

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, clients, suppliers, shareholders, communities and the wider environment. We have developed policies and activities to address key issues in four broad areas – business standards, environment, workplace and 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 a AAA grade overall as of March 2008. The Lord Mayor of London presented us with a Platinum Special Commendation Award at the Clean City Awards Ceremony in January 2009. We are the only company in this scheme to have received a top award for six consecutive years.

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 2008 (Combined Code); and
- the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in August 2007 (ASX Principles).

Copies of the Combined Code and the ASX Principles can be found on their websites at www.frc.org.uk and www.asx.com.au respectively. Further details of how we comply can be found in the Corporate Governance Statement on pages 17 to 21 and on our website at 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 forms part of employees' contracts of employment and 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 Responsible Investment Policy, available on our website, sets out how we do this for all of our equity funds.

The way companies respond to sustainability and 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, which met four times in 2008, is chaired by the Director of Company and Broker Relationships, and consists of representatives from the various equity teams. We also provide a range of specialist Sustainable and Responsible Investment (SRI) funds.

We engage directly with companies to explore the investment implications of sustainability and corporate responsibility issues, with such initiatives undertaken most actively by the SRI team. As well as monitoring companies' overall performance on such issues, we undertake in-depth research and engagement into key themes. The key themes we pursued in 2008, either on behalf of Henderson or on behalf of the SRI funds more specifically, included climate change, chemical safety, supply chain labour standards, and addressing of social exclusion. This analysis feeds into our investment decision-making as appropriate.

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 among 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 Carbon Disclosure Project. 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 integrating responsible investment practices into its Property business. Having established its vision statement and headline objectives for Responsible Property Investment in 2007, our Pan-European Property team undertook a comprehensive sustainability assessment of all assets in eight of its UK property funds. This review took place between April and September 2008 and covered assets valued at over £4 billion in June 2008. The assessment was implemented by an independent organisation, Upstream Sustainability Services at Jones Lang LaSalle, and the results were used to compile individual fund strategies which prioritise necessary actions to minimise sustainability risks and maximise opportunities on fund assets. A steering committee will monitor progress against fund level targets and updates will be provided to investors in the relevant property funds. A wider report documenting progress towards headline targets within the Property business will also be compiled and published on our website. In addition to its work on Responsible Property Investment, Henderson has approved and published a policy on Responsible Property Development and is currently working on producing detailed targets relating to its development activities.

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 on 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 2008 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 believe the Treating Customers Fairly (TCF) initiative taken by the FSA is embedded within the culture and procedures of the Group. TCF, among other priorities, 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
- align its interests 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 2008, our total emissions were 2,267 tonnes CO₂e, a reduction of 541 tonnes CO₂e (19%) on 2007, due to less air travel, lower electricity usage and recycling of waste. On a global basis, emissions per employee were 2.2 tonnes CO₂e, a reduction of 0.6 tonnes CO₂e (21%) from 2007.

All of these emissions have been offset, thereby maintaining our status as a CarbonNeutral Company throughout 2008.

New London premises

In November 2008, the London office relocated to new premises at 201 Bishopsgate. This was the culmination of a two-year project to provide a more efficient working environment for employees. We were pleased to secure this building as it has been rated 'Excellent' by the Building Research Establishments Environmental Assessment Method (BREEAM). This is the highest possible rating awarded by the BREEAM which is the most widely recognised rating for sustainability of office buildings.

Around 20% of 201 Bishopsgate comprises recycled materials and it has a highly specified external cladding system. This, coupled with extensive heat recovery equipment and a high efficiency cooling plant, means that the emissions of 201 Bishopsgate are around half that of a similar size building.

CarbonNeutral fit-out of new London office

In April 2008, we undertook a seven-month project to fit out 201 Bishopsgate and offset the carbon impact of the fit-out.

Our fit-out, furnishing and equipment had sustainability at the heart of the design, procurement and installation phases. This included:

- establishing a project to manage and offset the carbon impact of the fit-out. The footprint was measured at 1,012 tonnes of CO₂e being 26% less than the benchmark for similar fit-outs;
- establishing a construction waste management system resulting in 97% of waste from the fit-out being recycled;
- designing energy and waste management systems into the new infrastructure which will minimise our footprint going forward;

- using materials from renewable and sustainable resources; and
- using local supply chain where possible.

Waste minimisation and management

In 2008, we continued our UK programme to segregate and convert all food waste to compost. We partner with a local small business to minimise the transportation impacts. During 2008, we converted 16 tonnes of waste food into 10.7 tonnes of compost.

Our research into plastic recycling resulted in a programme which ensures that our waste plastic and cans are recycled within the UK. We recycled a total of 3.2 tonnes of plastic and cans (2.8 tonnes in 2007).

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 – 74% of current office stationery spend is on recycled or environmentally-friendly products; and
- re-use 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 efforts to protect the environment. In January 2009, we received a Platinum Special Commendation Award by the City of London 2008 Clean City Award Scheme. The scheme has over 1,700 participants (400 more than in 2007), comprising most of the major occupiers in the City of London. In addition to our ongoing environmental initiatives, the judging panel recognised the innovative waste management systems we designed and implemented during the office move from 4 Broadgate to 201 Bishopsgate.

The Group is a signatory to the Green Procurement Code (a free support service for London-based organisations committed to reducing their environmental impact through responsible purchasing) and this has encouraged the sharing of ideas and sustainable procurement practices among the other signatories within the Code.

Shareholder communications

At the 2007 AGM, shareholders adopted a new article in line with the UK Companies Act 2006 which enables a company to communicate with shareholders by electronic and/or web communications. Subsequently, Old Henderson Group plc's Articles of Association were amended for this change. The Articles of Association adopted by the Company also made provision for electronic and/or web communications with shareholders.

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 2008, the Group donated approximately £140 to the eTree initiative.

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. In 2008, our managers received training on how to deal with discrimination and harassment in the workplace.

Our 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'. All employees are informed of this process during their induction to the Company.

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 employee opinion survey. 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.

Recruitment

We are committed to recruiting the best people. In 2008, the Group was presented with two awards at the London and South East Recruitment Awards. We were awarded first prize for the Recruitment Manager of the Year and received a Certificate of Merit for the Recruitment Team of the Year.

Our recruitment strategy aims to attract and retain talented individuals. We offer resourcing and interviewing courses which include changes in recruitment practice, assessment methods and interviewing skills. We offer one-to-one training for line managers to assist with this. We encourage employees to consider opportunities within the Company and as such advertise internal job vacancies on the Group intranet. We also run a global employee referral programme allowing employees to refer individuals to the Company as prospective employees. If an employee refers an individual who is subsequently recruited, they receive a monetary award.

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. In 2008, 112 individuals were sponsored to study towards a professional qualification in the UK. This included all our graduate trainees who achieved a 100% pass rate for the CFA level 1.

Health and safety

We are committed to providing a safe working environment. All employees receive health and safety training on induction. Health and safety training and advice are also provided via all staff emails and e-learning. 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 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.

We take financial education seriously and this has been recognised two years running at the ifs ProShare awards where it was noted that, "Henderson has gone beyond the boundaries of just providing information on employee share plans and pensions and presentations have included topics such as tax planning and risk and reward in savings and investment". Approximately 15% of the Company is owned by employees, up from 3% in 2005. More information on these share schemes is available in note 10 to the financial statements.

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 2008, we donated a total of £59,322 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 helps thousands of vulnerable children, young people and adults every year. Most of its work is delivered in Newham, a borough which ranks highly on the index of deprivation. We also encourage our employees to get involved in charitable activities and match one-for-one money raised. During 2008, £35,000 worth of employee-matching grants were made.