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## **Executive Remuneration**

### **Hamish Douglass – Chief Executive Officer and Chief Investment Officer**

Magellan Financial Group Limited ('MFG') is pleased to advise that the Board has completed a review of the employment agreement between Magellan Asset Management Limited (a controlled entity of MFG) and Mr Hamish Douglass in advance of the review date in the previous agreement of 1 July 2016. The existing employment agreement required a review of the Total Base Salary to apply from 1 July 2016.

For the three years to 30 June 2016, Mr Douglass has been entitled to a fixed Total Base Salary of \$1,250,000 per annum. From 1 July 2016, Mr Douglass' Total Base Salary will be altered to an amount equal to 1.5% of the average operating profit before income tax expense, for the Funds Management operating segment as per the segment note set out in the audited annual financial statements of MFG for the three immediately preceding financial years, subject to any adjustments agreed between the Board and Mr Douglass.

For the current and future financial years, the existing short term incentive structure of up to 100% of Total Base Salary remains unchanged and is subject to performance objectives being satisfied. The short term incentive payment performance metrics which are also unchanged, relate to the investment performance of the Magellan Global Equities Strategy.

As part of the review of the agreement the Board has also agreed, subject to shareholder approval, to provide a payout to Mr Douglass in the event of the death or incapacity of Mr Douglass. In these circumstances, the payout will be an amount equal to two times Total Base Salary so long as Mr Douglass has maintained a shareholding of not less than a total of 20 million ordinary shares and/or Class B shares in MFG at all times during the term of the Agreement. Under Part 2D.2 of the Corporations Act 2001, this termination payment is subject to approval by shareholders, with such approval to be sought at MFG's 2016 Annual General Meeting.

The revised agreement was executed by the parties on 26 November 2015 and is effective immediately. A summary of the material terms of the revised agreement is attached.

For further information please contact:

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**Material terms of Executive Employment Agreement ('Agreement') between:**

**Magellan Asset Management Limited ('Company')  
and  
Mr Hamish Douglass ('Executive')**

<b>Item</b>	<b>Description</b>										
<b>Office</b>	Chief Executive Officer and Chief Investment Officer										
<b>Term</b>	Commencing immediately and to continue indefinitely unless terminated in accordance with the termination provisions of the Agreement.										
<b>Remuneration</b>	<p><b>Fixed Remuneration</b></p> <p>For the period to 30 June 2016, a Total Base Salary that is unchanged at \$1,250,000 per annum (inclusive of statutory superannuation contributions).</p> <p>Effective from 1 July 2016, a Total Base Salary (inclusive of superannuation) of 1.5% of the average operating profit before income tax expense, for the Funds Management operating segment as per the segment note set out in the audited annual financial statements of Magellan Financial Group Limited (MFG) for the three (3) immediately preceding Financial Years, subject to any adjustments agreed between the Board and the Executive, recalculated each year. The Total Base Salary is subject to a minimum by reference to certain statutory requirements.</p>										
	<p><b>Short Term Incentive Payments</b></p> <p>The Executive's maximum Short Term Incentive Payment ('STI Payment') will be an amount up to but not exceeding 100% of the Executive's Total Base Salary for that financial year.</p> <p>The Executive's annual STI Payment will be wholly based on the Investment Performance of the Company's Global Equities Strategy (the "<b>STI Payment Criteria</b>") applying the following metrics ("<b>Performance Metrics</b>") and relative weight distributions:</p> <table border="1"> <thead> <tr> <th><b>STI Payment Criteria</b></th> <th><b>Performance Metrics</b></th> <th><b>Weighting</b></th> </tr> </thead> <tbody> <tr> <td rowspan="3">Investment Performance of the Company's Global Equities Strategy</td> <td>Ranking in Peer Group (rolling 3 years)</td> <td>33.3%</td> </tr> <tr> <td>Absolute Performance – Gross Return (rolling 3 years)</td> <td>33.3%</td> </tr> <tr> <td>Relative gross investment performance against Benchmark Index (rolling 3 years)</td> <td>33.3%</td> </tr> </tbody> </table>	<b>STI Payment Criteria</b>	<b>Performance Metrics</b>	<b>Weighting</b>	Investment Performance of the Company's Global Equities Strategy	Ranking in Peer Group (rolling 3 years)	33.3%	Absolute Performance – Gross Return (rolling 3 years)	33.3%	Relative gross investment performance against Benchmark Index (rolling 3 years)	33.3%
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	<p>The Board will, in consultation with the Executive, review the Performance Metrics and relative weight distributions that will apply from 1 July each year (Review Date) until the next Review Date.</p>
<p><b>Investment Restrictions</b></p>	<p>The right to an Investment Restriction payment remains unchanged from the previous agreement as restated below.</p> <p>In consideration for complying with the investment restriction* the Company shall pay the Executive the amount of \$500,000 (the "<b>Investment Restriction Payment</b>"), with such amount to be paid on or prior to 15 July 2017. Should the Executive's employment cease for any reason before 1 July 2017, the Company is not required to make the Investment Restriction Payment.</p> <p>* Under the investment restriction the Executive and his Associates must not for the period up to and including 1 July 2017, within Australia and New Zealand, invest in a business which in the reasonable opinion of the Company is primarily engaged in the business of funds management. These investment restrictions do not apply in respect of any investment in a <i>Magellan Entity</i>** nor do the restrictions apply in respect of any investment in:</p> <ul style="list-style-type: none"> <li>(a) securities in a company; or</li> <li>(b) interests in a managed investment scheme; or</li> <li>(c) other interests in an entity,</li> </ul> <p>which represents less than 10% of the issued securities in that company, interests in that managed investment scheme or other interests in that other entity respectively.</p> <p><i>** A 'Magellan Entity' means Magellan Financial Group Limited (MFG), Magellan Asset Management Limited (MAM) (or any Related Body Corporate of MFG or MAM) and any managed investment schemes for which MAM acts as the trustee or responsible entity.</i></p> <p>These restrictions will cease to apply prior to 1 July 2017, if a third party acquires control of the Company or Magellan Financial Group Limited, or if the Agreement is terminated for any reason.</p> <p>There are no further payments or investment restrictions after 1 July 2017.</p>
<p><b>Termination</b></p>	<p><b>Termination without cause:</b> A party may terminate the Agreement at any time by providing not less than twelve (12) months written notice. In addition to standard entitlements at the termination date, the Executive will be entitled to an STI Payment from 1 July to the termination date together with any STI unpaid as at the termination date from the preceding financial year.</p> <p><b>Termination due to death or incapacity:</b> The Company will pay an amount equal to two (2) times Total Base Salary plus an STI Payment from 1 July to the termination date together with any STI unpaid as at the termination date from the preceding financial year.</p>

Item	Description
	<p>The obligation for payment of an amount equal to two (2) times Total Base Salary is subject to:</p> <ul style="list-style-type: none"><li data-bbox="384 320 1342 356">• approval by shareholders at MFG’s 2016 Annual General Meeting; and</li><li data-bbox="384 356 1390 459">• the Executive and his Associates maintaining a shareholding of not less than a total of 20 million ordinary shares and/or Class B shares in MFG at all times during the term of the Agreement.</li></ul> <p><b>Termination with cause</b> – The Company may immediately terminate the Agreement with cause.</p>