



**Macquarie remains well placed because of its diversity of business mix and geography, strong capitalisation and well-funded balance sheet, and a conservative approach to risk management.”**

## Letter from the **Chairman**

The final months of our 2020 financial year (FY2020) were overshadowed by the COVID-19 pandemic, the effects of which will continue to be felt for some time to come. First and foremost an international public health crisis, COVID-19 has also resulted in profound economic consequences for many countries.

Governments around the world have responded with public health measures to curtail the spread of the coronavirus, and this has necessarily led to a sudden pause in activity in large parts of many economies. To cushion economic impacts such as reduced business and consumer confidence and volatile financial markets, governments have also implemented spending and other stimulus measures at unprecedented levels.

Controlling the spread of COVID-19 remains critical to a sustained economic and market recovery and we have confidence that the necessary preventative public health measures and medical solutions will continue to be developed and deployed. The timing and pace of economic recovery will depend on the effectiveness of measures to contain the virus, which in turn will determine the duration of restricted economic activities.

Macquarie has not been immune to the effects of these once-in-a-century global circumstances, as reflected by volatility in our share price in late March. Notably, the trajectory of Macquarie's share price was broadly consistent with global peers either side of the end of FY2020. Macquarie's longstanding remuneration approach continues to ensure that our staff are aligned with shareholders through all market cycles.

Importantly, the strong, longstanding fundamentals that have resulted in Macquarie being profitable every year since inception are unchanged. Macquarie remains well placed because of its diversity of business mix and geography, strong capitalisation and well-funded balance sheet, and a conservative approach to risk management.

Within this Annual Report, you can read about the initiatives that are taking place across our businesses to support clients and the communities in which we operate, including specifically in response to COVID-19.

## Regulation

Regulation was an ongoing area of focus for the Board and Management in FY2020. Regulation continued to increase in complexity and Management continued to invest significant resources to ensure that the requirements and expectations of more than 200 regulators worldwide are met.

The Board spends considerable time each year providing active oversight, which includes being briefed by Management and staff, observing Macquarie's operations first-hand, and constructively interrogating policies and practices.

Given the responsibilities of financial institutions to communities, it is entirely appropriate that regulation is used as a means of setting standards for the way in which we operate. Achieving the balance between appropriate regulation and sufficient flexibility in the financial system so that it is an enabler of economic growth is a complex question and part of the Board's responsibilities to shareholders is to ensure that we are actively engaged with regulators to help inform them.

## Professional conduct

The Board and Management are committed to achieving the highest standards of professional conduct across all Macquarie operations. Compliance with all regulatory requirements and our company-specific policies and procedures are core to our business and have been since inception.

Our *Code of Conduct* and the principles of *What We Stand For: Opportunity, Accountability and Integrity* guide the way that Management and staff are expected to manage their responsibilities and conduct themselves. There are consequences for anyone who fails to meet these high standards. It is a fundamental responsibility for all Management and staff to deal honestly and fairly in their relationships with our clients and counterparties.

To assist the Board, Management and staff to meet their responsibilities, we regularly review and enhance our reporting, training, monitoring and surveillance activity. We have an established Conduct Risk Management Framework that details our approach to managing conduct risk. This 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 Macquarie itself. Supervisors are accountable for outcomes in the businesses they supervise.

We take a dynamic approach to regularly enhancing our risk culture and Conduct Risk Management Framework in response to changes in our business operations, outcomes of our oversight activities and the expectations of regulators and the communities in which we do business. The integrity of Macquarie's robust risk management framework has been successfully tested in the extreme scenario of over 98% of Macquarie staff working remotely in response to the COVID-19 crisis. Effective oversight continues to be applied across the Operating and Central Service Groups and the Risk Management Group continues to monitor the impact of COVID-19 and business-as-usual activity on Macquarie's risk profile.

## Environmental, social and governance

The Board and Management recognise the importance of sound Environmental, Social and Governance (ESG) practices as part of our responsibility to clients, shareholders, communities and the environment in which we operate. In FY2020, we continued to embed ESG risk management across the organisation and support the transition to a low carbon and climate-resilient economy. The ESG section of this Annual Report and the website provide further details on our approach to ESG matters.

During FY2020, Macquarie's CEO, Shemara Wikramanayake, served as a Commissioner of the Global Commission on Adaptation, a World Bank-led initiative that seeks to accelerate climate adaptation action and create concrete solutions that enhance resilience. Shemara was also appointed by the UN's Special Envoy for Climate Action, Michael Bloomberg, to the Climate Finance Leadership Initiative that seeks a six-fold increase in climate mitigation investment from the private sector.

## Board changes

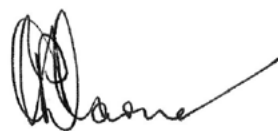
During FY2020 we announced Gordon Cairns' and Gary Banks' intention to retire from the Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL) boards in the latter part of the 2020 calendar year. Gordon and Gary have made an outstanding contribution to the MGL and MBL boards over many years and I hope shareholders will join me in recognising their efforts at the 2020 Annual General Meeting in July.

The Macquarie boards reflect a longstanding focus on balancing experience and longevity with appropriate renewal. With this in mind, shareholders formally elected Jillian Broadbent AC and Phil Coffey to the MGL and MBL boards at our Annual General Meeting in July 2019. I am pleased to say Jillian, Phil and all the directors of the Macquarie boards bring the diversity of expertise, focus and international experience required to represent the shareholders of our global business.

## Dividends

The Board resolved to pay a final ordinary dividend of \$A1.80 per share (40% franked). This results in a total ordinary dividend for the year ended 31 March 2020 of \$A4.30 per share, down from \$A5.75 in the prior year. While Macquarie's capital position has never been stronger, this decision reflects APRA's guidance in relation to capital management, including the need to conserve capital and use capacity to support the economy, as well as the continuing uncertainty as to the impacts of COVID-19.

On behalf of the Board, we would like to thank Macquarie's staff for their efforts, and our clients and shareholders for their ongoing support.



**Peter Warne**  
Independent Director and Chairman

Sydney  
8 May 2020