Ashmore Group plc

Pillar 3 disclosures as at 30 June 2021

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1. Overview

The purpose of this document is to provide the Pillar 3 disclosures for Ashmore Group plc (hereafter, Ashmore, the Group). The disclosures on risk management and capital resources are as at the Group's most recent financial year end, 30 June 2021.

The disclosures include the principal Financial Conduct Authority (FCA) regulated entities, Ashmore Investment Management Limited (AIML) and Ashmore Investment Advisors Limited (AIAL), which are both limited licence BIPRU €50k firms.

Ashmore is supervised on a consolidated basis in the United Kingdom by the FCA. The method of consolidation used for prudential purposes is the same as that used for the Group's consolidated financial statements. The disclosures included in this document relate to the Group.

1.1. Basis of disclosures

The Group benefits from the FCA Capital Requirements Regulation derogation allowing it to carry forward the CRD III rules as at 31 December 2013 and as such, the following disclosures are in accordance with the requirements of Chapter 11 of the prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU). The disclosures cover both the qualitative and quantitative requirements.

The Group, as a limited licence BPRU €50k firm, is obliged to meet the requirements of the Basel capital adequacy framework, which consists of three pillars:

- Pillar 1 sets out the prescribed, rule-based minimum capital requirement, being the higher of i) the sum of the market and credit risk requirements, and ii) the fixed overhead requirement;
- Pillar 2 requires a firm to make an assessment of its capital requirements; and
- Pillar 3 complements Pillars 1 and 2, and requires a firm to disclose details of its risks, risk management processes and capital position.

1.2. Frequency of disclosures

The Group has an accounting reference date of 30 June and in accordance with BIPRU 11.3.8, publishes its disclosures as soon as practicable after publication of the Annual Report and Accounts and, if appropriate, more frequently.

1.3. Media and location of disclosures

These Pillar 3 disclosures are published on the Group's website: ir.ashmoregroup.com/reports-presentations.

1.4. Regulatory Developments

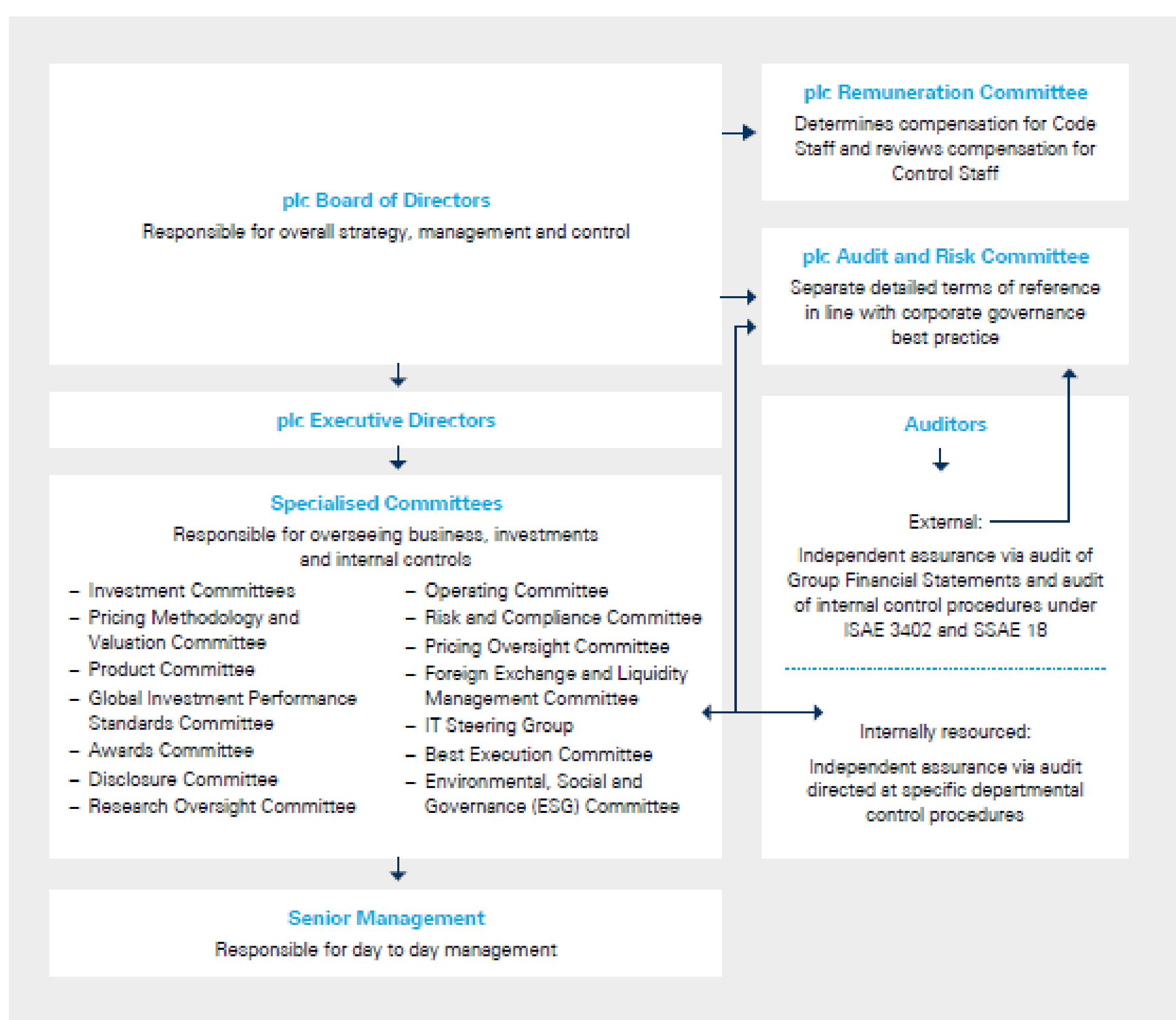
The FCA are introducing the Investment Firms Prudential Regime (IFPR), a new prudential regime for UK investment firms, effective January 2022. The FCA have issued two policy statements in relation to the implementation of these rules with the final policy statement expected in 2021 Q4. An initial assessment has been performed on how this will affect our regulatory capital requirements, with the expectation that the Pillar I requirement will be driven by the Fixed Overhead Requirement rather than the K-factor requirement.

2. Corporate governance and risk management

In accordance with the principles of the UK Corporate Governance Code, the Ashmore Group plc Board (hereafter, the Board) is ultimately responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. Such systems and their review are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

2.1. Governance framework

Ashmore is exposed to a variety of risks as a consequence of its business activities. The Board has ultimate responsibility for the Group's risk management strategy and determines the Group's risk appetite and tolerance levels within which the business can operate. Active and effective management of the emerging and principal risks within the business model is critical to the successful performance of the business. The Board has set out a corporate governance framework through which it aims to maintain full and effective control over appropriate strategic, financial, operational and compliance risks. Within this, an internal control framework allows the Group to assess the effectiveness of its risk management and internal control systems.



The Group's system of internal control is integrated with 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 internal control framework provides a process for identifying, evaluating and managing the Group's emerging and principal risks. The process is reviewed regularly by the Group's Audit and Risk Committee (ARC).

2.2. Risk management framework

Ashmore's risk management framework 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.

Three lines of defence

The risk management framework operates using a 'three lines of defence' model, ensuring that ownership and accountability for identifying, monitoring and mitigating risk remains with each department head with independent oversight by key control functions forming an additional layer of control.

- The first line is risk ownership and rests with the various business departments, who are responsible for the operation of their processes and for upholding a robust control environment at all times.
- The second line is risk control and is provided by the Risk management and Compliance functions, which independently and actively monitor the effectiveness of the control environment in order to flag to senior management where it may not be operating as expected.
- The third line is independent assurance represented by the Group's Internal Audit function, which operates under an independent mandate and provides assurance to senior management, the Board and the ARC over agreed risk management, internal control and governance processes as well as recommendations to improve the effectiveness of these processes.

Risk management policies

Ashmore has core values and policies that together comprise the Group's high-level principles and controls, with which all staff are expected to comply. These policies are documented clearly within manuals of policies and procedures that are applicable to all business units and address the key risk categories described on page 8 of this document. Procedures are in place for reporting weaknesses and for monitoring corrective action. Equally, the Group upholds a code of business conduct with procedures for reporting compliance therewith and has in place a defined operational framework and organisational structure with appropriate delegation of authority and segregation of duties with accountability that has regard to acceptable levels of risk.

Risk management processes

The key processes within the risk management framework include:

- a planning framework that incorporates a Board approved strategy, with objectives;
- the FCA's Senior Managers and Certification Regime, which requires allocation of specific responsibilities to individuals and the documentation of this through a management responsibilities map and the job descriptions of the individuals;
- a risk appetite framework developed by engaging key stakeholders at the functional, business and executive levels of the organisation and accordingly, the Group's risk appetite statement (and its associated components) is regularly reviewed and updated in line with the evolving strategy, business model, financial capacity, business opportunities, regulatory constraints and other internal and external factors;
- a Risk and Compliance Committee (RCC), which is responsible for internal control and for assessing the impact of Ashmore's ongoing activities on the firm's regulatory and operational exposures;
- a matrix of principal and emerging risks identifies key strategic and business, client, treasury, investment and operational risks, and considers the likelihood of those risks crystallising and the resultant impact. The inherent risk within each business activity is identified, with the adequacy and mitigating effect of existing processes being assessed to determine a current residual risk level for each such activity. On the basis that further mitigants and/or controls may

be employed over time, a target residual risk for each activity after one to two years is defined and progress to target is formally tracked as appropriate;

- key risk indicator (KRI) statistics are reported to and analysed by the RCC. The KRIs indicate trends in the Group's risk profile, assist in the reduction of errors and potential financial losses, and seek to prevent exposure by dealing with a potential risk situation before an event occurs;
- an established Media and Reputation Management Policy focusing on understanding the information that is currently publicly available on the Group, the Board and its senior client facing staff, especially that which could create negative reputational issues;
- the Board reviews and approves an annual budget, which is subject to update through a forecasting process;
- the Operating Committee reviews the Group's financial and operating performance to focus on delivery of the Group's key strategic objectives;
- detailed investment reports are prepared and discussed at each of the sub-committee meetings of the Group's investment committees, which take place weekly, monthly or quarterly depending on investment theme, with follow up actions agreed and implemented within a strict operational framework;
- the Group's Pricing and Oversight Committee (POC) supervises the effectiveness of pricing policies for all investments held in Ashmore sponsored funds where a reliable pricing source is available. This includes the responsibility to ensure that appointed third-party pricing agents carry out the agreed pricing policy faithfully and manage the pricing sources appropriately;
- the Group's Pricing Methodology and Valuation Committee (PMVC) has oversight of the valuation methodologies used for clients' fund investments that cannot be readily externally priced. It meets monthly to review the current valuation methodology for each of these investments and to propose an updated valuation methodology where appropriate;
- the Group Compliance function, whose responsibilities and processes include: ensuring that the Group at all times meets its regulatory obligations; integrated regulatory compliance procedures and best practices within the Group; ongoing compliance monitoring programme covering all the relevant areas of the Group's operations; and identifying any breach of compliance with applicable financial services regulation, which includes real-time investment restrictions monitoring of client mandate requirements. Results of the compliance monitoring programme are reported to the RCC in support of the overall risk management and internal control framework;
- financial controls are maintained to ensure accurate accounting for transactions, appropriate authorisation limits to contain exposures, and reliability of data processing and integrity of information generated;
- the Group's Finance function is responsible for the preparation of the financial statements and is managed by appropriately qualified accountants. Review is undertaken by numerous parties including the Executive Directors and includes challenge by the Board. The Finance function works in conjunction with the Group's auditors and other external advisers to ensure compliance with applicable accounting and reporting standards, prevailing regulations and industry best practice;
- Board members receive monthly management information including accounts and other relevant reports, which highlight actual financial performance against budget/forecast and the prior year period;
- there are well-defined procedures and thresholds governing the appraisal and approval of corporate investments, including seeding of funds and purchase of own shares, with detailed investment and divestment approval procedures, incorporating appropriate levels of authority and regular post-investment reviews;
- oversight and management of the Group's foreign currency cash flows and balance sheet exposures are the responsibility of the Foreign Exchange and Liquidity Management Committee, which determines the appropriate level of hedging, and ensures liquidity requirements are met;
- the Group has secure information and communication systems capable of capturing relevant and up to date information by relevant personnel, with oversight and direction provided by the Group's IT Steering Group, which implements the IT strategy, and establishment and oversight of all IT projects;

- the Product Committee has responsibility for the development of new products, consideration of material changes to existing funds, and the restructuring and closure of funds and products, which forms an important part of the Group's business in responding to clients' needs, changes in the financial markets and treating customers fairly;
- the ESG Committee has oversight of Ashmore's responsible investing framework and focuses on the implementation of all elements of this framework across Ashmore's corporate strategy and investment management activity;
- the Global Investment Performance Standards (GIPS) Committee acts as the primary decision making body within the Group in relation to any changes to the existing set of composites, and approving the creation of new composites; and
- the Research Oversight Committee (ROC) addresses governance, oversight and ongoing reviews of third-party research procured by Ashmore.

Through the ARC, the Board has conducted an annual review and assessment of the effectiveness of the risk management and internal control systems, and has identified no significant failings or weaknesses during this review.

In conducting this review, the Board and/or ARC has considered the periodic reports on compliance and risk matters, including reports provided by the Internal Audit function, and the annual report on risk management and internal control processes from the Group's RCC. These reports were received throughout the year up to the latest practicable date prior to the approval of the Annual Report and Accounts.

The Board is satisfied that appropriate planned actions continue to be effective in improving controls as the Group develops, and its overall assessment of the control framework continues to be satisfactory.

Risk identification

Responsibility for risk identification is shared among senior management personnel, with each such individual being responsible for day-to-day control of risk in their business area. There are established policies and procedures to enable the ARC and ultimately the Board, through its regular meetings, to monitor the effectiveness of the risk management and internal control systems, which cover all principal identified internal and external strategic, operational, financial, compliance and other risks, including the Group's ability to comply with all applicable laws, regulations and clients' requirements.

The ARC and/or Board receive regular risk, compliance and internal audit reports while the Board receives regular financial and other management information for monitoring the Group's business and its performance.

The Executive Directors oversee the key risks and controls and the risk management process on a day-to-day basis, and have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority.

The Group's RCC, which meets monthly, is responsible for maintaining a sound risk management and internal control environment and for assessing the impact of the Group's ongoing activities on its regulatory and operational exposures. The RCC is chaired by the Head of Risk Management and Control, and the other members are the Chief Executive Officer, the Group Finance Director, the Group Head of Compliance, the Group Head of Finance, the Group Head of Middle Office and IT, the Group General Counsel, the Group Head of Distribution, the Head of Internal Audit, and the Group Head of Human Resources.

In accordance with GENPRU 1.2.30, the Group must, at all times, maintain overall financial resources and internal capital, including own funds and liquidity resources that are adequate both as to amount and quality to ensure there is no significant risk that its liabilities cannot be met as they fall due. The process through which Ashmore assesses the amounts, types and distribution of financial resources, own funds and internal capital that it considers adequate to cover the risks to which it is exposed is the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP document for the Group is formally updated at least annually and challenged and adopted by the Board at each point. There are also quarterly reviews performed. As part of the ICAAP, the Group's three-year detailed financial

forecast is subject to severe but plausible scenario-based downside stress-testing, covering the impact of negative investment performance, failure to comply with regulations, breach of client mandate guidelines or restrictions, a substantial decline in AuM, factors relating to the COVID-19 pandemic such as prolonged remote working, and ineffective third-party services. Consequently, the Board regularly assesses the amount of capital that the Group is required to hold to cover its principal and emerging risks, including the amounts required under a range of adverse planning scenarios.

Risk appetite statement (RAS)

The Group's strategy and business model are underpinned by a group-wide risk aware culture, central to which is a governance framework to identify, evaluate and manage the principal risks inherent in the business model.

The RAS describes the types and levels of risk that the Group is prepared to take in pursuit of its strategic objectives. The Group's three phase strategy, as described on pages 2-3 of the 2021 Annual Report and Accounts, has been in place since 2006 and is designed to deliver long-term growth for clients and shareholders by capitalising on the powerful social, economic and political convergence trends evident across Emerging Markets. The business model employed to achieve the Group's strategic aims is described on pages 4-5 of the 2021 Annual Report and Accounts.

The principles, thresholds and measurement criteria are set by the Board and are regularly reviewed for suitability in the context of the overall risk environment. The Board and ARC receive quantitative reporting on the RAS and the applicable thresholds on a quarterly basis.

The Group defines its risk appetite in the context of the following categories, in accordance with GENPRU 1.2.30:

- Credit / counterparty risk
- Market risk
- Liquidity risk
- Operational risk
- Concentration risk
- Residual risk
- Securitisation risk
- Business risk
- Interest rate risk (including in the non-trading book)
- Pension obligation risk
- Group risk
- Reputational risk
- Insurance risk

For each of the risks identified per category, the RAS includes a full description of the risk, the main sources of the risk, the level of risk the Group is prepared to accept in pursuit of its strategic objectives as well as details of how this risk is monitored and reported against pre-approved thresholds. The level of risk the Group is prepared to accept is in the form of a qualitative statement of the Group's risk appetite, defined as:

- High: the Group actively seeks the risk in order to achieve its strategic goals and manages the risk within an appropriate control framework;
- Medium: the Group accepts the risk as it is necessary, but it is supported with the appropriate control activities; or
- Low: the Group actively seeks to avoid the risk, other than as incurred through the normal course of business. Control activities are implemented to minimise any risk that is accepted through the normal course of business.

3. Risk categories

In accordance with BIPRU Chapter 11, the Group must disclose its risk management objectives and policies for each separate category of risk, including those referred to under BIPRU 11.5.1R to BIPRU 11.5.17R. Consequently, those key risks, the Group's appetite for each and the monitoring and mitigation of those risks are set out below for each category that Ashmore considers as part of its risk appetite statement.

3.1. Credit / counterparty risk

The risk of loss due to an obligor's non-payment of an outstanding debt, loan or other line of credit, either the principal or interest (coupon) or both.

The Group's credit / counterparty risk is primarily in relation to:

- cash deposits and mark-to-market exposure in relation to foreign exchange (FX) forward contracts used for hedging purposes;
- management fee debtors and accrued fee income in relation to clients' assets managed by Ashmore and its affiliates; and
- seed capital investments into funds managed by Ashmore to provide initial scale and to facilitate marketing of the funds to third-party investors.

The Group assesses the credit risk capital requirement using the standardised approach under Pillar 1. Risk weightings of 50% and 150% have been applied to liquid and illiquid seed capital investments, respectively, and the assessment includes a capital requirement for the IFRS 16 lease right of use asset.

The Group's credit risk requirement under Pillar 1 is £27.3 million (30 June 2020: £25.6 million).

In accordance with BIPRU 11.5.8 (3) disclosure requirements, the Group's risk weighted exposures and own funds requirement at 30 June 2021 are as follows:

£m	<3 months	3 months – 1 year	1 – 5 years	>5 years	**Total risk weighted assets**	**8% own funds requirement**
Collective investment undertakings	109.4	32.1	50.5	34.2	**226.2**	**18.1**
Institutions	108.0	-	7.0	-	**115.0**	**9.2**
Total	217.4	32.1	57.5	34.2	**341.2**	**27.3**

£m	UK	Continental Europe	US	Rest of world	**Total risk weighted assets**
Collective investment undertakings	68.1	67.1	35.3	55.7	**226.2**
Institutions	93.8	10.2	2.7	8.3	**115.0**
Total	161.9	77.3	38.0	64.0	**341.2**

3.2. Market risk

The risk that the value of an investment will decrease due to movements in market factors such as changes in interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness. There are no trading book exposures held on the Group's balance sheet.

The market risk factors considered by the Group are: equity risk, credit spread risk, interest rate risk and foreign exchange risk.

- Equity and credit spread risks

  The Group's equity and credit spread exposures primarily relate to its seed capital investments. The Group's tolerance for these risks is covered by the seed capital thresholds approved by the Board and monitored and reported on to the Board by the Finance department on a monthly basis.

- Interest rate risk

  The Group's interest rate exposure is limited as it does not have any borrowings and cash holdings are typically in overnight or short-term deposits, or in ALF (Ashmore's daily dealing liquidity fund used for cash management).

- Foreign exchange risk

  The primary FX risks arise as a result of the majority of management and performance fee revenues being USD-denominated and having a proportion of the Group's balance sheet denominated in USD, while the Group's functional currency is GBP.

  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. In respect of the Group's exposure to non-sterling denominated income and expenses, the Group has a Board-approved policy to hedge a proportion of its expected net management fee revenues. The Group is also subject to foreign exchange movements in the value of its monetary net assets whose functional currency is other than Sterling.

The Group calculates its Pillar 1 market risk requirement based on the standardised approach. In respect of the Group's balance sheet risk relating to seed capital investments and currency exposures other than in GBP, the associated FX risk has been incorporated within the market risk requirement to facilitate an aggregated view.

The Group's market risk requirement under Pillar 1 is £60.4 million (30 June 2020: £61.8 million).

3.3. Liquidity risk

The risk that the Group either does not have available sufficient resources to enable it to meet its obligations as they fall due or can only secure resources at excessive cost. The Group's liquidity risk primarily arises where investments in illiquid instruments prevent efficient exit strategies being adopted, especially in a downturn situation, for the Group's cash and cash equivalents, seed capital and other assets. The Group currently does not have any debt on its balance sheet.

The group's liquidity risk management framework is set out in a policy document that is authorised by the Board. The Group prepares regular cash-flow forecasts, and matches the maturity profile of the Group's cash, cash equivalents and other assets and liabilities on a conservative basis. The overall liquidity adequacy rule (BIPRU 12.2.1R) requires Ashmore at all times to maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The Board has established the following tolerances for the Group:

- sufficient cash and cash equivalents (including the Ashmore liquidity funds) will be held to meet, under stressed scenarios, all liabilities as they fall due and the Group's budgeted operational expenditure for a period of six months and rent for an additional 12 months; and
- surplus cash will be held in Ashmore liquidity funds and other highly liquid deposits and money market instruments with a diversity of banks and with a range of maturities, individually not exceeding 12 months.

For a number of commercial reasons, the Group has historically held significant cash balances and has no requirement to raise debt to fund operating capital requirements.

The Group's cash balances are invested within a strict framework which emphasises capital preservation, security, liquidity and counterparty risk. Cash is only invested in approved institutions. Typically, during the financial year, investments have been in short-term cash deposits and SICAV liquidity funds.

The Group's goodwill and intangibles are deducted in full when calculating the available capital resources and the liquidity risk of seed capital investments has been fully captured within the market and credit / counterparty risk requirements at 30 June 2021.

3.4. Operational risk

The risk of loss from inadequate or failed internal processes, behaviours and failures in relation to the people and systems or from external events, and includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated or overseen by the firm. The risk also includes any behaviours, practices or processes that could lead to client detriment and/or undermine market integrity.

The Group recognises there are operational risks in relation to execution delivery and process management; clients and products; regulatory and business practices; financial crime (internal and external fraud); business disruption and system failures; employment practices and workplace safety; damage to physical assets; and general conduct. Given the nature of the Group's operations, the Group has specifically identified areas or activities that could place a strain on the Group, including:

- opening or closing funds;
- operating errors;
- attracting or retaining clients;
- employee retention and development;
- manager non-performance or neglect of duty; and
- compliance with global and local regulatory requirements including conflicts of interest, treating clients fairly, Client Assets and Money (CASS) and other related conduct risks.

The Group's principal risk matrix highlights and monitors the principal risks of the Group and its evolution reflects changes in the Group's strategy and business profile and the corresponding impact on internal controls and related processes. The Group's operational risks are formally reviewed as part of the quarterly principal and emerging risk review and reported to the ARC as part of the Head of Risk Management and Control's report at each ARC meeting.

The Group calculates an operational risk capital requirement as part of the Pillar 2 assessment by adopting a scenario-based approach using subject matter experts across the business to derive the severe, yet plausible loss events attributable to certain principal risks. These scenario analyses are subject to challenge by independent third-party experts. The Group uses an aggregation methodology to calculate the operational risk requirement, in the light of the fact that the most severe scenario would be that all of the risk events materialise at the same time.

3.5. Concentration risk

The risk that the Group faces either singularly or in combination:

- counterparty concentration from holding large exposures with individual counterparties; or
- sectoral concentration arising from sectoral or geographic exposures across counterparties.

The Group's credit / counterparty policy ensures concentration risk arising from exposures to any single bank is within pre-agreed thresholds. These exposures are typically short-dated and are only with counterparties approved in accordance with the Group's counterparty policy and Board-approved thresholds.

The Finance department monitors and reviews exposures to financial institutions and/or liquidity funds on a monthly basis, and these exposures are included in the Risk Management & Control (RMC) department's quarterly counterparty review to the Group's RCC. The Finance department also monitors and reviews the Group's exposure to management fee debtors and accrued fee income and provides a monthly report to the RCC.

3.6. Residual risk

The risk that techniques, i.e. hedges, used by the firm for the management of credit and market risk prove less effective than expected. The Group does not currently use credit default swaps to mitigate credit risk on the balance sheet. The Group uses financial hedges where appropriate, for example FX derivatives, to mitigate FX risk.

Given the nature of this risk, the Group has not set a specific risk appetite in relation to residual risk. The Group's FX exposure and financial hedges are monitored by the Finance department and assessed by the Foreign Exchange and Liquidity Management Committee at each meeting. The Finance department also reports FX exposure and financial hedges to the RCC as part of its monthly reporting of KRIs.

There is no Board approved threshold for residual risk and no regulatory capital requirement is considered necessary at this time.

3.7. Securitisation risk

The risk that the own funds held by a firm for assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

The Group is not exposed to securitisation risk and accordingly the Group has assessed that no capital requirement is necessary.

3.8. Business risk

The Group has identified the risk that the medium and long-term profitability and/or reputation of the Group could be adversely affected by the quality of investment performance delivered by its investment processes, as well as the failure either to identify and implement the correct strategy, or to react appropriately to changes in the business environment.

In addition, this covers the risk to a firm arising from changes in its business and remuneration policy, including the acute risk to earnings posed by falling or volatile income; the effectiveness of the firm's marketing strategy; the broader risk of a firm's business model or strategy proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors; the risk that a firm may not be able to carry out its business plan and desired strategy; as well as the firm's exposure to potential reputational risk.

The Group assesses its underlying operating profitability through the adjusted EBITDA margin, which measures operating profit (excluding depreciation and amortisation, FX translation and seed capital gains and losses) against net revenues. This margin is reported monthly in the Group's management accounts and also externally in the Group's Interim Report and Annual Report and Accounts. No regulatory capital charge is specifically required against this measure.

3.9. Interest rate risk (in non-trading book)

The risk that a movement in interest rates will affect the Group's profitability. The Group's balance sheet is not leveraged and cash balances are held on overnight or short-term deposit. Given this and the historically low level of interest rates at present, the Group has assessed that no capital requirement is necessary.

3.10. Pension obligation risk

The risk to a firm caused by its contractual or other liabilities to, or with respect to, a pension scheme, whether established for its employees or those of a related company or otherwise. It also includes the risk that the firm will make payments or other contributions to, or with respect to, a pension scheme because of a moral obligation or because the firm considers that it needs to do so for some other reason.

Ashmore does not have a defined benefit pension scheme. Contributions to the defined contribution employee pension scheme are made as the Group’s liability arises. Accordingly, the Group has assessed that no capital requirement is necessary.

3.11. Group risk

The risk that other entities within the Group may adversely affect the financial position of the whole group, for example through reputational contagion. The main sources of risk are in relation to Ashmore's overseas offices and joint ventures.

The Group aims to control and mitigate this risk by ensuring there is sufficient governance and oversight for subsidiaries and joint ventures. Where appropriate, the Group has local investment and risk and compliance committees, and has representation on all local office subsidiary boards as well as joint ventures.

The local offices operate on the Group's global operating model, for which the Group's Operating Committee and the Board receive annual updates.

3.12. Reputational risk

The risk arising from negative perception on the part of clients, counterparties, investors, regulators or other third parties that can adversely affect the Group's ability to maintain existing, or establish new, business relationships. Reputational risk reflects the perception of those third parties. Furthermore, it exists throughout the organisation and exposure to reputational risk is essentially a function of the adequacy of the Group's internal risk management and internal control processes, as well as the manner and efficiency with which senior management responds to external influences.

The Group is exposed to reputational risk from a number of sources including traditional, digital and social media and seeks to identify the risks associated with negative press, inaccurate reporting and potential abuse from both traditional and digital sources which may impact Ashmore's reputation.

The Board has approved a Media & Reputation Management Policy focusing on understanding the information that is publicly available on the Group, including its employees and directors, as well as the funds and individual investments it manages, especially that which could create negative reputational issues. The Group also assesses reputational risk as part of its quarterly principal risk review. No regulatory capital charge is specifically required against this risk.

3.13. Insurance risk

This risk relates to claims on insurance that a firm has made or is in the course of making.

The Group maintains insurance that is considered appropriate against the principal risks inherent in its business as an asset manager, in particular Professional Indemnity, Directors' and Officers' Liability and Fidelity cover together with Commercial Combined Risk and Travel.

In assessing its capital requirements the Group does not assume any benefit from potential insurance claims used to offset losses.

4. Capital resources

Consistent with the Group's financial statements, own funds are prepared in accordance with International Financial Reporting Standards (IFRS) and the basis for consolidation is outlined on page 138 of the 2021 Annual Report and Accounts. No adjustments are made in respect of insurance or other non-financial activities in determining the regulatory consolidation.

4.1. Own funds

£m	30 June 2021	30 June 2020
Permanent share capital	0.1	0.1
Share premium account	15.6	15.6
Profit and loss and other reserves	895.9	840.7
Minority interests	21.1	22.6
Tier 1 capital before regulatory adjustments	**932.7**	**879.0**
Investments in associates	(0.9)	(0.6)
Intangible assets, goodwill and deferred acquisition costs	(81.0)	(90.4)
Foreseeable dividend	(85.7)	(85.5)
Tier 1 capital after deductions	**765.1**	**702.5**

At 30 June 2021, the Group did not have any Tier 2 or Tier 3 capital or any related deductions.

4.2. Capital requirements

It is the Group's policy that all entities within the Group have sufficient capital to meet regulatory and working capital requirements and to keep an appropriate credit standing with counterparties. With this in mind, the Group conducts regular reviews of its capital requirements relative to its capital resources and has maintained an excess at all times during the period.

The Group's minimum regulatory capital requirement under Pillar 1 is the higher of:

- the sum of the credit and market risk capital requirements; and
- the fixed overheads requirement, being one quarter of the firm's relevant fixed expenditure calculated in accordance with GENPRU 2.1.54R.

The Group's Pillar 1 capital requirement is £90.5 million at 30 June 2021 (30 June 2020: £90.6 million).

£m	30 June 2021	30 June 2020	Variance
Credit risk requirement	27.3	25.6	1.7
Market risk requirement	60.4	61.8	(1.4)
Sum of market and credit risk requirements	**87.7**	**87.4**	**0.3**
Fixed overheads requirement	17.8	18.3	(0.5)
Overseas entities capital requirement	2.8	3.2	(0.4)
Pillar 1 capital requirement	**90.5**	**90.6**	**(0.1)**

Ashmore established a CBI regulated entity in Ireland, Ashmore Investment Management (Ireland) Limited, in September 2018.

Under Pillar 2, the Group assesses the risks faced by the business that are not covered by Pillar 1. The additional capital required in respect of these risks is £65.4 million and the Group's total Pillar 2 capital requirement has been assessed to be £155.9 million.

5. Code staff aggregate remuneration

The Ashmore Group plc Remuneration report for the year ending 30 June 2021 includes information required to be disclosed in accordance with the FCA's prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) 11.5.18(1) and (2).

The information below is provided in accordance with BIPRU 11.5.18(6) and (7). A total of 21 individuals were Code Staff during the year ending 30 June 2021 (June 2020: 20). Code Staff are the Group's employees whose professional activities could have a material impact on the Group's risk profile. The list of individuals who are Code Staff includes:

- Directors of Ashmore Group plc;
- staff performing a significant influence function within the Group;
- material risk takers; and
- employees in key control function roles.

Ashmore Group plc considers that it has a single business area (investment management) that is supported by various administrative functions. As required to be disclosed under BIPRU 11.5.18(1), the aggregate remuneration of the 21 Remuneration Code Staff was £19.4 million in the year ended 30 June 2020 (year ended 30 June 2020: £16.9 million) with the aggregate fixed / variable elements split in the ratio 10% / 90%.

Of these 21 Remuneration Code Staff, the aggregate amounts paid to senior management (21 employees) was £19.4 million and to other members of staff (nil employees), £nil.