



Henderson Group plc  
Audit Committee  
Terms of Reference

## **1. Committee Purpose**

- 1.1 The Audit Committee (“AC”) is a Committee of the Board of Henderson Group plc (“Board”) which will assist the Board to discharge its corporate governance responsibilities in respect of the Henderson Group plc and its subsidiaries (“the Group”) in relation to:
- Overseeing the reliability and appropriateness of the Group’s financial reporting;
  - Overseeing the effectiveness of the Group’s system of internal controls;
  - Assessing the effectiveness of the internal audit function;
  - Reviewing the performance and independence of the external auditors, as well as being responsible for their appointment, re-appointment and removal; and
  - Reviewing the Group’s arrangements in respect of ‘whistleblowing’

## **2. Authority**

- 2.1 The AC is authorised by the Board to:
- investigate any activity within its terms of reference;
  - seek any information that it requires from any employee of the Group and all employees are directed to cooperate with any request made by the AC; and
  - obtain outside independent professional advice, at the Group’s expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **3. Duties**

### **Financial Reporting**

- 3.1 The AC will review, and challenge where necessary, the actions and judgements of management, in relation to the Group’s final and half year financial statements, business review, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention should be paid to:
- critical accounting and tax policies and practices, and any changes in them;
  - decisions requiring a significant element of judgement;
  - the extent to which the financial statements are affected by any
  - unusual transactions in the year and how they are disclosed
  - the clarity of disclosures;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards;
  - compliance with stock exchange and other legal requirements including the ASX and FSA’s listing and disclosure rules;

## **Internal Controls**

- 3.2 The AC will review and challenge, where necessary, the information it receives in order to evaluate and oversee the effectiveness of the Group's internal controls and report its findings to the Board so that the Board can conduct its own review, at least annually, of the effectiveness of the Group's system of internal control. The AC shall give guidance on the information it wishes to receive for this purpose and, to the extent feasible, shall seek positive rather than negative assurance from the assurance functions. In particular the AC shall:
- monitor the integrity of the Group's internal financial controls and review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control and financial reporting;
  - review the accuracy of the Group's financial records and financial reporting; and
  - liaise closely as appropriate with the Risk Committee on any matter of possible common interest.
- 3.3 The AC is to be satisfied that the Group is effectively managing and monitoring its system of internal control and that the system is operating effectively in all material respects to ensure:
- the effective and efficient operation of all significant business processes;
  - compliance with legal and regulatory obligations;
  - compliance with guidance issued by the Financial Reporting Council on internal controls; and
  - significant breaches of legal, compliance and internal control matters are being reported and acted upon (through the management line and ultimately to the AC) and that appropriate remedial action is taken and lessons are learned.
- 3.4 The AC shall review and recommend to the Board for approval any published reports which describe the Group's system of internal control e.g. the annual AAF report on Internal Controls.

## **Internal Audit**

- 3.5 The AC will:
- review and approve the appointment, replacement or dismissal of the Head of Internal Audit;
  - review significant findings and reports of Internal Audit and management's responses to those findings;
  - approve any internal control policies (or changes to those policies) and monitor the effectiveness and compliance with, such policies;
  - review the activities and structure of Internal Audit and the effectiveness of the Internal Audit function and approve the Internal Audit Charter; and
  - review the Internal Audit annual plan, budget and resourcing.
  - receive regular reports from the Head of Internal Audit.

- 3.6 The Head of Internal Audit will communicate regularly with the Chairman of the AC and will have the right and responsibility to elevate issues to the Chairman of the AC where he/she considers it necessary in the furtherance of his/her responsibilities.

### **External Auditors**

- 3.7 The AC will recommend to the Board the appointment, re-appointment and removal of external auditors for the Group, noting that the appointment, re-appointment or removal of external auditors will be put to shareholders for approval as required by legislation.
- 3.8 The AC will approve the terms and scope of the external audit engagement together with their fees.
- 3.9 The AC will review reports received from the external auditors and is to be satisfied with the effectiveness of the audit processes including the degree of the interaction with management and, in particular, Internal Audit.
- 3.10 The AC will annually review, and is to be satisfied with, the independence and objectivity of the external auditors.
- 3.11 The AC will develop and implement policy on the engagement of the external auditors to supply non-audit services and report to the Board with recommendations for actions to be taken. Any proposed costs for non-audit services above £100,000 in aggregate in any year will be referred to the Chairman of the AC for approval.
- 3.12 If the external auditors resign, the AC will investigate the reasons for that resignation and consider what action is required.

### **Whistleblowing**

- 3.13 The AC will review the Group's arrangements for its employees to raise concerns in confidence ("whistleblowing") about any possible improprieties in financial reporting or other matters. The AC will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

## **4. Composition and Chair**

- 4.1 The AC will be composed of at least three independent Non-Executive Directors at least one of whom has recent and relevant financial experience. No Executive Directors will serve on the AC.
- 4.2 The Chief Financial Officer will provide executive support to the AC and will attend all meetings of the AC, unless the Chairman of the AC decides otherwise.
- 4.3 Appointments, rotations and resignations will be decided by the Board.

- 4.4 The Chairman of the AC shall be a Non-Executive Director of the Board (other than the Chairman of the Board).
- 4.5 The Office of the Company Secretary will provide secretarial services to the AC.

## **5 Committee Procedures**

- 5.1 The AC shall meet on a quarterly basis or more frequently if required, and will be convened and conducted on the same principles as those that apply to the Board.
- 5.2 Quorum - a meeting of the AC shall be taken to be convened if at least two Members are present.
- 5.3 At least once a year, the AC will meet without management, with the external auditors and (separately) with the Head of Internal Audit to discuss matters relating to the AC's role and responsibilities.
- 5.4 A meeting may be held by the AC Members communicating with each other by any technological means by which they are able simultaneously to hear each other and participate in discussion provided that no AC member is located in the UK when joining the call. The minutes of the meeting shall record the method by which the meeting was conducted.
- 5.5 The AC may invite members of the Board, management or others to attend meetings from time to time.
- 5.6 The AC will review its terms of reference and its effectiveness annually.
- 5.7 The AC will report to the Board on its activities.