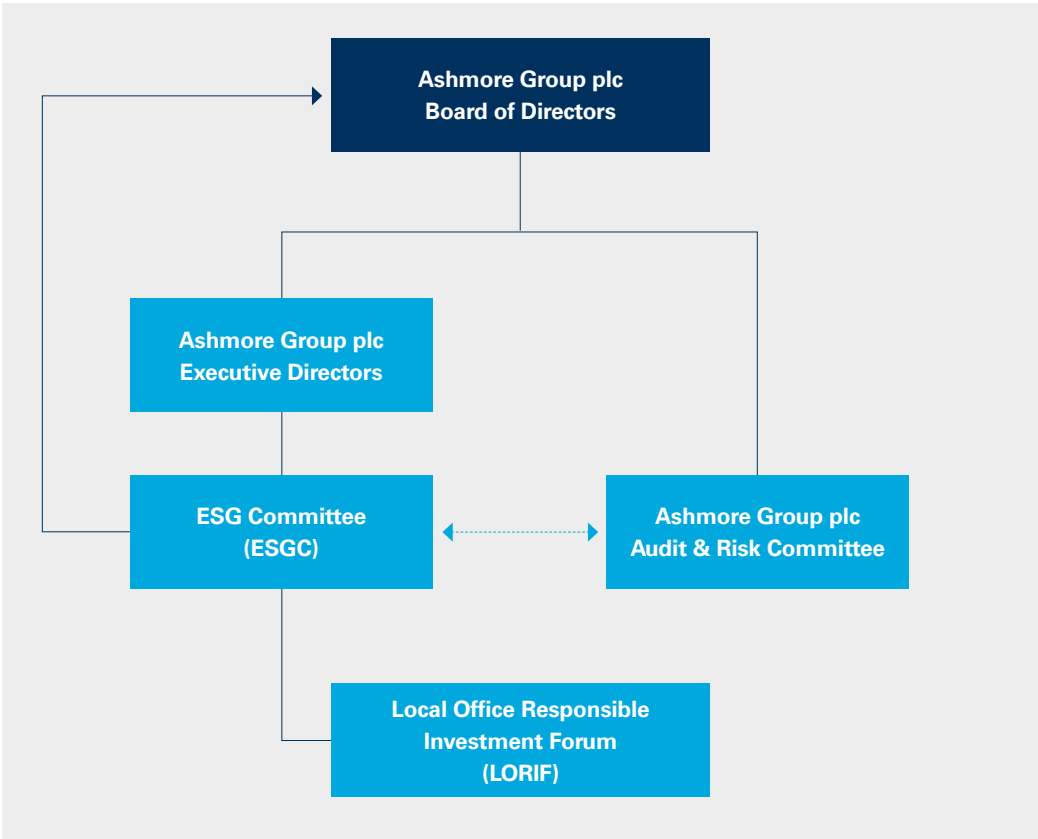
AIML relies on the governance structure of Ashmore Group. The Board has delegated certain authorities to the Executive Directors who in turn have formed several specialist committees with terms of reference to carry out the functions delegated to them. One such specialised committee is the ESG Committee (ESGC), which is chaired by the Group CEO and with members drawn from across Ashmore’s investment, distribution, risk, legal, operations, and other support functions. This ensures that responsible investment topics are appropriately understood, assigned to, and discussed by all relevant areas of the Group.

The ESGC has oversight of relevant climate-related issues and the Group’s Head of Responsible Investment and ESG Policy, or a delegate, provides regular updates to the Board. The Board is informed about goals and targets designed to address climate-related issues and these are consequently reported on the following year. Additionally, ESGC members provide the Board, its Audit and Risk Committee, and the Group’s Risk and Compliance Committee with multiple formal points of contact throughout the year. Furthermore, Ashmore created the Local Office Responsible Investment Forum (LORIF) to ensure the sharing of knowledge and expertise, process, and initiatives between the ESGC and the Group’s local offices.

From an investment management perspective, Ashmore’s investment committees are ultimately responsible for the management of client portfolios. Through the oversight by these committees, the Firm has integrated the assessment and management of ESG risks and opportunities, including those related to climate, into all its investment processes, including both global and local investment platforms and all investment themes. Reports presented both at the ESGC and the relevant investment committees ensure the effective monitoring of ESG-related risks and opportunities.

The processes described in the risk management section of the Ashmore 2022 Annual Report & Accounts incorporate how senior management is informed about climate-related issues and their assessment and management of such risks faced by the Group.

Figure 1: Illustration of Ashmore’s climate-related governance structure



Strategy

This section provides detail on the following recommended TCFD disclosures:

- 3| Climate-related risks and opportunities identified over the short, medium, and long term.
- 4| The impact of climate-related risks and opportunities on businesses, strategy, and financial planning.
- 5| The resilience of strategy, taking into consideration different climate-related scenarios.

The identification of climate-related issues and their impact on AIML

3

Climate-related risks and opportunities identified over the short, medium, and long term

As they relate to AIML's product and investments, the consideration of transitional and physical risks and opportunities forms an integral part of the investment process, and they are identified and factored into AIML's investment strategies through its ESG Scorecard (see page 13 for more information). Some such identified risks and opportunities are outlined in Figure 2.

Over the short to medium term, AIML particularly considers the potential reduction in returns from investments in companies that are highly GHG emission intensive or whose corporate strategy is not adequately considering the demand and regulatory drivers for a transition to a low-carbon economy. Over the medium to long term, physical risks become an increasing concern. Here the focus is on reviewing sovereign and corporate issuers' exposure to acute and chronic climate change impacts and their efforts to adapt and build resilience to such impacts.

Figure 2: Identified climate-related risks and opportunities for Ashmore

	Risks	Opportunities
Transition to low-carbon world	<p>Policy & Regulation: Policy changes attempting to constrain actions that contribute to the adverse effects of climate change or that seek to promote adaptation.</p> <p>Stranded assets: Assets devaluing due to climate change action.</p> <p>Changes in consumer behaviour: The impact of policy and technology changes and shifts in supply and demand for products, services, and commodities.</p> <p>Reputation: The perception of a company in contributing to or detracting from the transition to a low-carbon economy.</p> <p>Litigation risks: Claims brought by property owners, municipalities, NGOs, insurers, and shareholders.</p>	<p>Innovative technologies: The adoption of technological improvements and innovations that support the transition to a low-carbon economy and their ability to improve effectiveness and ultimately market demand.</p> <p>Resource efficiency: Efficiencies such as energy and waste management and the use of new technology result in direct cost savings to operations over the medium and long term.</p> <p>Energy source: Moving to low-emission energy sources could see organisations save on annual energy costs.</p> <p>Products and services: Innovations in products and services may enable improved competitive advantage.</p> <p>Markets: Organisations that diversify their activities maybe in a position to access new markets and develop new business partnerships.</p>
Physical impacts of climate change	<p>Acute: Event-driven such as increased severity of extreme weather events.</p> <p>Chronic: Longer-term shifts including temperature changes, rainfall, and variations in weather patterns.</p>	<p>Adaption & resilience: In responding to climate change, organisations may develop new processes, systems and products that protect them from adverse impacts.</p>

4

The impact of climate-related risks and opportunities on businesses, strategy, and financial planning

The extent to which climate-related risks and opportunities, including the transition to a lower-carbon economy, impact individual investments is assessed through the ESG scoring process. The scoring guidelines require score deductions to be applied where environmental or climate-related issues are identified. For example, AIML establishes whether the company has policies in place to mitigate such emissions (e.g. through supply chain audits, end of life product care, increasing product lifespan, local procurement policies, customer engagement, and/or the investment strategy), and targets to estimate and reduce such emissions.

5

The resilience of AIML's investments considering different climate-related scenarios

AIML supports the focus by TCFD on forward-looking assessments of climate-related risks and opportunities. Qualitative and quantitative¹ scenario analysis can help highlight the transformations required to meet certain climate targets, warn about policy changes, challenge conventional wisdom about the future, and question business-as-usual assumptions.

Over 2022, AIML's approach to scenario analysis has largely been qualitative with the aim to explore the potential range of climate change implications for Emerging Markets. The Firm is also assessing the range of scenario analysis techniques available and has developed training modules to support investment professionals in scenario assessments.

Scenarios

There is benefit in assessing the potential resilience of investments under a range of scenarios. The Firm has made efforts to consider scenarios that are plausible, distinctive, consistent, relevant, and challenging as advised by TCFD (2017).

The three main scenario types currently being considered for further analysis are:

- The **IPCC's Representative Concentration Pathway (RCP) Scenarios** are relevant to analyse physical risks. These scenarios outline how different levels of GHG emissions in the atmosphere might lead to chronic and acute climate impacts.
- The **International Energy Agency (IEA)** is relevant to analyse transition risks. These scenarios suggest potential economic pathways (and related policy and technology shifts) required to limit global warming to particular temperature outcomes.
- The **Network for Greening the Financial Sector (NGFS)**, provides a reference point for understanding how both climate-related physical risk and transition risk i.e. climate policy and technology trends, could evolve in different plausible futures.

In relation to the scenario analysis types describe above, there is a range of tools and analytics being developed by third-party vendors, each of which has potential benefits and inherent limitations, and which the Firm is currently exploring.

As part of the Firm's evaluation of scenario analysis tools and metrics, and to the extent applicable, it will also assess the infrastructure requirements to integrate these metrics in the investment processes. The first step has been the recent acquisition of a significant amount of climate-related data including Climate VaR, Low-Carbon Transition risk metrics, and Implied Temperature Rise (ITR) metrics.

¹ Subject to appropriate data being available to support quantitative models.

Risk management

This section provides detail on the following recommended TCFD disclosures:

- 6| Process for identifying and assessing climate-related risks.
- 7| Process for managing climate-related risks.
- 8| Integration of processes related to identifying, assessing, and managing climate-related risks into overall risk management.

How AIML identifies, assesses, and manages climate-related risks

AIML's established and effective risk management framework and investment management capabilities provide it with the necessary processes to identify, assess, and manage climate-related risks and opportunities in its investments.

6

Process for identifying and assessing climate-related risks

The primary tool used to identify, assess, and monitor climate-related risks and opportunities is the ESG Scorecard. The Scorecard is applied consistently across the Group, which allows for a standard approach to be taken to manage relevant climate-related risks across investment strategies. When identifying and assessing climate-related risks and opportunities in the ESG Scorecard, the materiality of the risk or opportunity is considered through a combined quantitative and qualitative process. This review includes consideration of the nature and scale of the identified risks and culminates in a rating on a scale from 1-5. Further details on the Scorecard are also included in Ashmore's [Sustainability Report](#).

Another avenue for identifying climate-related risks is through Ashmore's engagement efforts with sovereign and corporate issuers. AIML's commitment to engaging with industry bodies and Emerging Markets issuers on climate-related topics to identify and manage risks and opportunities is also reflected in the Group's membership of the Climate Action 100+ initiative and NZAMI.

7

Process for managing climate-related risks

Climate-related investment risks are managed by the investment teams. This is documented in the ESG Scorecard, which is reassessed at least annually. Importantly, ESG risks and opportunities are not considered in a silo, rather the investment committee in each asset class considers 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 assess potential investment opportunities. Additionally, the investment committees use third-party data as an input to the ESG scoring process.

AIML also manages climate-related risks through its engagement efforts. Investment teams engage with sovereign and corporate issuers on a range of topics, both directly and in collaboration with other stakeholders. This includes efforts to encourage better climate-related disclosure as this information is crucial for informed investment decision-making and has been identified as an evolving area with scope for improvement by Emerging Markets issuers. As a signatory to TCFD since January 2020, Ashmore also promotes TCFD-aligned climate disclosures by the companies in which it invests.

8

Integration of processes related to identifying, assessing, and managing climate-related risks into overall risk management

The identification, assessment, and management of investment risks are integrated fully into AIML's robust risk management culture and its internal control framework.

To meaningfully assess investment risk, it is important to recognise the benefits and limitations of each of the metrics and methodologies employed. There is no single metric that could be used to evaluate the risks inherent in investments and funds. The Firm uses its experience as a dedicated Emerging Markets manager and its risk management expertise, spanning more than 30 years to identify, define, and develop a suite of complementary risk management analytics and processes.

In addition to sound technical analytics, the Firm places emphasis on ensuring scalable processes are in place to ensure investment risk is fully integrated into the investment management activities and investment committees. And to this end, AIML invests heavily in its IT infrastructure to ensure the required degree of automation and system generated output.

The governance process is equally important. The Risk Management & Control (RMC) department is independent of investment committees and investment management teams. The Head of RMC reports into both the Group CEO and the Chair of the plc's Audit & Risk Committee (ARC). In relation to the latter, the Head of RMC has one-to-one meetings with the Chair of the ARC prior to each quarterly ARC meeting and formally presents written reports at these meetings.

In relation to identifying, assessing, and managing climate-related risks into overall risk management, the RMC department participates in investment committee meetings and ESG Committee meetings and works closely with portfolio managers to develop investment and risk management reports. In addition, where limits are agreed, these are coded and monitored in the firm's systems e.g. Thinkfolio. For example, these include ESG score thresholds on minimum scores for selected Ashmore funds as well as industry exclusions and GHG emissions targets.

Metrics and targets

This section provides detail on the following recommended TCFD disclosures:

- 9| Metrics used to assess climate-related risks and opportunities in line with strategy and risk management.
- 10| GHG emissions (scope 1, 2 and 3) and related risks.
- 11| Targets used to manage climate-related risks and opportunities and performance against these targets.

The metrics and targets used to assess and manage relevant climate-related issues

AIML uses a combination of qualitative and quantitative approaches to assess climate-related risks and opportunities. These will continue to evolve in response to changing client and regulatory requirements as well as industry best practice.

9|

Metrics used by AIML to assess climate-related risks and opportunities in line with its strategy and risk management process

The Firm's analysis and reporting of climate-related risks and opportunities, as well as associated metrics and targets for portfolio investments will continue to evolve, particularly as Emerging Markets issuers increasingly adopt measures such as the TCFD recommendations. The Firm also continues to engage with third-party providers and issuers to broaden coverage. Over 2022, the main metrics used were issuers' GHG emissions and stranded asset data. All things equal and as noted above, additional metrics are expected to become available with the integration of a broad set of climate metrics, including selected forward-looking metrics.

The main metrics used by portfolio managers when completing the ESG Scorecard to assess climate-related risks and opportunities for corporate issuers are GHG emissions (scope 1 and 2, as well as scope 3 where available), sustainability impact metrics such as water usage and waste disposal, incidents of environmental pollution, utilisation of green energy, and product and process innovation to limit environmental impact. For sovereign issuers these include carbon intensity, air pollution, renewable energy consumption, energy intensity, water stress and water productivity as well as natural disaster risks and incidents of environmental impact. The use of these metrics has remained relatively stable over recent years but is expected to evolve as industry convergence materialises and with improvements in data quality.

9

Figure 3: Cross-industry climate-related metrics

	Investment Management metric
GHG emissions	Weighted Average Carbon Intensity (tCO ₂ e / USDm revenue) Total / Absolute Carbon Emissions (tCO ₂ e) Carbon Footprint (tCO ₂ e / USDm invested)
Transition risks	Stranded assets
Physical risks	Qualitative assessment
Climate-related opportunities	Qualitative assessment
Capital deployment	Qualitative assessment
Internal carbon price	Carbon price calculated using average price over three months (1 April 2022 to 30 June 2022) = EUR 83.4 (up from EUR 50.2 in 2021)

10

Targets used by AIML to manage climate-related risks and opportunities and performance against targets

Ashmore joined NZAMI in July 2021 and the initiative provides the primary climate-related target-setting framework for Ashmore's investment management function. As part of the NZAMI Interim Target, Ashmore has identified the scope of its AUM that will be managed in line with the net-zero target, which initially accounts for approximately 6% of the Group's AUM. Ashmore has included in the scope its ESG-labelled range of pooled funds, which includes all its SFDR Article 8 pooled funds. In addition, any client mandates managed to at least the same net-zero ambition as that of Ashmore's Interim Target will be considered 'in scope'. The Investment Manager will also consider a phased approach to include further funds and mandates within the scope where it has discretion to do so and believes it to be aligned with clients' interests. Furthermore, the Investment Manager will engage with clients to include further mandates and continue to develop net-zero solutions.

Ashmore has adopted the Net Zero Asset Owner Alliance (NZAOA)'s Target Setting Protocol (the Protocol) to guide its implementation of the NZAMI commitments. This framework recommends a combination of portfolio-specific targets, sector-specific targets, financing solutions, and engagement.

The equity and corporate debt assets aligned to net zero by 2050 will be managed to a portfolio decarbonisation reduction target of at least 22% by 2025 and at least 49% by 2030 (using 2021 as base year), in line with the recommended range by the Protocol. These portfolio targets are based on the Weighted Average Carbon Intensity metric. Absolute Carbon Footprints will also be made available and tracked to monitor alignment with the net zero intention. In 2022, no target setting methodology for sovereign issuers was available in the Protocol and consequently sovereign issuers are currently not being managed to a portfolio reduction target.

Furthermore, the Firm will also target climate-related engagement with the 20 investee companies with the highest owned emissions (scope 1 & 2), as per recommendations by the Protocol.

Appendix

Appendix 1:

Notes on data and methodology challenges

Lack of reliable data

Non-financial information such as ESG data is not currently available at the same level as financial data. This is particularly the case in Emerging Markets where disclosure requirements are not typically as consistently advanced as those in certain developed markets. Emerging Markets companies are also generally smaller than developed market companies, leading to challenges in disclosure levels. Furthermore, while 'ESG data' is increasingly requested by European investors, particularly following the SFDR disclosure requirements, this is not as dominant a theme across all Emerging Markets. Consequently, lack of reliable data can be an issue. Ashmore tries to overcome this by relying on a combination of company reported data, third-party data, and own analysis, and by ensuring the context and realistic expectations of each issuer is considered.

An example of an area where there are gaps in the underlying data is corporate issuer GHG emission data. In some Emerging Markets, the reporting of this is a corporate disclosure requirement, while in others it is only poorly disclosed if at all. Furthermore, the extent to which these disclosures are aligned with global disclosure standards vary, particularly as it relates to scope 3 emission data. To adjust for these differences, the third-party provider of this data assesses the data quality, estimates emissions where not available, and conducts checks based on similar industries and company types. In addition, AIML performs further data quality checks and where GHG emissions numbers are not seen to be aligned with what would be expected this is reported back to the third-party data provider for correction and often also to the issuers themselves to help them correct this at source.

When publishing GHG emission data, which currently is done in some client reporting as well as for a selection of representative funds in Appendix 2, efforts are made to clarify what data is reported and/or estimated and/or unavailable.

Complex methodologies

Both climate science and socioeconomic forecasting are inherently complex and uncertain. Consequently, climate data points and quantitative scenario analysis will need to rely on proxies and assumptions and can be prone to oversimplification. This does not mean that the metrics or exercises are not worthwhile, but that care must be taken to ensure the output remains fair, clear, and not misleading. Consequently, when using such metrics and approaches AIML will link to the methodologies used and highlight important variables, where appropriate.

Disclosure limitations

The aforementioned data and methodology challenges will have an effect on Ashmore's ability to disclose meaningful forward-looking climate-related metrics. As referenced in Metrics & Targets, for 2022 the Firm primarily relied on GHG emissions as a quantitative climate metric. Work is ongoing with external data providers and other industry practitioners, as noted in Recommendation 5, to expand disclosure to include forward-looking climate metrics, and efforts are made to address such limitations and to ensure the output is one that both aids investment decision-making and is of use to investors.

Up to date information

Efforts are made to use the most up to date information where this is available. For example, GHG emissions are subject to the reporting cycle of the corporate issuers, the analysis cycle of the third-party data providers, and potential time lags. Also, in certain cases, sovereign emissions are updated and/or disclosed with a significant lag. As such, where possible, the Firm will consider alternative data sources or estimated data to improve data quality.

Third-party methodologies

AIML currently relies on data provided by certain third-party data providers. As it relates to climate change, this primarily means GHG emissions but also to some extent ESG risk metrics.

Where the Firm uses any such data e.g. ratings of a third party, this is presented as such and where it deviates from these, e.g. the Firm has its own proprietary ESG Scorecard methodology (more details are available in the ESG Policy), this is highlighted. Where AIML relies on third-party data in its client reporting, efforts are made to ensure that the necessary methodological information is included to aid the user of the data. An example of this is in Appendix 2 where the calculation used has been outlined.

As outlined in the Strategy section of this report, issuer specific ESG risks and opportunities are identified and managed through the ESG Scorecard. The data feeding into this analysis is partly collected by the portfolio managers from the issuers themselves and partly from third-party providers. The use of third-party providers allows the Firm to use data that is consistent with that being used across the industry.

Appendix 2:

GHG emissions of a representative selection of AIML funds

The figures below provide GHG emission reporting of a representative selection of AIML's funds as at 31 December 2022, including the methodology used.

Figure 4: Weighted Average Carbon Intensity (WACI) of a representative selection of AIML's sovereign funds

	Weighted average carbon intensity (WACI) (tCO ₂ /USDm GDP) ¹	Calculated on % of NAV with consumption data available ³
Sovereign		
SICSDF	233.1 tCO ₂	75.3%
SICSESG	225.9 tCO ₂	90.6%
SICAV1	233.0 tCO ₂	73.7%
SICLCBF	280.8 tCO ₂	95.4%
Description	Portfolio's exposure to CO ₂ emission-intensive countries, using the weighted average of sovereign's GHG intensity of the bond's mapped country, expressed in tCO ₂ /USDm GDP nominal ¹ .	
Formula	$\sum_n^i \left(\frac{\text{Current value of investment } i}{\text{Current portfolio value}} \times \frac{\text{Sovereign issuer's GHG emissions } i}{\text{Sovereign issuer's USDm GDP } i} \right)$	
Methodology	CO ₂ emissions based on consumption are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).	

¹ GDP is USDm expressed in purchasing power parity (PPP).

² WACI is grossed up, representing only % of NAV invested in sovereign issuers and where data is available.

³ WACI is calculated for the percentage of the portfolio where CO₂ and GDP data is available. Production CO₂ used where consumption CO₂ is not available.

Figure 5: Weighted Average Carbon Intensity (WACI) of a representative selection of AIML's equity and corporate debt funds

	Weighted Average Carbon Intensity (WACI) (tCO ₂ e/USDm revenue) ¹	Calculated on % of NAV with data available ²	% of NAV that uses estimated emissions
Equities			
SICAF	96.2 tCO ₂ e	92.6%	12.1%
SICEMEF	104.9 tCO ₂ e	88.9%	24.1%
SICEFESG	88.9 tCO ₂ e	86.7%	27.6%
SICVFEF	125.7 tCO ₂ e	48.4%	16.8%
Corporate debt			
SICCDF	1,898.3 tCO ₂ e	60.1%	15.7%
SICDESG	126.7 tCO ₂ e	59.6%	9.5%
SICAV1	1,121.0 tCO ₂ e	11.4%	4.0%
Description	Portfolio's exposure to GHG emission-intensive companies, expressed in tCO ₂ e/USDm revenue.		
Formula	$\sum_n^i \left(\frac{\text{Current value of investment } i}{\text{Current portfolio value}} \times \frac{\text{Issuer's Scope 1 and Scope 2 GHG emissions } i}{\text{Issuer's USDm revenue } i} \right)$		
Methodology	Scope 1 and scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).		

¹ WACI is grossed up, representing only % of NAV invested in corporate issuers and where data is available.

² WACI is calculated for the percentage of the portfolio where data is available.

Figure 6: Total/Absolute Financed Carbon Emissions of a representative selection of AIML's equity funds

	Total/Absolute Carbon Emissions ¹	Calculated on % of NAV with data available ²
SICAF	13,020.7 tCO ₂ e	92.6%
SICEMEF	4,332.5 tCO ₂ e	88.9%
SICEFESG	826.2 tCO ₂ e	86.7%
SICVFEF	3,656.3 tCO ₂ e	48.4%
Description	The absolute GHG emissions associated with a portfolio, expressed in tCO ₂ e. Measures the total GHG emissions for which an investor is responsible by their equity ownership.	
Formula	$\sum_n^i \left(\frac{\text{Current value of investment } i}{\text{Issuer's market capitalisation } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)$	
Methodology	Scope 1 and scope 2 GHG emissions are allocated to investors based on an equity ownership approach. Under this approach, if an investor owns 5% of a company's total market capitalisation, then the investor owns 5% of the company as well as 5% of the company's GHG emissions.	

¹ Emissions are grossed up to represent 100% of the Fund.

² Total/Absolute Financed Carbon Emissions represents only % of NAV invested in equity issuers and where data is available.

Figure 7: Total/Absolute Financed Carbon Emissions of a representative selection of AIML's corporate debt funds

	Total/Absolute Carbon Emissions ¹	Calculated on % of NAV with data available ²
SICCDF	442,316.6 tCO ₂ e	55.8%
SICCDSESG	349.2 tCO ₂ e	56.9%
SICAV1	358,438.4 tCO ₂ e	15.5%
Description	The absolute GHG emissions associated with a portfolio, expressed in tCO ₂ e.	
Formula	$\sum_n^i \left(\frac{\text{Nominal value of investment } i}{\text{Issuer's enterprise value } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)$	
Methodology	<p>The value of outstanding corporate bonds is defined based on the book value of the debt that the borrower owes to the lender i.e. Nominal Value.</p> <p>Enterprise Value = Enterprise Value including Cash (EVIC)</p> <p>For Listed Corporates 'Enterprise Value' is used, while for Private Corporate Debt 'Total Equity + Debt' is used.³</p>	

¹ Emissions are grossed up to represent 100% of the Fund.

² Total/Absolute Carbon Emissions represents only % of NAV invested in corporate debt issuers and where data is available.

³ 'Total equity' includes book equity, minority interest, and hybrid capital (each floored at zero).

Figure 8: Carbon footprint of a representative selection of AIML's equity funds

	Carbon footprint (tCO ₂ e/market value invested) ¹	Calculated on % of NAV with data available ²
SICAF	69.3 tCO ₂ e	92.6%
SICEMEF	64.1 tCO ₂ e	88.9%
SICEFESG	61.5 tCO ₂ e	86.7%
SICVFEF	44.9 tCO ₂ e	48.4%
Description	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tCO ₂ e/USDm invested. Measures the carbon emissions, for which an investor is responsible, per USD million invested, by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalisation).	
Formula	$\frac{\sum_{i=1}^n \left(\frac{\text{Current value of investment } i}{\text{Issuer's market capitalisation } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)}{\text{Portfolio's market value}}$	
Methodology	Scope 1 and scope 2 GHG emissions are allocated to investors based on the same approach as described under methodology for Total/Absolute Financed Carbon Emissions. The current portfolio value is used to normalise the data.	

¹ Emissions are grossed up to represent 100% of the Fund.

² Carbon footprint represents only % of NAV invested in equity issuers and where data is available.

Figure 9: Carbon footprint of a representative selection of AIML's corporate debt funds

	Total/Absolute Carbon Emissions ¹	Calculated on % of NAV with data available ²
SICCDF	625.1 tCO ₂ e	55.8%
SICCDESG	35.5 tCO ₂ e	56.9%
SICAV1	315.5 tCO ₂ e	15.5%
Description	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tCO ₂ e/USDm invested.	
Formula	$\frac{\sum_{i=1}^n \left(\frac{\text{Nominal value of investment } i}{\text{Issuer's enterprise value } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)}{\text{Portfolio's nominal value}}$	
Methodology	Scope 1 and scope 2 GHG emissions are allocated to investors based on the same approach as described under methodology for Total/Average Carbon Emissions. The current portfolio value is used to normalise the data. Enterprise Value = Enterprise Value including Cash (EVIC)	

¹ Emissions are grossed up to represent 100% of the Fund.

² Carbon footprint represents only % of NAV invested in corporate debt issuers and where data is available.

Contact us

Ashmore Investment Management Limited

61 Aldwych, London WC2B 4AE

T: +44 (0)20 3077 6000

www.ashmoregroup.com

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