

## Directors' Independence Policy [Adopted 25 January 2007]

### 1. INTRODUCTION AND PURPOSE

- 1.1 The MAC recognises the importance of having a majority of Independent Directors serving on the Board of Directors (**Board**), so that the Board is able to effectively review and challenge the performance of management and exercise independent judgment.
- 1.2 In ensuring the independence of the Board, this Policy adopts the criteria for independence recommended by the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.
- 1.3 The MAC notes that it is essential to have a certain number of directors with an in-depth knowledge of The MAC's business to allow proper understanding of, and competence to deal with, the issues that arise in relation to the business. Thus The MAC will also ensure that the necessary level of skills, expertise and experience are maintained on the Board.
- 1.4 This Policy sets out the test and criteria for independence of Directors, and how these are to be implemented by The MAC.

### 2. TEST OF INDEPENDENCE

An Independent Director is defined as being independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

### 3. CRITERIA FOR DETERMINING INDEPENDENCE

- 3.1 In order to meet the above definition, several criteria are to be satisfied in relation to each particular Director.1 A Director must:
  - a. be a non-executive Director, that is, not a member of management;
  - b. not be a substantial shareholder (as defined in the Corporations Act) of The MAC or an officer of, or otherwise associated directly with, a substantial shareholder of The MAC;
  - c. not have been employed in an executive capacity by The MAC or another group member, or been a Director after ceasing to hold any such employment, within three years prior to date of assessment of independence;
  - d. not have been a principal of a material professional adviser or a material consultant to The MAC or another group member, or an employee materially associated with the service provided, within three years prior to date of assessment of independence;
  - e. not be a material supplier or customer of The MAC or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
  - f. have no material contractual relationship with The MAC or another group member, other than as a Director;
  - g. not have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of The MAC;
  - h. be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of The MAC.
- 3.2 Relevant interests and relationships that may have the potential to compromise independence are those that may disrupt "dispassionate objectivity in the Boardroom". These include:
  - a. cross-directorships;

b. family ties.

3.3 The Board will consider the independence of each Director in light of interests disclosed by the Director.

3.4 It is open to the Board to determine that a Director is independent notwithstanding that they do not satisfy the criteria for independence. Where this is the case, the Board will explain the deviation from the criteria, and its reasons for deciding that this deviation does not compromise the Director's independence. Each component of the criteria will be addressed in the Board's reasons.

#### 4. MATERIALITY

4.1 The ASX Corporate Governance Council FAQs and ASX Consolidated Guidance have given guidance in this area for companies:

a. it is a quantitative, qualitative and cumulative determination;

b. materiality thresholds for customers and suppliers have to be viewed from both the supplier/customer's perspective and the company's perspective;

c. for quantitative assessment, AASB 1031 is a reasonable starting point:

- I. presumption of immateriality if item is less than or equal to 5% of base amount;
- II. presumption of materiality (unless evidence to contrary) if item is greater than or equal to 10% of the appropriate base amount;

d. for qualitative, factors to take into account include:

- I. diversity of the company's customer/supplier base and the type of relationship;
- II. strategic importance of relationship;
- III. competitive landscape;
- IV. nature of the relationship (nature of the Director's relationship to that customer, nature and extent of an adviser's role and the nature of the Director's relationship to the adviser) and contractual or other arrangements governing it;
- V. any level of direct financing of the business by a Director-related entity. The financial condition of the company will influence what is material and this will change over time;
- VI. other factors that point to the actual ability of the Director to shape the direction of the company's loyalty;

e. where there are a number of individual relationships that are immaterial, the cumulative effect may be material.

4.2 The Board will set and disclose the materiality thresholds for The MAC and its Directors from the perspective of both The MAC and Directors. Once these are determined, the then current materiality thresholds will be attached to this Policy.

#### 5. INFORMATION TO BE MADE AVAILABLE TO THE BOARD

5.1 Although the Board will apply this Policy, it may not always prevent situations that compromise independence.

5.2 The Board will have access to all relevant information necessary to make a proper assessment of the independence of Directors. Directors must provide all information relevant to their independence to the Board.

5.3 Directors must immediately inform the Board if any of the information relevant to their independence changes.

- 5.4 The Board will re-evaluate the independence of each Director at least annually in light of the interests disclosed by the Director. The Board will also re-evaluate when a Director reports changes to the Board that may affect their independence.

## 6. DISCLOSURE OF INDEPENDENCE

- 6.1 The Board will regularly assess the independence of each Director in the light of the interests that each Director discloses to the Board. Each Independent Director must provide the Board with all relevant information in this context.
- 6.2 The Board will make the following disclosures in the corporate governance section of The MAC's Annual Report:
- a. the skills, experience and expertise relevant to the position of each director in office, and whether or not they are considered by the Board to be independent;
  - b. an explanation of the Board's decision as to each Director's independence. This will include:
    - I. the reasons behind the decision; and
    - II. a description of how each specific relationship, interest, circumstance etc of each Director was determined to be either material or immaterial;
  - c. where the Board considers that a Director is independent notwithstanding the existence of a relationship or interest listed in the criteria for independence, or some other deviation from the criteria, it will:
    - I. explain the deviation from the criteria; and
    - II. explain why this deviation does not compromise the director's independence. This will include a consideration of materiality thresholds from the perspective of both The MAC and its Directors. Each component of the criteria for determining independence will be addressed in the Board's reasons;
  - d. the materiality thresholds used in determining the Directors' independence;
  - e. the term of office of each Director;
  - f. the results of reviews of the criteria and materiality thresholds used to determine the independence of Directors;
  - g. the procedures agreed by the Board to allow directors to take independent professional advice at The MAC's expense;
  - h. any departures from the relevant ASX Best Practice Recommendations.
- 6.3 If the independent status of a Director is lost, this will be immediately disclosed to the ASX by the Company Secretary. The Company Secretary will maintain a record of the status of each Director.

## 7. INDEPENDENT DECISION-MAKING

- 7.1 All Directors are to exercise independent judgment in decision-making.
- 7.2 The Board ensures that each Director has access to independent professional advice if necessary, at The MAC's expense.
- 7.3 Non-executive Directors will have regularly scheduled meetings without management present in accordance with the Board Charter.