



Modern Slavery Statement

Magellan Financial Group Limited (ACN 108 437 592)

Financial year ended 30 June 2021

APPROVAL

This Modern Slavery Statement was approved by the Board of Magellan Financial Group Limited on 9 December 2021.

This Modern Slavery Statement was approved by the Board of Magellan Asset Management Limited on 9 December 2021.

It is submitted as a joint statement by the following reporting entities:

Magellan Financial Group Limited (ACN 108 437 592)

Magellan Asset Management Limited (ACN 120 593 946)

Magellan Global Fund (ARSN 126 366 961)

Magellan Global Fund (Hedged) (ARSN 164 285 661)

Magellan Infrastructure Fund (ARSN 126 367 226)

Magellan High Conviction Fund (ARSN 164 285 947)

Magellan High Conviction Trust (ARSN 634 789 754)



Mr Hamish Douglass

Chairman, Magellan Financial Group Limited



Mr Robert Fraser

Chairman, Magellan Asset Management Limited

1. REPORTING CRITERION 1 – REPORTING ENTITY

Magellan aims to be a responsible corporate citizen and therefore places importance on environmental, social and governance (“**ESG**”) issues including the risk of modern slavery within its supply chain and operations.

This Modern Slavery Statement (“**Statement**”) is a joint statement made pursuant to section 14 of the *Modern Slavery Act 2018* (Cth) (the “**Act**”) in respect of the reporting period 1 July 2020 to 30 June 2021 and covers:

- Magellan Financial Group Limited (ACN 108 437 592) (“**MFG**”);
- Magellan Asset Management Limited (ACN 120 593 946) (“**MAM**”) (wholly owned subsidiary of MFG);
- Magellan Global Fund¹ (ARSN 126 366 961);
- Magellan Global Fund (Hedged) (ARSN 164 285 661);
- Magellan Infrastructure Fund (ARSN 126 367 226);
- Magellan High Conviction Fund (ARSN 164 285 947); and
- Magellan High Conviction Trust² (ARSN 634 789 754)

(together, “**Magellan**”), each a “**Reporting Entity**” under the Act.

To prepare this Statement, Magellan has undertaken an overarching review of its supply chain and operations with the intention of identifying and assessing its exposure to modern slavery. The analysis, together with an overview of Magellan’s due diligence and remediation processes, is outlined in this Statement.

APPROVAL

This Statement has been prepared in consultation with key stakeholders of each Reporting Entity and was reviewed and approved by the MAM and MFG Boards of Directors.

MAM is a wholly owned subsidiary of MFG and is the main operating subsidiary within Magellan. MAM is also the responsible entity to the registered funds that are Reporting Entities in their own right. The modern slavery risks faced by the registered funds are the same as those faced by MAM.

2. REPORTING CRITERION 2 – STRUCTURE, OPERATIONS AND SUPPLY CHAIN

STRUCTURE

MFG is incorporated in Australia and is publicly listed on the Australian Securities Exchange (ASX: MFG). Its main operating entity is MAM, which is the holder of Australian Financial Services Licence No. 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 in Ireland.

MAM trades as MFG Asset Management in jurisdictions outside Australia and New Zealand and under the trading name Airlie Funds Management (“**Airlie**”) for the Australian equity portfolios it manages.

As at 30 June 2021, MAM is the Responsible Entity of the following unlisted registered funds:

- Magellan Global Fund (Hedged);
- Magellan Infrastructure Fund;
- Magellan Infrastructure Fund (Unhedged); and
- Magellan High Conviction Fund,

together with the ASX quoted funds:

- Magellan Global Fund¹

¹ Magellan Global Fund has two unit classes, an open-ended unit class (ASX: MGOC / APIR MGE0001AU) and a closed-ended unit class (ASX: MGF).

² As at 30 June 2021, Magellan High Conviction Trust was a closed-ended listed investment trust on the official list of the ASX. On 31 August 2021, the Magellan High Conviction Trust transitioned to an open-ended Active ETF quoted on the ASX under the AQUA Rules.

- Magellan Global Equities Fund (Currency Hedged) (ASX: MHG);
- Magellan High Conviction Trust (ASX: MHHT);
- Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH); and
- Airlie Australian Share Fund (ASX: AASF),

and the Chi X quoted funds:

- Magellan FuturePay (CHA: FPAY);
- MFG Core Infrastructure Fund (CHA: MCSI);
- MFG Core ESG Fund (CHA: MCSE);
- MFG Core International Fund (CHA: MCSG); and
- Magellan Sustainable Fund (CHA: MSUF).

MAM is also the Trustee of the unregistered managed investment scheme, Airlie Concentrated Share Fund.

MFG's subsidiaries include the US based Frontier North America Holdings Inc, the holding company of the "**Frontier Group**" of companies through which MFG maintains its North American distribution business. Frontier Group is the investment adviser to the Frontier MFG Funds that are U.S. open ended mutual funds offered to institutional clients.

The specific funds referred to above are collectively referred to in this Statement as "**Funds**".

OPERATIONS

Magellan's operations include any activity or business relationship undertaken to pursue its business objectives and corporate strategy.

This includes:

- Magellan's business operations ("**Business Operations**") which include the provision and delivery of investment management services, arrangements with suppliers, purchasing, marketing and sales activities in Australia and the U.S.; and
- MFG's principal investment portfolio ("**Principal Investment Operations**").

Magellan is committed to acting ethically and with integrity. All relevant staff receive training on the MFG and MAM Code of Ethics at induction and annually. The Code of Ethics is supported by other key policies including a Whistleblowing Policy, Workplace Diversity and Inclusion Policy, Incident and Breach Management Policy and Gifts, Benefits, Entertainment and Anti-Bribery Policy.

Business Operations

As at 30 June 2021, MAM employed 128 staff across the Magellan and Airlie Investment Teams, operations, distribution, marketing, legal, risk and compliance, finance and administrative functions. Most staff work from MAM's registered office in Sydney or remotely from home, however staff are also located in Melbourne, Brisbane, Adelaide and Perth, and internationally in New Zealand. Frontier Group also has an additional 11 staff in the United States.

All 139 staff are employed on a permanent basis. Of the total staff numbers, 45% are female and 9 staff work on a part-time basis.

MAM is a specialist fund manager that has four core investment strategies – Global Equities, Global Listed Infrastructure, Sustainable and Australian Equities (via Airlie). MAM manages these strategies on behalf of retail and institutional investors in Australia, New Zealand and globally. As at 30 June 2021, MAM had funds under management of \$113.9 billion.

Sectors in which MAM invests include, but are not limited to, Franchises³, Healthcare, Financials, Infrastructure, Technology, Communications & Media, Energy, Industrials and Materials. Investee companies are located in Australia and around the world.

³ Includes household and personal care, food, consumer staples and retailing, restaurants, textiles, apparel, luxury goods and specialty retailing.

The key business functions are managed from Magellan’s principal place of business: Level 36, 25 Martin Place, Sydney, New South Wales, Australia. Magellan also maintains satellite offices in Melbourne, Brisbane, Adelaide and Perth and has staff in New Zealand.

In the United States, Frontier Group coordinates the distribution of MAM’s institutional business in North America.

Principal Investment Operations

A meaningful portion of MFG’s capital is invested in its strategies alongside its clients via an “**Internal Principal Investments**” portfolio. Through this, MFG invests in Magellan Funds and seeds new strategies and initiatives. MFG earns revenue from the Internal Principal Investments portfolio through distributions from Magellan Funds and, if these investments grow over time, MFG may realise a capital gain (or capital loss, if these investments decline over time).

MFG also makes selective principal investments external to Magellan’s Funds. During the period, MFG has added non-controlling interests in Barrenjoey Capital Partners (“**Barrenjoey**”), FinClear Holdings Limited (“**Finclear**”) and Guzman Y Gomez (Holdings) Limited (“**Guzman Y Gomez**”) to its principal investment portfolio, collectively, “**External Principal Investments**”.

These External Principal Investments need to meet a number of key criteria and over time should add to MFG’s intellectual capital, provide meaningful diversification and optionality, and generate attractive returns for shareholders.

SUPPLY CHAIN

Across Magellan’s supply chain, the main services procured are external administration, registry and custodial services to Magellan’s registered funds and unregistered fund. Other key services include managed IT services, professional services (i.e. legal advice, accounting, advisory and consulting), brokerage services, software and research services. Office based services include leasing of office space and cleaning.

Magellan’s supplier engagements are typically long-term. Suppliers with whom Magellan has a direct contractual relationship are located in Australia, the U.S, the UK, Singapore, Ireland and Taiwan, however limited services are provided from other locations such as India and the Philippines, or are subcontracted to third party suppliers based in other countries.

3. REPORTING CRITERION 3 – IDENTIFYING AND ASSESSING RISKS OF MODERN SLAVERY

Magellan sees its exposure to modern slavery as emanating from both its supply chain (including direct and indirect suppliers) and from MAM and MFG’s investment activities on behalf of clients and as principal, respectively.

OPERATIONAL RISKS

Hiring Practices

In respect of the directors and staff, MFG, MAM and the Frontier Group have robust recruitment and employment practices in place that are designed to provide reasonable assurance that their hiring and workplace conditions are compliant with relevant laws and reflect industry standards. Magellan’s workforce is predominantly made up of professionally qualified and skilled employees. All directors and staff have an employment agreement in place, under which there is a clause to comply with MFG and MAM’s policies and procedures, including the Code of Ethics, which in turn requires that staff conduct their business legally and ethically. Staff are required to certify compliance with the Code of Ethics annually.

Collectively, these factors put MFG and MAM’s Business Operations in a very low risk category for modern slavery.

Investment Operations

MFG and MAM understands that it is possible to be directly linked⁴ to modern slavery practices through the activities and supply chains of global companies it chooses as investments on behalf of its clients and Funds.

MAM has two investment teams: the Magellan Investment Team which covers its Global Equities, Global Listed Infrastructure and Sustainable investment strategies; and the Airlie Investment Team which covers Australian Equities.

⁴ “Directly linked” means the risks that MFG and MAM’s operations, or its financial products and services may be connected to modern slavery through the activities of another entity with whom there is a business relationship.

Both Investment Teams are responsible for identifying and assessing modern slavery risks in the operations of investee companies.

The assessment of modern slavery risks within the operations of companies approved as eligible investments for Magellan's clients and Funds sits logically under the framework for ESG issues. Gaining a robust understanding of these issues is a key part of the investment process and of the assessment of the outlook for future cash flow generation and risks of an investment. Significant issues detrimental to societies are also considered.

In order to assess these risks, all investee companies (including prospective investee companies) are subject to initial and periodic ESG reviews, a component of which is the analysis of any social issues (such as human rights, workers' rights and health and safety) that arise in connection with the investee company.

MAM assesses investee companies with reference to their structure, operations and supply chain, using information obtained from MAM's own proprietary analysis, independently sourced data and material issued by the investee companies, including but not limited to, Modern Slavery Statements, Code of Ethics and Supplier Codes of Practice.

Each investee company is assessed based on risk factors including:

- sector and industry exposures (e.g. operating in a sector that uses mainly contract, temporary or unskilled workers);
- product and services exposures (e.g. the product, or its components or materials are made in countries where there is a high risk of labour exploitation);
- geographic exposures (e.g. country specific risks due to poor governance or socio-economic factors); and
- entity exposures (e.g. poor governance structures or a record of treating workers poorly).

The analysis of these factors considers if the structure, operations or supply chain of the investee company cause, contribute to or are directly linked to modern slavery.

Magellan Investment Team:

Individual modern slavery assessments have been completed for the majority of investee companies held across the Global, Global Listed Infrastructure and Sustainable investment strategies. Assessments have also been conducted for the majority of the investment universe i.e. companies approved for investment by the Magellan Investment Committee. Assessments for outstanding companies will be completed in the current financial year.

The review identified a low risk of modern slavery in the direct operations of companies in Magellan's investible universe, however there is some moderate exposure to modern slavery risks in the supply chains of a small number of companies. This is due to the companies having long and complex supply chains, extending to higher risk countries such as China, Vietnam, Turkey and Thailand and involving higher risk industries such as apparel, manufacturing and raw materials.

Magellan's review highlighted that these companies all have strong governance frameworks and due diligence processes in place and Magellan is satisfied that necessary steps to address and/or reduce the risk of modern slavery in their supply chains have been undertaken.

The Magellan Investment Team has a protocol of engagement with companies on relevant ESG issues. Over the past 12 months, the team's analysts have engaged with a number of companies to discuss certain social issues, that overlap with modern slavery risks. The Magellan Investment Team's analysts will continue this engagement on a regular basis.

Airlie Investment Team:

Individual modern slavery assessments have been completed for all investee companies held across portfolios managed by the Airlie Investment Team. Investee companies selected by the Airlie Investment Team are Australian listed companies only, where the direct risk of modern slavery is low. The risk of modern slavery therefore lies within the supply chains and overseas operations of the investee companies themselves.

Whilst no incidents of modern slavery were identified in the review, there was some moderate exposure to modern slavery risks in the supply chains of a small number of companies. This is due to companies having long and complex supply chains extending to higher risk countries and sectors. These companies all have strong governance frameworks and due diligence processes in place and are taking actions to address any issues or mitigate their risk.

Over the past 12 months, the Airlie Investment Team's analysts have engaged directly with a number of companies to discuss modern slavery risks. The team's analysts will continue to monitor these companies and engage directly where they are not satisfied that risks are being adequately addressed or remedied by the company.

Risks in the operations of companies in which MFG invests as principal (Principal Investment Operations)

MFG understands that it is possible to be directly linked⁴ to modern slavery through the activities and supply chains of the companies in which MFG invests as part of its Principal Investment Operations.

As at 30 June 2021, MFG's principal investments were in Magellan's unlisted and quoted Funds and internal strategies; and three external companies – Barrenjoey, FinClear and Guzman Y Gomez.

The identification and assessment of modern slavery risks in MFG's Internal Principal Investments followed the process described in the Investment Operations section above.

In relation to the External Principal Investments, Magellan requested each company complete Magellan's modern slavery questionnaire, to enable it to assess any modern slavery risks. Some exposure to modern slavery risks has been identified in Guzman Y Gomez due to its supply chain extending to higher risk countries such as China and Mexico and sectors such as agriculture, meat processing, manufacturing and IT.

SUPPLY CHAIN RISKS

Material Business Suppliers

MFG and MAM maintain an Outsourcing Policy which details the due diligence and ongoing monitoring processes for a material business supplier to Magellan. Modern slavery risks are now incorporated into the initial due diligence performed on any new key suppliers.

As at 30 June 2020, Magellan had performed an initial risk-based assessment of its key suppliers for risks of modern slavery. These included suppliers based within the financial services sector that provide fund administration, registry, custodial, brokerage and research services and are based across Australia and in the United States.

During the current period, Magellan extended its analysis to other key suppliers in its supply chain. Taking a risk-based approach, Magellan's analysis included consideration of geographic location, sector, product/services provided and where possible the review of Modern Slavery Statements, conducting a compliance visit and/or requesting completion of Magellan's modern slavery questionnaire.

Key Findings:

- Most of Magellan's suppliers operate in sectors that rely on a highly skilled workforce, meaning their direct business operations have a low risk of modern slavery. However, like Magellan, they are still exposed to the risk of modern slavery via their often long and complex supply chains, through activities such as IT procurement, sourcing of promotional merchandise and facilities management (e.g. cleaning and building maintenance).
- There were suppliers who had a greater risk of modern slavery due to outsourcing models or licensee business operations. Where the supplier has less visibility over its operations, Magellan sees the risk of modern slavery increasing.
- Many of Magellan's suppliers had undertaken a review of their direct suppliers; however very few had looked further down the chain. This means that current visibility beyond Magellan's direct suppliers is low, however, most commit to expanding their supply chain assessment in future reporting periods, therefore Magellan expects this will improve.
- Magellan's suppliers operate globally and/or source products and services from several high-risk countries and regions e.g. the Philippines and India. Magellan sees the risk of modern slavery increasing where it has this exposure.
- Many suppliers confirmed they have due diligence frameworks in place and most reference policies and/or training to help bring attention to, or mitigate against, modern slavery risks. Magellan sees the risk of modern slavery decreasing when there are good frameworks in place.
- Some exposure to modern slavery risks were identified in a small number of Magellan's suppliers. Two of Magellan's direct suppliers had either received direct acknowledgment of modern slavery practices; or identified unacceptable findings (such as concerns over working hours or health and safety issues) in their own supply chains (reported in their FY2020 modern slavery statements). Magellan is satisfied that its suppliers are taking appropriate steps to monitor and engage with their own suppliers on the issues identified. Magellan will continue to monitor these suppliers by reviewing their modern slavery statements following the next reporting period.

Other Supply Chain Risks

Domestically, Magellan may also be directly linked⁴ to modern slavery risks via the procurement of office-based products/services such as the purchase of IT equipment, stationery, and through facilities management and cleaning. These sectors more commonly employ base skill migrant workers and whose supply chains may extend to higher risk countries.

IT Equipment:

During the period, Magellan has undertaken a more detailed analysis of modern slavery risks relating to the purchase of IT equipment. Taking a risk-based approach, Magellan reviewed its key suppliers (by IT spend) and identified that one of its direct suppliers had found indicators of modern slavery in its supply chain. The company required the issues to be immediately addressed and worked with its suppliers to remedy the issues and implement corrective actions. Whilst the risk of modern slavery is high for this company given the sector and its complex supply chain, Magellan is satisfied that the company's governance framework and initiatives are strong, in order to identify, assess and remediate any further risks.

Frontier Group

During the period, Magellan gave further consideration to the Frontier Group suppliers. The Group does not directly source any goods or services from outside the USA, however there are potential risk areas around IT procurement and facilities management/cleaning services. Due to the inherent modern slavery risks within these sectors, Magellan aims to expand its analysis during the next reporting period by requesting its suppliers to complete Magellan's modern slavery questionnaire.

4. REPORTING CRITERION 4 – ASSESSING AND ADDRESSING RISKS

To assist in assessing and addressing modern slavery risks, Magellan has taken the following actions:

- All staff based in Australia and New Zealand have received training on modern slavery which comprised a description of the types of modern slavery, how Magellan may be directly linked to modern slavery risks, and the process for reporting a modern slavery risk identified. This training will be extended to Frontier Group staff in the current financial year.
- As part of monthly compliance attestations, the external registries to Funds that are Reporting Entities are required to confirm that there has been no outsourcing of the services provided to Magellan (unless approved by Magellan) and, if approved, there have been no changes to the location of these services.
- Key policies such as Magellan's Code of Ethics, Whistleblowing Policy, Workplace Diversity and Inclusion Policy, Incident and Breach Management Policy and Gifts, Benefits, Entertainment and Anti-Bribery Policy continue to be readily accessible to staff on Magellan's internal network. Key concepts from these policies, including the importance of reporting issues identified, are reinforced as part of annual compliance training.

Operations and Supply Chain

Should any modern slavery risks be identified in MFG and/or MAM's operations and/or supply chain they will be further assessed for severity.

Where Magellan is directly linked to severe instances of modern slavery through a business relationship, whilst it is not responsible for remediating the impact, it is Magellan's intention to use its influence with the entity (if appropriate) to effect positive change.

In respect of the risks of modern slavery in Magellan's Investment Operations and Principal Investment Operations, Magellan strives to engage directly with investee companies where it has formed the view that a material modern slavery risk exists, with the objective of effecting positive change. This will be documented as part of Magellan and Airlie's interaction with covered companies.

If a supplier is found to be in breach of its agreement, or if a supplier reports a modern slavery risk, Magellan will engage with the supplier to effect positive change. Magellan may terminate a relationship with a supplier if the situation is not remedied to its satisfaction.

Identified modern slavery risks and the engagement process with suppliers or investee companies are documented and

reported to the Risk & Compliance Committee (“**RCC**”). Any material breaches and incidents related to modern slavery are reported to both the MFG and MAM Boards.

5. REPORTING CRITERION 5 – THE EFFECTIVENESS OF ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

On an annual basis, the Risk & Compliance Team will review Magellan’s processes for assessing and addressing modern slavery risks to assess whether they provide reasonable assurance that they can adequately identify modern slavery risks and that processes are in line with regulatory guidance.

The results of this review will be reported to the RCC and will include:

- updated supplier due diligence (i.e. the results of Magellan’s review of key suppliers’ own modern slavery statements, due diligence visits and/or completed supplier questionnaires);
- the annual assessment of modern slavery risks in the investee companies (and for Magellan portfolios only, those companies in its investment universe);
- details of any high modern slavery risks that have been reported (e.g. from staff, through the whistleblowing process or from suppliers) or otherwise identified, any action that has been taken to address them and progress to date; and
- any gaps identified in Magellan’s processes for assessing the risks of modern slavery and, if any, proposed updates to these processes.

To date, Magellan has not received any complaints or reports of modern slavery through its whistleblowing or incident reporting processes.

6. REPORTING CRITERION 6 – PROCESS OF CONSULTATION

Magellan’s Risk & Compliance Team consulted with, and sought feedback on this Statement from, each of the Reporting Entities to ensure that Magellan’s modern slavery risks were appropriately identified, assessed and addressed.

The Risk & Compliance Team also engaged the Frontier Group with respect to modern slavery risks in its operations and supply chain. Magellan intends to provide online training to Frontier Group staff in the current financial year.