

Environmental, Social and Governance (ESG) Policy

The assessment of Environmental, Social and Governance (ESG) risks and opportunities has become an increasing area of focus for both asset owners and investment managers. There is increasing recognition that ESG risks and issues can have a material effect on the value of an issuer's debt or equity.

At the same time, there are no industrywide standards and approaches; ESG means different things to different investors. Moreover, we recognise that a large number of investors are still evaluating the role that ESG will play in their strategies and portfolios. This document therefore seeks to lay out our approach to integrating ESG into our investment processes. The policies outlined in this document apply to fixed income and equity investments in publicly traded securities.

Defining ESG Integration

As an Emerging Market specialist manager, Ashmore's experience demonstrates non-financial factors are critical to ensuring sustainable growth. To that end, we have long considered factors beyond traditional financial analysis in our investment decision-making; in particular, governance in Emerging Markets has played a fundamental role in our investment analysis.

Ashmore's ESG integration is the extension and formalisation of this broader analysis, fully incorporating specific environmental, social and governance risks and opportunities into decision-making. In practice, this results in a more comprehensive analysis of investment opportunities. The processes outlined in this document incorporate our experience of Emerging Market investing over the last twenty-five years.

As a signatory of the UN Principles for Responsible Investment (PRI), Ashmore seeks to align our policy with the six PRI principles.

Ashmore's Philosophy

Ashmore's philosophy is underpinned by our fiduciary responsibility to our clients. Central to Ashmore's investment process is the ability to create value and deliver returns in line with our clients' objectives. As an integral part of this, we are committed to enabling clients to deploy their capital in a manner that most appropriately meets their responsible investing considerations.

As an investment manager focused exclusively on Emerging Markets, and with one of the longest and most successful track records, Ashmore has developed a number of core capabilities which are among our key distinguishing features. These, combined with our holistic analytical approach in our investment process, can contribute to long-term sustainable returns.

With over 90 investment staff dedicated to Emerging Markets, we have always relied on our own proprietary research, our approach to ESG analysis uses a similar process. Portfolio managers use a variety of external secondary data sources, which are complemented by research visits and meetings with issuers, which add depth of understanding, and substantiate the secondary data.

Ashmore recognises that Sustainability and Responsible Investing are continually evolving. As access to robust and reliable data increases, we expect our approach to evolve.

ESG Analysis at Ashmore

Environmental, Social and Governance (ESG) risk analysis is explicitly integrated into our bottom up process across all our Fixed Income and Equity strategies. Our process is fundamental driven and our issuer analysis encompasses a multitude of factors, including ESG.

Our assessment of an issuer's ability to manage ESG successfully is integral to our determination of fair value (equity) and fair spread (credit). Both governments and corporate management teams that can demonstrate strong ESG credentials are more likely to boost economic development and financial performance over time; for example by growing faster, reducing the cost of capital and generally managing risks better compared to their peers. Consequently, ESG factor analysis is integrated into our investment process in the same way as we assess macroeconomic risk, financial performance and credit metrics. It acts as both a form of risk management and a source of alpha generation. We also consider it part of our fiduciary duty as stewards of our clients' capital.

Portfolio managers / analysts score all issuers using a consistent series of questions and data points to inform their view of an issuer's current ESG performance alongside their forward-looking prospects. The portfolio manager / analyst explicitly records their view in a dedicated ESG scorecard. Scores are reviewed at a minimum every 12 months.

In keeping with our process, the investment thesis report, including the ESG score, for an issuer is reviewed, challenged and agreed at the sub-Investment Committee. The ESG risk / opportunity is incorporated through financial estimates and/or the valuation assessment. Taken in combination with other macro and micro economic risk drivers, investment time horizon, liquidity considerations and the investable universe, ESG risk assessment therefore has a direct impact on our investment decisions and portfolio construction.

Engagement

We seek to be proactive and engage with issuers, both at government and corporate levels, on how they can improve their ESG outcomes. This is carried out as part of our ongoing dialogue with government officials and company management. Where we have concerns, we engage with management and key stakeholders. We think that our approach helps create a positive feedback loop, whereby investors reward positive performance with a lower cost of capital (and access to international capital markets) and penalise poor performance with withdrawal of capital. Over time, such incentives should lead to behaviour changes among issuers in favour of more sustainable economic development and corporate management

models. As more asset managers implement similar investment processes, the changes in behaviour should accelerate across Emerging Markets issuers.

Voting

In keeping with Ashmore's policy on Proxy Voting, equity portfolio managers aim to vote on all proxies presented to them. Where they have concerns, they seek to engage with company management and other key stakeholders to address these.

Minimum Restrictions

Ashmore believes that investments which do not meet minimum standards should be excluded from client portfolios. We fully support the Oslo convention, which prohibits investment in companies manufacturing cluster munitions. We seek to comply with applicable government authorities, and at a geographical level, screens across all investment against the UN Security Council and EU/UK Sanctions and the US Office of Foreign Assets and Control lists.

Customised Restrictions

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

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