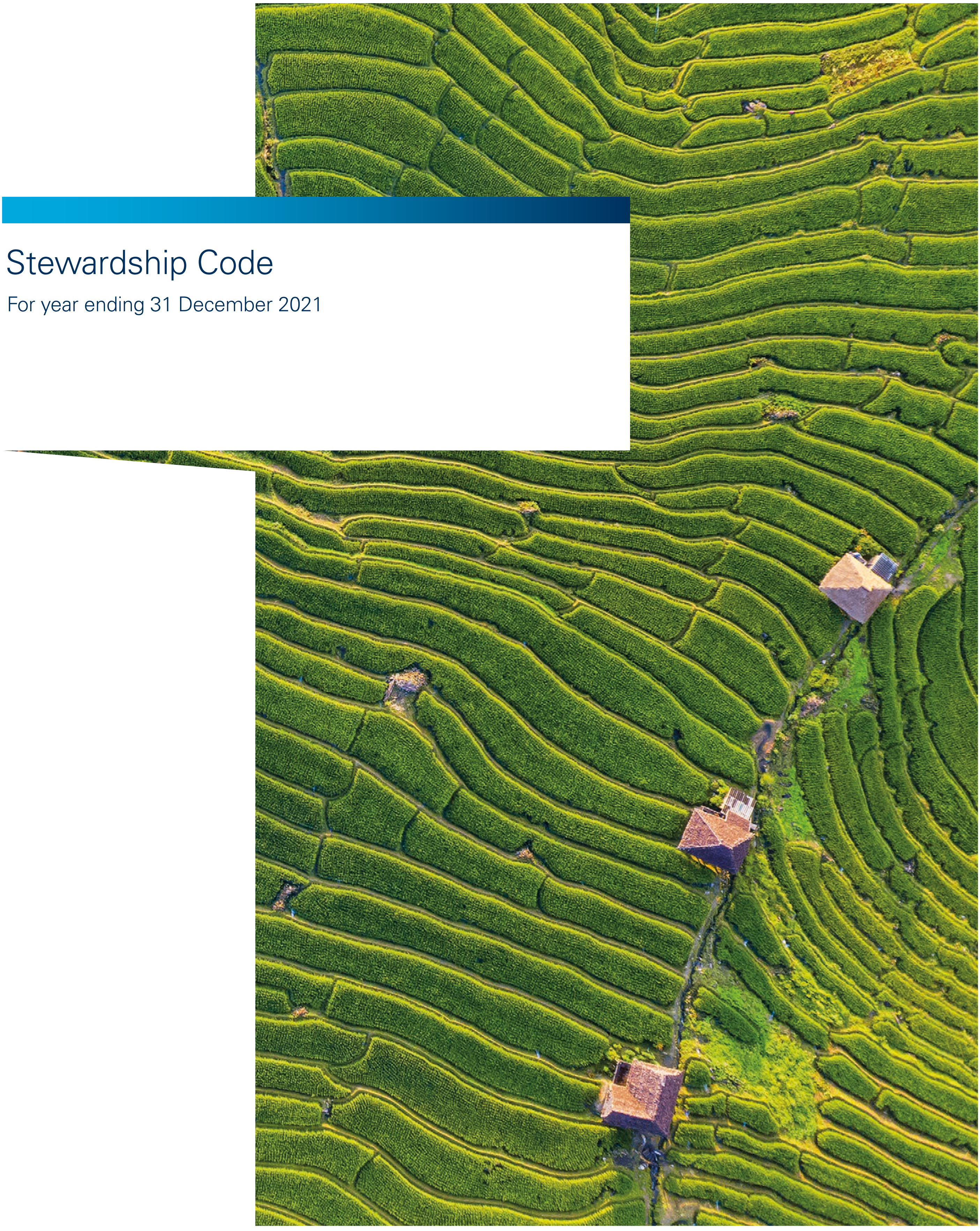
Stewardship Code

For year ending 31 December 2021



Statement from the CEO

Ashmore is a specialist Emerging Markets investment manager with a thirty-year track record of investing clients' capital in these markets. This success is inextricably linked with a deep understanding of Environmental, Social and Governance (ESG) responsibilities, exercised via stewardship and engagement across a broad and diversified range of issuers.

Developing countries are likely to face a disproportionate impact from some of the sustainability challenges facing the world today, in particular the risks associated with climate change. Yet, Ashmore believes that this is also where the most interesting investment opportunities associated with the attainment of the Paris Agreement and the United Nations Sustainability Development Goals (SDGs) will take place and that, over time, this can be a valuable source of alpha.

Of course, the many facets of responsible investing continue to evolve, including the nature of engagements with issuers in the Emerging Markets and clients' expectations of effective stewardship of their capital. Ashmore's governance framework, strong team-based culture, and proven investment philosophy with ESG factors integrated into all equity, fixed income and alternatives strategies, means it is well-positioned to continue to help its clients achieve their investment objectives.

Ashmore's approach to stewardship is well-established and explained in detail in this document. However, we are also aware that while we have taken several important steps over the years, this is a journey, and we welcome feedback on our approach so we can improve in the years ahead. Ashmore is proud of its responsible investment initiatives and remains committed to making further progress, including continuing to deliver stewardship of its clients' capital in accordance with the Principles of the UK Stewardship Code as described in this document.

Mark Coombs
Chief Executive Officer

August 2022

Contents

Purpose and governance

PRINCIPLE 1: Purpose, strategy and culture

This section will outline how Ashmore's purpose, investment beliefs, strategy, and culture aim to enable stewardship that creates long-term value for its clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

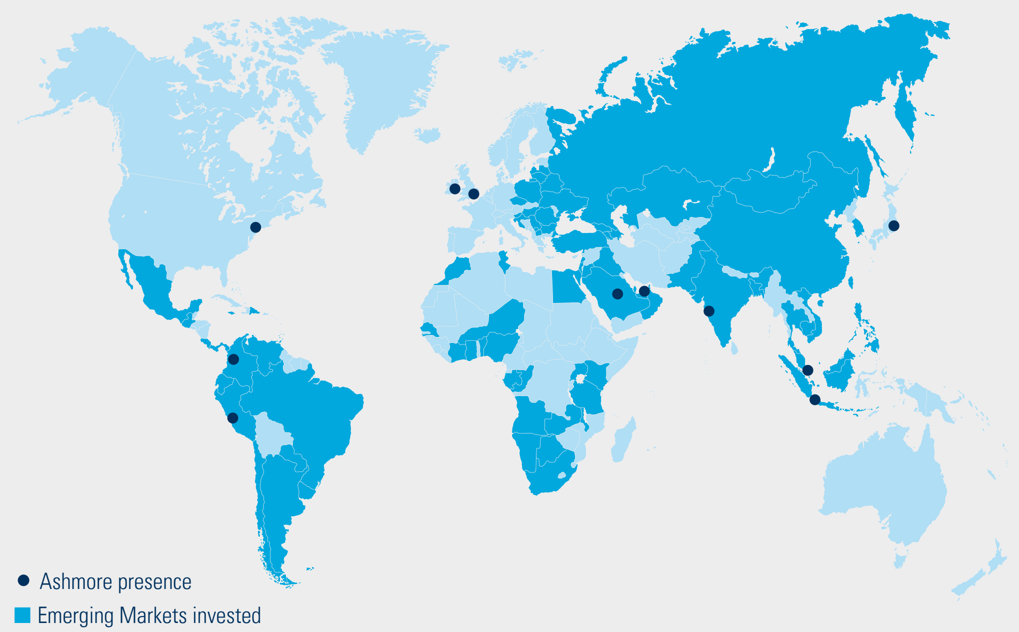
Context

Ashmore Group plc (Ashmore; the Group; the Firm) is a specialist investment manager with 30 years' experience investing solely in Emerging Markets. The Firm managed USD 87.3bn (as at 31 December 2021) on behalf of a broad range of institutional and intermediary retail clients, across six asset classes or investment themes: external debt, local currency debt & foreign exchange, corporate debt, blended debt, equities, and alternatives. For the purpose of this document, Ashmore refers to 'issuers' in a broad sense, including sovereign debt issuers, corporate debt issuers and equity issuers (i.e. investee companies).

Figure 1: Diversified assets under management

Fixed Income	
Local currency	33%
Blended debt	24%
External debt	22%
Corporate debt	11%
Equities	
All cap	4%
Active	3%
Frontier	1%
Alternatives	
Alternatives	2%

Ashmore's Emerging Markets investments – a worldwide network



Ashmore recognises the role it plays in the deployment of its clients' capital and the impact this can have on issuers' governance, the sustainability of the environment and broader society. As such, the Firm has integrated sustainability and the understanding and consideration of ESG factors across its operations.

About Ashmore

Purpose

Ashmore's purpose is to deliver long-term investment outperformance for clients and to generate value for shareholders through market cycles, while ensuring it acts as a responsible investor and steward of clients' capital. Over three decades, Ashmore employees have established extensive relationships across the emerging world, which give the Firm great insights into local economic and business developments. These contacts have been nurtured through Ashmore's ongoing research activities, investment activities, and business with local asset owners. As a significant investor in the developing world, Ashmore has become a partner for leaders, companies, and entrepreneurs through their economic and business life cycles.

Culture

Ashmore aims to ensure that its culture and working practices encourage effective stewardship and that it recognises the Firm's broader set of stakeholders, including employees, regulators, clients, shareholders, third-party service providers, as well as society and the environment. It does this by requiring its employees to act ethically and to clearly uphold the high standards of conduct expected by the Firm's stakeholders.

Ashmore has a distinctive, team-based culture that it has preserved since inception, growing from being a predominantly London-based firm with a relatively small number of employees to having more than 300 employees in 11 offices worldwide today. This culture is instilled and maintained by factors such as the Group's performance-based remuneration philosophy with an emphasis on long-term equity ownership, a robust compliance and risk management framework, and a clear 'tone from the top' imparted by the Board of Directors and senior executives. Furthermore, the Firm's investment committees oversee the management of client portfolios by investment teams that operate with collective responsibility. This team-based approach is echoed across Ashmore's operations including distribution and support functions, and its overseas offices. This results in a collegiate, collaborative, client-focused, and mutually supportive culture across the whole Firm. Additionally, the shared equity ownership culture also means that Ashmore's employees are suitably incentivised to collaborate to achieve appropriate outcomes for clients, stakeholders, and the business as a whole.

Values

Ashmore believes that investments that do not meet certain minimum standards should be excluded from client portfolios. One such standard is compliance with applicable government authorities, including screening all investments against the UN Security Council, EU/UK Sanctions and the US Office of Foreign Assets and Control lists. Across the Firm, there are two value-based exclusions implemented: companies engaged in the manufacture, distribution, and maintenance of controversial weapons, and those with significant involvement in the manufacture, distribution or sales related to pornography. Additionally, for the Firm's 'ESG-dedicated Fund range', companies that generate more than 10% of their revenues from tobacco, gambling, fossil fuels, and defence are also excluded.

Strategy and business model

Ashmore's three-phase strategy is designed to capitalise on the powerful long-term growth trends across Emerging Markets, to deliver value for clients, shareholders, and other stakeholders.

1	**Establish Emerging Markets asset classes** Ashmore is recognised as an established specialist Emerging Markets manager, and is therefore well positioned to capture investors' rising allocations
2	**Diversify investment themes and developed world capital sources** Ashmore is diversifying its revenue mix to provide greater revenue stability through market cycles. There is particular focus on growing intermediary retail, equity and alternatives AuM.
3	**Mobilise Emerging Markets capital** Ashmore's growth is enhanced through accessing rapidly growing pools of investable capital in Emerging Markets.

Ashmore's business model to deliver on this strategy focuses on the Group's principal competitive advantage, which is its history of investing in Emerging Markets. The diversity of the asset class, spanning investment opportunities in more than 70 countries, requires specialist, active fund management skills to deliver returns across market cycles. Ashmore Group's well-established investment processes place an emphasis on liquidity and operate with the formal discipline of an investment committee approach.

The Group's worldwide distribution capabilities and its global operations provide a platform that is scalable and therefore capable of delivering further profitable growth. Global operating hubs in London, Dublin, New York and Singapore, together with a distribution office in Tokyo, support fund management activities across multiple time zones, and seven local Emerging Markets fund management offices benefit from the scale, efficiency, best practices and resources of a global asset management group.

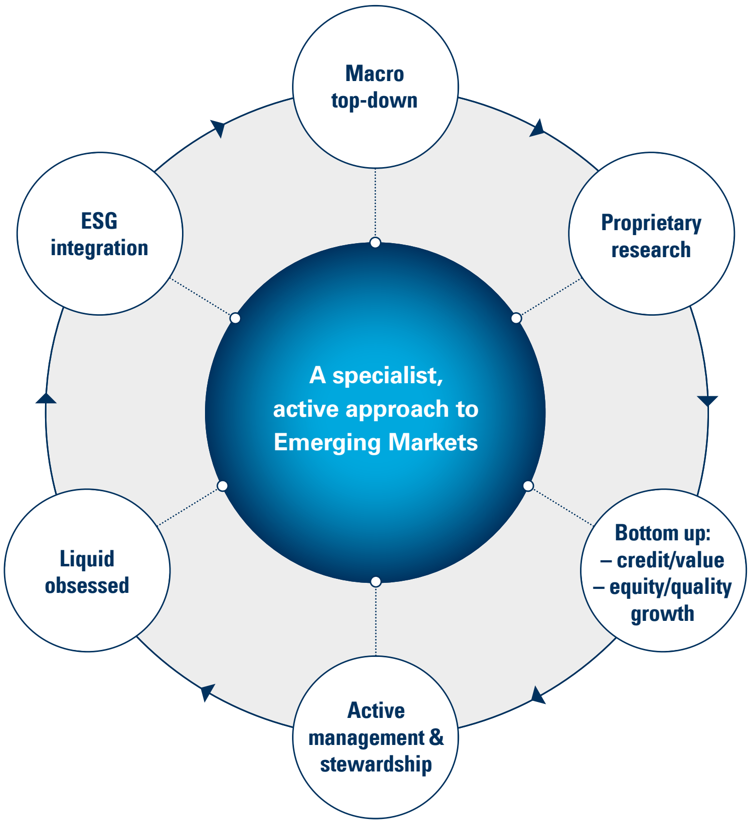
Furthermore, Ashmore's ability to act as a long-term steward of its clients' capital is underpinned by the principal financial characteristics of a flexible operating cost base delivering a high operating profit margin, and a well-capitalised and liquid balance sheet.

Investment philosophy and beliefs

A fiduciary duty to its clients underpins Ashmore's investment philosophy. An integral part of this is Ashmore's commitment to enable the deployment of clients' capital in a manner that most appropriately meets their responsible investing considerations.

Ashmore's investing philosophy has been implemented consistently by investment committees since the Group launched its first fund in October 1992 and consists of common characteristics applied consistently across asset classes, as well as specific principles that recognise the key differences between them.

Figure 2: Principal characteristics of Ashmore's investment approach



Active management and stewardship

The Emerging Markets asset classes are large and diversified, but also inefficient compared with more mature capital markets in the developed world. This means index representation is relatively low and price volatility can be high, with short-term movements influenced by sentiment and factors other than underlying economic, political and company fundamentals. Active portfolio management also includes engagement with sovereign and corporate issuers, which Ashmore consider critical to delivering long-term outperformance for clients (see Principles 9-11).

Proprietary research

Ashmore's long history of specialist investing in Emerging Markets and its extensive network of relationships mean that proprietary research is an important source of investment ideas. As significant asset owners in their own rights, Ashmore's institutional and intermediary clients in Emerging Markets help the Firm understand domestic financial conditions and investment trends. For example, Ashmore's local office investment teams in countries such as Colombia, Saudi Arabia, India, and Indonesia also collaborate with the global investment committees and can provide valuable 'on the ground' insights as well as benefiting from global macro views to assist in their own independent investment and engagement processes.

ESG integration

Ashmore recognises that non-financial factors also play an important part in ensuring sustainable growth and in building a robust and comprehensive understanding of an issuer, whether sovereign or corporate. Consequently, ESG factors which in recent years have seen increased focus across the investment management industry, has become more consistently integrated across the Firm's philosophy and beliefs to create greater structure and transparency to investment integration and reporting. How such ESG considerations are integrated in Ashmore's investment process is further explained in Principle 7.

Activities

An important way Ashmore has tried to ensure that its culture, values, strategy, and investment beliefs enable effective stewardship is by ensuring a common investment philosophy is implemented through its investment committees which apply a consistent approach to stewardship across the Firm, whether in fixed income, equity, or alternatives strategies. For example, fund managers are directly responsible for integrating ESG factors in the credit and financial analysis, resulting in a consistent view of an issuer with engagement topics identified and acted upon.

Another core function is the Ashmore ESG Committee (ESGC), which oversees all responsible investment and stewardship activities across the Group. This Committee is further supported by the Local Office Responsible Investment Forum (LORIF) to ensure consistent application. This is further outlined in Principle 2.

Ashmore supports a range of industry initiatives focused on responsible investing, which facilitate interactions with peers and underpin the ongoing evolution in Ashmore's approach to the various facets of ESG across the Firm ensuring the Firm's strategy is aligned with industry developments. These include:

- UN Principles for Responsible Investment (UN PRI)
- Climate Action 100+ (CA100+)
- UN Global Compact (UN GC)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Net Zero Asset Managers Initiative (NZAMI)

Outcomes

The first and foremost purpose of Ashmore is to be efficient stewards of its clients' capital, and this lies at the heart of its approach to stewardship, its investment strategy and approach to decision-making. Ashmore believes that core to this is a consistent investment framework, a strong and effective culture, and a clear long-term strategy supported by a robust business model.

Throughout its 30-year history, Ashmore has demonstrated these characteristics and it continues to develop its capabilities to ensure that it remains a trusted long-term partner for its diversified client base.

Ashmore believes that through active management of portfolios delivering investment performance with appropriate consideration given to ESG factors, and by diligent application of stewardship activities, that it is fulfilling its responsibility to its clients.

Progress on stewardship and new developments

Over 2021 several changes took place to develop the Firm's approach to stewardship, including:

- Agreed to establish the Local Office Responsible Investment Forum (LORIF) reporting to the ESG Committee.
- Joined the Net Zero Asset Managers Initiative (NZAMI) in July 2021 and submitted the interim target the following July.
- Enhanced climate-related disclosures in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations and the Financial Conduct Authority's listing rules for premium-listed companies.
- Hired additional Responsible Investment resources to strengthen the Group's overall approach to stewardship and ESG.
- Continued to develop investment track records in the four dedicated ESG strategies covering external debt, corporate debt, blended debt, and equities.
- Improved or maintained the Group's ESG ratings issued by relevant agencies, including MSCI and Sustainalytics.
- The Ashmore Foundation has developed a partnership with the IDEP Foundation in Indonesia, which will be offsetting substantially all of Ashmore's scope 1, 2 and 3 emissions for FY2020/21. The initiatives, including tree planting, are ongoing and IDEP Foundation expects to complete activities during 2022 to fully deliver the offset targets.

While the return of business travel and use of the Firm's offices during FY2021/22 has contributed to an increase in the Group's GHG emissions compared with the previous year, the Group remains committed to offset these emissions in an effective and socially responsible manner through projects overseen by The Ashmore Foundation.

Over the coming years, Ashmore aims to make progress on the following topics:

- Revisiting the NZAMI targets with the aim to set additional targets.
- Deepen engagement efforts aligned with the Ashmore Engagement Strategy (Principle 8-12).
- Expand disclosures aligned with the TCFD framework.
- Working with clients and prospects on relevant product development.

PRINCIPLE 2: Governance, resources and incentives

This section will outline how Ashmore's governance, resources and incentives are designed to support high-quality stewardship.

Activity

Governance structure and processes

Ashmore has a premium listing on the London Stock Exchange with a unitary Board of Directors and an effective corporate governance framework. The Board comprises two executive directors, being the Chief Executive Officer (CEO) and Group Finance Director (GFD), and three independent non-executive directors including the Chairman.

The Board is responsible for the Group's strategy, management and control, and specialised management committees oversee the business, investments, and internal controls. Therefore, responsibility for stewardship activities ultimately rests with the Board of Directors, but on a day-to-day basis the authority is delegated to the executive directors and the specialised committees, of which the most relevant ones are described below.

Investment Committees (ICs)

Ashmore has independent investment committees responsible for management of client portfolios in the fixed income, equities, and alternatives asset classes. These operate along broadly consistent lines overlaid with variations to reflect the nature of each asset class. Ashmore's active management approach employs a combination of macro top-down views and rigorous bottom-up credit analysis with a focus on determining an issuer's financial and non-financial characteristics. For example, in relation to the Global Fixed Income IC which accounts for approximately 90% of the Group's AUM, there is in-depth analysis to assess an issuer's ability and willingness to pay. Portfolio managers have geographic responsibilities that guide their research focus, which includes stewardship activities such as meetings with government officials, central banks, regulators, company management and other contacts within Ashmore's established network.

ESG Committee (ESGC)

The ESGC has responsibility for setting out Ashmore's responsible investing framework and policy, and ensuring the appropriate implementation across Ashmore's corporate strategy and investment management activities, including control and oversight. The ESGC meets formally at least quarterly and is chaired by the CEO/CIO with the management of day-to-day activities conducted by the Responsible Investment (RI) function. Furthermore, the Committee has representatives from across the Firm, including Investment teams, Risk Management, IT, Distribution and Corporate Development.

Local Office Responsible Investment Forum (LORIF)

The ESGC agreed in 2021 to establish LORIF, with representatives from its local offices based in certain Emerging Markets, to enhance collaboration and to promote best practice across the Group. This was in recognition that an increasing proportion of client AUM is sourced and managed in accordance with Ashmore's network of local asset management platforms. The Forum meets monthly and reports to the ESGC.

Risk and Compliance Committee (RCC)

The Group's RCC meets monthly and is responsible for maintaining a sound risk management and internal control environment and for assessing the impact of Ashmore's activities on its regulatory and operational exposures. Responsibility for risk identification is shared among the Firm's senior managers, with each individual responsible for the control of risk in their business area, and for appropriate reporting to the RCC. Please refer to Principles 4 and 5 for further information.

Resourcing stewardship activities

Ashmore aims to ensure it has appropriate resources to support stewardship activities. The Firm's 98 investment professionals (as of 31 December 2021) are responsible for fundamental analysis, portfolio construction, ESG scoring, and engagement; resulting in comprehensive and consistent views of sovereign and corporate issuers. They are further supported by a network of Ashmore support and subject matter experts, including on ESG-related matters. Ashmore's research is primarily proprietary in nature and is supplemented by third-party data and analysis where appropriate as outlined in Principle 8.

Over 2021 additional resources and investment have been allocated to the Responsible Investment (RI) function as the need for additional third-party data (e.g. GHG emission data), and expertise has become evident. Today there is one full-time RI headcount, the Head of Responsible Investment and ESG Policy, who's role is to drive the Firm's Responsible Investment strategy and enable capacity building across the Firm. This supports Ashmore's view not to silo 'ESG' but to truly integrate it in existing roles.

Diversity

Ashmore's ability to act as a responsible steward for its clients' capital is ultimately dependent upon its c.300 employees, and hence it aims to attract, develop, manage, and retain a diversified workforce of high-calibre people. Employee diversity can be considered through many lenses including gender, ethnicity, experience, skills, tenure, age, disability, and sexual orientation. Ashmore believes that the diverse nature of an organisation can help to mitigate the risks of 'groupthink' and to promote an appropriate culture that supports the achievement of commercial and strategic objectives. During 2021, 86% of new hires were considered 'diverse'. Recognising that the financial services sector has historically been a male-dominated industry, Ashmore is keen to promote gender diversity both within the industry and its own employee base. As of 30 December 2021, 33% of Ashmore's Board and a third of its employees were female, and following Board changes announced in July 2022, the proportion of female directors has increased to 50%. Of the firm-wide hires over 2021, 39% were female.

Training and qualifications

Relevant Ashmore staff have access to a range of training and development resources including sponsorship of professional qualifications and in-house courses. This ensures that staff have the necessary qualifications needed to perform their duty as it relates to stewardship and further training is encouraged. For example, a training programme offered by the UN PRI has been completed by members of the investment teams, and further training in the areas of ESG integration is currently under consideration. Moreover, Ashmore organises mandatory training on a variety of relevant topics for all employees, including but not limited to whistleblowing, tax evasion, and market abuse regulations.

Incentivising stewardship

The Ashmore incentive structure incentivise investment professionals and others within the Firm with exposure to ESG and Responsible Investment to act on a range of stewardship activities, including the completion of ESG analysis and engagement activities. All senior roles, including the Board, Investment Committee, and Department Heads have formal objectives for responsible investments as part of their role. Of these, the last two groups as well as all Portfolio Managers and Analysts have their variable compensation linked to the extent to which they have embodied the principles of the Ashmore Group's ESG Policy as an integral part of their relevant responsibilities.

Outcomes

Ashmore believes that its governance framework, resourcing, and incentive system are not static and evolve to consider prevailing risks and opportunities outlined above, and that they have been effective in supporting high-quality stewardship. For example, during 2021, the ESGC has been expanded to include local office input via the LORIF. However, Ashmore is conscious that this is a quickly evolving area as it relates to both regulation and client expectations. Therefore, the Firm keeps its approach under review to ensure that it is well-suited to such changes.

PRINCIPLE 3: Conflicts of interest

This section will outline how Ashmore manages its conflicts of interests with the aim to put its clients and beneficiaries first.

Context

Ashmore recognises the need to ensure that conflicts of interest are always effectively managed such that clients feel assured that their interests are paramount in any situation where a conflict of interests may arise. As an independent asset manager focussed solely on asset management, and without any parent or affiliates involved in other types of business such as banking, brokerage, or other financial services, the scope for conflicts of interests is much reduced.

Nevertheless, when managing investments, as agent on behalf of its clients, it is inevitable that scenarios can arise where the interests of Ashmore's clients, staff members or the Company itself may be at odds with each other. The Firm's guiding principles are that it will always put the interests of clients ahead of the Firm and its staff, and where clients' interests conflict, ensure the fair treatment of each client.

Ashmore values its reputation for doing business with integrity and clients are entitled to expect that whenever a conflict of interest arises it will be managed effectively or disclosed to give full transparency to all parties concerned.

Activity

Ashmore has procedures in place designed to identify and manage any instances of actual or potential conflicts of interests, including those relating to stewardship. These are outlined below.

Conflicts of Interest Officer – A member of Ashmore's senior management performs this role and is the first point of reference when a conflict matter arises. He/she may deal with the matter directly or perform other steps as needed to reach the desired outcome. Additional steps may involve consultation with other members of senior or executive management or seeking pre-clearance from other governing bodies associated with the matter.

Annual Conflicts of Interests Report – At least annually, a report is presented to the Ashmore Group plc Board on conflicts arising relating to the relevant reporting period.

Conflicts of Interest Table – Ashmore maintains a detailed conflicts of interest table that breaks down conflicts within the Group into the categories of governance and corporate conflicts; employee conflicts; client related conflicts; and operational conflicts. Under these headings, over 30 potential conflicts of interest have been identified and, in each case, a list of mitigations is set out to prevent the conflict or handle the conflict as deemed appropriate. The matrix is reviewed on an annual basis.

Code of Ethics – This policy sets out the ethical standards expected of all officers and employees and many of the core principles integral to the way the Firm does business. These include the FCA principles and Code of Conduct, a prohibition on using corporate property or information for personal gain, and principles of competition and fair dealing.

Training and Attestation – All Employees attest on a quarterly basis that they comply with the Firm's Code of Ethics.

Ashmore's Conflicts of Interest Policy is reviewed annually and is available on Ashmore's website.

Outcome

All employees share the responsibility for conducting Ashmore's business in accordance with the highest standards in keeping with its obligations as a regulated firm and its duty to treat investors' interests as paramount.

Case study: Approach to conflicts management

Whilst there were no reported conflicts of interest over 2021 in relation to Ashmore's stewardship activity, the Firm's organisational approach to handling conflicts is multi-faceted reflecting the importance the Group places on handling these matters appropriately.

A selection of areas identified as potentially exposed to conflicts of interests is outlined below.

Remuneration

Ashmore's remuneration policies aim to align the interest of its business with those of clients. This is achieved through significant deferrals of variable compensation and, in certain circumstances, forfeiture on leaving the company.

Wall-crossings

Ashmore has established and operates procedures to ensure the careful handling of inside information relating to investment opportunities presented to Ashmore to reduce the risk of any conflicts of interest. These procedures include a restricted list that prevents all Ashmore accounts from dealing in securities where a wall-crossing event has occurred.

Proxy voting

Ashmore will vote proxies in accordance with client instructions or, when not specified, in the Portfolio Manager's judgement, in the best interests of clients. If a conflict arises, for example from different exposures to the capital structure of a company, the matter will be referred to the Conflicts of Interest Officer.

Personal dealing

Ashmore's personal dealing procedures are designed to prevent conflicts of interest from arising. All breaches of this policy result in a disciplinary hearing (internal) the outcome of which will vary in severity depending on the circumstances and reasons for non-compliance.

External business interests and directorships

Ashmore management and staff are required to seek approval before these activities are undertaken. An annual reminder is sent group-wide and quarterly declarations are completed to confirm that employees have complied with these requirements or declare any cases that may have been missed. Any activity that is judged to conflict with Ashmore's business or interests will not be permitted.

Gifts and entertainment

The giving and receiving of gifts or entertainment has the potential to create a conflict of interest. Ashmore employees are not permitted to give or receive any form of inducement that may impair Ashmore's duty to conduct its business in the best interests of its clients. The receipt of modest gifts is permitted but subject to surrender. Entertainment received is subject to pre-approval. Ashmore does not provide entertainment for the Firm's clients. Lunches or dinners are permitted where appropriate and subject to reasonable spending rules per person as set out in Ashmore's internal expenses policy.

Whistleblowing

Ashmore's whistleblowing policy is designed to ensure that all employees across the Group are able to raise concerns relating to potential wrongdoing or matters of public interest in a safe and protected manner. Employees receive an annual reminder providing details of the policy including the independent hotline that operates in all jurisdictions where Ashmore conducts its business. The Group's Senior Independent Director is the nominated Board Director for whistleblowing.

PRINCIPLE 4: Promoting well-functioning markets

This section will outline how Ashmore aims to identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity

As an Emerging Markets focused investment manager, Ashmore's success is inextricably linked with the achievement of sustainability goals in the markets in which it operates and invests. Ashmore recognises its role as a responsible investor in making capital allocation decisions that benefit the transition towards a sustainable economy, and to identify and mitigate market-wide and systemic risks in the markets in which the Firm operates. The Group has 'three lines of defence' against unintended outcomes arising from the principal risks it faces, which is further outlined in Principle 5.

Ashmore believes that market integrity also plays an important role in achieving these investment objectives, including contributing to the financial markets in which we participate. All employees receive annual training on market conduct and the relevant laws designed to avoid abusive practices. Ashmore's internal controls also includes monitoring of trading activity to further underpin the Firm's desire to deliver value in a responsible way.

Identification and response to systemic risks

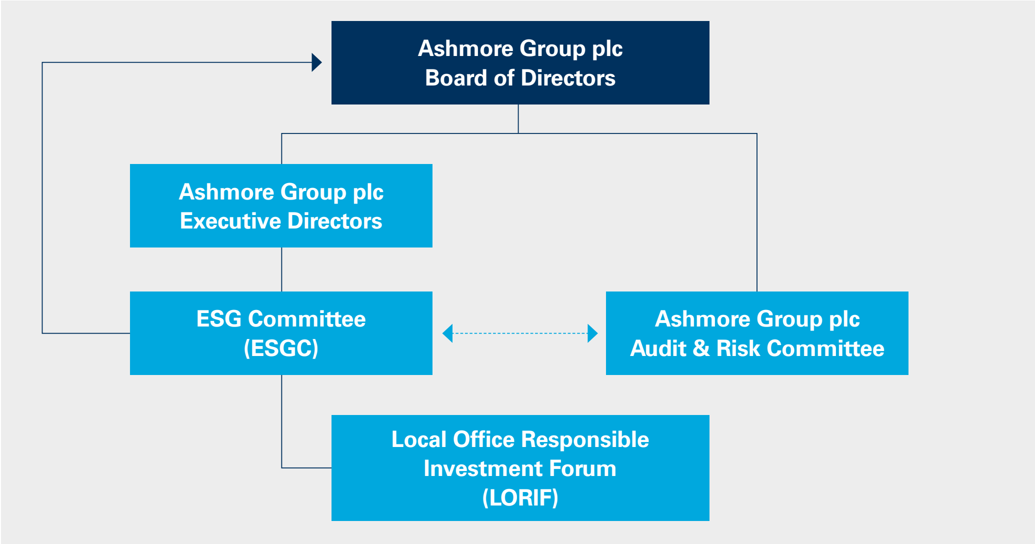
By its nature, identification and response to systemic risks is a collaborative undertaking across the Firm's different departments and their respective areas of responsibility and these can often be complex and long-term in nature. For example, Ashmore's approach is to develop relationships with key stakeholders in the markets in which the Firm operates and invests. These stakeholders are diverse and include government officials, regulators, NGOs, advisers, as well as the boards and management teams of investee companies. This approach is supplemented by investment in third-party ESG data sets that are used in the analysis of long-term sustainability risks relating to the Group's investments.

Ashmore's internal control framework provides an ongoing process for identifying, evaluating, and managing the Group's emerging and principal risks. The 'principal risk framework' includes climate risk and identifies associated controls and mitigants and is subject to regular review by the Board's Audit and Risk Committee.

Figure 3: Risk management structure

Ashmore Group plc Board of Directors	The Board and its committees, including the Audit Risk Committee, are ultimately responsible for the Group's risk management and internal control systems, and for reviewing their effectiveness.		
↑ **Group Risk and Compliance Committee**	Maintains a sound risk management and internal control environment and assesses the impact of the Group's activities on its regulatory and operational exposures.		
↑ **Chairman**	Head of Risk Management and Control		
Members	Chief Executive Officer Group Finance Director Group Head of Compliance	Group General Counsel Group Head of Middle Office & IT Group Head of Human Resources	Group Head of Finance Group Head of Distribution Head of Internal Audit

Figure 4: Overseeing climate-related issues



The ESGC receives frequent and regular updates on legal and regulatory developments relating to sustainability issues including climate risk, covering both operational and investment activities. This enables the Committee to address actual or potential risks and to consider opportunities, whether from an investment, marketing, or operational viewpoint.

Selected principal risks and mitigants

A subset of certain of the Group's principal risks and related mitigants is included in the table below.

Principal risks	Mitigants
Failure to understand and plan for the potential impact of investor sentiment and regulatory changes relating to sustainability and climate change.	Oversight by ESGC, which has overall responsibility for Ashmore's sustainability and responsible investing framework across its corporate and investment activities.
Sustainability risks, including those relating to climate change, have implications for individuals, businesses, and investors.	ESGC has oversight of risks, and the RI function updates the Board regularly. Dedicated ESG funds with minimum ESG scoring thresholds.
Manager non-performance including ineffective ESG integration and similar portfolios being managed inconsistently; and neglect of duty, market abuse.	During 2019, the Chairman of an Eastern European Agricultural company ceded his independent non-executive status.

Stakeholder collaboration

The collaboration with other financial market stakeholders with the aim to promote continued improvements in the functioning of financial markets is an important part of how Ashmore responds to market-wide and systemic risks. In particular, the systemic risk of lack of action on climate change has been identified and Ashmore pays close attention to this risk given the vulnerability of Emerging Markets to the damaging consequences of climate change and the important role these markets play as part of climate mitigation. Therefore, Ashmore participates in industry initiatives such as Climate Action 100+ targeting large GHG emitters, TCFD which specifically focuses on the identification and management of climate-related risks, as well as NZAMI which aids Ashmore in its own decarbonisation journey. This is further detailed in Principle 10. The Firm believes that its commitment to these initiatives is important both for its business and for Emerging Markets more generally yet acknowledges that there is scope for further involvement and contribution which is planned for 2022.

Impact of systemic and market-wide risks considerations on the investment process

The consideration of ESG factors, including climate risks, is integrated into all of Ashmore's investment processes covering the fixed income, equities, and alternatives asset classes. Importantly, the Group does not consider ESG risks and opportunities in a silo, rather the Investment Committee in each asset class oversees 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 identify potential investment opportunities. This is further outlined in Principle 7.

Investment risks

Ashmore's Investment Committees and portfolio management teams are supported by a combination of the Group's Risk Management and Control Department and the RI function to carry out thematic macro and issuer specific analysis to understand and assess the risk factors of its portfolio investments. In so doing, the Firm can create detailed knowledge of material market-wide and systemic risks, including sustainability risks and opportunities. This knowledge is then used to further assess:

- the risks and opportunities afforded by the investment, including those related to responsible investing;
- any mitigating factors that may be present; and
- the opportunity to engage with and constructively influence issuers and investee companies.

Outcome

The below examples aim to illustrate Ashmore's assessment of the effectiveness of the identification and response to the principal risks described above.

Example 1:
The risk to Ashmore of not fully understanding and addressing Climate Change

As noted in TCFD guidance, "the warming of the planet caused by greenhouse gas emissions poses serious risks to the global economy and will have an impact across many economic sectors. It is difficult for investors to know which companies are most at risk from climate change, which are best prepared, and which are taking action".

Consequently, Ashmore sees this as a systemic risk which could lead to significant changes in how energy is produced and consumed, the demand for natural resources, consumer demand and preferences. Such climate-related risks could impact the investment return profile of certain assets over both short-term and long-time horizons.

In-line with TCFD guidance, Ashmore separates between the physical risks due to worsening climate change and the transition risks transpiring as the world moves to a low-carbon economy. Both these risks are systemic and likely to affect the market.

For example, transition risks related to policy changes have the potential to affect financial markets e.g. as investors consider the impact on stranded assets over shorter timeframes.

Whilst the Firm has made progress in assessing and integrating physical and transition risks into its investment processes, it continues to invest in additional data and analytics and in so doing mitigate these and related systemic risks.

Ashmore recognises its obligations to deliver investment returns in line with its clients' objectives and works closely alongside industry bodies and Emerging Markets issuers on climate-related topics to identify and manage risks and opportunities. The Firm's approach to considering climate-related risks is detailed in its FY2021-2022 TCFD Report.

The Firm's commitment is also reflected in its memberships of the Climate Action 100+ and NZAMI and its support of TCFD ahead of the mandatory implementation announced by the FCA.

The potential impact of climate change has led to increased governance and oversight within Ashmore's core committees including at the ESGC. To improve decision-making and monitoring, the Group has also invested in additional human resources as well as in additional ESG and climate data sets from third parties as outlined in Principle 8.

Furthermore, the Firm has allocated information technology resources to improve the reporting of climate-related metrics used by portfolio management teams and for reporting to clients.

Example 2:
The risk of not addressing Cyber Security

Cyber Security is a notable systemic risk, as a potential incident affecting Ashmore could have potential consequences as well as to its clients and counterparties as well as to third parties with whom the Firm conducts business activities.

Information Security including Cyber Security is a key specific risk which is subject to Ashmore's governance, policies and procedures and risk assessment. Ashmore identifies, assesses, monitors, controls, escalates data security risk and ensures that there is adequate communication between the internal stakeholders. The Group has a layered security model including comprehensive anti-malware capabilities, application whitelisting and automated software patching as well as daily scans of its internet-facing networks to identify changes and routinely performs vulnerability tests using a specialist service provider.

The Group's Cyber Security Working Group (CSWG) meets quarterly to review industry developments as well as KPIs in relation to desktop patching statistics. The Head of IT Infrastructure and CSWG Chair presents an annual Cyber Security update to the Group's Risk and Compliance Committee as well as the Board's Audit & Risk Committee.

Ashmore staff undertake mandatory training in matters of Information Security including Cyber Security. For example, given the practice of working from home because of the Covid-19 pandemic, the Group CEO, in updates to staff would routinely refer to the importance of being vigilant whilst working from home and as part of the staff awareness programme, the IT department increased the scope and frequency of phishing simulations and training exercises for employees.

To date, the lack of impact to Ashmore arising from several well-publicised cyber-attacks demonstrates the Group's cyber security resilience in the context of the Group's systems and defences i.e. computers are subject to monthly security patching with interim measures if necessary. Desktop patching regime, combined with anti-malware and application whitelisting controls collectively serve to mitigate the risk of a strain of ransomware gaining a foothold. Nonetheless, it should be noted this does not mean the Group will never be vulnerable to such attacks and staff awareness remains an important line of defence.

Example 3:
The impact of Covid-19

The Covid-19 pandemic during 2020 and 2021 had a profound effect on societies, economies, and markets across the world, and notwithstanding the success of the vaccine programme and other social and economic support measures that have been introduced, there remains a degree of uncertainty about its future impact. Ashmore's priorities have been to ensure the health and safety of its employees and to continue to focus on delivering value for clients and stakeholders.

Ashmore's comprehensive Business Continuity Plan (BCP) was deployed swiftly and delivered an effective response in the context of the rapid development of government guidance, policies, and legislation in each of the countries in which the Group operates.

The Firm's approximate 300 employees transitioned successfully from full-time office-based roles to working remotely. This was facilitated efficiently due to Ashmore's single consistent global operating model and robust IT infrastructure, as well as the commitment and dedication of all employees at a time of significant uncertainty and the oversight of third-party service providers which is routinely undertaken.

While this crisis is unprecedented in recent memory, during the Covid-19 pandemic the Group's BCP was successfully implemented, supported by Ashmore's team-based culture and its employees' continuing efforts to service clients and other stakeholders. In so doing, Ashmore responded effectively to those challenges and satisfactorily maintained its investment, operational, and support activities as close to normal as possible.

PRINCIPLE 5: Review and assurance

This section will outline how Ashmore has processes in place enabling the review of its policies, assurance of its procedures and assessment of the effectiveness of its activities.

Activity

All Ashmore's policies, statements, and disclosures with respect to stewardship have a formal owner and are reviewed annually, with core policies signed off annually by the ESGC.

As described in Principle 4, Ashmore's key controls are documented in the Principal Risk matrix overseen by the Risk Management & Control department and compliance with regulatory requirements is monitored by the Group Compliance function.

Three lines of defence

Ashmore has three lines of defence against unintended outcomes arising from the risks it faces:

1. Risk Ownership – This rests with line managers, whether they are in portfolio management, distribution, or support functions.
2. Risk Control – Provided by Group Risk Management and Control and Group Compliance.
3. Group Internal Audit – The Head of Internal Audit reports to the Chair of the Audit & Risk Committee and provides independent assurance over agreed risk management, internal control, and governance processes.

Ashmore's Group internal audit function operates as the 'third line' to provide assurance to the Group's Audit & Risk Committee and, by extension, shareholders. This Committee operates independently but in association with the 'first' and 'second' lines to provide assurance to key stakeholders regarding the management of risks, the system of governance and the system of internal control. The annual internal audit plan is designed to ensure that there is an appropriate mix of review of 'first line' and 'second line' activities. The plan is reviewed regularly to ensure it remains relevant. Each internal audit is individually planned to address the audit objectives and, where appropriate, relevant elements with respect to Ashmore's Responsible Investment and ESG framework are included in the audit scope.

For example, these elements include several stewardship-related policies as published on the Group's website, including the:

- ESG Policy
- Proxy Voting Policy
- Engagement Policy (SRD II)
- Controversial Weapons Policy
- Ashmore Exclusion Policy
- Supplier Code of Conduct
- Conflicts of Interest Policy Statement
- Modern Slavery Act Statement

Internal and external assurance

An internal audit of the implementation of Ashmore's Responsible Investment & ESG framework was undertaken during the period which, other than minor observations, raised no material recommendations. The scope of this audit included the:

- The Annual Sustainability Report.
- ESG Committee.
- Investment Committees' oversight of ESG scoring.
- Investment teams' ESG scoring process.
- The restrictions coding and monitoring process with respect to Ashmore's published Controversial Weapons Policy.
- Restrictions coding and monitoring process with respect to Ashmore's published Controversial Weapons Policy and with respect to Ashmore's dedicated ESG funds.

More generally, each internal audit report includes formal confirmation on the operation of the controls which management has identified to mitigate the relevant Principal Risks, and to which management attests quarterly. There is a separate annual exercise to ensure all controls on the Principal Risk Matrix are independently assessed by internal audit on a rolling three-year basis.

Given the independence of Ashmore's Group internal audit function and the level of internal involvement of Executive/senior management in Ashmore's Sustainability and ESG policies and processes, the Firm does not use external assurance to evaluate its Responsible Investment & ESG framework. Whether this will continue to be the case is something which Ashmore will monitor as it assesses the most appropriate method for assuring the effectiveness of its stewardship activities on behalf of its clients.

Review of stewardship reporting

To ensure the Sustainability Report is fair, balanced, and understandable, it was reviewed by the Global Head of Distribution; the Group Head of Risk Management and Control; and the Group Head of Investor Relations. It was formally signed off by the Group Chief Executive Officer. Those elements of reporting which are included in the Group's Annual Report and Accounts were additionally reviewed by the Group Finance Director, Group Company Secretary, and the Group's external auditors, KPMG, as part of a further fair, balanced and understandable exercise.

Outcome

The Firm's 'three lines' model ensures that stewardship activities are subject to review on a risk-based frequency basis approved by the Group's Audit & Risk Committee. Through independent reporting lines to executive management and the Audit & Risk Committee, Ashmore ensures that any recommendations for improvement are tracked to completion to ensure the agreed management action plans are implemented in a timely manner and address the issue identified.

Investment approach

PRINCIPLE 6: Client and beneficiary needs

This section will outline how Ashmore considers clients and beneficiaries' needs and communicates the activities and outcomes of its stewardship and investments to them.

Context

AUM breakdown by client type

The Firm values its diversified client base, which includes a wide range of sophisticated asset owners. As of 31 December 2021, 94% of Ashmore's investor base was comprised of long-term institutional investors including public and private pension funds, insurance companies, endowments, financial institutions, government-related entities (sovereign wealth funds, central banks, pension schemes), and corporate clients. The balance of AUM is sourced from retail clients via intermediaries. Figure 5 provides an overview of Ashmore's client base by investor base.

Figure 5: AUM breakdown by client type

Sovereign Wealth Fund	20%
Insurance	16%
Public Pension Plan	14%
Central Bank	13%
Private Pension Plan	12%
HNWI / Retail	6%
Funds / Sub-advisor	6%
Government Pension Fund / Other Govt	5%
Corporate	5%
Bank	2%
Foundation / Endowment	1%

Source: Ashmore. Data as at 31 December 2021.

AUM breakdown by geography

Headquartered in London, Ashmore has a worldwide footprint and a local presence in some of the largest Emerging Markets, with offices in Colombia, India, Indonesia, Peru, Saudi Arabia, Singapore, UAE, as well as in Ireland, the United States and Japan. This brings with it the following benefits:

- Local knowledge in a global firm brings a competitive advantage as the value added is critical to understand local markets and to deliver better outcomes for clients and stakeholders.
- Local offices benefit from the support and resources of a global firm.
- Integration of local offices through Ashmore's global infrastructure facilitates efficient communication and dissemination of information throughout the Firm and with clients and stakeholders.

Ashmore's client base is global and geographically diversified across all continents, as highlighted in Figure 6.

Figure 6: AUM breakdown by geography

Europe (ex UK)	30%
Asia Pacific	27%
Americas	19%
Middle East & Africa	16%
UK	8%

Source: Ashmore. Data as at 31 December 2021.

Ensuring an appropriate investment time horizon aligned with clients' needs

As outlined in Principle 7, Ashmore has a large proportion of institutional clients with long investment horizons and consequently, ensures that its decision-making process is designed to take a similar view. Conscious of the issues linked to the Tragedy of the Horizons, Ashmore aims to keep an open dialogue with its clients to ensure that the way the Firm invests is truly aligned with the needs of its clients.

Activity

Bespoke relationship management

Ashmore works in partnership with its clients and keeps a regular and ongoing dialogue. Portfolio reviews are typically conducted on a quarterly basis, with the Account Manager and a member of the portfolio management team. Ad hoc calls and meetings take place to discuss significant market and portfolio events. Clients (and Ashmore) benefit from extensive discussions during portfolio review meetings and other exchanges. These occasions are also the opportunity for Ashmore to learn about and understand client thinking and their feedback.

Examples of how client views have been considered, include:

- Client input to define and frame the development of new investment strategies
- Updates/changes to client guidelines (for clients invested in segregated accounts)
- Design of reporting, including carbon reporting

Ashmore's relationship with its clients is proactive, iterative, and evolving. The Firm recognises that client needs change over time due to their own circumstances or outside factors (such as regulations) or new objectives such as alignment with the Net Zero Asset Owner Alliance (NZAOA) or other industry frameworks. Therefore, Ashmore continuously listens to the client needs and strive to incorporate those in the way relationships are serviced and portfolios are managed.

Extensive research on Emerging Markets

Ashmore prides itself on its comprehensive research programme on Emerging Markets, which is made accessible to clients via a wide-ranging suite of research publications, as follows:

- Weekly research piece, covering major developments across all main Emerging Markets, including country updates, macro, politics, and any other significant events in the global macro landscape.
- Available on the Firm's website and by email.
- Monthly Emerging Markets Insights, focused on debt, equities, or a specific market theme.
- Ad hoc market commentaries to keep clients informed of market and corporate events across the Emerging Markets.
- Annual Market Outlook, outlining the views of Ashmore's investment teams for the year ahead.

Client reporting

Ashmore's aim is to provide timely, dedicated administration and reporting services tailored to clients' requirements. The strength of the Firm's relationship with existing clients is derived from a constant re-evaluation of those requirements to provide a professional and competitive service. Ashmore provides a comprehensive standard suite of reporting for investors:

- Monthly Reports, providing performance information, portfolio characteristics versus the benchmark, top country attribution etc.
- Quarterly Investment Reports, offering more detailed data on portfolios, as well as customised commentary on performance and positioning for each individual portfolio.

Depending on specific requirements, additional reporting towards the end of 2021, Ashmore started to frame an enhanced ESG reporting package to consider the evolving needs of clients around sustainability metrics, which includes the following:

- Carbon intensity and carbon footprinting metrics.
- A detailed Engagement Report.
- A stand-alone TCFD Report.

The Firm publishes details of its engagements and proxy voting activities for equity and debt portfolios in its annual Sustainability Report, and also provides clients with additional details on request. This includes completing the engagement reporting template created by the Investment Consultant Sustainability Working Group (ICSWG), providing case studies with reference to engagement themes and topics, rationale for the engagement, action taken, outcomes, and next steps.

The Firm regularly assist clients with ad hoc reporting requirements as they arise from time to time. Such tailored reporting forms part of the Firm's client service package and can be refined to meet client specific feedback, needs, and expectations; particularly as they evolve over time.

Ad hoc seminars/webinars, conferences, and training programs

Prior to the Covid-19 pandemic, Ashmore hosted several local and regional seminars and client events that brought together clients with experts from Emerging Markets, other regular commentators, and Ashmore professionals. At these forums, Ashmore discussed the broader macro-economic drivers of asset allocation, exploring the individual asset classes of Emerging Market equities, external sovereign debt, local currency and corporate debt. The Firm looks forward to the return of these in-person events. During 2021 when the pandemic was still a significant concern, Ashmore instead hosted these events as webinars

In addition, Ashmore hosts a training programme for central banks, sovereign wealth funds, social security funds and government pension funds, designed in cooperation with Bayes Business School. This week-long programme offers both academic lectures by Bayes' finance professors, and practical insights by Ashmore's Portfolio Managers and research staff into key aspects of the management of Emerging Markets portfolio assets. The initiative was launched in 2010 and the next roll out is expected to take place in October 2022. Historically, this programme has received positive feedback with several participants from different institutions in Africa, Asia, Europe, and Latin America including from central banks and leading sovereign wealth funds.

Outcome

Several of Ashmore's client relationships have a history of more than ten years, which is an indicator of the Firm's ability to adapt and respond to clients' changing needs over time. This includes not only meeting financial risk and return objectives, but also providing transparent reporting, meeting regulatory requirements, and more recently, assisting clients in meeting their sustainability objectives for instance through the TCFD and NZAOA frameworks.

Below are some case studies of the outcomes Ashmore delivered for clients during 2021.

Case study 1:
UK pension fund

Ashmore has been managing a local currency debt mandate on behalf of a large UK pension fund since 2012.

In 2021, the client's investment team contacted us for a detailed review of Emerging Markets Debt as they sought to better understand the wider investable universe.

Following this, Ashmore began conversations with the client about how they could restructure their mandate to seek Ashmore's best expression of investing in Emerging Markets Debt and meet their overall objectives. These conversations involved many educational sessions, with different investment professionals on the sub-asset classes within the EM Debt universe, including the structure, size, risks, and opportunities offered by these sub-asset classes.

The result of many such collaborative discussions was the launch of a new, EM Blended Debt mandate, customised to the client's risk profile, which enabled the client to access to the widest possible range of EM Debt investments.

Post launch, Ashmore continues to educate and advise the client on their investment and have recently commenced discussions on how to align the new mandate with the client's Net Zero commitments.

Case study 2:
Sovereign wealth fund (SWF)

Ashmore's equity portfolio management teams based in regional centres such as Mumbai, Jakarta, and Bogotá have committed to share with issuers on a yearly basis a client's expectations of on the behaviours of the boards and managements of companies relating to ESG challenges.

The client produces a series of position papers which Ashmore's Portfolio Managers are encouraged to share with the companies in which they invest on the client's behalf.

The topics are wide-ranging, spanning E, S, and G issues. This is an example of how Ashmore ensures clients' views are incorporated into its engagement efforts.

Case study 3:
European institutional investor

Ashmore was awarded an EM Local Currency Bond ESG focused mandate in 2021 by a European client.

The client's consultant suggested a custom benchmark and sought Ashmore's input as to how to incorporate ESG metrics into this benchmark.

Ashmore worked with the investment consultant on re-weighting the countries to provide an overall greener and ESG-focused benchmark, and with a benchmark provider to create an ESG benchmark meeting the client's requirements, which also contemplated excluding certain countries.

Having a customised ESG-focused benchmark provided a first step towards a 'cleaner beta' which was then enhanced further through Ashmore's active portfolio management process for ESG-focused mandates, incorporating additional ESG and decarbonisation considerations.

PRINCIPLE 7: Stewardship, investment and ESG integration

This section will outline how Ashmore systematically integrates stewardship and investment, including material environmental, social, and governance issues, and climate change, to fulfil its responsibilities as stewards of assets.

Context

Ashmore has explicitly integrated the analysis of ESG factors into its investment processes recognising its critical role to the success of the Firm. The Firm's philosophy is underpinned by a belief that such incorporation of non-financial factors is essential to building a robust understanding and assessment of an issuer, and that over time this will improve investment performance, promote better corporate business models, and help foster more sustainable economic development. As with its credit and financial analysis, Ashmore's ESG research is primarily proprietary in nature, based on research visits and meetings with issuers, with additional context obtained using third-party data.

Prioritised ESG issues

Ashmore's approach to ESG integration is applied and implemented consistently across all the strategies managed by the Firm. These 'ESG scorecards' forms an integral part of the investment assessment both prior to holding as well as throughout until exiting. The ESG scores are reviewed at least annually and are also flagged for review on an event-led basis. The investment teams approach ESG factors in the form of a questionnaire, where every issuer that is either owned or considered for investment, is scored. The ESG scores are both historical and forward-looking and assess issuers on a global absolute basis.

While Governance has historically dominated non-financial factor assessment in Emerging Markets, climate and social issues have notably risen in importance as both drivers of risk as well as opportunity. The below ESG factors have been identified by Ashmore to be of particular importance for the assessment, seen through an Emerging Markets lens.

Figure 7: Factors considered in the ESG scorecard

	Corporate	Sovereign
Environmental E	Global impact including GHG emissions, local impact including water and waste management, incidents of environmental pollution, energy management, and use of green energy, policies, and innovations to limit negative impact.	Carbon emissions, clean energy development, climate adaption strategies, natural disasters risk and preparedness, resource use, and environmental regulations.
Social S	Employee diversity and inclusion, customer welfare, human rights and community relations, labour practices including health and safety, supply chain management, materiality of philanthropy spend, and product quality and safety.	Basic needs of population, societal stability, human development, economic freedom, labour rights, and inequality.
Governance G	Transparency and disclosure, governance structure, fair representation of minority interests, public listing and reporting, management accessibility, long-term incentive scheme KPIs, and strategies to mitigate the impact of ESG risks.	Progress to sustainability, institutional strength, rule of law, democratic processes, and corruption.

Interaction between different teams

Responsibility for ESG analysis lies with the investment teams, with support from the RI function, and is undertaken alongside the traditional economic and financial assessment of an issuer. Importantly, this enables the Portfolio Manager, who understand an issuer best, including its credit profile, business model, and its management team, to have a comprehensive and consistent view of an issuer's ESG profile.

Activity

Differences in approach across funds, asset classes and geographies

All of Ashmore's strategies managed globally across fixed income, equity, and alternatives explicitly integrate ESG into their investment approach using the above outlined ESG scorecard process. In addition, there are firm-wide exclusions for issuers that generate revenues derived from the production or trading of controversial weapons and pornography as the Firm considers these areas non-redeeming and does not believe it can engage to change their practices.

Ashmore has managed dedicated EM ESG strategies in both fixed income and equity since 2019 and 2020, respectively. These approaches consider sustainability issues and opportunities in more depth and apply a wider set of industry and issuer exclusion criteria including those relating the sale of defence, gambling, and tobacco, given their high negative externalities. They also excludes one industry that have high sustainability impact despite a viable low-risk alternative, namely fossil fuels which can be replaced by renewables. For client managed segregated mandates, Ashmore also customise client portfolios to meet additional requirements for geographic, sector and stock specific restrictions.

Sovereign issuers are scored by Ashmore's sovereign bond investment teams. The corporate debt and equities teams share the responsibility for the evaluation of the issuers that have issued both debt and equity instruments, resulting in Ashmore having one common, joint corporate ESG assessment across the Firm. All the ESG scoring sheets, notes and engagement activities are shared across Ashmore.

Ashmore's alternatives theme covers a diverse range of real assets in private equity, healthcare, infrastructure, special situations, distressed debt, and real estate opportunities. As such, the approach to ESG integration is tailored to the context of each market. Notwithstanding, the ESG scoring of these issuers is also conducted using the same proprietary ESG scoring methodology described above.

Process used to ensure alignment with clients' time horizons and to ensure clear communication with service providers

Ashmore has aimed to align its investment approach, including how ESG issues are integrated, with the investment horizon if its clients. As outlined in Principle 6, this is primarily done through dialogue with the clients to account for liquidity requirements, performance objectives, and sustainability concerns.

As outlined in Principle 8, Ashmore complements primary research with some third-party service providers to facilitate its deliver of stewardship responsibilities. Where relevant, Ashmore share with the third-party provider how they intend to use the data to ensure that it is appropriate.

Outcome

Ashmore's assessment of issuers' ESG performance, as outlined above, is integral to the determination of their fair value. ESG factor analysis acts as both a form of portfolio risk management and a source of alpha generation, ensuring the Firm best serves its clients. The information gathered is systematically structured via Ashmore's ESG scorecard process and is incorporated in portfolio construction through the investment teams' financial estimates and/or the valuation assessment. Consequently, this ESG assessment directly impacts the decision to invest or exit a position, as well as its portfolio position sizing. Please find below some examples of how this was done in practice during 2021.

Example: Fixed income
Latin American Corporate Debt issuer

Ashmore has been invested in bonds issued by a company which is among the largest petrochemical companies in Latin America.

Historically, Ashmore had been concerned about governance and environmental issues at the company following geological damage that took place at a salt mine.

On a fundamental and operational basis, Ashmore had been positive on the credit, but there was a wish to see evidence that these E and G issues were being addressed before investing again in the company's debt securities.

Over the past two years the company had shown improved efforts across several ESG-related areas. This includes significant progress during 2021 in defining and disclosing the financial impact and remediation efforts related to the mine's environmental damages, which resulted in family relocations and financial compensation and fines.

During 2017-2019 there had been no fatalities recorded in the company's operations and there was only one recorded in 2020, a year during which the company's accident record improved. This allowed for an upgrade the company's forward-looking score of environmental performance in the 2021 ESG review.

A number of sustainability initiatives, notably the work of their Global Sustainability Committee, also led to upgrade of the forward-looking score for governance in the 2021 ESG review.

Consequently, Ashmore have gradually increased exposure in the Investment Grade portfolios and this exposure has generated positive alpha.

Example: Equity
Chinese local service e-commerce platform

Ashmore is invested in one the largest online marketplaces dedicated to local services in China, with the primary division being food delivery.

The ESG assessment raised concerns around the welfare, working conditions, and safety for the informal segment of the company's workforce, namely their food delivery riders.

This was reflected in the ESG scorecard by a poor social score. It also impacted the investment team's view of the company's 'quality', an attribute which is held in high regard in the equity investment process. This concern was further reflected by applying a valuation discount which reduced the upside for the stock's forecasted share price.

While the assessment did not overwhelm the investment thesis for the company, the risk has resulted in reduced stock exposure in the portfolio than would have otherwise been the case.

The poor score also meant the stock was excluded from the investment team's investable universe for the dedicated ESG strategy.

The assessment also acted as a catalyst for engagement efforts with the company. They responded to investor engagements on this topic, including those by Ashmore, and made some improvements to rider welfare during 2021.

Ashmore continues to engage specifically on improving disclosure around injuries and proposing linking this to management KPIs. While these efforts have been acknowledged, there has so far been limited progress made resulting in continued engagement.

PRINCIPLE 8: Monitoring service providers

This section will outline how Ashmore monitors and hold to account its service providers.

Activity

The efficiency and scalability of Ashmore's operating platform relies in part on high-quality third-party service providers. Ashmore maintains a broad range of service providers ranging from investment research, risk management, ESG analytics, pricing, and valuation services, legal and financial, fund administration and custody services, as well as proxy voting service. The Firm's main supplier relationships were substantially unchanged during the year.

Ashmore conducts due diligence on all new third-party service providers, and monitors and reviews its relationships with existing providers. The Group's Supplier Code of Conduct Policy, which is published on the Group's website, outlines the minimum ethical standards that must be met to do business with the Group. Ashmore expects its suppliers, and their subsidiaries, affiliates, employees, agents, and subcontractors (collectively, Ashmore's 'suppliers') to operate in accordance with this Code as well as all applicable laws and regulations and has established and implemented appropriate policies and procedures to ensure they do so.

Figure 8: Main stages of due diligence and monitoring of third-party service providers

In selecting its third-party service providers, the Firm considers the nature and materiality of the service type and consider specific factors including those relating to sustainability. For example, Ashmore expect its service providers to adhere to high standards in the way that they operate, including key social issues such as modern slavery. More details of how the Firm manages issues relating to modern slavery are provided in the Modern Slavery Statement.

A register of the Group's third-party service providers is maintained and updated on a quarterly basis as part of the Group's Principal Risk Review. As part of this review of the "Database of Outsourcing and Other Related Dependencies", relevant department heads are responsible for identifying suppliers handling the Group's Key Information Assets (KIAs) as defined in the Group Information Security Policy. No significant issues were reported during 2021.

Monitoring of ESG service providers

Generally, Ashmore prefers to develop its own proprietary view rather than rely on third-party ESG ratings. The Firm believes an external third party would struggle to match Ashmore's understanding of a particular sovereign or corporate issuer, particularly in Emerging Markets where data availability, its transparency and accuracy are generally poor. Moreover, in the absence of regulatory standards, third parties risk providing an inconsistent basis for ESG scoring prone to their methodology, which themselves are subject to change.

Considering the integration of ESG factors into Ashmore's investment processes, there has been an increasing focus on third-party ESG related data and services with respect to investment, regulatory, and client requirements. This includes third-party vendors who provide a combination of ESG-related research, scoring or rating, as well as underlying ESG data. Ashmore uses some third-party providers for ESG matters, namely Bloomberg, ISS, and Sustainalytics, to complement its proprietary primary analysis which is carried out for every proposed investment. These third-party sources may alert the Firm to areas of change or provide historical context to equip investment professionals in their research. As the quality and depth of these services is variable, Ashmore maintains a close dialogue with these providers to make sure the data is appropriate for its intended use. This review and monitoring includes:

- Regular analysis of the evolving landscape of current and new third-party ESG data providers.
- Understanding the impact of changing regulation and working collaboratively with the providers to develop related solutions.
- Highlight and request correction of data inaccuracies.
- Push for increased issuer coverage, which is an issue particularly relevant to the Emerging Markets.
- Close dialogue with the ESG data providers to provide feedback e.g. to highlight data anomalies or potential areas of focus.
- Ensure the accuracy and quality of the services by the proxy voting technology provider.

The Group continues to have a constructive and mutually supportive relationship with service providers and the regular dialogue and feedback with those providers means that the Firm can achieve favourable outcomes for clients and broader market participants.

Outcome

This is illustrated below with the following two examples.

Example: Proxy voting process

Ashmore uses ISS Proxy Exchange to manage the workflow for proxy voting. Ashmore's Operations team is responsible for the processing of proxy voting, while the decision-making is the responsibility of Portfolio Managers. To ensure, as far as can reasonably be achieved, that voting is successful achieved, the following steps have been established:

- Work with custodians to ensure relevant documentation is in place to facilitate proxy voting.
- Ensure votes are sourced and captured by the proxy voting provider.
- Manage the workflows associated with sharing votes and research with Portfolio Managers.
- Make sure that Portfolio Managers make a decision on every vote.
- Process the Portfolio Managers' votes and monitor for completeness.
- Produce reports to verify the completion of voting.
- Manage relationships with custodians and vendors to support the above processes.

The Operations team monitors the reporting which verifies the completeness of the process. Once the votes have been cast, these reports are available within ISS. These reports are shared either periodically or on an ad-hoc basis as requested, including internally for committees and externally for fund boards.

Furthermore, there is a regular Compliance Monitoring Program overseen by the Compliance department, which on a periodic basis, reviews the accuracy of the proxy voting process.

The process is also subject to the regular internal and external audits. The Operations team also works with custodians to ensure that the appropriate processes operate smoothly and remain optimal. For example, this includes working with custodians on an ongoing basis to ensure market specific Powers of Attorney documents (POAs).

Furthermore, where there are additional companies' requirements, such as event-specific POAs when there is no regulatory market requirement to do so, the Operations team will engage with the Portfolio Management team to provide feedback to issuers on the impact of these requirements.

Example: ESG data and related exclusions

Ashmore's ESG exclusions are based on internal analyses.

For example, across all funds and segregated mandates, Ashmore restricts investment in companies engaged in the manufacture, distribution, and maintenance of controversial weapon. The scope and breadth of this restriction is outlined in Ashmore's Controversial Weapons Policy, which is also available on Ashmore's website.

Ashmore considers as controversial, those weapons that have a disproportionate and indiscriminate impact on the lives of civilians that often continues years after a conflict has ended. This encompasses cluster munitions, anti-personnel mines, nuclear weapons, depleted uranium weapons, and chemical and biological weapons.

Ashmore's proprietary methodology to identify the list of excluded companies was successfully developed in collaboration with one of the Firm's sovereign wealth fund clients, considering the expertise afforded by the sovereign wealth investor around controversial weapons exclusions.

Ashmore recognises there are inconsistencies in how third-party ESG service providers interpret 'involvement in controversial weapons'. Therefore, to substantiate any allegations of such involvement that may give rise to a company being excluded from its investable universe, Ashmore's portfolio management teams will also engage directly with the company management to highlight any such controversy.

An example of this was a company in India which a third-party ESG service provider believed was linked to the manufacture of nuclear weapons. With oversight by the Ashmore's ESGC, the portfolio management team worked closely with the company's management to determine that the company was not involved in the manufacture of nuclear weapons and since then, Ashmore has also provided similar feedback to the third-party ESG data provider.

PRINCIPLE 9: Engagement

This section outlines how Ashmore engages with its issuers in order to maintain and/or enhance the value of investments.

Activity

Ashmore believes that through strong relationships with sovereign and corporate issuers. Of debt and equity, the Firm can positively influence outcomes related to ESG risks and the 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.

Ashmore seeks to engage with issuers, both sovereign and corporate, on how they can improve their ESG disclosures and outcomes. This is carried out as part of an ongoing dialogue with government officials and company management and may involve other key stakeholders. This stewardship approach helps to create a feedback loop, whereby investors reward positive performance with a lower cost of capital, and access to international capital markets, and in the extreme, penalise poor performance with withdrawal of capital. Over time, such incentives should lead to issuers changing behaviour 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.

Selecting and prioritising 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."*

Ashmore splits its engagement efforts into three high-level groups:

- Bilateral engagements
- Thematic engagements
- Interactions

'Bilateral engagement' efforts are led by the relevant Portfolio Manager, overseen by the Responsible Investment (RI) function. Typically triggered by the identification of unintended ESG risks or sustainability issues, often during the ESG scoring process, these engagement efforts tend to target single issuers, and are conducted directly with that issuer to address an issuer-specific or sector-specific risk. An engagement objective is determined in advance and the outcome tracked. Two examples of such bilateral engagement efforts are included below.

Example: Bilateral Engagement – Equities

What was the key issue/trigger for the engagement?	Ashmore's equity team decided to engage with a leading yeast producer in Asia due to concerns around remuneration, specifically its Key Performance Indicator (KPI) required to unlock a proposed Employee Stock Ownership Plan (ESOP).
What became the engagement objective?	Ashmore wanted the company to better align KPIs with minority shareholders' interests given current KPIs were not considered sufficiently demanding, based on sales growth and profitability in the context of the company's stated target growth.
What activities did Ashmore do over the year?	Ashmore approached company management, primarily through email correspondence, to set up dialogue about the issue. This view was highlighted to senior management but due to lack of action further escalated by a vote against the management recommendation at a shareholder meeting.
What was the outcome?	The company acknowledged Ashmore's comments and explained that as this was its first ESOP given they are partly state owned, the ESOP was modest (as a percentage of remuneration and share dilution) and it would like to ensure a high success rate of vesting to motivate its employees. The company stated it would consider more demanding KPIs in the future. The ongoing dialogue with the company was considered encouraging, and the investment team will continue to monitor progress on the specific engagement objective.
What were the implications for Ashmore's investment?	The investment in the company is maintained.

Example: Bilateral engagement – Fixed income

What was the key issue/trigger for the engagement?	The dual impact of the Covid-19 pandemic and oil price shock created a deficit in the government financing plans of a Latin American country. Despite the country making good progress in complying with the terms of its IMF Extended Fund Facility (EFF) programme, the exogenous shock led Ashmore to engage with the government in discussions that would preserve access to emergency funds to fight the Covid-19 crisis by granting temporary cash flow relief to the government.
What became the engagement objective?	The engagement objective was to work together with the government and the international financial community (and the IMF) to provide assistance and facilitate the country's return to the capital markets after the crisis was over. In addition to immediate financial objectives, throughout the discussions Ashmore placed significant emphasis on improving governance and sustainability of the sovereign's debt profile.
What activities did Ashmore do over the year?	Ashmore led efforts to design and agree with the government two innovative mechanisms in the transaction to promote better governance: 1. The first innovation was the creation and application of an 'Information Covenant' for the first time in the legal terms of the new sovereign bonds issued out of the restructuring. As a result of this covenant, the failure to make timely annual disclosure of debt statistics (with a specific certain level of details required) is now an event of default, which ensures a minimum standard of debt transparency, and opens up an important new avenue for bondholders to promote better governance; 2. The second innovation was the explicit incorporation of IMF involvement into the conditionality of the restructuring, again for the first time in a sovereign restructuring.
What was the outcome?	The nature of the bonds' indentures, the ownership structure of the bonds, and the support from the IMF all combined to expedite the negotiations. The debt exchange negotiations were successfully concluded.
What were the implications for Ashmore's investment?	The deal, which met with acceptance from 98.5% of bondholders, reflected the good faith efforts of the issuer. It was rewarded via a small principal adjustment, maturity extension and lowered interested payments. For their part, bondholders switched into bonds with much better documentation and guarantees of transparency and IMF support, which enhanced the secondary market value of the claims.

'Thematic engagement' efforts are overseen by the ESG Committee (ESGC) and typically led the RI function, triggered by Ashmore's involvement in various initiatives including Climate Action 100+ and the Net Zero Asset Management Initiative (NZAMI). These engagement efforts usually target several issuers, often as part of collaborative efforts designed to address market-wide or systemic issues. An engagement objective, or potentially a series of milestones, are determined in advance and the outcome tracked.

Example: Thematic engagement

What was the key issue/trigger for the engagement?	As a signatory to Climate Action 100+, and acutely aware of the importance of the Emerging Markets in achieving a low-carbon world, Ashmore decided to increase its emphasis on the need for companies to consider their decarbonisation strategy and disclosure.
What became the engagement objective?	Conscious of the low starting point for many corporates in Emerging Markets, the focus was first on awareness raising among the issuers, followed by a defined objective to achieve appropriate levels of climate-related disclosures.
What activities did Ashmore do over the year?	Ashmore raised the topic of decarbonisation 77 times with 67 issuers. Of these engagements, 20 had a specific objective to increase disclosure, with a further seven requesting change such as setting a decarbonisation target.
What was the outcome?	Overall, Ashmore has seen climate-related disclosures improve, however these efforts were carried into 2022 as such disclosure is still relatively underdeveloped in the markets where the Firm invests.
What were the implications for Ashmore's investment?	These engagement efforts have contributed to increased coverage of GHG emission reporting used as part of investment decision-making, and which also fed into Ashmore's 2021/22 project to increase reporting of its funds' GHG emissions.

Finally, 'Interactions' are driven by Portfolio Managers, often to gain information or increased ESG-related disclosure. The Emerging Markets are often relatively 'new' to evolving ESG requirements and their breadth, requested by institutional managers. Hence Ashmore's role is often in an educational capacity. Such requests form part of ongoing due diligence and focus on raising awareness and highlight investor expectations as they relate to management of ESG risks, sustainability issues, and/or related reporting. However, from 2022 onwards, Ashmore will no longer count such activities in its engagement reporting.

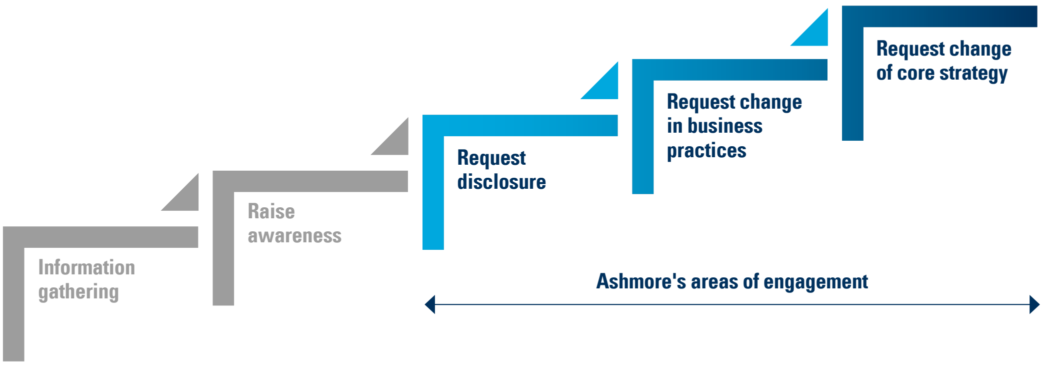
Key engagement issues

Ashmore focuses its engagement efforts on ESG risks and sustainability issues that are of particular relevance to where it invests i.e. the Emerging Markets. The most prominent of these is climate change including the risk to individual issuers as the low-carbon transition materialises and the physical impact of climate change worsens. Furthermore, Ashmore views climate change as a multiplier issue, meaning that action on climate change (SDG 13) will also affect many of the other Sustainable Development Goals. Consequently, climate change has dominated thematic engagement efforts so far and influenced the Portfolio Managers in much of their bilateral engagement work. The focus on climate change further influences social issues such as the rights to a Just Transition and allowing for Climate Equity.

Engagement objectives

As mentioned, thematic and bilateral engagement efforts are required to have clear objectives of triggering a particular change, whilst interactions focus on information gathering and raising awareness. Ashmore considers three types of objectives (Figure 9), listed in order of low-to high impact request of: disclosure, change in business practices, and change of core strategy.

Figure 9



Methods of engagement

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

• Conference	• Call / Video call	• Formal letter
• Email correspondence	• Questionnaire	• In-person meeting

During 2021, due to the Covid-19 pandemic, no in-person meetings took place. Of the engagement activities that took place 63% were done over calls and zoom, 33% as part of email correspondence and the remaining during virtual conferences.

Who Ashmore engages with:

• Board-level	• ESG / Sustainability team	• Investor relations
• Executive-level	• Senior management	• Government representative

If Ashmore finds that these methods are not effective, the Firm may escalate the engagement efforts as outlined later in this Report.

The Ashmore Engagement Strategy has evolved over the years in response to increased client expectations of how asset managers approach and document engagement on ESG risks and sustainability issues. This has been accompanied by increased availability of industry guidance and clients' expectations of engagement with issuers, both of which have been valuable contributors to guiding Ashmore's approach, which attempts to adapt to such changing requirements and guidance whilst at the same time ensuring that the engagement efforts remain impactful.

Ashmore believes engagement with issuers can impact investment outcomes as it is an important avenue both for managing ESG risks and as a lever to have an impact on sustainability matters.

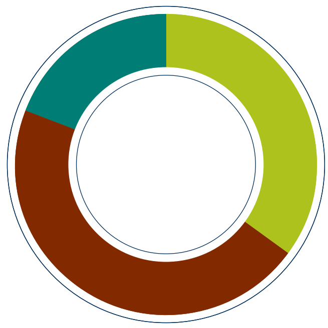
Direct engagement during 2021

The Engagement Strategy is consistent across Ashmore's offices and asset classes as far as practically possible to ensure expectations are consistent and best-in-class practices are shared. Nonetheless, it is acknowledged that there be certain differences to reflect local requirements and norms.

In 2021 Ashmore engaged with corporates and sovereign issuers in 51 different countries. The most important were Brazil, Colombia, Russia, India, Mexico, and South Africa.

Figure 10 shows how Ashmore's engagement efforts are distributed across corporate debt, equities, and sovereign debt.

Figure 10



Corporate Debt	35%
Equities	46%
Sovereign debt	19%

228
Number of issuers with which Ashmore engaged.

331
Number of engagement efforts undertaken by Ashmore.

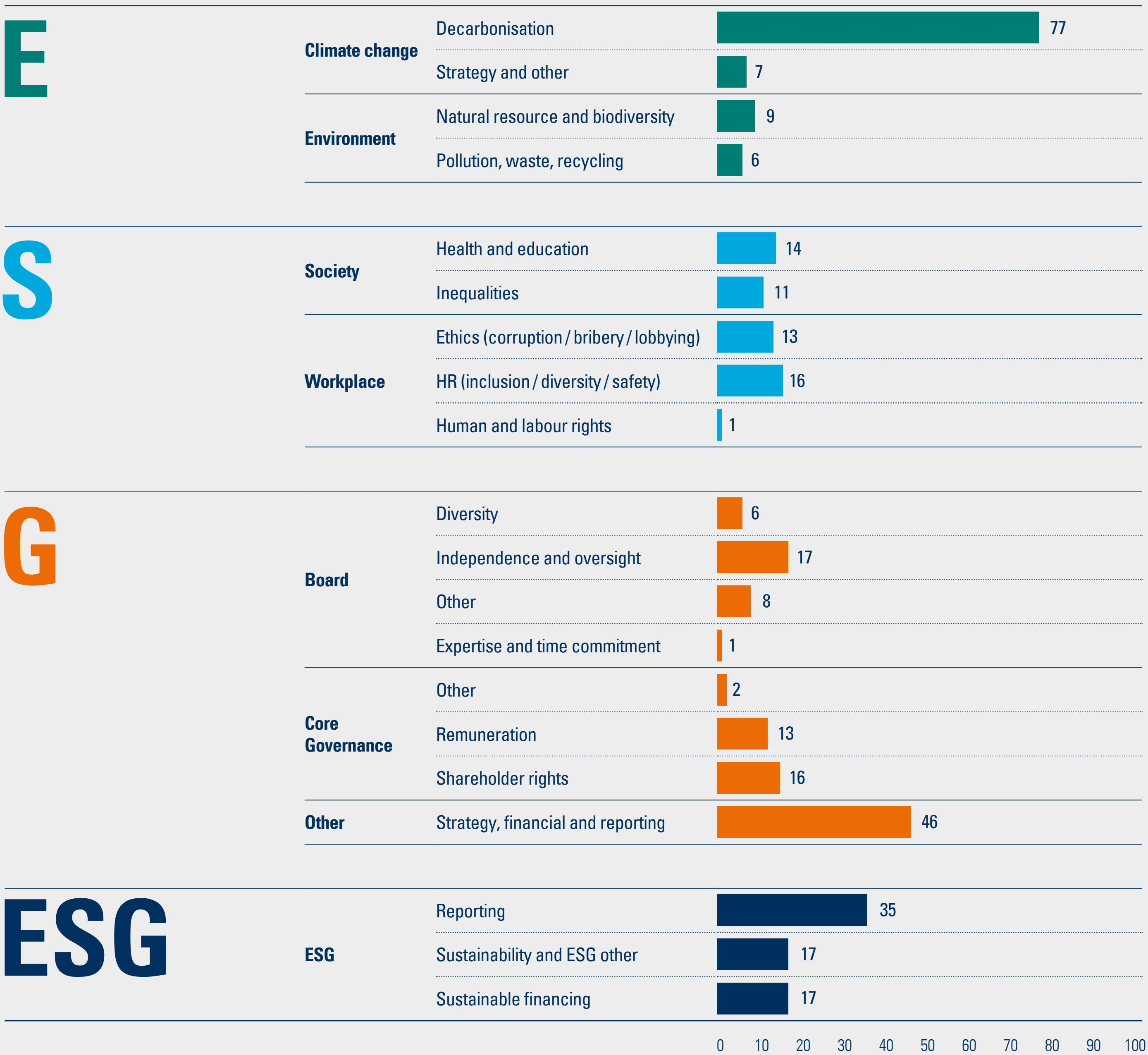
Outcome

In 2021 Ashmore engaged with 228 issuers across 331 engagement efforts. Of these, 55% were 'thematic' or 'bilateral' engagements i.e. they had pre-determined objectives, while 45% represent interactions with issuers. These covered a range of different topics with the primary being climate change. 'Generic ESG' relates to ESG disclosure and reporting, with differing standards in Emerging Markets compared to Developed Markets and has therefore been an important area of engagement during 2021.

Figure 11: Engagement topics

Environmental	
Climate change	25%
Environment	5%
Social	
Society	7%
Workplace	9%
Governance	
Board	10%
Core governance	8%
Other	14%
ESG	
Generic	22%

Engagement themes



Ashmore has also been making improvements to the way it systematically tracks how the outcomes of its engagement efforts have informed investment decisions and looks forward to sharing this in future reports.

PRINCIPLE 10: Collaboration

Ashmore believes that there is value in collaborating with investor and industry groups when engaging with issuers. Furthermore, the Firm 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 ICSWG's definition of collaborative and collective engagement as:

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

'Collaborative engagement' is considered to be where the Firm works with other investors or stakeholders to achieve an engagement objective, while 'collective engagement' is where Ashmore joins an engagement initiative run by a third party such as the UN PRI.

Activity and Outcome

Ashmore has participated in several investor initiatives designed to address and encourage investor collaboration during 2021 as outlined below. The nature of these means that it is not always possible to measure one's contribution to the success of the initiatives themselves but below are some reflections of the outcome of the Firm's involvement.

Figure 12: Investor organisation membership/signatory, involvement, and outcome

Climate Action 100+

About	**Climate Action 100+** (CA100+) is a global investor initiative to address climate change, targeting the world's top GHG emitters. Ashmore became a signatory to CA100+ in 2019.
Type	Collaborative engagement
Ashmore's involvement in 2021	As part of this initiative, Ashmore has committed to engage with one Latin American state-owned energy provider as part of a working group led by a fellow investor. This is an issuer with whom Ashmore has a strong relationship across the capital structure. Ashmore participated in two CA100+ dialogues with the issuer and in addition raised the CA100+ objectives at a number of meetings directly with the issuer.
Outcome	These dialogues have been useful to gain a better understanding of how the issuer approaches decarbonisation. As of end of 2021, the issuer, according to the CA100+ benchmark, had partial medium and short-term GHG reduction targets but lacked a clear 'net-zero GHG emission by 2050' ambition and a long-term target. It did not have a strong decarbonisation strategy and its capital allocation was not considered aligned with a low-carbon transition. Furthermore, its climate engagement policy and climate governance were only partially addressed, and it did not produce TCFD disclosures. These areas continued to be core engagement objectives for 2022.

About	**The Investor Agenda** is a group of ESG-focused investor initiatives. The UN PRI (of which Ashmore is a signatory) is a member.
Type	Collective engagement
Ashmore's involvement in 2021	Ashmore signed the 2021 Global Investor Statement to Governments on the Climate Crisis letter, sent in advance of COP26 in Glasgow.
Outcome	According to the Investor Agenda, the 2021 letter was its most ambitious yet. It argues that some of its key policy objectives were reflected in the policy outcomes from COP26, including increased climate risk disclosure mandates, increasingly ambitious Nationally Determined Contributions (NDS), and the UK's roadmap towards mandatory net zero transition plans. While these outcomes are welcomed, there is still a need to increase policy pressure and Ashmore looks forward to supporting future such efforts by The Investor Agenda.

About	**The Net Zero Asset Managers Initiative** (NZAMI) is an initiative for asset managers committed to support investing aligned with net zero GHG emissions by 2050 or sooner. Ashmore became a signatory to NZAMI in July 2021.
Type	Collective engagement: The Net Zero Asset Owner Alliance (NZAOA) Target-Setting Protocol, which Ashmore has adopted as its methodology for setting NZAMI targets, proposes 'position paper contribution' as one of its recommended engagement efforts.
Ashmore's involvement in 2021	The trigger for the activity was COP26 held in Glasgow in November 2021, gathering government representatives from around the world to further address climate action building on the 2015 COP25 in Paris. Ashmore published a policy position paper named "Seven policy proposals to meet the Paris Agreement objectives", arguing that, amongst other factors, the contrasting emissions profile of Developed and Emerging Markets had to be considered, and that equitable carbon trading and subsidy policies would incentivise greater private sector involvement in funding climate action.
Outcome	It is difficult to quantify the outcome or impact of such a position paper. However, it was widely distributed among Ashmore's network and is publicly available on the Ashmore website. Ashmore welcomed the emphasis at COP26 on the important role of the private financial sector's role in achieving the climate targets as well as the need for strong climate-related policy.

PRINCIPLE 11: Escalation

Ashmore prefers to conduct its engagement efforts as part of confidential and constructive dialogue with issuers but 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 to achieve the original engagement objective although through stronger means. In contentious 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 Firm 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. 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 Management proposals at shareholder meetings
- Make concerns public
- File or support shareholder resolutions
- Divestment

The most used escalation activities during 2021 were downgrading the issuer's ESG score, voting against Management proposals, and divestments. Issues leading to a downgrade of ESG score included climate change concerns, workplace ethics, and issues relating to shareholder rights. Ashmore also voted against management on several occasions, some of which were due to lack of response to Ashmore's engagement efforts. Finally, there were also cases where Ashmore chose to divest from an issuer due to disappointing response to its engagement efforts. An example of this is outlined in more detail below where despite escalating the engagement by voting against Management proposals no change was implemented leading Ashmore to decide to divest.

Approach

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 in 2021 there has been increased guidance and public expectations when it comes to issuer-engagement in the UK and northern Europe, this is not the case in some other Developed and Emerging Markets.

Outcome

Examples

During 2021 Ashmore did not routinely track the use of escalation activities in detail including the outcomes of such activities, both of which are being addressed over 2022. However, two examples of where Ashmore considered it necessary to turn to escalation during 2021 are outlined below.

Bilateral engagement effort – Equity

What was the key issue/trigger for the engagement?	Ashmore was invested in an Asian materials company, which planned to buy out minority investors (including Ashmore) in a subsidiary, at a price materially below an appraisal of the stake's fair value.
What became the engagement objective?	Ashmore believed that minority investors did not have a fair influence on the matter, not least given the company owned 49% of the subsidiary. Furthermore, this action by management was considered poor governance that could also limit the potential upside in its investment. Consequently, Ashmore wanted the company to cancel the merger plans or to merge at a meaningfully higher stake price.
What activities did Ashmore do over the year?	Ashmore shared its view with the management team. When the response was not as hoped, Ashmore decided to vote against the merger.
What was the outcome?	The merger was agreed regardless of Ashmore's engagement.
What were the implications for Ashmore's investment?	Given the significant impact to the investment thesis, Ashmore proceeded to vote 'with its feet' and exited the stock. Whilst there was no apparent regulatory breach, Ashmore believed that the influence of the holding company affected shareholder value.

Bilateral engagement effort – Fixed income

What was the key issue/trigger for the engagement?	During 2019, the Chairman of an Eastern European agricultural company ceded his independent non-executive status to take a greater involvement in the business as an executive member. The Company then disclosed in its 2019 Annual Report that it had extended a loan of initially USD 22m, which was increased to USD 56m, to its 60% founding shareholder (and CEO), with the approval of the Board. The trigger of the engagement was when one of the four independent Directors resigned from the Board in early in 2021.
What became the engagement objective?	The engagement objective was firstly to understand the governance implications of the company loan, and secondly to communicate Ashmore's concerns with this sort of financial practice.
What activities did Ashmore do over the year?	Ashmore engaged with the company and complemented our research by communicating with the ex-independent director. Ashmore spoke to the company about the loan and the fact that an independent Director had left and learned that the Director's concerns had been regarding the owner's ability to repay the loan, and that they felt the number of independent Directors was satisfactory.
What was the outcome?	The engagement with the company was not particularly constructive. Company management told us that they expected the loan to be repaid ahead of its maturity. Furthermore, they advised us that they were planning to replace another non-independent Director with an independent later in 2021, which would take them to 50% independent Board.
What were the implications for Ashmore's investment?	Given the response of the Company to the loan, Ashmore divested from the company's bonds.

Exercising rights and responsibilities

PRINCIPLE 12: Exercising rights and responsibilities

Context

How Ashmore exercise its rights and responsibilities and how this differs for funds, assets, or geographies

Ashmore sees voting 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 Firm's Engagement Strategy. Ashmore aims to vote whenever possible, and the review of voting statistics are a standard item at the ESGC agenda. The voting process is kept as consistent as possible across Ashmore's offices, appreciating local variations.

Ashmore's aim is to vote on all proxies presented by portfolio companies. If the investment team has a concern, then it seeks to engage with the company management, Board of Directors, or other stakeholders to address the issue.

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, through maximising the value of securities, taken individually or as a whole.

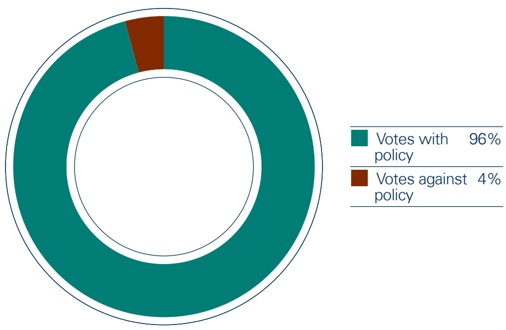
Where appropriate, Ashmore will inform issuers of planned negative votes as part of its engagement efforts, often engaging with the companies in advance of an upcoming shareholder meeting should it consider the resolutions contentious.

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

Default recommendations of proxy advisers

ISS research and voting recommendations are available to the Ashmore investment teams to help inform voting decisions. While Portfolio Managers take into account this independent advice from ISS, for each vote they maintain full discretion as to how to vote on any one resolution. During 2021 Ashmore applied ISS's house policy, which was followed for 96% of the resolutions. For the remaining 4% the Portfolio Managers chose to vote against ISS's advice.

Figure 13: Vote alignment with ISS Policy



Client overrides and direct voting

Ashmore has a long-standing tradition of supporting institutional clients who wish to instruct the voting. The Firm 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.

Stock lending and empty voting

Ashmore does not undertake securities lending in its commingled funds; however, it permits securities lending on behalf of segregated accounts at the discretion of the underlying client.

Activity

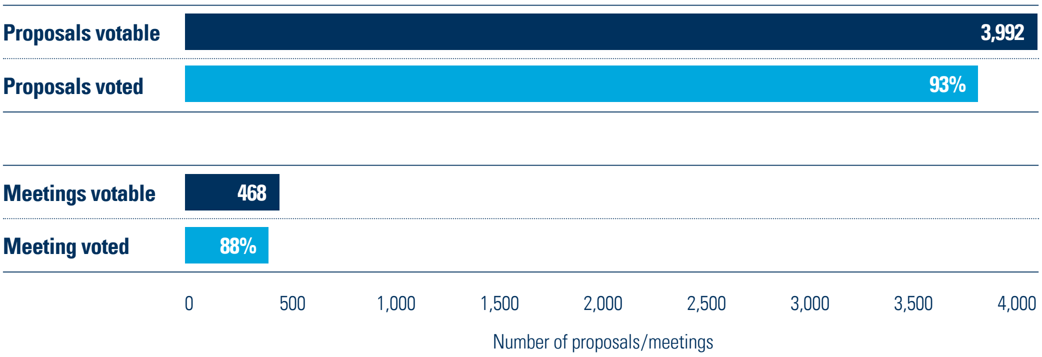
Listed equities

The following forms or 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 social, environmental and corporate policy issues.

93%
Percentage of votable proposals on which the Firm voted.

During the year, the Firm voted on 93% of votable proposals. Reasons for why the Firm did not vote on the remaining 7% include situations where this 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.

Figure 14: Voting Statistics



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 15 shows Ashmore's voting record for 2021. While 81% of votes were for the proposal, the Firm abstained from 9% of the votes, withheld 1% of the votes and voted against 9%.

In cases where the Ashmore 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 the best interest of clients' interests.

For example, as shown in Figure 16, Ashmore voted against management on 9% of resolutions. This type of active management is encouraged at Ashmore.

Figure 15: Vote Cast Statistics

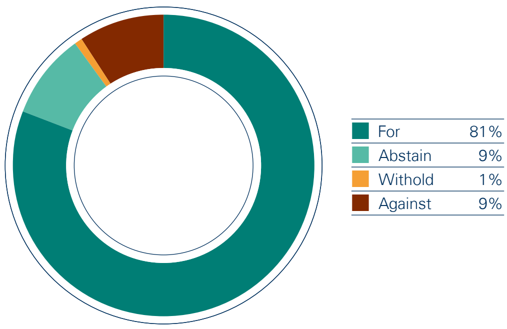
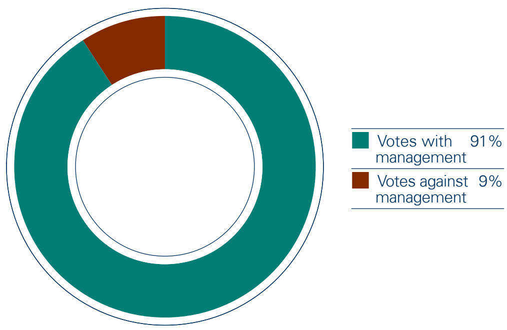


Figure 16: Vote alignment with Management

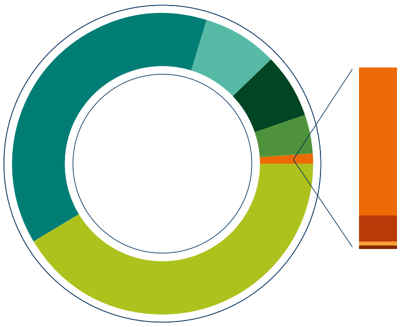


Among the resolutions put to Ashmore, there is a clear lack of shareholder proposals, accounting only for 1% of all the votable proposals and these are mostly directors related.

Figure 17: Proposal categories

Management proposals

Directors Related	41%
Routine/Business	38%
Capitalisation	8%
Reorganisations and Mergers	7%
Non-Salary Compensation	4%



Shareholder proposals

Directors Related	0.90%
Routine/Business	0.10%
Corp Governance	0.05%
Compensation	0.05%

Fixed income

As a bondholder, Ashmore has a responsibility to exercise its rights and responsibilities. Whilst as bondholders, the investment team 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 team's 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, 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.

Examples

Ashmore has embraced the work by the Pensions and Lifetime Savings Association (PLSA) to standardise voting reporting to institutional investors, considering it a positive innovation. The outcome of the equity resolutions Ashmore voted on in 2021 can be found below using the PLSA format.

Figure 18: Proposal categories

PLSA Question	Ashmore
How many meetings were you eligible to vote at?	**468**
How many resolutions were you eligible to vote on?	**3,992**
What % of resolutions did you vote on for which you were eligible?	**93%**
Of the resolutions on which you voted, what % did you vote with management?	**91%**
Of the resolutions on which you voted, what % did you vote against management?	**9%**
Of the resolutions on which you voted, what % did you abstain from voting?	**9%**
In what % of meetings, for which you did vote, did you vote at least once against management?	**36%**
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	**4%**

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

Figure 19: Voting examples

Company sector	ELECTRONICS	FOOD PRODUCER	SOFTWARE	TECHNOLOGY	CHEMICALS
Date of vote	**July 2021**	**March 2021**	**April 2021**	**May 2021**	**October 2021**
Approximate size of fund's/mandate's holding as at the date of the vote (based on % of portfolio)	~2%	~2%	~1%	~3%	~2%
Summary of the resolution	**Directors related:** Election of two non-independent Directors.	**Non salary remuneration:** Approve draft and summary of performance shares incentive plan.	**Non salary remuneration:** Approve long-term incentive plan.	**Directors related:** Election of two non-independent directors.	**Reorganisations and Mergers:** Approve merger agreement.
How Ashmore voted	**AGAINST**	**AGAINST**	**AGAINST**	**AGAINST**	**AGAINST**
Whether Ashmore communicated its intent to vote against management to the company ahead of the vote	Yes	Yes	Yes	Yes	Yes
Rationale for the voting decision	Ashmore voted against the election following its engagement with the company where the Firm requested that more independent directors be added to the board. At the time, only 3 of 11 board members were classified as independent.	Ashmore engaged and voted against the KPIs required to unlock the proposed Employee Stock Ownership Plan. The Firm considered the KPIs too undemanding, based on sales growth/ profitability in the context of the company's stated growth target.	Ashmore voted against the company's long-term incentive plan. This was part of the ongoing engagement with company management over its KPIs. Ashmore has also requested improved disclosure, specifically around GHG emissions and other ESG metrics, together with encouraging the company to produce a Corporate Social Responsibility report.	Ashmore voted against the election of certain board members. The Firm requested that the company add an additional independent director and provide an explanation for the long tenure for two independent board members.	The company planned to merge with a subsidiary which would mean buying-out minority investors (including Ashmore) at a price meaningfully below Ashmore's appraisal of the stake's fair value. The Firm believed that minority investors did not have a fair influence.
Outcome of the vote	**FOR** Board member was approved	**FOR** Non-salary remuneration plan was approved	**FOR** Non-salary remuneration plan was approved	**FOR** Board member was approved	**FOR** Merger was agreed upon
Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome.	Ashmore's comments were acknowledged, and management stated its goal to adhere to improved standards of independence for the next election term in 2023. In a previous engagement, management had acted on Ashmore's request to replace a director who had already served three terms.	The company acknowledged Ashmore's comments and explained that this was its first ESOP since it is partly a State Owned Enterprise, the ESOP is modest (as a percentage of compensation and share dilution) and the company would like to ensure a high success rate of vesting to motivate its employees. It stated it would consider more demanding KPIs when it prepares for future rounds.	The company has acknowledged Ashmore's comments although the engagement remains ongoing focused on KPIs and the importance of Corporate Social Responsibility disclosure.	The company acknowledged Ashmore's comments and stated that the two independent directors would not stand another term. It plans to hire an additional independent director.	Ashmore considered the proposed merger to be poor governance which limited the potential upside of its investment. The merger was agreed upon, and given its significant to the investment thesis, Ashmore liquidated its position.
Criteria used to assess the vote as 'most significant'	ESG relevance (independent directors)	ESG relevance (remuneration)	ESG relevance (remuneration)	ESG relevance (independent directors)	ESG relevance (shareholder rights)

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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