

EU ESG Ratings Disclosure – ESG Risk Assessment

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Date of Publication / Last Update: 17th June 2026

Objective of the ESG Rating

Our objective is to build robust understandings and assessments of issuers through our ESG Risk Assessment of issuers.

Our Investment Managers' approach to sustainability risks involves understanding the fundamental principles and international laws relating to sustainability matters, including human rights, labour, bribery and corruption, climate-related risks, and the environment. These principles underpin the Investment Managers' ESG criteria and risk assessment. We do not consider ESG impacts within the ESG Risk Assessment, which is focused on the assessment of ESG risks.

Overview of Rating Methodology

The ESG Risk Assessment is informed by and based on the following non-exhaustive indicators (as amended from time to time):

- a) Environmental factors including GHG emissions, protection of natural resources, pollution, natural disaster risk, and use of green energy sources;
- b) Social factors including gender inequality, employee diversity, social stability, education, health and safety practices and supply chain management; and
- c) Governance factors including transparency, accountability, fair representation, regulatory environment and strength of the rule of law.

The above indicators vary between corporate and sovereign issues to reflect the differences in capability and impact of corporate compared to sovereign issuers. The indicators that are applied to a particular investment, will also vary depending on the materiality and relevance of each factor to each issuer.

The indicators are not each individually scored. Instead, the Investment Manager uses them in its qualitative issuer assessment, which focuses on asking two questions for each of the Environmental (E), Social (S) and Governance (G) aspects to derive an aggregated score for each "E", "S" and "G" category:

- (1) The issuer's current level of performance against considered global best ESG practice;
- and

(2) The quality of their policies and initiatives designed to improve their ESG performance.

There is no set time horizon incorporated into the methodology; however, as environmental, social and governance factors are captured on medium to long timescales, we consider these, looking at as issuers' targets and progress towards them alongside current practices. Any material changes to the methodology will be reviewed and approved by Ashmore's ESG Committee.

Expression of the Rating

Each issuer is scored separately for "E", "S" and "G" for questions (1) and (2) above on a scale of 1 – 5 (very poor to very good). Thus, the combined score for "E" is the addition of two scores, each on a scale of 1 – 5 (very poor to very good) in absolute terms. Likewise for the combined scores for "S" and "G". The total aggregated ESG Risk Assessment score is a product of the addition of the three aggregated "E", "S" and "G" scores.

Scope of the ESG Rating

The ESG Risk Assessment is an aggregated assessment of "E", "S" and "G" factors (see 'Overview of Rating Methodology' above). The results of the scoring are recorded in a dedicated ESG scorecard.

Weighting of E, S and G Categories

Our ESG rating is aggregated into a total score with the "E", "S" and "G" factors weighted evenly.

Topics Covered Within E, S and G Factors

The topics covered by our ESG rating are outlined in 'Overview of Rating Methodology' above. Although our methodology and indicators differ from the topics set out in the reporting standards developed under CSRD, we believe our topics correspond to the below CSRD topics:

- a) ESRS environmental factors: climate change (excluding climate adaptation), pollution, water and marine resources, and biodiversity and ecosystems;
- b) ESRS social factors: own workforce, workers in the value chain, and affected communities; and
- c) ESRS governance factor: business conduct.

Industry Classification

We do not use an industry classification system in our ESG Risk Assessment; rather, we focus on activities and performance and take an ESG risk materiality focussed approach to qualifying issuers.

Data Sources and Processes

The Investment Manager will use any of the following sources to obtain data, as relevant and applicable:

- a) external data sourced from third party data provider services;
- b) company reports and corporate disclosures (including information on policies and processes); and
- c) direct engagements with investee management, and other stakeholders.

External secondary data sources may also be complemented by research and on-site visits, meetings with companies and data provided by third parties, which add depth of understanding, and help corroborate the data from our own research and assessment. The frequency of data updates varies with the data type and availability; Ashmore uses the most recently available data and evaluates this on an annual basis, if not more frequently.

Where there are gaps in data coverage, a certain proportion of the data used to assess the attainment or the environmental and social characteristics promoted by the Sub-Fund may be estimated due to a lack of reliable data. The Investment Manager is not currently able to confirm the exact proportion which will be estimated given the nature of investments in Emerging Markets and the fact that such proportion may change constantly. Such data will be kept under review by the Investment Manager and will be replaced with other data when available (such as from third party data providers or directly from investees).

Scientific Evidence Basis of Methodologies

Our ESG scores do not directly incorporate scientific evidence but are based on reliable evidence and scientific data from third party providers and statistical analysis, qualitative assessments from direct engagement with issuers, peer comparisons and expert judgement.

Use of Artificial Intelligence

Several of the third-party data providers we utilise within our ESG Risk Assessment actively use AI within their data collection and analysis. We have incorporated AI-use where appropriate; however, everything is subject to rigorous human review. Current key limitations of using AI include data quality and misclassification risk, and operational and third-party dependency risk (among others).

Limitations in Data Sources and Methodology

Our external secondary data sources could have a number of limitations to data and methodologies which could impact the reliability or quality of data. This can include differences in methodologies of external data providers, inherent subjectivity in the assessment of qualitative indicators, particularly for governance factors, coverage gaps, misalignment in reporting timelines and discrepancies between estimated and reported emissions. The methodology also incorporates qualitative assessments, which are inherently subjective.

Alignment with the Paris Agreement and International Agreements

Temperature targets committed to under the Paris Agreement at the UN Climate Change Conference (COP21) in 2015 are considered as part of Ashmore's environmental assessment.

Our ESG Risk Assessment methodology incorporates consideration of the UN SDGs and sustainability themes that are relevant across other international ESG agreements, as well as encompasses many of the values and targets held by international climate agreements, without being prescriptive to specific agreements and bearing in mind the constantly evolving nature of climate politics. However the ESG Risk Assessment doesn't specifically score issuers on their alignment with the Paris Agreement or other international ESG agreements.

