



Ashmore Investment Management Limited

Investment Firm Prudential Regime (IFPR) Disclosure

For the year ended 30 June 2023

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1. Overview

The purpose of this document is to set out the Investment Firm Prudential Regime (“IFPR”) disclosure for Ashmore Investment Management Limited (“AIML” or “the Firm”) in accordance with the Financial Conduct Authority (“FCA”) Prudential Sourcebook for Investment Firms chapter 8 (“MIFIDPRU 8”).

AIML is a wholly owned subsidiary of Ashmore Group plc (“Ashmore”, the “Group”) and a MIFIDPRU Investment Firm authorised and regulated by the FCA (Firm Reference Number 185402).

The prudential disclosures in this document are solely in respect of AIML for the financial year ended 30 June 2023.

1.1. Changes from the previous disclosure report

AIML adopted the transitional provisions contained in MIFIDPRU TP12 for the first public disclosure report to 30 June 2022. Therefore, since the transitional provisions are no longer in the place, the following sections have been updated in this report:

- Section 2 Risk management objectives and policies – updated section to disclose AIML’s risk management approach as specified under MIFIDPRU 8.2 (overview provided in prior year report on a voluntary basis); and
- Section 6 Remuneration policy and practices – updated to include qualitative and quantitative disclosures specified under MIFIDPRU 8.6 (prior year disclosure was in accordance with BIPRU requirements).

1.2. Basis and frequency of disclosure

AIML is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8. Under IFPR, AIML is categorised as a non-small non-interconnected (“non-SNI”) MIFIDPRU investment firm.

The prudential disclosures for the Firm are published at least annually and the frequency of disclosure is assessed on an ongoing basis considering any material changes in either the nature or scale of the Firm’s or Ashmore’s business operations.

The prudential disclosures as at 30 June 2023 (the “reference date”) are consistent with the published financial statements for the Firm. The disclosed information is proportionate to AIML’s size and organisation, and to the nature, scope, and complexity of its business activities.

AIML meets the conditions under MIFIDPRU 7.1.4R, i.e., the Firm’s average assets over the preceding four-year period are less than £300 million and the Firm has no trading book business or derivative exposures. Therefore, the disclosure obligations relating to Investment Policy set out in MIFIDPRU 8.7 do not apply.

1.3. Media and location of disclosures

These prudential disclosures are published on the Ashmore website:

<https://ir.ashmoregroup.com/corporate-governance>

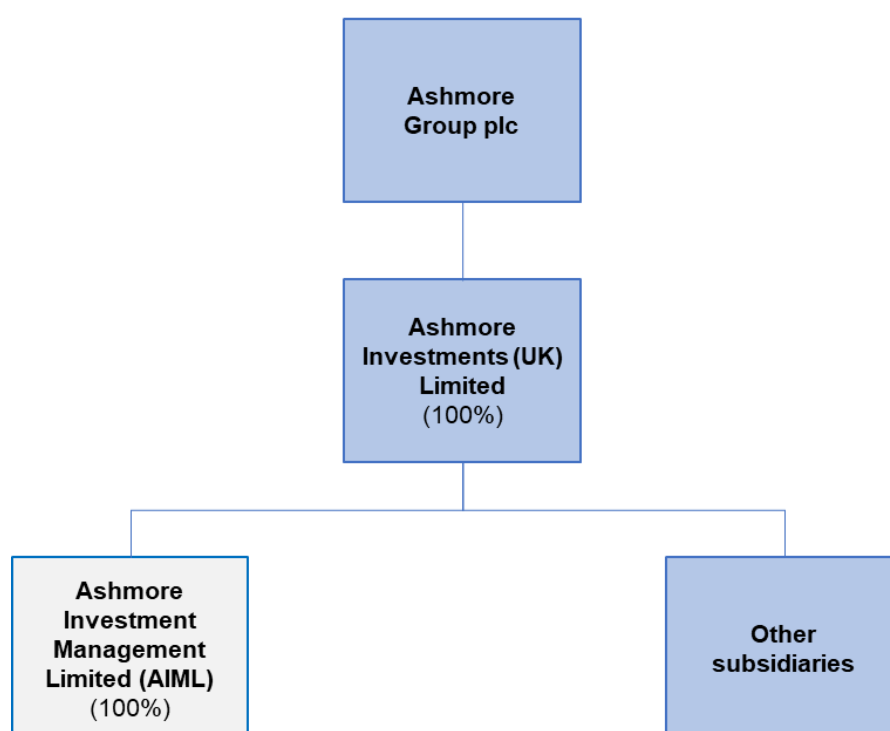
1.4. Validation and sign-off

This document has been subject to internal verification and approved by the AIML Board (“Board”) to ensure compliance with the regulatory requirements contained in MIFIDPRU 8. The prudential disclosures contained in this document are not required to be verified by an external auditor.

1.5. Group structure

AIML is a wholly owned subsidiary of Ashmore Group plc, a UK parent company listed on the London Stock Exchange since 2006. Ashmore is a specialist Emerging Markets investment manager and AIML is responsible for managing the majority of Ashmore’s assets under management. The Firm therefore plays an important role in the execution of the Group’s strategy, which is focused on growing and diversifying Ashmore’s business and creating value for its clients and shareholders.

AIML ownership structure



As at 30 June 2023, AIML was manager for funds totalling £38.9bn of assets under management (“AuM”), equivalent to 89% of Ashmore’s total AuM. The funds are managed within Ashmore’s Emerging Markets investment themes, described below.

<p>External debt</p> <p>Invests in debt instruments issued by sovereigns and quasi-sovereigns and denominated in foreign currencies.</p>	<p>Local currency</p> <p>Invests in local currencies and local currency-denominated instruments issued by sovereigns, quasi-sovereigns and companies.</p>	<p>Corporate debt</p> <p>Invests in debt instruments issued by public and private sector companies.</p>
<p>Blended debt</p> <p>Asset allocation across the external debt, local currency and corporate debt investment themes, measured against tailor-made blended indices.</p>	<p>Equities</p> <p>Invests in equity and equity-related instruments including global, regional, country, small cap, frontier and multi-asset opportunities.</p>	<p>Alternatives</p> <p>Invests in private equity, healthcare, infrastructure, special situations, distressed debt and real estate opportunities.</p>

2. Risk management objectives and policies

AIML recognises that its strategy and business model have inherent risks, with the potential for harm to the firm, its clients and the markets in which it operates. Therefore, the Firm identifies, evaluates and manages principal and emerging risks through an established and effective internal control framework supported by an embedded risk management culture.

Potential for harm

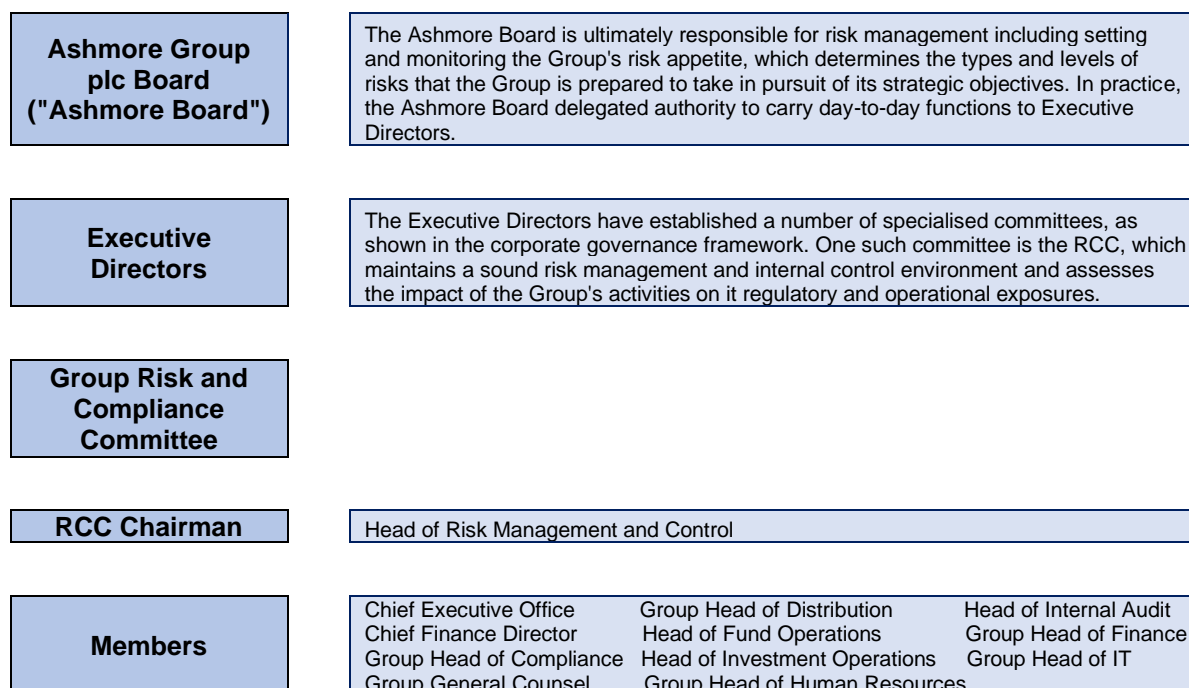
The material potential harms associated with AIML's business are as follows:

- Harm to clients: this could result from operational incidents or errors resulting in disruption of investment management activities for a fund or investors in a fund.
- Harm to firm: the Firm may be required to compensate clients due to operational incidents or errors, suffer reputational damage and loss of clients and revenue.
- Harm to market: a material detriment or disruption to the public markets in which AIML operates could arise through failure to meet expected market standards, obligations to counterparties or through a material regulatory breach or evidence of market abuse which could undermine the reputation of the asset management industry.

2.1. Risk management framework and governance

Ashmore's strategy, business model and related processes and controls includes the investment activity and operations conducted by AIML. As such, the Group's systems of internal controls and risk management encompass AIML related activities. Accordingly, the management of risk within AIML forms part of the overall Ashmore risk management framework, which sets out to identify, monitor, report and manage risk throughout the Group. The framework is designed to embed an awareness of risk into all strategic and operational business decisions.

The Group's risk management structure is shown below.



The Group's system of internal control is integrated into the Group's strategy and business model and embedded within its routine business processes and operations, and a strong control culture is combined with clear management responsibility and accountability for individual controls.

The Risk and Compliance Committee ("RCC") meets monthly and is responsible for monitoring and assessing all relevant matters regarding risk, compliance and related internal controls.

The RCC is chaired by the Head of Risk Management and Control, and the other members are the CEO, the Group Finance Director, the Group General Counsel and Group Head of Compliance, the Group Head of Information Technology, the Head of Fund Operations, the Head of Investment Operations, the Group Head of Human Resources, the Group Head of Finance, the Group Head of Distribution and the Head of Internal Audit. These senior management personnel share responsibility for risk identification, with each individual being responsible for day-to-day control of risk in their own business area.

The main features of the Group's risk management and internal control systems are described on page 35 in the latest Annual Report on the Ashmore website (<https://ir.ashmoregroup.com>), which covers the Group's key policies, specialised committees, business processes, and verification and confirmation activities.

The risk management framework is further embedded across the Group through a three lines of defence model.

Three lines of defence

The Group has three lines of defence against unintended outcomes arising from the risks it face.



Ashmore's approach to risk management provides an ongoing framework for identifying, evaluating, and managing the emerging risks and principal risks for the Group and AIML. The internal control framework is reviewed by the Group's Audit and Risk Committee.

2.2. AIML risk appetite statement (RAS)

Ashmore's risk appetite defines the level and type of risk that the Group is prepared to accept in pursuit of its strategic objectives and business strategy, taking into account the interests of its clients, shareholders and other stakeholders, as well as capital and other regulatory requirements.

AIML's RAS ensures the Firm has in place sound, effective and comprehensive strategies, processes and systems that enable it to identify and manage the major sources of risk relevant to the Firm given the nature and scale of its business.

A key part of AIML's risk management framework is the ICARA process which is not only integral to how the Firm manages risk but is also central to how the FCA monitors the risk of the Firm. Under the ICARA process, the Firm undertakes a comprehensive assessment of material harms and documents its findings in relation to the harms to clients, markets and the Firm itself, and the controls in place to mitigate the risks. As part of the Board's annual review and approval of the documented ICARA process, the most material harms are considered in terms of their impact to the business strategy and on the Firm's own funds, concentration risk and liquid assets.

As a result, the RAS enhances the ICARA process by making certain risks more explicit and increasing the transparency of any Board approved risk thresholds. This allows the ICARA process to assess regulatory capital and liquidity requirements in relation to risks to which AIML is exposed. AIML employs a proportionate approach to identify, quantify, monitor and manage risks present in its activities. The ultimate responsibility for risk management rests with the Board, however for practical reasons, some of this activity is delegated to senior management which promotes a risk aware culture throughout the Firm.

AIML's risk appetite framework and related metrics have been developed by engaging key stakeholders at the business and executive levels of the organisation and accordingly, AIML's risk appetite statement is reviewed and updated in line with the evolving strategy, business model, financial capacity, business opportunities, regulatory constraints and other internal and external factors. AIML's risk appetite metrics are also monitored against thresholds agreed with the Board and in doing so, are used to deal with exceptional events and detect anomalous patterns to help anticipate potential issues before they arise.

2.3. Principal risks and their management

The table below summarises the risks that have been identified as having the potential to materially harm clients, the Firm or markets. It includes examples of the mitigating actions that are in place to reduce the potential for harm.

Risk type	Definition	Policy and examples of mitigation	Governance Committee
Business and strategic risk	The risk that the short, medium and long term profitability and/or reputation of AIML could be adversely impacted by the failure to either identify and implement the correct strategy, or to react appropriately to changes in the business environment.	<ul style="list-style-type: none"> Strategy is approved by a Board with relevant industry experience. Experienced Emerging Markets investment professionals participate in Investment Committees. Strong balance sheet Diversification of investment themes and capabilities, and periodic capacity reviews. Ashmore Board reviews diversity data on an annual basis. Oversight by ESG Committee, which has overall responsibility for Ashmore's sustainability and responsible investing framework across its corporate and investment activities. 	<ul style="list-style-type: none"> Board Executive Committees

Risk type	Definition	Policy and examples of mitigation	Governance Committee
Operational risk	The risk of actual or potential losses, incurred from inadequate or failed internal processes, people and systems, or from external events (including legal and regulatory risk). They include the risk that operational flaws result from a lack of resources or planning, error or fraud, weaknesses in systems and controls, or incorrect accounting or tax treatment.	<ul style="list-style-type: none"> Information security and data protection policies, with annual review including cyber security Compliance policies covering global and local offices Independent Internal Audit function Anti-money laundering and anti-bribery and corruption policies, also required for service providers Group whistleblowing policy Regular reviews of Group resource requirements Appropriate Remuneration policy Group Culture and Conduct report Regulatory Development Steering Group and compliance monitoring programme Group risk management policies Group risk and compliance committees 	<ul style="list-style-type: none"> RCC ARC
Client risk	The risk arising from a lack of research on client suitability (i.e. product type and legal jurisdiction) and/or ineffective management of existing and potential investor base leading to inefficient marketing and distribution capabilities and/or loss of investor confidence as well as inadequate client oversight including a breach of client confidentiality, lack of support and Treating Customers Fairly (TCF) leading to financial and regulatory sanctions and/or damage to the Group's reputation.	<ul style="list-style-type: none"> Regular Product Committee meetings review product suitability and appropriateness. Experienced distribution team with appropriate geographic coverage. Investor education to ensure understanding of Ashmore investment themes and products. Monitoring of client-related issues including a formal complaint handling process. Compliance and legal oversight to ensure clear and fair terms of business and disclosures, and appropriate client communications and financial promotions. Client at Risk and investor Liquidity reports are in the RCC pack. 	<ul style="list-style-type: none"> Product Committee RCC
Treasury risk	The risks that Management does not appropriately mitigate balance sheet risks or exposures which could impact the financial performance or position of the Firm.	<ul style="list-style-type: none"> Defined risk appetite, and risk appetite measures updated quarterly Group FX hedging policy and FX and Liquidity Management Committee (FXLMC) 	<ul style="list-style-type: none"> RCC FXLMC
Investment risk	The risk of non-performance or manager neglect of duty, including the risk that long term investment outperformance is not delivered, thereby damaging prospects for winning and retaining clients, and putting average management fee margins under increased pressure; and decreased market liquidity provided by counterparties that AIML and its funds rely on.	<ul style="list-style-type: none"> Consistent investment philosophy over 30 years with dedicated Emerging Markets focus including country visits and network of local offices. Employees are hired with appropriate experience and are inducted, trained and overseen appropriately. Funds in the same investment theme are managed by consistent investment management teams, and allocations approved by Investment Committees. Comprehensive policies in place to cover conflicts, best execution and market abuse. 	<ul style="list-style-type: none"> Investment Committees RCC

2.4. Own funds, Concentration risk and Liquidity requirements

Own funds

Under IFPR, the Firm is required to assess the harms posed by its business operations as described in section 2.3, and to quantify the additional capital requirement to cover the material harms based on quantitative K-factors applicable to the Firm as outlined under MIFIDPRU 4.6.

The Own Funds Requirements are driven by the highest of assessments of the K-Factor Requirement (KFR), the Fixed Overheads Requirement (FOR), and the permanent minimum capital requirement. The KFR is calculated based on the sum of each of the nine possible K-factors that apply to the Firm.

Refer to section 5 for further details on the calculation of AIML's own funds requirements.

Concentration risk

AIML's counterparty/credit risk is predominantly in relation to corporate cash balances held, as well as management fee debtors from the funds AIML manages. AIML holds cash in excess of the Financial Services Compensation Scheme limit of £85,000 and trade receivables with multiple institutional clients, therefore the Firm is exposed to counterparty risk. The credit risk is deemed to be a possible material harm and included in the operational risk analysis.

Concentration risk in AIML's corporate cash balances is managed by splitting cash deposits between a number of different financial institutions, with counterparty limits in place for each.

AIML regularly monitors the credit rating of the banks with which it has a relationship and takes action to change banks, if required, to minimise the credit risk. It is the policy of the Firm to deal only with counterparties approved by the Risk Management & Control department, and in accordance with the minimum credit rating requirements under the Firm's approved Trading Counterparty policy. Under this policy, cash deposits are placed with A-rated counterparties at a minimum, and maximum single counterparty exposure limit of 30%. Changes in the thresholds for exposure to any single bank issuer or group of connected bank issuers are approved by the Chief Executive, Finance Director and the Head of Risk Management and Control.

Credit risk is managed within this context and to within acceptable parameters.

Liquidity risk

AIML's exposure is primarily driven by day-to-day operational cash flows linked to actual revenues received from funds managed, predominantly in USD currency. Increased liquidity risk could be driven by a decrease in revenues, increase in expenses or a reduction in cash balances due to unfavourable foreign exchange rates. AIML has exposure to non-sterling denominated revenues and expenses and is also subject to foreign exchange movements in the value of its monetary net assets whose functional currency is other than Sterling.

The Group's Corporate FX management framework provides guidance as to the Group's appetite for FX risk and expected operating practices and procedures in managing and monitoring this risk. The Group recognises that it is impossible to completely eliminate this FX risk and seeks to manage it to within acceptable parameters. The Group's tolerance to FX risk is covered as part of the FX hedging policy approved by the Ashmore Board.

Liquidity risk also arises where investments in illiquid instruments prevent efficient investment exit strategies being adopted, especially in a downturn situation, and on the firm's cash and cash equivalents and other assets. AIML currently does not have any seed capital or debt on its balance sheet, and cash deposits are placed in highly liquid money market instruments.

The Firm's regulatory liquid assets requirements and its monitoring process are discussed in section 5.

3. Governance arrangements

3.1. Governance framework

The Firm's corporate governance structure operates within the Ashmore corporate governance framework, covering its business model, strategy, risk management and related processes and internal controls. AIML's governance framework comprises the Board and Ashmore committees with responsibility for AIML.

The Firm has its own investment committees and is supported by the Group's governance and operational framework including the Group's various committees. General support services, such as legal, human resources and finance, are provided by Ashmore to AIML under a service agreement. As such, AIML's governance structure includes the principal committees of the Group.

Senior Managers and Certification Regime

The Firm has implemented the FCA's Senior Managers and Certification Regime (SMCR). This has included identifying the Senior Manager Functions ("SMFs") and describing the assigned oversight and accountabilities of each role. The SMF roles are approved by the FCA.

All senior management personnel undergo thorough selection and pre-employment screening prior to commencing their roles. All employees are required to complete regular declarations, attesting to their ongoing compliance with regulatory and company requirements. All employees are subject to an annual appraisal process.

Board of Directors

The Board is the governing body of the Firm and ultimately responsible for providing oversight and management of the Firm in accordance with current strategic plans and objectives.

The Board consists of two Executive Directors. The Board has delegated its responsibility for the management of AIML to the Group Chief Executive Officer ("Group CEO"), who is responsible for managing the business as well as the following:

- Leading the business towards achievement of the strategy
- Chair of the investment committees
- Making business decisions (within the framework of the Board's delegated authorities)
- Developing an effective relationship with the Ashmore Chairman and other Board members
- Maintaining an effective dialogue with Ashmore shareholders and stakeholders

The Group CEO is supported by the senior management team. The senior managers conduct their roles in line with their SMF assigned responsibilities.

In addition, the Ashmore Chair of the Audit and Risk Committee and Chair of the Remuneration Committee are SMFs for AIML (with SMF10 and SMF11; and SMF12 roles, respectively).

The Board has adopted policies and procedures that prevent and manage any potential and actual conflicts between the Firm and the interests of its clients, should they arise in the course of their individual appointments and responsibilities as members of the management body.

FCA Senior Management Arrangements, Systems and Controls Semi-Annual Assessment

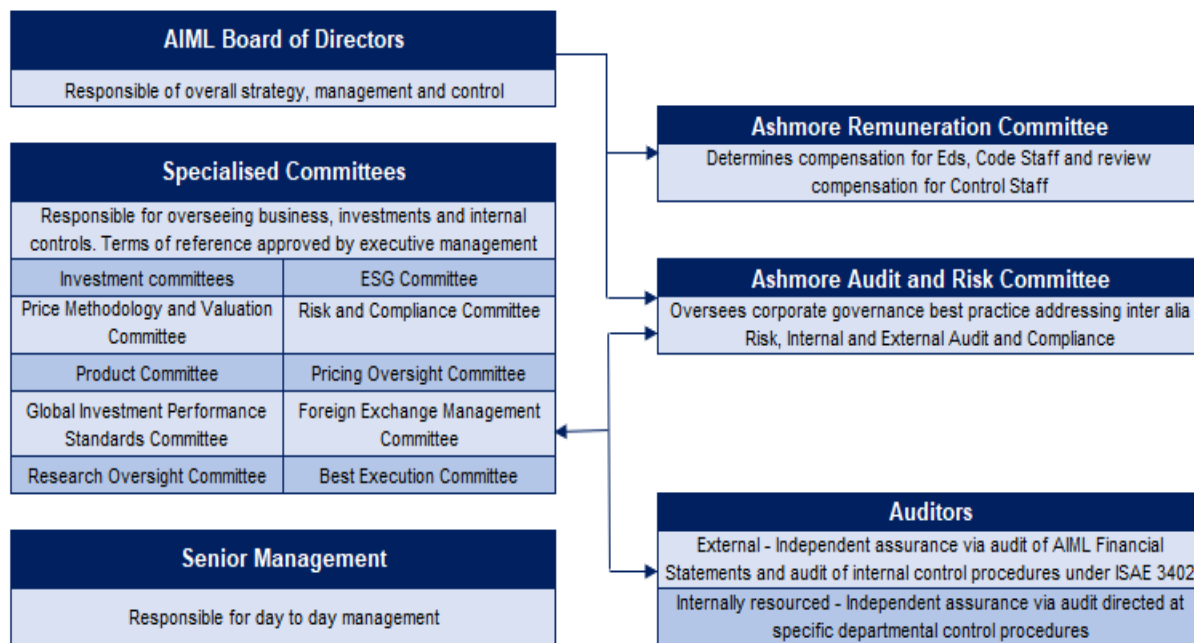
AIML carries out a semi-annual assessment in connection with Senior Management Arrangements, Systems and Controls (SYSC 4.3.1R) to ensure the directors and senior managers are giving adequate consideration to the Firm's business objectives, systems and controls, and in doing so, confirms the Firm meets the requirements of the SYSC Rules, and applies sound business practice in line with the Risk and Control Guidance.

The assessment, which is reviewed by the Board, seeks to confirm that AIML is adequately resourced and organised given the nature and size of its business, that the key functions within the Firm can co-operate closely yet operate independently, can share and co-ordinate responsibilities for the control of risks, and that control and compliance weaknesses can be identified and dealt with effectively.

3.2. AIML Board Committees

AIML is categorised as a non-SNI MIFIDPRU investment firm which meets the conditions outlined in MIFIDPRU 7.1.4R and MIFIDPRU 7.3, and therefore is not required to establish its own Risk, Remuneration and Nomination Committees. However, the Ashmore Board and certain specialised committees are part of the governance and risk framework of the Group and therefore the operating activities of AIML.

Below are the relevant committees for AIML and their key responsibilities.



The purpose of the committees with their respective scopes of duties and responsibilities are formalised in the Committees' Charters.

Ashmore Audit and Risk Committee ("ARC")

The ARC is a sub-committee of the Ashmore Board. The objective of the ARC is to provide effective governance over the appropriateness of financial reporting of Ashmore and AIML, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor and oversight over the Firm's systems of internal control, business risks and compliance activities. The ARC typically has four meetings a year.

Ashmore Remuneration Committee ("RemCo")

The RemCo is a sub-committee of the Ashmore Board. The objective of the RemCo is to assess and recommend for shareholder approval the Remuneration Policy and to determine remuneration for executive directors and individuals categorised as code or identified staff under the FCA's remuneration codes, including the senior officers in the control functions overseeing AIML. The RemCo typically meets five times a year.

Specialised Committees

In addition to the AIML Board and its senior managers, the governance framework provides control and assurance via certain specialised committees. These committees have members who are SMFs and have sufficient oversight over decisions that may impact AIML's business activities.

3.3. Directorships

The following information relates to the appointments of directors including any directorships held at external organisations. Directorships held within Ashmore Group companies are counted as a single directorship and external directorships in non-commercial organisations are disregarded.

As at 30 June 2023, none of the Directors held external directorships in commercial organisations (30 June 2022: none).

The members of the AIML Board are FCA approved Senior Managers. Their suitability, experience, knowledge and skills are assessed at least annually where they are reconsidered as fit, proper and competent to fulfil their roles.

Table 1: Directorships held by the AIML Board members at 30 June 2023

Name	SMF Function/Role	Background	Number of Group and external directorships held
Mark Coombs	SMF1 Chief Executive Officer SMF3 Executive Director	Appointed to the Board: December 1998 Mark Coombs founded the business which became Ashmore in 1992 and has overseen its successful growth for nearly 30 years.	1
Thomas Shippey	SMF2 Chief Finance Officer SMF3 Executive Director SMF24 Chief Operations Officer	Appointed to the Board: November 2013 Tom Shippey is a chartered accountant with extensive experience in investment management, mergers and acquisitions, capital raising and financial and regulatory reporting.	1

3.4. Diversity and inclusion

In order to execute its strategy, AIML needs to continue to attract, to develop and to retain a diverse workforce. Ashmore is an organisation that spans multiple cultures and ethnicities, and understands the importance of improving its gender and ethnic diversity.

Ashmore's policy on diversity and targets are disclosed in the latest Annual Report published on the Ashmore website: <https://ir.ashmoregroup.com>

4. Own funds

4.1. Composition of regulatory own funds

The own funds of a firm are the sum of its common equity tier 1 capital (“CET1”), additional tier 1 capital and tier 2 capital. AIML’s own funds comprise CET1 capital only, which consists of fully issued ordinary shares that satisfy the criteria for CET1 instruments under MIFIDPRU 3.3, and its audited reserves.

As at 30 June 2023, AIML complied with the relevant regulatory capital requirements as set out under IFPR.

Table 2: Composition of regulatory own funds

No	Item	Amount £'000	Source based on the balance sheet in the audited financial statements
1	OWN FUNDS	31,415	
2	TIER 1 CAPITAL	31,415	
3	COMMON EQUITY TIER 1 CAPITAL	31,415	
4	Fully paid up capital instruments	35,000	Page 12 and Note 16
5	Share premium	–	
6	Retained earnings	41,142	Page 12
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	(41,042)	see footnote below
10	Other funds	–	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(3,685)	Note 12 and 13
19	CET1: Other capital elements, deductions, and adjustments	–	
20	ADDITIONAL TIER 1 CAPITAL	–	
21	Fully paid up, directly issued capital instruments	–	
22	Share premium	–	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	–	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	–	
25	TIER 2 CAPITAL	–	
26	Fully paid up, directly issued capital instruments	–	
27	Share premium	–	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	–	
29	Tier 2: Other capital elements, deductions and adjustments	–	

Note: deduction for final dividend approved by AIML Board post 30 June 2023.

4.2. Reconciliation of own funds to the audited financial statements

The table below shows a reconciliation between own funds and the Firm's balance sheet in the audited financial statements as at 30 June 2023, where the assets and liabilities have been identified by their respective classes.

Table 3: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Amounts in £'000		a	b	c
		Balance sheet as in published /audited financial statements	Under regulatory scope of consolidation	Cross- reference to Table 2
		As at 30 June 2023	As at 30 June 2023	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investment in subsidiaries	1,428		Item 11
2	Investment in associates	2,257		Item 11
3	Trade and other receivables	35,694		
4	Current tax	7,017		
5	Cash and cash equivalents	54,039		
	Total assets	100,435		
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade and other payables	24,293		
	Total liabilities	24,293		
Shareholders' equity				
1	Issued capital	35,000		Item 4
2	Retained earnings	41,142		Item 6
	Total shareholders' equity	76,142		

4.3. Main features of own instruments

The following table shows information on the CET1 instruments issued by AIML.

Table 4: Main features of own instruments issued

Issuer	AIML
Public or private placement	Private
Instrument type	Ordinary share
Regulatory classification	Common Equity Tier 1
Amount recognised in regulatory capital (£'000 as at 30 June 2023)	35,000
Nominal amount of instrument (number of shares)	35,000,000
Issue price (GBP whole number)	£1
Accounting classification	Called up shared capital
Original date of issuance	3 April 1997: 2 shares 1 May 1997: 199,998 shares 28 November 1999: 700,000 shares 18 June 2012: 34,100,000 shares
Perpetual or dated	Perpetual
Coupons/dividends	Discretionary dividends
Existence of a dividend stopper	No
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible
Issuer call subject to prior supervisory approval	No

5. Own funds regulatory requirements

AIML is required to disclose the K-factor requirement and the fixed overheads requirement information regarding its compliance with the own funds requirement (“OFR”) set out in MIFIDPRU 4.3.

In addition, AIML is required to disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule (“OFAR”) in MIFIDPRU 7.4.7R.

5.1. Own funds requirement

AIML as a non-SNI firm, is required to maintain own funds that are at least equal to its OFR as set out under MIFIDPRU 4.3, stipulated as the highest of its:

- (i) Permanent minimum capital requirement (“PMR”) (per MIFIDPRU 4.4);
- (ii) Fixed overheads requirement (“FOR”) (per MIFIDPRU 4.5); and
- (iii) K-factor requirement (“KFR”) (per MIFIDPRU 4.6)

AIML’s OFR as at 30 June 2023 was £8,915,000 as set out below.

Table 5: Own funds requirement assessment – 30 June 2023		Amount £'000
PMR		75
FOR		8,915
KFR (based on K-AUM)		8,915
OFR (highest of PMR, FOR and KFR)		8,915

AIML has complied with its OFR throughout the period.

PMR

This represents AIML’s minimum level of own funds required to operate at all times. AIML’s PMR of £75,000 is determined based on FCA permissions to undertake MiFID investment services and activities in accordance with MIFIDPRU 4.4.4. AIML does not hold client money or assets, or deal on its own account.

FOR

This represents the minimum amount of capital that AIML requires to absorb losses if the Firm has any cause to wind down its operations. FOR is calculated as one quarter of the Firm’s relevant expenditure (i.e., fixed overheads) during the preceding year. The fixed overheads are based on AIML’s recent audited financial statements for the year ended 30 June 2023.

KFR

The KFR represents the minimum amount of capital that AIML requires for the ongoing operation of its business. The KFR is based on an assessment of nine quantitative risk factors set out in MIFIDPRU 4.6-16 to capture the harms the Firm could cause to clients, to market access or to the firm itself. AIML does not trade on its own account, nor does it hold client money or assets, accordingly, its K-factor requirement is determined solely based on K-AUM, calculated as 0.02% of average assets under management.

Table 6: K-factor requirement under three categories – 30 June 2023		Amount £'000
Sum of K-AUM, K-CMH and K-ASA		8,915
Sum of K-COH and K-DTF		–
Sum of K-NPR, K-CMG, K-TCD and K-CON		–
KFR (sum of the K-factors)		8,915

5.2. Liquid assets requirement

Under MIFIDPRU 6.2, AIML is required to always maintain an amount of core liquid assets equal to one third of the amount of its fixed overheads requirement. This is the basic liquid assets requirement (“BLAR”).

The BLAR represents the minimum amount of core liquid assets that a firm must hold to initiate its wind-down if required to do so and represents one month’s worth of its fixed overheads. The BLAR is therefore equal to the Firm’s FCA stipulated wind-down trigger (WDT).

Below are the Firm’s BLAR and core liquid assets as at 30 June 2023.

Table 7: BLAR and Core liquid assets – 30 June 2023	Amount £’000
BLAR - 1/3 rd of FOR	2,972
Core liquid assets	43,622

AIML has complied with its BLAR throughout the period.

5.3. Approach to assessing OFAR

Under IFPR, the Firm is required to assess the own funds and liquidity requirements set out in the ICARA process and ensure it complies with the Overall Financial Adequacy Rule (“OFAR”).

The OFAR states that the Firm must at all times hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- (i) the Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- (ii) the Firm’s business can be wound down in an orderly manner, minimising harm to consumers or to other market participants (per MIFIDPRU 7.4.7R).

AIML conducted a review of its ICARA process as of 30 June 2023 which forms part of the Firm’s risk management framework. As part of the ICARA process the AIML Board oversees and assesses the Firm’s:

- business strategy and governance
- risk management framework and review of principal risks
- risk appetite metrics, material harms assessment and mitigants
- internal assessment of own funds adequacy
- internal assessment of liquidity adequacy
- overall financial adequacy rule and statement
- forecasts, stress testing and recovery planning and actions
- wind-down plan (“WDP”)

The outcome of the ICARA is formally approved by the AIML Board at least annually, with more frequent reviews if there is a fundamental change to the business or the operating environment.

The OFAR is assessed by ensuring the Firm complies with a combination of (i) the own funds threshold requirement (“OFTR”) and (ii) the liquid assets threshold requirement (“LATR”). As part of the ICARA process, AIML determines the adequacy of its financial resources through performing an internal assessment of its capital and liquid assets that are required to meet both the OFTR and LATR. Compliance with these thresholds ensures the Firm can remain viable, addressing any potential harms from ongoing operations and can wind-down in an orderly way.

AIML identifies and measures the risk of harm posed by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down. Where the harms are not adequately mitigated through existing systems and controls or are driven by activities not covered by the K-factor requirement, AIML assesses whether additional own funds and/or liquid assets are required.

The above analysis assists AIML Board to determine its internally assessed OFTR and LATR by estimating the appropriate amount of additional own funds (above the FCA stipulated OFR) and liquid assets (above the FCA stipulated BLAR), necessary to cover the residual risks from ongoing operations and to mitigate the risk of a disorderly wind-down.

In addition, the ICARA process includes recovery action planning where AIML Board recommends the appropriate recovery actions to restore own funds and liquid assets to avoid the Firm breaching the threshold requirements and its internally assessed early warning indicators (“EWIs”), that are set higher or equal to the FCA stipulated thresholds. The wind down planning includes setting triggers (for own funds, liquid assets, and profitability), timelines and assessing the cost of a wind down under different scenarios that could cause the Firm to be wound down. AIML includes an estimate of these costs within its assessed OFTR and LATR.

5.4. OFAR compliance

AIML regularly reviews the adequacy of its own funds and liquid assets against the thresholds, ensuring that these remain appropriate to cover funding and liquidity risks in business-as-usual and stressed scenarios, as well as to support an orderly wind-down of the firm. The levels of own funds and liquid assets are regularly monitored against the EWIs, with quarterly reporting of these metrics to senior management.

The ICARA process has concluded that AIML hold own funds and liquid assets that are adequate and comply with the OFAR as of 30 June 2023 and 2022, as summarised in Table 8 below.

Table 8: OFAR assessment

	30 June 2023 £'000	30 June 2022 £'000
Own funds assessment		
Own Funds	31,415	31,578
OFTR	20,850	22,460
Excess	10,565	9,118
% Excess	151%	141%
Liquid assets assessment		
Liquid Assets	54,039	131,110
LATR	19,035	21,339
Excess	35,004	109,771
% Excess	284%	614%

As at 30 June 2023, AIML met its assessed own funds and liquid assets thresholds requirements as follows:

- AIML complies with its PMR of £75,000;
- AIML has excess own funds over its OFTR by 151%; and
- AIML has excess liquid assets over its LATR by 284%.

In the context of the regulatory capital and liquidity requirements, and available own funds and liquid assets, AIML Board is of the view that the Firm holds adequate own funds and liquid assets to mitigate the potential impact of the material harms from on-going activities and and/or to wind down the business in an orderly manner.

6. Remuneration policy and practices

The FCA's remuneration requirements under IFPR are set out in the MIFIDPRU Remuneration Code: SYSC 19G ("the Code"). This remuneration disclosure has been prepared to satisfy the requirements of MIFIDPRU 8.6 Remuneration Policy and Practices. As a non-SNI, non-significant firm AIML is required to apply the basic and standard remuneration requirements of the MIFIDPRU Remuneration Code.

6.1. Remuneration Committee

AIML meets the conditions outlined in MIFIDPRU 7.1.4R and MIFIDPRU 7.3, and therefore is not required to establish its own Risk, Remuneration and Nomination Committees. However, the Ashmore Board and certain specialised committees are part of the governance and risk framework of the Group and therefore the operating activities of AIML.

The RemCo is authorised by the Ashmore Board to determine and agree the framework for the remuneration of the Firm's Chair, the Executive Directors, the Operating Committee and employees categorised as Material Risk Takers ("MRTs").

The RemCo is also responsible for reviewing the remuneration of the Group's workforce (and any related policies) including how executive remuneration aligns with that of the workforce and how workforce incentives support the culture of the Group.

The RemCo ensures that remuneration policies and practices for all staff are transparent, avoid complexity, support strategy and promote long-term sustainable success, whilst being compatible with the Company's risk policies and systems and the interests of clients, taking into account the long-term interests of shareholders, investors and other stakeholders in the Company, and subject to shareholder approval as appropriate.

The full terms of reference for the RemCo are available on Ashmore's website: <https://ir.ashmoregroup.com/corporate-governance>.

The RemCo is comprised of five independent Non-Executive Directors and held seven meetings during the financial year ended 30 June 2023. The RemCo retains independent consultants to provide advice on specific matters. Advisers are selected on the basis of their expertise in the area and with a view to ensuring independence from other advisers to the Group. Details of external advice provided to the RemCo during the year to 30 June 2023 is noted on page 107 of the Ashmore 2023 Annual Report published on the Ashmore website: <https://ir.ashmoregroup.com>.

6.2. Remuneration policy and principles

Ashmore's MIFIDPRU Remuneration Policy applies to all Ashmore Group plc employees who provide services to AIML and supports the delivery of AIML's business objectives and corporate values, including prudent risk management, by offering a comprehensive reward package to attract, retain and motivate the key talent needed to achieve these outcomes, whilst also building and maintaining alignment between employees, clients and shareholders. The Policy is reviewed annually by the RemCo and is circulated to Heads of Legal and Transaction Management, Risk, Compliance and Internal Audit once approved by the RemCo on an annual basis. Their review is to examine the policies' adherence to the relevant regulations and to ensure the Policy accurately represents the operations of the Firm's business and its culture and practices.

Ashmore's remuneration principles are detailed on pages 81 and 94 of the Ashmore 2023 Annual Report published on the Ashmore website <https://ir.ashmoregroup.com>, and are:

- **Alignment with stakeholders**

Base salaries are capped and set at the lower end of market levels to ensure fixed costs are tightly controlled. A significant portion of remuneration is delivered in Ashmore shares deferred over five years. Alignment with the Group's financial performance is critical, with the RemCo balancing the total spend on remuneration with Ashmore's financial performance, which determines a significant proportion of the variable remuneration outcomes.

- **Discretion and flexibility**

Variable remuneration is not formulaic or capped at an individual level, albeit there has been a cap at an aggregate level, and as such the RemCo has discretion to ensure that awards reflect business and individual performance, thus the behavioural risk arising from target-based incentive plans is not present. Malus and clawback may be applied by the RemCo to all elements of variable remuneration. The RemCo is able to apply an ex-ante risk adjustment to the bonus pool to reflect any concerns arising.

- **Consistency across the Group**

The clear and simple Remuneration approach applies to all AIML employees, including Executive Directors and Material Risk Takers, which is a material factor in defining and shaping both the Remuneration Policy and Ashmore's culture.

- **Pay for long-term performance**

The RemCo considers the performance of Executive Directors and Material Risk Takers over the long term, taking account of progress over a multi-year period, annual performance in the context of the business and progress made towards both its strategic objectives and its KPIs. An element of variable pay is measured over a five-year period.

6.3. Components of remuneration and ex-ante risk adjustment

Ashmore operates a total compensation approach which comprises fixed and variable remuneration:

- Fixed remuneration includes base salary and other local employee benefits, including employer pension contributions.
- Discretionary variable remuneration consists of both cash and deferred elements, with long-term performance conditions applying to a portion of the deferred awards for the Executive Directors. Deferred elements are typically delivered in Ashmore Group plc shares.

The remuneration framework places an emphasis on variable remuneration with performance measures linked to Ashmore's strategy and long-term alignment through delivering a high percentage of the variable remuneration in equity. The remuneration framework has supported the Group's strategy well, providing cost flexibility in a cyclical business and creating an equity ownership culture that retains highly motivated staff, delivering investment performance for clients and incentivising value creation for shareholders across market cycles.

Variable pay for Executive Directors and MRTs is subject to a maximum variable to fixed ratio but, consistent with all other employees, is otherwise uncapped at an individual level. Each year the RemCo will determine the appropriate percentage of operating profit, defined as earnings before the deduction of variable compensation, interest charges and taxation ("EBVCIT"), from the performance / financial year in question which will be utilised to fund the annual variable remuneration pool for all employees.

The RemCo determines the variable remuneration pool based on a balanced scorecard of factors at the Group level and applies discretion rather than a formulaic approach in order to deliver outcomes which reflect the best value delivered for shareholders. Factors considered include:

- Group financial performance.
- Absolute and relative investment performance for each investment theme over one, three and five years.
- Movement in assets under management.
- Cost management.
- Environmental, social and governance matters.
- Employee turnover, retention of key employees, recruitment and succession planning.
- Culture and Conduct Risk indicators.
- Input from the Group Head of Compliance and the Head of Risk Management and Control regarding organisational and individual performance in these areas over the year.

An individual's total variable compensation is determined by the profitability of the Firm, reference to individual performance against agreed criteria and an assessment of a range of non-financial measures including in relation to compliance, risk, culture and conduct matters and the external market. Performance criteria are established appropriate to individual business units and roles, to include such measures as investment performance, growth in AuM, cost management and profitability where appropriate and other key areas of individual performance including adherence to the Firm's risk management, compliance, conflicts of interest procedures, culture, and other key areas of individual performance.

Variable remuneration is delivered in a combination of cash and deferred share awards, with long-term performance conditions applying to a portion of the deferred awards for Executive Directors.

- For the Executive Directors from FY2024, at least seventy percent of the award will normally be delivered as restricted shares which cliff vest after a period of five years (which includes the retention period). In addition, Executive Directors may receive an LTIP award. These awards are delivered in shares subject to performance conditions, which are assessed over a five-year performance period.
- For all other participants, the cash bonus typically comprises 60% of the award. 40% is deferred into shares which vest after five years. Participants may voluntarily commute up to half of the remaining cash bonus in return for a restricted share award. Such award is eligible for a matching award. All deferred awards cliff vest at the end of five years (which includes the retention period).

This approach ensures clear alignment of employees with clients and shareholders over the long term.

6.4. Material risk takers and ex-post risk adjustment

Ashmore's MRTs are determined by reference to the qualitative criteria set out in SYSC 19G.5.3R, SYSC 19G.5.4G, SYSC 19G.5.5G and SYSC 19G.5.6G, including the senior officers in the control functions overseeing AML, the Company Secretary of the Ashmore Board and such other members of the executive management as it is designated to consider under that policy, who between them encompass the entire group of staff whose professional activities have a material impact on the risk profile of the Firm and assets that the Firm manages.

Under the Firm's Malus and Clawback Policy, the RemCo has the discretion to apply malus and clawback provisions to all elements of variable remuneration including to unvested equity awards made in prior periods to employees, including to MRTs. The RemCo may choose to exercise this discretion for a number of reasons, examples of which are detailed on page 89 of the Ashmore 2023 Annual Report published on the Ashmore website <https://ir.ashmoregroup.com>.

6.5. Guaranteed variable remuneration and termination payments

Guaranteed variable remuneration for new MRTs may only be awarded in respect of the first year of service and subject to the strength of the Firm's capital base and will require the prior approval of the RemCo. Guarantees are captured by the ratio between fixed and variable remuneration compensation and are subject to malus and clawback provisions. In practice, guaranteed variable remuneration awards are made very infrequently and only where there is a strong commercial rationale.

Termination payments are determined taking into account local regulations, statutory requirements and contractual obligations, ensuring that any payments do not reward underperformance or misconduct. In determining the amount of a severance payment, criteria include, but are not limited to the reasons for the early cessation of employment, the length of an employee's service with Ashmore and the potential costs of legal fees and settlement costs.

6.6. Quantitative disclosure

The table below details remuneration for MRTs as defined under the Code and all Ashmore Group plc staff providing services to AIML during 2023.

	MRTs	Non MRTs	Total
Number of staff	20	115	135
Fixed remuneration (Note 1) £m	2.1	10.3	12.4
Variable remuneration (Note 2) £m	13.0	15.3	28.3
Total Remuneration	15.1	25.6	40.7

Note 1: Salary, pension and benefits relating to FY2023.

Note 2: Bonus payments and long-term incentives awarded for FY2023.

No guaranteed variable remuneration awards or severance payments were made to MRTs during the period.