

Policy on Board Renewal and Appointment of Directors



BOARD RENEWAL

The Board recognises that it is important that it undergoes a regular process of renewal via changes in membership. New Independent Directors are appointed for terms that will not exceed a maximum of twelve years. This will provide the Board with the benefit of regular new input.

All new Non-Executive Directors (NEDs) receive a letter of appointment from the Chairman outlining matters relevant to the Board's operations and policies and to their appointment. Such matters include:

- terms of appointment, subject to shareholder approval;
- expectation of the Board in relation to attending and preparing for all Board meetings;
- procedures for dealing with conflicts of interest;
- remuneration;
- indemnification and directors' liability insurance;
- disclosure obligations; and
- availability of independent professional advice.

The letter of appointment also outlines the induction process for new NEDs. In addition to various written and electronic information, new NEDs meet with the Managing Director, the Deputy Managing Director, each Group Head, the Head of RMG, the Company Secretary and other relevant executives to familiarise themselves with Macquarie, its procedures and prudential requirements, and Board practices and procedures.

Where a new Voting Director is appointed to fill a casual vacancy on the Board or as an addition to the existing Voting Directors, they must retire and submit to election at the next general meeting. Voting Directors must also retire and seek re-election at the third Annual General Meeting after their appointment or after three years, whichever is longer. Directors standing for election in these circumstances are subject to a formal performance appraisal prior to the Board determining whether to recommend their re-election.

APPOINTMENT OF NEW DIRECTORS

The Board has delegated to the Nominating Committee the responsibility for identifying and recommending to the Board, candidates for the Board, after considering the necessary and desirable competencies for new Board members, prudential fitness and propriety criteria, and relevant regulatory and statutory requirements.

The Board of Macquarie believes that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the Board collectively, to:

- discharge their responsibilities and duties under the law effectively and efficiently;

- understand the business of Macquarie Group Limited and the environment in which the Macquarie Group operates so as to be able to agree with management the objectives, goals and strategic direction which will maximise shareholder value; and
- assess the performance of management in meeting those objectives and goals.

Accordingly, in selecting potential new directors, the Nominating Committee will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In so doing, the Nominating Committee will have regard to the results of the annual appraisal of the Board's performance.

While recognising that each Director will not necessarily fulfil all criteria, the Nominating Committee has nevertheless identified the following fundamental core factors as relevant to the selection and appointment of new directors:

- outstanding in capability with extensive and senior commercial experience, preferably with a listed company;
- cultural fit with existing Board members and empathy to Macquarie's culture;
- high level of personal integrity;
- has the ability to work in a collegial manner;
- independent states of mind;
- free of conflicts as identified by Macquarie and by APRA; and
- time available to meet the commitment required.

In addition, specific functional skills will be identified from time to time to complement the overall mix of functional skills of Board members.

The Charter of the Nominating Committee provides that the Nominating Committee may engage recruitment consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts as the Committee considers necessary to carry out its duties and responsibilities.

The Nominating Committee will make its assessment against the above criteria. Recommendations for new Board members are put to the Board for its consideration and approval.