

CHAIRMAN'S ADDRESS

MACQUARIE GROUP LIMITED ANNUAL GENERAL MEETING

30 JULY 2020 | 50 MARTIN PLACE, SYDNEY

Check against delivery

Introduction

Good morning ladies and gentlemen, and welcome to Macquarie Group's 2020 Annual General Meeting. I note that a quorum is present and now formally open the meeting.

I hope you enjoyed hearing from Macquarie staff about your company's purpose and I will speak in more detail on that topic during my presentation today.

I would like to acknowledge the traditional owners of the land from where I speak to you today, the Gadigal people of the Eora nation and pay my respects to Elders - past, present and emerging.

Although we are not able to meet in person, I am pleased that we can come together virtually to update you on your company, conduct formal business, listen to any comments you may have and answer your questions. Those of us who are in the same room are practicing appropriate social distancing.

Joining me today are your Board: Managing Director and CEO, Shemara Wikramanayake, and non-executive directors Gary Banks, Jillian Broadbent, Gordon Cairns, Phil Coffey, Michael Coleman, Diane Grady, Michael Hawker, Glenn Stevens and Nicola Wakefield Evans. Also joining me today are Chief Financial Officer, Alex Harvey, and Company Secretary, Dennis Leong.

In addition, we have some of Macquarie's Executive Committee in attendance, either in person or virtually including: Florian Herold; Nick O'Kane; Mary Reemst; Michael Silverton; Nicole Sorbara; Patrick Upfold; and Greg Ward. Also in attendance is Group General Counsel Michael Herring.

As we do each year, today's meeting will be structured as follows:

- I will outline the key highlights of the past financial year.
- Shemara will take you through last year's financial result, update you on the first quarter of the current financial year, and discuss the outlook for the remainder of the year.

- We will then hear from the two directors who are standing for re-election, Diane Grady and Nicola Wakefield Evans.
- This year, we will also hear from Mr Stephen Mayne, who has offered himself for election as a Voting Director.

I will then formally open the polls.

As this is a virtual meeting, we will not break for refreshments. This year, we will be donating budget allocated to refreshments to food rescue organisation, OzHarvest, which will use the funds to distribute meals in regional and remote communities affected by bushfire, drought and COVID-19.

The final part of the meeting will be to take questions and discuss the formal items of business. Although we are holding this year's meeting virtually, let me assure you there will be ample opportunity for you to address the meeting.

For those of you attending the meeting via the online platform, you are free to send in your questions from now by clicking on the speech icon on your screen. For those who have dialled into the meeting via the teleconference line, please press star and number one if you wish to ask a question. We will repeat these instructions later in the meeting.

Please note that, regardless of when you submit your question, we will address it during the formal business of the meeting, as is our customary practice. We will try to ensure that all topics of interest are addressed in our responses. Questions submitted online may be moderated or amalgamated if there are multiple questions on the same topic.

If you wish to view the meeting again after its conclusion, a recording will be available on the Macquarie Group website from this evening.

Responding to COVID-19

The past seven months have been overshadowed by the COVID-19 pandemic, the effects of which have and will continue to be felt for some time to come. First and foremost a global public health crisis, COVID-19 has had profound economic consequences for many countries and communities.

Macquarie has felt the effects of this pandemic, however, the Group has remained resilient because of our diversity of business mix and geography, strong capitalisation, well-funded balance sheet and conservative approach to risk management.

As a result, Macquarie has been able to focus on addressing the immediate needs of our clients, communities, portfolio businesses and staff in addition to our ongoing commitment to our stakeholders, including our shareholders.

More than 98 per cent of Macquarie staff have been working remotely and were well equipped to do so given flexible working was already well-embedded in our work practices. Existing systems have been resilient to large-scale remote working, reflecting a long-term investment in technology. The Group is now in a gradual, phased and voluntary return to the office in certain locations where it is safe to do so, and with the appropriate social distancing and hygiene measures in place.

As clients respond to the pandemic, Macquarie has been there to support them. For example, a range of financial assistance measures have been available to personal banking, leasing and business banking clients. Financial hardship assistance has been enhanced to help vulnerable customers. And as clients have navigated market disruption arising from COVID-19, Macquarie has been there to provide expertise, advice and financing solutions.

Macquarie takes seriously its responsibilities to work with our portfolio companies to ensure they too remain resilient throughout this period of economic disruption. In addition to helping these businesses remain operational and provide essential services, capacity upgrades in our MIRA-managed digital infrastructure assets have enabled them to handle significant increases in customer demand from the move to remote working and learning.

Macquarie has maintained its commitment to communities through the Macquarie Group Foundation and across direct operations and portfolio businesses. The Foundation was allocated an additional \$A20 million specifically for COVID-19 support. I will provide more detail on that shortly.

Banking and Financial Services has hired workers furloughed by other employers to meet increased short-term customer service demand, and Commodities and Global Markets has sourced computer equipment to help educators in North America. Our portfolio companies in Macquarie Asset Management and Macquarie Capital have actively supported frontline healthcare workers, medical researchers and educators.

While we cannot predict how the pandemic will track around the world, Macquarie remains in a strong position to continue to respond and support our stakeholders.

FY20 financial performance and balance sheet initiatives

While COVID-19 was prominent in the last few months of the 2020 financial year, Macquarie delivered a strong performance with a profit result of \$A2,731 million. This was down eight per cent on a record 2019 financial year. Shemara will take you through the Group's performance in more detail during her presentation.

The Group has maintained a strong capital and funding position with a number of initiatives throughout the year. In total, \$A26 billion of term funding was raised, with 30 per cent of that in the final three months of the year, despite the challenges of COVID-19. Funding from customer deposits grew by 20 per cent in FY20 and now represents 42 per cent of the Group's funding. And Macquarie's liquidity position remains strong, with cash, liquids and self-securitised assets comprising 39 per cent of total assets.

FY20 dividend

Turning to the dividend, shareholders received a full-year dividend of \$A4.30 per ordinary share which was franked at 40 per cent. This was down on the FY19 full-year dividend of \$A5.75 per share.

56 per cent of earnings – or about \$A1.5 billion – was returned to shareholders in dividends. At the time the Board resolved to pay the final dividend, we took into account APRA's guidance on capital management and the continuing uncertainty as to the impacts of COVID-19, together with Macquarie's strong capital position and 2020 earnings.

Risk culture and conduct

Delivering strong results involves balancing the empowerment of Macquarie staff to pursue opportunities with a corresponding accountability for managing risk, and an expectation of integrity in all dealings. The core principles of opportunity, accountability and integrity have underpinned Macquarie's track record of unbroken profitability over more than 50 years.

The Board's key oversight role is to ensure that Macquarie's culture is aligned with its risk appetite. As a Board we spend considerable time and focus on this responsibility, supported by detailed metrics to assess the effectiveness of risk culture.

Alongside risk culture are risk practices that include the following features:

- Primary responsibility resides at the individual and business level, including risk ownership.
- Strong independent oversight is provided by the Risk Management Group.
- Independent and objective risk-based assurance is provided by Internal Audit.

Our remuneration framework and consequence management process promote accountability, encourage and reward appropriate behaviours and discourage inappropriate behaviours. In FY20, there were 164 matters involving conduct or policy breaches that led to formal consequences. Of these, 32 matters resulted in termination of employment. Formal warnings were issued in the remaining 132 matters and in 19 of these, the individual subsequently left the organisation. Importantly, the circumstances surrounding all of these matters were analysed and it was found that these were isolated matters with no evidence of broader systemic issues.

While COVID-19 has resulted in different ways of working, Macquarie's risk approach and focus has remained constant throughout this period, with increased levels of senior management communications to staff to remind them of ongoing expectations and responsibilities.

In practice, Macquarie undertakes a range of risk culture and conduct initiatives each year, including learning and development, with a focus on management and leadership of staff, enhancing risk monitoring and evaluation, and expanding risk culture review capability.

Macquarie's Integrity Office is an independent function with a global footprint in recognition of the international presence of the Group's staff and business activities. The Integrity Office undertook a number of training and other conduct and culture initiatives throughout the year.

Environmental, Social and Governance

The Board and Management recognise the importance of sound environmental, social and governance practices as part of our responsibility to clients, shareholders, communities and the environment in which we operate and its increasing interest to all our stakeholder groups.

Macquarie is active across each of the three ESG pillars in a range of activities, including investment, risk management, policy development and advocacy, and adopting reporting standards. ESG is also embedded within the Group's policies and practices, operations and stakeholder engagement.

FY20 was another active year in terms of ESG initiatives and, given the interest in this area shown by a number of shareholders, we have provided some examples of the outcomes achieved by Macquarie staff. These outcomes span business activities, conduct, direct operations and engagement with clients, staff and communities.

As the Board and Management reviewed business activities over FY20, we noted the ever-increasing number of transactions, investments, financings and projects in both developed and developing countries that are contributing to lower emissions. These activities cover reduced emissions across energy, agriculture, transportation and real estate. The activity levels reflect a number of thematics including investor appetite, the role we play in advancing clean and renewable technologies, policy settings, and customer demand.

In the energy sphere, beyond our longstanding global involvement in onshore and offshore wind, solar and waste-to-energy projects, we have continued to step up our focus on the challenge of storage and in emerging technologies. Shemara's role on the Global Commission on Adaptation has supported our work to increase the climate resilience of our infrastructure portfolio. Shemara's work with the GCA and other advisory panels is supported by Macquarie staff through provision of data, research, and market and client perspectives.

Alongside our proactive approach to addressing the challenges in energy transition, we also note that global projections of power generation indicate an ongoing role for natural gas for some time in a managed transition as the source of large-scale baseload and peak-load power, complementing the intermittent delivery of renewable energy. In the US we trade around 13 billion cubic feet of natural gas each day and remain North America's second ranked physical gas marketer.

Diversity and inclusion

Macquarie is in part characterised by the diversity of our business mix and geography and these attributes have contributed to the Group's growth and profitability for more than 50 years. As a business that is underpinned by the expertise of its people, there is a strong connection between the depth, breadth and scale of the Group and the diversity of our staff and the range of perspectives they bring to our projects and decision-making.

Macquarie strives to be a diverse and inclusive workplace and considerable investment has been made over a number of years. The types of initiatives undertaken include working with schools and universities to promote financial services as a fulfilling career path for women, ensuring diversity of recruitment in our intern and graduate programs, embedding flexible work practices which have been embraced by a range of demographics within our staff population, and employee network groups.

The work that goes into building a diverse and inclusive workplace is never complete, however we wanted to take some time today to reflect on what we have achieved to date, and recognise those organisations with whom we have partnered to support our efforts.

Macquarie Group Foundation

As I indicated earlier, FY20 and the first few months of the current financial year have been busier than usual for the Macquarie Group Foundation. The Foundation's regular program of supporting non-profits has continued to grow, including a record financial contribution of \$A51 million through grants and staff matching to more than 1,600 non-profits around the world. In addition to fundraising, staff have continued to contribute their time and expertise with more than 46,000 hours of volunteering and pro bono support.

In FY20, the Foundation celebrated its 35th anniversary, coinciding with Macquarie's 50th anniversary. When we came together last year, I updated you on the shortlist of nominees for our 50th Anniversary Award, a \$A50 million award to five organisations that are addressing significant social need through bold projects that promise lasting community benefit. This award was in addition to the Foundation's regular program of financial support.

From almost 1,000 applications from 48 countries, the Foundation and its Board identified a shortlist of 12 non-profits. In FY20 we announced the five recipients, each receiving \$A10 million. These recipients will use their grants to:

- Tackle primary health care in sub-Saharan Africa;
- Eradicate mosquito-borne diseases;
- Eliminate scabies;
- Address economic disadvantage; and
- Support ocean conservation.

You can read more about these projects on the Macquarie website.

At the beginning of FY21, the Foundation was allocated an additional \$A20 million to support non-profits working to combat COVID-19 and provide relief to affected communities.

To date, \$A7.3 million has been directed to a range of institutions to provide direct relief through bolstering food security, providing access to health services and medical supplies, and providing vital information to support refugee communities, migrant domestic workers, low-income families and a range of other vulnerable groups affected by COVID-19 around the world. A further \$A2 million has been directed to research supporting the Burnet Institute's study into the benefits and impacts of isolation, quarantine and physical distancing, and the Doherty Institute's Australasian COVID-19 clinical trial.

The Foundation will continue to deploy the allocated funding for activities including supporting economic recovery for vulnerable communities.

Macquarie's purpose statement

Over the course of the year, the organisation has been reflecting on the articulation of Macquarie's purpose. Our core principles of opportunity, accountability and integrity, while part of Macquarie's culture since inception, have undergone review and refresh at several points in the intervening years.

So too has the expression of Macquarie's purpose, which is a statement of what the organisation does and why we exist. In FY20, and with the CEO's sponsorship, Macquarie teams consulted extensively with colleagues and external stakeholders, and analysed the outcomes achieved for clients and communities. This work was distilled into a clear purpose statement that resonates with staff today.

Empowering people to innovate and invest for a better future encapsulates what Macquarie sets out to do every day. At the start of the meeting, we showed you several short films, each a story told by a staff member about what Macquarie's purpose means to them. For each of those stories, there are countless others throughout the organisation.

Over many years, the Board has seen Macquarie's purpose at work in the briefings we receive from Management and staff and the site visits we conduct. This purpose statement resonates as strongly with the Board as it does with Macquarie staff. It reflects how Macquarie uses its expertise and resources to empower clients, and how staff are empowered to deliver for their stakeholders. Even the way in which the statement has been developed – by staff – demonstrates Macquarie's bottom-up culture.

Retirement of Gary Banks AO

As previously advised, Gary Banks is retiring from the Macquarie Group board at the conclusion of this meeting. Gary has been a board member since 2013 and has fulfilled his responsibilities diligently, with valuable insight and with great enthusiasm for the organisation. Gary is a collaborative colleague and on a personal note, I have valued his thorough and thoughtful approach. Macquarie has certainly benefited from Gary's particular experience and perspectives. Gary thank you for your service to the board and shareholders, and we all wish you well for the future.

I would also like to thank my board colleagues for their contributions over the past year. The board is a hardworking, active and engaged one; the unique expertise of every board member underpins our ability to represent shareholders and support the growth of your company.

Finally, I would like to thank Macquarie's management and staff for their efforts, for the resilience they have shown in adapting to the rapidly changed circumstances we have all experienced in recent months, and for maintaining their focus on delivering for clients, shareholders and the community.

That concludes my opening remarks. Thank you for listening and for your ongoing support of Macquarie as shareholders. I will now hand over to Shemara to discuss Macquarie's results in more detail and update you on our recent performance.

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