

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Magellan Financial Group Limited

ABN / ARBN:

59 108 437 592

Financial year ended:

30 June 2017

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://www.magellangroup.com.au/shareholder-centre/corporate-governance/>

The Corporate Governance Statement is accurate and up to date as at 10 August 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 10 August 2017

Name of Director or Secretary authorising lodgement: Geoffrey Stirton Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/corporate-governance/">http://www.magellangroup.com.au/shareholder-centre/corporate-governance/</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/financial-reports/">http://www.magellangroup.com.au/shareholder-centre/financial-reports/</a></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/financial-reports/">http://www.magellangroup.com.au/shareholder-centre/financial-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/corporate-governance/">http://www.magellangroup.com.au/shareholder-centre/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/financial-reports/">http://www.magellangroup.com.au/shareholder-centre/financial-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/corporate-governance/">http://www.magellangroup.com.au/shareholder-centre/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/financial-reports/">http://www.magellangroup.com.au/shareholder-centre/financial-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/corporate-governance/">http://www.magellangroup.com.au/shareholder-centre/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/corporate-governance/">http://www.magellangroup.com.au/shareholder-centre/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/financial-reports/">http://www.magellangroup.com.au/shareholder-centre/financial-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]  ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/corporate-governance/">http://www.magellangroup.com.au/shareholder-centre/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.magellangroup.com.au/shareholder-centre/financial-reports/">http://www.magellangroup.com.au/shareholder-centre/financial-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



**MAGELLAN**  
FINANCIAL GROUP LIMITED

## **Corporate Governance Statement**

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**Magellan Financial Group Limited**

**ACN 108 437 592**

**Current as at and approved by the Board on 10 August 2017**

## Overview

The Board of Directors and management of Magellan Financial Group Limited ('MFG', 'the Company' or 'Group') (ASX:MFG) recognise the importance of , and are committed to, achieving high corporate governance standards. The Company believes that achieving high corporate governance standards adds value to stakeholders and raises regulator and investor confidence.

The Board of Directors, in consultation with management, determines appropriate corporate governance practices, taking into account the Corporations Act, ASX Listing Rules, ASX Corporate Governance Council Principles and Recommendations, regulatory requirements of the Australian Securities and Investments Commission and legislative and regulatory requirements of jurisdictions in which the Group operates. Where, after due deliberation, the Group's corporate governance practices differ from an ASX Corporate Governance Council's Corporate Governance Principle and Recommendation, this Corporate Governance Statement will set out the reasons for the difference.

The Group's key operating subsidiary, Magellan Asset Management Limited (MAM) is the holder of an Australian Financial Securities Licence (AFSL) 304301 and is registered as an investment adviser in the United States and as a Promoter and Investment Manager to Irish authorised collective investment schemes. MAM is the Responsible Entity of the registered managed investment schemes Magellan Global Fund, Magellan Global Fund Hedged, Magellan Infrastructure Fund, Magellan Infrastructure Fund Unhedged, Magellan High Conviction Fund, Magellan Global Equities Fund, Magellan Global Equities Fund (Currency Hedged) and Magellan Infrastructure Fund (Currency Hedged). MAM is the Trustee of the unregistered managed investment scheme Magellan Core Infrastructure Fund. MAM has statutory and fiduciary obligations to act in the best interest of the funds, the unit holders and direct investors and clients.

As part of the governance process, the Board and management regularly review the Group's policies and practices to ensure that they meet the requirements of stakeholders and that there is a process of continual improvement in governance standards. A copy of the charters and policies mentioned in this document are available in the Shareholder Centre section on the MFG website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance.

This Corporate Governance Statement reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition, March 2014.

## Principle 1: Lay solid foundations for management and oversight

### 1.1 Role and Responsibilities of the Board

The Board is responsible for the overall operation and stewardship of the Group and is responsible for its overall success and long-term growth and corporate governance. The Board has approved a formal Charter which contains the Board's role, powers, duties and functions. The Charter is reviewed regularly, or whenever significant change occurs, to remain relevant to the Group and its activities. The Board has retained all authority required by law and has specifically reserved various powers including:

- approving the strategic direction of the Group and significant corporate initiatives;
- approving the annual budget and financial statements and monitoring financial performance against forecast and prior periods;
- assessing and determining whether to accept risks beyond the approval discretion provided to management;

- monitoring the effectiveness of risk management and compliance including satisfying itself through reporting and oversight that appropriate internal control mechanisms are in place and are being implemented;
- determining capital management policies including dividend policy and the amount, timing and nature of dividends to be paid;
- appointing and removing the Chairman, Chief Executive Officer and the Company Secretary;
- establishing Committees of the Board and, in relation to each Committee, appointing the members and the Chairman, setting Committee charters and delegating authority to relevant Committees; and
- assessing the performance of the Board and individual Directors and determining the remuneration of Directors and Committee members.

A copy of the Board Charter can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance.

Management is responsible for implementing the strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day to day running of the Group. Management is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

## **1.2 Board composition**

The Group's Constitution provides that there must be a minimum of three (3) and a maximum of ten (10) Directors. The Board currently comprises seven (7) Directors, five (5) of whom are independent Non-Executive Directors. The Board actively seeks to maintain a balance of skills, knowledge and experience to direct and oversee the activities of the Group. Details of each Director's background, date of appointment and attendance at Board and Committee meetings are set out in the Directors' Report attached to the Annual Report for the Group which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Financial Reports. Director remuneration is set out in the Remuneration Report. The Board considers that collectively the Directors have an appropriate range of skills, experience and expertise to understand and competently deal with current and emerging business issues and effectively monitor and review the performance of the Group and exercise independent judgement.

The Board regularly reviews its skills, expertise and composition. The succession planning and renewal process is undertaken by the Remuneration and Nominations Committee and recommendations are made to the Board. The Committee is aware of the importance of Board renewal and takes into account when reviewing its mix of skills, each Director's tenure, previous and current relationships, competencies, time commitments, expertise and experience. The Board has decided that a Director must retire from office no later than three years following the Director's last election or appointment.

Appropriate checks are undertaken before appointing a Director including checks as to the person's character, experience, education, criminal record and bankruptcy history. In putting forward a Director to shareholders for election or re-election the Company will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect the Director including, but not limited to:

- biographical details, including their relevant qualifications and experience together with the skills they bring to the Board;

- details of any interest, position, association or relationship that might influence or be perceived to influence the independence or ability to act in the best interests of the Company of that Director;
- the term of office currently served by the Director;
- whether the Board considers the Director to be an independent Director;
- details of any other material directorships currently held by the candidate;
- a statement by the Board as to whether it supports the election of the candidate; and
- any other material information that the Board considers to be relevant to the election or re-election of the Director.

### **1.3 Written agreements with directors and senior executives**

Upon appointment each Director and senior executive is required to sign a letter which sets out the terms and conditions of their appointment.

### **1.4 Role of company secretary**

The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The role of the Company Secretary for the Group is to:

- advise the Board and its Committees on governance matters;
- monitor that Board and Committee policies and procedures are followed;
- co-ordinate the timely completion and despatch of Board and Committee papers;
- ensure that the business at board and committee meetings is accurately captured in the minutes; and
- help to organise and facilitate the induction and professional development of Directors.

Each Director can communicate directly with the Company Secretary and vice versa.

### **1.5 Diversity**

The Group recognises the value of attracting and retaining employees with different backgrounds, knowledge, experience and abilities. The Group's policy is to recruit and manage on the basis of competence and performance regardless of age, race, gender, nationality, beliefs, sexuality, physical ability or cultural background. The Board annually reviews the measurable objectives it has set to achieve improvement in the diversity of employees. The Group's Diversity Policy can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance.

Details of the gender diversity targets set by the Board and an overview of the Group's gender diversity are set out in the Corporate Sustainability and Responsibility Report contained in the Group's Annual Report.

### **1.6 Evaluation of board and committee performance**

Under the Board, Audit and Risk Committee and Remuneration and Nominations Committee Charters, the Board will conduct a review of its collective performance and the performance of its Committees and individual Directors every two years. This review will consider the Board's role, the processes of the Board and its Committees as well as the collective and individual performance of the Board, its Committees and each Director. The review may be conducted through a combination of written and oral communications and is discussed by the whole Board. An individual Director's



performance is considered when the Board determines whether or not to support the Director for re-election. A performance evaluation was undertaken in 2017 in accordance with this process.

## **1.7 Evaluation of senior executive performance**

An annual performance evaluation is conducted on senior executives of the Group by the Chief Executive Officer and details of the process are included in the Remuneration Report attached the Annual Report of the Group, a copy of which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Financial Reports. An annual performance evaluation of the Executive Chairman and the Chief Executive Officer is conducted by the Non-Executive Directors.

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

### **2.1 Nominations Committee**

The Board has established a Remuneration and Nominations Committee under a separate Charter which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. The Charter contains the delegated role, responsibilities, functions and powers of the Committee and is reviewed regularly, or whenever significant change occurs. The Committee allows the Board to devote and focus time and effort that may not be possible at a wider Board meeting. At the date of this statement the Committee comprised solely of the five (5) independent Non-Executive Directors, information in respect of which is contained in the Annual Report and can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Financial Reports.

The Chairman of the Remuneration and Nominations Committee is an independent Non-Executive Director. The role of the Committee is set out in the Charter which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. The number of times the Committee met during the year, including individual attendances of members, is set out in the Annual Report and available on the Group's website. The Chairman of the Committee reports to the Board in respect of each Committee meeting.

### **2.2 Board skills matrix**

The following table sets out the key skills and experience of the Directors that the Board considers to be most relevant to the needs of the Company and the extent to which they are represented on the Board and its Committees.

In addition to the skills and experience outlined in the table the Board considers that each Director has the following attributes:

- honesty, integrity and high ethical standards;
- a proven track record of creating shareholder value;
- the available time to undertake the role appropriately;
- an inquiring mind able to be applied to all matters of the Board;
- the ability to consider materiality thresholds and risk tolerance in decision making; and
- a commitment to the highest standards of governance.

<b>Board skills and experience</b>	<b>Board</b>	<b>Audit and Risk</b>	<b>Remuneration and Nominations</b>
<b>Total Directors</b>	<b>7 Directors</b>	<b>5 Directors</b>	<b>5 Directors</b>
<b>Executive leadership</b> Success at a senior executive level in a successful career	7 Directors	5 Directors	5 Directors
<b>Governance</b> Commitment to the highest standards of governance, including experience in a major organisation subject to rigorous governance standards. An ability to assess effectiveness of senior management.	7 Directors	5 Directors	5 Directors
<b>Strategy</b> Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in the context of regulatory framework and business objectives.	7 Directors	5 Directors	5 Directors
<b>Risk and compliance</b> Ability to identify key risks related to each area of the business. Ability to monitor effectiveness of risk and compliance function and knowledge of legal and regulatory requirements.	6 Directors	4 Directors	4 Directors
<b>Financial acumen</b> Senior executive or equivalent experience in financial accounting and reporting, analysing financial statements, capital structure and internal financial controls.	6 Directors	4 Directors	4 Directors
<b>Financial services industry</b> Senior executive experience in financial services such as funds management, corporate advisory and managed investment schemes.	5 Directors	3 Directors	3 Directors
<b>Marketing</b> Senior executive experience in marketing and distribution of financial services	5 Directors	3 Directors	3 Directors
<b>Remuneration/Human Resources</b> Experience in critically evaluating the performance of senior management. Board Remuneration Committee or human resource management experience in relation to remuneration incl. incentive programs and superannuation.	6 Directors	4 Directors	4 Directors

## 2.3 Details of independent directors

Based on the ASX Corporate Governance Council guidance the following table provides the analysis of the Independent Directors of the Company:

<b>Director Name</b>	<b>Independent Yes/No</b>	<b>Reason if No</b>	<b>Length of Service (Date Appointed)</b>
Brett Cairns (Executive Chairman)	No	Executive	22 Jan 2007
Hamish Douglass (CEO)	No	Executive, significant shareholding	21 Nov 2006
John Eales	Yes	-	1 July 2017
Robert Fraser	Yes	-	23 April 2014
Paul Lewis	Yes	-	20 Dec 2006
Hamish McLennan	Yes	-	1 March 2016
Karen Phin	Yes	-	23 April 2014

An independent Non-Executive Director is a Non-Executive Director who is independent of the Group and free of any interest, position, association or relationship that could materially influence, or could reasonably be perceived to influence materially their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Group and its securityholders generally. In making this determination, the Board has reviewed and assessed previous and current relationships.

## **2.4 Board comprises a majority of independent directors**

The Board comprises a majority of independent Non-Executive Directors.

## **2.5 Board chairman independence**

The Chairman of the Board is an Executive Director (not the CEO) and a resident Australian citizen. More information about the Chairman's responsibilities is contained in the Group's Board Charter.

The Board believes it is appropriate to have an Executive Chairman, particularly given that the Chief Executive Officer also performs the role of Chief Investment Officer..

The Board has appointed a Senior Independent Director who can fulfil the role whenever the Chairman is conflicted.

## **2.6 New director induction**

Directors are provided with induction training similar to that provided to senior executives. Directors are expected to maintain the skills and knowledge required to discharge their obligations and the Company facilitates appropriate professional development opportunities if and when required. The Group has an induction program in place for all of its new employees, including senior executives. As part of this induction program, new senior executives will receive briefings on the Group's business and its policies and procedures. These briefings will focus on the core governance and corporate structures as well as key operational, financial, regulatory, risk and compliance issues that are of relevance to the Group.

## **Principle 3: Act ethically and responsibly**

### **3.1 Code of Conduct**

The Group has a Code of Ethics that applies to all Directors and employees of the Group. The Board requires all Directors and employees to comply with the Code and failure to comply with the Code is a serious matter and will be investigated. The purpose of this Code is to:

- articulate and reflect the standards of fiduciary obligations and conduct that Magellan expects of its employees;
- encourage the observance of obligations and standards of conduct to protect and promote the interests of Magellan, its clients, funds under management, shareholders and other stakeholders;
- guide employees through the practices thought necessary to maintain confidence in Magellan's integrity; and
- set out the responsibilities and accountabilities of employees to report and investigate reports of unethical practices.

A copy of the Code of Ethics can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance.

## **3.2 Conflicts of interest**

The Board has adopted procedures to recognise, manage and monitor actual or perceived conflicts of interest. Directors are required to disclose events or circumstances that may affect, or may be perceived to affect, their ability to exercise independent judgement. Where a Director has an actual or perceived conflict of interest, they must leave the meeting and take no part in any discussion or decision-making regarding that matter unless in accordance with the Corporations Act. MAM has adopted an additional Conflicts of Interest Policy and related Procedures. These are required to meet Australian Financial Services Licencing and international regulatory requirements.

## **3.3 Trading Policy**

The Group has a Trading Policy that sets out the circumstances in which the Group's Directors and employees may trade in the Group's securities. The Policy states the Board's expected behaviours for Directors and employees who wish to trade in the Group's securities. The Trading Policy prohibits Directors and employees from dealing when they are in possession of price-sensitive information that is not generally available to the market and also places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval. The Trading Policy aligns to the ASX Listing Rules and relevant guidelines. A copy of the Group's Trading Policy has been lodged with the ASX and can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. MAM has also adopted a Personal Trading Policy covering employee trading activity in various securities, including those of MFG and securities held within investment portfolios managed by MAM.

## **Principle 4: Safeguard integrity in corporate reporting**

### **4.1 Audit committee**

The Board has established an Audit and Risk Committee ('ARC') under a separate Charter which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. The Charter contains the delegated role, responsibilities, functions and powers of the ARC and is reviewed regularly, or whenever significant change occurs. The ARC allows the Board to devote and focus time and effort that may not be possible at a wider Board meeting. The ARC comprises of the five (5) independent Non-Executive Directors. Details of the ARC members' qualifications and experience are contained in the Annual Report. The number of times the ARC met during the year, including individual attendances of members, is also set out in the Annual Report and is available on the Group's website.

The Chairman of the ARC is an independent, Non-Executive Director who is a resident of Australia and not the Chairman of the Board. The role of the ARC is to oversee the Group's responsibilities relating to financial reporting, relevant statutory requirements, internal controls, statutory external financial audits and audits in relation to some aspects of the risk management and compliance frameworks. The ARC will meet at minimum, three times each year. The Chairman of the ARC will report to the Board in respect of each ARC meeting. The ARC conducts an assessment of its performance in accordance with the Charter every two years.

The Group's independent external auditor is Ernst & Young. The ARC is responsible for recommending to the Board the appointment and removal of the external auditor. The independence and effectiveness of the external auditor is reviewed regularly. The ARC is also

responsible for ensuring that the external audit engagement partners are rotated in accordance with relevant statutory requirements. The external auditors regularly attend the ARC's meetings and when the Group's Financial Statements are being considered or where relevant items are on the ARC's agenda.

## **4.2 CEO and CFO Declaration**

The Chief Executive Officer and Chief Financial Officer have made the following certifications to the Board prior to the approval of the Group's half year and annual financial statements:

- the financial records of the Company and Group for the financial year have been properly maintained;
- the Group's Financial Statements and notes applicable thereto give a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations;
- the integrity of both the Company's and Group's financial statements are founded on a sound system of risk management and internal compliance and control which, in all material aspects, implements the policies adopted by the Board; and
- the risk management and internal compliance and control systems are sound, appropriate, operating efficiently and effectively managing the Group's material business risks.

## **4.3 External auditor attends AGM**

The Group's external auditors attend the Group's Annual General Meeting and are available to answer questions from shareholders in relation to the conduct of the audit, the Audit Report, the accounting policies adopted by the Group in preparing the Financial Statements and the independence of the auditors.

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

### **5.1 Continuous disclosure policy**

The Board has adopted a Continuous Disclosure Policy that assists with clear and effective communication with shareholders by ensuring:

- the Group as a minimum complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules;
- the Group provides shareholders and the market with timely, direct and equal access to information issued by it; and
- that information which is not generally available and which may have a material effect on the price or value of the Group's securities be identified and appropriately considered by the Directors for disclosure to the market.

The Continuous Disclosure Policy can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance.

## **Principle 6: Respect the rights of security holders**

### **6.1 Provision of information to investors**

The Board recognises that shareholders, as the ultimate owners of the Group, are entitled to accurate, timely and relevant information and should be fully informed of material matters that

affect the Group's position and prospects. Any prospective investors should be able to make informed investment decisions regarding the Group. The Group seeks to accomplish this through:

- the release of the Group's Half Year Results in February each year;
- the release of the Group's Full Year Results and Annual Report including the Chairman's Report and the Chief Executive Officer's Annual Letter in August each year;
- the release of the Chairman's and Chief Executive Officer's addresses to the Annual General Meeting; and
- the posting of significant information on the Group's website promptly after it is disclosed to the market.

All information is available on the Group's website after it has been disclosed to the ASX and can be found in the Shareholder Centre section at [www.magellangroup.com.au](http://www.magellangroup.com.au) under ASX Releases.

The Group also maintains information about itself and its governance on the Group's website including:

- a copy of the Constitution, Board and Committee Charters and various Policies;
- ASX Releases;
- Share Registry details and a link to ASX for share price information;
- its Dividend Schedule and Policy; and
- an annual calendar of key events.

## **6.2 Investor relations**

The Group has an investor relations program which has been designed to facilitate effective two way communication with investors. The program includes half yearly and annual results briefings, the ability to submit questions via the website and a formal process for the submission of questions to be answered at the Annual General Meeting.

## **6.3 Shareholder participation at meetings**

The Group recognises the importance of shareholder interaction and supports the principle of participation. The Group holds half year and annual results briefings and interested stakeholders may dial in if they are unable to attend in person. A copy of the briefing is disclosed on the ASX prior to the meeting and those attending in person or by phone have an opportunity to ask questions. A copy of the notice of Annual General Meeting is posted on the Group's website and mailed to shareholders. In addition, shareholders are invited to submit questions about or make comments on, the management of the Group. The Board encourages shareholders to attend the Annual General Meeting or to appoint a proxy to vote on their behalf if they are unable to attend. The formal addresses by the Chairman and Chief Executive Officer at the Annual General Meeting are disclosed on the ASX prior to the commencement of the meeting.

## **6.4 Option for electronic shareholder communications**

The Group recognises the benefits of the use of electronic communications and shareholders have the option of selecting to receive the following information electronically from the share registry:

- dividend statements;
- Annual Reports;
- notices of meetings and proxy forms and the ability to vote online; and
- other general Company communications.

Shareholders can log into their account to make these changes. The share registry can also be contacted via email or telephone. Contact details can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Share Registry & Share Prices.

## Principle 7: Recognise and manage risk

### 7.1 Risk committee

The Board has established an Audit and Risk Committee ('ARC') under a separate Charter which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. The Charter contains the delegated role, responsibilities, functions and powers of the ARC and is reviewed regularly, or whenever significant change occurs. The ARC allows the Board to devote and focus time and effort that may not be possible at a wider Board meeting. The ARC comprises of the five (5) independent Non-Executive Directors. Details of the ARC members' qualifications and experience are contained in the Annual Report. The number of times the ARC met during the year, including individual attendances of members, is also set out in the Annual Report and is available on the Group's website.

The Chairman of the ARC is an independent, Non-Executive Director who is a resident of Australia and not the Chairman of the Board. The role of the ARC is to oversee the Group's responsibilities relating to financial reporting, relevant statutory requirements, internal controls, statutory external financial audits and audits in relation to some aspects of the risk management and compliance frameworks.

The MAM Board, chaired by the Executive Chairman, otherwise has oversight of the operational risk and compliance frameworks as it considers risk management matters should be a strong focus of the entire Board. Further, the MAM Board has established a Risk and Compliance Committee ("RCC") to assist it in discharging its corporate governance and oversight responsibilities in relation to the Magellan Group's obligations, which include the requirement for adequate risk management and compliance systems. The RCC consists of the Executive Directors, Responsible Managers, and senior Magellan employees including the Chief Compliance Officer.

Full details are in the ARC Charter can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. The ARC will meet at minimum, three times each year. The Chairman of the ARC will report to the Board in respect of each Committee meeting. The ARC conducts an assessment of its performance in accordance with the Charter every two years.

### 7.2 Review of risk management framework

The Group has adopted a risk management framework based on the AS/NZS ISO 31000:2009 Risk management—Principles and guidelines. The Framework supports a structured and focussed approach to identifying, managing and reviewing risk to complement the strategies adopted to achieve the corporate objectives of the Group.

The Board conducts a review of the Group's risk management framework at least annually to satisfy itself that it continues to be sound.

A review of the risk management framework was conducted in the 2017 financial year.

### 7.3 Internal audit function

The Group does not have an internal audit function. The main operating entity, MAM is the holder of AFSL 304301 and is also registered with a number of offshore regulators and is subject to contractual, statutory and external audits. These external audits provide assurance on the design and operating effectiveness of Magellan’s compliance and control environment. In addition, periodic monitoring of compliance with key policies and procedures is performed by MAM and the results are reported to the MAM Board. Magellan’s culture, size, simple and scalable operations, transparent reporting and flat organisational structure allow the Board and management full and direct visibility of the key activities undertaken.

The Board and senior management have the skills and expertise to understand and rigorously review and challenge the information provided and recommendations submitted for approval. Where additional assurance is desired, the Board can commission external independent advice and reviews as necessary.

#### 7.4 Economic, environmental and social sustainability risks

In order to meet the Group’s strategic objectives, the Group will assume risks that are well understood and that can be supported by the organisation. Specifically, Magellan focuses on understanding risk boundaries and likely outcomes in overall decision making and in working within a well-integrated risk management framework.

The Group’s objectives are as follows:

- to obtain and retain the trust of the Group’s clients to manage their money with care and diligence;
- to ensure that the Group’s investment processes are aimed at delivering attractive risk-adjusted returns to clients over the medium to long term, while reducing the risk of permanent capital loss;
- the development and retention of employees;
- to develop and maintain good regulatory standing and a good reputation in the market place;
- to maintain strong capital levels; and
- to the best of the Group’s ability, ensure the long term sustainability of the Company.

The Board has set tolerances for loss or negative events for each of the following risk types and these form part of the risk management framework.

These risks and tolerances are re-assessed by the Board as required and at least annually.

Risk	Description
<b>Strategic Risks</b>	
Strategic Risk	The risk of adversely impacting revenue and profitability of the Company resulting from poorly made strategic decisions or their ineffective implementation.
Client Concentration Risk	The risk of loss of revenue resulting from a loss of a material client(s).
<b>Governance Risk</b>	Any risk that threatens the ability of the Company to make reasonable and impartial business decisions in the best interests of clients.



<b>Risk</b>	<b>Description</b>
<b>Market and Investment Risks</b>	
Underperformance Risk	The risk of underperformance of client investment strategies relative to peers leading to loss of funds under management (“FUM”) and an inability to attract new FUM.
Style Drift Risk	The risk of MAM diverging from the stated investment philosophy and objectives of its strategies.
Trading Risk	The risk of financial loss or damage to the Company’s reputation, or relationships with clients resulting from a trading or allocation error.
Credit/Counterparty Risk	The risk of loss to client portfolios or the Company arising from the failure of a counterparty to meet its contractual obligations.
Market Risk	The risk of poor performance of the equity markets which may cause volatility or a reduction to the revenue streams of the Company.
Currency Risk	In some portfolios, MAM does not hedge currency risk. A rise in the Australian Dollar relative to other currencies will negatively impact investment values and returns, reduce the FUM, and negatively impact the revenue streams of the Company.
<b>Operational Risks</b>	
Outsourcing Risk	The willingness of the Company to outsource functions to competent service providers.
Outsourcing Risk—business continuity	The risk of a material disruption to a key service provider’s ability to deliver services to MAM in accordance with contractual obligations.
Outsourcing Risk (unit pricing errors)	The risk that an external fund administrator strikes an incorrect unit price that may be undetected by MAM.
Outsourcing Risk (fraud at external service provider)	The risk of fraud at an external service provider that causes financial loss to MAM and/or its clients.
Key Person Risk	The risk of loss of the Chief Executive Officer/Chief Investment Officer.
Employee Retention Risk	The risk of loss of key employees.
Non-Diverse Workforce Risk	The negative impact that a non-diverse workforce can have on the Company’s reputation.
IT Systems Risk	The risk of the failure of key systems resulting in financial loss to clients, the Company or an inability for MAM to continue to provide services to its clients.

<b>Risk</b>	<b>Description</b>
Cybersecurity Risk	The risk of financial loss to clients or the Company and the risk of loss or disclosure of sensitive client or proprietary information resulting from a cybersecurity incident.
Regulatory/Compliance Risk	The risk of financial loss to clients or the Company resulting from non-compliance by MAM or the Company with regulatory obligations, or compliance failures.
Environmental Risk	The risk of not managing the business to reduce the environmental footprint.
Reputational Risk	Defined as the risk of possible damage to the Company's reputation resulting from an action or inaction which could be perceived by clients, consultants, service providers and regulators to be inappropriate, unethical or inconsistent with the Company's values, culture and beliefs.
Financial Statements	The risk that the financial statements of the Company do not give a true and fair view.
Financial Statement Accounting	The risk of non-compliance with accounting standards.
Insurance Risk	The risk of loss suffered by the Company for an uninsured or under insured event.
Tax Regulatory Risk	The risk of non-compliance with tax regulations.
Fraud risk	The risk of employee fraud (with or without third parties) causing Company assets to be materially misappropriated.
<b>Liquidity Risks</b>	
Liquidity (responsible entity level)	The risk that MAM will not meet the financial conditions of its AFSL.
Liquidity (Scheme level)	The risk that at the Scheme level, MAM is not able to meet short term commitments (e.g. Scheme assets cannot be realised).

Further details in relation to environmental and social sustainability risks can be found in the Corporate Sustainability and Responsibility Report contained in the Group's Annual Report.

## Principle 8: Remunerate fairly and responsibly

### 8.1 Remuneration committee

The Board has established a Remuneration and Nominations Committee under a separate Charter which can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance. The Charter contains the delegated role,

responsibilities, functions and powers of the Committee and is reviewed regularly, or whenever significant change occurs. The Committee allows the Board to devote and focus time and effort that may not be possible at a wider Board meeting. At the date of this statement the Committee comprised solely of the five (5) independent Non-Executive Directors.

The Chairman of the Remuneration and Nominations Committee is an independent Non-Executive Director. The role of the Committee is set out in the Charter. The number of times the Committee met during the year, including individual attendances of members, is set out in the Annual Report and available on the Group's website. The Chairman of the Committee reports to the Board in respect of each Committee meeting. Remuneration for the independent Non-Executive Directors is set at market rates commensurate with their responsibilities. Further information is provided in the Remuneration Report contained in the Annual Report.

## **8.2 Disclosure of remuneration policies and practices**

The policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives are disclosed in the Remuneration Report contained within the Annual Report, available on the Group's website.

## **8.3 Equity based remuneration schemes**

The Group has in place a voluntary Share Purchase Plan (SPP) that provides financial assistance to Non-Executive Directors and employees, by way of an interest free full recourse loan, to invest in shares in the Company. The issue price of shares under the SPP is the weighted average sale price of the shares on the ASX over the five trading days immediately preceding the day the offer is made.

Further details of the operation of the SPP can be found in the Annual Report and in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Financial Reports.

The Group has in place a Trading Policy which prohibits Directors, officers, employees and their associates from entering into transactions designed to limit the economic risk of investing in Magellan securities. Further details are in the Trading Policy can be found in the Shareholder Centre section on the Group's website at [www.magellangroup.com.au](http://www.magellangroup.com.au) under Corporate Governance.