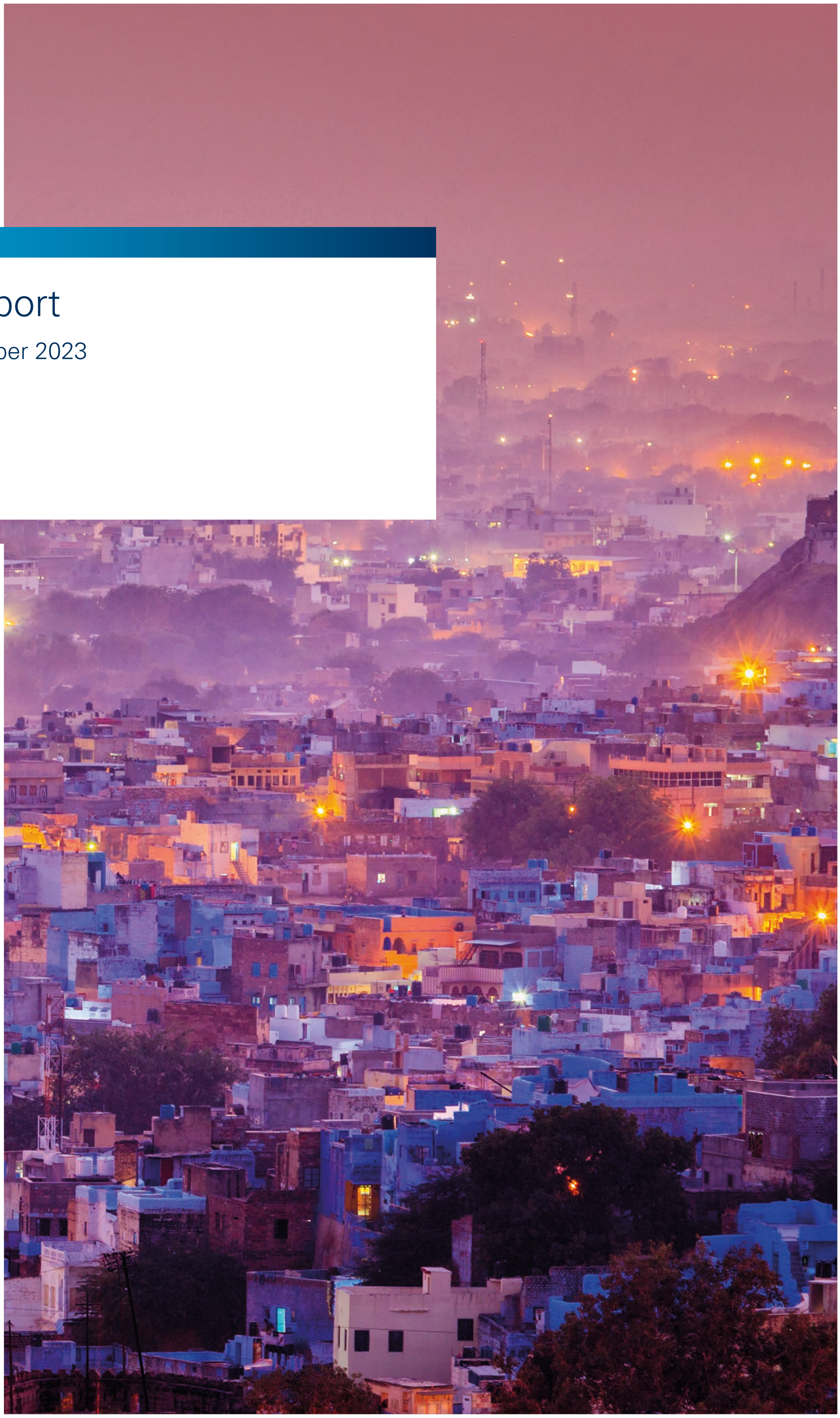
Ashmore



Engagement Report

For year ending 31 December 2023

Contents

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

Introduction and executive summary

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

The Ashmore Engagement Strategy consists of four areas – outlined in this report:

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

The main body of Ashmore's engagement efforts is in the form of engagements between Ashmore's portfolio managers and issuers. In 2023 Ashmore engaged with 103 issuers across 125 engagement efforts. The main topic for engagement was 'decarbonisation' followed by 'ESG reporting'. These efforts are further complemented by more systemic forms of engagements. Over 2023 Ashmore expanded its thematic focus by implementing a structured approach to engage on decarbonisation, and by developing a thematic engagement focus on deforestation intended to be the focus over the next few years starting in 2024.

Read more on page 4.

Ashmore continued over 2023 its participation in collaborative engagement efforts including its work with the Climate Action 100+ initiative. Ashmore also joined Mining 2030 due to the relevance of the mining sector in Emerging Markets.

Read more on page 13.

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

Read more on page 17.

Ashmore considers exercising rights and responsibilities to be an important aspect of its role as a responsible investor. Consequently, Ashmore aims to vote on all votable ballots as practically possible and voted in 2023 on 92% of the votes presented. Ashmore has an active approach to voting with all votes being instructed by its portfolio managers. As a result, in 2023 11% of votes were against management while 5% of votes were against independent advice.

Read more on page 20.

Direct engagement

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

As a longstanding investor in Emerging Market economies Ashmore recognises the importance of ongoing issuer engagement in its investment strategy. In markets where, historically, both corporate and sovereign disclosure have been less transparent than in developed markets, effective stewardship to promote high standards of governance has been shown to add value and to the success of companies. As an active manager, Ashmore believes that stewardship helps to safeguard and enhance the risk-adjusted returns of clients' investments. Furthermore, good corporate governance supports the alignment of the interests of company management with those of its investors. Consequently, through effective stewardship, Ashmore aims to deliver long-term performance for clients. Furthermore, Ashmore believes engagement with issuers can impact investment outcomes as it is an important avenue both for managing ESG risks and opportunities as well as a lever to have an impact on sustainability matters.

The Ashmore Engagement Strategy is consistently implemented across Ashmore's offices and asset classes as far as practically possible to ensure expectations are met and best-in-class practices are shared. Nonetheless, it is acknowledged that there will be certain differences to reflect local requirements and norms. Primarily, these disclosures cover sovereign debt, corporate debt, and equities, which accounts for the bulk of the Group's AUM.

Defining 'engagement'

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

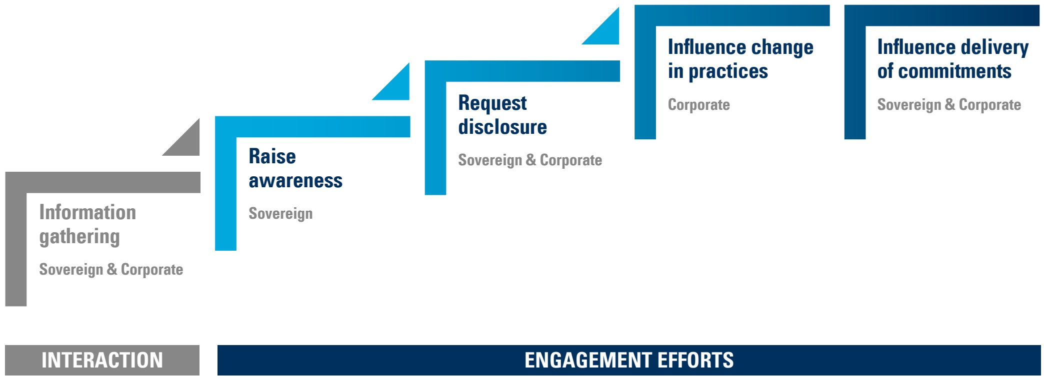
"a purposeful, targeted communication with an entity on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk".

The majority of Ashmore's engagement efforts are conducted through 'bilateral efforts' led by the relevant portfolio manager and typically triggered by the identification of idiosyncratic ESG risks or sustainability issues. In addition, thematic engagement efforts are conducted, prompted by Ashmore's involvement in initiatives such as the Net Zero Asset Management Initiative (NZAMI) or related to sustainability themes significant to Emerging Markets; and overseen by the Ashmore ESG Committee.

Over 2023, Ashmore conducted 125 engagement efforts with 103 issuers, representing 74% of its dialogues with issuers on ESG and sustainability matters, with the remaining being issuer interactions. This marked a significant increase from 2022, when only 46% of such dialogues were considered 'engagements' according to the above definition. In previous Ashmore Engagement Reports, Ashmore has reported on both engagement efforts and interactions combined. This year, the reporting will consider only engagement efforts unless otherwise specified. As a result, the quantity of engagements reported will reduce but these will represent efforts of a higher quality in line with the Group's Engagement Strategy. Throughout the year, Ashmore also continued to follow up on 47 engagement efforts initiated in 2022.

Engagement objectives

Ashmore aims for each engagement effort to have clear, pre-determined objectives. These will vary depending on the asset class. For example, when engaging with corporate issuers it might be considered appropriate to influence changes in practices, while for sovereign issuers it is often more natural to frame engagement efforts around the delivery of existing commitments. Efforts to gather information on ESG and sustainability issues, or monitoring, continues to be tracked as interactions.



Methods of engagement

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

• Conferences	• Phone/video calls	• Formal letters
• Email correspondence	• Questionnaires	• In-person meetings

During 2023, 61 in-person meetings took place. Of the remaining engagement activities, 32% were done over calls and video calls, 11% as part of email correspondence, and the remaining during conferences, by letter or questionnaire. Ashmore engaged with the following groups:

• Board of Directors	• ESG / Sustainability team	• Investor relations
• Executive Management	• Senior management	• Government representative

103

Number of issuers with which Ashmore engaged.

125

Number of engagement efforts undertaken by Ashmore.

Direct engagement during 2023

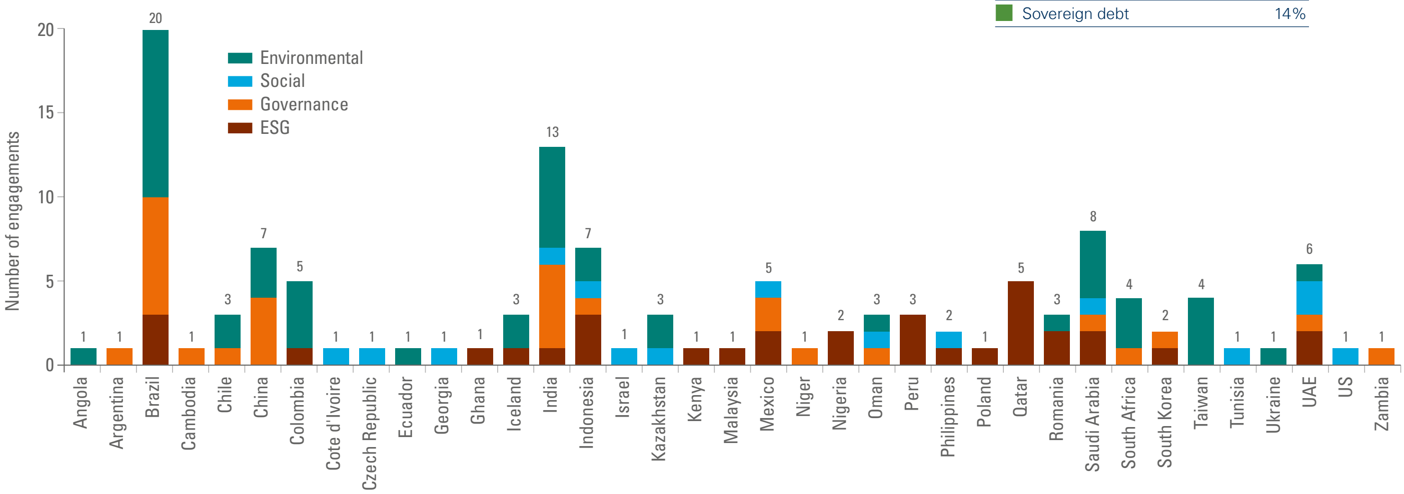
Figure 1 shows how Ashmore's engagement efforts are distributed across equities, corporate debt, and sovereign debt. A heightened focus on sovereign engagements over 2023 resulted in an increase in sovereign-related engagement efforts, up from 6% in 2022 to 14% in 2023.

In 2023 Ashmore engaged with corporates and sovereign issuers in 37 different countries as shown in Figure 2. The most frequent were in Brazil, India, and Saudi Arabia.

Figure 1

Corporate debt	28%
Equities	58%
Sovereign debt	14%

Figure 2



Key engagement issues

While Ashmore invests exclusively in Emerging Markets, the countries making up this investment universe are all unique and face their own set of sustainability challenges. Yet, there are certain sustainability issues that are particularly relevant to investors, and Ashmore believes it can benefit from engaging with issuers on such matters.

Climate change, both the physical consequences of a warming climate and challenges related to mitigating action, is an issue which directly affects many Emerging Market countries. It becomes an important engagement topic partly because it is considered a multiplier issue, meaning that action on climate change (SDG 13) can also have positive impact on many of the other Sustainable Development Goals.

Furthermore, Ashmore is committed to address system-level sustainability issues, such as the risks associated with worsened climate change and potential policy action taken to meet the Paris Agreement (as outlined in the Group's *Climate Change Position Statement*), as it

Figure 3: Engagement themes

Environmental	Climate change	33%
	Environment	6%
Social	Society	7%
	Workplace	5%
Governance	Board	10%
	Core governance	3%
	Other	10%
ESG	Reporting	11%
	Sustainability/ESG	6%
	Other	9%

recognises how climate change can pose systemic risks to its clients' portfolio returns (as outlined in Ashmore's TCFD Report). The thematic engagement focus on decarbonisation is aligned with Ashmore's net zero commitments (as outlined in its NZAMI targets), enabling better understanding actions taken by issuers to address climate-related concerns.

Climate change affects countries in Emerging Markets differently to those in Developed Markets. For example, many Emerging Market countries have the added challenge of having to balance their GHG emission reduction targets with an ambition to expand energy access to their population. It is also not unusual for Emerging Market countries to significantly rely on natural resources; be that fossil fuel related or commodities such as timber, beef, or soy; adding an additional challenge to aligning their economies with climate and biodiversity goals.

Furthermore, many Emerging Market countries are in the difficult situation of both being the countries most exposed to physical impacts as global warming worsens, while also being the ones with the least resources to adapt. These markets are in urgent need of finance to enable them to leap-frog the energy transition, making it a fascinating area of engagement with potential for positive impact. Furthermore, this must be done in a way that considers the social implications of the energy transition i.e. it must be a Just Transition for it to succeed. Understanding this complexity and how climate change is likely to impact Emerging Market issuers, is essential when investing in Emerging Markets. Read more about how Ashmore engages on climate change in the thematic example on page 12.

The mining and processing of critical minerals essential for the energy transition largely take place in Emerging Markets countries. Dominant countries include the Democratic Republic of the Congo (cobalt), Chile (copper and lithium), Indonesia (nickel), South Africa (platinum, iridium) and China (graphite, rare earths, processing stage). While underpinning many of the activities needed for this energy transition, mining activities are also linked to environmental degradation, and despite being a potential source of employment the sector has also been linked to human rights issues as well as adverse impact on the local community. Read more about how Ashmore engages on mining in the collaboration example on page 15.

Forests represent one of the world's most important carbon sinks and tropical forests are home to some of the most biodiverse areas in the world. By far, the majority of deforestation is occurring in Emerging Markets countries where the causes of the loss of forest are linked to commercial agriculture, extractive activities, and habitat expansion. Ashmore has identified deforestation as a future thematic engagement focus, spending the latter part of 2023 developing its approach with the aim to start these activities in 2024.

The above issues are closely interlinked. Mining drives deforestation, ecosystem degradation, and biodiversity loss yet has to be part of the solutions to mitigate climate change. Forests are inextricably linked to climate change due to their ability to store carbon. Deforestation, or reforestation, are therefore important levers when addressing climate action.

Ashmore believes that it is just this complexity that makes the Emerging Markets such an interesting and rewarding place to invest from a sustainability point of view. These are the markets where the biggest gains and rewards will be found and Ashmore's depth and expertise of investing in Emerging Markets enables it to bring industry best practice to these markets through its engagement efforts.

Engagement themes

E	**ENVIRONMENTAL – 48 engagement efforts**	
	Climate change	**41**
	• Decarbonisation	30
	• Strategy and other	11
	Environment	**7**
	• Natural resource and biodiversity	3
	• Pollution, waste, recycling	4
S	**SOCIAL – 15 engagement efforts**	
	Society	**9**
	• Health and education	4
	• Inequalities	5
	Workplace	**6**
	• Ethics (corruption / bribery / lobbying)	1
	• HR (inclusion / diversity / safety)	5
G	**GOVERNANCE – 29 engagement efforts**	
	Board	**13**
	• Diversity	2
	• Independence & oversight	10
	• Expertise and time commitment	1
	Core Governance	**4**
	• Cyber security	2
	• Other (leadership / tax)	1
	• Policy	1
	Other	**12**
	• Strategy, financial and reporting	12
ESG	**ESG – 33 engagement efforts**	
	• Reporting	14
	• Sustainability and ESG other	8
	• Sustainable financing	11
	Total engagement efforts	**125**

Examples

Bilateral engagement – Equities

What was the key issue/trigger for the engagement?	In December 2023, an Indian private hospital operator that some of our equity funds were invested in, was named in an international organ transplant scandal where it was reported that kidney transplants had taken place from non-related donors. The company publicly denied this. India's Transplantation of Human Organs Act stipulates organs may be donated by living donors who are near relatives with donations between strangers forbidden. These rules should be enforced by independent hospital medical boards who must sign off each case before a transplantation proceeds and this is consistent with international laws.
What became of the engagement objective?	Ashmore appreciated the swift denial and refutation of the allegations by the company, yet believed there was an important opportunity for introspection and enhancement of operational protocols. Consequently, the engagement specifically targeted: 1. Confirmation of the existing controls in place, in terms of document verification, ethics reviews and ensuring compliance with local laws. 2. Whether or not the company operated business in Myanmar (the origins of the scandal), and whether this could be addressed if wrongdoing is found. The company was also asked to review and comment on examples of 'best-in-class' practice based on the investment team's experience with other hospital operators. Namely: 1. Independent Audit and Compliance Review: Conduct an independent audit of the transplant processes at hospitals to ensure compliance with legal and ethical standards. This review should also encompass the vetting processes for donors and recipients with a special focus on international cases. 2. Strengthened Overseas Patient and Donor Screening: Enhance the screening processes for international donors and recipients, ensuring that all parties are fully informed and consenting, and that no exploitative practices are involved. 3. Transparent Reporting Mechanisms: Establish clear and transparent reporting mechanisms for any unethical activities. Encourage a culture of accountability and openness, where staff can report concerns without fear of retribution. 4. Regular Updates to Shareholders and Stakeholders: As shareholders, Ashmore requests regular updates on the measures being implemented and their effectiveness. This transparency is crucial for maintaining trust and confidence in the hospital's brand.
What activities did Ashmore do over the year?	Following an initial telephone contact by the Ashmore Mumbai team with the hospital's Investor Relations, an electronic correspondence was sent to the hospital management team jointly by Ashmore London and Mumbai offices outlining our expectations.
What was the outcome?	The company reaffirmed their denial of the allegation and their strict adherence to international as well as domestic transplant laws. They highlighted that the patients' names in the report were not patients of the hospital. The hospital affirmed that their transplant committee is appointed by state government and comprises seven members; two of which are government members, three doctors from the hospital, as well as two independent members serving in society (reputed professionals such as judges or government representatives). The committee interviews both donor and recipient and has independent decision making. Every transplant must be approved by the committee, which is recorded in a state transplant registry. The hospital has experience historically with cases of identity fraud, especially associated with international patients. They had responded by tightening their international patient protocols, including carrying out their own DNA testing, interviews, and screening process.
What were the implications for Ashmore's investment?	In this instance Ashmore was satisfied with the detailed nature of the response and arm's length verification process. The engagement has been closed, although further evidence of adherence to transplant policy will be a source of ongoing monitoring. The exercise also prompted the team to contact another investment in an UAE hospital operator to ensure high transplant policy standards were in place and being adhered to as certified by third-party verification.

Bilateral engagement – Sovereign Debt

What was the key issue/trigger for the engagement?	In the months following the election of President Lula da Silva, the Brazilian government rolled out a number of initiatives related to the country's sustainability objectives. One of them was Brazil's Sovereign Sustainable Bond Framework, released in September 2023. This is a reference document for the issuance of sovereign debt securities using resources backed by budgetary expenses that aims to align the country's debt issuance strategy with the growing interest of non-resident investors and the expansion of the thematic bond markets. Ashmore considered the document to be a step in the right direction, but believed the document contained some important gaps.
What became of the engagement objective?	The specific objective of our engagement on this issue has been to get the government to issue, at least annually an impact report authored and certified by an independent third party detailing the use of its green/social/sustainable bond proceeds, and the impact of such proceeds on the government's sustainability targets.
What activities did Ashmore do over the year?	Following the release of the Sovereign Sustainable Bond Framework, Ashmore sat down with government's debt management office representatives to review the document and to share Ashmore's expectations. Subsequently, Ashmore has followed up with the team and gave further indications on the expectations.
What was the outcome?	The Brazilian government confirmed that it is in dialogue with multilaterals and private investors regarding enhancements to the new sustainability bond framework. Government officials have shared some detail with the team on the practical challenges they are facing and have agreed to keep a dialogue regarding the framework's setup and implementation.
What were the implications for Ashmore's investment?	Ashmore is waiting to hear from the government on details regarding the methodology and the robustness of the annual impact report. Ashmore will continue pushing for more frequent publication.

Bilateral engagement – Sovereign Debt

What was the key issue/trigger for the engagement?	The trigger for this engagement effort was a set of research meetings with high-level representatives of the Omani government.
What became of the engagement objective?	The specific objective of the engagement was to encourage continued focus on the government's Employment Programme. With half of the population under the age of 30, ensuring gainful employment to avoid mass unemployment and social unrest is of serious importance. Engaged correctly, the young population can be a significant asset for the country, but mismanaged it becomes a risk. The Employment Programme attempts to match education to private sector needs. This needs to remain a key focus and to be tracked and eventually delivered on over a multi-year period.
What activities did Ashmore do over the year?	The engagement centred on face-to-face meetings with government officials, where the team took advantage of the opportunity to share some of the concerns, as investors in Omani government bonds, about social development indicators (health and education).
What was the outcome?	At the time of the meeting, the interlocutors vowed to take the team's input onboard, which was an encouraging response. One month later, the government announced a USD5.2bn 'Oman Future Fund' to bolster non-oil growth and create jobs over the next two decades. It also announced several social support measures, including the creation of a new city for low-income Omanis, which aims to ensure that more marginalised segments of the population have access to better education and employment opportunities.
What were the implications for Ashmore's investment?	Ashmore considers this specific engagement to have been successful and will continue tracking progress on this issue.

Bilateral engagement – Corporate Debt

What was the key issue/trigger for the engagement?	A large private company in Brazil focused on providing clean water and sanitation services. Currently holds 56% of the market share in the country, serving more than 30 million people.
What became of the engagement objective?	Ashmore believed the company was already doing an important job in providing clean water and sanitation to the population in Brazil and wanted to see whether they could expand their sustainability efforts further.
What activities did Ashmore do over the year?	During regular engagements with the management, Ashmore suggested that the next bond should be issued as a sustainable labelled instrument, given their strong ESG credentials.
What was the outcome?	The company took the feedback onboard and the new bonds they issued in September 2023 was categorised as both Sustainable and Sustainability Linked. The company has expanded the scope of their sustainability efforts to include specific Sustainable Performance Targets (SPT) embedded in the documentation for the 2023 bond issuance. These are: • SPT1: Reduce specific energy consumption by 7% the company's water production and distribution and sewage collection and treatment units by 2025 to a total of 0.36 kWh/m3; 10% reduction by 2027 and a further 15% by 2030. • SPT2: Increase the percentage of women in leadership position to at least 38% by 2025; to at least 41% by 2027 and to at least 45% by 2030. • SPT3: Increase the percentage of leadership positions filled by black employees to at least 22% by 2025; to at least 24% by 2027 and to at least 27% by 2030.
What were the implications for Ashmore's investment?	The interaction confirmed Ashmore's prior expectations that the company was a market-aware issuer, receptive to investor input and ready to commit to appropriate sustainability goals. The company's willingness to take Ashmore's feedback onboard and adjust the structure of the bonds reinforced Ashmore's view on the company's strong commitment to sustainability. Those factors contributed to the decision to invest in the bonds.

Thematic engagement

What was the key issue/trigger for the engagement?	Building on the thematic engagement focus on climate change in 2021 and 2022, which centres on corporate decarbonisation strategies, relevant disclosure, and appropriate target setting, the focus for 2023 turned to developing structured engagements with the companies representing the top 65% of Ashmore's owned emissions as recommended by the Net Zero Asset Owner's Alliance (NZAOA)'s Target Setting Protocol, which is the methodology adopted by Ashmore in the implementation of its Net Zero Asset Manager's Initiative (NZAMI) commitment.
What became of the engagement objective?	The top 65% of owned emissions equated to the identification of 12 corporate issuers to focus Ashmore's stewardship efforts. For each, an assessment of their decarbonisation efforts was conducted applying the ClimateAction 100+ Net Zero Benchmark. It was considered important to link the objectives to an established accountability framework that would be recognised by the issuer to aid them identifying investor expectations. Each issuer was measured against the 10 criteria; where available the ClimateAction 100+ (CA100+) assessment was used and where no assessment was available for the issuer an internal assessment was conducted based on the same framework structure. The criteria for engagement was then agreed with the portfolio manager covering the issuer.
What activities did Ashmore do over the year?	Much of this work took place in the last half of the year, with the majority of the activities consequently being related to the identification of the issues and the design of the engagement plan. However, additional climate-focused engagements did take place with some of these companies over the year including one with a Mexican company where the engagement objective was for them to issue a green bond instead of another conventional bond. This topic was raised at an in-person meeting, and at a later occasion when Ashmore was asked to speak on a panel at their annual global executive meeting on Ashmore's view of the company and how Ashmore incorporates ESG into its analysis, including what Ashmore would like to see from the company in terms of decarbonisation and ESG strategy. The desire for the company to issue a green bond was reiterated.
What was the outcome?	The outcome of this project has been issuer-specific engagement plans focused on achieving specific CA100+ benchmark criteria. Continuing into 2024, Ashmore will use these to engage with the group of issuers on their decarbonisation journey.
What were the implications for Ashmore's investment?	This project has led to a greater awareness of the issuers who contribute the most to the firm's owned emissions. The issuers are from a range of sectors including the oil & gas sector, cement production, and petrochemicals. These are companies which will have to take part in the low-carbon transition and Ashmore will engage with them to better understand how they intend to do this and consequently what role they will continue to have in its investment portfolios.

Collaborative and collective engagement

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

Ashmore has adopted the definition provided by the Investment Consultants Sustainability Working Group (ICSWG) on collaborative and collective engagement as:

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

Ashmore is willing to engage and act collectively with other investors, where appropriate and in the interests of clients, and permitted by regulations. In addition to collaborating with other investors, Ashmore will look to join collective engagement opportunities with relevant initiatives who bring together investees to engage and discuss. Ashmore is a member of the Climate Action 100+ collaborative investor initiative, as well as Mining 2030 which it joined in 2023.

Ashmore is a member of the UN Principles of Responsible Investment (UN PRI) and the Net Zero Asset Managers Initiative (NZAMI). These groups conduct some forms of policy engagement on behalf of their members. Ashmore will, when it considers it relevant, also respond to policy consultations and on topics relevant to its strategy support public letters focused on sustainability issues initiated by such initiatives.

Although the nature of such initiatives means that it is not always possible to measure the contribution to the success of the initiatives themselves, the below examples are included to highlight some reflections of the outcome of the Group's involvement.

Examples of collaborative and collective engagement efforts over 2023

Climate Action 100+

About	**Climate Action 100+** (CA100+) is a global investor initiative to address climate change, focused on the world's top GHG emitters. Ashmore became a signatory to CA100+ in 2019.
Type	Collaborative engagement
Ashmore's involvement in 2023	Ashmore is a member of three working groups as part of the initiative, including with one Latin American state-owned energy provider, one focused on a Middle Eastern state-owned energy provider, and one focused on a Latin American pulp and paper company. Over 2023, Ashmore participated in several CA100+ dialogues with these issuers. With exposure to these issuers across sovereign debt, corporate debt, and equity strategies, Ashmore representatives from both fixed income and equity teams participated in these engagement efforts. One example is the pulp and paper company: Ashmore participated in two meetings with the CA100+ group where the group decided to focus the engagement efforts on the company's decarbonisation strategy and climate transition plan, target setting, and a Just Transition. Separately, Ashmore hosted a call with the company where it discussed the company's participation in COP28, its performance on the CA100+ benchmark and why there were some misalignments. These discussions are continuing. Another example is the Middle Eastern energy provider: The issuer published its Sustainability Report over the summer, a document which had been significantly revamped. A meeting was held with the company in autumn 2023 with the aim to engage on the failed benchmark criteria. The company is targeting remaining a low-cost strategic producer of oil and gas considering itself as globally best placed to deliver this. During the meeting Ashmore particularly pushed the disclosure of scope 3 GHG emission data but expects this to take time to materialise.
Outcome	Ashmore has seen some progress on the CA100+ benchmark criteria for the three issuers, however notes that by their nature these are companies with intrinsic material emissions and that progress will likely take time. The engagement dialogues have been useful to gain a better understanding of how the issuers approach climate action and their decarbonisation efforts. Ashmore will continue to engage with these issues over 2024.

Mining 2030

About	**Mining 2030** is a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030, and to develop a consensus about the role of finance in realising this vision. Ashmore joined Mining 2030 not long after it launched in H2 2023. See page 7 for why mining was considered an important engagement focus.
Type	Collaborative engagement
Ashmore's involvement in 2023	Due to joining the initiative not long ago, there has been limited opportunity for direct involvement in 2023 with the group. However, over 2023 Ashmore did engage with some of the mining companies on their target list. In particular, engagement efforts have been ongoing with a large Brazilian miner. This company has signed up to adhere to the Global Industry Standard on Tailing Management (GISTM), a Mining 2030 initiative. Tailings management has been an area of consistent engagement between Ashmore and the company, and consequently the opportunity to escalate these efforts further through structured collaborative engagement was welcomed. The specific engagement objective has been to: 1. follow the progress of the de-characterisation and reparation projects; and 2. to educate the company on the importance the investor community places on safety and progressing towards zero dams in emergency* level. These efforts have continued into the early part of 2024, where a recent meeting with their technical team allowed Ashmore to better understand the changes in culture and safety implemented after a significant incident some years ago, as well as a detailed explanation of the technical progress of the de-characterisation plan.
Outcome	Ashmore looks forward to working with Mining 2030 to establish best practices in the mining sector. In relation to the above example, the number of dams at various emergency levels has real investment consequences. Furthermore, it has triggered MSCI to list them on their United Nations Global Compact violator list, making the continued investment in the issuer challenging in some portfolio cases. The company is on track to deliver on their commitments but needs to balance the urgency of reaching zero dams in emergency level with achieving this in a safe way as too high a pace could compromise the structure of the dams.

*Emergency: A condition that develops unexpectedly, which endangers the structural integrity of a dam and/or downstream human life or property, and requires immediate action.

GFANZ

About	**The Glasgow Financial Alliance for Net Zero (GFANZ)** is a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy. Ashmore is involved with GFANZ as a result of being a signatory to the Net Zero Asset Managers initiative (NZAMI).
Type	Collaborative engagement
Ashmore's involvement in 2023	Ashmore joined the GFANZ Mobilizing Capital to Emerging Markets & Developing Markets Workstream in early 2023 and has been a regular participant in the consultations organised by the group. Ashmore representatives have attended the majority of monthly meetings organised by the Workstream's Secretariat over the period, to become familiar with the work undertaken and contribute with questions and remarks. Ashmore's most significant contributions have been in two areas: • Firstly, to represent the voice of the public market participants in a forum sometimes dominated by banking sector participants. This notably represented the bulk of its feedback on the 'Joint Statement on Private Capital Mobilization' co-signed by NZAOA and others last November. • Secondly, Ashmore participated in a specific discussion group on the management of FX risk and promoted the view that natural FX hedges (in the business model and pricing mechanisms) can be superior to centralised guarantee mechanisms that require the intermediation of the Multilateral Development Banks (MDB) for instance.
Outcome	Ashmore has valued being involvement in the policy discussions and advocacy activities of the group and all things equal, will continue to participate and support these discussions.

Escalation

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

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

Escalation activities

Ashmore considers escalation activities on an exception basis. Whether an engagement activity is considered 'an escalation' is dependent on the situation and context.

Ashmore looks to maintain good relations with issuers in its belief that constructive dialogue is more likely to yield the intended results, not to mention the resource-intensive nature of certain escalation activities. Ashmore expects investees to respond to requests in a timely manner. Where they fail to respond or to appropriately engage in dialogue on the issues raised, the investment team may review its investment decision in consideration of the materiality of the issue and its impact on the long-term value of the investment.

Portfolio managers have several escalation options at their disposal as listed below:

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

Ashmore's approach to engagement aims for consistency across its local offices. However, Ashmore is conscious of how stewardship expectations vary across the markets it invests in and attempts to strike a balance between being clear about expectations of issuers while also accommodating the different stages of stewardship across markets. For example, while throughout 2023 there has been increased guidance and public expectations when it comes to issuer engagement, including escalation, in the UK and northern Europe, this is not the case in many developed and Emerging Markets.

For sovereign issuers, there were no cases of escalation during the period. For corporate issuers, there were a number of escalations, two of which are described below.

Example of escalation – Equity

What was the key issue/trigger for the engagement?	Several years ago, the investment team owned the stock before exiting it on investment grounds. The stock was then reconsidered for investment towards the end of 2022, and consequently the company's ESG performance was reviewed as framed by Ashmore's proprietary ESG scorecard. A change in auditor and independent director was noted and the review highlighted several other areas of governance deterioration, especially around board independence and oversight. There had also been an increase in related party transactions, including evidence of poor capital allocations. This triggered a series of engagements with company management through the course of 2023, which was ultimately escalated given lack of improvement in business practice.
What became of the engagement objective?	On board independence, several explicit enhancements were proposed based on the investment team's experience and global 'best-in-class' standards. This included: advocating a majority independent board; recruiting or promoting internally more experienced executive directors; and recruiting more capable independent directors. On related party transactions, proposals included stipulating a maximum volume of business through related parties and giving minority shareholders, or independent directors, voting rights should the annual exposure reach beyond a certain threshold.
What activities did Ashmore do over the year?	The engagement and subsequent escalation followed several interactions with investor relations and company management, including the Chief Financial Officer.
What was the outcome?	Poor governance was penalised in Ashmore's ESG scorecard and an additional 100 basis points of cost of capital was applied to our financial model. This weighed on the team's 'Quality' as well as the 'Valuation' scores and led the stock to have an overall much lower Stock Rating than would have otherwise been the case. This directly capped the investment size in the stock. In July 2023, Ashmore voted against all resolutions at the Extraordinary General Meeting, including the re-election of directors. This was contrary to the recommendation of the third-party voting adviser reflecting Ashmore's high hurdle for quality of governance oversight.
What were the implications for Ashmore's investment?	Ashmore's business practice proposals were acknowledged by the company, yet after no sign of meaningful action and limited confidence in future action, the team exited the position in Q4 2023. The engagement is considered closed.

Example of escalation – Corporate Debt

What was the key issue/trigger for the engagement?	The company is an integrated energy and chemical company, as well as one of the largest petrochemical companies in South Africa, developing technologies for the production of synthetic fuels, different types of liquid fuels, chemicals, coal tar, and electricity. On both measures considered by Ashmore in its evaluation (carbon footprint and carbon intensity), the company reports extremely poor metrics.
What became of the engagement objective?	The objective was to encourage the company to consider how to reduce its coal usage, to commit to a reduction, and to publicise both the strategy and the commitment.
What activities did Ashmore do over the year?	During an in-person meeting with senior management Ashmore representatives raised the issue of the company's commitment to continued coal reduction and related target. During the meeting, while discussing the 25% coal usage reduction target, their Chief Financial Officer stated that their commitment to coal usage reduction was dependent on the relative prices of gas and coal, as well as on the impact of local employment. Ashmore found this disappointing, which was shared with them and highlighted the view that they needed to keep to the target. However, they appeared to be significantly more committed to the financial side of operations than to the environmental impact.
What was the outcome?	Ashmore considered their response disappointing, and continue to rate them at 1 on E (the lowest level of a scale of 1-5). Furthermore, in 2023 the company also published their annual report for the 2022 financial year, reporting 5 casualties from work-related accidents. As a result, we reduced their ESG social score from 3 to 2. The next key date for an update is in 2026, when the 4mm tpa coal purchase contract expires, and it will become clear whether they need to replace it or will have optimised their processes.
What were the implications for Ashmore's investment?	These two issues, combined with continued weakness in financial performance, led to Ashmore's decision to initially reduce the exposure to the company and in the case of some funds, exit the position altogether.

Exercising rights and responsibilities

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

As far as practically possible, Ashmore's aim is to vote on all proxies presented by portfolio companies. If the portfolio manager has a concern, then it seeks to engage with the company management, Board of Directors, or other stakeholders to address the issue. The review of voting statistics is a standard item on the ESG Committee's agenda. The voting process is kept as consistent as possible across Ashmore's offices, appreciating local variations.

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

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

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

Fixed income

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

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

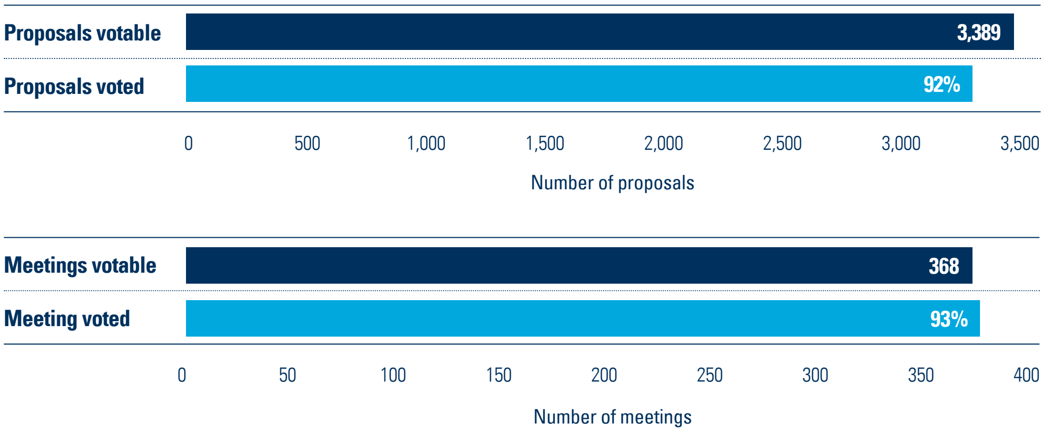
Listed equities

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

During the year, Ashmore voted on 92% of votable proposals. Reasons for why the Group did not vote on the remaining 8% include situations where votes could not be completed due to sanctions prohibiting Ashmore from voting, or where voting would have led to Ashmore being blocked from selling the stock until the upcoming meeting, or where Ashmore exited the company before the votes took place.

92%
Percentage of votable proposals on which the Firm voted.

Figure 4: Voting statistics over 2023



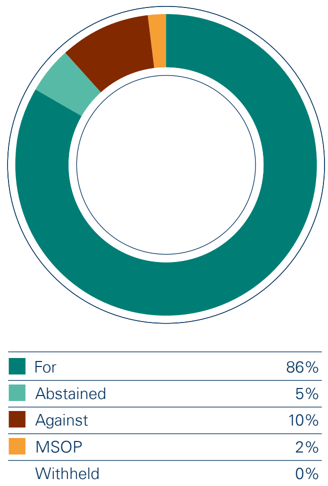
Client overrides and direct voting

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

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

Figure 5 shows Ashmore's voting record for 2023. While 86% of votes were for the proposal, the Firm abstained from 5% of the votes, voted against 10%, with no votes withheld.

Figure 5: Vote cast statistics[1]

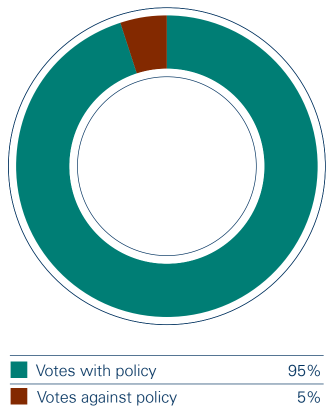


Proxy advisers

ISS research and voting recommendations are available to the Ashmore portfolio managers to help inform voting decisions. While portfolio managers take into account this independent advice from ISS, they maintain full discretion as to how to vote on any one resolution or as in-line with client instructions.

During 2023 Ashmore applied ISS's house policy, which was followed for 95% of the resolutions. For the remaining 5% the portfolio managers chose to vote against ISS's advice, believing this to be in the best interests of clients.

Figure 6: Vote alignment with ISS Policy

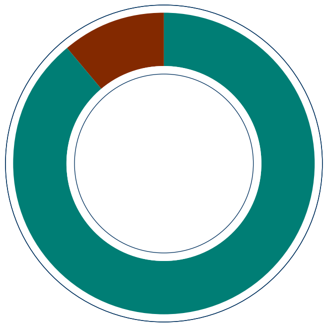


1 Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

In cases where Ashmore's voting decision was either against management's recommendations or shareholder resolutions, this would be either based on ISS recommendations or where the portfolio manager believed these not to be in clients' interests.

For example, as shown in Figure 7, Ashmore voted against management on 11% of resolutions. This type of active management is encouraged at Ashmore.

Figure 7: Vote alignment with Management



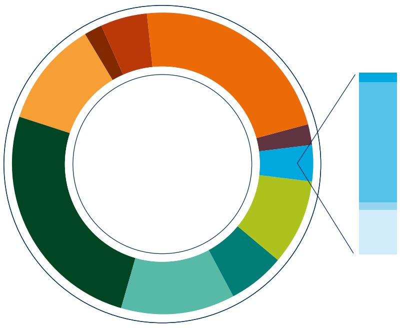
Votes with management	89%
Votes against management	11%

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

Figure 8: Proposal categories

Management proposals

	Votes	%
Audit related	539	4
Capitalisation	1,112	9
Company articles	800	6
Compensation	1,503	12
Director election	2,970	25
Directors related	1,391	11
Miscellaneous	216	2
Non-routine business	649	5
Routine business	2,689	22
Strategic transactions	269	2
E&S blended	9	–
No research	4	–
Social	28	–
Takeover related	2	–



Shareholder proposals

	Votes	%
Audit related	8	0.06
Director election	99	0.80
Directors related	6	0.05
Miscellaneous	37	0.30

Examples

Ashmore has embraced the work by the Pensions and Lifetime Savings Association (PLSA) to standardise voting reporting to institutional investors. The outcome of the equity resolutions Ashmore voted on in 2023 can be found below using the PLSA format.

Figure 9: 2022 voting

PLSA Question	Ashmore
How many meetings were you eligible to vote at?	**368**
How many resolutions were you eligible to vote on?	**3,389**
What % of resolutions did you vote on for which you were eligible?	**92%**
Of the resolutions on which you voted, what % did you vote with management?	**89%**
Of the resolutions on which you voted, what % did you vote against management?	**11%**
Of the resolutions on which you voted, what % did you abstain from voting?	**5%**
In what % of meetings, for which you did vote, did you vote at least once against management?	**43%***
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	**5%**

*This number also includes votes withheld and abstained.

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

Figure 10: Voting examples

Company sector	REAL ESTATE	CONSUMER STAPLES	CONSUMER DISCRETIONARY	INDUSTRIALS	REAL ESTATE
Date of vote	20 July 2023	31 March 2023	23 August 2023	21 September 2023	27 April 2023
Approximate size of fund's/mandate's holding as at the date of the vote (based on % of portfolio)	1%	3%	1%	3%	2%
Summary of the resolution	Election of directors	Election of directors	Election of independent directors	Executive compensation	Election of directors
How Ashmore voted	AGAINST	AGAINST	AGAINST	AGAINST	ABSTAIN
Whether Ashmore communicated its intent to vote against management to the company ahead of the vote	Ashmore's concerns were highlighted.	Ashmore's concerns were highlighted.	Ashmore's concerns were highlighted.	Ashmore's concerns were highlighted.	Ashmore's concerns were highlighted.
Rationale for the voting decision	Ashmore voted against the resolutions at the EGM on account of the company's weak governance structure, their handling of related party transactions, and concerns over capital allocation. Prior to the EGM, Ashmore had repeatedly engaged with the company on these areas.	Ashmore voted against the resolution on account of poor capital allocation as well as concerns relating to the Board, including its small size, too long tenue of board members, and its weak independence given the presence of family board members.	Ashmore voted against the re-election of the independent directors on account of concerns over the tenure of the existing board members and their independence.	Ashmore voted against a proposed increase in executive compensation as it seemed excessive in the context of company performance and peer comparisons.	The company failed to provide requested disclosures ahead of the voting deadline, so an assessment of the proposed appointments was not possible.
Outcome of the vote	FOR	FOR	FOR	FOR	FOR
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome	Ashmore's engagement was acknowledged by the company and passed on to their Board. However, following further engagement, no improvements and low confidence in positive change, Ashmore exited the position. Governance was a key weakness undermining the 'Quality' view.	Following continued engagement, the company improved capital allocation and enhanced shareholder returns. Discussions remain ongoing with the aim of improving the board composition further.	Whilst Ashmore continue to engage further with the company, they have not yet committed to any changes.	The company acknowledged Ashmore's concerns but justified the higher compensation on account of strong medium-term performance.	Inaction eroded the 'Quality' view of the company.
Criteria used to assess the vote as 'most significant'	ESG relevance.	Significant position size in portfolio.	Significant position size in portfolio.	Significant position size in portfolio.	Significant position size in portfolio.

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

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

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