Board Governance and Compliance Committee Charter

OBJECTIVE

The main objective of the Board Governance and Compliance Committee (the “Committee” or “BGCC”) is to assist the Board of Voting Directors (the “Board”) of Macquarie Group Limited (“Macquarie”) in:

- adopting the most appropriate governance standards for the Macquarie Group (“the Group”);
- fulfilling the Board’s responsibility for oversight of the compliance framework of the Group;
- reviewing Macquarie’s work health and safety (“WHS”) practices.

Compliance in this Charter refers to compliance with the relevant laws, regulations and related internal guidelines, policies and procedures as prescribed in the Compliance Division Charter. The Board Risk Committee has responsibility for assessing the risk management framework against the expectations of the Australian Prudential Regulation Authority (APRA), including compliance with APRA’s prudential framework.

ALLOCATION OF RESPONSIBILITIES BETWEEN BOARD COMMITTEES

The allocation of responsibilities between Board Committees is described in the Corporate Governance Statement in Macquarie’s Annual Report.

ADMINISTRATION

Membership

The Committee will consist of at least three Voting Directors. A majority of Committee members must be Independent Directors as defined by Macquarie’s policy on the independence of Directors.

Chairman

One of the Independent Director members shall be appointed Chairman of the Committee by the Board. If the Chairman of the Committee is not present at a meeting of the Committee, the members present may elect another Independent Director to act as Chairman for that meeting.

The role of the Chairman of the Committee is to:

- determine the agenda for meetings of the Committee in conjunction with the Secretary of the Committee;
- chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
- take reasonable steps regarding the adequate flow of relevant information to the Committee;
- take reasonable steps to advise the Board on the Committee’s recommendations to the Board on matters falling within the scope of the Committee’s responsibilities;
- review the minutes of meetings of the Committee for circulation to and approval of the Committee and sign the approved minutes; and
- act under a delegation of the Committee.
MEETINGS

Frequency of meetings

The Committee will hold at least four meetings each year and such additional meetings as the Chairman of the Committee shall deem appropriate in order to fulfil its duties. In addition, the Chairman of the Committee is required to call a meeting of the Committee if requested to do so by:

- any Committee member;
- the Chairman of the Board;
- the Managing Director;
- any other Voting Director;
- the Chief Risk Officer; or
- the Head of Compliance.

Attendance by non-members

All Voting Directors may attend Committee meetings. The Managing Director of Macquarie, Chairman of the Board, the Chief Risk Officer and Head of Compliance shall normally be invited to attend Committee meetings at the invitation of the Committee but will have no voting rights.

Members of management and/or parties external to the Group may be invited to attend any meeting of the Committee or part thereof. Non-members of the Committee may be asked to withdraw from all or any part of a meeting.

Meetings other than in person

Where deemed appropriate by the Chairman of the Committee, meetings may occur via conference call or other electronic means and approvals and recommendations may occur via written resolution.

Secretary

The Company Secretary (or delegate as approved by the Committee) will act as Secretary of the Committee and shall be responsible, in conjunction with the Chairman of the Committee, for drawing up the agenda (supported by explanatory documentation and papers) and circulating the Committee papers to Committee members prior to each meeting. Voting Directors may request papers for or from any meeting and will be notified in advance of the agenda of forthcoming meetings.

The Secretary will also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Chairman of the Committee for review, the other Committee members, the other members of the Board and other Committee meeting attendees as appropriate.

Conflicts

The Board approved Guidelines for Board Members Declaring and Dealing with Conflicts of Interest will apply to meetings of the Committee.

Quorum

A quorum shall consist of two members eligible to vote.

Voting

A motion shall be passed by a:

(i) simple majority of votes cast in favour by members present and eligible to vote; or
(ii) resolution in writing signed by at least three quarters of Committee members eligible to vote and will be deemed to have been passed at the time at which the last required Committee member signs the document.
Notwithstanding Macquarie’s constitution, the Chairman of the Committee will not exercise a casting vote. In the event of an equal number of votes being cast for and against a motion, the motion will be referred to the Board for resolution.

**DUTIES AND RESPONSIBILITIES**

**Governance**
The Committee is responsible for providing advice to the Board on the most appropriate corporate governance policies generally and, in particular, to:

1. Annually review Macquarie’s corporate governance framework and approve Macquarie’s corporate governance statement.
2. Review developments in corporate governance and recommend standards which it considers are appropriate and in the best interests of Macquarie.
3. Monitor the independence of directors and review the criteria for assessing independence.
4. Consider questions of possible conflicts of interest arising for Directors and, review existing behaviour and ethical guidelines for directors.
5. Monitor the corporate governance of subsidiaries.

**Compliance**
The Committee is responsible for providing advice to the Board on the compliance framework of Macquarie Group generally and, in particular, to:

6. Approve changes to compliance policies not requiring Board approval.
7. Consider and review with management and the Head of Internal Audit the adequacy of the Group’s compliance controls through reviewing the results of Internal Audit reports.
8. Jointly with the Chief Risk Officer monitor and review the effectiveness of the Compliance function and framework in ensuring adherence to applicable laws and regulations.
9. Consider and review with management and the Head of Compliance:
   - the adequacy of the process for reporting and responding to regulatory breaches;
   - the findings of any examinations by regulatory agencies; and
   - the actioning of regulatory developments that may have a material impact on the Group.
10. Provide oversight in regard to the following for Compliance:
   - Annual plan;
   - changes required in the planned scope of the annual plan; and
   - structure, resourcing and the use of external consultants.
11. Review and recommend for approval by the Boards the Compliance Charter at least annually.
12. Meet privately with the Head of Compliance at least annually to discuss any matters that the Committee or the Head of Compliance believe should be discussed privately with the Committee.
Environment
The Committee is responsible for reviewing with management Macquarie’s compliance with environmental law and in particular to:

13. Review the policies and procedures in place to ensure that significant environmental regulation is identified and addressed.

14. Consider the adequacy of reporting and responding to breaches of environmental regulation including the adequacy and results of management investigation and follow up.

Work Health and Safety
The Committee is responsible for considering and reviewing with management the development and implementation of Macquarie’s WHS aims, commitment, policies and practices. In particular, to:

15. Consider reports on the WHS practices of Macquarie.

16. Review and monitor the operation of Macquarie’s WHS policies, principles, systems, practices and outcomes including ensuring adherence to applicable laws and regulations.

17. Make recommendations to the Board concerning Macquarie’s WHS policies, principles and practices, including hazard identification, which it considers are appropriate and in the best interests of Macquarie.

Periodic Review

18. Review the Committee Charter annually and recommend any proposed changes to the Board for approval.

19. Conduct a periodic but at least biennial, evaluation of the Committee’s performance and the extent to which the Committee has met its Charter.

The Committee may refer matters to other Board Committees, as appropriate.

ACCESS
The Committee shall have free and unfettered access to all personnel and other parties (internal and external), including the external auditors, as required by the Committee to carry out its duties.

Committee members may seek independent professional advice for company related matters at Macquarie’s expense, subject to the estimated costs being approved by the Chairman of the Board, in advance, as being reasonable.

REPORTING
The Committee, through its Chairman, is to advise and make recommendations to the Board on matters falling within the scope of its responsibilities. Such advice may be in the form of minutes of its meetings, supporting papers, and written or oral reports at Board meetings.

Date: 29 May 2014