

Policy on Board Renewal, Appointment of Directors and Board Performance Review

The Board of Macquarie Group Limited with the assistance of the Board Nominating Committee regularly assesses the skills, experience, tenure and diversity required collectively for the Board to effectively fulfil its role. The Board recognises the importance of undergoing a regular process of Board renewal via changes in membership to provide the Board with the benefit of regular new input. The Board reviews its performance and the performance of each Voting Director (“Director”) on an annual basis. A Director’s Board membership is subject to their ongoing performance and the Board’s need for any specialist skills or experience.

BOARD RENEWAL

The Board has delegated to the Board Nominating Committee the responsibility for identifying and recommending 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 and diversity of skills, professional experience, tenure and personal background 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 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 Board Nominating Committee identify the competencies and diversity required to enable the Board to fulfil its responsibilities. In so doing, the Board Nominating Committee will have regard to the results of the annual appraisal of the Board’s performance and ongoing succession planning.

The Board Nominating Committee has 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, the Board Nominating Committee will consider the aggregate make up of the Board as a whole to ensure that the Board will be composed of individuals who will bring a diverse range of backgrounds, experiences and approaches to the consideration and discussion of issues addressed by the Board.

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

The Board Nominating Committee makes its assessment against the above criteria and 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 members of the Board is set out in the Corporate Governance Statement.

TERMS OF APPOINTMENT

Where a new Director is appointed by the Board to fill a casual vacancy or as an addition to the existing Directors, they must retire and submit to election at the next annual general meeting. Directors must also retire and seek re-election at the third annual general meeting after their appointment or after three years, whichever is longer.

The general expectation is that Non-Executive Directors (“NEDs”) will serve three 3-year terms from first election by shareholders. However, a Director’s continuing Board membership is subject to their ongoing performance and relevance of their skills and experience. The Board considers the performance and particular skills of Directors standing for re-election and the requirement for any other particular skills or experience not currently available on the Board prior to the Board determining whether to recommend their re-election to shareholders. Non-Executive Directors may serve for longer than three 3-year terms if the Board considers it to be of significant benefit to Macquarie.

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

- requirement for election and subsequent re-election by shareholders;
- expectations of the Board in relation to attending and preparing for all Board meetings;
- procedures for dealing with conflicts of interest;
- remuneration;
- security trading pre-clearance requirements;
- disclosure and notification obligations;
- obligation to compile and maintain a minimum shareholding in Macquarie;
- indemnification and directors’ liability insurance; and
- availability of independent professional advice.

The letter of appointment also outlines the induction process for new Non-Executive Directors. New Non-Executive Directors meet with Board Committee Chairmen and members of senior management including the Managing Director and receive relevant information to familiarise themselves with Macquarie, its procedures and prudential requirements, and Board practices and procedures. Further detail on the material terms of appointment listed above is set out in Macquarie's Corporate Governance Statement.

BOARD PERFORMANCE REVIEW

The Board of Macquarie undertakes a formal annual performance assessment, including an assessment of individual Directors.

The process for conducting the Board's performance review will be agreed by the Board. Typically, the process includes individual interviews by the Chairman or an external facilitator with each of the Directors to elicit other comments or issues that the Directors may have or like to raise, and the use of a questionnaire. The questionnaire will be agreed by the Board and covers 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; and
- the operation of the Board, including the conduct of Board meetings and group behaviours and the performance of the Chairman as chairman.

The results of the questionnaire and interviews will be compiled and include quantitative and a qualitative analysis. A written report summarising the results, issues for discussion and recommendations for initiatives is presented to the Board and discussed at a Board meeting.

The Chairman's performance is reviewed annually by the other NEDs led by a nominated NED or an external facilitator. The Chairman also provides feedback to Directors on their individual performance as assessed by their peers. For those Directors whose 3-year terms are about to expire and are due to stand for re-election, this review includes an assessment of whether the Board will recommend the Director's re-election to shareholders.

Each Board Committee undertakes a periodic review of its performance in accordance with their charters which require at least a biennial review. Board Committees may also use a questionnaire as part of the Committee review process. The results of the review are discussed at a Committee meeting.

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