



# Modern Slavery Statement

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Magellan Financial Group Limited (ACN 108 437 592)

Financial year ended 30 June 2020

This Modern Slavery Statement was approved by the Board of Magellan Financial Group Limited on 25 March 2021.  
This Modern Slavery Statement was approved by the Board of Magellan Asset Management Limited on 25 March 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 Equities Fund** (ARSN 603 395 302)

**Magellan Global Trust** (ARSN 620 753 728)



Mr Hamish Douglass

Chairman, Magellan Financial Group Limited



Mr Robert Fraser

Chairman, Magellan Asset Management Limited

## 1. REPORTING CRITERION 1 – REPORTING ENTITY - BACKGROUND & OVERVIEW

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 period 1 July 2019 to 30 June 2020 (the “**Reporting Period**”) 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 Fund<sup>1</sup> (ARSN 126 366 961) (unlisted registered fund where MAM is the Responsible Entity);
- Magellan Global Equities Fund<sup>1</sup> (“**MGE**”) (ARSN 603 395 302) (ASX quoted registered fund where MAM is the Responsible Entity); and
- Magellan Global Trust<sup>1</sup> (ARSN 620 753 728) (“**MGG**”) (ASX listed investment trust where MAM is the Responsible Entity).

(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. All Reporting Entities operate in the same sector.

## 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.

During the reporting period, the business activities of its subsidiary Airlie Funds Management Pty Limited (“**AFM**”), were transferred to its parent entity (MAM), and AFM was deregistered on 5 August 2020.

As at 30 June 2020, MAM was the Responsible Entity of the following unlisted registered funds:

- Magellan Global Fund<sup>1</sup>;
- Magellan Global Fund (Hedged);
- Magellan Infrastructure Fund;
- Magellan Infrastructure Fund (Unhedged); and
- Magellan High Conviction Fund,

together with the ASX quoted registered funds:

<sup>1</sup> On 8 December 2020, Magellan Asset Management Limited completed a restructure of three of its global equities funds that combined the Magellan Global Equities Fund (MGE) and the Magellan Global Trust (MGG) with the Magellan Global Fund. MGG and MGE were acquired by the Magellan Global Fund by way of two trust schemes and are no longer available to investors.

- Magellan Global Equities Fund<sup>1</sup> (ASX: MGE);
- Magellan Global Equities Fund (Currency Hedged) (ASX: MHG);
- Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH); and
- Airlie Australian Share Fund (ASX: AASF),

and the ASX listed Trusts:

- Magellan Global Trust<sup>1</sup> (ASX: MGG); and
- Magellan High Conviction Trust (ASX: MHH).

MAM was also Trustee for two unlisted, unregistered funds:

- Magellan Core Infrastructure Fund; and
- 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.

## OPERATIONS

Magellan's operations include any activity or business relationship undertaken to pursue its business objectives and corporate strategy. This includes the provision and delivery of investment management services ("**Business Operations**") and MFG's internal principal investment portfolio ("**Principal Investment Operations**"). In respect of Magellan's Business Operations, this includes arrangements with suppliers and distribution, purchasing, marketing and sales activities in Australia and the U.S.

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 and Gifts, Benefits, Entertainment and Anti-Bribery Policy.

### Business Operations

MAM employs approximately 130 staff members 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 staff in the United States.

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 2020, MAM had funds under management of \$97.2 billion<sup>2</sup>.

Broadly speaking, MAM takes a high conviction, benchmark agnostic approach to selecting quality companies for investment, while integrating robust risk management and rigorous macroeconomic research. The objective is to deliver superior risk-adjusted returns over the medium to long term while reducing the risk of permanent capital loss. Sectors in which MAM invests include, but are not limited to, Franchises<sup>3</sup>, Healthcare, Financials, Infrastructure, Technology, Communications & Media, Energy, Industrials and Materials. Investee companies are located in Australia and around the world.

The key business functions are managed from Magellan's principal place of business: Level 36, 19 Martin Place, Sydney, New South Wales, Australia. However, Magellan also maintains satellite offices in Melbourne, Brisbane, Adelaide and Perth and has staff in New Zealand.

In the United States, the Frontier Group coordinates the distribution of MAM's institutional business in the U.S. and is the investment adviser to the Frontier MFG Funds that are U.S. open ended mutual funds offered to institutional clients.

<sup>2</sup> As at 26 February 2021, MAM has funds under management of \$100.6 billion.

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

## 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 (for example the Magellan Global Fund) 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. 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 and unregistered funds. Other key services in Magellan's supply chain 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 ("**Direct Suppliers**") 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 ("**Indirect Suppliers**") based in other countries.

Magellan sees its exposure to modern slavery as emanating from both its supply chain (including Direct Suppliers and Indirect Suppliers) and from MAM and MFG's investment activities on behalf of clients and as principal respectively. These risks are expanded upon in Section 3 below.

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

### OPERATIONAL RISKS

#### Business Operations

##### (a) Risks in business operations related to hiring practices

In respect of the directors and staff, MFG, MAM and Frontier 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. Furthermore, under each MAM and MFG employment agreement with directors and staff, there is a requirement to comply with the MFG and MAM Code of Ethics requiring 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 direct business operations in a very low risk category for modern slavery.

##### (b) Risks in business operations related to the companies in which MAM invests on behalf of its clients and funds

MFG and MAM also understand that it is possible to be directly linked<sup>4</sup> to modern slavery practices through the activities and supply chains of global companies it chooses as investments on behalf of its clients and funds.

In respect of investments made in investee companies, 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. 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.

<sup>4</sup> "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.

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 an assessment 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. does the company operate in a sector that uses mainly contract, temporary or unskilled workers. Higher risk industries include textiles and fashion, electronics and cleaning);
- product and services exposures (e.g. services such as cleaning often involve lower wages and manual labour may have higher modern slavery risks);
- geographic exposures (e.g. country specific risks due to poor governance or socio-economic factors); and
- entity exposures (e.g. poor governance structures, a record of treating workers poorly).

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

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.

Magellan's analysis of modern slavery risks up to 30 June 2020 covered just over half of its investee companies across all strategies. Magellan intends to extend this analysis to all investee companies in the coming year.<sup>5</sup> The review to date has identified that whilst there is a low risk of modern slavery in the direct operations of investee companies, there are risks of modern slavery in their supply chains. This is because their supply chains extend to several high-risk countries (including the Philippines, Malaysia, Bangladesh, Pakistan, Cambodia, Thailand, Vietnam, Africa and Indonesia) and high-risk industries (apparel, manufacturing, construction and building materials, raw materials, lending and mining). Although these companies have some exposure to modern slavery issues, Magellan's investigations show that they each have strong policies and governance practices and run due diligence on their supply chains and operations. Magellan is also aware of several investee companies that, through their own processes, have identified modern slavery issues and subsequently taken action to resolve them. Magellan's view is that these factors put the vast majority of investee companies, and therefore Magellan's Business Operations, in a low risk category.

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

MFG understands that it is possible to be directly linked<sup>4</sup> to modern slavery through the activities and supply chains of the companies in which MFG invests as part of its principal investment portfolio (or Principal Investment Operations).

As at 30 June 2020, MFG's principal investments were in Magellan's unlisted and listed funds. These funds are invested in companies located around the world. The identification and assessment of modern slavery risks in MFG's Principal Investment Operations therefore followed the process described in Section 3(b) above.

## **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. Going forward, modern slavery risks will be incorporated into the initial due diligence performed on new key suppliers.

Magellan's key suppliers are those 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.

As at 30 June 2020, Magellan has performed an initial risk based assessment of these key suppliers for risks of modern slavery. The assessment also included the consideration of key suppliers to the Frontier Group. The process included a

<sup>5</sup> As at 31 January 2021, Magellan has assessed 100% of investee companies across all strategies.

review of the supplier's geographic location, the nature of services provided, a review of service provider contracts and, where necessary, requiring service providers to complete a questionnaire relating to their business processes and modern slavery risks. For the suppliers reviewed for the reporting period, no material modern slavery risks were identified.

Due to their geographic location and the fact that services are typically provided by a highly skilled professional workforce, Magellan considers that its key service providers have a low risk of modern slavery. Magellan however sees some risk where services are provided from offshore centres or where services are subcontracted to third party organisations that may reside in higher risk countries.

Following consultation with key suppliers on their business processes, Magellan identified one key supplier that outsources limited services provided to Magellan to a third-party service provider based in a country which has been identified to have an increased risk of forced labour in some sectors. Magellan acknowledges the possibility of modern slavery risk through this relationship, however, we are satisfied with the due diligence performed by our service provider on their third-party service provider. Further, our service provider does not make use of high risk supply chains that would compromise Magellan's standards and views on modern slavery.

Magellan has also considered other key service providers in its supply chain including those providing IT services, professional services, brokerage, software and research services. In focusing on their geographic location, sector and the products/services provided, Magellan considers these service providers to present a low risk for modern slavery issues.

During the year to 30 June 2021, Magellan intends to extend its detailed analysis to other suppliers in its supply chain through review of their own Modern Slavery Statements (where available) or, if appropriate, by requiring the completion of a modern slavery questionnaire.

### **Other Supply Chain Risks**

Domestically, Magellan may also be directly linked<sup>4</sup> 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. In respect of these service providers, Magellan does not have complete visibility of their operations and has not yet measured its exposure to modern slavery. Over the coming year, Magellan intends to extend a more detailed analysis of modern slavery risks to the purchase of IT equipment.

## **4. REPORTING CRITERION 4 – ASSESSING AND ADDRESSING RISKS**

### **Operations and Supply Chain**

Should any modern slavery risks be identified in MFG and MAM's Operations (Business Operations and Principal Investment Operations), and 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 to effect positive change.

In respect of the risks of modern slavery in the operations of companies in which MAM invests on behalf of its clients and funds, 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'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**"). Minutes of the RCC meetings are circulated to the MFG and MAM Boards of Directors. 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 (e.g. the results of the review of suppliers’ own modern slavery statements and/or completed supplier questionnaires);
- the outcome of the annual assessment of modern slavery risks in the investee companies from both the Magellan and Airlie Investment Teams;
- details of any high modern slavery risks that have been reported or identified, any action that has been taken to address them and progress to date; and
- any gaps identified in Magellan’s processes and, if any, proposed updates to these 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 provided training on the requirements of the Act to those members of both the Magellan and Airlie Investment Teams responsible for identifying, assessing and addressing modern slavery risks within the investment process of Magellan’s Business Operations. The Risk & Compliance Team also engaged the Frontier Group with respect to modern slavery risks in its operations and supply chain.

It is MAM’s intention to provide all staff and the Frontier Group staff with training on modern slavery during 2021.