

## CORPORATE RESPONSIBILITY REPORT

In the Group's Corporate Responsibility Report, we describe our commitment to responsible business conduct during the past year.

The Group, the Board and senior management are committed to ensure responsible interactions with employees, customers, suppliers, shareholders, communities and the wider environment. We have developed policies and activities to address key issues in four broad areas – business standards, the environment, workplace and the community.

Our commitment and efforts to ensure good corporate responsibility practices have been recognised externally through our continued inclusion in the FTSE4Good UK Index. Innovest, the research provider, has rated our corporate responsibility practices highly, awarding us an AA grade overall as of January 2007. Towards the end of 2007, the Carbon Disclosure Project (CDP) also listed the Group as one of the leading UK companies in terms of reporting on its carbon management. We received a Platinum Special Commendation award from the City of London for the fifth year running.

### Business standards

#### Corporate governance

We support the high standards of corporate governance contained in:

- the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 and annexed to the Listing Rules of the UK Listing Authority (the Combined Code); and
- the Principles of Good Corporate Governance and Best Practice Recommendations issued by the ASX Corporate Governance Council in March 2003 (the ASX Principles).

Further details of how we comply can be found in the Corporate Governance Statement on pages 17 to 20 and on our website at [www.henderson.com](http://www.henderson.com)

#### Code of Conduct

The Group is committed to maintaining high standards of business conduct in all its operations and activities. The Code of Conduct, which is on our website, sets a framework within which the Directors and employees are expected to have regard to the interests of shareholders, customers, employees and suppliers.

#### Investment management

Responsible Investment describes the work we do pertaining to corporate governance and corporate responsibility in the companies in which we invest on behalf of clients. Our UK Responsible Investment Policy, available on our website, sets out how we do this.

The way companies respond to corporate responsibility issues can affect their business performance both directly and indirectly. We have a standing Responsible Investment Committee which ensures that these issues are considered in an integrated manner. This Committee is chaired by the Director of Company and Broker Relationships, and consists of representatives from the various business functions. Our work enables us to assist UK pension funds fulfil their requirement under the 1995 Pensions Act as amended in 2000, to include a policy on social, environmental and ethical issues and on voting in their Statement of Investment Principles. In addition, we provide a range of specialist Sustainable and Responsible Investment funds.

We engage directly with companies to explore the investment implications of corporate responsibility issues. As well as monitoring companies' overall performance on corporate responsibility issues, we undertake in-depth research into key themes. The key themes we pursued in 2007 included climate change, responsible governance, sustainable supermarkets and access to medicines in the pharmaceutical industry. This analysis feeds into our investment decision-making. Where our analysis shows that a company is not dealing adequately with an important issue, engagement is a way of exercising our influence as a shareholder for improvement.

The Group also supports co-operative action amongst investors to address market-wide issues. We are a member of the United Nations Environment Programme's Finance Initiative, the Institutional Investor Group on Climate Change and the Pharmaceutical Shareowners Group. We also support the CDP. In May 2005, we became a founding signatory to the United Nations Principles for Responsible Investment, a voluntary and aspirational framework incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices.

Henderson has also been working to integrate responsible investment practices within its Property business. In 2007, our Pan-European Property team published its policy on Responsible Property Investment, which is available on our website. The team has introduced a framework that will allow it to better evaluate the risks and opportunities associated with responsible investment across all areas of the investment process – transactions, developments and standing investments. Initially, the process will be applied to eight of our UK Property funds and the team hopes to roll the programme out to some of the other countries in which we operate in 2008.

#### Corporate governance and voting

The Group has an active programme of work on corporate governance and voting. This includes encouraging UK companies to comply with the Combined Code or explain why they have not done so.

We vote at UK company meetings where we are a shareholder and at selected meetings in other countries. Our views on voting issues and details of where we did not vote in favour of board resolutions are published on our website. Outside the UK, we vote according to the requirements of our clients or instructions from our fund managers.

#### Suppliers and service providers

The Group seeks to work with suppliers and contractors who match the Group's corporate responsibility aspirations in the delivery of their products and services. We are committed to ensuring that external contractors who provide services work under appropriate terms and conditions.

The Group is conscious of the impact its procurement policies can have on the environment. In this regard, a number of initiatives were maintained during 2007 including:

- a commitment to procure 100% recycled paper for all photocopy, printer and business stationery requirements;
- a review of the supply chain to ensure that deliveries are managed as efficiently as possible; and
- a review of supply partners to ensure that there is no conflict between the Group's environmental objectives and their operational policies.

## Customers

We are committed to the highest standards of customer care.

We seek to meet or exceed industry interpretations of best practice and to ensure that customers experience integrity, quality and care in all dealings with the Group.

We support the 'Treating Customers Fairly' initiative taken by the UK Financial Services Authority, which is intended to promote fair treatment of customers by regulated firms throughout the product life cycle from design to post-sales support. Henderson always aims to:

- treat its customers fairly;
- ensure that any information provided in respect of a product is clear, fair and not misleading; and
- embed 'Treating Customers Fairly' principles within its culture and procedures so that Henderson's interests are aligned with those of its customers.

The Group is required by its Financial Crime Policy to observe high standards of customer identification, to identify and report suspicious transactions, and to ensure that relevant employees receive adequate training.

## Environment

We continue to follow responsible environmental management practices. These include systems to limit the use of non-renewable resources and minimise the impact of our operations on the environment.

### Climate change

The Group's policy is to minimise any adverse impact on climate change. To achieve this, we operate a three tiered approach where we:

- manage and reduce energy consumption;
- switch to renewable energy sources where possible; and
- offset unavoidable emissions by establishing a formal carbon offset programme.

In 2007, our total emissions were 2,808 tonnes CO<sub>2</sub>e, a reduction of 1,883 tonnes CO<sub>2</sub>e (40%) on 2006. Our greatest success was in the UK where our emissions reduced by 63%. On a global basis, emissions per employee were 2.8 tonnes CO<sub>2</sub>e, a reduction of 1.9 tonnes CO<sub>2</sub>e (40%) from 2006.

All of these emissions have been offset, thereby maintaining our status as a CarbonNeutral Company throughout 2007.

### Waste minimisation and management

In 2007, we started a UK programme to segregate and convert all food waste to compost. We partnered with local small businesses to minimise the transportation impacts of this new initiative and due to its success, it is now being adopted by a number of other companies in the City of London. During 2007, we converted 15.7 tonnes of waste food into compost.

Our research into plastic recycling resulted in a programme which ensures that our waste plastic is recycled within the UK. Since the programme started, we have recycled 2.8 tonnes of plastic.

The Group continues to minimise waste where possible and has implemented a number of measures including:

- recycling of all waste paper by delivering it to a local mill and procuring 100% recycled paper supplies from the same mill;
- elimination of any waste sent to landfill by segregating it at source, recycling as much as possible and incinerating the remainder to power the national grid;
- procurement of quality recycled stationery – 79% of current office stationery spend is on recycled or environmentally friendly products; and
- reuse programmes for surplus office furniture, equipment and technology.

### Environmental awareness

Training and awareness programmes are in place for support staff and contractors involved in waste management. We are also actively involved in a number of local and City of London Environmental Best Practice Groups. Our Environmental Homepage on the Group intranet provides information to staff on our policies, environmental initiatives and performance. It is also used to encourage staff to engage in and support the recycling schemes we have in place. In addition, we have set up an Environmental Working Group to oversee our environmental and waste management practices.

### Recognition

The Group continues to receive recognition for its environmental achievements. In January 2008, we received a Platinum Special Commendation award by the City of London 2007 Clean City Award Scheme. The scheme has over 1,300 participants comprising most of the major occupiers in the City of London. We are the only company within the scheme to achieve a top award five years in a row.

Our efforts in procurement of recycled and environmentally friendly products were also recognised by the Mayor of London Green Procurement Code awards 2007, where we were in the top four in the best performing private sector organisation category.

### Shareholder communications

Through the eTree initiative in Australia, of which the Group is a founding member, we aim to reduce printed investor communications and encourage shareholders to receive communications electronically. Every time a shareholder registers with eTree, the Group makes a donation to Landcare Australia. In 2007, the Group donated approximately £250 to the eTree initiative.

In line with the EU Transparency Obligations Directive, we tabled a special resolution at our 2007 AGM, which removed the obligation to send paper copies of shareholder documents. These documents will, as in the past, be available on our website and paper copies will be provided, on request, to any shareholder.

## Workplace

The Group recognises the value and contribution employees make to the success and future growth prospects of the business. We have a full range of human resource policies and procedures to support the recruitment, retention, reward and development of employees. We aim to ensure that these frameworks meet best practice and fully comply with all relevant employment legislation and the provisions and ethos of the Universal Declaration of Human Rights.

### Equality and diversity

We are an equal opportunities employer and have extensive human resource policies and procedures in place to ensure that employees can expect a working environment free from discrimination and harassment. Our family-friendly policies and benefits enable us to attract and retain a diverse and flexible workforce. Additionally, the Group gives full and fair consideration to applications from, and the continued employment of, people with disabilities and learning difficulties.

In line with the UK Public Interest Disclosure Act 1988, Henderson operates procedures to enable employees to report wrongdoing or malpractice at work, commonly referred to as 'whistleblowing'.

### Employee consultation and involvement

The Communications Forum is a UK elected body representing all staff and provides a platform where issues affecting staff can be discussed and, if needed, raised with the management team. It also provides a platform for management to consult with staff and seek views in relation to particular issues. The Communications Forum meets monthly and the Chief Executive attends quarterly.

Employees' views are also sought through an annual employee opinion survey which had a response rate of 73% in 2007 (2006: 69%). The results of this survey highlight areas for attention and improvement. Regular employee briefings are carried out by senior management to provide an insight into the business. Additionally, the Chief Executive holds quarterly staff briefings.

### Training and development

Our training policy is designed to invest in employees and equip them with skills and capabilities for the present and for the future. Our aim is to help maximise the performance of every employee in order to meet our business objectives. This facilitates career development and also ensures a good basis for succession planning. As part of our drive to develop talent, we have introduced a formal graduate recruitment programme. The programme lasts for two years and enables us to invest in our future talent through a structured development plan, giving graduates exposure to a wide range of business areas and training. We have a suite of development workshops and also support the study for, and attainment of, appropriate professional qualifications. All training and development opportunities are promoted on the Group intranet, in a weekly staff email and through line managers. We also use annual performance appraisals as an opportunity to identify priorities including training needs.

## Health and safety

We are committed to providing a safe working environment. All employees receive health and safety training on induction. Our health and safety policies are available on the Group intranet and are reviewed annually to ensure that they remain compliant with appropriate regulations.

### Management of stress at work

We consider the management of stress in the workplace as part of our health and safety policies. We include questions related to stress in our annual employee opinion survey and we provide training for managers on an annual basis to help them better manage stress. Furthermore, we provide a 24-hour confidential employee assistance telephone line which gives support to employees on a wide range of issues. We monitor absence to early identify possible stress-related absences and carry out return-to-work interviews to assist employees with potential stress-related issues.

### Employee reward and retention

The Group recognises and rewards performance based on an employee's contribution to the success of the business. The Group has a total reward approach, which has a mix of both financial and non-financial elements.

We aim to pay competitively and give greater reward for stretch and superior performance as benchmarked across our industry. We deliver this both through short-term bonuses (usually annual cash bonuses) and, for more senior managers, through longer-term incentives (generally three to four year equity-based plans). Bonus payments above a certain level tend to have a portion deferred, which provides a retention element to the incentive.

The Group is committed to employees having a significant equity stake in the business. We have a number of existing all-employee share schemes and continue to look at innovative ways in which we can build employee share ownership and inform employees of the available schemes. The Group was commended for 'best financial education programme' for employees at the 2007 ifs ProShare awards. Approximately 14% of the Company is owned by employees, up from 3% in 2005. More information on these share schemes is available on page 24.

## Community

The Group recognises its impact on the local London community in which it operates and is committed to building partnerships within this community. During 2007, we donated a total of £75,000 for community and charitable purposes.

Our preferred charity since 1987 has been Community Links, the inner city charity running community-based projects in East London. Founded in 1977, the charity now helps over 50,000 vulnerable children, young people and adults every year. Most of its work is delivered in Newham, one of the poorest boroughs in Europe. We also encourage our employees to get involved in charitable activities and match one-for-one money raised. £32,000 of employee-matching grants were made during 2007.