

CORPORATE GOVERNANCE STATEMENT

Combined Code and ASX Principles

The Directors support the high standards of corporate governance contained in the Combined Code and the ASX Principles, as referred to on page 14 in the Corporate Responsibility Report.

The Company complied with the Combined Code and the ASX Principles in 2007, with one exception: remuneration details of the five highest paid (non-Director) executives were not disclosed, as set out in recommendation 9.1 of the ASX Principles. The Company considers this information to be commercially sensitive, but generic disclosures on the remuneration of these executives is included in the Additional Remuneration Information on page 28. This Statement, together with the Report on Directors' Remuneration, describes the Company's corporate governance arrangements and how it complies with the Combined Code and the ASX Principles. Further details are in the corporate governance section of the Company's website.

During 2007, the ASX Corporate Governance Council reviewed the ASX Principles and issued a revised set of ASX Principles, which the Company will consider during 2008 and report on in the Company's next Annual Report and Accounts.

The Board's structure

The Board comprises a Non-Executive Chairman, a Chief Executive, one other Executive Director and four other Non-Executive Directors. Although the Chairman, Rupert Pennant-Rea, met the independence criteria on appointment, the Combined Code provides that the test of independence is not appropriate thereafter. The Board considers all the other Non-Executive Directors – Gerald Aherne, Duncan Ferguson, Anthony Hotson and John Roques – to be independent, as they do not have any interest or business or other relationship which could, or could reasonably be perceived to, interfere materially with their ability to act in the best interests of the Company. The Board has considered the criteria proposed by the Combined Code and the ASX Principles in assessing the independence of the Directors. Materiality, as referred to in the ASX Principles, has been assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. However, the Board is satisfied that the independent Directors meet a quantitative materiality threshold for independence that no Director has a relationship with the Group which generates or accounts for more than 5% of the Group's revenue or expenses. Biographical details of the Directors are on page 3. John Roques is the Senior Independent Director.

There is a division of responsibility between the Chairman, who is responsible for the effective operation of the Board, and the Chief Executive, Roger Yates, who is responsible to the Board for the overall management and performance of the Group. The Chairman's other significant commitments, and any changes to them during 2007, are shown in the Board of Directors section on page 3.

Non-Executive Directors are appointed for a fixed term, normally of three years, and any subsequent terms are considered by the Nomination Committee. The remuneration of the Non-Executive Directors is on pages 25 to 27. The terms and conditions of their appointment are on the Company's website, as is the process for appointing and reappointing them.

At the AGM on 3 May 2007, shareholders reappointed John Roques and Duncan Ferguson as Directors. At each AGM, roughly one third of the Directors will retire by rotation and may seek reappointment. Rupert Pennant-Rea, Gerald Aherne and Anthony Hotson plan to retire and seek reappointment at the AGM on 1 May 2008.

Performance of the Board

All newly appointed Directors have an induction programme. Thereafter, the Company provides the necessary resources for developing and updating the knowledge and capabilities of its Directors. In addition, they receive regular presentations on different aspects of the Company's business and on financial, legal and regulatory issues. For example, during the year there was a briefing about the controls over the use of derivatives by the Company's fund managers and advice was also given about the implications of aspects of the Companies Act 2006 which affect Directors' duties.

During 2007, Directors conducted a formal evaluation of the performance of the Board, Board Committees and individual Directors (including the Chairman). The process itself was reviewed by an independent consultant and various improvements were made.

The evaluation exercise involved each Director completing a questionnaire about Board composition, Board process, Group strategy and shareholders; a similar approach was followed for each Committee. The Company Secretary collated the results of the evaluation and the Board then decided what changes it would make to its operations, including a more detailed review of Board succession planning now that all of the Non-Executive Directors have entered their second three year term of office. As part of that review, the Board reconsidered and approved the process for the appointment of Directors, a copy of which is on the Company's website.

The Chairman held a formal evaluation meeting with each of the Directors, taking into account the views of other Directors who had each completed a questionnaire about the skills and experience of the other members of the Board. As part of this evaluation, the Executive Directors were reviewed by the Chairman regarding their contribution as members of the Board (rather than just as senior executives). The Chairman's own performance evaluation was led by the Senior Independent Director. This involved each Director completing a questionnaire which focused upon the Chairman's performance. In addition, the Chairman conducted a self-evaluation, which was disclosed to the Senior Independent Director. After taking account of the results of these questionnaires, the Senior Independent Director then met with each Director (excluding the Chairman) and evaluated the Chairman's performance. The Senior Independent Director later agreed his findings at a meeting with only other Non-Executive Directors present (excluding the Chairman) and then met with the Chairman to discuss the outcome of the evaluation.

The Chief Executive's performance was evaluated by the Chairman and the Remuneration Committee. The evaluation of the senior executives reporting to the Chief Executive was undertaken by the Chief Executive and the Remuneration Committee. More details can be found on the Company's website.

As a result of this whole process, the Directors have concluded that the Board and its Committees operate effectively and that each Director contributes to promoting the overall success of the Group.

Operation of the Board

The Board met eight times in 2007, of which seven were scheduled meetings. Attendance by each of the Directors was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
Rupert Pennant-Rea	01/10/2004	8	8	100%
Anthony Hotson	29/11/2002	8	8	100%
Roger Yates	16/06/2003	8	8	100%
Toby Hiscock	11/08/2003	8	8	100%
John Roques	14/01/2004	8	8	100%
Duncan Ferguson	01/07/2004	8	7	88%
Gerald Aherne	01/10/2004	8	8	100%

The Board is scheduled to meet eight times in 2008. Additional meetings will be held as required, or at the request of a Director. During 2007, the Non-Executive Directors met the Chairman without the Executive Directors being present, and this will happen again during 2008.

The Board is responsible for all strategic decisions about the Company's business, including the approval of commercial strategy, annual budgets, interim and full year financial statements and reports, dividends, accounting policies, delegated authorities and all significant capital projects, investments and disposals. A schedule of matters reserved for approval by the Board is reviewed annually and is on the Company's website. The Chief Executive and his management team are responsible for developing business strategy and, once approved by the Board, for ensuring that the strategy is implemented in accordance with the approved operating plan and within a sound system of internal control.

To enable the Directors to perform their role effectively, they are given the means and information necessary for them to make informed decisions and to follow best corporate governance practice. At each of its meetings, the Board receives detailed reports on the various aspects of the business and any major issues affecting it.

The Board has approved corporate governance policies. These include a policy on trading in the shares of the Company by Directors and employees, a Market Disclosure and Communication Policy and a Code of Conduct. Together, these set a framework within which the Directors and employees are expected to have regard to the interests of shareholders, customers, employees and suppliers. During 2007, these policies were reviewed and updated as were other corporate governance documents, all of which are on the Company's website.

All Directors have access to the advice and services of the Company Secretary, who can be appointed or removed only with the approval of the Board. The Directors are entitled to seek independent professional advice, at the Company's expense, where they judge it necessary to discharge their responsibilities as Directors.

Board Committees

The Board has delegated specific responsibilities to three standing Committees of the Board. The membership of the Board Committees and a summary of their main duties and terms of reference are set out below. Their full terms of reference are on the Company's website.

Audit Committee

John Roques is the Chairman of the Audit Committee. The other members are Anthony Hotson and Duncan Ferguson. All members of the Committee have recent and relevant financial experience and financial expertise as recommended by the Combined Code and the ASX Principles respectively. The details of the qualifications of the Audit Committee members are set out on page 3. The Audit Committee met seven times in 2007, of which six were scheduled meetings. Attendance by each of the members was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
John Roques	11/06/2004	7	7	100%
Anthony Hotson	28/08/2003	7	7	100%
Duncan Ferguson	09/06/2005	7	6	86%

The Audit Committee is responsible for making recommendations to the Board on such matters as the appointment of the external auditors and their terms of engagement (including audit fees) and for reviewing the performance, independence and objectivity of the external auditors. The Audit Committee is also responsible for assessing the effectiveness of the internal audit function, which is subject to an external review every three to five years.

During the year, the Audit Committee received and reviewed reports from management and the external auditors relating to the Company's Annual Report and Accounts and interim reports. However, ultimate responsibility for reviewing and approving the Annual Report and Accounts and interim reports remains with the Board. The internal and external auditors attended all Audit Committee meetings during the year and, on one occasion, met the Non-Executive Directors without the Executive Directors being present. The effectiveness of both the external auditors and internal audit function was assessed during the year.

The Audit Committee also reviewed compliance with legal and other regulatory requirements and accounting standards. In addition, it assessed the effectiveness of the Group's system of internal controls and risk management procedures. To assist in making these assessments, the Audit Committee approved an internal audit monitoring plan for the year and received regular reports from the internal audit, risk management and compliance functions. The Audit Committee also reviewed arrangements for whistleblowing should an employee wish to raise concerns, in confidence, about any possible improprieties.

Information on the procedures for the selection and appointment of the external auditors and for the rotation of the external audit engagement partner is on the Company's website. The Company has adopted a Charter of Statutory Auditor Independence (the Charter), which requires both the Company and the external auditors to take measures to safeguard the objectivity and independence of the external auditors. The Charter is on the Company's website. These measures include a prohibition regarding any non-audit services in respect of specific areas (e.g. secondments to management positions) or which could create a conflict or perceived conflict. Details of the non-audit services provided by the external auditors during the year were reviewed and authorised by the Audit Committee – refer to note 4.3 to the financial statements. The amount paid for non-audit services and the type of services provided were not considered by the Audit Committee to affect the external auditors' objectivity or independence.

The external auditors will be asked to attend the Company's AGM on 1 May 2008 and will be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Independent Auditors' Report.

Nomination Committee

Rupert Pennant-Rea is the Chairman of the Nomination Committee. All the other Non-Executive Directors are members of the Committee and the Executive Directors attend the meetings. The Committee met once in 2007. Attendance by each of the members was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
Rupert Pennant-Rea	01/03/2005	1	1	100%
Anthony Hotson	01/03/2005	1	1	100%
Gerald Aherne	12/05/2005	1	1	100%
Duncan Ferguson	12/05/2005	1	1	100%
John Roques	12/05/2005	1	1	100%

The Nomination Committee has responsibility for considering the size, composition and balance of the Board, the retirement and appointment of Directors and making recommendations to the Board on these matters. In identifying suitable candidates for recommendation for appointment to the Board, the Nomination Committee is responsible for ensuring that Directors have the right mix of expertise and experience. It is the Company's practice to use an external search consultancy to assist the Nomination Committee in identifying suitable candidates for Non-Executive Board positions. During the year, the Nomination Committee reviewed succession planning for senior management and for the Board.

Remuneration Committee

Gerald Aherne is the Chairman of the Remuneration Committee. The other members are Anthony Hotson and Duncan Ferguson. The Committee met four times in 2007. Attendance by each of the members was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
Gerald Aherne	01/10/2004	4	4	100%
Anthony Hotson	28/08/2003	4	4	100%
Duncan Ferguson	09/06/2005	4	3	75%

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's remuneration and compensation plans, policies and practices and for determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and other senior executives. These include pension rights, compensation payments (if any) and the implementation of executive incentive schemes. The Remuneration Committee operates on the principle that members of executive management should be provided with incentives to encourage superior performance and should, in a fair and responsible manner, be rewarded for their individual contributions to the success of the Group.

The Report on Directors' Remuneration (refer to pages 21 to 28) provides details on how the Remuneration Committee exercised these duties during 2007. Towers Perrin, acting as remuneration consultant, advises the Remuneration Committee. Towers Perrin does not have any connection with the Company other than providing compensation data and information on remuneration developments.

Investor relations

The Company welcomes the views of all investors and their representative bodies. The Board receives regular feedback about investors' views and a monthly report from management.

The Company's website includes online services to help shareholders manage their holding and engage with the Company. Archives of market briefings and other Company announcements and presentations are also available on the website. In addition, shareholders can contact call centres, send emails and attend shareholder meetings. The Chief Executive and Chief Financial Officer met institutional shareholders and equity analysts regularly during 2007 and the Company's largest shareholders were also offered meetings with the Chairman and other Directors. The Company's Market Disclosure and Communication Policy and Shareholder Communication Policy are on the Company's website.

The Company publishes its financial results on both the London Stock Exchange and the Australian Securities Exchange. The Company also sent a Summarised Annual Report to all shareholders (unless they asked to receive the Full Annual Financial Report and Accounts) in 2007. From 2008, the Company will notify shareholders (by post or email) that this information is available on its website. However, shareholders can request a printed copy of any document if they prefer.

All shareholders and CDI holders were invited to the 2007 AGM, held on 3 May 2007. Notice of the AGM was given to shareholders at least 20 working days before the meeting. In line with changes to the Combined Code, proxy forms for general meetings (including the AGM) were amended to make it clear that shareholders could vote for or against any resolution or withhold their vote. The AGM was held in London and simultaneously broadcast to a venue in Sydney. All Directors attended the AGM. A summary of the questions asked at the AGM and the answers given, together with the results of resolutions put to the AGM, is on the Company's website.

All shareholders and CDI holders were also invited to the EGM held on 9 October 2007, when shareholders approved a share consolidation allowing a return of cash by means of a special dividend. Shareholders also approved two other resolutions to update authorities granted at the 2007 AGM that allow the Company to purchase its own shares. The EGM was held in London with a video link in Sydney. A summary of the question asked at the EGM and the answer given, together with the results of resolutions put to the EGM, is on the Company's website.

Financial reporting and going concern

The Directors have acknowledged their responsibilities in the Statement of Directors' Responsibilities in Relation to the Financial Statements (refer to page 29). After making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore they have continued to adopt the going concern basis in preparing the accounts.

Oversight of internal controls and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is 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. The Board considers risk assessment and the existence of effective controls to be fundamental to achieving its corporate objectives within an acceptable risk and reward profile. Throughout 2007, and up until the date of this Statement, there has been in place an ongoing process for identifying, evaluating and managing significant risks within the Group's control which accords with the guidance set out in the Turnbull Report – Internal Control: Revised Guidance for Directors on the Combined Code (October 2005). Necessary action has been taken, or is being taken, to remedy any significant failings or weaknesses identified by this process. A summary of the Company's risk policy is on the Company's website.

Risk management

The effectiveness of the Group's system of internal control is reviewed at least annually by the Board, in order to safeguard the Group's assets and shareholders' investments. In 2007, this review covered all material controls including financial, operational and compliance controls and risk management systems. As part of the Board's review, management reported on the effectiveness of the Company's system of internal control and the mitigation of any material business risks.

In addition, each month, managers are required to confirm the adequacy of the controls in their area. These controls, and the risks which they are designed to mitigate, are maintained within Henderson's operational risk database, which reflects the risk profiles of each part of Henderson's business. Quarterly risk reports are then provided to the Board through the Audit Committee; their coverage includes material business risks such as Group credit, market and operational risks. Regular reports are also made to the Audit Committee by the internal audit, risk management and compliance functions, covering, in particular, financial, operational and regulatory controls.

The Board considers that this reporting framework gives it sufficient information upon which to monitor the Group's system of internal control and review its effectiveness.

The management of risk within the Group is overseen by the Audit Committee. There are also a number of management committees chaired by, and consisting of, senior managers that have responsibility for specific areas of risk. These provide forums for resolving and managing any significant risk and regulatory issues. The Head of Business Assurance is responsible for ensuring that these management committees discharge their responsibilities effectively and for bringing any relevant matters to the attention of senior management.

The day-to-day responsibility for the management of risk lies with the Group's line managers, who work closely with the risk management function to maintain a risk and control self-assessment process. The risk management function also maintains an incident reporting process and provides management information to the Audit Committee and senior management. The compliance function works with the risk management function and the business units to ensure that all regulatory risks have been understood and are being effectively managed.

Additional assurance is provided by the internal audit function, which operates and reports independently of line management.