

## Corporate Governance Policy

### Table of Contents

<b>1</b>	<b>INTRODUCTION .....</b>	<b>3</b>
<b>2</b>	<b>HENDERSON GROUP PLC BOARD .....</b>	<b>3</b>
2.1	Role of the Board .....	3
2.2	Rules of Residence.....	4
2.3	Role of the Chairman.....	5
2.4	Role of the Chief Executive.....	5
2.5	Board Structure.....	5
	2.5.1 Board Composition and Size .....	6
	2.5.2 Appointment of new Directors.....	7
	2.5.3 Terms of Appointment.....	8
	2.5.4 Maximum Tenure .....	8
	2.5.5 Senior Independent Director .....	8
	2.5.6 Criteria for Independence .....	8
	2.5.7 Reappointment, Retirement and Removal of Directors from the Board.....	8
2.6	Board Process.....	9
2.7	Information and Professional Development.....	9
2.8	Evaluation of the Performance of the Board and its Directors .....	10
2.9	Evaluation of the Performance of the Chief Executive and other senior executives.....	10
2.10	Role of Individual Directors .....	11
	2.10.1 Participation in Board Meetings .....	11
	2.10.2 Legal Obligations .....	12
	2.10.3 Conflict of Interest .....	13
	2.10.4 Access to Information .....	13
	2.10.5 Code of Conduct .....	13
<b>3</b>	<b>KEY FUNCTIONS OF THE HENDERSON GROUP PLC BOARD.....</b>	<b>14</b>
3.1	Role of the Board in Strategy.....	14
3.2	Delegation of Authority .....	14
	3.2.1 Delegation to Board Committees .....	14
	3.2.2 Role of Board Committees.....	14
	3.2.3 Delegations to the Chief Executive .....	16
	3.2.4 Corporate Governance of Subsidiary Companies .....	17
<b>4</b>	<b>OTHER .....</b>	<b>17</b>
4.1	Financial Reporting.....	17
4.2	Risk Management.....	17
4.3	Corporate Framework .....	18
4.4	Compliance Framework.....	18
4.5	Independent Advice .....	18
4.6	Insurances .....	18
<b>5</b>	<b>BOARDS OF SUBSIDIARY COMPANIES .....</b>	<b>18</b>
5.1	Board Composition and Size .....	19
5.2	Appointment and Removal of Non-Executive Directors .....	19
5.3	Appointment of Non-Executive Directors.....	19
5.4	Remuneration of Non-Executive Directors.....	19
<b>6</b>	<b>DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS .....</b>	<b>19</b>

7	SHARE TRADING POLICY .....	20
8	MARKET DISCLOSURE POLICY .....	20
9	AGM PROCEDURES .....	20
10	DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS.....	21
11	DIVERSITY .....	21
	APPENDIX 1 – PRINCIPLES OF CORPORATE GOVERNANCE.....	22
	APPENDIX 2 – DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS.....	26
	APPENDIX 3 – PROVISIONS ON THE DESIGN OF PERFORMANCE RELATED REMUNERATION.....	31

# Henderson Group plc

## 1 Introduction

Henderson Group plc (“Henderson Group” or “Company”) is a Jersey-incorporated public company whose shares are admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange. Henderson Group is also listed on the Australian Securities Exchange (“ASX”). The Company is tax-resident in the Republic of Ireland

The responsibilities of the Board of Directors of Henderson Group (“Board”) include corporate governance of the subsidiary companies forming part of the Henderson Group of companies (together called the “Group”). This document comprises the Corporate Governance Policy promulgated by the Board.

The purpose of the Corporate Governance Policy is to clarify and promote high standards of corporate governance for the Group. The Corporate Governance Policy provides a basis for the good governance of the Group and operates in conjunction with the Articles of Association of the Company and relevant laws of England and Wales, Jersey, Ireland and Australia.

In applying the Corporate Governance Policy, the Board shall follow the Principles set out in Appendix 1 to this note which reflects the main principles of the UK Corporate Governance Code June 2010 (“the Code”) and the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations published in August 2007 and amended in 2010 (“the ASX Principles”).

## 2 Henderson Group plc Board

### 2.1 Role of the Board

The Board is responsible to the shareholders for the overall governance and performance of the Group. Overall, the Board’s role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The role of the Board includes the following:

- providing strategic direction to the Group by constructive engagement and challenge in the development, execution and modification of the Group strategy;
- ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- appointing and, where necessary, removing the Chief Executive (“CE”) and Executive Directors and approving succession plans;
- scrutinising the performance of the CE and senior management in meeting agreed goals and objectives and monitoring the reporting of performance;
- reporting to shareholders and ensuring that all regulatory requirements are met;
- providing advice and counsel to management on a periodic and ad hoc basis, adding strategic value;
- approving policies governing the operations and resourcing of the Group;
- approving decisions concerning the capital of the Group, including capital restructures and significant changes to major financing arrangements;
- decision making in relation to initiatives or matters otherwise not dealt with as part of the strategy process (e.g. major acquisitions and withdrawal from existing major lines of business);
- monitoring financial results on an on-going basis and ensuring the integrity of the Group’s financial information;

- approving the Annual Financial Accounts and the form of the Directors' Report to be sent to shareholders;
- setting the Group values and standards and ensuring that its obligations to its shareholders and others are understood and met;
- determination of any dividend and financing of dividend payment;
- ensuring the Board's effectiveness in delivering best practice corporate governance;
- conducting an annual review of the effectiveness of the Group's system of internal controls; and
- ratifying the appointment, and, where necessary, the removal, of the Company Secretary.

NB. For more details, see the Schedule of matters which are reserved for approval by the Board which is disclosed on the Group's website.

## **2.2 Rules of Residence**

The Board wishes to ensure non-UK residency and to establish and maintain tax-residency in Ireland. The Board has approved 'Rules of Residency' which are to be followed in order to ensure that the Company remains tax-resident in Ireland and not tax-resident in the UK. The Board is responsible for making all key strategic, management and commercial decisions which are necessary for the conduct of the Company's business as a whole. In discharging this responsibility, the Board shall consider and decide on those matters which are set out in the Schedule of Matters reserved for the Board and other matters as may be identified in the Company's constitutional documents, applicable law and regulation, the Code, the ASX Principles or otherwise as a matter of good corporate governance.

## **2.3 Role of the Chairman**

The Chairman on appointment should meet the independence criteria set out in 2.5.6 below. The roles of Chairman and Chief Executive shall not be exercised by the same individual.

The Chairman's responsibilities include:

- providing the appropriate leadership to the Board, ensuring its effectiveness on all aspects of its role and setting its agenda;
- ensuring membership of the Board is balanced and appropriate for the Company's needs;
- facilitating Board discussions to ensure the core issues facing the organisation are addressed and that the Directors receive accurate, timely and clear information;
- ensuring the effective contribution of Non-Executive Directors in particular and ensuring that there are constructive relations between executive and Non-Executive Directors;
- monitoring Board performance;
- demonstrating ethical leadership;
- setting a Board agenda which is primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for board decision;
- ensuring a timely flow of high quality supporting information;
- making certain that the board determines the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy, and that there are no 'no go' areas which prevent directors from operating effective oversight in this area;

- regularly considering succession planning and the composition of the Board; making certain that the Board has effective decision making processes and applies sufficient challenge to major proposals;
- ensuring the Board's committees are properly structured with appropriate terms of reference;
- encouraging all Board members to engage in Board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;
- developing productive working relationships with all Executive Directors, and the Chief Executive in particular, providing support and advice while respecting executive responsibility;
- consulting the Senior Independent Director on Board matters in accordance with the Code;
- taking the lead on issues of Director development, including through induction programmes for new Directors and regular reviews with all Directors;
- acting on the results of Board evaluation;
- being aware of, and responding to, his or her own development needs, including people and other skills, especially when taking on the role for the first time; and
- ensuring effective communication with shareholders and other stakeholders and, in particular, that all Directors are made aware of the views of those who provide the Company's capital.

The Chairman of each Board Committee fulfils an important leadership role similar to that of the chairman of the Board, particularly in creating the conditions for overall committee and individual Director effectiveness.

## **2.4 Role of the Chief Executive**

The Chief Executive is responsible to the Board for the overall management and profit performance of the Group. In discharging this responsibility, the Chief Executive and his management team shall develop the appropriate business strategy and, once approved by the Board, ensure that the strategy is effectively implemented in accordance with the operating plan approved by the Board and within a sound system of internal control. The Chief Executive should not go on to be the Chairman. If, exceptionally, the Board decides that the Chief Executive is a candidate to become the Chairman, then major shareholders will be consulted in advance and the Board shall set out its reasons to shareholders at the time of the appointment and in the next annual report.

## **2.5 Board Structure**

### **2.5.1 Board Composition and Size**

The Directors determine the size of the Board, with reference to the Company's Articles of Association, which provides that there will be a minimum of three Directors and a maximum of 15 Directors. The Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption.

The size and composition of the Board will also be determined having regard to applicable regulatory requirements. To ensure that power and information are not concentrated in one or two individuals, there should be a strong presence on the Board of both Executive and Non-Executive Directors.

The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

At least half the Board, excluding the Chairman, should comprise Non-Executive Directors considered by the Board to be independent. The Chairman of the Board will be Non-Executive and both independent of the role of the Chief Executive and, on appointment as Chairman, will meet the independence criteria set out in 2.5.6 below. Once appointed, the Chairman is not deemed to be independent (according to the Code) because his role brings him too close to the executive team.

## **2.5.2 Appointment of new Directors**

The Nomination Committee will lead the process for Board appointments and make recommendations to the Board. The members of the Nomination Committee will be independent Non-Executive Directors. The Chairman or an independent Non-Executive Director will chair the Committee but the Chairman should not chair the Nomination Committee when it is dealing with the appointment of a successor to the Chairmanship.

The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. Before the appointment of a new Director, the Nomination Committee will prepare a description of the role and capabilities required for a particular appointment having evaluated the balance of skills, independence, knowledge and experience on the Board. In the light of this evaluation, the Nomination Committee intend to use external consultants to access a wide and diverse base of potential Directors, considering:

- the current composition and diversity of the Board;
- the need for independence;
- the strategic direction and progress of Henderson Group; and
- the geographic spread and diversity of the Group businesses.

The Nomination Committee will then assess the potential candidates on merit and against a range of objective criteria including background, experience, qualifications, professional skills and their personal qualities. Care will also be taken to ensure that candidates have enough time to devote to the job. This is particularly important in the case of any candidates for the Chairman's position. The key objective will be to decide which of the candidates will make the biggest contribution to promoting the success of the Company.

Unless otherwise agreed or the appointment involves a new Chairman, the Chairman of the Nomination Committee is responsible for identifying and interviewing suitable candidates. If found suitable, a candidate will be recommended to the Board which will make the final decision regarding any appointment of a new Director.

The Board should satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within Henderson Group and the Board.

For the appointment of the Chairman, the Nomination Committee will prepare a job specification, including an assessment of the time commitment expected,

recognising the need for availability in the event of crises. The Chairman's other significant commitments will be disclosed to the Board before appointment and included in the annual report. Changes to such commitments will be reported to the Board as they arise, and included in the next Annual Report.

Subject to Code Provision B.3.3, an Executive Director may accept the appointment of a Non-Executive Directorship of a FTSE 100 company, subject to Board approval. The Board shall give consideration to time commitments and the necessary disclosure in the Annual Financial Report before such approval is given.

Directors' other significant commitments will be disclosed to the Board before appointment and included in the Annual Report. Changes to such commitments will be reported to the Board, disclosed to the market, if material, as they arise, and included in the next Annual Report.

### **2.5.3 Terms of Appointment**

New Non-Executive Directors appointed to the Company or to the Company's subsidiary companies will have a capped tenure of two, three-year terms, subject to re-election by shareholders. The Board should set out to shareholders in the papers accompanying the resolution to elect a Non-Executive Director why they believe an individual should be elected. The Chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role. Any term of appointment, after the end of the two, three-year terms, will not be automatic and will be subject to particularly rigorous annual review and will take account of the need for progressive refreshing of the Board. If a Non-Executive Director is reappointed after having served six years, such reappointment, and any subsequent reappointment, will normally be for a period of 12 months.

In accordance with the Code the entire Board will offer itself for re-election at each AGM.

The terms and conditions of appointment of Non-Executive Directors should be made available for inspection. The letter of appointment will set out the expected time commitment. Non-Executive Directors will undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the Board before appointment, with a broad indication of the time involved and the Board should be informed of subsequent changes.

Notice or contract periods for Executive Directors will be set at, or reduced to, one year or less. Where longer notice or contract periods have to be offered to new Directors recruited from outside the Company, such periods will be reduced after the initial period and an explanation of why such longer period was offered will be included in the next Annual Report.

On resignation, a Non-Executive Director should provide a written statement to the Chairman, for circulation to the Board, if they have any concerns about the running of the Company.

#### **2.5.4 Maximum Tenure**

The tenure of Non-Executive Directors will generally be no longer than nine years. A Non-Executive Director can continue to hold office after a nine-year term only if they are re-elected by shareholders at every subsequent AGM. A term longer than nine years would only be recommended by the Board in exceptional circumstances.

#### **2.5.5 Senior Independent Director**

The Board will appoint one of the independent Non-Executive Directors to be the Senior Independent Director. The Senior Independent Director will provide a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary. The Senior Independent Director will be available to shareholders if they have concerns about an issue which has not been resolved through the normal channels of Chairman, Chief Executive or Chief Financial Officer or for which such contact is inappropriate.

#### **2.5.6 Criteria for Independence**

The Board will identify in its annual report each of the Non-Executive Directors whom it considers to be independent. The Board will determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board should state its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the Director:

- has been an employee of the Company or group within the last five years, or has been a Director after ceasing to hold any such employment;
- has, or has had within the last three years, a material business relationship with the Company or any other group member either directly, or as a partner shareholder, Director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the Company or other group member apart from a Director's fee, participates in the Company's share option or a performance-related pay scheme, or is a member of the Company's pension scheme;
- has close family ties with any of the company's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- represents or is directly associated with a significant shareholder;
- has served on the Board for more than nine years from the date of their first election or such lesser period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; or
- has any other interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

#### **2.5.7 Reappointment, Retirement and Removal of Directors from the Board**

In accordance with the Code the entire Board will offer itself for re-election at each AGM.

The names of candidates submitted for appointment or reappointment as Directors shall be accompanied by the following information to enable shareholders to make an informed decision on their appointment:

- biographical details, including competencies, qualifications and sufficient information to enable an assessment of the candidate's independence;
- details of any relationship between Henderson and the candidate or between any other Director and the candidate.
- other significant directorships;
- particulars of other positions which involve significant time commitments;
- the term of office currently served by a candidate; and
- any other particulars required by law.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM of the Company when the Director will be subject to election by shareholders. This reappointment will be in addition to any rotational retirements.

The Articles of Association provide for a Director's automatic removal, *inter alia*, if he becomes bankrupt, is or may be suffering from a mental disorder or he is requested to resign in writing by not less than three quarters of the other Directors. Directors will also cease to be Directors if they are disqualified under the Company Directors Disqualification Act 1986. The shareholders of the Company will also have the statutory right to remove Directors by ordinary resolution.

## **2.6 Board Process**

The Board will meet regularly, with meetings taking place, at least four times a year.

The Chairman will, on occasions, hold meetings with the Non-Executive Directors without the Executive Directors.

Where Directors have concerns that cannot be resolved about the running of the Company or a proposed action, they should ensure that their concerns are recorded in the Board minutes.

## **2.7 Information and Professional Development**

The Board will be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All Directors should receive a tailored induction on joining the Board and should regularly update and refresh their skills and knowledge. As part of any induction, Directors should avail themselves of opportunities to meet major shareholders.

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. Management has an obligation to provide such information but Directors should seek clarification or amplification where necessary.

The Chairman should ensure that the Directors continually update their skills and the knowledge and familiarity with the Henderson Group required to fulfil their role both on the Board and on Board Committees. The Group will provide the necessary resources for developing and updating its Directors' knowledge and capabilities.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between

senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required.

All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

## **2.8 Evaluation of the Performance of the Board and its Directors**

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Standing Board Committees and individual Directors. Evaluation of the Board should be externally facilitated at least once in each three years.

The Chairman will, on an annual basis, facilitate a discussion on, and evaluation of, the Board's performance. This will include discussions both collectively and individually about:

- the Board's role;
- the Board processes;
- the Board's performance;
- the role and performance of its Committees (see 3.2.1 below); and
- other relevant issues.

Led by the Senior Independent Director, the Non-Executive Directors should meet, without the Chairman present, on an annual basis, to appraise the Chairman's performance, after taking into account the views of Executive Directors. The same group of Directors should also meet on such other occasions as are deemed appropriate.

A review of a Director's individual performance will be undertaken by the Chairman and the Board as part of the annual evaluation. This review should aim to show whether the Director in question continues to contribute effectively and to demonstrate commitment to the role, (including commitment of time for Board and Committee meetings and any other duties). The Chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board, and where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors, if required.

## **2.9 Evaluation of the Performance of the Chief Executive and other senior executives**

The Chief Executive's performance is evaluated by the Chairman having taken account of the views of the other Non-Executive Directors. The Chairman assesses the Chief Executive's performance as a Director as part of the Board's performance evaluation process. In addition, the Chairman and the Chairman of the Remuneration Committee lead a separate process which reviews the Chief Executive's broader performance and his remuneration. This process commences with a review by the Non-Executive Directors of the Chief Executive's overall performance against the financial and non-financial objectives set for the relevant financial year. Following that review, the Chairman and Chairman of the Remuneration Committee make a recommendation to the Remuneration Committee regarding the Chief Executive's remuneration, having taken specialist remuneration advice where appropriate and reviewed any remuneration survey data. The Remuneration Committee then reviews the recommendation and supporting data. The final decision on the Chief Executive's

remuneration is made by the Remuneration Committee. The Chief Executive is given feedback regarding his performance during a meeting with the Chairman.

The performance evaluation of the senior executives reporting to the Chief Executive is led by the Chief Executive. Performance of these senior executives is assessed against the objectives set for them in respect of the relevant financial year. The Chief Executive then presents recommendations to the Remuneration Committee regarding their remuneration. Again, the Remuneration Committee has access to specialist remuneration advice and relevant remuneration survey data when reviewing any recommendations made by the Chief Executive. The final decision on any changes made to the senior executive's remuneration rests with the Remuneration Committee. The Chief Executive gives feedback to the senior executives regarding their performance during one-to-one meetings.

## **2.10 Role of Individual Directors**

### **2.10.1 Participation in Board Meetings**

Directors have a duty to question, request information, raise any issue which is of concern to them, fully canvas all aspects of any issue confronting the Company and cast their vote on any resolution according to their own judgment. Directors must take decisions objectively in the interests of the Company. Outside the boardroom, Directors support the letter and spirit of Board decisions.

Directors will keep confidential Board discussions, deliberations and decisions that are not publicly known.

Confidential information received by a Director in the course of the exercise of Directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been properly authorised, or is required by law.

### **Executive Directors**

Executive Directors have the same duties as other members of the Board. These duties extend to the whole of the business, and not just that part of it covered by their individual executive roles. Executive Directors should not see themselves only as members of the Chief Executive's Executive Committee when engaged in Board business. Taking the wider view can help achieve the advantage of a unitary system: greater knowledge, involvement and commitment at the point of decision.

## **Non-Executive Directors**

As part of their role as members of a unitary board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

Non-Executive Directors should devote time to developing and refreshing their knowledge and skills, to ensure that they continue to make a positive contribution to the board.

Non-Executive Directors need to make sufficient time available to discharge their responsibilities effectively.

Non-Executive Directors have a responsibility to uphold high standards of integrity and probity. They should support the Chairman and Executive Directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond.

Non-Executive Directors should insist on receiving high quality information sufficiently in advance so that there can be thorough consideration of the issues prior to, and informed debate and challenge at, Board meetings. High quality information is that which is appropriate for making decisions on the issue at hand – it should be accurate, clear, comprehensive, up to date and timely; contain a summary of the contents of any paper; and inform the Director of what is expected of him on that issue.

Non-Executive Directors should take into account the views of shareholders and other stakeholders, because these views may provide different perspectives on the Company and its performance.

### **2.10.2 Legal Obligations**

In accordance with Jersey legal and statutory requirements, Directors will:

- discharge their duties in good faith and act honestly in the best interests of the Company;
- exercise due care and skill in carrying out their duties;
- owe a fiduciary duty to the Company, using the powers of office for proper purpose, and acting at all times in the best interests of the Company as a whole;
- act with required care and diligence, demonstrating commercial reasonableness in their decisions;
- avoid any actual or potential conflicts of interest (refer to section 2.10.3);
- not profit or make improper use of information gained through his position as a Director or take improper advantage of the position of Director;
- keep all information obtained while acting as a Director confidential;
- make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- undertake diligent analysis of all proposals placed before the Board; and
- comply with their duties as Directors of a Listed Company.

Directors decide what matters are appropriate to delegate to management and must ensure that adequate controls are put in place to oversee the operation of these delegated powers.

Non-Executive Directors do not participate in the day-to-day management of Henderson Group plc. Consequently, representations or agreements with member companies, suppliers, customers, employees, consultants,

professional firms or other parties or organisations are made by management, unless such an authority is explicitly delegated by the Board, to the Non-Executive Director, either individually or as a member of a Committee.

### **2.10.3 Conflict of Interest**

All Directors must take decisions and act in what they consider to be the interests of the Company. Directors should always be alert to any potential or actual conflicts of interest that may arise. This should be continuously considered by individual Directors given the rapidly changing nature of the Company's businesses.

Directors must:

- disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises;
- if deemed desirable by the Board or the Director, take such steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period; and
- comply with the Jersey Companies Law provisions and the Company's Articles of Association about disclosing interests to the full Board and restrictions on voting on a matter in which he is interested.

In certain circumstances, it may be desirable for Directors to absent themselves from the room when the Board discusses a matter on which they are conflicted.

It is expected that Directors will inform the Chairman of any Board or executive appointments they are considering undertaking or other potential conflicts as soon as practicable. Such proposed appointments or potential conflicts will only be accepted if they are approved by the Board. The Company shall record these approved appointments and potential conflicts in a Conflicts Register kept by the Company Secretary.

The same requirement will exist for related party transactions including financial transactions with the Company. Related party transactions should be reported in writing to the Company Secretary and, where appropriate, raised for consideration at the next Board meeting.

In addition, for the purposes of Chapter 11 of the Listing Rules of the United Kingdom Listing Authority (**UKLA**), any related party transactions (i.e. between the Company or any of its subsidiary undertakings and any Directors or substantial shareholders of the Company, would need the prior approval of the shareholders of the Company at a general meeting.

### **2.10.4 Access to Information**

Directors are encouraged to access members of the Executive Committee at any time to request relevant information in accordance with protocols adopted by the Board from time to time.

### **2.10.5 Code of Conduct**

The Company has adopted a Code of Conduct outlining the standards of personal and corporate behaviour required of all officers and employees. This

Code reinforces an already strong ethical culture for the benefit of all shareholders and applies to Directors.

A copy of the Code of Conduct is provided to all Directors and employees when they join the Group.

### **3 Key Functions of the Henderson Group Board**

#### **3.1 Role of the Board in Strategy**

A critical role of the Board is to ensure that the Company is pursuing an appropriate strategy. To achieve this result, the Board (which is collectively responsible for the long-term success of the Company) is constructively engaged with management to ensure the appropriate development, execution, and modification of the Company's strategy.

Each calendar year, during the strategy process cycle, management and the Board will discuss the substantive elements that are going to be considered in the development and execution of an effective strategy.

After agreeing certain assumptions with the Board, management develops and then proposes a strategy for discussion with Directors. This strategy then forms the basis for the operating plan, which is considered and approved by the Board.

In assessing and approving a strategy, Directors consider its executability and timing and will monitor on a continuing basis execution of the strategy against milestones.

#### **3.2 Delegation of Authority**

##### **3.2.1 Delegation to Board Committees**

Henderson Group's Articles of Association specify that the Board may delegate any of its powers to a Committee of Directors. The Board has established Committees in order to share detailed work and consider certain issues and functions in detail. Each Committee, however, may only act in accordance with the powers and responsibilities delegated to it by the Board.

Each Committee is under an obligation to report back its work and advise the Board accordingly. The Chairman of each Committee will report any matters of substance to the next Board meeting. Committees should be provided with sufficient resources to undertake their duties.

There are currently four Standing Committees of the Board, namely the:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Board Risk Committee

Other committees may be constituted from time to time, as required.

##### **3.2.2 Role of Board Committees**

Each Committee has its own Terms of Reference approved by the Board which are available on the Company's website and will be sent to a shareholder on request. The Terms of Reference are reviewed annually, with additional review from time to time as appropriate. The Chairman oversees all

Board Committees. The value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding the chairmanship and membership of Committees.

No one other than the Committee Chairman and the members are entitled to be present at a meeting of the Nomination, Audit, Remuneration or Board Risk Committee. Others, including the Chief Executive and Chief Financial Officer, may attend Committee meetings at the invitation of a Committee.

The role of each Committee is currently as follows:

#### Audit Committee

The Audit Committee is responsible for overseeing the accounting and financial reporting processes of Henderson Group and the reliability and appropriateness of the disclosures made in financial statements, reviewing the performance, independence and objectivity of the external auditors, assessing the effectiveness of the internal audit function, and overseeing the effectiveness of the Company's system of internal control. The Audit Committee will also review arrangements for whistle blowing should an employee wish to raise concerns, in confidence, about any possible improprieties. In addition, the Company has adopted a Charter of Statutory Auditor Independence which requires both the Company and the external auditors to take measures to safeguard the objectivity and independence of the external auditors.

#### Nomination Committee

The Nomination Committee has responsibility for considering the size, composition and balance of the Board, the retirement and appointment of the Directors, the process for evaluation of the performance of the Board, its Committees and 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 the Board has an appropriate mix of expertise and experience.

#### Remuneration Committee

The Remuneration Committee has responsibility for reviewing and approving the Henderson Group remuneration and compensation plans, Human Resources policies and practices and for determining 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 Committee should have at least three members, all of whom shall be independent Non-Executive Directors. Where remuneration consultants are appointed, a statement will be made available as to whether they have any other connection with the Company.

The remuneration of the Board Chairman is determined by the Chairman of the Remuneration Committee and the other Non-Executive Directors, after taking external, independent advice.

The determination of the remuneration packages for Non-Executive Directors is a matter for the Chairman and the executive members of the Board (in

accordance with the limit imposed in the Articles of Association) after taking external, independent advice. In accordance with the Articles of Association, this responsibility may be delegated to a Committee. Levels of remuneration should reflect the time commitment and responsibilities of the roles undertaken by Non-Executive Directors. Such remuneration will not include share options or membership of one of the Group's pension schemes.

The Remuneration Committee should consult the Chairman and/or Chief Executive about their proposals relating to the remuneration of other Executive Directors. The Remuneration Committee should also be responsible for appointing any consultants in respect of Executive Director remuneration. Where Executive Directors or senior management are involved in advising or supporting the Remuneration Committee, care should be taken to recognise and avoid conflicts of interest.

The performance-related elements of remuneration should form a significant proportion of the total remuneration package of Executive Directors and should be designed to align their interests with those of shareholders and give these Directors keen incentives to perform at the highest levels. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the FSA's Listing Rules and Disclosure and Transparency Rules.

The Remuneration Committee should carefully consider what compensation commitments (including pension contributions and all other elements) their Directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. They should take a robust line on reducing compensation to reflect departing Directors' obligations to mitigate loss.

Shareholders of the Company will also be invited specifically to approve all new long-term incentive schemes (as defined in the UKLA or the ASX Listing Rules) and significant changes to existing schemes, save in the circumstances permitted by the UKLA or the ASX Listing Rules. The payment of equity-based remuneration should be made in accordance with thresholds set in plans approved by shareholders.

#### Board Risk Committee

The Board Risk Committee has responsibility for overseeing all of the perceived key risks that the business is expected to encounter through a mixture of qualitative guidance and quantifiable limits. The Board Risk Committee shall be forward looking, advising the Board on the Group's risk profile and risk appetite in setting its future strategy, advising the Board on the amount of surplus regulatory capital overseeing the effectiveness of the risk management procedures, regulatory compliance and the principal risks and uncertainties relating to the Group, reviewing the work and reports prepared by the Chief Risk Officer and overseeing the effectiveness of the Chief Risk Officer's role.

### **3.2.3 Delegations to the Chief Executive**

The Board approves Delegations of Authority to the Chief Executive. These Delegations are in written form and will be maintained by the Company Secretary and reviewed as appropriate from time to time.

### **3.2.4 Corporate Governance of Subsidiary Companies**

The Directors of Henderson Group fulfil their responsibility for guiding and monitoring subsidiary companies of the Company in the following ways:

- the Directors of the Company approve the Group strategy, operating plans, and policies etc., which are cascaded down through business units and key operating subsidiaries as appropriate;
- the Board is kept informed of the issues affecting the key operating subsidiaries through the Monthly Performance Report;
- subsidiary company board and committee minutes are also available to Directors of the Board on request;
- the Board Committees review and monitor policies, practices and systems in a range of areas which have relevance across the Company's business; and
- in some cases, Board Directors may also be appointed as Directors of operating subsidiaries.

## **4 Other**

### **4.1 Financial Reporting**

The Board will present a balanced and understandable assessment of the position and prospects of the Group. This responsibility extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

The Chief Executive and the Chief Financial Officer must confirm in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards.

The Audit Committee approves the Group's accounting policies, oversees management controls, reporting practices and production of financial statements. It considers internal and external audit reports and monitors the adequacy of the Group's internal procedures and controls.

### **4.2 Risk Management**

The Board is responsible for ensuring appropriate measures are in place in order to manage risk in line with the Group's strategy and has approved a Risk Management Policy and Risk Appetite Statement for the Henderson Group.

The Group has a risk management programme that is supported by tools and techniques to enable the business to identify and assess risks, respond appropriately and monitor/review risks and related management and control techniques.

Specific responsibility for risk is delegated to the Board Risk Committee. Despite this delegation, the Board will still, at least annually, conduct a review of the effectiveness of the Group's system of internal controls and will report to shareholders that they have done so. The Board should summarise the process it (or where applicable, through its committees) has applied in reviewing the effectiveness of the system of internal control and confirm that necessary actions have been or are being taken to remedy any

significant failings or weaknesses identified from that review. The review will cover all material controls, including financial, operational controls and risk management systems.

The Executive Directors should state to the Board in writing that:

- (i) the statement given in accordance with paragraph 4.1 above regarding the integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and
- (ii) the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### **4.3 Corporate Framework**

The Company's corporate framework is set out in its Memorandum and Articles of Association which comply with Jersey Companies Law.

#### **4.4 Compliance Framework**

The Board is responsible for ensuring that adequate measures are undertaken to manage compliance. Specific responsibility for compliance has been delegated to the Audit Committee. To ensure proper compliance, a systematic approach to compliance management has been implemented across the Group covering a broad range of legal requirements, duties and responsibilities. Compliance reports covering the activities of the companies within the Group are made quarterly to the Henderson Executive Committee and the Audit Committee. The Non-Executive Directors have been briefed about the regulatory framework in which they operate as 'Approved Persons'.

#### **4.5 Independent Advice**

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. Directors must ensure that the costs are reasonable and must advise the Chairman and General Counsel before the advice is sought. The advice received shall be made available to the rest of the Board if the Board so requests.

#### **4.6 Insurances**

The Company's Directors' and Officers' Liability Insurance Policy is designated to provide coverage (subject to the Companies Act and policy terms and conditions) for 'losses' which the Director and/or officer becomes legally liable to pay in respect of a claim. 'Losses' include damages, judgments and settlements which the Director and/or officer is legally obligated to pay as a result of a claim made against them. The Directors' and Officers' Policy will not cover losses due to dishonesty, fraud, wilful breach of duty or criminal behaviour.

The Company's Specialised Insurance Programme also includes coverage for the Group for claims arising from losses as a result of Crime, Professional Indemnity or Trustees' Liability.

The Company provides personal accident and travel assistance insurance cover for its Directors and employees when they are travelling overseas on the Group's business.

## **5 Boards of Subsidiary Companies**

## **5.1 Board Composition and Size**

The size and composition of each subsidiary company board is determined with reference to its Articles of Association and having regard to applicable regulatory requirements.

## **5.2 Appointment and Removal of Non-Executive Directors**

Non-Executive Directors may be appointed to boards of subsidiary companies, for example, to satisfy regulatory requirements in relation to Directors' independence or to augment the skills and qualities of the existing boards.

Appointments (or removal) of Non-Executive Directors (other than the Company's Non-Executive Directors) to the boards of the following companies will also be considered by the Nomination Committee:

- the 'key operating subsidiaries' as agreed by the Board, on the recommendation of the Chief Executive, from time to time; and
- companies which the Chairman and the Chief Executive consider as being high profile or which conduct business in particularly sensitive areas.

The appointment of Board Non-Executive Directors to the boards of subsidiary companies and their related tenure and remuneration is subject to the approval of the Board.

## **5.3 Appointment of Non-Executive Directors**

New Non-Executive Directors appointed to the board of a subsidiary of the Company will also have a capped tenure of two, three-year terms. Please see Section 2.5.3 "Terms of Appointment" and Section 2.5.4 "Maximum Tenure" which will also apply to Non-Executive Directors appointed to the Boards of Henderson Group subsidiaries.

Any exceptions may be determined by the Chairman of the Board acting in conjunction with the Chairman of the relevant Board.

## **5.4 Remuneration of Non-Executive Directors**

Remuneration of Non-Executive Directors on the boards of the 'key operating subsidiaries' as agreed by the Board from time to time will be considered by the Nomination Committee.

## **6 Dialogue with Institutional Shareholders**

There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place and has approved a Shareholder Communication Policy.

Whilst recognising that most shareholder contact is with the Chief Executive and Chief Financial Officer, the Chairman (and the Senior Independent Director and other Directors as appropriate) will maintain sufficient contact with major shareholders to understand their issues and concerns. The Board should keep in touch with shareholder opinion in whatever ways are most practical and efficient. In particular, the Chairman should ensure that the Company maintains contact as required with its principal shareholders about executive remuneration in the same way as for other matters.

The Chairman should ensure that the views of shareholders are communicated to the Board as a whole. The Chairman should discuss governance and strategy with major shareholders. Non-Executive Directors (including, in particular, the Senior Independent Director) should be offered the opportunity to attend meetings with major shareholders and should expect to attend them if requested by major shareholders.

The Board should state in the annual report the steps they have taken to ensure that the members of the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about their company.

## **7 Share Trading Policy**

Henderson's Share Trading Policy applies to all Directors and employees of the Company or any of its subsidiaries. The Policy aims to:

- protect Shareholders' interests at all times;
- ensure that Directors, employees and people connected with them do not use and do not place themselves under suspicion of using any inside information that they possess (or are thought to possess) for their personal advantage, or to the detriment of their clients or of the Company; and
- ensure that Directors and employees comply with insider trading legislation, the market abuse regime and other restrictions applicable in the various jurisdictions in which transactions may take place

## **8. Market Disclosure Policy**

Henderson's Market Disclosure Policy is split into two sections: Continuous Disclosure and Financial Markets Communication. The Policy complies with the principles and regulations of the UKLA and the ASX.

## **9 AGM Procedures**

The Board will use the AGM to communicate with investors and to encourage their participation.

The Company will count all proxy votes and, except where a poll is called, should indicate the number of shares in respect of which proxies have been lodged on each resolution, and the number of votes for and against the resolution and the number of abstentions (or votes withheld), after it has been dealt with on a show of hands. The proxy form and any announcement regarding the results of voting will state that a vote withheld or abstention is not a vote in law and is not counted in the calculation of the proportion of the votes for or against the resolution. The Company should ensure that votes cast are properly received and recorded.

The Company should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the report and accounts. Approval of the Remuneration Report will be sought from shareholders by ordinary resolution at a general meeting of the Company.

The Chairman should arrange for the Chairmen of the Audit, Remuneration, Board Risk and Nomination Committees to be available to answer questions at the AGM and for all Directors of the Board to attend.

The Company will arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting.

The summary of material questions asked by shareholders to the Chairman of the Nomination, Remuneration, Risk and Audit Committees and the answers provided should be placed on the company's website within two working days of the AGM date. Printed copies of the same information should be issued to shareholders on request without charge within five working days.

The results of the proxy votes in respect of resolutions put to the AGM (or a GM) as disclosed at the meeting itself will also be disclosed as soon as practicable after the meeting to the Stock Exchange and on the Company's website.

**10 Disclosure of Corporate Governance arrangements**

Adherence to certain aspects of the Code and to the ASX Principles is required to be disclosed. A list of the disclosure requirements is set out in Appendix 2 to this note.

**11 Diversity**

A copy of Henderson's Equality and Diversity Policy is available on the Group's website.

## Appendix 1

### I. Main Principles of Corporate Governance (as set out in the UK Code)

#### Section A: Leadership

Every company should be headed by an effective Board which is collectively responsible for the long-term success of the company.

There should be a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.

As part of their role as members of a unitary Board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

#### Section B: Effectiveness

The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board.

All Directors should be able to allocate sufficient time to the Company to discharge their responsibilities effectively.

All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

#### Section C: Accountability

The Board should present a balanced and understandable assessment of the company's position and prospects.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.

The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor.

## **Section D: Remuneration**

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director should be involved in deciding his or her own remuneration.

## **Section E: Relations with Shareholders**

There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

The Board should use the AGM to communicate with investors and to encourage their participation.

## **II. ASX Principles**

### **Principle 1 – Lay solid foundations for management and oversight**

Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Box 1.1** Content of a director's letter upon appointment
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

### **Principle 2 – Structure the board to add value**

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Box 2.1:** Relationships affecting independent status
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

### **Principle 3 – Promote ethical and responsible decision-making**

Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- **Box 3.1:** Suggestions for the content of a code of conduct
- **Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- **Box 3.2:** Suggestions for the content of a diversity policy
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

#### **Principle 4 – Safeguard integrity in financial reporting**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
  - consists only of Non-Executive Directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

#### **Principle 5 – Make timely and balanced disclosure**

Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Box 5.1:** Continuous disclosure policies
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

## Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Box 6.1:** Using electronic communications effectively
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

## Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

## Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
  - consists of a majority of independent directors
  - is chaired by an independent chair
  - has at least three members.
- **Recommendation 8.3:** Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.
- **Box 8.1:** Guidelines for executive remuneration packages
- **Box 8.2:** Guidelines for Non-Executive Director remuneration
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

## Appendix 2

**Henderson Group plc is required to include a statement in its annual report relating to compliance with the Code and the ASX Principles.**

### **I. Disclosure required by the Code**

The annual report should record:

a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the Board and which are to be delegated to management (A.1.1);

the names of the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees (A.1.2);

- the number of meetings of the Board and those committees and individual attendance by directors (A.1.2);
- where a chief executive is appointed chairman, the reasons for their appointment (this only needs to be done in the Annual Report following the appointment) (A.3.1);
- the names of the Non-Executive Directors whom the board determines to be independent, with reasons where necessary (B.1.1);
- a separate section describing the work of the Nomination Committee, including the process it has used in relation to board appointments and an explanation if neither external search consultancy nor open advertising has been used in the appointment of a chairman or a Non-Executive Director (B.2.4);
- any changes to the other significant commitments of the Chairman during the year (B.3.1);
- a statement of how performance evaluation of the Board, its committees and its Directors has been conducted (B.6.1);
- an explanation from the Directors of their responsibility for preparing the accounts and a statement by the Auditors about their reporting responsibilities (C.1.1);
- an explanation from the Directors of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company (C.1.2);
- a statement from the Directors that the business is a going concern with supporting assumptions or qualifications as necessary (C.1.3);
- a report that the board has conducted a review of the effectiveness of the company's risk management and internal controls systems (C.2.1);
- a separate section describing the work of the Audit Committee in discharging its responsibilities (C.3.3);
- where there is no internal audit function, the reasons for the absence of such a function (C.3.5);
- where the Board does not accept the Audit Committee's recommendation on the appointment, reappointment or removal of an external Auditor, a statement from the Audit

Committee explaining the recommendation and the reasons why the board has taken a different position (C.3.6);

- an explanation of how, if the Auditor provides non-audit services, auditor objectivity and independence is safeguarded (C.3.7);
- a description of the work of the Remuneration Committee as required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 including, where an Executive Director serves as a Non-Executive Director elsewhere, whether or not the director will retain such earnings and, if so, what the remuneration is (D.1.2);
- the steps the Board has taken to ensure that members of the Board, in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about their company (E.1.2).

The following information should be made available (which may be met by placing the information on a website that is maintained by or on behalf of the company):

- the terms of reference of the Nomination, Audit and Remuneration committees, explaining their role and the authority delegated to them by the board (B.2.1, C.3.3 and D.2.1);
- the terms and conditions of appointment of Non-Executive Directors (B.3.2) (see footnote 9);
- where performance evaluation has been externally facilitated, a statement of whether the facilitator has any other connection with the Company (B.6.2); and
- where remuneration consultants are appointed, a statement of whether they have any other connection with the company (D.2.1).

The Board should set out to shareholders in the papers accompanying a resolution to elect or re-elect directors:

- sufficient biographical details to enable shareholders to take an informed decision on their election or re-election (B.7.1);
- why they believe an individual should be elected to a non-executive role (B.7.2); and
- on re-election of a Non-Executive Director, confirmation from the Chairman that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role (B.7.2).

The Board should set out to shareholders in the papers recommending appointment or reappointment of an external Auditor:

- if the Board does not accept the Audit Committee's recommendation, a statement from the Audit Committee explaining the recommendation and from the Board setting out reasons why they have taken a different position (C.3.6).

### **Additional guidance**

The Turnbull Guidance and FRC Guidance on Audit Committees contain further suggestions as to information that might usefully be disclosed in the internal control statement and the report of the audit committee respectively. Both sets of guidance are available on the FRC website at: <http://www.frc.org.uk/corporate/ukcgcode.cfm>

## **II. Disclosure required by the ASX Principles**

The company must include in its annual report a statement disclosing the extent to which the company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. If the company has not followed all of the recommendations the company must identify those recommendations that have not been followed and give reasons for not following them. If a recommendation had been followed for only part of the period, the company must state the period during which it had been followed.

### **1. Guide to reporting on Principle 1**

The following material should be included in the corporate governance section of the annual report:

- an explanation of any departure from Recommendations 1.1, 1.2 or 1.3
- whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.

A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.

### **2. Guide to reporting on Principle 2**

The following material should be included in the corporate governance statement in the annual report:

- the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;
- the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds;
- the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships;
- a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company;
- a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board;
- the period of office held by each director in office at the date of the annual report;
- the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out;
- whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and
- an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;
- the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and
- the board's policy for the nomination and appointment of directors.

### **3. Guide to reporting on Principle 3**

An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- any applicable code of conduct or a summary;
- the trading policy or a summary of its main provisions; and
- the diversity policy or a summary of its main provisions.

#### **4. Guide to reporting on Principle 4**

The following material should be included in the corporate governance statement in the annual report:

- the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out;
- the number of meetings of the audit committee; and
- explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- the audit committee charter; and
- information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

#### **5. Guide to reporting on Principle 5**

An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report.

The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.

#### **6. Guide to reporting on Principle 6**

An explanation of any departure from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.

The company should describe how it will communicate with its shareholders publicly, ideally by posting this information on the company's website in a clearly marked corporate governance section.

#### **7. Guide to reporting on Principle 7**

The following material should be included in the corporate governance statement in the annual report:

- explanation of any departures from Recommendations 7.1, 7.2 7.3 or 7.4;
- whether the board has received the report from management under Recommendation 7.2; and
- whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- a summary of the company's policies on risk oversight and management of material business risks.

## **8. Guide to reporting on Principle 8**

The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:

- the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out;
- the existence and terms of any schemes for retirement benefits, other than superannuation, for Non-Executive Directors; and
- an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee and
- a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

## Appendix 3

### Guidelines for executive remuneration packages

Most executive remuneration packages will involve a balance between fixed and incentive pay. Companies may find it useful to consider the following components in formulating packages:

1. Fixed remuneration: This should be reasonable and fair, taking into account the company's legal and industrial obligations and labour market conditions, and should be relative to the scale of business. It should reflect core performance requirements and expectations.
2. Performance-based remuneration: Performance-based remuneration linked to clearly specified performance targets can be an effective tool in promoting the interests of the company and shareholders. Incentive schemes should be designed around appropriate performance benchmarks that measure relative performance and provide rewards for materially improved company performance.
3. Equity-based remuneration: Appropriately designed equity-based remuneration, including stock options, can be an effective form of remuneration when linked to performance objectives or hurdles. Equity-based remuneration has limitations and can contribute to 'short-termism' on the part of senior executives. Accordingly, it is important to design appropriate schemes. The terms of such schemes should clearly prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under these schemes. The exercise of any entitlements under these schemes should be timed to coincide with any trading windows under any trading policy established by the company.
4. Termination payments: Termination payments, if any, for chief executive officers should be agreed in advance, including detailed provisions in case of early termination. There should be no payment for removal for misconduct. Agreements should clearly articulate performance expectations. Companies should consider the consequences of an appointment not working out, and the costs and other impacts of early termination.