

Ashmore Exclusion Policy

Group Policy Document

Published: September 2023

Document Overview

This document summarises the policy of Ashmore Group plc and its affiliated companies¹ (collectively “Ashmore”) in observing and upholding the Group’s position on industry exclusions. It is subject to review on an annual basis.

Ashmore Exclusion Policy

This document sets out how Ashmore approaches exclusions in its investment decision-making processes. Ashmore may apply exclusions across its portfolios based on a range of considerations, including international norms and standards, values, and philosophy as well as issues and themes.

Scope

This policy includes all financial instruments issued by the Excluded Companies and derivative instruments providing exposure to the Excluded Companies and applies to all portfolios managed by Ashmore and its subsidiaries, including Ashmore sponsored funds and third-party mandates.²

Firm-wide exclusions

Controversial weapons

Ashmore is committed to supporting international conventions that ban the development, production, stockpiling, transfer, and use of controversial weapons.

This policy sets out the implementation of Ashmore’s approach to investments and engagements with entities responsible for the manufacturing, distribution, and maintenance of controversial weapons.

Definition

Ashmore considers those weapons that have a disproportionate and indiscriminate impact on the lives of civilians that often continues years after a conflict has ended as ‘controversial’.

This encompasses cluster munitions, anti-personnel landmines, biological weapons, chemical weapons, and nuclear weapons. These controversial weapons are regulated by international conventions as outlined below:

- **Cluster munitions:** As defined by the [Convention on Cluster Munitions](#) (Oslo Convention) adopted in 2008, which prohibits the production, stockpiling, transfer, and use of cluster munitions.

¹ Affiliated companies comprise the ultimate holding company Ashmore Group plc and all other active companies the majority of whose equity interests are directly or indirectly owned by Ashmore Group plc.

² Ashmore is able to customise client portfolios to meet specific requirements for geographic, sector and stock specific restrictions, such as alcohol, animal/food products, armaments manufacturers or dealers, gambling, pornography, tobacco and coal.

- **Anti-personnel landmines:** As defined by the [Anti-Personnel Landmines Treaty](#) (The Ottawa Treaty) 1997, which prohibits the production, stockpiling, transfer, and use of anti-personnel landmines and which requires their destruction.
- **Biological weapons:** As defined by the [Biological Weapons Convention](#) on the prohibition of development, production, and stockpiling of bacteriological and toxin weapons and their destruction, which came into force in 1975.
- **Chemical weapons:** As defined by the [Chemical Weapons Convention](#), which prohibits the development, production, stockpiling, and use of chemical weapons and on their destruction, adopted in 1992.
- **Nuclear weapons:** As defined by the [UN Treaty on the Prohibition of Nuclear Weapons](#) adopted in 2017, which prohibits the development, testing, production, manufacturing, transferring, possessing, and stockpiling of nuclear weapons, including the use or threatening to use such weapons.

In addition, this also encompasses depleted uranium (for which no international agreement exists) and white phosphorus given the challenges of controlling the impact of these weapons, especially on civilians, regardless of their intended use.

Implementation

Based on the above definitions, Ashmore will restrict investment in any company identified as involved in controversial weapons. By 'involvement', Ashmore considers that the company's products or services are directly associated with such weapons but do not consider cases of dual purpose i.e. when they might have a legitimate civil use.

Ashmore has developed a proprietary methodology to identify and develop its list of excluded companies (the Exclusion List). In substantiating allegations of involvement, Ashmore's investment teams will engage with the company management. Additionally, Ashmore draws on third-party sources alongside internal searches to establish the Controversial Weapons Exclusion List.

Ashmore acknowledges inconsistencies in publicly available information in this area. Ashmore will not knowingly invest in companies involved in such activities.

Any investment in excluded companies identified through this process is restricted through Ashmore's internal compliance system. Any exception to the restrictions laid out in this policy must be approved by Ashmore's ESG Committee.

Management of the Controversial Weapons Exclusion List

The Exclusion List is maintained by the Compliance team and is reviewed and updated on a quarterly basis and shared with the ESG Committee.

Pornography

Ashmore funds and segregated mandates also restricts investing in issuers that Ashmore determines to have significant involvement i.e. generating more than 10 percent of revenue from the manufacture, distribution, or sales related to pornography.

Sanctions

Ashmore seeks to comply with applicable government authorities, and where appropriate, screens investments against the [UN Security Council](#), [EU Sanctions](#), and [UK Sanctions](#), and the [US Office of](#)

[Foreign Assets Control](#) lists. Ashmore's Compliance team is responsible for monitoring any sanctions notices and updates issued by these regimes as per the Ashmore Sanctions Policy.

Fund-specific exclusions

Industry exclusions

In addition to the two firm-wide exclusions noted above, for selected funds Ashmore also applies combinations of the below industry exclusions depending on the fund type (see Appendix 1).

Definition

These are defined as follows:

- **Tobacco:** any company generating more than 5 percent of revenues from production or manufacture of tobacco, as well as companies generating more than 10 percent of revenues from distribution or retail of tobacco or tobacco-related products.
- **Gambling:** companies generating more than 10 percent of revenues from commercial gambling.
- **Fossil fuels (coal, oil, and natural gas):** producers, refiners, power generators, dedicated transporters, and any company generating more than 10 percent of revenues from the exploration, production, refining, distribution, or combustion for sale of electricity of fossil fuels.
- **Coal:** producers, power generators, and any company generating more than 30% of revenues from production or distribution of thermal coal, or generation and external sale of electricity from combustion of thermal coal.
- **Defence:** producers, and any company generating more than 10 percent of revenues from weapons, military equipment, or services.

'Revenue' is determined by Ashmore's view of the primary business of the company i.e. it is assessed for a specific use in relation to those prohibited products or services. Ashmore's definition is limited to consolidated revenues and does not include revenues generated from other such activities indirectly through a company's supply chain.

Implementation

These exclusions are implemented through the Ashmore ESG Scorecard or through the use of third-party exclusion lists. For additional information on the ESG Scoring Process, please refer to Ashmore's [ESG Policy](#).

ESG exclusions

For its ESG product ranges, Ashmore applies minimum ESG scoring criteria as outlined in the relevant prospectus. These are based on minimum thresholds across Environmental, Social, and Governance scores, according to Ashmore's ESG Scoring Process.

United Nations Global Compact exclusions

For its ESG product ranges, Ashmore do not invest in companies considered³ to be in violation of the United Nations Global Compact.

³ According to the assessment of selected third-party data providers.

Client specific exclusions

Ashmore can customise client portfolios to meet specific requirements for geographic, sector, and other security specific restrictions.

Ashmore appreciates that its clients might wish to add additional companies to the list of controversial weapons and will in such cases accommodate this in segregated mandates.

Appendix 1: Article 8 ESG Industry Exclusion Summary 2023⁴

Fund Name	Tobacco	Gambling	Fossil fuels	Coal	Defence
The exclusions of issuers with:	> 5% of revenues from production or manufacturing of tobacco > 10% of revenues from distribution or retail of tobacco	> 10% of revenues from commercial gambling	Producers or fossil fuel power generators > 10% of revenues from exploration, production, or refining of fossil fuels including coal	Producers or fossil fuel power generators > 30% of revenues from production and distribution of thermal coal	> 10% of revenues from weapons, military equipment or services
Ashmore SICAV Emerging Markets Sovereign Debt Fund	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Sovereign Investment Grade Debt Fund	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Local Currency Bond Fund 2	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Equity Fund	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Investment Grade Corporate Debt Fund	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Debt Fund	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Corporate Debt Fund	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Total Return Debt Fund 2	Yes	No	No	Yes	No
Ashmore SICAV Emerging Markets Sovereign Debt ESG Fund	Yes	Yes	Yes	Yes	Yes
Ashmore SICAV Emerging Markets Total Return ESG Fund	Yes	Yes	Yes	Yes	Yes
Ashmore SICAV Emerging Markets Corporate Debt ESG Fund	Yes	Yes	Yes	Yes	Yes
Ashmore SICAV Emerging Markets Equity ESG Fund	Yes	Yes	Yes	Yes	Yes

⁴ Product-specific exclusions are applied in addition to the firm-wide exclusions outlined in this Policy.