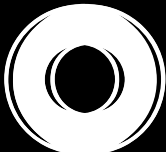


**MACQUARIE GROUP**  
2012 CORPORATE GOVERNANCE STATEMENT



MACQUARIE

# Corporate Governance Statement

## Macquarie’s approach to Corporate Governance

Macquarie’s approach to 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 recruits high quality staff and expects staff to uphold the company’s *Goals and Values*.

Macquarie Group Limited (Macquarie) is a global financial services specialist. Its shares are listed on the Australian Securities Exchange (ASX). ASX listed companies are required to report on the extent to which the company has followed the governance recommendations set by the ASX Corporate Governance Council (ASX Recommendations) during the reporting period. Macquarie considers that during the year it has followed the governance arrangements set out in the ASX Recommendations. A summary of the ASX Recommendations and reference to the applicable

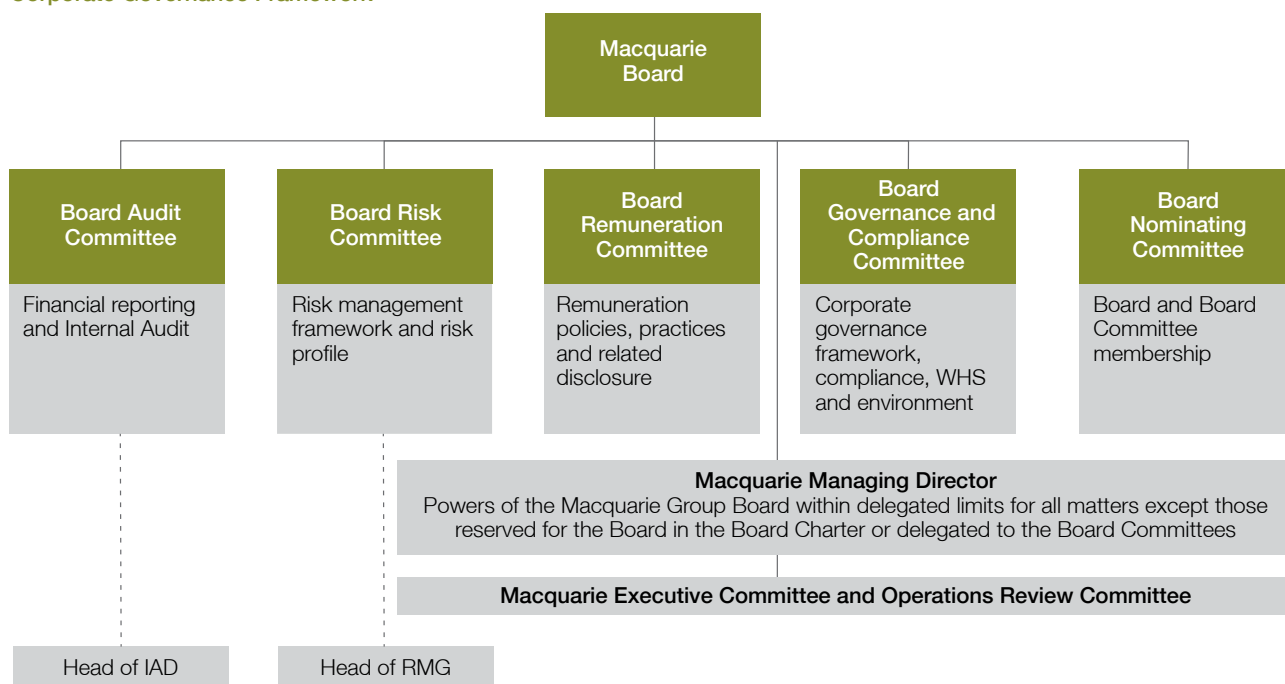
Macquarie governance practice is available on Macquarie’s website at [macquarie.com.au](http://macquarie.com.au).

Macquarie is regulated by the Australian prudential regulator, APRA, as a non-operating holding company of a licensed Australian bank, Macquarie Bank Limited (Macquarie Bank). APRA’s prudential standards include governance requirements. Macquarie also has subsidiaries that 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.

During the year, Macquarie continued to monitor regulatory and corporate governance developments and their impact on Macquarie’s businesses. The level of global regulation remains a key challenge.

On 19 May 2011, Diane Grady was appointed to the Boards of Macquarie and Macquarie Bank and on 21 December 2011, Greg Ward was appointed Deputy Managing Director of Macquarie and Chief Executive Officer and Managing Director of Macquarie Bank upon Richard Sheppard’s retirement from those positions. Other than expanding the responsibilities of the Board Corporate Governance Committee (since renamed the Board Governance and Compliance Committee) to include oversight of work health and safety (WHS) and environmental matters on behalf of the Board in December 2011, Macquarie’s corporate governance framework remained unchanged during the year.

## Corporate Governance Framework



## Board Oversight

The Macquarie Board consists of nine Voting Directors, eight of whom are independent. Nicholas Moore, Macquarie's Managing Director and Chief Executive Officer, is the only executive on the Board. The table below sets out the current composition of the Board and the membership of each Board Committee. Details of each Voting Director's experience is summarised in Schedule 1 of the Directors' Report contained in the Annual Financial Report. Schedule 1 also includes the date of each Voting Director's appointment to the Board.

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

A copy of the *Constitution* is available on Macquarie's website.

The Board has reserved certain matters for its approval and has delegated specific authorities to its various Board Committees. The Managing Director, who is also Macquarie's Chief Executive Officer, has been granted general authority for those matters not reserved for the Board or Board Committees. Macquarie's Executive and Operations Review Committees operate as management committees pursuant to the Managing Director's delegated authority.

The *Board Charter*, which is available on Macquarie's website, details the Board's role and responsibilities and its relationship with management.

## Board and Committee membership

## Board Committees

Macquarie's five standing Board Committees assist the Board in its oversight role. Each Board Committee has an independent Chairman. All Board members are sent Board Committee meeting agendas and may attend any Board Committee meeting. 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.

All members of the Audit, Remuneration, Nominating and Governance and Compliance Committees are independent directors. The Board Risk Committee includes all members of the Board and the Managing Director of Macquarie Bank to focus appropriate attention on the oversight of risk. Members' attendance at Board and Board Committee meetings during the past year is set out at the beginning of the Directors' Report.

The *Board Committee Charters*, detailing the responsibilities of each Committee and how they exercise their authority, are available on Macquarie's website.

	Macquarie Board	Audit	Governance and Compliance	Nominating	Remuneration	Risk
<b>Macquarie Independent Directors</b>						
Kevin McCann, AM	Chairman			Chairman	Member	Member
Michael Hawker, AM	Member	Member				Member
Peter Kirby	Member	Member	Member			Member
Catherine Livingstone, AO	Member	Chairman	Member	Member		Member
John Niland, AC	Member		Chairman		Member	Member
Helen Nugent, AO	Member			Member	Chairman	Member
Peter Warne	Member	Member	Member		Member	Chairman
Diane Grady, AM	Member				Member	Member
<b>Macquarie Managing Director and Chief Executive Officer</b>						
Nicholas Moore	Member					Member
<b>Macquarie Bank Managing Director and Chief Executive Officer</b>						
Greg Ward						Member

# Corporate Governance Statement

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### Allocation of responsibilities between Board Committees

Primary responsibility for ensuring an appropriate risk management framework, including the establishment of policies for the control of risk, lies with the **Board Risk Committee**. The Board Risk Committee receives information on the risk profile and policy framework of the Group and external developments which may have some impact on the effectiveness of the risk management framework. It also approves significant changes to risk management policies and the framework.

The **Board Audit Committee** (BAC) assists the Board with its oversight of the integrity of the financial statements including compliance with the requirements of the *Corporations Act 2001 (Cth)* (the Act) as well as other mandatory professional reporting requirements. In addition, it is responsible for reviewing the adequacy of the Group's APRA regulatory reporting control framework and monitoring the internal control environment. In this role, the BAC oversees the annual plans of the Internal Audit and Credit Assurance functions.

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 Board Risk Committee to ensure there is effective coordination between the two Committees to assist in producing a properly integrated approach to remuneration that appropriately reflects risk. It is also responsible for liaising with the BAC in relation to remuneration related disclosures.

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 practices of the Group. In addition, it has oversight of Macquarie's work health and safety practices and environmental policies, practices and reporting.

The **Board Nominating Committee** is responsible for assisting the Board in maintaining a diverse board which contributes to the successful oversight and stewardship of Macquarie and that has an appropriate mix of skills and experience to be an effective decision-making body.

Macquarie's *Policy on Board Renewal and Appointment of Directors* sets out the steps taken and fundamental factors relevant to the selection and appointment of new directors and is available on Macquarie's website. Under the policy, independent directors are appointed for a maximum term of the greater of 12 years or the end of their final three year term.

Kevin McCann voluntarily submitted himself for re-election at the 2011 Annual General Meeting having been appointed Chairman in March 2011 on the resignation of David Clarke from the Board due to illness. As the notice of meeting indicated, the appointment extended Mr McCann's tenure beyond Macquarie's Board renewal policy tenure limit.

### Independent Directors

Macquarie recognises that independent directors are important in assuring shareholders that the Board is able to act in the best interests of Macquarie and independently of management. Eight of the Macquarie Board's nine members, including the Chairman, are independent directors.

The independence of directors is reviewed annually by the BGCC. Based on Macquarie's criteria for assessing director independence, each independent director is asked to confirm whether they have any interests or relationships that may impact either on their ability to act in the best interests of Macquarie or independently of management. Disclosed interests are reviewed by the BGCC to determine whether the interest would materially interfere with the exercise of a non-executive director's independent judgement. Materiality is assessed having regard to each individual director's circumstances, the circumstances of any associated supplier, customer or advisor and any other significant relationships with Macquarie or its subsidiaries.

At its meeting in February 2012, the BGCC confirmed that Diane Grady, Michael Hawker, Peter Kirby, Catherine Livingstone, Kevin McCann, John Niland, Helen Nugent and Peter Warne continued to be independent directors.

The *criteria used to assess independence*, including guidance for determining materiality, are reviewed annually and are available on Macquarie's website.

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 have unlimited access to senior management of Macquarie.

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## Board performance

A summary of the processes adopted by Macquarie for *Board and Key Executive Performance Review* is available on Macquarie's website.

### The Board and Directors

All new Directors are involved in an induction program to familiarise themselves with Macquarie, its procedures and prudential requirements and Board practices. The Board reviews its performance and the performance of each director on an annual basis with a focus on directors standing for re-election at the next Annual General Meeting (AGM). The process for conducting the review is agreed by the Board and typically 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, control risks 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 independent directors. A written report summarising the results, issues for discussion and recommendations is presented to the Board and discussed at a Board meeting. Additionally, Non-Executive Directors (NEDs) identify business awareness needs on an ongoing basis and regular board education sessions are held during the year.

In 2012, the Board's review is being undertaken in accordance with the process described above and with the assistance of an external facilitator.

### Board Committees

Each Board Committee 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, led by the Chairmen of the Board Committees. During the year, four Board Committees undertook an evaluation of their performance.

## Performance of key executives

Formal processes, summarised below, have been adopted by Macquarie to review the performance of Macquarie's most senior executives. As part of the review, the NEDs approve the remuneration of the Managing Director and Executive Committee members.

The Managing Director presents to the NEDs as part of his formal annual review. The NEDs review performance by considering a range of indicators including financial performance measures, strategic initiatives, risk management, governance and compliance, staff and human resources indicators, reputation management and monitoring, and community and social responsibility matters. A similar process is also followed to review the performance of the Managing Director of Macquarie Bank.

The Managing Director evaluates, at least annually, the performance of the Deputy Managing Director and the Operating Group Heads, including the Head of the Risk Management Group and the Chief Financial Officer. Performance criteria vary according to the individual's role. Factors relevant to assessing performance include (as appropriate) relative contributions to profits, capital usage, how business is done, including risk management, governance and compliance, people leadership and upholding Macquarie's *Goals and Values*. The Managing Director reports to the BRC on the performance of these key executives.

The Board and Management seek to ensure that remuneration for the Head of the Risk Management Group is determined in a way that preserves the independence of the function and maintains Macquarie's robust risk management framework. The performance and remuneration of the Head of Internal Audit is reviewed annually by the BAC.

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 Key Executives is found in the Remuneration Report in the Annual Financial Report.

# Corporate Governance Statement

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### Ethical and responsible decision making

#### Code of Conduct

Macquarie has adopted a *Code of Conduct*, which incorporates Macquarie's *Goals and Values (What We Stand For)*. The *Code of Conduct* is also reflected in, and supported by, a broad range of Macquarie's internal policies and practices.

The *Code of Conduct*, which is endorsed by the Board, is intended to help staff to understand their responsibility to uphold the following goals and values to which Macquarie aspires: Integrity, Client commitment, Strive for profitability, Fulfilment for our people, Teamwork and Highest standards. It also details standards and expectations around conflicts of interest, disclosure and corruption, to ensure that the highest standards are maintained and Macquarie's reputation is protected and enhanced.

A copy of the *Code of Conduct* is available on Macquarie's website.

#### Integrity office

Macquarie staff are expected to uphold, and are supported in, maintaining the highest standards.

Macquarie established the position of Integrity Officer in 1998. The Integrity Officer acts as an independent point of contact for staff on integrity issues and works to ensure, through training and awareness, that all Macquarie business is conducted in accordance with sound ethical practices and the *Goals and Values* of the organisation. Supporting the group-wide Integrity Officer are regional Integrity Officers located in key areas around the globe.

The group-wide Integrity Officer reports directly to the Chief Executive Officer and provides an annual report on the activities and developments of the Integrity Office to the BGCC and to the Board.

Further information about the role of the Integrity Officer and activities of the Integrity Office is provided in the Sustainability section of the Annual Financial Report.

#### Dealing with potential conflicts

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

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 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 the Risk Management Group.

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

- Board members declaring their interests as required under the Act, the ASX Listing Rules and general law requirements
- Board members with a material personal interest in a matter 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
- 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 ensure that Directors of the relevant Board have 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 Macquarie's responsibility to ensure that personal dealing and investment activities of Directors and staff in any financial product 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 profits and after the Annual General Meeting (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
- unvested options, 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 which are subject to retention arrangements, or their unvested Macquarie options. NEDs may also 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 employees are not permitted to take net short positions in Macquarie shares or any securities in Macquarie-managed funds.

Macquarie has lodged its *Trading Policy*, which sets out the restrictions that apply to dealing in Macquarie securities by Macquarie staff, including Key Management Personnel, with the ASX.

A copy of Macquarie's *Trading Policy* is available on its website.

Each member of the Board is encouraged to consider positions in a Macquarie-related security as a long term investment and is not permitted to trade derivatives without the prior approval of the Chairman (or the Managing Director in the case of the Chairman). Board members and Executive Committee members 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.

### **Sustainability, diversity and the community**

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

Macquarie's approach to sustainability is detailed in the Sustainability section of the Annual Financial Report. A Global Reporting Initiative (GRI) index is also provided. Macquarie has maintained its carbon neutral commitment and has pursued business opportunities aligned with its specialist expertise in renewable energy, energy efficiency, environmental investments, carbon markets and ESG research.

Macquarie is committed to the implementation of safe work practices and aims to provide an injury free workplace for all its employees.

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 facilitate its realisation. Our approach to diversity is detailed in the Diversity Report in the Annual Financial Report.

Macquarie engages in the wider community through the Macquarie Group Foundation (the Foundation). In the year to 31 March 2012, the Foundation and Macquarie staff contributed a total of \$A21.3 million to hundreds of community organisations globally. There are also a number of Foundation-coordinated volunteer programs.

Details of Macquarie staff community initiatives and organisations supported by the Foundation and *Our Commitment to Workforce Diversity Statement* are available on Macquarie's website.

### **Financial reporting**

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

- the integrity of Macquarie's financial reporting and, as part of this role, 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, prior to making recommendations to the Board on the appointment and removal of the external auditor
- the operation of the Internal Audit and Credit Assurance (CA) functions. The BAC reviews the appointment and performance of the Head of the Internal Audit Division (IAD), as well as the remuneration arrangements in place, to maintain the objectivity of the Internal Audit function. It also monitors the scope and implementation of the IAD and CA annual plans
- Macquarie's APRA regulatory reporting control framework and other banking regulatory reporting as relevant.

# Corporate Governance Statement

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### Auditor independence

The BAC reports to the Board, prior to the approval of the interim and year-end financial report, on its monitoring of the independence of the external auditors in accordance with its obligations under the Act, Macquarie's *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 in accordance with the policy, Macquarie's audit engagement partner and review partner must be rotated every five years. Macquarie's lead audit engagement partner rotated at the conclusion of the 2008 financial reporting period.

The *BAC Charter* and an *External Auditor Policy Statement* contain key aspects of Macquarie's *Auditor Independence Policy* and external auditor selection process and are available on Macquarie's website.

### Chief Executive Officer and Chief Financial Officer declaration

The Macquarie and Macquarie Bank Boards have each received written confirmation from their Chief Executive Officer and Chief Financial Officer 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.

Macquarie's senior management has also reported to the Boards of Macquarie and Macquarie Bank on the effectiveness of the management of material business risks for the year ended 31 March 2012.

### 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, timely and widely available manner. Macquarie has a continuous disclosure policy which 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
- timely and expressed in a clear and objective manner
- lodged with the ASX as soon as practical.

An *External Communications Policy* summary is available on Macquarie's website.

### 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, venue and time 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 meetings are also lodged with ASX after the meeting as soon as they are available.

This year Macquarie's AGM will be held in Sydney and the Macquarie Bank AGM will be held on the same day, after the Macquarie AGM. 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 the business of the meeting.

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

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. Holders of Macquarie Income Securities have the right to attend the Macquarie Bank AGM, at which they have limited voting rights, as set out in the terms of their issue, which are available on Macquarie's website.

A Shareholder Calendar is available on Macquarie's website.

### 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 significant Macquarie announcements electronically by email as soon as practicable after they have been lodged with the ASX.

The AGM webcast, year-end and half year-end results presentations and operational briefing presentations are also available on Macquarie's website.

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## Oversight of risk management

Risk management is sponsored by the Board and is a top priority for senior managers, starting with the Managing Director and Chief Executive Officer. Macquarie's approach to risk management is embedded across all business units. The Board, through the Board Risk Committee, oversees the risk appetite and profile of Macquarie and ensures that business developments are consistent with the risk appetite and goals of Macquarie. All members of the Board and the Managing Director of Macquarie Bank are members of the Board Risk Committee to focus appropriate attention on the oversight of risk.

The Head of the Risk Management Group (RMG), as Macquarie's Chief Risk Officer, is a member of Macquarie's Executive Committee and reports directly to the Managing Director and Chief Executive Officer. The Head of RMG has a secondary reporting line to the Board Risk Committee which approves the replacement, appointment, reassignment or dismissal of the Head of RMG. He presents on risk matters at each Board/Board Risk Committee meeting.

The Head of Internal Audit is jointly accountable to the BAC and the Chief Risk Officer. Internal Audit findings are reported to the BAC. The Head of Internal Audit cannot be removed or replaced without the approval of the BAC.

At the executive management level, the Macquarie and Macquarie Bank Executive Committees and Operations Review Committee focus on strategic issues, operational issues, material transactions and review the performance of Macquarie on a monthly basis. Beneath this level, there are 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.

Macquarie's approach to risk management is detailed in the *Risk Management Report* and is available on Macquarie's website.

## Remuneration

The Board of Directors oversees Macquarie's remuneration arrangements, including executive remuneration and the remuneration of Macquarie's Non-Executive Directors (NEDs). The Board is assisted by the Board Remuneration Committee (BRC). The BRC annually reviews the remuneration strategy to ensure it delivers the best outcomes for Macquarie and its shareholders.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive bonus payments. They do not receive termination 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 for that purpose. The current limit of \$A4 million was approved by Macquarie shareholders at the 2010 AGM. Details of Macquarie's approach and the amount of remuneration paid to NEDs are contained in the Remuneration Report in the Annual Financial Report.

To more closely align the interests of the Board with shareholders, NEDs are required to progressively acquire a minimum of 6,000 shares over the five years from the date of their appointment. Each NED's remuneration and current Macquarie shareholding are set out in the Remuneration Report and the Key Management Personnel disclosure in the notes to the financial statements in the 2012 Annual 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.

## 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 Macquarie-managed funds' governance standards adopt an appropriate governance framework to ensure that key decisions are taken in the best interests of investors consistently 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 as well as a majority of independent directors on the Fund board
  - Chinese Walls operate to separate Macquarie's corporate finance, advisory and equity capital markets businesses from its funds management businesses.