

Corporate Governance Statement

continued

Chief Executive Officer and Chief Financial Officer declaration

The Macquarie and Macquarie Bank Boards have each received written confirmation from their respective CEO 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 2014.

Oversight of risk management

Risk management is sponsored by the Board and is a top priority for Management. All members of the Board and the CEO of Macquarie Bank are members of the Board Risk Committee to focus appropriate attention on the oversight of risk.

Macquarie's risk appetite statement is approved by the Board and sets out the degree of risk Macquarie is willing to take overall and for each material risk type. The Board reviews Macquarie's risk appetite as part of the annual corporate strategy review process. Macquarie recognises that an effective risk management framework involves more than just robust controls. Macquarie's risk culture, which is less tangible, is equally as important and at Macquarie the risk culture remains strong, and controls are respected by staff.

The Chief Risk Officer (CRO) is a member of Macquarie's Executive Committee and reports directly to the CEO. The CRO has a secondary reporting line to the Board Risk Committee which approves the replacement, appointment, reassignment or dismissal of the CRO. The CRO presents on risk matters at the Board Risk Committee meeting, and in months where there is no scheduled Risk Committee meeting, at the Board meeting.

The Head of Internal Audit is jointly accountable to the BAC and the CRO. 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, the management of risk and the 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* in the Annual Financial Report and is available on Macquarie's website.

Oversight of remuneration arrangements

The Board of Directors oversees Macquarie's remuneration arrangements, including executive remuneration and the remuneration of Macquarie's NEDs. The Board is assisted by

the 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 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 Directors' Report.

To align the interests of the Board with shareholders, NEDs are required to progressively acquire a minimum of 6,000 shares in Macquarie over a period of five years from the date of their appointment.

Each NED's remuneration and current Macquarie shareholding are set out in the Key Management Personnel disclosure in the Remuneration Report and the Key Management Personnel disclosure in the notes to the financial statements in the 2014 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.