

EU ESG Ratings Disclosure – Impact Investment Framework

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Objective of the Impact Investment Framework

The objective of the Impact Investment Framework is to outline how we define, assess and report on impact for strategies that make an explicit allocation to Impact Investments. For the purposes of this EU ESG Ratings Regulation Disclosure, the relevant objective of the Framework is the definition and assessment of 'Impact Investments'. The framework primarily focusses on ESG impacts but also incorporates the consideration of ESG risks - Impact Investments will only be purchased and held where they pass both our impact assessment, detailed in this document, and our fundamental assessment, which includes an ESG Risk Assessment (please see the [ESG Risk Assessment Disclosure](#) for further details).

Overview of Impact Investment Methodology

We define 'Impact Investments' as those made with the intention to generate a positive, measurable environmental and/or social impact, aligned with the UN SDGs, alongside a financial return.

All potential investments must pass two tests to be classified as an Impact Investment, the Positive Contribution Test and the Negative Contribution Test. Investments which pass the two tests are reviewed and approved by Ashmore's Impact Debt Sub-Investment Committee and classified as Impact Investments if they are approved as in line with Ashmore's impact standards.

The Positive Contribution Test

Our positive contribution test assesses firstly whether an issuer's practices – including their strategy – broadly align with the principles of the UN SDGs, and secondly whether the specific activities being financed contribute to one or more of the 169 targets beneath the 17 UN SDGs. We consider three types of activity, at the project, revenue, or investment plan level, and categorise investments as follows (please see 'Expression of Rating' below for further information):

1. Impact Bonds
2. Impact Issuers
3. Improving Issuers

Our analysis incorporates the five dimensions of impact as defined by the Norms of Impact Management (developed by the Impact Management Project), to understand, as far as reasonably possible:

- a) what outcomes the investment contributes to;

- b) who is experiencing the outcomes;
- c) the scale, depth and duration of the outcomes;
- d) the contribution compared to what would otherwise have been achieved; and
- e) the level of risk that those outcomes will not be achieved.

Each potential investment will be scored as high, medium or low for each dimension, helping us to optimise impact allocation over time.

The Negative Contribution Test

We exclude any investment where we determine that an issuer's activities or practices cause significant harm to the UN SDGs, using the following criteria:

1. Issuers in breach of the EU Paris-Aligned Benchmark exclusion criteria;
2. Issuers involved in activities or controversies causing significant harm to the UN SDGs, including considering SFDR Principle Adverse Impacts and controversy screening against the UN Guiding Principles on Business and Human Rights (the 'UNGPs');
3. Issuers that do not score a combined score of at least 4 according to our ESG Risk Assessment on all three of the 'E', 'S' and 'G' combined scores; or
4. Issuers that we determine do not follow good governance practices, namely those that do not meet a combined score of at least 4 for governance in accordance with our ESG Risk Assessment.

We aim, as far as reasonably possible, to consider whether an issuer's activities or practices cause significant harm to the UN SDGs from the perspective of both the issuer (e.g. the share of revenue generated by a harmful activity) and the stakeholders affected (e.g. displacing a vulnerable people group).

Investments which pass the two tests are reviewed and approved by Ashmore's Impact Debt Sub-Investment Committee, to ensure they meet Ashmore's impact standards, following which they will be classified as Impact Investments. We evaluate estimated impact over a 3 to 5-year period.

Expression of Impact Investments

As set out under 'Overview of Impact Investment Methodology', Impact Investments are categorised as follows

1. **Impact Bonds** Where proceeds are exclusively applied to finance or refinance, in part or in full, projects which contribute to the Impact Objective (including at least one UN SDG target). This category is applicable to both corporate, quasi-sovereign, supranational and sovereign debt issuances.
2. **Impact Issuers** Where over 50% of an issuer's revenue contributes to the Impact Objective (including at least one UN SDG target). This category is applicable to corporate, quasi-sovereign and supranational issuers.
3. **Improving Issuers** Where an issuer's investment plan, affecting over 50% of revenue, operating expenditure or capital expenditure, contributes to the Impact Objective (including at

least one UN SDG target). This category is applicable to corporate, quasi-sovereign and supranational issuers.

These are absolute rather than relative ratings, with the underlying Positive Contribution Test and the Negative Contribution Test being simple pass or fail tests. We do not 'net' positive and negative contributions, which often occur across different timeframes, affect different stakeholders, and may not be possible to measure or quantify.

Scope of the Impact Investment Framework

With regards to Impact Investments, our Impact Investment Framework assesses an issuer's practices and activities across environmental, social and governance topics that are covered by the UN SDGs. It considers whether an issuer's practices – including its strategy – broadly align with the principles of the UN SDGs, and whether the specific activities being financed contribute to one or more of the 169 targets beneath the 17 UN SDGs. It excludes any investment where we determine that an issuer's activities or practices cause significant harm to the UN SDGs.

Weighting of Factors within the Impact Investment Framework

As outlined above, with regards to Impact Investments, the Factors within the Impact Investment Framework are not weighted; the Positive Contribution Test and the Negative Contribution Test are simply pass or fail and the remaining analysis is qualitative.

Topics Covered Within the Impact Investment Framework

With regards to Impact Investments, the topics covered by our Impact Investment Framework are outlined in the Overview of Impact Investment Methodology above and Scope of the Impact Investment Framework. Our assessment focusses on whether an investment contributes to at least one UN SDG target without significantly harming other UN SDGs. There is significant overlap between the topics set out in the reporting standards developed under CSRD and the UN SDGs, albeit at a higher level in some categories. Where appropriate and relevant, we consider CSRD datapoints as part of our Positive Contribution and Negative Contribution Tests.

Industry Classification

We do not use an industry classification system within our Impact Framework; rather, we focus on practices and activities and take an impact-based 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.

Where there are gaps in data coverage, a certain proportion of the data used to assess Impact Investments 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 and 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 Impact Investment assessments 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 Impact Investment assessment actively use AI within their data collection and analysis. Current key limitations of using AI include data quality and misclassification risk, and operational and third-party dependency risk (among others).

Currently, AI has not been directly incorporated into our methodology for assessing Impact Investments; however, we reserve the right to utilise AI capabilities in line with other asset managers and scientific data providers in future whilst ensuring that everything remains subject to rigorous human review.

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, including differences in methodologies, 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. Internal analysis is undertaken to reasonably identify and assess the data to increase confidence in its accuracy; however, there is still a risk. Quantifying impact is not always straightforward, with no industry standardisation yet in how issuers report the impact of their strategy, activities or practices. Where practically available, we intend to collect all the data required for our Impact Investment analysis at the end of their fiscal year, which varies by issuer. If no data is available (for both outputs and outcomes) more than 18 months after purchase, we will follow our escalation process, which may include divestment or our impact engagement process, as appropriate. Our Impact Investment Framework also incorporates qualitative assessments, which are inherently subjective.

Alignment with the Paris Agreement and International Agreements

There is significant overlap between the Paris Agreement and the UN SDGs (e.g. SDG 7 Affordable and Clean Energy and SDG 13 Climate Action). As part of our Positive Contribution Test, we consider whether an issuer's practices – including their strategy – broadly align with the principles of the UN SDGs, including where appropriate, the Paris Agreement and other International Agreements. As part of our Negative Contribution Test, we exclude any investment where an issuer is in breach of the EU Paris-Aligned Benchmark exclusion criteria. However, an issuer can qualify as an Impact Investment,

even if it does not align with the targets and objectives of the Paris Agreement or other ESG international agreements – provided it qualifies for the SDG focussed criteria summarised in Overview of Impact Investment Methodology above.