



Audit and Risk Committee Charter

Magellan Financial Group Limited

ACN 108 437 592

Approved and with effect from

12 February 2020

Audit and Risk Committee Charter

1. Introduction

1.1 Magellan Financial Group Limited ("**Company**") is an ASX-listed specialist funds management business. The Audit and Risk Committee ("**Committee**") is a committee of the board of Directors of the Company ("**Board**"). The Board has established the Committee under the Company's constitution. This Charter sets out the scope of the Committee's responsibilities in relation to the Company and its controlled entities ("**Group**"). The role of the Committee is not an executive role.

2. Objective

2.1 The objective of the Committee is to assist the Board to discharge its responsibilities in relation to:

- (a) the effectiveness of the financial, operational and tax risk management framework;
- (b) the effectiveness of the internal control environment;
- (c) the oversight of accounting, tax and compliance policies, accounting and tax treatments as well as reports on internal and external audits;
- (d) compliance with applicable laws and regulations relating to financial, tax and risk & compliance matters;
- (e) the accuracy of management and financial reporting; and
- (f) the maintenance of an effective and efficient audit.

2.2 The Committee will endeavour to:

- (a) maintain and improve the quality, credibility and objectivity of the financial accountability process;
- (b) promote a culture of compliance;
- (c) facilitate effective communication between the Board, the relevant senior management of the Group and the external and internal auditors (if applicable) as required;
- (d) maintain compliance strategies and compliance functions that are effective; and
- (e) oversee the provision to the Board of financial and non-financial information that is of high quality and relevant to the judgements to be made by them.

2.3 In fulfilling its responsibilities, the Committee receives regular reports from the Group's Chief Financial Officer, Chief Risk Officer and other senior management and will periodically meet with the external and internal auditors (if applicable).

3. Internal control and risk management

The Committee will oversee audits in relation to some aspects of the risk management and compliance frameworks and make recommendations to the Board thereon.

4. Financial Reporting

The Committee is responsible for:

- (a) reviewing financial reports and financial information prepared by the Group's management and understanding the impact of significant accounting and reporting issues, including recent pronouncements, on the financial reports of the Group;
- (b) assessing the appropriateness of the Group's accounting policies and principles and any changes to them, in order to maintain the compliance of the financial reporting framework;
- (c) obtaining an independent opinion from the external auditor (as required) about the appropriateness of accounting policies and principles and the clarity of current or proposed financial disclosures put forward by the Group's management;
- (d) reviewing and discussing with the Group's management and the external auditor (as required) the areas of significant estimates or judgments, non-compliance with laws and regulations, accounting and tax matters and risks, and the management of those risks;
- (e) understanding, and if considered necessary, obtaining appropriate assurance in respect of the processes:
 - (i) used to reach the opinions within the management certifications;
 - (ii) relating to management's reports on internal controls and compliance; and
 - (iii) relating to management's reports on financial reporting and tax risk management;
- (f) receiving from Group management confirmation that the integrity of financial reports is founded on a sound system of risk management and internal control which is operating effectively;
- (g) reporting to the Board matters which may significantly impact the financial condition of the Group; and
- (h) reviewing relevant financial information from advisers and external and internal auditors (as appropriate) before any market releases are approved by the Board.

5. **External audit**

The Committee is responsible for:

- (a) recommending to the Board for approval the appointment (and terms of engagement) or removal of an external auditor for consideration by shareholders;
- (b) reviewing and discussing with the external auditor the annual audit plan including the scope of the external audit and identified risk areas;
- (c) reviewing the independence, quality and performance of the external auditor periodically and as required by law;
- (d) receiving and reviewing the reports of the external auditor so that significant findings and recommendations made, along with the responses of the Group's management, are appropriately acted on;
- (e) reviewing and advising, for the purposes of the Director's report to be included in the financial reports, the provision of all non-audit services by or on behalf of the external auditor during the financial year and whether those services comply with the auditor independence requirements and Group's policy, together with the reasons why;

- (f) meeting separately with the external auditor to discuss matters arising in the normal course of audit work, including any restriction on audit scope or access to information, and as required; and
- (g) raising any audit quality concerns that are not satisfactorily resolved with the external auditor with the Board.

6. **Internal audit**

Where an internal audit function is considered appropriate, the Committee will review and approve the appointment of an internal auditor. The internal auditor will report directly to the Committee.

The Committee is responsible for:

- (a) evaluating as necessary the need for an internal audit function and, if required, the process for monitoring and assessing the effectiveness of the internal audit function;
- (b) engaging and dismissing any chief internal audit executive;
- (c) checking that any chief internal audit executive is independent of the external auditor;
- (d) overseeing the scope of the internal audit (including reviewing the internal audit team's mission, charter, qualifications and resources);
- (e) reviewing and approving the annual internal audit plan so that it addresses key areas of risk and that adequate resources have been assigned; and
- (f) reviewing the internal audit reports so that any significant findings and recommendations, along with the proposed responses of the Group's management, are appropriately acted on.

7. **Committee composition**

- 7.1 The Committee must comprise three or more Directors as determined by the Board. All members shall be Non-executive independent Directors and will be free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of their independent judgement as members of the Committee.
- 7.2 The Board will appoint the chairperson. The chairperson must be an independent Director and may not be the chairperson of the Board.
- 7.3 The secretary of the Company will be the secretary of the Committee or his or her designated representative.
- 7.4 The Executive Chairman and the Managing Director have a standing invitation to attend each meeting, subject to exclusion at the discretion of the Committee Chairman as may be necessary from time to time.
- 7.5 The Committee must be of sufficient size, independence and technical expertise to discharge its mandate effectively including that each member of the Committee should be able to read and understand financial statements, have an appropriate understanding of the funds management industry and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 7.6 A member may act by their alternate.

8. **Performance Appraisal**

8.1 The Committee will conduct an appraisal of the performance of its members, adherence to its Charter and achievement of its objectives every two years in conjunction with the Board's overarching performance review.

9. **Committee meetings**

9.1 The Committee will meet as frequently as its members may require, but must meet a minimum of three times each year.

9.2 A quorum for a Committee meeting is two Committee members.

9.3 Committee meetings may be held by any technological means allowing members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

9.4 The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001 (Cth)*. A document produced by electronic means under the name of a Committee member with the Committee member's authority is taken to be a document for this purpose.

9.5 The Committee may invite other persons it regards as appropriate to attend Committee meetings.

9.6 The secretary will circulate the agenda and papers a reasonable period in advance of each meeting. The secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board in a timely manner.

10. **Access to information and independent advice**

10.1 The Committee may seek any information it considers necessary to fulfil its responsibilities.

10.2 The Committee has access to:

- (a) the Group's management to seek explanations and information from them; and
- (b) the external and internal auditors (as appropriate) to seek explanations and information from them, without the Group's management being present.

10.3 The Committee may seek professional advice from the Group's management and also from appropriate external advisers at the Company's cost.

11. **Material personal interests**

11.1 If a member of the Committee or person attending a meeting of the Committee has a material personal interest in a matter before the Committee, the member or person must not be present at the meeting during the Committee's discussion of the matter (except as provided for in the Corporations Act).

12. **Review and changes to this Charter**

12.1 The Committee will review this Charter at least every two years and recommend as appropriate any amendments to this Charter to the Board for approval.

12.2 The Board may change this Charter from time to time by resolution.