



CORPORATE
GOVERNANCE
STATEMENT

Macquarie Group
Year ended 31 March 2019

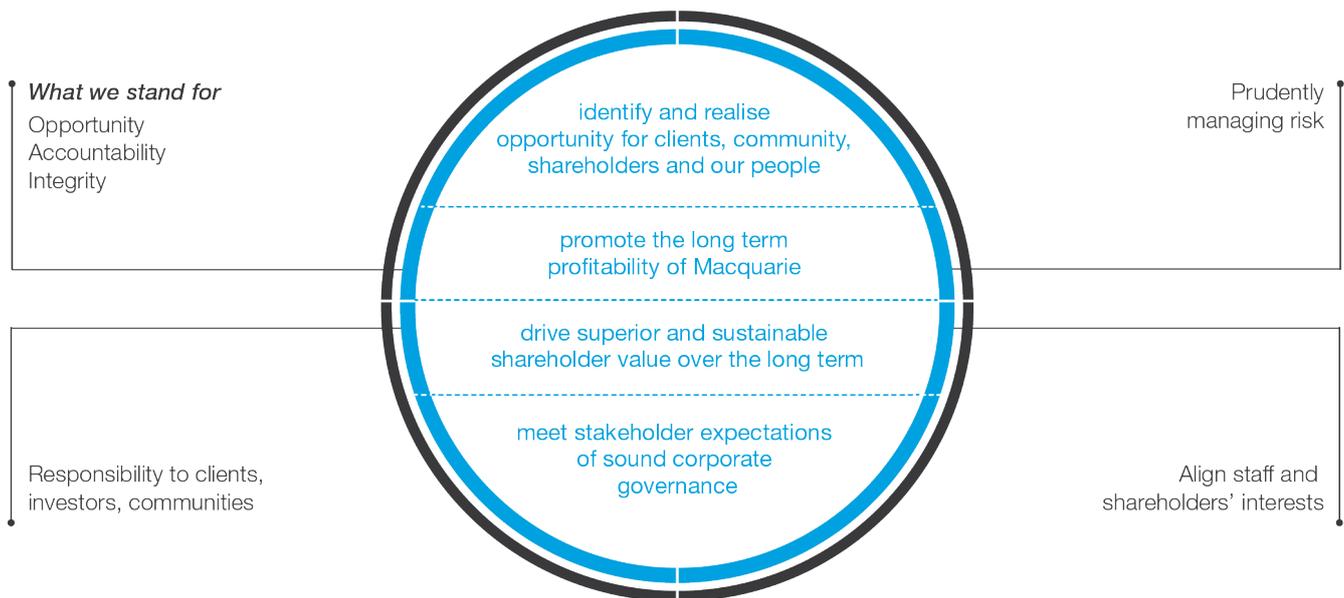
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ANNIVERSARY

Corporate Governance Statement

Macquarie’s approach to Corporate Governance

Macquarie’s (Macquarie Group Limited and its subsidiaries) approach to corporate governance is to:

- identify opportunity and realise it for our clients, community, shareholders and our people
- promote the long term profitability of Macquarie while prudently managing risk
- drive superior and sustainable shareholder value over the long term through the alignment of the interests of shareholders and staff
- meet stakeholder expectations of sound corporate governance as part of Macquarie’s broader responsibility to clients, shareholders, investors and the communities in which it operates.



Macquarie’s *Code of Conduct* has been approved by the Board. It incorporates *What We Stand For*: the principles of Opportunity, Accountability and Integrity that guide the way the Board, management and staff are expected to manage their responsibilities and conduct themselves on a day-to-day basis. The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie’s success and a key factor in our long record of unbroken profitability.

It is a fundamental responsibility for all management and staff to deal honestly and fairly in their relationships with our clients, counterparties and regulators. They must not engage in any improper, unlawful or unethical behaviour. There are consequences for anyone who fails to meet our standards.

The Board is conscious of the importance of setting the ‘tone at the top’ and does so in a highly visible manner. There is a culture of open discussion at the Board. The messaging and practical actions taken by the Board seek to

promote long-term sustainability and prudent management of risk consistent with *What We Stand For: Opportunity, Accountability and Integrity*.

Board members have extensive contact with staff at all levels within the organisation, across regions and operating/support groups. Board members believe informal conversations with staff are important in assessing the culture within Macquarie. Board members are not constrained from raising issues directly with staff or management. These measures also allow the Board to address the risk of there being a ‘bias to good news’.

To assist the Board, management and staff to meet their responsibilities, Macquarie regularly reviews and enhances our reporting, training, monitoring and surveillance activity. Macquarie has an established Conduct Risk Management Framework. It details our approach to managing conduct risk, which is defined as the risk of behaviour or action taken by individuals employed by, or on behalf of, Macquarie or taken collectively in representing Macquarie that may have a negative outcome for our clients, counterparties, the communities and markets in which we operate, our staff or

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Corporate Governance Statement

Macquarie. Supervisors are accountable for outcomes in the businesses they supervise. Macquarie takes a dynamic and proactive approach to enhancing risk culture and effectively managing conduct risk. The Group-wide Conduct Risk Management Framework accommodates and, where necessary, is updated in response to changes in Macquarie's business operations, outcomes of Macquarie's oversight activities and the expectations of regulators and the communities in which it does business.

Macquarie's governance practices have been consistent with the recommendations in the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations) throughout the year.

This Corporate Governance Statement is current as at 2 May 2019 and has been approved by the Board.

This Corporate Governance Statement and a Key to Disclosures – Corporate Governance Council Principles and Recommendations (Appendix 4G) have been lodged with the ASX.



Our Corporate Governance Statement and Appendix 4G are available on the Macquarie website at macquarie.com/leadership-corporate-governance

FY2019 Board Governance activities

Macquarie's governance frameworks and practices have evolved over time, driven by the Board's regular reviews to identify opportunities for improvement, changes within the organisation and external developments. During the year, there has been considerable focus on regulatory engagement around the world. In Australia, there was a specific focus on the conduct of financial services providers through The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Banking Royal Commission).

The Board and management are committed to achieving the highest standards of professional conduct across all Macquarie operations. There is regular review and enhancement of mechanisms to achieve these standards.

In addition to identifying and considering relevant Banking Royal Commission themes and outcomes, other activities were undertaken by the Board during the year. Some of the activities included:

- Continued Board succession planning, including the appointment of two new Non-Executive Directors (NEDs), Philip Coffey and Jillian Broadbent AC
- Regularly scheduled private meetings with external auditors, Head of Internal Audit, Chief Risk Officer, Head of Compliance, Customer Advocate and the Group Integrity Officer
- Overseeing the succession of the CEO. Shemara Wikramanayake was appointed as Managing Director and Chief Executive Officer of Macquarie Group Limited, replacing Nicholas Moore, who retired effective 30 November 2018

- Overseeing a self-assessment of Macquarie's risk governance practices and endorsing the findings and actions of the assessment
- Engaging with key regulators
- Meeting with shareholders and proxy advisors as part of Macquarie's ongoing engagement to discuss matters relating to Macquarie's business performance and governance
- Visiting Macquarie's overseas operations in the United States of America, EMEA and Asia, and attending events with senior management and staff
- Undertaking an externally facilitated Board Performance Review and implementing recommendations including more succinct and focused Board reporting
- Reviewing key Corporate Governance policies and processes, including a review of the Board and Board Committee Charters
- Participation in client events.

To complement Macquarie's long-established governance framework for managing risk, Board Committees have sought enhanced reporting on certain non-financial risks. Further enhancements to Macquarie's corporate governance frameworks and practices have been made and will continue to be made to improve the effectiveness of the Board's oversight role, to adapt to changing markets and to continue to deliver sound client and community outcomes.

In FY20, work will continue to implement the Banking Executive Accountability Regime (BEAR) for Macquarie Bank Limited, a subsidiary of Macquarie Group Limited.

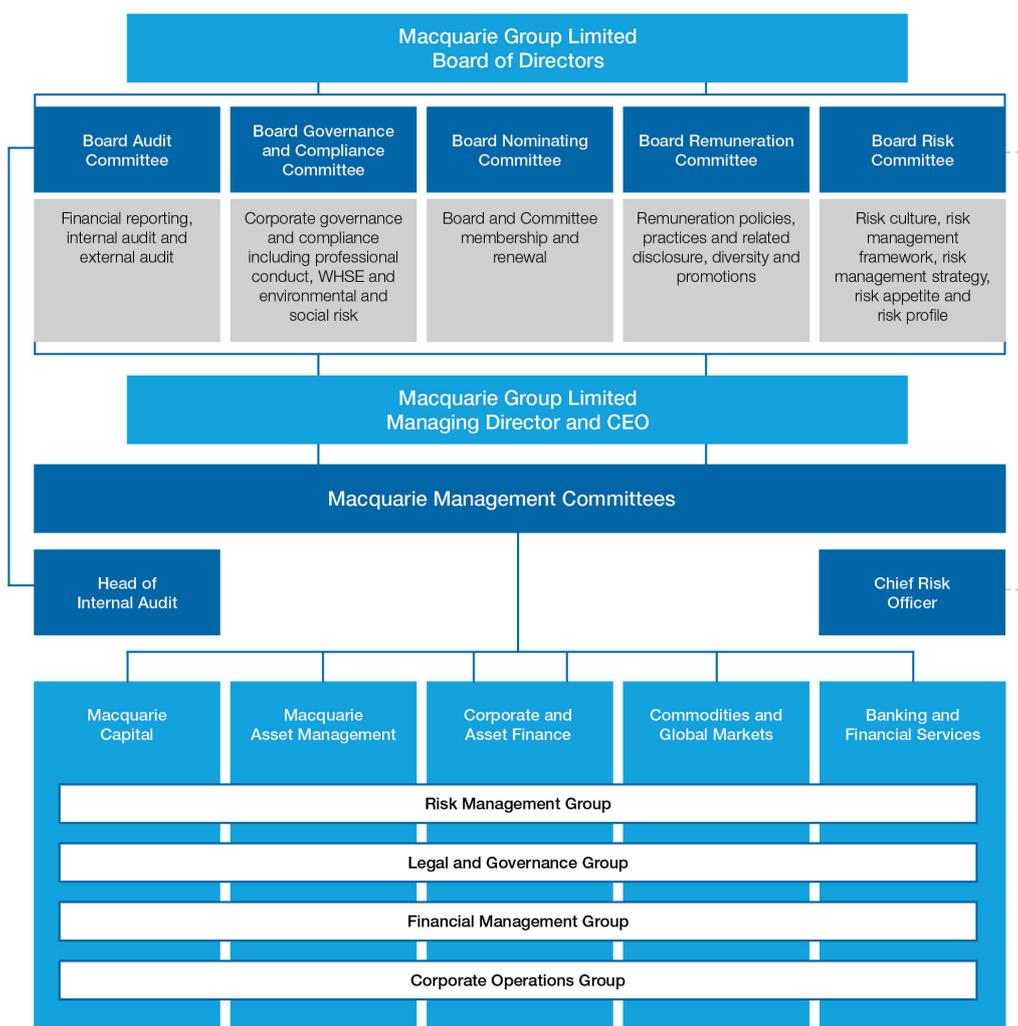
Corporate Governance Statement

Corporate Governance framework

Macquarie Group Limited (Macquarie) is a global financial group with a diverse range of activities across different locations. Its shares are listed on the Australian Securities Exchange (ASX).

Macquarie Group Limited is regulated by the Australian Prudential Regulation Authority (APRA), Australia’s banking regulator, as the non-operating holding company of Macquarie Bank Limited, an authorised deposit-taking institution. APRA's prudential standards include governance and risk management requirements. A number of Macquarie subsidiaries are supervised by regulators in the overseas jurisdictions in which they operate.

The diagram below provides an overview of Macquarie’s Corporate Governance Framework.



Board oversight

The Board Charter details the Board's role and responsibilities which include approving strategy, adopting an annual budget, approving Macquarie's Risk Appetite Statement and Risk Management Strategy, appointing Macquarie's Chief Executive Officer and approving group policies relating to remuneration and diversity. The Board is committed to the effective oversight of Macquarie’s performance, risk management and culture and to promoting the creation of enduring value.

 The Macquarie Group Limited Constitution and Board Charter are available at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)

Corporate Governance Statement

Responsibilities of management

The Board is responsible for the matters contained in the *Board Charter*. The Board is assisted by its various Board Committees as detailed in each *Board Committee Charter*. A summary of the different Committee responsibilities is in the table below. The Board also determines delegations to management, approves relevant limits and reviews business developments for consistency within the Board-approved *Risk Appetite Statement* and *Risk Management Strategy*.

The CEO has been granted authority for matters not reserved for the Board or a Board Committee. Macquarie's Management Committees assist in the exercise of the CEO's delegated authority. The CEO, the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO) report to the Board at each meeting. In addition to regular reporting from management, the Board has unlimited access to senior management and external advisers.

The Company Secretary is appointed by and accountable to the Board, through the Chairman, for matters relating to the proper functioning of the Board.

Board Committees

Macquarie's five standing Board Committees assist the Board in its oversight role. All Board members are sent Board Committee meeting agendas and may attend any Board Committee meeting. Subsequent to each Board Committee meeting, the minutes are included in the Board papers and presented to the Board by the respective Committee Chairs. The Chairs of the Board Audit Committee, Board Governance and Compliance Committee and Board Risk Committee meet to review and consider any areas of overlap in reporting and responsibilities.



The Board Committee Charters, detailing the responsibilities of each Committee are available at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)

Allocation of responsibilities between Board Committees

The following table provides a summary of the allocation of responsibilities between Board Committees.

Committee	Role
Board Audit Committee (BAC)	The Board Audit Committee (BAC) assists the Board with its oversight of the integrity of the financial statements. The BAC also reviews the adequacy of Macquarie's control framework for financial regulatory reporting to banking regulators and monitors the internal financial control environment. The BAC reviews reports from the external auditor and Internal Audit, referring matters relating to the duties and responsibilities of the Board Risk Committee (BRiC) and Board Governance and Compliance Committee to the appropriate Committee.
Board Governance and Compliance Committee (BGCC)	The Board Governance and Compliance Committee (BGCC) assists the Board with adopting the most appropriate corporate governance standards for the Macquarie Group and assists the Board in fulfilling its responsibility for oversight of the compliance framework of the Macquarie Group. The BRiC, Board Remuneration Committee (BRC) and BAC also review aspects of the compliance framework relating to their duties and responsibilities. In addition, the BGCC reviews the operation of Macquarie's work health and safety, and environmental and social policies, practices and performance.
Board Nominating Committee (BNC)	The Board Nominating Committee (BNC) assists the Board in satisfying itself that it has an appropriate mix of skills, experience, tenure and diversity for the Board to be an effective decision-making body and to provide successful oversight and stewardship of the Macquarie Group.
Board Remuneration Committee (BRC)	The Board Remuneration Committee (BRC) makes recommendations to the Board that promote appropriate remuneration policies and practices for the Macquarie Group consistent with Macquarie's risk management framework. The BRC reviews Human Resources-related reports, and is responsible for liaising with the BRiC to ensure there is effective co-ordination between the two Committees to assist in producing a properly integrated approach to remuneration that reflects prudent and appropriate risk. The BRC is also responsible for remuneration related disclosures in the remuneration report.
Board Risk Committee (BRiC)	The Board Risk Committee (BRiC) assists the Board by providing oversight of Macquarie's risk management framework and advising the Board on Macquarie Group's risk position, risk appetite, risk culture and risk management strategy. The BRiC receives information on material risks and external developments that may have an impact on the effectiveness of the risk management framework.

Corporate Governance Statement

Board of Directors

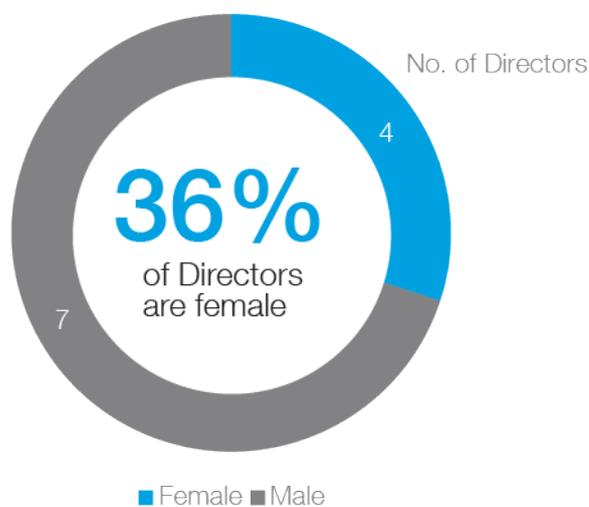
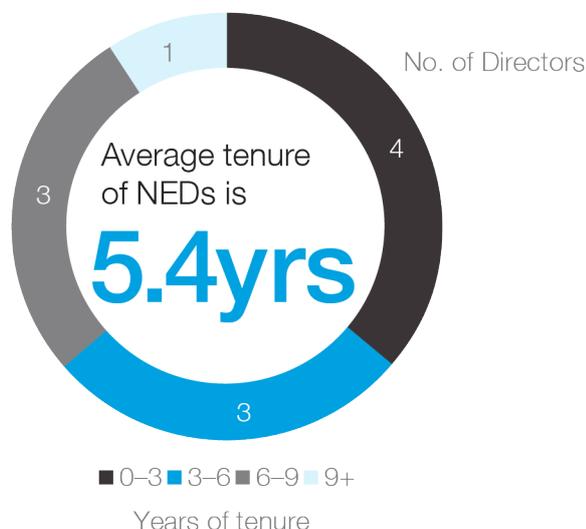
The Board consists of eleven Directors, including ten Independent Non-Executive Directors and one Executive Voting Director who is the Macquarie Group Limited Managing Director and Chief Executive Officer.

The Chairman of the Macquarie Group Limited Board is Peter Warne, an Independent Non-Executive Director, who has been the Chairman of the Board since April 2016. During the year, Shemara Wikramanayake succeeded Nicholas Moore as the Managing Director and Chief Executive Officer of Macquarie Group Limited, and the Board appointed Philip Coffey and Jillian Broadbent AC as Independent Directors to the Board.

Macquarie’s *Constitution* sets out requirements concerning board size, meetings, election of directors and the powers and duties of directors. In accordance with the *Constitution*, the Board has resolved that the maximum number of Directors is currently twelve.

Board diversity and tenure

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



Corporate Governance Statement

Board skills and experience

Macquarie is a global financial group providing services to clients through asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

Macquarie's purpose is to realise opportunity for the benefit of its clients, shareholders and staff. While Macquarie is in business to be profitable and to achieve an appropriate and resilient return on capital, ultimately it is the way it does business that defines Macquarie.

The Board of Macquarie believes that its membership should comprise high calibre 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
- consider and form a view on Macquarie's culture and governance
- 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 promote the creation of enduring value
- assess the performance of management in meeting those objectives and goals.

Accordingly, in selecting potential new directors, the Board Nominating Committee identifies the competencies and

diversity required to enable the Board to fulfil its responsibilities. In doing so, the Board Nominating Committee has regard to the results of the annual appraisal of the Board's performance, the performance of each Director and ongoing succession planning.

The Board is comprised of highly experienced senior business leaders from a variety of professional backgrounds who each meet the fundamental requirements and, collectively, possess the skills, experience, tenure and diversity considered necessary to appropriately govern an ASX-listed, global, diversified financial group.

The competencies of the Macquarie Board members and the number of Directors with each skill and their experience is set out below.

There are from time to time areas identified by the Board where additional knowledge would be beneficial that it addresses by using external advisers, site visits, Board Workshops and/or requesting more detailed reporting from management. Technology and digital disruption is a recent example where this approach has been taken.

82%

of Directors have held financial institution management roles

100%

of Directors have international experience

Senior leadership	- Having performed a CEO or senior executive level role provides understanding of developing, implementing and assessing business strategies and operating plans for an organisation of the scale and complexity of Macquarie	10
Financial Services/ Retail Banking	- Experience in a senior position within financial services or retail banking assists in understanding and reviewing Macquarie's businesses and strategy	9
Investment Banking/Corporate Banking/Financial Markets/ Funds Management	- Experience in a senior position within these sectors assists in understanding and reviewing Macquarie's businesses and strategy in these specialist areas	9
Financial acumen	- Financial literacy assists in the understanding of financial reporting and capital management strategies	10
Accounting	- Accounting qualifications and/or experience provide the Board with financial expertise in overseeing the integrity of financial reporting	4
Business development and strategy	- Senior executive experience developing and directing the strategy of an organisation to assist with the Board's review of strategy	10
People and culture management	- People management and human resources expertise assists with the Board's role in overseeing talent management and development including succession planning	10
International background/ experience	- Experience living and working overseas in a senior role in a global organisation or responsibility for overseas operations is important in understanding and reviewing Macquarie's global businesses and strategy	10
Regulation and public policy	- Professional experience working or interacting with government, government organisations and regulators is relevant to Macquarie as it operates in many highly regulated markets globally	9
Law	- Legal qualifications and/or practice assists the Board in meeting its legal and compliance requirements in highly regulated markets globally	3
Corporate governance including risk management	- Experience developing strategy, policies and frameworks to support sound corporate governance including identifying and monitoring material risks in a complex organisation. Typically, experience as a Director at a listed company or a large organisation would provide such experience	9

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Macquarie Corporate Governance Statement 2019

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Directors' experience

Name and Tenure	Experience
<p>Peter H Warne, BA (Macquarie), FAICD</p> <p>Independent Chairman of MGL since April 2016</p> <p>Independent Director of MGL since August 2007</p>	<p>Peter Warne has extensive knowledge of, and experience in, financial services and investment banking, through a number of senior roles at Bankers Trust Australia Limited, including as Head of its global Financial Markets Group from 1988 to 1999. Mr Warne was a Director of the Sydney Futures Exchange (SFE) from 1990 to 1999, then from 2000 to 2006. He served as Deputy Chairman of the SFE from 1995 to 1999. When the SFE merged with the Australian Securities Exchange (ASX Limited) in July 2006, he became a Director of ASX Limited. Mr Warne has previously served as Chairman of ALE Property Group from 2003 to 2017 and OzForex Group Limited (now trading as OFX Limited) from 2013 to 2016, and as Deputy Chairman of Crowe Horwath Australasia Limited from 2008 to 2015.</p>
<p>Shemara R Wikramanayake BCom, LLB (UNSW)</p> <p>Managing Director and Chief Executive Officer of MGL since December 2018</p> <p>Executive Voting Director of MGL since August 2018</p>	<p>In her time at Macquarie, Shemara Wikramanayake has worked in nine cities in six countries and across several business lines, establishing and leading Macquarie's corporate advisory offices in New Zealand, Hong Kong and Malaysia, and the infrastructure funds management business in the US and Canada. She joined Macquarie in 1987 and was instrumental in establishing Macquarie Capital which at the time included: advisory; infrastructure funds; corporate leasing and lending; and cash equities.</p> <p>Ms Wikramanayake was most recently the Head of Macquarie Asset Management, a role she held from 2008 to 2018. Macquarie Asset Management offers a diverse range of services including infrastructure and real asset management; securities investment management; and fund and equity-based investment solutions.</p> <p>Before joining Macquarie, she worked as a corporate lawyer at Blake Dawson Waldron in Sydney.</p>
<p>Gary R Banks AO, BEc (Hons) (Monash), MEd (ANU)</p> <p>Independent Director of MGL since August 2013</p>	<p>Gary Banks has extensive experience across economics, public policy and regulation in Australia and internationally. He was Chairman of the Australian Productivity Commission from its inception in 1998 until 2012 and subsequently Chief Executive of the Australia and New Zealand School of Government.</p> <p>He has also held senior roles with the GATT Secretariat in Geneva, the Trade Policy Research Centre in London, the Centre for International Economics in Canberra and consulted to the World Bank, Organisation for Economic Co-operation and Development (OECD) and World Trade Organisation.</p>
<p>Jillian R Broadbent AC, BA (Maths & Economics)</p> <p>Independent Director of MGL since November 2018</p>	<p>Jillian Broadbent has extensive investment banking industry knowledge and markets expertise, including a deep knowledge of risk management and regulation in these areas. She also has considerable executive management and listed company board experience. Ms Broadbent spent 22 years at Bankers Trust Australia until 1998, initially as the economic strategist and then as executive director responsible for risk management and derivatives in foreign exchange, interest rates and commodities.</p> <p>Ms Broadbent was also a Member of the Reserve Bank of Australia Board between 1998 and 2013 and has previously served as Chair of the Board of Clean Energy Finance Corporation (CEFC), and as a director of ASX Limited, SBS, Coca Cola Amatil, Woodside Petroleum, Qantas and Westfield Management Ltd. She has an Honorary Doctorate Degree from the University of Western Sydney.</p>
<p>Gordon M Cairns, MA (Hons) (Edin)</p> <p>Independent Director of MGL since November 2014</p>	<p>Gordon Cairns has held a range of management and executive roles throughout his career with Nestle, Cadbury Ltd and Pepsico culminating as Chief Executive Officer of Lion Nathan Limited from 1997 to 2004. He has extensive experience as a company director, including nine years as a non-executive director of Westpac Banking Corporation, where he served on the Board Risk Management and Remuneration Committees.</p> <p>Mr Cairns has served as a director on the boards of Lion Nathan Australia Limited and Seven Network Australia Limited, and as Chairman of David Jones Limited and Rebel Group Pty Limited.</p>

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Name and Tenure	Experience
<p>Philip M Coffey, BEC (Hons) (Adelaide), GAICD, SF Finsia</p> <p>Independent Director of MGL since August 2018</p>	<p>Phil Coffey served as the Deputy Chief Executive Officer (CEO) of Westpac Banking Corporation, from April 2014 until his retirement in May 2017. As the Deputy CEO, Mr Coffey had the responsibility of overseeing and supporting relationships with key stakeholders of Westpac including industry groups, regulators, customers and government. He was also responsible for the Group's Mergers & Acquisitions function. Prior to this role, Mr Coffey held a number of executive positions at Westpac including Chief Financial Officer and Group Executive, Westpac Institutional Bank.</p> <p>He has successfully led operations based in Australia, New Zealand, United States and the United Kingdom and Asia and has extensive experience in financial markets, funds management, balance sheet management and risk management. He began his career at the Reserve Bank of Australia and has also held executive positions at AIDC Ltd and Citigroup.</p>
<p>Michael J Coleman, MCom (UNSW), FCA, FCPA, FAICD</p> <p>Independent Director of MGL since November 2012</p>	<p>After a career as a senior audit partner with KPMG for 30 years, Mr Coleman has been a professional non-executive director for the past eight years. He has significant experience in risk management, financial and regulatory reporting and corporate governance.</p> <p>Mr Coleman has been the Chairman of ING Management Limited, a member of the Audit Committee of the Reserve Bank of Australia and a member of the Financial Reporting Council, including terms as Chairman and Deputy Chairman. During his time at KPMG, Mr Coleman was a financial services specialist, providing audit and advisory services to large banks, investment banks and fund managers. He was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010 and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011.</p>
<p>Diane J Grady AM, BA (Mills), MA (Hawaii), MBA (Harv), FAICD</p> <p>Independent Director of MGL since May 2011</p>	<p>Diane Grady has extensive international experience in a variety of industries having spent 25 years as a full-time independent director of public companies and not-for-profit boards and as a partner with McKinsey&Co where for 15 years she consulted with clients in financial services, insurance, retailing, telecommunications, consumer goods and manufacturing industries.</p> <p>Ms Grady's previous boards include Woolworths, BlueScope, Lend Lease, MLC, Goodman Group and the Sydney Opera House. She has also served as President of Chief Executive Women and Chair of Ascham School. At McKinsey Ms Grady was a firm-wide leader of the Organisation, Culture and Change Management Practice and in Australia she focused on assisting clients to grow through service improvement, innovation, and marketing strategies. She has a Masters of Chinese Studies and worked for three years as a journalist in Asia.</p>
<p>Michael J Hawker AM, BSc (Sydney), FAICD, SF Fin, FAIM, FloD</p> <p>Independent Director of MGL since March 2010</p>	<p>Mr Hawker has substantial expertise and experience in the financial services industry including management experience in regulated entities in Australia and internationally, and a deep understanding of risk management. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008 and held senior positions at Westpac and Citibank.</p> <p>Mr Hawker was also President of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, a board member of the Geneva Association and a member of the Financial Sector Advisory Council.</p>
<p>Glenn R Stevens AC, BEC (Hons) (Sydney), MA (Econ) (UWO)</p> <p>Independent Director of MGL since November 2017</p>	<p>Glenn Stevens worked at the highest levels of the Reserve Bank of Australia (RBA) for 20 years and, as well as developing Australia's successful inflation targeting framework for monetary policy, played a significant role in central banking internationally. Most recently, he was Governor of the Reserve Bank of Australia between 2006 and 2016.</p> <p>Mr Stevens has also made key contributions to a number of Australian and international boards and committees, including as chair of the Australian Council of Financial Regulators between 2006 and 2016, as a member of the Financial Stability Board and on a range of G20 committees.</p>
<p>Nicola M Wakefield Evans, BJuris/BLaw (UNSW), FAICD</p> <p>Independent Director of MGL since February 2014</p>	<p>Nicola Wakefield Evans is an experienced non-executive director and corporate finance lawyer. As a lawyer, Nicola has significant Asia-Pacific experience and was a partner at King & Wood Mallesons (and its predecessor, Mallesons Stephen Jaques) for more than 20 years. Ms Wakefield Evans has particular expertise in the financial services, resources and energy, and infrastructure sectors.</p> <p>She held several key management positions at King & Wood Mallesons including Managing Partner International in Hong Kong and Managing Partner, Practice in Sydney.</p>

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Director independence

Macquarie recognises that independent directors have an important role in assuring shareholders that the Board is able to act in the best interests of Macquarie and independently of management. Non-Executive Directors (NEDs) meet regularly in the absence of management and directors are also able to consult independent experts at Macquarie's expense, subject to the estimated costs being approved by the Chairman in advance as being reasonable. The Board Charter requires that the Board has a majority of NEDs who satisfy Macquarie's criteria for independence.

The independence of NEDs is assessed prior to appointment and reviewed annually by the BGCC. The Board believes that independence is evidenced by an ability to constructively challenge and independently contribute to the work of the Board. Macquarie's criteria for assessing director independence align with the guidance provided by the ASX Corporate Governance Council.



Macquarie's Director Independence Criteria is available at macquarie.com/leadership-corporate-governance

91 % of the Board are independent directors

100 % of Board Committee members are independent directors

The findings of the annual review of Director independence by the BGCC are considered by the Board. As part of the review, Macquarie's criteria for assessing director independence are sent to each Independent Director. They are asked to confirm whether they have any material interests or relationships with Macquarie that could interfere with the exercise of their independent judgement. This year, there were no material or substantial relationships that were assessed as impacting on the independence of Macquarie's NEDs. Some of the Directors hold or have previously held positions in companies and professional service providers with which Macquarie has commercial relationships. All these dealings are not material and are in the ordinary course of business on arm's length commercial terms.

Consistent with the ASX Recommendations, the following interests or associations of the type described in the commentary to the relevant recommendation were considered by the BGCC:

- A family member of Mr Coleman has been employed by Macquarie for a number of years prior to his appointment and is currently a Division Director; and
- Mr Warne has served on the Board for 11 years.

The BGCC concluded that the above did not impact their independence because in the course of Board deliberations, Mr Coleman and Mr Warne demonstrate an objective assessment of all matters before the Board.

Dealing with potential conflicts of interest

Macquarie recognises that conflicts of interest or potential conflicts of interest may arise from time to time for its Directors. Macquarie has in place procedures that utilise the interests disclosed by Directors to assist in detecting and dealing with conflicts of interest within Macquarie.

The Board has guidelines for its members for declaring and dealing with potential conflicts of interest that include:

- Board members declaring their interests as required under the *Corporations Act 2001* (Cth) (the Act), the ASX Listing Rules and general law requirements
- Board members with a material personal interest in a matter before the Board not receiving the relevant Board paper and leaving a Board meeting during the consideration of the matter and subsequent vote, unless the Board (excluding the relevant Board member) resolves otherwise
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

Macquarie Bank is a subsidiary of Macquarie. The Macquarie Bank Board is ultimately responsible for the sound and prudent management of Macquarie Bank with due consideration for the interests of deposit holders. Where potential conflicts arise, Management will assist by giving Directors of the relevant Board sufficient information to manage conflicts appropriately. Each Director has the ability to consult independent experts where that Director considers it necessary to carry out their duties and responsibilities.

Board renewal, appointment and performance

The Board, with the assistance of the BNC, regularly assesses the skills, experience, tenure and diversity required collectively for the Board to effectively fulfil its role. Macquarie's *Policy on Board Renewal, Appointment of Directors and Board Performance Review* sets out the fundamental factors relevant to the selection and appointment of new Directors and the process for assessing performance of the Board.



Macquarie's Policy on Board Renewal, Appointment of Directors and Board Performance Review is available at macquarie.com/leadership-corporate-governance

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Director appointment, induction and development

In accordance with Macquarie's *Fit and Proper Policy*, prior to the Board appointing a Director, appropriate background checks are undertaken. Directors appointed to fill a casual vacancy stand for election at the first AGM following their appointment. The notice of meeting provides shareholders with material information relevant to a decision as to whether to elect a Director including their skills, experience, other directorships and an acknowledgement that they will have sufficient time to fulfil their responsibilities as a Director.

All new Directors receive an appointment letter setting out the terms of their appointment. The material terms of appointment are set out in Macquarie's *Policy on Board Renewal, Appointment of Directors and Board Performance Review*. New Directors also undertake an induction program covering relevant matters such as Board practices and procedures, prudential requirements and briefings with senior management.

NEDs identify business awareness needs on an ongoing basis and regular Board workshops are held during the year. In 2019, the workshops included presentations on cyber security, climate change, and risk culture. In addition to workshops, the Board schedules two separate visits to Macquarie overseas offices annually.

Board performance

A Director's continuing Board membership is subject to their performance and ongoing relevance of their skills and experience. The Board reviews its performance and the performance of each Director on an annual basis with emphasis on those individual Directors who are required to stand for re-election at the next AGM. Every three years an external facilitator conducts the Board's performance review.

The process for conducting the review is agreed by the Board. Typically the process includes individual interviews by the Chairman or an external facilitator with each Director and the use of a questionnaire to cover 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
- the operation of the Board, including the conduct of Board meetings and group behaviours.

A nominated Independent Director or an external facilitator provides performance feedback to the Chairman based on discussion with the other Directors.

A written report summarising the results, issues for discussion and recommendations is presented to the Board and discussed at a Board meeting.

The Board's review in the past year was conducted with the assistance of an external facilitator in accordance with the process described above.

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Board and Board Committee membership

All Board members are sent Board Committee meeting agendas and may attend any meeting. The Chairman of the Board and the CEO attend Board Committee meetings by invitation as a matter of course. The table below sets out the current composition of the Board, each Director's date of appointment and the membership of each Board Committee. Members' attendance at Board and Board Committee meetings during the past year is set out in the Directors' Report in Macquarie's Annual Report available on the website.

Board Committee performance

As part of the Board's annual performance evaluation, the functioning of the Board Committees is reviewed. Each Board Committee also undertakes a periodic review of its performance, at least biennially. The process for the review of Board Committee performance also includes use of a questionnaire and discussion of the outcomes, including recommendations, which is led by the Chair of the respective Board Committee. Each Board Committee undertook a review of its performance in FY2018.

	Macquarie Board	Audit	Governance and Compliance	Nominating	Remuneration	Risk
Macquarie Independent Directors (when joined the Board)						
Peter Warne (August 2007)	Chairman			Chairman	Member	Member
Gary Banks AO (August 2013)	Member		Member	Member	Member	Member
Jillian Broadbent AC (November 2018)	Member			Member		Member
Gordon Cairns (November 2014)	Member			Member	Member	Member
Philip Coffey (August 2018)	Member			Member		Member
Michael Coleman (November 2012)	Member	Chairman	Member	Member		Member
Diane Grady AM (May 2011)	Member		Member	Member	Member	Member
Michael Hawker AM (March 2010)	Member	Member		Member	Chairman	Chairman
Glenn Stevens AC (November 2017)	Member	Member		Member		Member
Nicola Wakefield Evans (February 2014)	Member	Member	Chairman	Member		Member
Macquarie Managing Director and Chief Executive Officer (when joined the Board)						
Shemara Wikramanayake (August 2018)	Member					

Corporate Governance Statement

Risk governance

Macquarie's approach to risk management is based on stable and effective core risk management principles. These are detailed in Macquarie's Risk Management Report in the Annual Report.

The Board monitors significant business risks and reviews how they are managed. It forms a view of Macquarie's risk culture and approves Macquarie's *Risk Appetite Statement* and *Risk Management Strategy*. It also determines delegations to Management, approves applicable risk limits and policies, and reviews business developments for consistency with Macquarie's *Risk Appetite Statement* and *Risk Management Strategy*.

During each year, including the most recent year, the Board monitors Macquarie's risk management framework to satisfy itself that the framework continues to be sound. Key components of the framework are reviewed by the relevant Risk Management Group (RMG) divisions and the results are reported to the Board. All key elements of the framework – including those aspects managed by RMG – are reviewed by the Internal Audit Division over a three-year period. Additionally, during the year, senior management reported to the Board on the effectiveness of risk management and internal control systems in addressing material risks.

All Independent Directors are members of the BRiC. The BRiC assists the Board by providing oversight of the implementation and operation of Macquarie's risk management framework, Macquarie's risk profile, risk appetite and risk culture. The BRiC constructively challenges management's proposals and decisions on risk management arising from the Group's activities. It receives information on breaches of the policy framework and external developments that may have a material impact on the effectiveness of the risk management framework. The Board is also assisted by the BAC, BRC and BGCC as summarised under the Allocation of Responsibilities between Board Committees set out earlier in this statement.

Macquarie's risk culture

Macquarie recognises that a sound risk culture is a fundamental requirement of an effective risk management framework. It has been integral to Macquarie's framework since inception. The long-held foundations of Macquarie's risk culture are the principles of *What We Stand For – Opportunity, Accountability and Integrity*. Staff are made aware that these principles must form the basis of all behaviours and actions.

Macquarie drives behaviours in keeping with these principles through comprehensive and purpose-designed management frameworks and controls including policies, standards and processes. Senior management measures and monitors risk culture indicators and seeks opportunities for improvement. Management learns from the past and from industry, and uses that knowledge to strengthen Macquarie's risk culture.

Macquarie has robust remuneration and consequence management policies that further support the expected behaviours.

Primary responsibility for risk management in Macquarie, including risk culture, is at the business level. The Board, assisted by the BRiC, is responsible for:

- Reviewing, endorsing and monitoring Macquarie's approach to risk culture and conduct
- Forming a view on Macquarie's risk culture and the extent to which it supports the ability of Macquarie to operate consistently within its risk appetite.

Macquarie's long standing approach to risk culture assists the Board and management in meeting their responsibilities.

Chief Risk Officer (CRO)

The Head of RMG, as Macquarie's CRO, is a member of Macquarie's Executive Committee and reports directly to the CEO. The CRO has a secondary reporting line to the BRiC which reviews and endorses the appointment and removal of the CRO. The CRO presents on risk matters at the BRiC meeting. Where there is no scheduled BRiC meeting, the CRO presents risk matters to the Board.

Management Committees

At the executive management level, senior management committees regularly focus on strategic issues, operational issues, material transactions, the management of risk, and review the performance of Macquarie. There are also other committees where senior specialists focus on specific risks, for example, the Market Risk and Asset and Liability Committees.

Internal audit

The Internal Audit Division provides independent and objective risk-based assurance to the Board Audit Committee (BAC), other Board Committees and Senior Management on the compliance with, and effectiveness of, Macquarie's financial and risk management framework.

Internal Audit assesses whether material risks have been properly identified and key controls have been properly designed and are operating effectively and sustainably to mitigate those material risks. The Head of Internal Audit reports to the BAC and has unrestricted access to the Committee and its Chairman. At each BAC meeting the Head of Internal Audit meets privately with the non-executive BAC members. The Head of Internal Audit reports operationally to the CRO for day-to-day management. The BAC reviews and monitors the remuneration of the Head of Internal Audit, after seeking input from the CRO. The BAC approves any appointment, replacement, reassignment or dismissal of the Head of Internal Audit.

Corporate Governance Statement

Environmental, Social and Governance risk

Macquarie's Board and management recognise the importance of appropriate and current Environmental, Social and Governance (ESG) practices as part of their responsibility to clients, shareholders, communities and the environment in which Macquarie operates.

Macquarie's ESG approach is structured around focus areas considered to be material to our business. Building on *What We Stand For* and Macquarie's *Code of Conduct*, these focus areas reflect the risks and opportunities identified by the business and the issues of interest to our stakeholders.

Macquarie manages ESG and safety risks in its business activities; pursues investments, markets and products with an ESG focus, including in renewable energy and energy efficiency; and advances the sustainability of its direct operations. Macquarie values its people and continues to invest in the development and well-being of its diverse talent base.

Further information on Macquarie's management of its material economic, environmental and social sustainability risks is provided in the Operating and Financial Review in Macquarie's Annual Report and within the ESG Report.



Additional information is available on Macquarie's website at macquarie.com/esg and macquarie.com/risk-management

Oversight of Remuneration

Macquarie's remuneration framework continues to support the overarching objective of delivering superior company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of Conduct* and *What We Stand For*.

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 whether Macquarie's remuneration approach remains appropriate and that it creates a strong alignment of staff and shareholders' interests while prudently managing risk.

Non-Executive Director remuneration

Macquarie's NEDs are remunerated for their services from the maximum aggregate annual amount approved by shareholders, currently \$A4.6 million. They do not receive payments on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration.



Details of Macquarie's approach and the amount of remuneration paid to NEDs are contained in the Remuneration Report in Macquarie's Annual Report which is available on Macquarie's website at macquarie.com/investors

To align the interests of the Board with shareholders, NEDs are required to have a meaningful direct shareholding in MGL. Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive profit-share payments. The Board minimum shareholding requirement is:

- for NEDs other than the Chair, an investment equivalent to one times the average annual NED fee for the financial year ending prior to their appointment
- for the Chair, an investment equivalent to one times the annual Chair fee,

with the minimum number of shares to be acquired by NEDs determined using the share price as at the date of a NED's/Chair's appointment.

The above requirements apply to NEDs appointed after March 2018 and are to be met within three years from appointment with one third of the requirement to be held after one year, two thirds after two years and in full after three years. Transitional arrangements apply for the previously appointed NEDs whose tenure is less than five years.

Each NED's remuneration and current Macquarie shareholding are set out in the Key Management Personnel disclosure in the Remuneration Report in Macquarie's Annual Report.

Employment, performance and remuneration of senior executives

All senior executives receive an employment contract setting out the terms of their employment. The material terms of their employment are set out in the Remuneration Report in Macquarie's Annual Report.

Formal processes have been adopted by Macquarie to review the performance of Macquarie's most senior executives. The BRC oversees the process for the annual performance review of the CEOs of Macquarie and Macquarie Bank, and other Executive Key Management Personnel (Operating Group Heads, the CRO, the CFO and the Chief Operating Officer).

As part of the annual review, the CEO prepares a formal report on her performance and presents it to the NEDs. The NEDs review the CEO's performance by considering a range of factors including financial performance, risk management and compliance, business leadership and customer outcomes, and people leadership and professional conduct consistent with the *Code of Conduct* and *What We Stand For*. A similar process is followed to review the performance of the CEO of Macquarie Bank.

The CEO evaluates, at least annually, the performance of the Executive Key Management Personnel. Performance criteria vary according to the individual's role but include (as appropriate) financial performance, risk management and compliance, business leadership and customer outcomes, and people leadership and professional conduct consistent with the *Code of Conduct* and *What We Stand For*. The CEO reports to the Board and the BRC on the performance of these key executives and the BRC recommends individual senior executive remuneration for Board approval.

Corporate Governance Statement

The Board and the CEO seek to ensure that remuneration for the CRO is determined in a way that preserves the independence of this function and maintains Macquarie's robust risk management framework.

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 also set out in the Remuneration Report.

A performance evaluation for senior executives has taken place during the year in accordance with the process described above.

Executive Remuneration

Macquarie's approach to remuneration has evolved over time but its key elements have remained consistent. The Board believes this approach, which creates a strong alignment between staff and shareholders, is integral to Macquarie's sustained success. It is characterised by an emphasis on performance-based remuneration, comparatively low fixed remuneration, profit share determined as a share of profits and significant retention with long deferral periods.

Macquarie's remuneration framework works as an integrated whole. An individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units. Macquarie retains a percentage of certain individuals' annual profit share allocation (retained profit share) which is invested in a combination of Macquarie shares under the Macquarie Group Employee Retained Equity Plan and Macquarie-managed fund equity. For the CEO of Macquarie the profit share retention is 80%, split between Macquarie shares (90%) and Macquarie managed fund equity (10%). Since 2012, the Board or its delegate has had the ability to reduce or eliminate unvested profit share for certain senior employees in certain circumstances (Malus).

Financial reporting

On behalf of the Boards of Macquarie and Macquarie Bank, the BAC monitors:

- **the integrity of Macquarie's financial reporting and the operation of the financial reporting processes.** The processes are aimed at providing assurance that the financial statements and related notes are complete, in accordance with applicable legal requirements and accounting standards and give a true and fair view of Macquarie's financial position. During its review of Macquarie's interim and year-end financial reports the BAC meets with the external auditor in the absence of management

- **the external auditor engagement.** The BAC reviews the appointment, the terms of the engagement and the performance of the external auditor before making recommendations to the Board on the appointment or removal of the external auditor
- **the operation of Internal Audit.** The BAC monitors and reviews the independence of the Head of IAD and their performance and remuneration (after seeking input from the Chief Risk Officer), and approves their appointment. The BAC also approves the IAD annual plan and monitors and reviews the effectiveness of Internal Audit
- **Macquarie's control framework for financial regulatory reporting to banking regulators.**

Auditor independence

Before the approval of the interim and year-end financial reports, the BAC reviews the independence of the external auditor.

Macquarie's *Auditor Independence Policy* requires BAC approval, or if between meetings the approval of the BAC Chairman, for material non-audit work performed by its auditor. Also under the policy, which reflects Australian legal requirements, Macquarie's lead auditor and review auditor must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

Mr Kim Smith of PricewaterhouseCoopers was Macquarie's lead auditor for FY2019. For FY2020, Ms Kristin Stubbins of PricewaterhouseCoopers will be Macquarie's lead auditor. Macquarie's auditor is required to attend each AGM and be available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report.



The BAC Charter and the External Auditor Policy Statement describe key aspects of Macquarie's Auditor Independence Policy and external auditor review process, and are available on Macquarie's website at macquarie.com/leadership-corporate-governance

Chief Executive Officer and Chief Financial Officer declaration

Before the Macquarie and Macquarie Bank Boards consider the interim and year-end financial statements each Board receives written confirmation from their respective CEO and CFO that, in their opinion, the financial records have been properly maintained; the financial statements comply with the appropriate accounting standards and give a true and fair view of the company's financial position and performance; and the opinion is based on a sound system of risk management and internal control which is operating effectively in all material respects.

Corporate Governance Statement

Ethical and responsible decision-making

Code of Conduct

The *Code of Conduct*, which has been approved by the Board:

- incorporates *What We Stand For*: the principles of Opportunity, Accountability and Integrity that guide the way staff conduct business
- provides clear guidance to staff on good decision making and escalation, encouraging staff to speak up and report genuine concerns about misconduct
- reinforces Macquarie's policies, including the *Whistleblower Policy*, in relation to the protection of whistleblowers
- summarises the standards, policies and processes regarding conflicts of interest, disclosure and corruption.

To ensure that Macquarie's culture of honesty and integrity remains strong throughout the organisation, all staff who join Macquarie receive specific training on *What We Stand For* and the *Code of Conduct*. Existing staff also receive periodic training and sign an annual declaration that they have reviewed the *Code of Conduct*.



A copy of *What We Stand For* and the *Code of Conduct* are available on Macquarie's website at macquarie.com/what-we-stand-for



Opportunity

- We seek to identify opportunity and realise it for our clients, community, shareholders and our people. We start with real knowledge and skill.
- We encourage innovation, ingenuity and entrepreneurial spirit.
- We support our people to achieve and succeed. Our success is built on this.
- We value the opportunity to be part of the Macquarie team, respecting different ways of thinking and the contribution of others.



Accountability

- With opportunity, comes accountability.
- We are accountable for all our actions, to our clients, our community, our shareholders and each other. We never compromise our standards.
- We take responsibility for our actions and everything we say and do is on the record. We analyse and manage risk, and we make decisions we are proud of.



Integrity

- We always act honestly and fairly. We honour our promises.
- We earn the trust of our clients, colleagues, community and shareholders through the quality of our work and our high ethical standards.
- We have the courage to speak up when we make a mistake or see something that doesn't seem right.

Integrity office

Macquarie established its Integrity Office in 1998. Supporting the group-wide Integrity Officer are Integrity Officers located in Macquarie's regional offices around the world. In addition to providing an independent and confidential point of escalation for staff to raise concerns, the Integrity Office works with business groups to support staff in good decision-making and to promote the principles of *What We Stand For*. The Integrity Office is responsible for Macquarie's Whistleblower Program which provides numerous channels for staff and external parties to raise concerns about misconduct, including suspected breaches of the *Code of Conduct*, confidentially. The Program includes an externally managed staff hotline that enables concerns to be raised anonymously.

The Integrity Office is also a point of contact for external parties such as suppliers and former employees should they wish to raise concerns about misconduct by Macquarie staff.

The Integrity Office reports directly to the CEO and provides an annual report to the BGCC.

Customer Advocate

Macquarie established the Customer Advocate office in March 2017 to enhance our continuing commitment to our Australian retail and small business clients. In addition to customer support provided by the business, the Customer Advocate's role is to promote fair and reasonable customer complaint outcomes, to review and assist with determining escalated customer complaints, and to provide a customer-centric voice when making recommendations to improve customer experience.

Clients that receive a final decision from Macquarie's complaint resolution teams in the businesses may request a review of the decision by the Customer Advocate or an external dispute resolution service (such as the Australian Financial Complaints Authority).

The Customer Advocate reports directly to the CEO and provides an annual report to the BGCC.

Corporate Governance Statement

Diversity and Inclusion

At Macquarie, we greatly value the innovation and creativity that diversity of thought brings

The diversity of Macquarie's staff remains fundamental to its success. Macquarie's *Workforce Diversity Policy* defines Macquarie's diversity commitment and the structures in place to ensure its realisation.



The principles contained in Macquarie's *Workforce Diversity Policy* are incorporated in *Our commitment to diversity and inclusion* statement available on Macquarie's website at macquarie.com/diversity

Macquarie has implemented an extensive range of programs and initiatives to support the achievement of its diversity and inclusion strategy over the past year.



Macquarie's measurable objectives for achieving diversity are detailed in the *Diversity Report* in Macquarie's Annual Report available on Macquarie's website at macquarie.com/investors

Macquarie and the community

Macquarie engages in the wider community through various programs including the Macquarie Group Foundation (the Foundation), Macquarie Sports and through the Macquarie Group Collection. Together with Macquarie staff, the Foundation has in total contributed more than \$A360 million to thousands of community organisations since its inception in 1985. Staff also volunteer with a number of community organisations globally. In the year ended 31 March 2019, the Foundation and Macquarie staff contributed a record \$A31.7 million and approximately 53,000 hours to non-profit organisations.

In September 2018, Macquarie Group announced the Macquarie 50th Anniversary Award, a \$A50 million philanthropic commitment, to initiate or build on bold ideas to address social need.

It is expected to be awarded to five non-profit organisations (\$A10 million each) over a five-year period to fund projects globally that will have a lasting community benefit. The winners will be announced in August 2019.



\$A31.7 million
contributed in FY19



53,000
hours volunteered



Further information is available on Macquarie's website at macquarie.com/community

Dealing with potential conflicts

As a global organisation offering a diverse range of products and financial services, Macquarie may, from time to time, have interests which conflict with the interests of our clients, investors or counterparties. In accordance with Macquarie's *Code of Conduct*, applicable laws, regulations and principles and guidance, Macquarie seeks to manage conflicts of interest fairly.

Macquarie's *Conflicts of Interest Policy* sets out the framework, controls and administration for identifying, preventing and managing conflicts of interest – whether actual, potential or perceived.

Macquarie has established various systems and controls to prevent and manage conflicts of interest, many of which are outlined in Macquarie's policies in relation to conflicts of interest, investment research, gifts and entertainment, outside business activity, allocations and offers of financial products, remuneration and inducements. Conflict checks are required prior to entering into certain business arrangements.

It is the responsibility of each staff member to serve the best interests of Macquarie and its clients. Staff are expected to appropriately manage or avoid any conflict of interest between Macquarie or its clients and the interests of a staff member. Activities such as personal investment and outside business activities are subject to disclosure and pre-approval.

Macquarie prohibits Directors and staff from dealing in any security if they possess material non-public information about or affecting the relevant security.

Corporate Governance Statement

Trading Macquarie securities



Macquarie's Trading Policy sets out the restrictions that apply to dealing in Macquarie securities by Directors and Macquarie staff, including Key Management Personnel, and is available on Macquarie's website at macquarie.com/leadership-corporate-governance

Key principles of Macquarie's Trading Policy include:

- **trading prohibition while in possession of material non public information:** Dealing in Macquarie securities while in possession of inside information is prohibited.
- **trading windows:** Generally, Directors and staff may only trade in Macquarie securities and related derivatives during designated trading windows. These are typically of three to five weeks duration and follow Macquarie's announcement of its interim results, full year results and AGM
- **pre-clear securities trading:** Directors and staff must pre-clear their Macquarie securities trading
- **excluded dealings:** Certain types of transactions such as acquisition of securities under an employee share plan or participation in a dividend reinvestment plan may be effected outside a trading window without pre-clearance
- **deferred and unvested equity awards, retained shares and minimum shareholding requirements cannot be hedged:** Staff are not permitted to undertake any action that is designed to limit their exposure to Macquarie shares that are subject to retention arrangements, or their deferred and unvested equity awards. NEDs may not enter into a transaction that operates to limit the economic risk of their Macquarie shareholding below their minimum shareholding requirement.

Directors and staff are not permitted to take net short positions in Macquarie Group investments or Macquarie-managed funds.

Each member of the Board is encouraged to consider positions in a Macquarie security as a long-term investment and is not permitted to trade derivatives relating to a Macquarie security without the prior approval of the Chairman (or the CEO in the case of the Chairman). Board members and Key Management Personnel are also required to annually disclose to Macquarie any financing arrangements relating to their Macquarie securities and manage their financing arrangements in accordance with Macquarie's policies.

Corporate governance in Macquarie-managed funds

Macquarie's expertise in managing fund assets and sourcing new value-adding opportunities is a key attraction for investors in Macquarie-managed funds (Funds).

The Funds' governance standards adopt an appropriate governance framework to ensure that key decisions are taken in the best interests of investors consistent with the Funds' mandates and regulatory requirements.

The key elements of Macquarie's corporate governance framework for Funds are:

- appropriate management of conflicts of interest arising between a Fund and its related parties. Related party transactions should be identified clearly, conducted on arm's length terms and tested by reference to whether they meet market standards. Decisions by Funds about significant transactions with Macquarie or its affiliates should be made by parties independent of Macquarie
- appropriate resourcing of funds management businesses. In particular:
 - staff involved in managing a Fund should be dedicated to the relevant funds management business, rather than to advisory or other activities
 - all recommendations to Fund boards (and supporting information) should be prepared or reviewed by funds management staff
 - each listed Fund that invests in operating assets or businesses should have its own managing director or chief executive officer and a majority of independent directors on the Fund board
 - information barriers operate to separate Macquarie's corporate finance, advisory and equity capital markets businesses from its funds management businesses.

Corporate Governance Statement

Commitment to shareholders and an informed market

Macquarie believes that shareholders, regulators, rating agencies and the investment community should be informed of all material business events and risks that influence Macquarie in a factual, timely and widely available manner.

Macquarie has a continuous disclosure policy that is incorporated in its *Continuous Disclosure and External Communications Policy*.

It is Macquarie's policy that any price-sensitive material for public announcement, including annual and interim result announcements, release of financial reports, presentations to investors and analysts and other prepared investor presentations for Macquarie and Macquarie Bank will:

- be factual and reviewed internally before issue
- not omit material information
- be timely and expressed in a clear and objective manner.

Macquarie's continuous disclosure procedure includes reference to and consideration by Macquarie's Continuous Disclosure Committee as appropriate.



A summary of the Continuous Disclosure and External Communications Policy is available on Macquarie's website at macquarie.com/leadership-corporate-governance

Macquarie has an investor relations program to facilitate effective two-way communication with investors and analysts and to provide a greater understanding of Macquarie's business, performance, governance and financial prospects. Macquarie engages with institutional investors, private investors, sell-side analysts and buy-side analysts throughout the year via scheduled and ad hoc interactions.

Macquarie's website



Macquarie's website at macquarie.com/investors contains recent announcements, past and current reports to shareholders, including summaries of key financial data, operational briefing presentations, AGM webcasts and copies of recent notices of meeting.

There is also a link allowing investors to register to receive email notification of Macquarie public announcements. Shareholders can also elect to receive communications electronically by contacting Macquarie's share registry, BoardRoom.

Shareholder meetings

Macquarie encourages shareholders to participate in general meetings and aims to choose a date, time and venue convenient to its shareholders. For shareholders who are unable to attend in person, Macquarie provides a webcast of its Annual General Meeting (AGM) and any other general meetings. The results of all resolutions are lodged with ASX after the meeting as soon as they are available.

Macquarie typically holds its AGM in July of each year. This year, Macquarie's AGM will be held in Sydney, Australia.

Notices of meeting are accompanied by explanatory notes on the items of business and together they seek to clearly and accurately explain the nature of business of the meeting.

Shareholders, if unable to attend the meeting, are encouraged to vote on the proposed motions by appointing a proxy. The proxy form included with a notice of meeting will explain how to appoint a proxy.

Online proxy voting is also available to shareholders. Unless specifically stated in a notice of meeting, all holders of fully paid ordinary shares are eligible to vote on all resolutions.

Macquarie seeks to conduct its shareholder meetings in a manner which is courteous for those attending. In the interests of attending shareholders, the chair of the meeting will exercise his or her powers as the chair to ensure that the meeting is conducted in an orderly and timely fashion.



A shareholder calendar is available on Macquarie's website at macquarie.com/investors

Corporate Governance Statement

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Information referred to in this Corporate Governance Statement
as being on Macquarie's website, unless indicated otherwise,
may be found at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)