

Corporate Governance Statement

Macquarie's approach to Corporate Governance

Macquarie's approach to corporate governance, which has remained largely consistent over time, is to:

- promote the long term profitability of Macquarie while prudently managing risk
- drive superior and sustainable shareholder value over the long term through the alignment of the interests of shareholders and staff
- meet stakeholder expectations of sound corporate governance as part of Macquarie's broader responsibility to clients, shareholders, investors and the communities in which it operates.

Macquarie recognises that a key factor in delivering long term shareholder returns is providing superior services to clients. Macquarie's *Code of conduct* sets out the way staff are expected to do business.

Macquarie is a global financial services provider with a diverse range of activities across different locations. Its shares are listed on the Australian Securities Exchange (ASX). Macquarie is regulated by APRA, the Australian

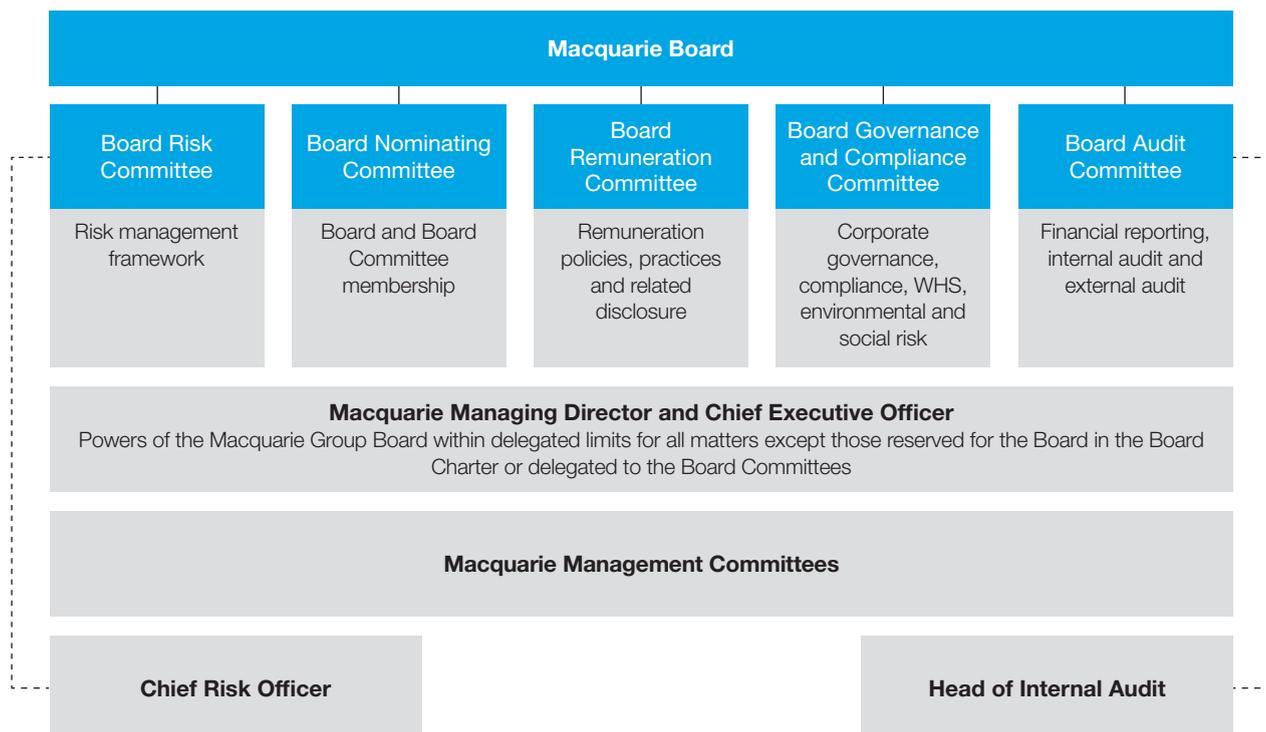
banking regulator, as the NOHC of Macquarie Bank Limited, an ADI. APRA's prudential standards include governance and risk management requirements. A number of Macquarie subsidiaries are supervised by regulators in the overseas jurisdictions in which they operate. The notes to Macquarie's financial statements include a list of material subsidiaries of the company.

Macquarie's governance practices were consistent with the recommendations in the 2nd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations) throughout the year. A summary of the ASX Recommendations and reference to the applicable Macquarie governance practice is available on Macquarie's website at macquarie.com/leadership-corporate-governance

During FY2015 Macquarie reviewed its corporate governance and reporting practices in light of the new 3rd edition of the ASX Recommendations and expects to be consistent with the 3rd edition of the ASX Recommendations from 1 April 2015.

This Corporate Governance Statement has been approved by the Board.

Corporate Governance framework



Corporate Governance Statement

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Board oversight

The primary role of the Board is to promote Macquarie's long term health and prosperity. The *Board Charter* details the Board's role and responsibilities which include approving strategy, adopting an annual budget, approving Macquarie's RAS and risk management strategy, appointing Macquarie's Chief Executive Officer and considering matters relating to remuneration and diversity.

Macquarie's *Constitution* sets out requirements concerning the setting of board size, meetings, election of directors and the powers and duties of directors. In accordance with the *Constitution*, the Board has resolved that the maximum number of Voting Directors (Directors) is currently ten.

A copy of the *Constitution* and *Board Charter* are available on Macquarie's website at macquarie.com/leadership-corporate-governance

The Macquarie Board consists of ten Directors, nine of whom are independent. Kevin McCann, an independent Director, is Chairman. Nicholas Moore, Macquarie's Managing Director and Chief Executive Officer (CEO), is the only executive Board member.

During the year, Gordon Cairns was appointed to the Board effective from 1 November 2014 and Helen Nugent and Peter Kirby retired on 24 July 2014. Schedule 1 of the Directors' Report includes each Director's experience and date of appointment to the Board.

The table below sets out the current composition of the Board and the membership of each Board Committee. Members' attendance at Board and Board Committee meetings during the past year is set out in the Directors' Report.

Board and Board Committee membership

	Macquarie Board	Audit	Governance and Compliance	Nominating	Remuneration	Risk
Macquarie Independent Directors						
Kevin McCann AM ⁽¹⁾	Chairman			Chairman	Member	Member
Gary Banks AO	Member			Member	Member	Member
Gordon Cairns	Member			Member	Member	Member
Michael Coleman	Member	Chairman	Member	Member		Member
Patricia Cross	Member	Member		Member		Chairman
Diane Grady AM	Member		Member	Member	Member	Member
Michael Hawker AM	Member	Member	Chairman	Member		Member
Nicola Wakefield Evans	Member	Member	Member	Member		Member
Peter Warne	Member			Member	Chairman	Member
Macquarie Managing Director and Chief Executive Officer						
Nicholas Moore ⁽¹⁾	Member					

⁽¹⁾ The Chairman and the CEO attend meetings of Board Committees of which they are not a member as a matter of course.

Responsibilities of management

The Board has reserved certain matters for its approval as set out in the *Board Charter*. It has delegated specific authorities to its various Board Committees which are detailed in each *Board Committee Charter*. The Board also determines delegations to Management, approves relevant limits and reviews business developments for consistency within the Board-approved RAS and risk management strategy.

The CEO has been granted authority for those matters not reserved for the Board or a Board Committee. Macquarie's Management Committees assist in the exercise of the CEO's delegated authority. The CEO, the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO) report to the Board at each monthly Board meeting. In addition to regular reporting from Management, the Board has unlimited access to senior management as well as external advisers.

The Company Secretary is appointed by and accountable to the Board, through the Chairman, for matters relating to the proper functioning of the Board.

Board Committees

Macquarie's five standing Board Committees assist the Board in its oversight role. Each Board Committee has an independent director as its Chairman. All Board members are sent Board Committee meeting agendas and may attend any Board Committee meetings. Subsequent to each Board Committee meeting, the minutes are included in the Board papers and presented to the Board by the respective Board Committee Chairmen.

The Risk, Audit, Governance and Compliance, Nominating and Remuneration Committees comprise members who are independent directors. The *Board Committee Charters*, detailing the responsibilities of each Committee and how they exercise their authority, are available on Macquarie's website at macquarie.com/leadership-corporate-governance

Allocation of responsibilities between Board Committees

The **Board Risk Committee** (BRiC) assists the Board by providing oversight of the implementation and operation of Macquarie's risk management framework and advising the Board on Macquarie's risk position, risk appetite, risk culture and risk management strategy. The BRiC receives information on material risks and external developments that may have an impact on the effectiveness of the risk management framework.

The **Board Audit Committee** (BAC) assists the Board with its oversight of the integrity of the financial statements. The BAC is also responsible for reviewing the adequacy of the Group's control framework for financial regulatory reporting to banking regulators and monitoring the internal financial control environment. The BAC reviews reports from the external auditor and Internal Audit, referring matters relating to the duties and responsibilities of the BRiC and Board Governance and Compliance Committee to the appropriate Committee.

The **Board Remuneration Committee** (BRC) makes recommendations to the Board that promote appropriate remuneration policies and practices for the Macquarie Group consistent with Macquarie Group's risk management framework. The BRC is responsible for liaising with the BRiC to ensure there is effective co-ordination between the two Committees to assist in producing a properly integrated approach to remuneration that reflects prudent and appropriate risk. The BRC is also responsible for liaising with the BAC in relation to remuneration related disclosures in the remuneration report.

The **Board Governance and Compliance Committee** (BGCC) has responsibility for recommending to the Board the most appropriate corporate governance policies for the Macquarie Group and for assisting the Board in fulfilling its responsibility for oversight of the compliance framework of the Group. In addition, it has oversight of Macquarie's work health and safety practices and environmental and social risk management policies.

The **Board Nominating Committee** (BNC) is responsible for assisting the Board to ensure that it has an appropriate mix of skills, experience and diversity to be an effective decision-making body in order to provide successful oversight and stewardship of Macquarie.

Director Independence

Macquarie recognises that independent directors have an important role in assuring shareholders that the Board is able to act in the best interests of Macquarie and independently of Management.

The independence of Non-Executive Directors (NEDs) is reviewed annually by the BGCC and then considered by the Board as part of its review of the BGCC minutes. Based on Macquarie's criteria for assessing director independence, each independent Director is asked to confirm whether they have any material interests or relationships with Macquarie that could interfere with the exercise of their independent judgement. There were no material or substantial relationships noted by Directors in their annual declaration. Some of the Directors hold or have previously held positions in companies and professional service providers with which Macquarie has commercial relationships. All dealings with these companies and with professional service providers are and have been on arm's length commercial terms. Each Director's date of appointment, experience and directorships are set out in Schedule 1 of the Directors' Report.

Consistent with the 3rd edition of the ASX Recommendations, the following interests or associations of the type described in the commentary to the relevant recommendation were noted by the BGCC. Mr McCann has been on the Board for a period that exceeds Macquarie's tenure policy, and a family member of Mr Coleman is employed as a Division Director of Macquarie. BGCC members considered that neither factor impacts their independence because, in the course of Board deliberations, they demonstrate independent judgement and an objective assessment of all matters before the Board.

Similarly, the BGCC has determined that there are no interests or relationships that could materially interfere with each of the other NEDs' ability to act independently of management and in the best interests of Macquarie. Therefore, excluding the CEO, all Directors continue to be independent.

Directors are able to consult independent experts at Macquarie's expense, subject to the estimated costs being approved by the Chairman in advance as being reasonable, and also have unlimited access to senior management of Macquarie.

Macquarie's criteria for assessing director independence, including materiality thresholds, is available on the Macquarie website at macquarie.com/leadership-corporate-governance

Corporate Governance Statement

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Board Renewal

The Board with the assistance of the Board Nominating Committee regularly assesses the skills, experience and diversity required collectively for the Board to effectively fulfil its role. Macquarie's *Policy on Board Renewal and Appointment of Directors* sets out the fundamental factors relevant to the selection and appointment of new Directors and is available on Macquarie's website at macquarie.com/leadership-corporate-governance

The Board is comprised of highly experienced senior business leaders from a variety of professional backgrounds who each meet the fundamental requirements and, collectively, possess the skills, experience and diversity considered necessary to appropriately govern an ASX-listed global financial services provider.

A summary of the key skills and experience of the ten members of the Board is set out below.

Skills and experience	No. of Directors
Financial Services/Retail Banking	8
Investment Banking/Corporate Banking/Financial Markets/Funds Management	9
Financial acumen	10
Listed company board experience	9
International background/experience	9
Senior management role	9
Accounting	2
Law	3
Human capital management	8
Business development and strategy	10
Regulation and public policy	8

The qualifications, skills and experience of the individual members of the Board are set out in Schedule 1 of the Directors' Report.

New NEDs are appointed for three 3-year terms from first election by shareholders. The Board has discretion to extend a NED's term of appointment if the Board determines that extending the term will be of significant benefit to Macquarie. At the 2014 Annual General Meeting (AGM), consistent with the Board's recommendation, shareholders re-elected the Chairman, Kevin McCann, for a further three-year term.

Director appointment, induction and development

In accordance with Macquarie's *Fit and Proper Policy*, prior to appointing a person to the Macquarie Board, appropriate background checks are undertaken. New Directors stand for election at the first AGM following their appointment. The notice of meeting provides shareholders with material information relevant to a decision as to whether to elect a Director including their skills, experience, other directorships and an acknowledgement that they will have sufficient time to fulfil their responsibilities as a Director.

All new Directors receive an appointment letter setting out the key terms and conditions of their appointment. They also undertake an induction program covering relevant matters such as Board practices and procedures, prudential requirements and briefings with senior management. NEDs identify business awareness needs on an ongoing basis and regular Board workshops are held during the year. In addition to workshops, the Board travels to various Macquarie overseas offices annually and the Chairman also visits other Macquarie overseas operations at least annually.

Board performance

The Board and Directors

The Board reviews its performance and the performance of each Director on an annual basis with emphasis on those individual Directors who are required to stand for re-election at the next AGM. Material information relevant to a decision on whether or not to re-elect a Director, is provided to shareholders in the explanatory notes to Macquarie's notice of meeting.

The process for conducting the review is agreed by the Board. Typically the process includes individual interviews by the Chairman or an external facilitator with each Director, and the use of a questionnaire to cover matters such as:

- the Board's contribution to developing strategy and policy
- the Board's performance relative to its objectives
- interaction between the Board and Management and between Board members
- the Board's oversight of business performance and compliance, risk controls and management
- Board composition, including consideration of relevant skills and structure
- the operation of the Board, including the conduct of Board meetings and group behaviours.

A nominated independent Director or an external facilitator provides feedback to the Chairman on the Chairman's performance based on discussion with the other Directors. A written report summarising the results, issues for discussion and recommendations is presented to the Board and discussed at a Board meeting.

The Board's review in FY2015 was conducted internally and for FY2016 will be conducted with the assistance of an external facilitator, both in accordance with the process described above.

Board Committees

As part of the Board's annual performance evaluation, the functioning of the Board Committees is reviewed. Each Board Committee also undertakes a periodic review of its performance, at least biennially. The process for the review also includes use of a questionnaire and discussion of the outcomes, including recommendations, which is led by the Chairman of the respective Board Committee.

A summary of the processes adopted by Macquarie for *Board and Key Executive Performance Review* is available on Macquarie's website at macquarie.com/leadership-corporate-governance

Performance of key executives

Formal processes have been adopted by Macquarie to review the performance of Macquarie's most senior executives. The BRC oversees the process for the CEO's annual performance review.

As part of the annual review, the CEO prepares a formal report on his performance and presents to the NEDs. The NEDs review performance by considering a range of indicators including financial position and performance, people and culture, sustainability (planning and investment in the future) and community. A similar process is followed to review the performance of the CEO of Macquarie Bank. The NEDs also have regard to any risk management and compliance matters as reported by the CRO.

The CEO evaluates, at least annually, the performance of the Operating Group Heads, the CRO, the CFO and the Chief Operating Officer (COO). Performance criteria vary according to the individual's role. Factors relevant to assessing performance include (as appropriate) financial performance, risk management and compliance, business leadership and people leadership (including upholding Macquarie's *Code of conduct*). The CEO reports to the BRC on the performance of these key executives and recommends individual senior executive remuneration for Board approval.

The Board and the CEO seek to ensure that remuneration for the CRO is determined in a way that preserves the independence of this function and maintains Macquarie's robust risk management framework.

A performance evaluation for senior executives has taken place during the year in accordance with the process described above. Further detail on the remuneration policy and performance review for Executive Key Management Personnel is found in the Remuneration Report in the Directors' Report.

Ethical and responsible decision-making

Code of conduct

The Code, which has been approved by the Board, incorporates *What We Stand For*: the principles of Opportunity, Accountability and Integrity that guide the way staff conduct business. The Code provides clear guidance to staff on good decision making and escalation, encouraging staff to speak up and report genuine concerns about misconduct. The Code reinforces Macquarie's policies in relation to the protection of whistleblowers. The Code also summarises the standards, policies and processes regarding conflicts of interest, disclosure and corruption.

To ensure that Macquarie's culture of honesty and integrity remains strong throughout the organisation, all staff who join Macquarie receive specific training on *What We Stand For* and the Code. Existing staff also receive training and sign an annual declaration that they have reviewed the Code.

A copy of *What We Stand For* and the Code are available on Macquarie's website at macquarie.com/what-we-stand-for

Integrity office

Macquarie established the Integrity Office in 1998. In addition to providing an independent and confidential point of escalation for staff to raise concerns, the Integrity Office works with business groups to support staff in good decision making and to promote the principles of *What We Stand For*. The Integrity Office is responsible for Macquarie's externally managed staff hotline that enables staff to report suspected breaches of the Code, or other misconduct, anonymously.

The Integrity Office reports directly to the CEO and provides an annual report to the BGCC.

Dealing with potential conflicts

Failure to identify a conflict of interest can give rise to considerable harm to Macquarie's relationship with clients and its reputation. Before entering into a transaction, undertaking any dealing (either directly with clients or otherwise), or undertaking any fiduciary role, appropriate checks are undertaken.

Macquarie has systems and protocols in place to identify a conflict of interest and a framework for managing conflicts. It is the responsibility of each business head to ensure that conflicts of interest are adequately managed and that their business is conducted in accordance with applicable laws, regulations, rules and statements of regulatory policy.

Macquarie has adopted a variety of measures to manage conflicts of interest, including Macquarie-wide policies and divisional policies, systems, lists, information protocols and appropriate disclosures. The appropriate mechanism to manage a conflict will depend on the circumstances and nature of the conflict. Conflict management arrangements at Macquarie are subject to the oversight function of the Compliance Division within RMG.

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The Board has guidelines for its members for declaring and dealing with potential conflicts of interest that include:

- board members declaring their interests as required under the *Corporations Act 2001* (Cth) (the Act), the ASX Listing Rules and general law requirements
- board members with a material personal interest in a matter before the Board do not receive the relevant Board paper and are not present at a Board meeting during the consideration of the matter and subsequent vote, unless the Board (excluding the relevant Board member) resolves otherwise
- board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

Macquarie Bank is a subsidiary of Macquarie, and the Macquarie Bank Board is ultimately responsible for the sound and prudent management of Macquarie Bank, with due consideration for the interests of deposit holders. Where potential conflicts arise, Management will provide Directors of the relevant Board with sufficient information to manage conflicts appropriately.

Staff and Director trading

Macquarie's personal dealing policies apply to Directors and all Macquarie staff. They identify the principles by which Macquarie balances personal investment interests against the responsibility of Macquarie and its staff to ensure that all personal dealing and investment activities are conducted appropriately. Key aspects of Macquarie's personal dealing policies include:

- **pre-clear securities trading:** Directors and staff must pre-clear their securities trading with Macquarie
- **trading windows:** Generally, Directors and staff may only trade in Macquarie securities and related derivatives during designated trading windows. These are typically of three to five weeks duration and follow Macquarie's announcement of its interim and full year results and after the AGM
- **excluded dealings:** Certain types of transactions such as acquisition of securities under an employee share plan or participation in the dividend reinvestment plan may be effected outside a trading window without pre-clearance
- **trading prohibition while in possession of material non-public price-sensitive information:** In all cases Macquarie prohibits Directors and staff from dealing in any security, including a Macquarie security, if they possess non-public price-sensitive information about or affecting the relevant security
- **deferred and unvested equity awards, retained shares and minimum shareholding requirements cannot be hedged:** Staff are not permitted to undertake any action that is designed to limit their exposure to Macquarie shares that are subject to retention arrangements, or their deferred and unvested equity awards. NEDs may not enter into a transaction that operates to limit the economic risk of their Macquarie shareholding below their minimum shareholding requirement

- **net short positions not permitted:** Directors and staff are not permitted to take net short positions in Macquarie shares or any securities in Macquarie-managed funds.

Macquarie's *Trading Policy* sets out the restrictions that apply to dealing in Macquarie securities by Macquarie staff, including Key Management Personnel, and is available on its website at macquarie.com/leadership-corporate-governance

Each member of the Board is encouraged to consider positions in a Macquarie security as a long term investment and is not permitted to trade derivatives relating to a Macquarie security without the prior approval of the Chairman (or the CEO in the case of the Chairman). Board members and Key Management Personnel are also required to annually disclose to Macquarie any financing arrangements relating to their Macquarie securities and manage their financing arrangements in accordance with Macquarie's policies.

Corporate governance in Macquarie-managed funds

Macquarie's expertise in managing fund assets and sourcing new value-adding opportunities is a key attraction for investors in Macquarie-managed funds (Funds).

The Funds' governance standards adopt an appropriate governance framework to ensure that key decisions are taken in the best interests of investors consistent with the fund's mandate and regulatory requirements.

The key elements of Macquarie's corporate governance framework for Funds are:

- appropriate management of conflicts of interest arising between a Fund and its related parties. Related party transactions should be identified clearly, conducted on arm's length terms and tested by reference to whether they meet market standards. Decisions by listed Funds about transactions with Macquarie or its affiliates should be made by parties independent of Macquarie
- appropriate resourcing of funds management businesses. In particular:
 - staff involved in managing a Fund should be dedicated to the relevant funds management business, rather than to advisory or other activities
 - all recommendations to Fund boards (and supporting information) should be prepared or reviewed by funds management staff
 - each listed Fund that invests in operating assets or businesses should have its own managing director or chief executive officer and a majority of independent directors on the Fund board
 - information barriers operate to separate Macquarie's corporate finance, advisory and ECM businesses from its funds management businesses.

Diversity

The diversity of our people remains fundamental to Macquarie's success. Macquarie's *Workforce Diversity Policy* defines Macquarie's diversity commitment and the structures in place to ensure it is realised. The principles contained in our *Workforce Diversity Policy* are incorporated in the *Our Commitment to Workforce Diversity* statement available on Macquarie's website at macquarie.com/diversity

Macquarie has implemented an extensive range of programs and initiatives to support the achievement of its diversity and inclusion strategy over the past year.

Macquarie's measurable objectives for achieving diversity are detailed in the Diversity Report.

Macquarie and the community

Macquarie engages in the wider community through the Macquarie Group Foundation (the Foundation). Together with Macquarie staff, the Foundation has contributed more than \$A240 million to over 2,500 community organisations since its inception in 1985. Staff also volunteer at a number of community organisations globally. In the year ended 31 March 2015, the Foundation and Macquarie staff contributed approximately \$A24.2 million.

Further information is included in the Macquarie Group Foundation section of this Annual Report.

Commitment to shareholders and an informed market

Macquarie believes that shareholders, regulators, ratings agencies and the investment community should be informed of all major business events and risks that influence Macquarie in a factual, and timely manner. Macquarie has a continuous disclosure policy that is incorporated in the *External Communications Policy*.

It is Macquarie's policy that any price-sensitive material for public announcement, including annual and interim profit announcements, release of financial reports, presentations to investors and analysts, and other prepared investor briefings for Macquarie and Macquarie Bank, will:

- be factual and reviewed internally before issue
- not omit material information
- be timely and expressed in a clear and objective manner.

Macquarie's continuous disclosure procedure includes reference to and consideration by Macquarie's Disclosure Committee as appropriate. A summary of the *External Communications Policy* is available on Macquarie's website at macquarie.com/leadership-corporate-governance

Macquarie has an investor relations program to facilitate effective two-way communication with investors and analysts, to provide a greater understanding of Macquarie's business, performance, governance and financial prospects.

Shareholder meetings

Macquarie typically holds its AGM in July of each year. Macquarie encourages shareholders to participate in general meetings and aims to choose a date, time and venue convenient to its shareholders. For shareholders who are unable to attend in person, Macquarie provides a webcast of its AGM and any other general meetings. The results of all resolutions are lodged with ASX after the meeting as soon as they are available.

This year Macquarie's AGM will be held in Sydney, Australia. Other general meetings may be held as required during the year.

Macquarie's auditor is required to attend each AGM and be available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report. Notices of meeting are accompanied by explanatory notes on the items of business and together they seek to clearly and accurately explain the nature of business of the meeting.

Shareholders, if unable to attend the meeting, are encouraged to vote on the proposed motions by appointing a proxy. The proxy form included with a notice of meeting will explain how to appoint a proxy.

Online proxy voting is also available to shareholders. Unless specifically stated in a notice of meeting, all holders of fully paid ordinary shares are eligible to vote on all resolutions.

Macquarie seeks that its shareholder meetings are conducted in a manner which is courteous for those attending. In the interests of attending shareholders, the chair of the meeting will exercise his or her powers as the chair to ensure that the meeting is conducted in an orderly and timely fashion.

A shareholder calendar is available on Macquarie's website at macquarie.com/investors

Macquarie's website

Macquarie's website contains recent announcements, past and current reports to shareholders, including summaries of key financial data, and copies of recent notices of meeting. There is also a link allowing investors to register to receive email notification of Macquarie public announcements. Shareholders can also elect to receive communications electronically by contacting the share registry.

Recent AGM webcasts, year-end and interim results presentations and operational briefing presentations are available on Macquarie's website at macquarie.com/investors

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Financial reporting

On behalf of the Boards of Macquarie and Macquarie Bank, the BAC monitors:

- the integrity of Macquarie's financial reporting and the operation of the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes are complete, in accordance with applicable legal requirements and accounting standards, and give a true and fair view of Macquarie's financial position. During its review of Macquarie's interim and year-end financial reports the BAC meets with the external auditor in the absence of Management
- the external auditor engagement. The BAC reviews the appointment, the terms of the engagement and the performance of the external auditor before making recommendations to the Board on the appointment and removal of the external auditor
- the operation of Internal Audit and Credit Assurance (CA). The BAC reviews the independence, appointment, performance and remuneration of the Head of the Internal Audit Division (IAD), as well as monitoring the effectiveness of Internal Audit. It also provides oversight of the IAD and CA annual plans
- Macquarie's control framework for financial regulatory reporting to banking regulators.

Auditor independence

Before the approval of the interim and year-end financial reports, the BAC reviews the independence of the external auditors in accordance with the Act, the Macquarie *Auditor Independence Policy*, and the *BAC Charter*.

Macquarie's *Auditor Independence Policy* requires BAC approval, or between meetings the approval of the BAC Chairman, for material non-audit work performed by its auditors. Also under the policy, which reflects Australian legal requirements, Macquarie's lead auditor and review auditor must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

Mr Kim Smith of PricewaterhouseCoopers (PwC) is Macquarie's lead auditor for FY2015.

The *BAC Charter* and the *External Auditor Policy Statement* describe key aspects of Macquarie's *Auditor Independence Policy* and external auditor selection process. They are available on Macquarie's website at macquarie.com/leadership-corporate-governance

Chief Executive Officer and Chief Financial Officer declaration

The Macquarie and Macquarie Bank Boards have each received written confirmation from their respective CEO and CFO that their statement given to the Board in accordance with section 295A of the Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

Oversight of risk management

Macquarie's approach to risk management is detailed in the Risk Management Report and is available on Macquarie's website at macquarie.com/leadership-corporate-governance

The Board monitors significant business risks and reviews how they are managed. The Board also monitors Macquarie's risk management framework, including by forming a view of Macquarie's risk culture and approving Macquarie's risk appetite statement and risk management strategy.

All independent Directors are members of the BRiC to provide oversight of the implementation and operation of Macquarie's risk management framework and constructively challenge Management's proposals and decisions on risk management arising from the Group's activities.

The CRO is a member of Macquarie's Executive Committee and reports directly to the CEO. The CRO has a secondary reporting line to the BRiC which approves the replacement, appointment, reassignment or dismissal of the CRO. The CRO presents on risk matters at the BRiC meeting, and in months where there is no scheduled BRiC meeting, at the Board meeting. During the year, senior management has reported to the Board on the effectiveness of risk management and internal control systems in addressing material risks.

At the executive management level, senior management committees focus on strategic issues, operational issues, material transactions, the management of risk and review the performance of Macquarie on a monthly basis. There are also other committees where senior specialists focus on specific risks as appropriate. The Market Risk Committee and the Asset and Liability Committee are examples of these committees.

Internal audit

IAD provides independent assurance to Management and the Board on the adequacy and operational effectiveness of Macquarie's internal control, risk management and governance systems and processes. IAD findings are reported to the BAC. The Head of IAD is jointly accountable to the BAC and the CRO. The BAC approves the replacement, appointment, reassignment or dismissal of the Head of IAD.

Environmental, Social and Governance risk

Macquarie's Board and Management view the commitment to Environmental, Social and Governance (ESG) performance as part of their broader responsibility to clients, shareholders and the communities in which Macquarie operates.

Macquarie's approach is detailed in the ESG Report. Macquarie has continued efforts to: manage ESG risks in its business activities; advance environmental management; and pursue investments, markets and products with an ESG focus, including in renewable energy and energy efficiency. Macquarie values its people and continues to invest in the development and well-being of its diverse talent base. A Global Reporting Initiative (GRI) index is available on Macquarie's website.

Oversight of remuneration arrangements

The Board of Directors oversees Macquarie's remuneration arrangements, including executive remuneration and the remuneration of Macquarie's NEDs. The Board is assisted by the BRC. The BRC annually reviews that Macquarie's remuneration approach remains appropriate and creates a strong alignment of staff and shareholders' interests while prudently managing risk.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive bonus payments. They do not receive payments on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration. Macquarie's NEDs are remunerated for their services from the maximum aggregate amount approved by shareholders, currently \$A4 million. Details of Macquarie's approach and the amount of remuneration paid to NEDs are contained in the Remuneration Report in the Directors' Report.

To align the interests of the Board with shareholders, NEDs are required to progressively acquire a minimum of 6,000 shares in Macquarie over a period of five years from the date of their appointment. During the year, the Board introduced a minimum shareholding requirement for the Chairman of 12,000 Macquarie shares to be achieved within three years of becoming Chairman.

Each NED's remuneration and current Macquarie shareholding are set out in the Key Management Personnel disclosure in the Remuneration Report and in the notes to the financial statements in the Financial Report.

Details of the nature and amount of remuneration (including non-monetary components such as equity grants) for each Executive Voting Director and the members of the Executive Committee as well as Macquarie's remuneration policies and practices are set out in the Remuneration Report.

This is the end of the Corporate Governance Statement.