

## **Ashmore Group plc (the "Company")**

### **Audit and Risk Committee - Terms of Reference**

The Board of the Company (the "Board") resolved to appoint a committee known as the Audit and Risk Committee (the "Committee"). These are the terms of reference for the Committee approved at a Board meeting held on 3 July 2006 (as amended).

#### **Membership**

The Committee shall consist exclusively of not less than three independent non-executive directors appointed by the Board. Each member of the Committee shall be free from any relationship that may interfere with the exercise of his or her judgment as a member of the Committee. At least one member shall have recent and relevant financial experience and preferably a professional accountancy qualification. The Committee as a whole shall have competence relevant to the financial services sector. The chairman of the Board shall not be a member of the Committee.

The chairman of the Committee shall be appointed by the Board but in the absence of the chairman and/or a director appointed as his or her deputy the remaining members present shall elect one of themselves to chair the meeting. The members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chairman of the Committee.

Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting. The Company Secretary or his nominee shall act as the secretary of the Committee and shall normally attend meetings. In discharging its responsibilities, the Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties.

#### **Quorum**

The quorum for meetings of the Committee shall be two members present in person or by telephone or video conference.

#### **Operation**

The Committee shall meet as necessary and at least three times a year at appropriate intervals in the financial reporting and audit cycle, as decided by the chairman in consultation with the Company Secretary.

#### **Notice**

Notice of meetings of the Committee shall be issued by the secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required or invited to attend and all other non-executive directors, 5 working days before the date of the meeting or as early as practicable, bearing in mind the need to allow members sufficient time to read the papers prior to the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### **Interests**

Each member of the Committee shall disclose to it:

- any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
- any potential conflict arising from a cross-directorship or other conflict situation except where these have previously been disclosed.

Any such member who, in the opinion of the chairman of the Committee is conflicted shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in discussions concerning such resolutions.

### **Reporting**

The secretary shall keep minutes of the proceedings of all meetings of the Committee, including recording the names of those present and in attendance. The secretary shall ensure that the first item on the agenda of any meeting is the disclosure of any conflicts of interest and shall record in the minutes any conflicts disclosed. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board except that copies of minutes provided to a member who is conflicted may be redacted.

The Committee chairman shall report formally to the Board after each meeting, on the matters considered by the Committee. This report shall include: an explanation of how it has discharged its responsibilities; the significant issues that it considered in relation to the financial statements and how these were addressed; its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; the report of the internal auditor, and any other issues on which the Board has requested the Committee's opinion. Identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The terms of reference of the Committee shall be made available on the Company's website and the chairman of the Committee and the members shall be identified in the annual report.

The Company Secretary shall assist the chairman of the Committee in preparing the annual Audit and Risk Committee report to be included in the Company's annual report as a separate section.

The report should include the following:

- an explanation of the significant issues that the committee considered in relation to the financial statements and how these were addressed;
- how the Committee has addressed the effectiveness of the external audit process;
- the approach taken to the appointment or reappointment of the external auditor;
- information on the length of tenure of the current audit firm;
- when a tender was last conducted;
- advance notice of any external auditor retendering plans;
- If the external auditor provides non-audit services, an explanation of how auditor objectivity are safeguarded; and
- an explanation of the Company's risk management and strategy.

In compiling the report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

The chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions relating to the duties of the Committee.

## **Duties**

### ***Financial reporting***

The Committee shall:

- monitor and challenge where necessary the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- review and challenge Narrative reporting where necessary, including :
  - (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (iv) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
  - (v) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and
  - (vi) where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- The Committee should provide advice to the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### ***Internal controls and risk management systems***

The Committee shall:

- receive regular reports from the Heads of Risk, Internal Audit and Compliance and the Group Finance Director.
- review the effectiveness of the Company's internal controls and risk management systems and provide assurance to the Board that the financial controls and systems of risk management are robust and defensible;

- review and approve the statements to be included in the annual report concerning internal controls and risk management, unless this is done by the Board as a whole;
- on behalf of the Board monitor the Company's risk management and internal control systems and carry out an annual review of their effectiveness, and assist the Directors in reporting on that review in the annual report (this review will cover all material controls, including financial, operational and compliance controls) and provide advice to the Board on risk strategy, including the oversight of current risk exposures of the group, with particular, but not exclusive, emphasis on prudential risks;
- as appropriate, develop proposals for consideration by the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the group's risk management performance, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities;
- oversee and challenge the design and execution of stress and scenario testing;
- oversee and challenge the day-to-day risk management and oversight arrangements of the executive;
- provide advice to the remuneration committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the executive;
- provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the group; and
- consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions.

In carrying out their risk governance responsibilities, the Committee should have regard to any relevant advice from the internal audit function concerning the effectiveness of its current control framework. In addition, the Committee should remain alert to the possible need for expert advice and support on any risk issue, taking action to ensure that they receive such advice and support as may be necessary to meet their responsibilities effectively.

### ***Compliance***

The Committee shall:

- receive reports from the Group Head of Compliance, including details of the Group's relations with the regulators; the Compliance monitoring programme; material breaches, errors and complaints; retail conduct risk, anti-money laundering controls and sanctions compliance;
- approve the annual Compliance Monitoring Plan; and
- review periodically and monitor the Group's procedures for ensuring compliance with regulatory reporting requirements and its relationship with the relevant regulatory authorities.

### ***Whistleblowing and fraud***

The Committee shall:

- review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- review the Company's procedures for detecting fraud; and
- review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

### ***Internal audit***

The Committee shall:

- monitor and review the effectiveness of the internal audit function and its activities;
- approve the appointment and removal of the head of the internal audit function and the Chair of the Committee shall make recommendations to the Remuneration Committee on appropriate remuneration for the Head of Internal Audit.
- consider and approve the remit of the internal audit function;
- review and assess the annual internal audit plan;
- ensure that the internal audit function has adequate resources and appropriate access to information to perform its role effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions and that there is support for , and acceptance of, internal audit at all levels of the Company;
- review reports addressed to the Committee from the internal auditor on a periodic basis; and
- meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.
- Ensure that the internal audit activity has an external quality assurance review every five years and monitor the implementation of action plans to address any recommendations..

### ***External audit***

The Committee shall:

- consider and make recommendations to the Board to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor and approve the remuneration and terms of engagement of the external auditor. The Committee shall provide a statement explaining its recommendations where requested to do so by the Board. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- when the the audit services contract is put out to tender, initiate and supervise a competitive tender process, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals for the duration of the tendering;
- oversee the relationship with the external auditor including (but not limited to):
  - i. negotiating and approving their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - ii. approval of their terms of engagement;
  - iii. reviewing and monitoring their independence and objectivity (calling for reports from the external auditors as required) and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
  - iv. approval of the appointment of the lead audit engagement partner;
  - v. developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidelines regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
  - vi. seeking to ensure co-ordination with the activities of the internal audit function.
- meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - (i) a discussion of any major issues which arose during the audit;
  - (ii) any accounting and audit judgements; and
  - (iii) levels of errors identified during the audit.
- The Committee shall also :
  - (i) review the effectiveness of the audit;
  - (ii) review any representation letter(s) requested by the external auditor before they are signed by management; and
  - (iii) review the management letter and management's response to the auditor's findings and recommendations.

***Other matters***

The Committee shall:

- give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure

and Transparency Guidance Rules, and the general duties of directors set out in the UK Companies Act 2006 (as amended);

- for each employee performance year, request the Group Heads of Risk and Compliance to report on whether there are any issues, within their respective areas, which should be taken into account in setting the variable remuneration of employees and to confirm whether or not there are any such issues;
- review its terms of reference and recommend any changes it considers necessary to the Board for approval.

### **Authority**

The Committee is authorised:

- to seek any information it requires from any employee of the Company as necessary in order to perform its duties;
- to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and

### **Interpretation**

In the event of a conflict between these Terms of Reference and the Articles of Association of the Company the latter shall prevail.