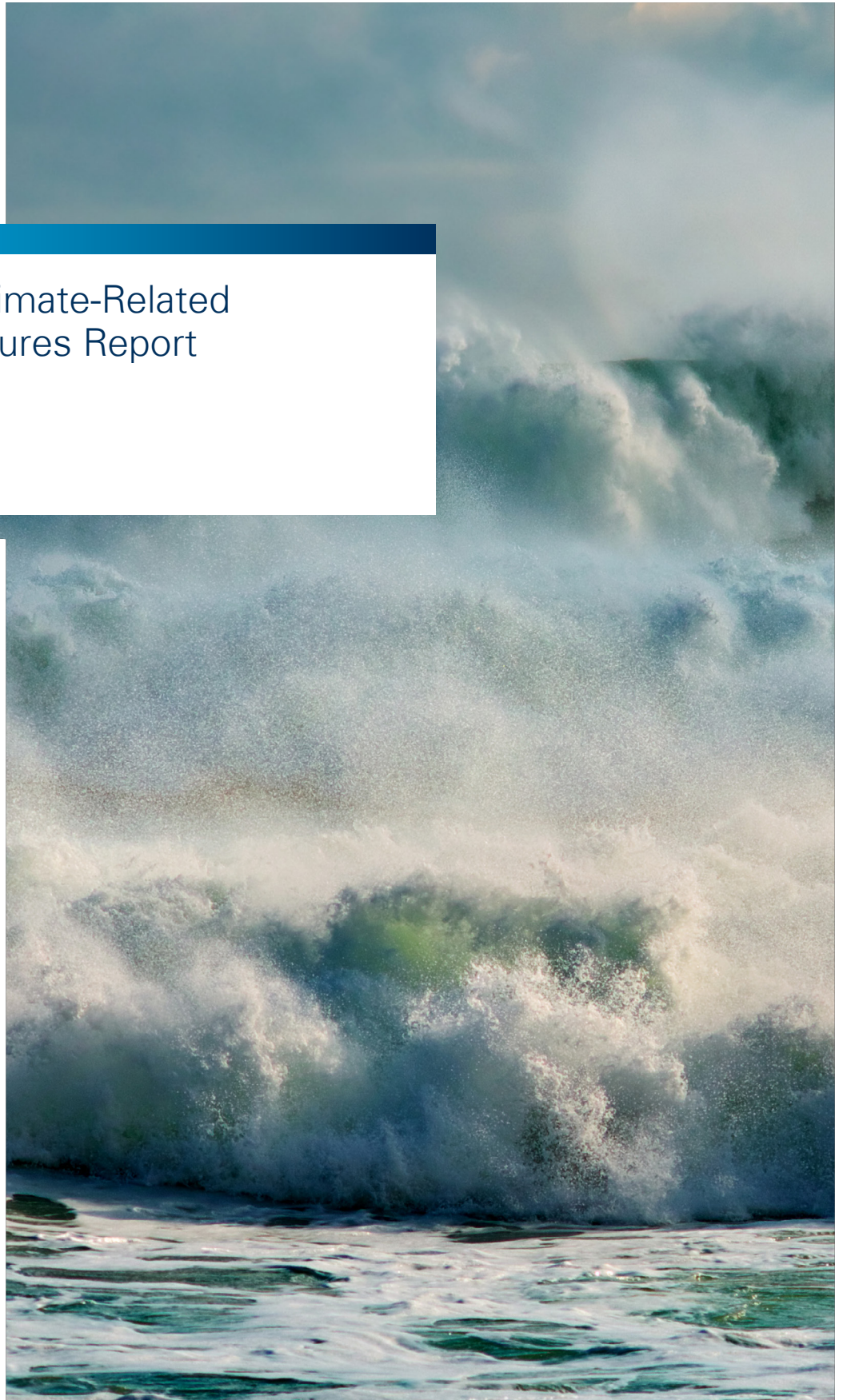


# Ashmore

## Task Force on Climate-Related Financial Disclosures Report 2023



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Ashmore Investment Management Limited  
Climate reporting aligned with guidance by the  
Task Force on Climate-Related Financial Disclosures (TCFD)  
2023



# About Ashmore Group

Ashmore Group plc (the Group, Ashmore) is a specialist Emerging Markets (EM) investment manager with over 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 developing 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 is aligned with the Ashmore Group plc TCFD Report 2022/2023, 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 climate-related 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, relevant 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 climate 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 encouraging sustainable economic growth, supporting growing populations, and develop 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 continue working with its clients to ensure capital is channelled to the Emerging Markets supporting 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.

#### **Mark Coombs**

Chief Executive Officer  
June 2024

### **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 continues to evaluate additional types of disclosures such as a high-level Climate Transition Plan. 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 17.

## Year in Review

### Progress during 2023

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- Ashmore initiated a set of climate-related engagements with the companies representing 65% of owned carbon emissions.
- Ashmore expanded its internal education efforts for its investment teams by offering thematic educational sessions on a range of topics including biodiversity and deforestation, corporate and sovereign engagement, and climate lobbying.
- Ashmore brought in additional third-party ESG and climate data inhouse, with the intention to strengthen its approach to climate-related scenario analysis.
- Ashmore published the article '[\*Solving the Energy Transition paradox in Emerging Markets\*](#)' focused on the challenge of ensuring a Just Transition and innovative financing structures in the sovereign space.



## Summary

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### 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 9.*

### Strategy

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

Climate-related issues are considered across different time horizons. The transition to a low-carbon economy is considered more prevalent over the short and medium term, while physical risks increasingly become more relevant over the medium to long term.

*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, 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 invested in additional climate-related scenario analysis datasets in 2023. This data has been initially integrated into the firm's internal systems and Ashmore will continue to examine ways in which climate-related scenario analysis can be used to assist in the ongoing development of its investment management activities.

*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, where issuers' ESG scores are reassessed at least annually.

*Read more on page 14.*

#### 7. Process for managing climate-related risks

The primary tool for managing issuers' climate-related risks is the ESG Scorecard. 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 14.*

#### 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 the risk management processes and internal control framework.

*Read more on page 15.*

## 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.

*Read more on page 16.*

### 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 2 (page 20).

*Read more on page 17.*

### 11. Climate targets

NZAMI, of which Ashmore is a signatory, provides the primary target-setting framework for Ashmore's Investment Management function.

*Read more on page 17.*

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



# 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 AIML 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, which includes the ESG Committee (ESG).

The consideration of climate-related issues as they relate to guiding strategy, business plans, operating model, annual budgets, and risk management policies, 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 ESG Committee and the Board.

### 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, 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.

2

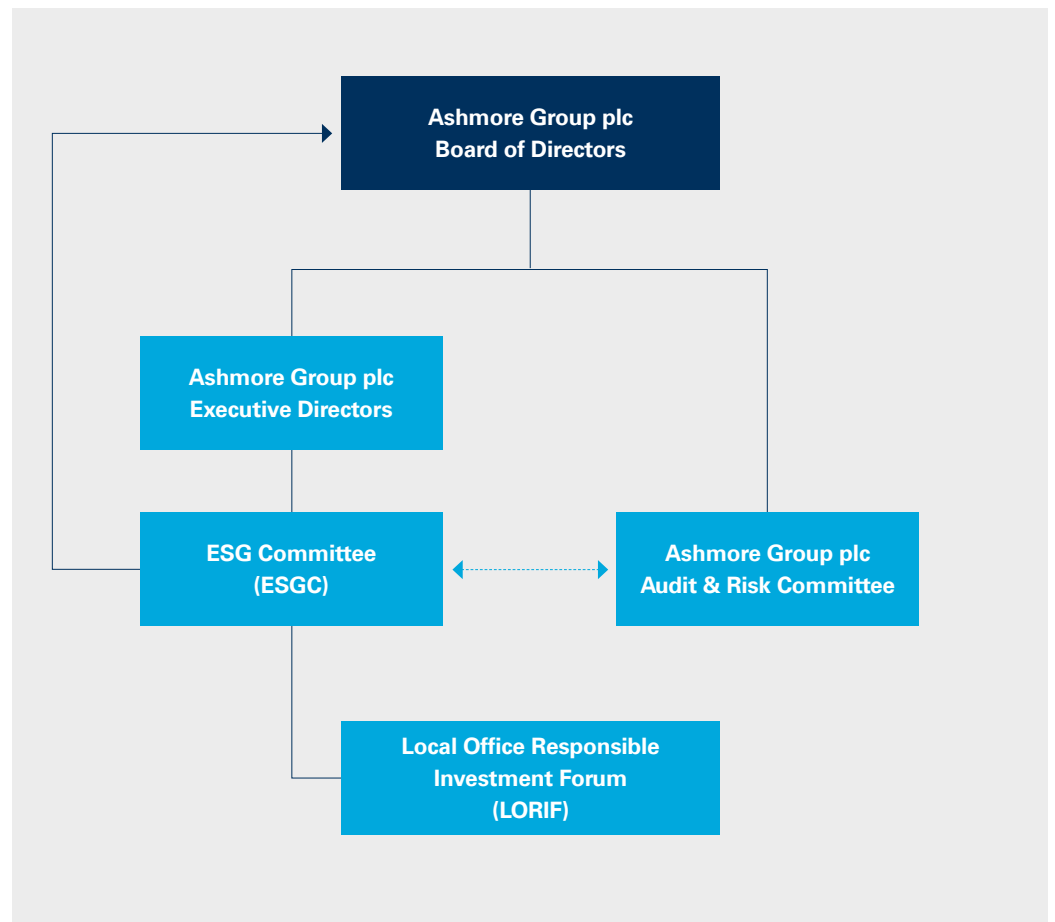
The ESGC has oversight of relevant climate-related issues and the Group’s Head of Responsible Investment and ESG Policy, or a delegate, provides regular updates to the Board. The Board is informed about goals and targets designed to address climate-related issues and these are consequently reported on 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’s Local Office Responsible Investment Forum (LORIF) ensures 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 consideration of climate-related issues is a core part of the investment framework applied by AIMLs 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 non-financial performance considered by the Ashmore Group plc Remuneration Committee when determining variable remuneration on an annual basis for the Executive Directors.

The processes described in the risk management section of the Ashmore 2023 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

Material climate-related risks and opportunities are considered across different time horizons. As they relate to AIML's products 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 14 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 AIML**

	Risks	Opportunities
Transition to low-carbon world	<p><b>Policy &amp; Regulation:</b> Policy changes attempting to constrain actions that contribute to the adverse effects of climate change or that seek to promote adaptation.</p> <p><b>Stranded assets:</b> Assets devaluing due to climate change action.</p> <p><b>Changes in consumer behaviour:</b> The impact of policy and technology changes and shifts in supply and demand for products, services, and commodities.</p> <p><b>Reputation:</b> The perception of a company in contributing to or detracting from the transition to a low-carbon economy.</p> <p><b>Litigation risks:</b> Claims brought by property owners, municipalities, NGOs, insurers, and shareholders.</p>	<p><b>Innovative technologies:</b> 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><b>Resource efficiency:</b> 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><b>Energy source:</b> Moving to low-emission energy sources could see organisations save on annual energy costs.</p> <p><b>Products and services:</b> Innovations in products and services may enable improved competitive advantage.</p> <p><b>Markets:</b> 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><b>Acute:</b> Event-driven such as increased severity of extreme weather events.</p> <p><b>Chronic:</b> Longer-term shifts including temperature changes, rainfall, and variations in weather patterns.</p>	<p><b>Adaption &amp; resilience:</b> 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 by the investment teams' ESG research and analysis. These issues are captured through the ESG scoring process performed for each investment. How this assessment is reflected in the portfolio varies. For example, for some equity strategies the scoring guidelines require score deductions to be applied where environmental or climate-related issues are identified. It is established 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

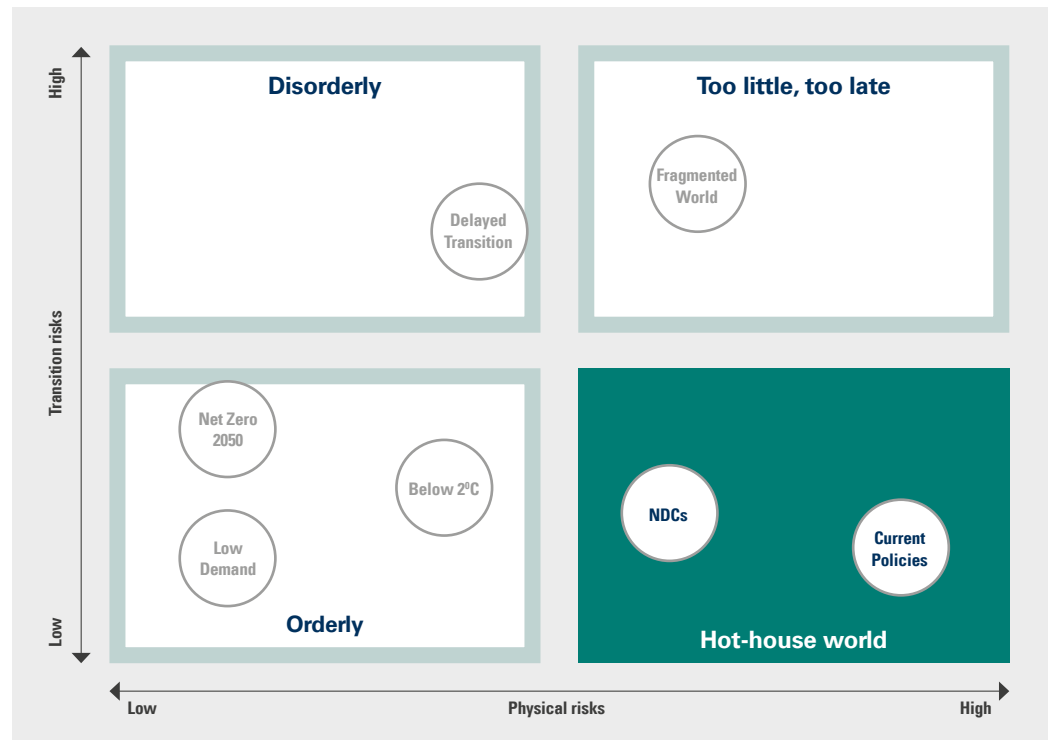
## The resilience of AIML's investments considering different climate-related scenarios

AIML supports the focus by TCFD on forward-looking assessments of climate-related risks and opportunities. Qualitative and quantitative 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 2023, AIML brought in additional climate data in order to strengthen its scenario analysis capabilities. This data has been integrated into its internal systems over 2023 with the next step being increasingly exploring how this data can be used in climate scenario analysis as well as evaluating the extent to which this is additive to the investment process. The purpose of such exercises is to explore plausible 'what if' scenarios based on various temperature outcomes and levels of policy implementation and consider how this might impact portfolios.

Ashmore has started to review its investments across a number of scenarios by the Network for Greening the Financial System (NGFS) using analytics from MSCI. These scenarios provide a common understanding of how climate-related physical and transition risks could evolve in different futures. NGFS groups potential scenario 'narratives' into 'Orderly', 'Disorderly', 'Hot-house world', and 'Too little, too late' scenarios, as shown in the below figure.

Figure 3: NGFS Scenarios<sup>1</sup>



<sup>1</sup> Source figure: NGFS.

# 5

## Forward-looking metrics for scenario analysis<sup>2</sup>

The two main metrics currently being considered are:

- The **Climate Value at Risk (C VaR)** metric considers future climate impacts to potential future costs and/or profits associated with the underlying issuer or, if aggregated, the portfolio with global warming outcomes.
- The **Implied Temperature Rise (ITR) metric** indicates the alignment of the underlying issuer or, if aggregated the portfolio.

In reviewing the Climate Value at Risk (C VaR) of Ashmore's funds across a range of NGFS scenarios, certain trends emerged. For example, when looking at the equity and corporate debt portfolios included in Appendix 2, the highest potential losses is estimated to take place during a 1.5°C Disorderly scenario, with portfolio impacts ranging from -5.1% to -21.8%, with the portfolios expected to be subject to the least impacts being the ESG-labelled portfolios. Under this scenario the CEMBI had a C VaR of -15.7% and the MSCI EM Net of -27.5%. These estimated impacts are significantly less in a 2°C Orderly scenario, where the funds' C VaR ranged from -1.0% to -15.6%. Based on the latter scenario, for most of the portfolios, these risks were related to the physical impacts of climate change – largely coastal flooding and extreme heat.

When looking at the Implied Temperature Rise (ITR) metric for the same equity and corporate debt portfolios, it was found that the portfolio temperature estimates varied between 2.0°C and 3.6°C, with the lowest portfolio temperatures being the ESG-labelled portfolios, which have been actively decarbonising, so this was aligned with expectations. For comparison, the CEMBI had a temperature estimate of 3.6°C and the MSCI EM Net of 2.9°C.

<sup>2</sup> Note that this analysis is performed using the tools, data, and methodologies of MSCI. Data as at 31 December 2023.

# 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, which is reassessed at least annually. 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 assess 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 as 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 previously 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 risk management processes 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 continuously be updated as Emerging Markets issuers increasingly adopt measures such as the TCFD recommendations and third-party providers and issuers to broaden coverage. Over 2023, the main metrics used were issuers' GHG emissions: the Weighted Average Carbon Intensity (WACI), the Total/Absolute Financed Carbon Emissions, and the Carbon Footprint. As mentioned in section 5, Ashmore has also introduced the Climate Value at Risk (C VaR) metric and the Implied Temperature Rise (ITR) metric for use in scenario analysis and to track the alignment of issuers with various temperature goals.

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), net zero targets, 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 GHG emissions per capita, sovereign warming potential, energy consumption per capita, exposure to natural disasters and incidents, and the utilisation and protection of natural resources. 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 4: Cross-industry climate-related metrics**

	Investment Management metric
<b>GHG emissions</b>	Weighted Average Carbon Intensity (tCO <sub>2</sub> e / USDm revenue) Total / Absolute Financed Carbon Emissions (tCO <sub>2</sub> e) Carbon Footprint (tCO <sub>2</sub> e / USDm invested)
<b>Transition risks</b>	Implied Temperature Rise*, Qualitative assessment
<b>Physical risks</b>	Climate Value at Risk*, Qualitative assessment
<b>Climate-related opportunities</b>	Climate Value at Risk*, Qualitative assessment
<b>Capital deployment</b>	Qualitative assessment
<b>Internal carbon price</b>	Carbon price calculated using average price over three months: (1 April 2023 to 30 June 2023) = EUR 86.8 (up from EUR 83.4 in 2022)

\*Ongoing work to exploring how this data can be used in climate scenario analysis as well as evaluating the extent to which this is additive to the investment process.

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**GHG emissions and related risks**

Please see Appendix 2 for the disclosure of GHG emissions of a selection of representative funds. The emission data is provided by third-party data provider MSCI. An important reason they were selected was their coverage of Emerging Markets.

- The Weighted Average Carbon Intensity (WACI) shows a portfolio's exposure to carbon-intensive countries or companies.
- The Total/Absolute Financed Emissions shows the absolute GHG emissions associated with a portfolio i.e. for which an investor is responsible.
- The Carbon Footprint shows that Total carbon emissions for a portfolio per million USD million invested.

11

**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 accounted for approximately 6% of the Group's AUM. Ashmore has included in the scope a selection of its ESG-labelled range of 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 also includes 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 engages 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 is also be made available and tracked to monitor alignment with the net zero intention. In 2023, no target setting methodology for sovereign issuers was available in the latest version of the Protocol and consequently sovereign issuers are currently not being managed to a portfolio reduction target. Instead, Ashmore will continue to measure and report on the emissions of its sovereign funds in-line with the Partnership for Carbon Accounting Financials (PCAF) standard, as recommended by the Protocol (see Appendix 2). Furthermore, the Firm has also initiated a set of climate-related engagements with the 65% 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 many 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, Ashmore 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 and other climate 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 the coverage of data used for the analysis.

#### 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. In section 5, Ashmore has included findings from high-level portfolio analysis made using the Climate Value at Risk metric and the Implied Temperature Rise metric. These metrics are both subject to highly complex methodologies designed by a third-party ESG data provider and should only be considered as broad indicators of climate risk and Paris-alignment.

### **Disclosure limitations**

The aforementioned data and methodology challenges means that due consideration must be taken when using and disclosing various quantitative climate-related metrics. Ashmore aims to be able to provide its clients with requested climate-related data and metrics as far as possible and has invested in additional data to ensure this. However, due to the above-mentioned data concerns there are limitations to the extent to which funds are 'managed to' any one data point. This is particularly the case for forward-looking metrics. Instead they act as indicators or flags to highlight issues or aid in the understanding of potential outcomes. 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. However, there are challenges related to reporting cycles, which could impact the quality of the reported metrics. 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, ITRs, and C VaRs, 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. 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, such as 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 2023, including the methodology used.

**Figure 5: Weighted Average Carbon Intensity (WACI) of a representative selection of AIML's sovereign funds**

	Weighted average carbon intensity (WACI)	Coverage (production data available) <sup>1</sup>
<b>Sovereign</b>		
SICSDF	228.1 tCO <sub>2</sub>	68.6%
SICLCBF	270.4 tCO <sub>2</sub>	97.0%
<b>Description</b>	Portfolio's exposure to CO <sub>2</sub> emission-intensive countries, using the weighted average of sovereign's emission intensity of the bond's mapped country, expressed in tCO <sub>2</sub> /USDm GDP nominal. <sup>2</sup>	
<b>Formula</b>	$\sum_n^i \left( \frac{\text{Current value of investment } i}{\text{Current portfolio value}} \times \frac{\text{Sovereign issuer's GHG emissions } i}{\text{Sovereign issuer's USDm GDP } i} \right)$	
<b>Methodology</b>	CO <sub>2</sub> emissions are based on production methodology, which accounts for all carbon emissions generated within a country's boarder. Emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).	

<sup>1</sup> Grossed up, representing only % of NAV invested in sovereign issuers and where CO<sub>2</sub> and GDP data are available. Note that these funds also invest in quasi-sovereigns, whose emissions are not included in the above.

<sup>2</sup> GDP is USD million, expressed in purchasing power parity (PPP).

**Figure 6: Weighted Average Carbon Intensity (WACI) of a representative selection of AIML's equity and corporate debt funds**

	Weighted Average Carbon Intensity (WACI)	Calculated on % of NAV with data available <sup>1</sup>	% of NAV that uses estimated emissions <sup>2</sup>
<b>Equities</b>			
SICAF	126.4 tCO <sub>2</sub> e	96.6%	5.0%
SICEMEF	101.9 tCO <sub>2</sub> e	94.6%	27.3%
SICFESG	71.0 tCO <sub>2</sub> e	91.2%	30.5%
SICVFEF	294.7 tCO <sub>2</sub> e	49.1%	21.2%
<b>Corporate debt</b>			
SICCDF	645.6 tCO <sub>2</sub> e	78.3%	12.8%
SICCDESG	168.5 tCO <sub>2</sub> e	68.8%	8.1%
<b>Description</b>	Portfolio's exposure to GHG emission-intensive companies, expressed in tCO <sub>2</sub> e/USDm revenue.		
<b>Formula</b>	$\sum_n^i \left( \frac{\text{Current value of investment } i}{\text{Current portfolio value}} \times \frac{\text{Issuer's Scope 1 and Scope 2 GHG emissions } i}{\text{Issuer's USDm revenue } i} \right)$		
<b>Methodology</b>	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).		

<sup>1</sup> Grossed up, representing only % of NAV invested in corporate issuers and where data is available.

<sup>2</sup> Estimated by MSCI.

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

	Financed Emissions	Coverage (production data available) <sup>1</sup>
SICSDF	59,025 tCO <sub>2</sub> e	68.6%
SICLCBF	457,538 tCO <sub>2</sub> e	97.0%
<b>Description</b>	The CO <sub>2</sub> emissions associated with a sovereign bond portfolio, expressed in tCO <sub>2</sub> e.	
<b>Formula</b>	$\sum_n^i \left( \frac{\text{Outstanding amount}^2}{\text{PPP-adjusted GDP USDm}^3} \times \text{Sovereign CO}_2 \text{ emissions} \right)$	
<b>Methodology</b>	CO <sub>2</sub> emissions are based on production methodology, which accounts for all carbon emissions generated within a country's border.	

<sup>1</sup> Grossed up, representing only % of NAV invested in sovereign issuers and where CO<sub>2</sub> and GDP data are available. Note that these funds also invest in quasi-sovereigns, whose emissions are not included in the above.

<sup>2</sup> Outstanding amount is the nominal value of the bond i.e. the investor's exposure to sovereign bond in USDm.

<sup>3</sup> GDP is USD million, expressed in purchasing power parity (PPP).

**Figure 8a: Total/Absolute Financed Carbon Emissions of a representative selection of AIML's equity funds**

	Total/Absolute Carbon Emissions	Calculated on % of NAV with data available <sup>1</sup>
SICAF	14,965.6 tCO <sub>2</sub> e	96.6%
SICEMEF	8,625.0 tCO <sub>2</sub> e	94.6%
SICFESG	321.5 tCO <sub>2</sub> e	91.2%
SICVFEF	5,111.4 tCO <sub>2</sub> e	49.1%
<b>Description</b>	The absolute GHG emissions associated with a portfolio, expressed in tCO <sub>2</sub> e. Measures the total GHG emissions for which an investor is responsible by their equity ownership.	
<b>Formula</b>	$\sum_n^i \left( \frac{\text{Current value of investment } i}{\text{Issuer's market capitalisation } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)$	
<b>Methodology</b>	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.	

<sup>1</sup> Grossed up, representing only % of NAV invested in equity issuers and where data is available.

**Figure 8b: Total/Absolute Financed Carbon Emissions of a representative selection of AIML's equity funds**

	Total/Absolute Carbon Emissions	Calculated on % of NAV with data available <sup>1</sup>
<b>SICAF</b>	11,343.0 tCO <sub>2</sub> e	96.6%
<b>SICEMEF</b>	6,692.3 tCO <sub>2</sub> e	94.6%
<b>SICFESG</b>	280.7 tCO <sub>2</sub> e	91.2%
<b>SICVFEF</b>	2,733.6 tCO <sub>2</sub> e	49.1%
<b>Description</b>	The absolute GHG emissions associated with a portfolio, expressed in tCO <sub>2</sub> e. Measures the total GHG emissions for which an investor is responsible.	
<b>Formula</b>	$\sum_n^i \left( \frac{\text{Current value of investment } i}{\text{Issuer's enterprise value } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)$	
<b>Methodology</b>	Scope 1 and scope 2 GHG emissions are allocated to investors based on a total ownership approach. Under this approach, if an investor owns 5% of a company's EVIC, then the investor owns 5% of the company's capital as well as 5% of the company's GHG emissions. Enterprise Value = Enterprise Value including Cash (EVIC)	

<sup>1</sup> Grossed up, representing only % of NAV invested in equity issuers and where data is available.

**Figure 9: Total/Absolute Financed Carbon Emissions of a representative selection of AIML's corporate debt funds**

	Total/Absolute Carbon Emissions	Calculated on % of NAV with data available <sup>1</sup>
<b>SICCDF</b>	86,981.5 tCO <sub>2</sub> e	71.8%
<b>SICCDESG</b>	345.2 tCO <sub>2</sub> e	62.2%
<b>Description</b>	The absolute GHG emissions associated with a portfolio, expressed in tCO <sub>2</sub> e. Measures the total GHG emissions for which an investor is responsible.	
<b>Formula</b>	$\sum_n^i \left( \frac{\text{Nominal value of investment } i}{\text{Issuer's enterprise value } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)$	
<b>Methodology</b>	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. Enterprise Value = Enterprise Value including Cash (EVIC).	

<sup>1</sup> Grossed up, representing only % of NAV invested in equity issuers and where data is available.



**Figure 10: Carbon footprint of a representative selection of AIML's equity funds**

	Total/Absolute Carbon Emissions	Calculated on % of NAV with data available <sup>1</sup>
<b>SICAF</b>	94.83 tCO <sub>2</sub> e	96.6%
<b>SICEMEF</b>	62.2 tCO <sub>2</sub> e	94.6%
<b>SICEFESG</b>	21.1 tCO <sub>2</sub> e	91.2%
<b>SICVFEF</b>	64.4 tCO <sub>2</sub> e	49.1%
<b>Description</b>	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tCO <sub>2</sub> 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).	
<b>Formula</b>	$\frac{\sum_n^i \left( \frac{\text{Current value of investment } i}{\text{Issuer's market capitalisation } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)}{\text{Portfolio's market value}}$	
<b>Methodology</b>	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.	

<sup>1</sup> Representing only % of NAV invested in equity issuers and where data is available.

**Figure 11: Carbon footprint of a representative selection of AIML's corporate debt funds**

	Total/Absolute Carbon Emissions	Calculated on % of NAV with data available <sup>1</sup>
<b>SICCDF</b>	136.8 tCO <sub>2</sub> e	71.8%
<b>SICCDESG</b>	34.8 tCO <sub>2</sub> e	62.2%
<b>Description</b>	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tCO <sub>2</sub> e/USDm invested.	
<b>Formula</b>	$\frac{\sum_n^i \left( \frac{\text{Nominal value of investment } i}{\text{Issuer's enterprise value } i} \times \text{Issuer's Scope 1 and Scope 2 GHG emissions } i \right)}{\text{Portfolio's nominal value}}$	
<b>Methodology</b>	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).	

<sup>1</sup> Representing only % of NAV invested in equity issuers and where data is available.

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