

## Corporate Governance Report



**Jon Aisbitt**  
Chairman

**In my Chairman's Review I highlighted the priorities and main areas of focus for the Board during the last financial year. In this report, I am pleased to discuss more fully the work and operation of the Board and the framework of governance it deploys to lead and control the business and report on the Company's performance.**

### **What is the role of the Board?**

Our core purpose is to create and deliver the long term success of the Company and long term return for shareholders. This requires us to determine business strategy and our appetite for risk. We need to monitor management's performance in delivering against that strategy and ensure that the risk management measures and internal controls they put in place are appropriate and effective. We must ensure that the funding and talent available to the business will support it long term. Finally, we must remain aware of the Company's obligations to its shareholders and other stakeholders and respond to their needs with transparent reporting and active engagement.

To help discharge these key responsibilities, the Board has defined the business and governance issues which are reserved for its final decision. These form the basis of its core agenda and are summarised below:

#### Schedule of matters reserved for the Board Strategy

- Determining strategy and approval of medium term plans and budgets.
- Approval of major acquisitions and disposals.
- Approval of new ventures which extend beyond the Company's current business mandate and risk appetite.

#### Risk appetite, funding and liquidity

- Determining the Company's risk appetite.
- Agreeing the Company's capital structure, funding, borrowing limits and liquidity.
- Approval of Treasury policies including credit exposures and interest rate and foreign exchange hedging.

#### Risk management and internal controls

- Reviewing the effectiveness of the Company's risk management framework and internal controls and reporting on that review to shareholders.
- Approval of the Company's capital adequacy submission to the FSA.

#### Financial reporting and dividends

- Recommending and declaring dividends.
- Approval of major accounting policies.
- Approval of financial statements and results announcements.
- Approval of all shareholder circulars and notices of meeting.

#### Appointments

- Appointment of directors.
- Appointment of auditors.
- Appointment of Board Committees – terms of reference and membership.

#### Remuneration

- Approval of the Company's remuneration philosophy and the principles of its remuneration policy.
- Approval, on the recommendation of the Remuneration Committee, of the Company's total variable compensation spend each year.
- Approval of new share incentive plans prior to their submission to shareholders for approval.

#### How is the Board structured?

I lead a focussed close knit Board comprised of an effective balance of executive and non-executive directors. Biographical details of each director, together with their Board Committee memberships and terms of appointment, are set out in the table on pages 82 and 83.

The executive directors, supported by senior management, are responsible for the day to day operation and development of the business. The non-executive directors are appointed to bring an external and independent view, both to support and, when appropriate, challenge their management colleagues.

Our non-executive directors closely monitor management performance against the agreed strategy and direction and seek remedial or alternative action where objectives are not being met. Their independence from management also allows them to play a critical part in key Board governance functions through their detailed work on three Board Committees, the summary roles of which are outlined below.

The Chairman of each Committee reports to the Board on matters discussed at Committee meetings and highlights any significant issues requiring Board attention. Reports from the Chairman of the Audit and Risk and Remuneration Committees on the work of those Committees during the year are given on pages 91 and 94 respectively. A report from me on the work of the Nomination Committee follows on page 90. Full terms of reference for these Board Committees can be found on our website [www.mangrouplc.com](http://www.mangrouplc.com) (under About Man, Board of Directors).

## Board of Directors

- sets strategy
- determines risk appetite
- monitors Company and management performance
- engages with shareholders



#### Audit and Risk Committee

- reviews the integrity of financial reporting to shareholders
- reviews the effectiveness of the Company's risk management framework and internal controls
- determines the scope of external audit and reviews its findings and effectiveness
- reviews Internal Audit reports and monitors management's response to their recommendations

#### PG 91 Audit and Risk Committee report

#### Remuneration Committee

- determines and agrees with the Board the principles of the Company's remuneration policy
- determines the total compensation for executive directors, Executive Committee members and FSA Code staff within that policy
- recommends to the Board the quantum of the Company's annual variable compensation
- approves executive directors' annual objectives and sets the performance conditions and vesting criteria for their share incentive plans
- agrees executive directors' contractual termination terms

#### PG 94 Remuneration Committee report






#### Nomination Committee

- reviews the Board's skill and experience base and proposes any necessary changes
- directs the search and selection process for new appointments and recommends preferred candidates to the Board
- oversees senior management succession planning to ensure continuity of executive resource at and just below Board level

#### PG 90 Nomination Committee report

## Corporate Governance Report

### Board of Directors

					
	<b>Jon Aisbitt</b> Chairman of the Board and Chairman of the Nomination Committee	<b>Alison Carnwath</b> Senior Independent Director	<b>Peter Clarke</b> Chief Executive	<b>Phillip Colebatch</b> Independent non-executive director and Chairman of the Remuneration Committee	<b>Dugald Eadie</b> Independent non-executive director
<b>Biography</b>	Jon Aisbitt has 20 years' experience in international corporate finance and was previously a Partner and Managing Director in the Investment Banking Division of Goldman Sachs.	Prior to joining the Board, Alison Carnwath spent 20 years working in investment banking and was an Independent Director of MF Global Holdings Limited until August 2010.	Peter Clarke joined Man in 1993 from the investment banking industry, having worked at Morgan Grenfell and Citicorp. He became Head of Corporate Finance & Corporate Affairs and was Company Secretary from April 1996 to November 2007.	Prior to joining the Board, Phillip Colebatch was a member of the Executive Boards of Swiss Reinsurance Company and Credit Suisse Group.	Dugald Eadie has held a number of senior executive positions in the fund management industry. He was Group Managing Director of Henderson plc until his retirement in 1999, following its acquisition by AMP. He is an Honorary Fellow of the Faculty of Actuaries, and a Fellow of the CFA Society of the UK.
<b>Term of office*</b>	Jon was appointed to the Board as a non-executive director in August 2003 and was appointed non-executive Chairman in September 2007. Jon's current 3 year term of office expires in July 2012.	Alison was appointed to the Board as a non-executive director in January 2001. She was appointed Senior Independent Director in July 2009. Alison's current term of office expires in July 2011. Subject to her reappointment** by shareholders at the 2011 AGM her term of office will be renewed until the 2012 AGM.	Peter was appointed to the Board in 1997 and became Finance Director in May 2000. He was appointed Deputy Group Chief Executive in November 2005 and Chief Executive in March 2007. Peter has no fixed term of office and his service contract is terminable on 12 months' notice.	Phillip was appointed to the Board as a non-executive director in September 2007. Phillip's current 3 year term of office expires in July 2011. Subject to his reappointment by shareholders at the 2011 AGM, his term of office will be renewed until July 2014.	Dugald was appointed to the Board as a non-executive director in January 2002. He is retiring from the Board at the 2011 AGM.
<b>External appointments</b>	Jon is an Advisory Board Director of Celtic Pharma I and Celtic Pharma II (biotechnology) and a Director of New Forest Company Holdings (African forestry).	Alison is Chairman of Land Securities Group plc, a non-executive Director of Barclays PLC and an Independent Director of Paccar Inc.	None.	Phillip is a non-executive director of Insurance Australia Group and Lend Lease Corporation and is on the Boards of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.	None.
<b>Committee membership</b>	Jon is Chairman of the Nomination Committee and a Member of the Remuneration Committee. He attends Audit and Risk Committee meetings by invitation.	Alison is a Member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.	Peter regularly attends Remuneration Committee and Nomination Committee meetings by invitation.	Phillip is Chairman of the Remuneration Committee and a Member of the Nomination Committee.	Dugald is a Member of the Audit and Risk Committee and a Member of the Nomination Committee.

\* All directors' appointments are subject to their retirement by rotation and reappointment by shareholders at the Company's Annual General Meetings (AGMs).

\*\* As Alison Carnwath has served on the Board for more than 9 years, her reappointment is required to be confirmed by shareholders annually.



**Kevin Hayes**  
Finance Director

Kevin Hayes joined Man as Chief Financial Officer in March 2007 from Lehman Brothers, where he served in a variety of senior finance and strategy positions based in New York and London. He was previously a Partner in the Financial Services practice of Ernst & Young LLP in New York. He was Company Secretary of Man Group from November 2007 to July 2009.

Kevin was appointed to the Board as Finance Director in May 2007. Kevin has no fixed term of office and his service contract is terminable on 12 months' notice.

None.

Kevin regularly attends Audit and Risk Committee meetings by invitation. He attends Remuneration Committee meetings for certain items of business.



**Ruud Hendriks**  
Independent non-executive director

Ruud Hendriks was previously with Goldman Sachs Asset Management where he was a Managing Director and Co-Head of Sales for Europe, Middle East and Africa. Prior to this, Ruud was Global Head of Institutional Sales for Robeco, a leading international asset manager.

Ruud was appointed to the Board as a non-executive director in August 2009. His current 3 year term of office expires in August 2012.

Ruud is Chairman of the Advisory Board of Financial Assets (a Dutch recruitment firm), Senior Advisor, for the Netherlands, to Kohlberg Kravis, Roberts & Co., Senior Advisor to the Board of Syntrus Achmea and a Member of the Corporate Board of Taler Group (a Dutch asset manager). Ruud was appointed President of Man Investments SGR S.p.A in May 2011.

Ruud is a Member of the Remuneration Committee and a Member of the Nomination Committee.



**Frédéric Jolly**  
Independent non-executive director

Frédéric (Fred) Jolly was Chief Executive Officer of Russell Investments (Europe, Middle East and Africa) until the summer of 2008. Prior to this, Frederic was Head of Investment Consulting at The Wyatt Company, Paris (now Watson Wyatt).

Fred was appointed to the Board as a non-executive director in August 2009. His current 3 year term of office expires in August 2012.

Fred is founding Partner of Lexam Partners, an advisory business specialising in financial services.

Fred is a Member of the Audit and Risk Committee and a Member of the Nomination Committee.



**Matthew Lester**  
Independent non-executive director

Matthew Lester was Group Finance Director of ICAP plc from 2006 to 2010. Prior to this he worked at Diageo plc in a number of senior finance roles, including Group Financial Controller.

Matthew was appointed to the Board as a non-executive director in May 2011. His current 3 year term of office expires in May 2014 subject to shareholder approval of his appointment at the 2011 AGM.

Matthew is Chief Finance Officer of the Royal Mail Group. He is on the main Committee of the Hundred Group of Finance Directors.

Matthew is a Member of the Audit and Risk Committee and a Member of the Nomination Committee.



**Patrick O'Sullivan**  
Independent non-executive director and Chairman of the Audit and Risk Committee

Patrick O'Sullivan was previously Vice Chairman of the Group Management Board, as well as Group Finance Director, of Zurich Financial Services Group.

Patrick was appointed to the Board as a non-executive director in September 2007. His current 3 year term of office expires in July 2013.

Patrick is Chairman of Old Mutual plc and a non-executive director of the Bank of Ireland and COFRA Holding AG.

Patrick is Chairman of the Audit and Risk Committee and a Member of the Nomination Committee.



**Emmanuel Roman**  
Chief Operating Officer

Emmanuel (Manny) Roman joined Man as Chief Operating Officer in October 2010 following the acquisition of GLG. He joined GLG in 2005 as Co-Chief Executive Officer after 18 years with Goldman Sachs where he was Co-Head of Worldwide Global Securities and Co-Head of the European Securities Division.

Manny was appointed to the Board in May 2011. Manny has no fixed term of office and his service contract is terminable on 12 months' notice. He is seeking shareholder approval of his appointment at the 2011 AGM.

Manny is a non-executive director of Grupo Prisa SA. (education, media and entertainment).

Manny regularly attends Audit and Risk Committee meetings by invitation.

## Corporate Governance Report continued

### What are the key Board relationships?

Of critical importance to the effective working of the Board is my relationship with the Chief Executive, Peter Clarke. While I am responsible for leading and running the Board, Peter leads and runs the business. A summary of our clearly differentiated but complementary roles is given opposite. Peter keeps me closely informed on developments in the business. I regularly discuss with him the Board's thinking and concerns, challenging management's perspective where appropriate and identifying issues for further debate. Together we explore ways in which we can best engage the Board on important issues and maximise non-executive contribution.

### Senior Independent Director

Another key figure on the Board is our Senior Independent Director, a role currently held by Alison Carnwath. Alison provides a great source of advice and experience drawn from her broad financial career and long service on the Man Board. I regularly use her as a sounding board to test ideas and proposals before progressing them with the full Board. I know that she would, if required, be a skilful intermediary with the non-executives and provide an effective alternative channel of communication with shareholders if the Company's regular engagement were to fail. Alison appraises my performance as Chairman on an annual basis in private discussion with the other non-executive directors, taking account of input from the executives. I appreciate and greatly value the direct and candid feedback she gives me from these sessions.

### What part does the Chairman play?

In addition to my regular dialogue with the Chief Executive on management's interface with the Board, I spend a lot of time working on the Board's forward agenda and on detailed preparation for meetings in conjunction with the Company Secretary. Our aim is that Board meetings should allow full and free discussion, unburdened by time constraint and over prescription, while still delivering proper governance and the timely addressing of issues. We keep non-executive Board members updated on all important and topical developments and give them the opportunity to raise any issues of concern. Materials and information presented by management are designed to facilitate well informed decision making. In chairing Board meetings I encourage the expression of the broadest range of views, particularly those which may challenge management. I seek to foster open and trusting relationships between executive and non-executive Board members and am regularly rewarded with robust, incisive and good humoured debate.



### Chairman

- Leads the Board and sets its agenda including agreeing strategy and determining risk appetite.
- Ensures the regular flow of accurate and relevant management information to enable the Board to make sound decisions and monitor business performance.
- Ensures, with the support of the Nomination Committee, effective Board succession planning.
- Fosters effective Board relationships, evaluation of Board performance and follow up action.
- Ensures effective communication with shareholders and that the Board develops a clear understanding of their views.



### Chief Executive

- Leads the Executive Committee in developing business strategy for Board approval and in managing risk.
- Runs the business, through the executive management, on a day to day basis and reports to the Board on performance and significant developments.
- Builds and maintains an effective Executive Committee and management team.
- Communicates and instils throughout the business a shared purpose, culture and set of values.
- Maintains, in conjunction with the Finance Director and investor relations team, an effective dialogue with shareholders.

To help give me a comprehensive view of Board activity and Board members' contribution, I attend Audit and Risk Committee meetings by invitation and Remuneration Committee meetings as a member. In addition, I am in frequent touch with Board members between formal meetings to keep them updated or seek their views on particular issues. I am always keen to preserve the immediacy and informality of communication which I believe is one of the great strengths of our Board. To supplement our formal Board programme, we meet for dinner on the evenings before Board meetings and as part of our annual strategy review. These occasions provide the opportunity for further learning and the relaxed and creative exchange of views on the business. They also allow private discussion between non-executive Board members if required.

### What was on the Board agenda last year?

As mentioned in my Chairman's Review, the first part of the year was dominated by the Board's scrutiny and execution of the GLG acquisition. This gave rise to an increased number of meetings for which Board members were often required to make themselves available at short notice. The table on page 85 summarises the main business topics addressed by the Board during the year in addition to their regular review of business

performance. The table below provides a record of directors' individual attendance at main Board meetings, in person or by telephone.

### Directors' attendance at Board meetings

Number of meetings held	14
Number of meetings attended	
Jon Aisbitt	14
Alison Carnwath*	11
Peter Clarke	13
Phillip Colebatch	12
Dugald Eadie	13
Kevin Hayes	14
Ruud Hendriks	13
Frederic Jolly	13
Patrick O'Sullivan	13

\*Owing to a potential conflict of interest, Alison Carnwath did not attend the meeting which approved the terms of the MF Global litigation settlement.

## Summary of Board business

### 2010

<p><b>April</b></p>	<p><b>GLG</b></p> <ul style="list-style-type: none"> <li>Analysis of strategic case for acquisition</li> <li>Agreed negotiating mandate and price parameters</li> </ul>	<p><b>Nov</b></p>	<p><b>Interim results</b></p> <ul style="list-style-type: none"> <li>Approval of interim results, report and interim dividend</li> <li>Review of risk appetite statements</li> <li>Review of progress on actions arising from 2010 Board evaluation</li> <li>Approval of change in accounting year and transitional arrangements</li> </ul>
<p><b>May</b></p>	<p><b>GLG</b></p> <ul style="list-style-type: none"> <li>Review of transaction structure, pricing and due diligence</li> <li>Approval to proceed</li> </ul> <p><b>Year end results</b></p> <ul style="list-style-type: none"> <li>Review of 2010 year end results and reporting</li> <li>Year end review of risk management and internal controls</li> <li>Recommendation of final dividend</li> <li>Approval of notice of AGM</li> <li>Approval of additional funding for Oxford-Man Institute of Finance</li> <li>Endorsement of Chief Executive's delegation of authority framework</li> <li>Update on reaction to GLG announcement and next steps</li> </ul>	<p><b>Dec</b></p>	<p><b>Visit to Oxford-Man Institute of Finance</b></p> <ul style="list-style-type: none"> <li>Review of contribution of Institute research to AHL</li> </ul> <p><b>Board Strategy Review</b></p> <ul style="list-style-type: none"> <li>Updates on progress in AHL and new and refocused business areas</li> <li>Review of new sales opportunities and cost base</li> <li>Shaping of business over the next 18 months</li> <li>Debate on implications of longer term macro risks</li> <li>Approval of settlement of MF Global litigation</li> </ul>
<p><b>July</b></p>	<p><b>GLG</b></p> <ul style="list-style-type: none"> <li>Review and approval of shareholder circular, prospectus and US Proxy Statement</li> <li>Initial review of integration plans</li> <li>Approval of updated capital adequacy statement for FSA</li> </ul> <p><b>Funding and liquidity</b></p> <ul style="list-style-type: none"> <li>Approval of offer of exchange of the Company's Floating Rate Loan Notes for an alternative debt instrument</li> <li>Consideration of the adequacy of available liquidity in the light of future potential stress scenarios</li> </ul>	<p><b>2011</b></p>	
<p><b>Sept</b></p>	<p><b>Risk day</b></p> <ul style="list-style-type: none"> <li>Review of the implications of a range of macro-economic scenarios for Man's operating environment and performance</li> <li>Review of existing risk appetite statements and agreement to change</li> <li>Review of the framework for the Board's governance of risk</li> </ul> <p><b>GLG</b></p> <ul style="list-style-type: none"> <li>Half day review of integration programme</li> <li>Endorsement of new governance framework for the integrated business</li> </ul> <p><b>Strategy update</b></p> <ul style="list-style-type: none"> <li>Update on workstreams agreed at the 2009 Board Strategy Review</li> <li>Review of the output from the product profitability and business efficiency workstream</li> </ul>	<p><b>Jan</b></p>	<p><b>Visit to Pfaffikon office and meetings with local management</b></p> <ul style="list-style-type: none"> <li>Approval of disposal of stake in BlueCrest</li> <li>Approval to take 100% ownership of Ore Hill</li> <li>Approval of Remuneration Committee recommendations on compensation</li> </ul>
		<p><b>March</b></p>	<p><b>Planning for 2011</b></p> <ul style="list-style-type: none"> <li>Final approval of revised risk appetite statements</li> <li>Review of liquidity and capital position and executive proposals for change</li> <li>Approval of 2011 Budget and three year Medium Term Plan</li> <li>Consideration of new Board appointments</li> </ul>

## Corporate Governance Report continued

### What do the non-executives contribute?

Our Board benefits from a broad and rich base of non-executive expertise. Together our non-executives bring to Man a powerful mix of experience in corporate finance, financial services, institutional investment and client development. Some have worked at director level in large multinational organisations. Others have boutique experience and are proven entrepreneurs. Each has the global perspective and outlook required for the successful direction of Man's business.

### Time commitment

Non-executive directors are appointed for an initial three year term, subject to their retirement by rotation and reappointment by shareholders at the Company's AGMs, after which a second term of three years may be mutually agreed. Their annual time commitment will vary according to their service on Board Committees and the demands of the business. The minimum time expectation set out in their letters of appointment is in the range of 24 to 33 days per annum. Each director confirms at the time of their appointment that they have sufficient time to give to the role and their commitment is reviewed as part of our annual Board evaluation. The non-executive directors make every effort to attend all scheduled and short notice meetings, even if on occasion this requires them to join a meeting by telephone or via video conference from a different time zone.

### Independence

One of the key qualities required of non-executives is that they should have the independence of character and judgement which enables them to challenge their executive colleagues constructively and dispassionately and to carry out their broad governance role. We recognise the importance of non-executives' independence to our shareholders and it is one of the issues we test in our annual evaluation of directors' effectiveness. We are aware, however, that, for some investors, length of non-executive service on the Board beyond nine years and in particular co-tenure over that period with the same executive director will prejudice a non-executive's independence.

This seems to us to be an over prescriptive view. We firmly believe that Alison Carnwath, who has now served on our Board for more than nine years, continues to bring to her role the same rigorous enquiry and intellectual challenge from which the Board has always benefited. She is quick to test executive assertions and regularly seeks direct feedback from staff on their perspective on the business and the impact management is having. Her continuity of service brings the Board an in depth understanding of Man which is of enormous value as the Company transitions to a broader stage with new players. Her familiarity with the business enhances rather than weakens her contribution.

We have discussed Alison's continuing appointment with some of our key investors and they have indicated their support for the benefit which long serving directors bring to the Board provided that there is robust succession planning and regular refreshment of the membership as a whole.

### External interests

All directors have a duty to avoid situations which create or may create a conflict with the interests of the Company. For this reason we ask our non-executive directors to notify us of their external business appointments and interests prior to joining the Company and to keep us advised of any changes on a continuing basis. Any director wishing to take up a new external appointment must first discuss it with me. Any interests which are perceived to represent a potential conflict are reviewed and, if thought fit, authorised by the Board.

Alison Carnwath's directorship of MF Global was previously identified as representing a potential conflict of interest. For this reason Alison never took part in any Board discussion of MF Global and did not receive any related Board minutes or papers. Following Alison's departure from the MF Global Board in August 2010, this potential area of conflict no longer exists.

### What changes have there been to the Board this year?

We regularly review the composition of the Board and consider how its skill, knowledge and experience base could be enhanced to meet the needs of the business. This is the prime focus of the Nomination Committee and I report on its work on page 90.

Earlier this month the Board appointed Emmanuel (Manny) Roman, who joined Man as Chief Operating Officer last year following the acquisition of GLG, as an additional executive director. Manny has a wealth of experience in trading, markets and business management. He played a leading role in the integration of GLG and will continue to help the executive team realise the opportunities available to the combined business.

We have also appointed Matthew Lester, a former Group Finance Director of inter-dealer broker ICAP, as a non-executive director and as a member of the Audit and Risk Committee. His broad financial and markets experience will be a great asset to us.

Dugald Eadie, who has given the Company nine years' committed service as a non-executive director and as a former Chairman of the Remuneration and Audit and Risk Committees, will retire at this year's AGM. As a further step in the refreshing of Board roles, Alison Carnwath will step down as Senior Independent Director after the AGM while remaining on the Board. Alison will be succeeded by Patrick O'Sullivan,

the Chairman of the Audit and Risk Committee. Like Alison, Patrick brings extensive Board experience from outside Man to this role and will give me excellent support.

### Induction for new directors

We offer our new non-executive directors an induction tailored to their particular needs. This typically starts with a broad overview from the Chief Executive and is followed by meetings with each of our Executive Committee members, providing a thorough grounding across investment management, distribution, product structuring and operations, finance, legal and compliance and human resources. In addition, the firm's experts will lead sessions on specific corporate areas including funding and liquidity, capital planning, risk management and compliance, corporate communications and investor relations.

For directors who are unfamiliar with the UK listed company regime, the Company Secretary will provide guidance on directors' individual duties and the legal, regulatory and governance obligations that are imposed on the Company and Board. To meet the specialised requirements of Audit and Risk and Remuneration Committee members, we identify the principal technical and regulatory areas which directors need to understand and arrange appropriate briefings with Committee chairmen, internal experts and external auditors and advisers.

### Directors' indemnities and insurance cover

On their appointment new directors are granted an indemnity by the Company, to the extent permitted by law, in respect of any third party liabilities which they may incur as a result of their service on the Board. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which the Company indemnity does not meet. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Company.

### How does the Board improve its effectiveness?

#### Continuing education and development

There is considerable emphasis on keeping the Board's knowledge of the business substantive and current. Following the acquisition of GLG, the Board received presentations from GLG's Chief Investment Strategist and the managers of its Global Macro, Emerging Market and Long/Short Funds. Later in the year it visited the Oxford-Man Institute to explore the ongoing contribution of the Institute's research to the development of AHL's trading model and discussed recent enhancements with AHL's CEO. As part of the annual strategy review, the Board received an update on the Man Multi-Manager strategy from the new CEO of that business and an overview of current market opportunities across different geographies and

sales channels from the Global Head of Sales and Marketing. The Board were also given an introduction to the strategy, development and ambition of Man Systematic Strategies. To keep in touch with business developments and management overseas, the Board makes an annual visit to the Company's Swiss offices and holds meetings at other locations of strategic importance for the business. A visit to our Tokyo office is planned for later this year.

Of parallel importance is the need for directors to keep up to date with relevant regulatory developments, corporate governance trends and changes in investor expectations, some of which impact in particular on the non-executive role. The Company Secretary researches and regularly circulates details of external programmes to facilitate this. In addition, all directors are aware that they may, if they consider it necessary, seek independent professional advice at the Company's expense in relation to the discharge of their role.

#### Board evaluation

Every year the Board conducts a review of its performance as a Board both collectively and as individuals and identifies issues on which it needs to work. The table opposite lists the main issues identified for attention in last year's evaluation and a summary of actions taken during 2010.

#### 2011 evaluation

Our 2011 review was led by an independent third party who interviewed each of the directors and the Company Secretary and sought their assessment of the Board's performance against key drivers of effectiveness including strategy development, the decision making process, Board relationships, information flows and succession planning. Feedback was also sought on the operation of the principal Board Committees and on the contributions of individual directors.

This year's review indicated that overall the Board and its principal Committees were operating effectively and to high standards of governance. In particular, the Board had set a clear strategy and made a strong case for the acquisition of GLG. The relationship between the Chairman and CEO was considered to be sound and it was felt that major issues were fully discussed before decisions were made.

The following table lists the main issues which were identified as warranting further consideration in 2011 and will be addressed by the Board collectively in the course of this year.

Feedback on individual director's contribution will be the subject of private discussion between the Chairman and those directors. Feedback on the Chairman has been provided by the Senior Independent Director as noted earlier in this report.

<b>Board Evaluation</b>	
<b>Areas identified for focus in 2010</b>	<b>Action taken</b>
Articulation of a clear strategic plan and process for execution.	Clear workstreams established and progress reported. Substantive delivery of diversification into discretionary strategies through the acquisition of GLG.
Review of risk appetite and risk management oversight.	Full Board meeting dedicated to risk. Approval of revised risk appetite statements. Review of Board and Audit and Risk Committee risk governance framework.
Adequacy of senior executive resource and succession planning.	Appointment of a COO, a new CIO of Man Multi-Manager, a new Chief Risk Officer and a broad injection of GLG investment management talent.
Board insight into investor expectations and concerns.	Chairman's meetings with top investors. Consultation by the Chairman of the Remuneration Committee on new remuneration proposals. Detailed reporting on investor response to GLG.
<b>Areas identified for focus in 2011</b>	
<ul style="list-style-type: none"> <li>• Provision of more competitor information.</li> <li>• Renewed work on succession planning for executives at and immediately below Board level and the creation of a formal succession plan.</li> <li>• Review of the process for the timely submission of Board papers and circulation of minutes.</li> </ul>	

## Corporate Governance Report continued

### How does the Board govern risk?

The Board is ultimately responsible for the framework of the Group's risk governance and risk management. The Board is responsible for:

- setting risk appetite;
- determining overall risk management strategy;
- ensuring that risk is monitored and controlled effectively; and
- the Group's systems of internal control.

### Governance framework

The Audit and Risk Committee of the Board provides independent oversight and challenge in relation to internal control and risk management systems.

The Chief Executive has, through the authority given to him by the Board, given delegated authority for the oversight of risk from within the business to two risk committees:

- the Risk Assurance Committee (RAC); and
- the Finance Committee.

These Committees comprise senior management from both line businesses and risk control functions and provide oversight across all risks faced by the business. RAC is chaired by the General Counsel and oversees the operational, regulatory and reputational risks faced by the Group and the internal control environment and other mitigating actions to manage these risks. Further information on the operation of the RAC is contained in the Audit and Risk Committee report on page 91. The Finance Committee is chaired by the Finance Director and approves actual and contingent use of the Group balance sheet and monitors the adequacy of economic and regulatory capital and liquidity buffers in accordance with the Board's risk appetite.

Senior management in the businesses are accountable for all risks assumed in their areas of responsibility and for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by the Board. The principle of individual accountability and responsibility for risk management is an important feature of our corporate culture.

Day to day independent and objective assessment and monitoring of risk is provided by various control functions at the Group level and in the business. These control functions include Group Risk, Finance, Legal and Compliance, Human Resources and Internal Audit. In addition, risk management functions reside within each business unit, with formal reporting lines and segregation of duties for the key risk, compliance, legal and finance functions.

### Operational risk and internal controls

Operational risk arises from the potential for the Group to suffer losses due to failures in processes or procedures in its business. Operational risk is mitigated by the Group's control environment. The directors and senior managers of the Group are committed to maintaining high standards of control and a risk aware culture to safeguard the Group's assets, reputation and franchise. The Group pays particular attention to operational and reputational risks relating to product suitability, sales practices at intermediaries and the accuracy of its valuation and investor reporting processes. Independent valuation service providers are used for the valuation of fund products and underlying third party managers where a managed account is in place. A dedicated team monitors the quality and reliability of administration and valuation service providers.

Significant resources are devoted to protecting the resilience of the Group's information technology systems, including formal business continuity plans and remote data back-up and disaster recovery facilities for each of its key locations. Business continuity for its core activities is regularly tested to maintain effectiveness. An insurance programme provided by a syndicate of third party insurers is tailored to its risk profile and designed to maximise breadth of cover and certainty of response in respect of key third party liabilities, loss of Group assets, business interruption and people-related exposures.

The risk management processes and internal control systems described above have been in place in respect of Man's business excluding GLG throughout the year and up to the date of this Annual Report. They have applied to GLG's business since its acquisition on 14 October 2010. These systems have been regularly reviewed by the Board. The Company's systems of internal control aim to safeguard assets, maintain proper accounting records and provide assurance that the financial information used in the business and published externally is robust and reliable. The systems are designed to manage key risks rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The systems comply with the guidance given in 'Internal Control: Revised Guidance for Directors on the Combined Code' (the 2005 Turnbull guidance).

### Financial reporting controls

The financial reporting control system operating across the Company requires certification of the key controls over the financial reporting processes and certification of material income

statement and balance sheet accounts. The system focuses on the financial reporting process over the most material financial statement line items and is designed to maintain proper accounting records and provide assurance that financial information used within the business and for publication is reliable.

### Review of controls and risk management systems

The Board receives reports from line management and Group Risk on the risks to the achievement of the Group's operational and financial objectives, together with assurance that the level of risk sustained is consistent with and being managed in accordance with its risk appetite. This includes reports on the current and forward looking assessments of capital and liquidity adequacy. The Audit and Risk Committee receives reports from RAC which considers the effectiveness of risk controls through regular monitoring of risk scenarios, key risk indicators and operational risk incident reports. This is described in more detail in the Risk management section of the report from the Chairman of the Audit and Risk Committee. Objective assurance on the operation and effectiveness of internal controls is provided by Internal Audit whose audit programme is targeted on the business areas and processes that are most significant in terms of the Group's risk profile and where there are key controls on which the Group relies.

In addition to its ongoing monitoring of risk controls, the Board has conducted a specific year end review of the effectiveness of the Group's system of internal control and risk management during the year and for the period up to the date of this Annual Report. This process, which was also reviewed by RAC and the Audit and Risk Committee, covered all controls – operational, financial and compliance – and risk management systems. It included a review of all significant operational risk incidents and internal audit findings raised during the year. It did not include the system of internal control and risk management in place in respect of the business of GLG prior to its acquisition by Man. No significant weaknesses or material failings in the system of internal controls were identified in this review. Management does, however, have an ongoing process for identifying, evaluating and managing significant risks faced by the Group and continually takes actions to improve internal controls as a result of its own initiatives and in response to reports from Internal Audit and other internal and external reviews.

## How does the Board engage with shareholders?

### Institutional shareholders

Man undertakes a comprehensive programme of meetings and events for institutional investors and research analysts which this year included over 200 meetings. The Board were kept fully informed of the immediate market response to the proposed acquisition of GLG and later received a detailed written report on the feedback given to the Chief Executive and Finance Director in the course of their extensive round of investor meetings. The Board routinely receives, as part of the Finance Director's monthly reporting, updates on significant movements on the share register, analysts' consensus forecasts, market sentiment and feedback from investor meetings.

I attend results presentations to analysts and hear at first hand their perceptions and concerns about the business. The Chairman of the Remuneration Committee has renewed our dialogue with institutional investors regarding our executive compensation arrangements. The Senior Independent Director is always available to talk to shareholders about any issues of concern but has not had cause to do so during the year.

### Private shareholders

We are always pleased to hear the views of our private shareholders and to answer their queries by telephone or in writing through our shareholder mail box (shareholder@mangroupplc.com) We encourage them to make maximum use of our website to access Company reports, notices of meetings and general shareholder and dividend information. The website also provides a direct link to Shareview ([www.shareview.co.uk](http://www.shareview.co.uk)) which enables shareholders to view and manage their account online.

Last year's AGM included a presentation by the Chief Executive on the progress of the business and an open question period allowing shareholders to ask about any areas of the Company's performance as well as to discuss the specific resolutions proposed at the meeting. All our directors were available to answer questions and many circulated and talked to shareholders informally after the meeting. Voting on all the resolutions was conducted by poll. Some 61% of the shares in issue were voted and all the resolutions were passed.

In September the Company held a general meeting to approve the acquisition of GLG and all of the executive directors attended. During the meeting shareholders were provided with an update on the progress of the acquisition and an overview of the rationale behind the transaction. Shareholders were given the opportunity to ask questions formally during the meeting and to continue their discussion with directors after the meeting.

We are looking forward to welcoming shareholders to our 2011 AGM and updating them on the significant changes to the business this year. In addition, in response to requests made by shareholders at last year's AGM, I and members of our investor relations team will be meeting separately with members of The UK Shareholders' Association for a general discussion.

**Jon Aisbitt**  
Chairman

## Statement of compliance with the Combined Code

The Company has, throughout the year ended 31 March 2011, applied the principles of and complied with the provisions of Section 1 of the Combined Code on Corporate Governance (2008) except in the following respect:

Provision B.2.2 of the Combined Code requires that the Remuneration Committee should have delegated responsibility for setting the remuneration of the Chairman. At Man, the remuneration of the Chairman is determined by the Board based on the recommendation of the Remuneration Committee. This gives full transparency and allows the views of the executive directors to be taken into account.

## Corporate Governance Report continued

### Nomination Committee report

#### Role and membership

The principal role of the Committee is to keep under review the competencies, knowledge and experience of the Board in the context of the challenges facing the business, to agree the skills and profile specification for new appointments, to lead the search process and to recommend suitable candidates to the Board. The Committee is also responsible for overseeing senior management development and succession plans to ensure that there is continuity of appropriate executive resource at and immediately below Board level. The Committee's full terms of reference can be found on our website [www.mangrouplc.com](http://www.mangrouplc.com) (under About Man, Board of Directors).

The Committee comprises all the non-executive directors. Meetings are also attended by the Chief Executive and the Global Head of Human Resources. The Company Secretary acts as Secretary to the Committee. The Committee held three meetings during the year at which everyone was present.

#### Work of the Committee during the year

##### Review of executive succession

Midway through the year, as part of its oversight of executive succession, the Committee received a presentation from the Chief Executive on changes in top management responsibilities and the establishing of an Executive Committee to run the combined business following the acquisition of GLG. They were kept updated on the search for a new Chief Investment Officer for the Man Multi-Manager business. They endorsed the proposed appointment of Emmanuel (Manny) Roman, former co-CEO of GLG, as Chief Operating Officer and recommended that consideration be given to further developing his role in the combined business.

##### Review of senior management diversity

The Committee took time to review, in the context of the current focus on the value of gender diversity, Man's approach to the diversity of its management and a specific analysis of the representation of women in senior roles. They discussed and endorsed, for implementation through the Executive Committee, a range of actions proposed to create an environment which would support the development of female talent and maximise women's contribution to the business.

#### Appointment of Emmanuel (Manny) Roman as an executive director

Later in the year the Committee discussed and gave their support to the Chief Executive's proposal that Manny Roman be appointed an executive director of the Company. Their decision took account of the key role which Manny had played in the integration of the two businesses, his extensive trading, markets and business management experience and the contribution he could make to helping the executive realise new opportunities. The Committee also debated the impact that the appointment might have on the dynamics of the Board and the balance of executive and non-executive directors. Noting that the Board had previously operated effectively with an additional executive director, they were satisfied that the current directness and candour of Board discussions would be sustained.

#### Conduct of non-executive search

As part of their review of non-executive succession and taking account of Dugald Eadie's proposed retirement in 2011, the Committee identified the need for the recruitment of a new non-executive director and discussed the appropriate role specification. It was agreed that this should include the requirement for recent and relevant financial expertise suitable for Audit and Risk Committee membership.

An independent consultant was appointed to conduct the search and a long list of names was shared with Committee members. I interviewed a number of shortlisted candidates and some were further interviewed by both the Chief Executive and Finance Director. Although several had the capability to discharge the role, it was felt that they were very similar in experience, career profile and outlook to existing Board members and might not, therefore, bring sufficient diversity of thinking to the Board.

It was also disappointing, given our wish to capture value from gender diversity, that only 10% of the names put forward were female and that one candidate with relevant experience withdrew from the process as she wished to gain non-executive experience in a different sector.

#### Appointment of Matthew Lester as a non-executive director

In March this year, after a prolonged search, the Committee was pleased to recommend to the Board the appointment of Matthew Lester. This followed his interview by me, the executive directors and the Chairman of the Audit and Risk Committee. We believe that Matthew, who was previously Group Finance Director of ICAP, will bring substantial financial, markets and regulatory experience to both the Board and the Audit and Risk Committee.

#### Renewal of non-executive appointments

In March the Committee reviewed the requirement for the retirement of directors at the 2011 AGM under the Company's articles of association and the Combined Code on Corporate Governance (the "Code"). They noted that in future years, under the new UK Corporate Governance Code, all directors would be required to retire and seek reappointment by shareholders at every AGM. For 2011 it was, however, agreed to recommend to the Board that the Company should continue to adopt the retirement by rotation principle which currently applied to directors under the Code.

The Committee noted the requirement under the Code for Alison Carnwath, who has served on the Board for more than nine years, to retire and seek reappointment by shareholders at the AGM each year. They discussed and strongly supported the Board's view of Alison's continued independence, notwithstanding her length of service, and proposed that the Board should recommend her reappointment to shareholders at the 2011 AGM. They also proposed that the Board should recommend the reappointment of Phillip Colebatch, who was due to retire by rotation at the 2011 AGM, and that, subject to the reappointment of Alison Carnwath and Phillip Colebatch by shareholders, the Board should renew their terms of appointment for a further 12 months and three years respectively.

As a further step in the refreshing of Board roles, and taking account of Alison's wish to stand down as Senior Independent Director while remaining on the Board, the Committee endorsed, for Board approval, the proposal that Patrick O'Sullivan should be appointed as her successor in this role following the 2011 Annual General Meeting.

**Jon Aisbitt**  
Chairman



**Patrick O'Sullivan**  
Chairman of the Audit and Risk Committee

## Audit and Risk Committee report

**The Board relies on the Audit and Risk Committee to provide effective governance over risk management and external financial reporting and to report its findings and conclusions to the Board. I am pleased to present my report on the work and operation of the Committee during the year with particular emphasis on the specific matters we have examined.**

### Role of the Chair of the Committee

I work closely with the Finance Director, Legal Counsel, Chief Risk Officer, Head of Internal Audit, Committee Secretary and other senior management to create and maintain an agenda for the Committee that examines emerging risks and issues within the wider context of providing overall assurance to the Board on Man's risk governance. My recent and relevant financial experience is essential to this. The agenda is driven by Man's principal risks, as set out in Risk management on [PG 48](#). In chairing each meeting, I aim to have the necessary expertise from within Man, and externally if necessary, to cover the topics under consideration. I consider it important for the Committee to be able to meet face to face with key executives and challenge them on their opinions and conclusions. The Committee has a full agenda, so the meetings are demanding in terms of quality reporting from management and focused discussion and analysis. I believe that this is done well, as supported by this year's independent review of the Committee's effectiveness.

### Who attends the Committee?

The Committee comprises four independent non-executive directors under my chairmanship. It met six times during the year. All meetings were attended by the four non-executive members, Finance Director and Secretary to the Committee, who is also Head of Internal Audit. Invited to attend each meeting were the Board Chairman, external audit partner, Head of Group Risk and Financial Controller, who all attended all six meetings. Executive attendance at the Committee was increased following the appointment of a Chief Operating Officer and Chief Risk Officer during the year. Our General Counsel also now attends meetings in his capacity, from October, as Chairman of the executive level Risk Assurance Committee. The Committee's terms of reference have been updated to incorporate these changes in attendees and can be found on our website [www.mangroupplc.com](http://www.mangroupplc.com).

I also now invite Ernst & Young who provide an independent assessment of internal controls within certain areas of Man's business to present their reports and management letters.

Other external providers of assurance over our risk management and internal controls are invited when applicable.

### Has the Committee's way of working changed?

The only significant change in the Committee's formal remit in 2011 has been the closer working relationship required with the Remuneration Committee following the implementation of the FSA's Remuneration Code. This has required a flow of additional information to the Remuneration Committee on matters relevant to the compensation pool principles and calculation, on correct identification of Code Staff roles and on any risk or control matters relevant to the remuneration of groups of staff or individuals. I report formally to the Remuneration Committee on these matters in accordance with an agreed annual timetable. These changes are now reflected in the Committee's updated terms of reference. Risk governance has been further improved by closer alignment of the Committee to risk oversight performed by executive management. A Risk Assurance Committee of senior executives has existed for many years, but in 2011 it was re-established with new terms of reference and revised membership to provide a clearer mandate for risk governance. This was reinforced by the appointment of our Legal Counsel as its Chair. The appointment of a Chief Risk Officer during the year is also relevant in this context.

### Governance over risk management

I aim to achieve an effective balance between the examination of new and emerging risks alongside the management of existing risks. An essential part of the Committee's work is to receive regular reports on risk, compliance and internal control. However, most of the Committee's time is spent on specific risk matters either presented through the Risk Assurance Committee process or direct to the Committee. The following specific matters were considered during the year:

- the proposed acquisition of GLG. The Committee dedicated a majority of its meeting in July 2010 to the consideration of the prospectus and shareholder circular,

## Corporate Governance Report continued

with the working capital and regulatory capital being particular areas of focus. Integration risks were also examined, taking into account specific learning points from previous transactions, and a mitigation plan agreed. This was monitored at subsequent meetings;

- a report in November providing a comprehensive update on how IT aspects of GLG integration were being managed. A particular focus here was effective separation of GLG, AHL and Man Multi-Manager businesses;
- an Internal Audit report on the results of an audit of key risks and controls in GLG Trading. The Committee noted the effective operation of trading limits;
- updates from management on progress in the appointment of global service providers for registrar and fund administration services and presentations on the impact of the arrangements on Man's risk profile and internal controls;
- results of an independent, external review of the operational risks of trading in AHL. No significant concerns were highlighted;
- a report in May from the Head of Compliance on our state of readiness for the Bribery Act 2010, coming into force from 1 July 2011. The Committee were satisfied with the assessment of risk and management's preparations;
- a presentation from management on the newly formed business unit Man Systematic Strategies, setting out the risk profile of the business, mitigating internal controls and residual risks. The reputational and operational linkages with AHL and GLG were examined;
- updates from management on updating the existing Ethical Policy for the combined organisation, and the plans for communicating and embedding it; and
- consequences of the proposed change of financial reporting date from March to December. No significant obstacles were envisaged.

### Regular risk and control reporting to the Committee

From October, a substantial agenda item at each Committee meeting has been a presentation from the Chair of the Risk Assurance Committee, review of its minutes, updates on the management of GLG post transaction integration risks and focused reviews of specific operational risk scenarios. The area of focus in November was the risk of misselling, in March it was the risk of external fraud (including that risk within external managers) and May the risk of internal fraud and unauthorised activities, such as rogue trading. The close alignment between the two committees is still relatively new and we continue to improve the quality of information being provided.

The Head of Compliance reports six monthly to the Committee on emerging trends in global and local regulation and the potential impact on the Group. The Head of Technology reports annually on existing and emerging technology risks. The Committee was pleased to note the significant improvement in controls achieved by creation of Man's new global Data Centre and the significant benefits being achieved through rationalising Man's legacy IT systems.

The Head of Group Risk provides regular reports to the Committee on recent market conditions, the Group's risk profile and prudential regulatory developments. The Committee is provided with current position and forward looking assessments of capital adequacy, liquidity adequacy, earnings risk, credit risk, market risk and operational risk. Forward looking assessments include comparison between the Board's risk appetite and the results of various stress test scenarios. The Committee's focus in 2011 has been the monitoring of the actual and expected level of regulatory capital surplus (as required by the Board), anticipating any constraints and remediation planning. Close attention continues to be paid to the value at risk on investments in funds.

Internal Audit provides the Committee at each meeting with a 12 month rolling assessment, independent of the business, of the effectiveness of the Group's control environment within the context of the Group's risk management framework. This is supported by reports of Internal Audit's key findings in the period together with management's proposed actions. Internal Audit tracks management actions and verifies them when reported by management as complete. The Committee receives a report at each meeting of overall progress on these actions and a more detailed analysis and explanation of risks that have not been quickly or adequately mitigated. The Committee addresses any concerns direct with executive management on matters needing further attention. From May, the Committee considers at each meeting Internal Audit's assessment of the key inherent risks of business areas scheduled for audit. These assessments are also reviewed by the Risk Assurance Committee.

The external auditors' management letter covering their internal control findings and conclusions for the year ended 31 March 2010 was considered at the July meeting of the Committee and an initial report for the current year was considered at the March meeting. Also considered at the March meeting were Ernst & Young's reports on internal controls within the Man Multi-Manager business and Man Valuation Services Limited, in accordance with Statement of Auditing Standards No. 70,

and a report for AHL on its compliance with the best practice standards of the Hedge Fund Standards Board.

### Governance over external financial reporting

The Committee holds meetings ahead of results announcements to consider reports from management and the external auditors on key areas of judgement in accounting for and disclosing the Group's results and financial position. For the annual financial statements, this review took place in March. A similar review was undertaken in January to assist the Remuneration Committee in determining the pool available for performance bonuses to be paid in February, and in September for the interim results.

Topics reviewed by the Committee in these focused meetings included impairment testing of goodwill in the Man Multi-Manager business; the value of GLG Investment Management Agreements and related customer relationships as part of the assessment of goodwill arising on the acquisition of GLG; the recoverability of capitalised commission costs from future income on the related products; the valuation of proprietary capital positions; and the impact of the GLG acquisition on segmental reporting. Key sensitivities behind the accounting judgements were discussed with the Finance Director and external auditors.

All other aspects of the Company's annual and interim results announcements and financial statements are considered at meetings of the Committee held shortly before the Board meeting held to approve them. Drafts are distributed sufficiently in advance of the Committee meetings to give directors the opportunity to raise questions with the Finance Director and Financial Controller and for resulting changes to be addressed in good time.

The Committee looks to the Group's Financial Controls Framework to provide assurance that internal controls over financial reporting are adequately designed and operating in practice. Internal Audit provides independent assurance over these controls, based on an audit plan agree with the Committee.

### External financial reporting - the external auditors

The Committee also discussed the planning, conduct and conclusions of the external auditors during the year as explained below.

The Committee approved the auditor's group audit plan in November after discussion with them. The auditors explained the programme of work they planned to undertake to ensure that the identified risks did not lead to a material

misstatement of the financial statements.

Where they thought it would be effective to do so, this work included the evaluation and testing of Man's internal controls. They also explained where they planned to obtain direct external evidence and were using experts to assist with their audit. The external auditors shared their assessment of financial statement risks with the Committee. The three key risks were the potential for misstatement of Man's financial performance through internal fraud; misstatement of goodwill in the Man Multi-Manager business; and (as required by auditing standards) a presumption that fee income is not correctly stated. The Committee discussed these risks with the auditors and considered the related audit procedures.

The Committee discussed these issues with them again at the time of their review of the half year summary financial statements in September and again in March and May at the conclusion of their audit of the financial statements for the year. As they concluded the audit, they explained:

- The work they had done to test managements assumptions and estimates and how they had satisfied themselves that these were reasonable;
- They had reviewed the group's application of its accounting policies; and
- The results of their testing of the controls and other procedures carried out in the major overseas locations and the issues they had found there.

The external auditors also reported to the Committee the misstatements that they had found in the course of their work and the Committee confirmed that there were no such material items remaining unadjusted in the financial statements.

The existing external audit partner for GLG was invited to attend part of the January and March meetings to discuss the audit plan for the year ended 31 December 2010, progress and matters arising from the audit.

#### Relationship with the external auditors

The Committee holds a private meeting with the external auditors at least annually to provide an additional opportunity for open dialogue and feedback from the Committee and the auditors without management being present. Matters typically discussed include the auditors' assessment of business risks and the quality of interaction with management. The Chairman of the Committee meets with the external audit partner prior to Committee meetings depending on the agenda.

The Committee considers the reappointment of the external auditors, including the rotation

\$'000	2011	2010
Fees payable to the Company's auditors for the audit of the Company's financial statements	<b>1,991</b>	1,013
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	<b>2,507</b>	2,500
Other services pursuant to legislation	<b>371</b>	497
Other services relating to taxation	<b>646</b>	873
Services relating to corporate finance transactions	<b>1,794</b>	–
All other services	<b>422</b>	1,141
<b>Total auditors' remuneration</b>	<b>7,731</b>	6,024

of audit partner, each year and also assesses their independence. As a safeguard to help avoid the objectivity and independence of the external auditors becoming compromised, the Committee has a formal policy governing the engagement of the external auditors to provide non-audit services – this policy was reviewed and re-approved in January. This policy precludes them from providing certain services (including book keeping, financial IT system design and implementation, financial appraisal and valuation, and internal audit work) and permits other limited services which are subject to low fee thresholds or which require prior approval from the Committee. The remuneration paid to Man's auditors, PricewaterhouseCoopers LLP and its worldwide associates is shown in the table above.

The increase in the Company's audit fee includes \$510,000 for the GLG business acquired in the year. Fees payable for the audit of the Company's subsidiaries pursuant to legislation comprise the fees for the statutory audits of the subsidiaries. Other services pursuant to legislation largely relate to services in relation to statutory and regulatory filings. These include the review of Man's interim financial information under the Listing Rules of the FSA. Taxation services include compliance services and advisory services such as tax advice relating to transactions. Services relating to corporate finance transactions primarily concerned the requirements relating to the prospectus and shareholder circular for the GLG acquisition. Other services include work in connection with Man's pension liability and corporate restructuring.

#### Relationship with Internal Audit

The Head of Internal Audit attends all meetings of the Committee and on each occasion meets with the Chairman of the Committee ahead of the meeting. The Committee holds a private meeting with the Head of Internal Audit each year to provide an additional opportunity for open dialogue and feedback without executive management being present.

Internal Audit's plan for the nine months to 31 December 2011 was reviewed and approved in January. The Committee noted the successful integration of audit work with the SAS70 for the

Man Multi-Manager business and the further steps necessary to provide comprehensive assurance to the Committee on Internal Controls over Financial Reporting, both key priorities in the 2011 Internal Audit plan. Man and GLG resources, already merged within one team, have adopted Man's well established, risk based audit approach.

The Committee considers the effectiveness of Internal Audit annually. A review has been carried out at least every five years by an independent consultant and otherwise annually by internal assessment. Input is also sought from the external auditors. The internal assessment completed in March included factors such as the successful management of the action tracking process, successful completion of the 2011 plan and contribution to specific areas of internal control improvement. An independent assessment is to be carried out in Autumn 2011.

#### Committee evaluation

The Committee conducts an annual review of its performance and effectiveness. This review is facilitated externally at least every three years. For 2011 it was conducted externally by an independent consultant, selected by and reporting to the Board. The review concluded that the Committee was effective in carrying out its duties.

Actions agreed by the Committee in March 2010 as part of the prior year review have been completed, although further steps are being taken to improve our training for new and existing members of the Committee.

#### Patrick O'Sullivan Chairman of the Audit and Risk Committee