



# Board Charter

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## ROLE AND RESPONSIBILITIES

The primary role of the Board of Voting Directors of Macquarie Group Limited (“the Board”) is to promote the long-term health and prosperity of Macquarie Group Limited (“Macquarie”). To accomplish this, the Board:

- considers and approves the strategy of the organisation;
- adopts an annual budget and monitors financial performance;
- monitors the adequacy, appropriateness and operation of internal controls;
- monitors significant business risks and reviews how they are managed;
- determines delegations to Board Committees, subsidiary boards and management and approves transactions in excess of delegated levels;
- appoints and reviews the performance of the Managing Director;
- assesses its own performance and the performance of individual Voting Directors ;
- selects and appoints new Voting Directors; and
- considers, approves and endorses major policies of the organisation including a code for ethical behaviour.

## COMPOSITION

Under Macquarie’s constitution, the Board is to be composed of no more than ten Voting Directors, unless amended by a resolution of the Voting Directors. It is expected that under normal circumstances the minimum number of Voting Directors will be five and the majority of directors will be ordinarily resident in Australia.

The Board, or by delegation a Board Committee, shall determine an appropriate definition of an *independent director* and a majority of the Board must be *independent directors*, as so defined.

Where the Chairman and Deputy Chairman (if any) of Macquarie are not independent directors, the Chairman of the Board Corporate Governance Committee, being an independent director, will act as the Lead Independent Director to chair the meetings of independent directors and act as a conduit for issues that the independent directors have as a group.

The Voting Directors may appoint any person to be a Voting Director either to fill a casual vacancy or as an addition to the existing Voting Directors (but not so as to exceed the total permitted number of Voting Directors). Any Voting Directors so appointed must offer themselves for re-election at the next general meeting.

In accordance with Macquarie’s constitution, at each annual general meeting of Macquarie, certain of the Voting Directors will retire from office and may stand for re-election.

To ensure the Board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, all new Non-Executive Directors will be appointed for terms that will not exceed a maximum of twelve years. Time spent on the board of Macquarie Bank Limited (“MBL”), as calculated by its tenure

rules including transitional provisions that broadly weight past time on the Board of MBL prior to November 2002 at 50 percent, will be included in calculating a director's term of office served.

A letter of appointment will be provided to each new appointment to the Board setting out the key terms and conditions of the appointment.

## MEETINGS

The Board will normally meet monthly, with additional meetings as the Chairman shall deem appropriate being scheduled in order to fulfil its duties or to satisfy particular needs. In addition, the Company Secretary is required to convene a meeting if requested to do so by any Voting Director.

Board papers should normally be distributed at least four business days prior to each meeting. The Board acknowledges that some special Board meetings may be called at short notice. The Board requires Voting Directors to attend as many Board meetings as possible and to have read and considered the Board papers ahead of each meeting.

The number of Voting Directors necessary to constitute a quorum is:

- not less than one third of the Voting Directors currently in office; and
- the number of Non-Executive Voting Directors present at a meeting must be greater than the number of Executive Voting Directors present.

A motion shall be passed by a simple majority of votes cast in favour by Voting Directors present at the meeting. Subject to the ASX Listing Rules, in the case of an equality of votes the Chairman has a casting vote.

In addition to the above meetings, the Independent Directors are to meet at least once per year in the absence of management, and at such other times as they may determine. Such meetings will be chaired by the Lead Independent Director.

Where deemed appropriate by Voting Directors, meetings and subsequent approvals and recommendations may occur via written resolution or conference call or other electronic means of audio or audio-visual communication. A written resolution may be passed if signed by at least three quarters of the Voting Directors entitled to vote on the resolution and will be deemed to have been passed at the time at which the last Voting Director signs the document.

## COMMITTEES

The Voting Directors may delegate any of their powers to a committee or committees.

The Voting Directors shall, as a minimum, establish the following committees, and shall adopt Charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the Board may consider appropriate:

- a Board Audit and Compliance Committee;
- a Board Corporate Governance Committee;
- a Board Nominating Committee;
- a Board Remuneration Committee; and
- a Board Risk Committee.

The Board Audit and Compliance Committee will be a joint committee with Macquarie Bank Limited. All Voting Directors may attend any meeting of any Board Committee or request a copy of any Board Committee paper.

## RELATIONSHIP WITH MANAGEMENT

The Board has delegated specific authorities to the Chairman and to its various Board Committees. Subject to these delegated matters, the Managing Director is authorised to exercise all the powers of the Voting Directors except with respect to the following:

- annual Executive Director promotions;
- approvals above delegated levels of credit limits, country risk exposures, equity risk limits, market risk limits, loans and equity investments, underwriting risk and new managed funds;
- capital expenditure or expenditure outside the ordinary course of business in excess of delegated levels;
- approval of major elements of strategy including any significant change in the direction of that strategy;
- certain remuneration matters including material changes to remuneration policies and specific remuneration recommendations relating to the Board Members and other Executive Officers of Macquarie;
- adoption of Macquarie's annual budget;
- approval of the interim and final accounts and related reports to the ASX;
- any proposal to issue securities of Macquarie (except under a program previously approved by the Board); and
- approval of certain risk and management policies as prescribed by the Australian Prudential Regulation Authority (APRA) which apply to Macquarie as a non-operating holding company.

## EDUCATION, DEVELOPMENT AND PERFORMANCE EVALUATION

Each new Voting Director will, upon appointment, participate in an induction programme. This will include meeting with the Managing Director of Macquarie, the Deputy Managing Director, each Group Head, the Head of Risk Management Group, the Company Secretary and other relevant executives to familiarise themselves with Macquarie, its procedures and prudential requirements, and Board practices and procedures.

The performance of the Board as a group and of individual directors is to be assessed each year. In particular, all Voting Directors seeking re-election at an Annual General Meeting will be subject to a formal performance appraisal prior to the Board determining whether to recommend the re-election of that Voting Director to shareholders.

Voting Directors are encouraged to attend directors' training and professional development courses as required, at Macquarie's expense.

## CONFLICTS OF INTEREST

The Board will agree, and Board members will abide by, guidelines for declaring and dealing with potential conflicts of interest. Such guidelines will incorporate procedures to deal with:

- Board members declaring their interests as required under the Corporations Act 2001 (Cth), Australian Stock Exchange Listing Rules and general law requirements;
- Board members with a material personal interest in a matter, which is to include a conflicted Board member not receiving the relevant Board paper and not being present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and
- Board members with a conflict not involving a material personal interest, which may include requiring the conflicted Board member to absent themselves from the relevant deliberations of the Board.

## ACCESS

Macquarie's external auditors are not to be constrained from raising issues directly with the Board.

The Board may seek further information on any issue, including requesting that a particular Division or Group Head present to it on the performance, strategy or outlook for that Division or Group.

Board members are not to be constrained or impeded from disclosing information to APRA or external auditors in accordance with statutory and regulatory requirements and must be available to meet with APRA and the external auditors on request after notification to the Chairman.

Each Voting Director shall have the ability to consult independent experts where that Director considers it necessary to carry out their duties and responsibilities. Any costs incurred as a result of the Director consulting an independent expert will be borne by Macquarie, subject to the estimated costs being approved by the Chairman in advance as being reasonable.

## CONDUCT

The Board will endorse, and Board members will abide by, a *Code of Conduct* which will help Directors and staff to understand their responsibilities to uphold the goals and values to which Macquarie aspires and to conduct business in accordance with applicable laws and regulations.

The Board will also agree, and Board members will abide by, a policy on the trading of Macquarie securities by Board members.