

**Macquarie Group Limited**  
ABN 94 122 169 279

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AUSTRALIA

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17 June 2019



Company Announcements Office  
Australian Securities Exchange Limited  
via ASX Online

Dear Sir/Madam

**Macquarie Group Limited (ASX Code: MQG) – Notice of 2019 Annual General Meeting**

Pursuant to ASX Listing Rule 3.17.1, please find attached copies of the Notice of 2019 Annual General Meeting (Notice) and proxy form, which are being despatched to shareholders today. The meeting will be held at the Sheraton Grand Sydney Hyde Park, Grand Ballroom, 161 Elizabeth Street, Sydney, New South Wales on Thursday, 25 July 2019.

The meeting will cover the items of business transacted annually, a proposed increase in the maximum aggregate amount of Non-Executive Directors' fees and an approval relating to the Macquarie Group Capital Notes 4 issued earlier this year.

As noted in the Notice, while not expecting to increase the size of the Board permanently, as part of Board renewal and succession, the Board proposes to appoint up to two further Non-Executive Directors to allow for an orderly transition ahead of Director retirements and for new Directors to acquire a sufficient level of knowledge of Macquarie's operations to adequately discharge their responsibilities. Two of our Non-Executive Directors have indicated an intention to retire next year: Gary Banks at the 2020 Annual General Meeting and Gordon Cairns in the latter part of calendar 2020.

Yours faithfully

Dennis Leong  
Company Secretary



# Notice of 2019 Annual General Meeting

**Macquarie Group**

**10:30 am on Thursday, 25 July 2019**  
Sheraton Grand Sydney Hyde Park  
Grand Ballroom  
161 Elizabeth Street  
Sydney, New South Wales

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Facsimile (61 2) 8232 7780  
Internet [macquarie.com](http://macquarie.com)

7 June 2019



Dear Shareholder

Please find enclosed notice of the 2019 Annual General Meeting of Macquarie Group Limited (Macquarie) which will be held at the Sheraton Grand Sydney Hyde Park, Grand Ballroom, 161 Elizabeth Street, Sydney, New South Wales on Thursday, 25 July 2019. The meeting is scheduled to commence at 10:30 am and will also be webcast live on Macquarie's website at [macquarie.com](http://macquarie.com)

The Managing Director and Chief Executive Officer, Shemara Wikramanayake, and I will comment briefly on the performance of the Macquarie Group during the year to 31 March 2019 at the meeting. You are also referred to the comments in Macquarie's 2019 Annual Report, which is available on Macquarie's website, for further information. The meeting will cover the items of business transacted annually, a proposed increase in the maximum aggregate amount of Non-Executive Directors' fees and an approval relating to the Macquarie Group Capital Notes 4 issued earlier this year. Each of the Directors standing for election/re-election will also address the meeting. Shareholders will then be invited to join members of the Board and senior management for light refreshments before considering the formal items of business. If you are unable to attend the meeting, we invite you to appoint a proxy to attend and vote on your behalf, either online using the share registry's website at [www.votingonline.com.au/mqgagm2019](http://www.votingonline.com.au/mqgagm2019) or using the enclosed proxy form.

If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your registration which will commence at 9:45 am. I look forward to seeing you then.

Yours faithfully



**Peter Warne**  
Chairman





# Notice of Meeting

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# Notice of meeting

The 2019 Annual General Meeting (AGM) of Macquarie Group Limited (ACN 122 169 279) (Macquarie, MGL, the Company) will be held at the Sheraton Grand Sydney Hyde Park, Grand Ballroom, 161 Elizabeth Street, Sydney, New South Wales on Thursday, 25 July 2019, at 10:30 am. Registration will commence at 9:45 am.

## Items of business

### 1. Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of Macquarie for the financial year ended 31 March 2019.

### 2. Election of Voting Directors

#### 2a. Re-election of Mr MJ Hawker as a Voting Director Retiring by Rotation

To consider and, if thought fit, pass the following as an ordinary resolution:

*That Mr MJ Hawker be re-elected as a Voting Director of Macquarie.*

#### 2b. Re-election of Mr MJ Coleman as a Voting Director Retiring by Rotation

To consider and, if thought fit, pass the following as an ordinary resolution:

*That Mr MJ Coleman be re-elected as a Voting Director of Macquarie.*

#### 2c. Election of Mr PM Coffey as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

*That Mr PM Coffey, having been appointed as a Voting Director since the last Annual General Meeting, be elected as a Voting Director of Macquarie.*

#### 2d. Election of Ms JR Broadbent as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

*That Ms JR Broadbent, having been appointed as a Voting Director since the last Annual General Meeting, be elected as a Voting Director of Macquarie.*

### 3. Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution:

*To adopt the Remuneration Report of Macquarie for the year ended 31 March 2019.*

### 4. Approval of Managing Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

To consider and, if thought fit, pass the following as an ordinary resolution:

*That the following be approved for all purposes:*

- a) *participation in the Macquarie Group Employee Retained Equity Plan (MEREP) by Ms SR Wikramanayake, Managing Director and Chief Executive Officer; and*
- b) *acquisition by Ms SR Wikramanayake of Restricted Share Units and Performance Share Units and the acquisition of shares in the Company in respect of those Restricted Share Units and Performance Share Units, all in accordance with the terms of the MEREP and on the basis described in the Explanatory Notes to the Notice of Meeting convening this meeting.*

### 5. To increase the maximum aggregate annual Non-Executive Director remuneration

To consider and, if thought fit, pass the following as an ordinary resolution:

*That the aggregate annual remuneration of the Non-Executive Voting Directors for acting as Voting Directors, for the years from and including the year commencing 1 July 2019, be increased by \$400,000 from \$4,600,000 to such annual sum, not exceeding \$5,000,000, as the Voting Directors determine, to be divided in accordance with Macquarie's Constitution.*

### 6. Approval of the issue of Macquarie Group Capital Notes 4

To consider and, if thought fit, pass the following as an ordinary resolution:

*That the issue of 9,054,910 Macquarie Group Capital Notes 4 by the Company, on the terms and conditions as summarised in the Explanatory Notes to the Notice of Meeting convening this meeting and set out in the replacement prospectus issued by the Company and dated 5 March 2019, is ratified for all purposes, including for the purpose of ASX Listing Rule 7.4.*

## Chairman's voting intention

The Chairman of the Meeting intends to vote undirected proxies in favour of Items 2a, 2b, 2c, 2d, 3, 4, 5 and 6.

## Voting exclusions

### Item 3 – Remuneration Report

A vote on Item 3 must not be cast (in any capacity) by, or on behalf of:

- a) a member or a former member of the key management personnel (KMP) whose remuneration details are disclosed in Macquarie's 2019 Remuneration Report; or
- b) a closely related party of such a KMP, unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy form. A closely related party includes close family members and companies the KMP controls.

This restriction on voting undirected proxies does not apply to the Chairman of the Meeting acting as proxy for a person entitled to vote on Item 3 because Macquarie's proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies.

### Item 4 – Approval of Managing Director's Participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

Macquarie will disregard any votes cast in favour of Item 4 by or on behalf of the Managing Director and Chief Executive Officer (Managing Director) and any of her associates. However, Macquarie need not disregard a vote on Item 4 if:

- a) it is cast by the Managing Director or any associate of the Managing Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chairman of the Meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, a vote must not be cast on Item 4 by a member of the KMP of Macquarie, or a closely related party of a KMP, acting as proxy for a person entitled to vote, if their appointment does not specify the way the proxy is to vote on Item 4. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting acting as proxy for a person entitled to vote on Item 4 because Macquarie's proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies.

### Item 5 – To increase the maximum aggregate Non-Executive Director remuneration

Macquarie will disregard any votes cast in favour of Item 5 by or on behalf of a Voting Director of Macquarie or their associates. However, Macquarie need not disregard a vote on Item 5 if:

- a) it is cast by a Voting Director or any associate of the Voting Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chairman of the Meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, a vote must not be cast on Item 5 by a member of the KMP of Macquarie, or a closely related party of a KMP, acting as proxy for a person entitled to vote, if their appointment does not specify the way the proxy is to vote on Item 5. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting acting as proxy for a person entitled to vote on Item 5 because Macquarie's proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies.

### Item 6 – Approval of the issue of Macquarie Group Capital Notes 4

Macquarie will disregard any votes cast in favour of Item 6 by or on behalf of any person who participated in the issue of Macquarie Group Capital Notes 4 (MCN4) and any associate of those persons. However, Macquarie need not disregard a vote on Item 6 if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chairman of the Meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### ASX Waiver – Macquarie Group Capital Notes 4

ASX has granted a waiver allowing Macquarie to limit the application of listing rule 14.11 so that votes of shareholders who participated in the issue of Macquarie Group Capital Notes 4 (Notes Issue) may be counted, to the extent only that the holders are acting solely in a fiduciary, nominee, trustee or custodial capacity on behalf of beneficiaries who did not participate in the Notes Issue (the Nominee Holders), on the following conditions:

- a) the beneficiaries provide written confirmation to the Nominee Holders that they did not participate in the Notes Issue, nor are they an associate of a person who participated in the Notes Issue;
- b) the beneficiaries direct the Nominee Holders to vote for or against Item 6; and
- c) the Nominee Holders do not exercise discretion in casting a vote on behalf of the beneficiaries.

By order of the Board



**Dennis Leong**  
**Company Secretary**

Sydney  
7 June 2019

# Notice of Meeting

Continued

## Notes

### 1. Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you. A proxy need not be a shareholder of Macquarie. If you are entitled to cast two or more votes, you may nominate two persons to vote on your behalf at the meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. Fractions of votes will be disregarded. If no such number or proportion is specified, each proxy may exercise half your votes.

Votes may be cast 'For' or 'Against' or you may 'Abstain' from voting on a resolution. To direct a proxy how to vote on any resolution, place a mark (e.g. a cross) in the appropriate box on the proxy form or insert the number of shares or percentage of shares that you wish to vote in the appropriate box. A valid voting direction must not exceed the total number of shares held or 100 percent. If you 'Abstain' from voting, your votes will not be counted in computing the required majority on a poll.

For shareholders receiving the Notice of Meeting by post, a proxy form and a reply-paid envelope have been included with this Notice of Meeting. Proxy voting instructions are provided on the proxy form.

### 2. Online Proxy Facility

You may also submit your proxy appointment online at [www.votingonline.com.au/mqgagm2019](http://www.votingonline.com.au/mqgagm2019)

Login to the Boardroom website using the holding details as shown on your Proxy Form. To use the online lodgement facility, shareholders will need their Voting Access Code (VAC) as shown on your Proxy Form.

You will be taken to have signed the proxy appointment if you lodge it in accordance with the instructions on the website. If you wish to use this facility, you must submit your proxy appointment through the facility by **no later than 10:30 am Australian Eastern Standard Time (AEST) on Tuesday, 23 July 2019**. A proxy cannot be appointed online if they are appointed under a power of attorney or similar authority. If you wish to appoint a second proxy contact Macquarie's share registry, Boardroom Pty Limited, online or on 1300 554 096 (within Australia) or +61 1300 554 096 (internationally). Please read the instructions for the online proxy facility carefully before you submit your proxy appointment using this facility.

If you receive shareholder communications by email, your Notice of Meeting email will include a link to the online proxy appointment site and your Voting Access Code.

### 3. Proxy Delivery

Completed proxies must be received by Macquarie's share registry, Boardroom Pty Limited, online or at Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 (facsimile number +61 2 9290 9655) or at Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 or at Macquarie's registered office in Sydney, by **no later than 10:30 am (AEST) on Tuesday, 23 July 2019**.

Any revocations of proxies (including online proxy appointments) must be received at one of these places before the commencement of the meeting or at the registration desk at the Sheraton Grand Sydney Hyde Park for the 2019 Annual General Meeting from 9:45 am on the day of the meeting and no later than the commencement of the meeting.

### 4. Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by Macquarie's share registry, Boardroom Pty Limited, at the addresses or facsimile number in Note 3 above, or at Macquarie's registered office in Sydney, by **no later than 10:30 am (AEST) on Tuesday, 23 July 2019**, unless the power of attorney has been previously lodged with Macquarie's share registry.

### 5. Corporate Representatives

If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person should be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company. A form of appointment of corporate representative may be obtained from Macquarie's share registry.

### 6. Shareholders Eligible to Vote

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the holders of Macquarie's ordinary shares for the purposes of the meeting, will be those registered holders of Macquarie's ordinary shares at **7:00 pm (AEST) on Tuesday, 23 July 2019**.

## 7. Voting at the Meeting

Voting on each of the proposed resolutions at this meeting will be conducted by poll.

## 8. Conduct of the Meeting

Macquarie is committed to ensuring that its shareholder meetings are conducted in a manner which provides those shareholders (or their proxy holders) who are present at the meeting with the opportunity to participate in the business of the meeting in an orderly fashion and to ask questions about and comment on matters relevant to the business of the meeting or about Macquarie generally. Macquarie will not allow conduct at any shareholder meeting which is discourteous to those who are present at the meeting, or which in any way disrupts or interferes with the proper conduct of the meeting. The Chairman of the Meeting will exercise his or her powers as the Chairman to ensure that the meeting is conducted in an orderly and timely fashion, in the interests of all attending shareholders.

## 9. Questions and Comments by Shareholders

At the meeting, shareholders will be provided with a reasonable opportunity to ask questions about or make comments on the business of the meeting, the management of the Company or about Macquarie Group generally.

PricewaterhouseCoopers, Macquarie's external auditor, will attend the meeting and there will be an opportunity for shareholders to ask questions relevant to the audit.

## 10. Definitions

The terms 'Voting Director' and 'Executive Voting Director' used here and in the Explanatory Notes accompanying this Notice of Meeting have the meaning given in Macquarie's Constitution.

The Voting Directors as at the date of the Notice of Meeting are: Peter H Warne, Gary R Banks, Jillian R Broadbent, Gordon M Cairns, Philip M Coffey, Michael J Coleman, Diane J Grady, Michael J Hawker, Glenn R Stevens, Nicola M Wakefield Evans and Shemara R Wikramanayake. Ms Wikramanayake is the only Executive Voting Director.



# 02

The background of the entire page is a photograph of an offshore wind farm. Three white wind turbines with yellow bases are visible, standing in the ocean under a clear blue sky. The largest turbine is in the foreground, and two smaller ones are further back to the right.

Explanatory  
Notes

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## Item 1 – Financial Statements

As required by section 317 of the *Corporations Act 2001* (Cth) (the Act), the Financial Report, Directors' Report and Auditor's Report of Macquarie Group Limited for the most recent financial year will be laid before the meeting. There will be no formal resolution put to the meeting.

The reports are available on Macquarie's website at [macquarie.com/about/investors/reports](http://macquarie.com/about/investors/reports)

## Items 2a, 2b, 2c and 2d Election of Voting Directors

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

Prior to the Board appointing a Director, appropriate background checks are undertaken. Directors have been appointed on the terms described in Macquarie's Corporate Governance Statement and *Policy on Board Renewal, Appointment of Directors and Board Performance Review*, both of which are available on Macquarie's website.

Voting Directors, Mr MJ Hawker and Mr MJ Coleman retire by rotation and offer themselves for re-election. Mr PM Coffey and Ms JR Broadbent offer themselves for election under Article 9.8 of Macquarie's Constitution.

A brief summary of their qualifications and experience is provided below. Please refer to the Directors' Report in the Annual Report for further information.

### Item 2a – Re-election of Mr MJ Hawker as a Voting Director retiring by Rotation

**Michael J Hawker AM**  
**BSc (Sydney), FAICD, SF Fin, FAIM, FloD (age 59)**

*Independent Voting Director since March 2010 (of Macquarie Bank since March 2010)*

*Chairman of the Board Remuneration Committee*

*Chairman of the Board Risk Committee*

*Member of the Board Audit Committee*

*Member of the Board Nominating Committee*

## Experience

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 has held senior positions at Westpac and Citibank.

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.

## Other current positions

Mr Hawker is a Non-Executive Director of the BUPA Global Board UK and the BUPA ANZ Group, the Lead Independent Director of Washington H. Soul Pattinson and Company Limited, and a Non-Executive Director of Rugby World Cup Limited. He is also a board member of the Museum of Contemporary Art Australia.

The Board considers that Mr Hawker's substantial expertise and experience with Macquarie and other major companies (both in Australia and overseas) managing regulated financial services businesses significantly enhances the Board's ability to oversee Macquarie's operations and risk management, particularly through his roles as Chairman of the Board Risk Committee and the Board Remuneration Committee.

Prior to submitting himself for re-election, Mr Hawker confirmed that he would continue to have sufficient time to properly fulfil his Director and Chairman duties for Macquarie. In accordance with Macquarie's policy on independence for non-executive directors, the Board (with Mr Hawker abstaining) has determined that Mr Hawker remains independent.

The Board (with Mr Hawker abstaining) unanimously recommends that shareholders vote in favour of Mr Hawker's re-election as an Independent Voting Director.

# Explanatory Notes

Continued

## Item 2b – Re-election of Mr MJ Coleman as a Voting Director retiring by Rotation

**Michael J Coleman**  
**MCom (UNSW), FCA, FCPA, FAICD (age 68)**

*Independent Voting Director since November 2012 (of Macquarie Bank since November 2012)*

*Chairman of the Board Audit Committee*

*Member of the Board Governance and Compliance Committee*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

### Experience

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.

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 with 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.

### Other current positions

Mr Coleman is Chairman of Bingo Industries Limited, an Adjunct Professor at the Australian School of Business at the University of New South Wales and Chairman of Planet Ark Environmental Foundation. Mr Coleman is also a board member of Legal Aid NSW, a member of the National Board and of the NSW Council of the Australian Institute of Company Directors (AICD) and Chairman of the Reporting Committee of the AICD.

The Board considers that Mr Coleman's comprehensive experience in financial regulatory reporting in Australia and overseas, financial services expertise in audit and assurance, risk management and corporate governance provides the Board with strong technical and general financial skills, which are particularly valuable in Mr Coleman's role as Chairman of the Board Audit Committee.

Prior to submitting himself for re-election, Mr Coleman confirmed that he would continue to have sufficient time to properly fulfil his Director duties for Macquarie. In accordance with Macquarie's policy on independence for non-executive directors, the Board (with Mr Coleman abstaining) has determined that Mr Coleman remains independent.

The Board (with Mr Coleman abstaining) unanimously recommends that shareholders vote in favour of Mr Coleman's re-election as an Independent Voting Director.

## Item 2c – Election of Mr PM Coffey as a Voting Director

**Philip M Coffey**  
**BEC (Hons) (Adelaide), GAICD, SF Finsia (age 61)**

*Independent Voting Director since August 2018 (of Macquarie Bank since August 2018)*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

### Experience

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 Westpac'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.

He has successfully led operations based in Australia, New Zealand, United States, 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.

### Other current positions

Mr Coffey is a Non-Executive Director of Lendlease Corporation Limited and a member of the Clean Energy Finance Corporation Board.

The Board considers that Mr Coffey's substantial experience both in Australia and overseas in banking, financial services and financial markets materially adds to the Board's financial expertise and oversight of Macquarie.

Prior to submitting himself for election, Mr Coffey confirmed that he would continue to have sufficient time to properly fulfil his Director duties for Macquarie. In accordance with Macquarie's policy on independence for non-executive directors, the Board (with Mr Coffey abstaining) has determined that Mr Coffey remains independent.

The Board (with Mr Coffey abstaining) unanimously recommends that shareholders vote in favour of Mr Coffey's election as an Independent Voting Director.

## Item 2d – Election of Ms JR Broadbent as a Voting Director

**Jillian R Broadbent AC**

**BA (Maths & Economics) (Sydney) (age 71)**

*Independent Voting Director since November 2018 (of Macquarie Bank since November 2018)*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

### Experience

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.

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.

### Other current positions

Ms Broadbent is the Chair of the Board of Swiss Re Life and Health Australia, Chancellor of the University of Wollongong and is currently a director of Woolworths Group Limited, the National Portrait Gallery of Australia and the Sydney Dance Company.

The Board considers that Ms Broadbent's extensive investment banking knowledge and financial markets expertise, as well as her lengthy experience as a director of major institutions in a variety of industries, greatly enhances the Board's financial and investment banking acumen and ability to appropriately govern Macquarie.

Prior to submitting herself for election, Ms Broadbent confirmed that she would continue to have sufficient time to properly fulfil her Director duties for Macquarie. In accordance with Macquarie's policy on independence for non-executive directors, the Board (with Ms Broadbent abstaining) has determined that Ms Broadbent remains independent.

The Board (with Ms Broadbent abstaining) unanimously recommends that shareholders vote in favour of Ms Broadbent's election as an Independent Voting Director.



# Explanatory Notes

Continued

## Item 3 – Remuneration report

As required by section 250R(2) of the *Corporations Act 2001*(Cth) (the Act), a resolution that Macquarie's Remuneration Report be adopted will be put to the vote. Section 250R(3) of the Act provides that the vote on the resolution is advisory. The Remuneration Report is contained within the Directors' Report in Macquarie's 2019 Annual Report on pages 62 to 99. The letter from the Chairman of the Board Remuneration Committee included in the Remuneration Report and an analysis that demonstrates Macquarie's results are aligned to remuneration outcomes for the year are reproduced below.

## Letter from the Chairman of the Board Remuneration Committee

Dear shareholders

On behalf of the Board, I am pleased to present the 2019 Remuneration Report.

Macquarie's remuneration framework is integral to attracting and retaining high quality professionals with deep expertise, who develop businesses and client relationships globally and drive Macquarie's long-term success. Remuneration outcomes are aligned with outcomes delivered to our clients and shareholders. There have been no changes to the remuneration framework impacting FY2019 remuneration outcomes.

### Performance

In 2019, Macquarie continued to deliver strong financial results for shareholders:

- Net profit after tax (NPAT) of \$A2,982 million has increased by 17% on the prior year
- Return on equity (ROE) of 18.0% has improved from 16.8% in the prior year, and
- Earnings per share (EPS) of 883.3 cents per share has increased by 17% on the prior year.

### Pay for performance

The company-wide profit share pool is determined through a bottom-up assessment of performance at both a business and individual level, taking into consideration overall remuneration levels in the market in which each business operates. Individuals are assessed against a range of factors including their contribution to profit, business management, sound risk management, customer outcomes and conduct.

The Board reviews and has discretion to amend the company-wide pool as determined through the bottom-up assessment. This is to ensure that the final pool not only reflects all relevant internal and external factors including potential future risks, but also whether the share of profits distributed to staff is appropriate.

The Board also assesses the final profit share pool for overall reasonableness against an internal reference based on Macquarie's after-tax profits and its earnings over and above the estimated cost of capital, and an external reference of benchmarking our compensation to income ratio (compensation ratio) against an international reference group. For the fifth year in a row, the company-wide pool is substantially below the internal reference described above, and our compensation ratio of 38.3% continues to be below the average of our international reference group.

In considering all of these factors, the Board is of the view that both:

- the FY2019 profit share pool, and
- total awarded profit share for Comparable Executive Key Management Personnel (KMP)<sup>(1)</sup> of \$A78.3 million, representing an increase of 15% on the prior year, are appropriate.

### CEO transition

As previously announced, after a successful decade, Nicholas Moore stepped down as CEO of Macquarie on 30 November 2018 and has been succeeded by Shemara Wikramanayake.

Mr Moore is not entitled to any additional payments upon retirement from the organisation.

Upon leaving Macquarie, subject to the Board determining there has been no Malus or Post Employment event, he will, over the next two years be eligible to receive his previously retained but unvested profit share amounts. These amounts were awarded and approved by shareholders during the past seven years and delivered in a combination of Macquarie equity as Restricted Share Units (RSUs) and Macquarie-managed fund equity. As at 31 March 2019, he held 629,536 RSUs valued at \$A81.5 million based on the share price on 31 March 2019 (valued at \$A50.4 million at the time of grant) and \$A7.1 million in Macquarie-managed fund equity.

In addition, his 160,271 unvested PSUs may become exercisable in accordance with the original vesting schedule, subject to the achievement of the performance hurdles.

During Mr Moore's tenure as CEO, results for shareholders have been outstanding. The Total Shareholder Return (TSR) during his tenure was 280%, significantly outperforming the average of our international reference group, the MSCI Index and the All Ordinaries Index. During the 10 years in which Mr Moore was CEO, Macquarie's market capitalisation grew from \$A16.1 billion to \$A39.0 billion. Mr Moore continues to provide services to Macquarie to ensure a smooth leadership transition.

The Board was pleased to have someone of the calibre of Ms Wikramanayake to succeed Mr Moore as CEO. Her remuneration for 2019 reflects her time in both the Head of MAM role (1 April 2018 to 30 November 2018) and the CEO role (1 December 2018 to 31 March 2019).

(1) Comparable Executive KMP are those KMP who are members of the Executive Committee for the full year in both FY2019 and FY2018.

### Culture and conduct

Our core *What We Stand For* principles of Opportunity, Accountability and Integrity, underpin our culture, guide the way our people conduct themselves and drive our performance. Over recent years, our businesses have continued to evolve through organic growth and selective acquisitions. This has resulted in the hiring of a diverse range of individuals and teams with operational and specialist expertise. The focus on Macquarie's culture and the way we do business is essential to the successful integration of new teams and staff.

All staff are made aware that Macquarie's principles of Opportunity, Accountability and Integrity must form the basis of all behaviours and actions. The remuneration framework promotes accountability, encourages and rewards appropriate behaviours and discourages inappropriate behaviours.

Consistent with last year, we have disclosed the number of matters involving conduct/policy breaches which resulted in formal consequences (refer to page 73 of the *2019 Macquarie Group Limited Annual Report*).

### Customers and community expectations

I wish to take this opportunity to acknowledge the publication of the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Banking Royal Commission) and its recommendations. The Banking Royal Commission has been a crucial reminder of the financial sector's obligations and the standards expected by clients, shareholders and the community. Macquarie is closely monitoring the implementation of the Banking Royal Commission's recommendations and will participate in industry and public consultation as appropriate.

Macquarie remains committed to being open and transparent with our customers and to meeting community expectations. For example, Macquarie announced during the year the termination of commission arrangements in the Wealth Management Division of the Banking and Financial Services (BFS) Group. This decision reflects our continued commitment to eliminating any perceived conflicts of interest in dealings with customers.

The Banking Executive Accountability Regime (BEAR) will apply to Macquarie from 1 July 2019. To ensure full compliance with the remuneration requirements of this regime by this date, the vesting period of PSUs awarded from FY2020 will be extended to four years, subject to performance hurdles (PSUs currently vest in two tranches after years three and four).

### Disclosure

During the year, there have been over 300 meetings with investors and proxy advisors at which our remuneration framework was discussed. As a result of this ongoing engagement, we have disclosed additional information regarding PSUs this year. Both the fair and face value of PSUs to be granted to all Executive KMP (refer to page 83 of the *2019 Macquarie Group Limited Annual Report*) have been disclosed, as well as further information regarding the PSU hurdles and their ongoing appropriateness.

### Non-Executive Director fees

During the year Non-Executive Director (NED) fees were increased by 4% and the Chairman fees by 3%, (refer to page 85 of the *2019 Macquarie Group Limited Annual Report* for more details). This increase was effective 1 July 2018. Since the last change to the Board fees which were effective 1 October 2015, the compound annual growth rate (CAGR) of the Board member base fee has been 1.44% and the CAGR of the Board Chairman fee 1.04%.

I look forward to receiving your views and support at the 2019 Annual General Meeting.



**Michael Hawker**  
**Chairman**

Board Remuneration Committee

# Explanatory Notes

Continued

## Comparison of performance measures and executive remuneration measures: FY2018–2019

The analysis below details Macquarie's results and demonstrates how these results are aligned to remuneration outcomes for the year.

	Expressed as	2019	2018	Increase/ (Decrease) %
<b>Performance Measures</b>				
NPAT	\$Am	2,982	2,557	17
Basic EPS	Cents per share	883.3	758.2	17
Ordinary Dividends	Cents per share	575.0	525.0	10
Return on equity	Percent	18.0	16.8	
Annual TSR <sup>(2)(3)</sup>	Percent	32.8	21.3	
<b>Executive remuneration measures</b>				
Total Compensation Expense	\$Am	4,891	4,221	16
Compensation Expense to Income ratio	Percent	38.3	38.7	
Average staff headcount <sup>(4)</sup>		15,357	14,382	7
Actual staff headcount <sup>(4)</sup>		15,715	14,810	6
Awarded profit share – Current CEO <sup>(5)</sup>	\$Am	16.3	16.0	2
Awarded profit share – Former CEO <sup>(6)</sup>	\$Am	13.1	18.1	(28)
Awarded profit share – Comparable Executive KMP	\$Am	78.3	68.2	15
Statutory Remuneration – Current CEO <sup>(5)</sup>	\$Am	18.0	18.9	(5)
Statutory Remuneration – Comparable Executive KMP	\$Am	90.4	82.8	9

Noting that each Voting Director has a personal interest in their own remuneration from Macquarie, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

(2) Source: Bloomberg.

(3) TSR data reflects the reinvestment of gross dividends.

(4) Headcount for both 2018 and 2019 includes staff employed in operationally segregated subsidiaries (OSS).

(5) For Ms Wikramanayake, FY2019 reflects her time in both the Head of MAM role (1 April 2018 to 30 November 2018) and the CEO role (1 December 2018 to 31 March 2019). FY2018 reflects her former role as Head of MAM.

(6) Mr Moore's FY2019 awarded profit share reflects his time as CEO from 1 April 2018 to 30 November 2018.

## Item 4 – Approval of Managing Director's Participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

The approval of shareholders is sought to permit Shemara Wikramanayake, Macquarie's Managing Director and Chief Executive Officer (Managing Director), to participate this year, with other executives in the MEREP.

### Background

This approval is being sought because ASX Listing Rule 10.14 provides that a listed company may only permit a director of the company to acquire newly issued shares or rights to shares under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders.

The Managing Director is eligible to receive Restricted Share Units (RSUs) under the MEREP. The shares required for this grant are expected to be purchased by the trust established to hold shares for MEREP purposes. Subject to shareholder approval of Item 4 in the Notice of Meeting, shares may instead be issued if purchasing becomes impractical or inadvisable.

The Managing Director is also eligible to receive Performance Share Units (PSUs) that are exercisable subject to performance hurdles. Shareholder approval under ASX Listing Rule 10.14 is being sought so that PSUs may be issued to the Managing Director under the MEREP. Further information on PSUs and the performance hurdles can be found in Appendix A to these Explanatory Notes.

### Restricted Share Units

Approval is sought to allocate \$7.96 million of the Managing Director's retained 2019 profit share under the MEREP, in the form of RSUs.

The RSUs for which approval is sought will vest over seven years. In all other respects, the RSUs will be subject to the same terms and conditions as RSUs awarded to other Macquarie Executive Directors with retained profit share allocated under the MEREP. Macquarie's 2019 Remuneration Report includes a summary of these terms and conditions.

The number of RSUs that will be allocated to the Managing Director will be determined by dividing her retained profit share amount to be invested in Macquarie shares (\$7.96 million) (Retained Amount) by the average price at which Macquarie shares are acquired during the Buying Period for the allocation of MEREP awards to other staff with retained profit share for the financial year ended 31 March 2019. For 2019, the Buying Period is expected to run from 13 May 2019 to 28 June 2019 but may be completed earlier or later. The average price is referred to as the Acquisition Price.

If shares are issued to fill any shortfall in the number of shares acquired in the Buying Period for the Managing Director and concurrent MEREP offers to other staff, the number of RSUs that will be allocated to the Managing Director will be determined by dividing her Retained Amount by the volume weighted average of the Acquisition Price and the price at which any shares are issued.

The latter will be the volume weighted average price of Macquarie shares traded on the ASX over the 5 trading days up to and including the issue date (Issue Price).

This is consistent with the methodology used for calculating the number of MEREP awards for other staff with retained profit share for the financial year ended 31 March 2019. The number of RSUs to be allocated to the Managing Director will not be known until the Acquisition Price, the Issue Price and/or the volume weighted average of the Acquisition Price and the Issue Price (Blended Price) (as applicable) are calculated at the end of the Buying Period. Macquarie will announce to the market the Acquisition Price, the Issue Price and/or the Blended Price (as applicable) and the number of RSUs to be allocated to the Managing Director, prior to the day of the AGM.

### Performance Share Units

Approval is sought to allocate Ms Wikramanayake \$2.55 million worth of PSUs vesting in two equal tranches after three and four years from the deemed vesting commencement date (1 July 2019), giving an average vesting period of three and a half years. To ensure continued alignment with shareholders post termination, in cases of retirement from Macquarie, PSUs continue to vest in accordance with the above vesting schedule and remain subject to the same performance hurdles. The Board or its delegate has the authority to accelerate the vesting of, or to forfeit, PSUs when the Managing Director leaves Macquarie. The Managing Director's PSUs will be structured as Deferred Share Units (DSUs) which are subject to the performance hurdles described in Appendix A to these Explanatory Notes. On exercise of the DSU the Managing Director has a right to receive a share held in the MEREP Trust (Trust) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP.

As in previous years, the number of PSUs that will be allocated to the Managing Director will be calculated by dividing \$2.55 million by the fair valuation of a PSU at the date of grant. The fair value of PSUs that may be acquired by the Managing Director is \$2.55 million. The determination of the number of PSUs to be allocated will be deferred until after shareholder approval is received. The fair value per PSU is to be calculated at the date of grant and will be determined using a Monte-Carlo option pricing framework. The Monte-Carlo option pricing framework is a valuation technique that, based on input assumptions, generates thousands of possible outcomes and assigns a value to each.

The values are then averaged and discounted to the present to arrive at the fair value of a PSU. This valuation methodology is also designed to take account of trading period restrictions, the fact that PSUs do not attract dividends and the vesting performance hurdles and timeframes described in Appendix A to these Explanatory Notes. As a result, the fair value of a PSU is lower than the market value of a Macquarie share. The following key assumptions will be adopted in estimating the fair value of the proposed PSUs: a risk-free interest rate<sup>(7)</sup>, share volatility<sup>(8)</sup> and a forecast Macquarie share dividend yield. The market price of the Macquarie shares for the purpose of this calculation will be the closing market price preceding the date of grant, which is expected to be on or around 15 August 2019.

(7) Being the zero-coupon yield curve derived from the inter-bank interest rate swap curve as per industry practice for a Monte-Carlo simulation.

(8) Being the actual three-year historical volatility of the Macquarie share price.



# Explanatory Notes

Continued

The table below provides an estimate of the number of PSUs to be granted at varying prices for Macquarie shares. The following assumptions were used in estimating these values: a risk free interest rate of 1.65% per annum, share volatility of 20.49% and a forecast dividend yield of 5.08% per annum (paid in two instalments each year).

Macquarie Share Price	Fair Value of PSU Award	PSU Fair Value (per unit)	Estimated number of PSUs to be granted	Estimated Market Value
\$115	\$2,550,000	\$70.9372	35,947	\$4,133,905
\$120	\$2,550,000	\$74.0214	34,449	\$4,133,880
\$125	\$2,550,000	\$77.1060	33,071	\$4,133,875
\$130	\$2,550,000	\$80.1900	31,799	\$4,133,870

The value of any Macquarie shares that may be received by the Managing Director at a future date as a result of this allocation of PSUs will depend on factors including the extent to which the performance hurdles are achieved and the future price of Macquarie shares when any of these awards become exercisable. Further details regarding PSUs are set out on pages 68 to 71 of the Remuneration Report.

## Executive Voting Director's remuneration

Full details of the Managing Director's remuneration and Macquarie shareholdings in respect of the 2019 financial year are shown in Appendix 2 (pages 88 to 91) and Appendix 4 (pages 93 to 98) of the Remuneration Report.

## Maximum number of RSUs and PSUs

The maximum number of PSUs that may be acquired by the Managing Director for which shareholder approval is sought will be calculated by dividing \$2.55 million by the fair value of a PSU on the date of grant, as described above. The maximum number of RSUs for which approval is sought will be announced to the market before the AGM.

## Price payable on grant of Restricted Share Units

The effective aggregate price payable by the Managing Director for the RSUs for which shareholder approval is sought is approximately \$7.96 million, being the amount of Ms Wikramanayake's 2019 retained profit share to be allocated under the MEREP.

## Price payable on grant of Performance Share Units

The Managing Director will not make any cash payment for the PSUs for which shareholder approval is sought. The PSUs are an incentive mechanism for future performance and can only be exercised subject to satisfaction of the performance hurdles described in Appendix A to these Explanatory Notes.

## Participants under previous approvals

The Managing Director is the only person referred to in ASX Listing Rule 10.14 entitled to participate in the MEREP.

Ms Wikramanayake was granted 49,162 RSUs at an assessed value of \$113.76 per share on 21 June 2018 and 23,561 PSUs for nil cash consideration on 15 August 2018.

## Terms of any loan relating to the acquisition of shares

No loan is being provided to the Managing Director in relation to the acquisition of shares under the MEREP.

## Date by which grants will be made

The proposed grants of RSUs and PSUs to the Managing Director are expected to be made on or around 15 August 2019 but not later than 30 September 2019, subject to shareholder approval of this Item 4 in the Notice of Meeting.

## Consequences if approval not obtained

If shareholders do not approve the proposed issue of RSUs and PSUs to the Managing Director under Item 4, the proposed grant of RSUs and issue of PSUs to her will not proceed. This may impact Macquarie's ability to incentivise the Managing Director and align her interests with those of shareholders and with the remuneration arrangements of the other Executive Directors. The Board will need to consider alternative remuneration arrangements, which may not be consistent with Macquarie's remuneration principles, including a cash payment.

*The Non-Executive Directors of the Board unanimously recommend that shareholders vote in favour of Item 4 in the Notice of Meeting. Ms Wikramanayake, being the Managing Director and Chief Executive Officer, has a material personal interest in the resolution and, therefore, has abstained from providing a recommendation.*

## Item 5 – To increase maximum aggregate Non-Executive Director remuneration

Shareholder approval is sought under article 9.10 of Macquarie's Constitution and ASX Listing Rule 10.17 to increase the maximum aggregate remuneration paid to non-executive members of the Board (NED cap) by \$400,000 from \$4.6 million to \$5.0 million per annum. The increase will principally allow for the appointment of up to two additional Non-Executive Directors (NEDs) to the Macquarie Board in accordance with current Board succession plans. An increased NED cap will also allow Macquarie to recruit and retain high calibre directors with the required skills, experience and commitment to dedicate the time and effort necessary to effectively carry out the role, recognising there have been increasing demands on NEDs given the growth in the scale of Macquarie's operations and regulatory initiatives.

No Executive Voting Director receives fees for their services as a Director.

### Background

Macquarie NED fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board. Annual fee reviews are undertaken to consider consistency with remuneration trends and the overall case for any remuneration changes in the context of external market factors and Macquarie's performance.

Macquarie's Non-Executive Directors (NEDs) are remunerated for their services from a maximum aggregate amount (NED Cap) approved by shareholders for that purpose. The current NED cap of \$4.6 million was approved by Macquarie shareholders at Macquarie's 2015 AGM. Although fees are split between Macquarie and Macquarie Bank, the Board ensures that Non-Executive Director remuneration for Macquarie and Macquarie Bank taken together does not exceed this shareholder approved amount. Total NED remuneration for the year ended 31 March 2019 was about \$4.0 million. The current average fee per NED is \$367,444, excluding the Chairman.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive profit-share payments. They do not receive payments on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration.

To align the interests of the Board with shareholders, NEDs are required to have a meaningful direct shareholding in MGL. The current 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, and
- for the Chair, an investment equivalent to one times the annual Chair fee, with the minimum number of shares to be determined using the share price as at the date of a NED's/Chair's appointment.

## Board succession planning and refreshment requires an increase in the NED cap

Board succession planning and refreshment is a continuing focus of the Board to ensure that its membership is comprised of high calibre directors with an appropriate mix of skills, professional experience, tenure, diversity and personal background that allow 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, and
- assess the performance of management in meeting those objectives and goals.

There are currently ten Non-Executive Directors (including the Chairman) on the Board, and four of these Directors have a tenure of over six years. Two of our NEDs have indicated an intention to retire next year: Gary Banks at the 2020 AGM and Gordon Cairns in the latter part of calendar 2020.

While not expecting to increase the size of the Board permanently, as part of Board renewal and succession, the Board proposes to appoint up to two further Non-Executive Directors to allow for an orderly transition ahead of Director retirements and for new directors to acquire a sufficient level of knowledge of Macquarie's operations to adequately discharge their responsibilities. Each NED is a member of the Macquarie and Macquarie Bank Boards, as well as a member of the Board Risk Committee and the Board Nominating Committee from the date of their appointment. At current fee levels, approximately \$606,000 per annum in additional NED fees would be required to appoint two additional NEDs, bringing the total annual fees above the current NED cap.

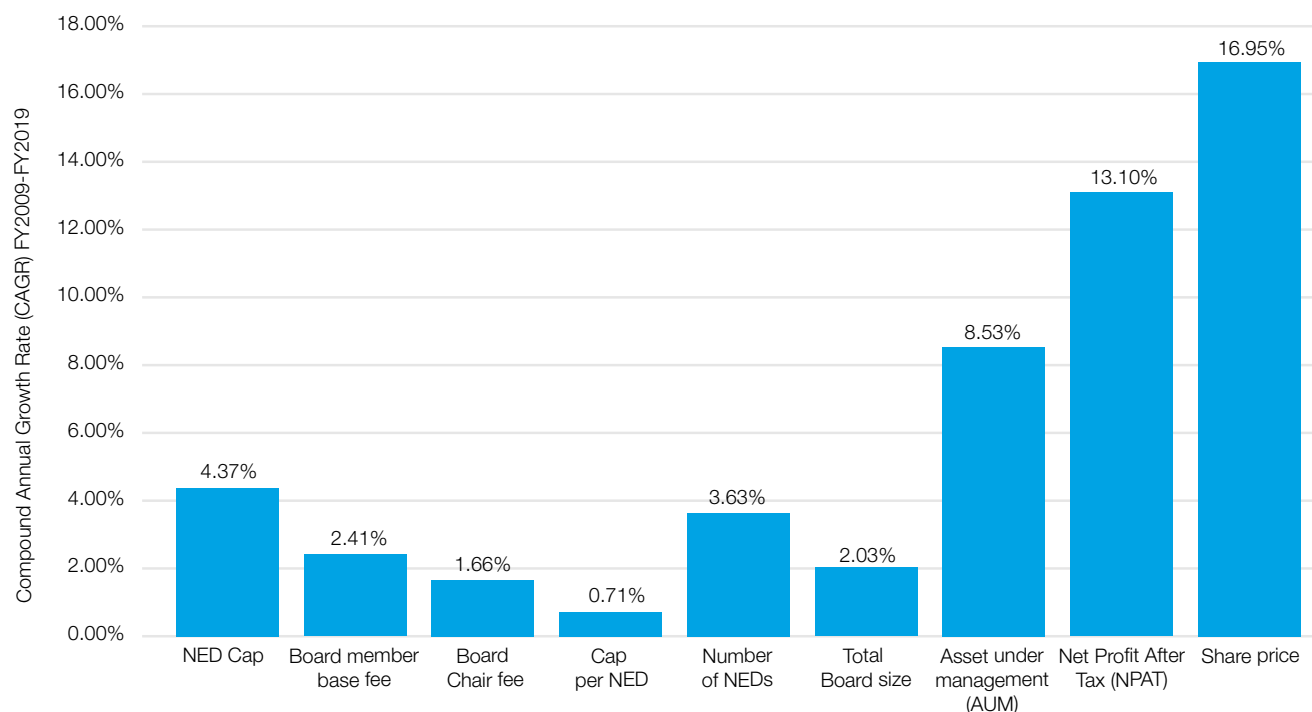
## Increased responsibility and time commitment for NEDs given growth in Macquarie's operations and regulatory initiatives

There are increasing demands on NEDs given Macquarie's growth in its operations, in particular its international operations (for the financial year ended 31 March 2019, 66% of Macquarie's total income was from international operations). The Board travels to various Macquarie overseas offices annually and the Chairman also visits other Macquarie overseas operations at least annually.

The table below illustrates Macquarie's growth over a 10-year period from FY2009 to FY2019 across key metrics.

# Explanatory Notes

Continued



Compound Annual Growth Rates (CAGR) calculated on figures at 31 March 2009 to 31 March 2019. NPAT is net profit after tax attributable to ordinary owners. If the NED Cap increases to \$5.0 million, the CAGR of the NED cap would be 5.24%

There continues to be an increase in regulatory and legislative initiatives, including prudential regulatory developments, which has increased the responsibilities and time commitment of NEDs. These additional responsibilities may include significant time in addition to a NED's expected regular responsibilities, such as participation in group-wide projects and special board sub-committees.

The ability to recruit and retain high calibre directors with the necessary skills, experience and commitment to dedicate the time and effort to effectively carry out the role requires the maintenance of competitive market related NED remuneration.

During 2019, the Board reviewed NED remuneration in the context of external market factors and Macquarie's financial performance and determined that the total Macquarie and Macquarie Bank Board member base fee be increased from \$250,000 to \$260,000 with Committee fees remaining unchanged. The combined Macquarie and Macquarie Bank annual Board Chairman fee was also increased from \$865,000 to \$890,000. The Chairman attends all Board Committee meetings but is not paid separate Committee

fees. Since the last change to the Board fees in October 2015, the compound annual growth rate (CAGR) of the Board member base fee has been 1.44% (ten-year CAGR 2.41%) and the CAGR of the Board Chairman fee 1.04% (ten-year CAGR 1.66%).

This aggregate increase in fees of \$115,000 per annum was accommodated within the current cap.

*For the reasons set out above and with Non-Executive Directors noting their interests in the matter, the Board unanimously recommends that shareholders approve the increase in the maximum aggregate Non-Executive Director remuneration.*

## Item 6 – Approval of the Issue of Macquarie Group Capital Notes 4

### Background

#### Macquarie Group Capital Notes 4 (MCN4)

On 27 March 2019, Macquarie completed the issue of 9,054,910 MCN4 at an issue price of \$100 per MCN4. The net proceeds of the MCN4 issuance were used for general corporate purposes. MCN4 qualify as eligible capital for Australian Prudential Regulation Authority (APRA) purposes. MCN4 were issued to institutional investors, Australian resident retail investors and eligible holders of Macquarie securities.

MCN4 are unsecured, subordinated notes issued by Macquarie. They are non-cumulative and mandatorily convertible into ordinary shares (subject to certain conditions). A summary of the terms of the MCN4 is provided in Appendix B to these Explanatory Notes. A copy of the replacement prospectus containing the full terms of the MCN4 was lodged with the ASX on 5 March 2019 and is also available on Macquarie's website.

### Reason for seeking approval

In general terms, ASX Listing Rule 7.1 imposes a limit on the number of equity securities (including ordinary shares and convertible securities) that a company can issue or agree to issue without shareholder approval (15% placement capacity) where an exemption to the rule does not apply. Macquarie determined that it was able to issue all of the MCN4 within the 15% limit of its placement capacity and accordingly no shareholder approval was required.

ASX Listing Rule 7.4 provides that an issue of equity securities by a company made pursuant to ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1, if it is subsequently approved by the company's shareholders.

The effect of approving Item 6 will be to refresh Macquarie's 15% placement capacity under ASX Listing Rule 7.1 so that its capacity would be the same as if the MCN4 had been issued with shareholder approval. If shareholders approve Item 6, Macquarie will have greater flexibility to make future placements of Macquarie shares and other issuances of equity securities to raise funds to meet future needs. Notwithstanding an approval by shareholders of the proposed resolution in Item 6, any future equity raisings will remain subject to the 15% limit set out in ASX Listing Rule 7.1 where an exemption to the limit does not apply.

### MCN4

The conversion feature of the MCN4 means that MCN4 are "convertible securities" of Macquarie for the purposes of the ASX Listing Rules. For the purposes of calculating the impact on placement capacity under the ASX Listing Rules, ASX has confirmed that the number of ordinary shares to be taken into account is the number that would result if the MCN4 were exchanged on the trading day before the date of the initial prospectus (22 February 2019). Therefore, using the ordinary share price of \$127.64 as at 22 February 2019, the issue of MCN4 reduced Macquarie's future placement capacity by approximately 2.1% of Macquarie's issued capital unless shareholders approve Item 6 in the Notice of Meeting. Under the terms of the MCN4, approximately 7.2 million Macquarie ordinary shares would have been issued if the conversion had occurred at this share price.

*The Board unanimously recommends that shareholders vote in favour of Item 6 in the Notice of Meeting.*



# Explanatory Notes

Continued

## Appendix A – Performance Share Units

Executive Committee members, including the Chief Executive Officer and Managing Director, are the only group of staff eligible to receive Performance Share Units (PSUs), which are subject to forward-looking performance hurdles and are determined with reference to Macquarie's performance as a whole. As such, they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term over and beyond their business group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

Since their introduction, PSUs have been structured as Deferred Share Units<sup>(9)</sup> with performance hurdles. Holders have no right

to dividend equivalent payments. There is no exercise price for PSUs.

The PSU hurdles are periodically reviewed by the Board Remuneration Committee (BRC) to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators as well as market practice. No change has been made to the hurdles for FY2019.

The following table summarises the key terms of PSUs and the performance hurdles:

	EPS CAGR Hurdle	ROE Hurdle
<b>Application</b>	50% of PSU award	50% of PSU award
<b>Performance measure</b>	Compound annual growth rate (CAGR) in EPS over the vesting period (three to four years).	Average annual ROE over the vesting period (three to four years) relative to a reference group of global financial institutions <sup>(10)</sup>
<b>Hurdle</b>	Sliding scale applies: <ul style="list-style-type: none"> <li>– 50% becoming exercisable at EPS CAGR of 7.5%</li> <li>– 100% at EPS CAGR of 12%.</li> </ul> For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable.	Sliding scale applies: <ul style="list-style-type: none"> <li>– 50% becoming exercisable above the 50th percentile</li> <li>– 100% at the 75th percentile.</li> </ul> For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable.
<b>Forfeiture</b>	<ul style="list-style-type: none"> <li>– Malus provisions apply.</li> <li>– The standard policy is that unvested PSUs will be forfeited upon termination.</li> <li>– To ensure continued alignment with shareholders post termination, in the case of retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health, or other limited exceptional circumstances, the Board or the BRC has the authority to either accelerate the vesting of PSUs or to permit the PSUs to continue to vest in accordance with the original award schedule and remain subject to the same performance hurdles.</li> <li>– Should a change of control occur, the Board or the BRC has discretion to determine how unvested PSUs should be treated having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change in control.</li> </ul>	

### Rationale for hurdles

- ROE and EPS drive long-term company performance and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- The approach is consistent with that advocated by APRA in not using TSR as a measure
- Can be substantiated using information that is disclosed in audited financial statements
- A sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test which some have argued could promote excessive risk-taking
- Designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations. The time frame used for PSUs should also be considered in light of the three to seven-year deferral of profit share for members of the Executive Committee

### Use of a global reference group:

- An international reference group recognises the extent of Macquarie's diversification and internationalisation. At 31 March 2019, total international income represented approximately 66% of Macquarie's total income with approximately 58% of Macquarie's staff located outside Australia. The BRC considers an international reference group to be appropriate on the basis that Macquarie has no comparable Australian peers. These international firms broadly operate in the same markets and compete for the same people as Macquarie.

(9) A Deferred Share Unit is one of the award types under the Macquarie Group Employee Retained Equity Plan (MEREP). For further details, refer to Note 30 to the financial statements in the Financial Report in Macquarie's 2019 Annual Report.

(10) The reference group for awards made from 2013 is Bank of America, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

### Macquarie's EPS CAGR Performance

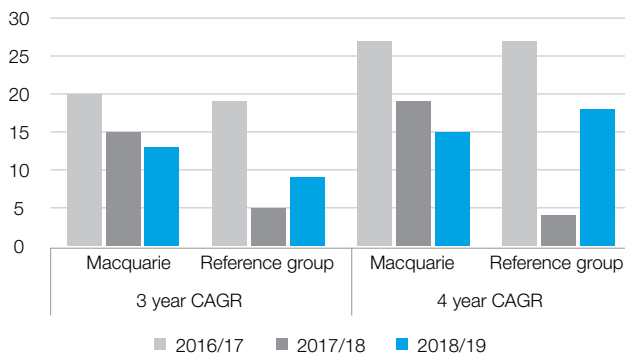
EPS for FY2019 was 883.3 cents per share which has increased by 17% on the prior year. For PSUs to fully vest, Macquarie needs to achieve at least 12% CAGR over the vesting period.

Supporting the rigour of the hurdle, to achieve a full vesting the following cumulative EPS is required:

- Over 3 years, a cumulative EPS growth of 40% is required
- Over 4 years, a cumulative EPS growth of 57% is required.

The below graph shows EPS CAGR for Macquarie over three and four years. The average EPS CAGR of Macquarie's international reference group is shown for comparison though this does not form part of Macquarie's PSU hurdle.

### Macquarie's 3 and 4 year EPS CAGR compared to an international reference group (%)



Source: Bloomberg

### Macquarie's ROE performance compared to an international reference group

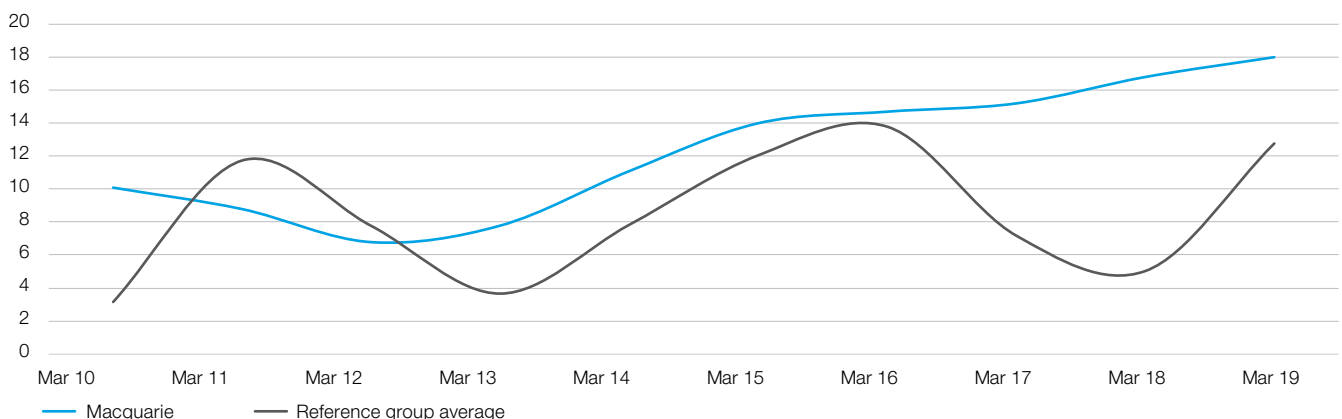
Macquarie's ROE for FY2019 of 18.0% has improved from 16.8% in the prior year and is higher than all but one of the international reference group. In addition, Macquarie's three, five and ten-year average annual ROE exceeds all but one of the reference group.

### Reference Group ROE over ten years FY2010-2019

	1 year average % p.a.	3 year average % p.a.	5 year average % p.a.	10 year average % p.a.
<b>Macquarie</b>	<b>18.0</b>	<b>16.7</b>	<b>15.7</b>	<b>12.3</b>
Average of reference group	12.8	8.3	10.2	8.5
Company	10.9	8.2	6.5	3.5
Company	2.6	0.7	0.2	3.6
Company	4.7	(1.3)	(1.3)	3.7
Company	0.0	(1.5)	(2.5)	1.8
Company	13.2	9.2	9.2	10.5
Company	13.3	11.1	10.7	9.8
Company	49.8	33.7	53.2	32.4
Company	11.7	9.3	8.3	5.5
Company	8.6	5.5	7.0	5.5

Source: Bloomberg (reference group) and Macquarie as reported

### Macquarie ROE versus the average of Macquarie's international reference group over ten years FY2010-2019 (%)



Source: Bloomberg (reference group) and Macquarie as reported

# Explanatory Notes

Continued

## Testing of hurdles

Under both performance hurdles, the objective is examined once only. Testing occurs annually on 30 June immediately before vesting on 1 July, based on the most recent financial year end results available. PSUs that do not meet performance hurdles expire.

The PSUs that vested in July 2018 comprised the second tranche of those granted in 2014 and the first tranche of those granted in 2015. The performance hurdles under each tranche were fully met and 100% of the awards became exercisable. As a result:

PSU tranche	EPS CAGR HURDLE			Macquarie result (for vesting period)	ROE HURDLE	
	Macquarie result (for vesting period)	Hurdle	Outcome		Hurdle	Outcome
<b>2014 Tranche 2</b>	18.57%	50% at 7.5% CAGR	100% exercisable	13.59%	50% above the 50th percentile <sup>(11)</sup>	100% exercisable
		100% at 12% CAGR			100% at the 75th percentile <sup>(11)</sup>	
<b>2015 Tranche 1</b>	14.71%	50% at 7.5% CAGR	100% exercisable	14.18%	50% above the 50th percentile <sup>(12)</sup>	100% exercisable
		100% at 12% CAGR			100% at the 75th percentile <sup>(12)</sup>	

(11) Peer group ROE at 50th percentile 6.66% and peer group ROE at 75th percentile 8.26%

(12) Peer group ROE at 50th percentile 6.64% and peer group ROE at 75th percentile 8.26%

## Appendix B – Summary of the terms of the Macquarie Group Capital Notes 4 (MCN4)

The following is a summary only of the terms and conditions of the MCN4. The MCN4 terms are set out in Appendix A of the MCN4 replacement prospectus dated 5 March 2019 (Replacement Prospectus). Capitalised terms used in this summary have the meaning given to them in the Replacement Prospectus. A copy of the Replacement Prospectus can be found at [macquarie.com](http://macquarie.com) or [asx.com.au](http://asx.com.au)

### About MCN4

MCN4 are unsecured, subordinated notes issued by Macquarie Group Limited (MGL). They are non-cumulative and mandatorily convertible (subject to certain conditions). The Issue Price was \$100 per MCN4. MCN4 constitute eligible capital of Macquarie Group which satisfies APRA's regulatory capital requirements.

### Distributions

MCN4 are scheduled to pay floating rate cash distributions quarterly in arrears until all MCN4 are Exchanged, Redeemed or Written-Off. The Distribution Rate is recalculated quarterly based on the Reference Rate plus a margin of 4.15% pa, adjusted for franking.

Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. The level of franking may vary over time and Distributions may be partially, fully or not franked.

Distributions on MCN4 are discretionary, which means MGL can determine not to pay them and they can only be paid if certain payment conditions are met (including that APRA does not object). Distributions are non-cumulative, which means that if a Distribution has not been paid on a Distribution Payment Date then MGL has no obligation to pay an unpaid Distribution at any later date.

If a Distribution is not paid in full within 10 Business Days of a Distribution Payment Date, in most circumstances MGL is restricted from paying any dividend or returning capital on Ordinary Shares until the next Distribution Payment Date.

### Exchange

MCN4 may be Exchanged for a variable number of Ordinary Shares in the following circumstances:

- **Mandatory Exchange:** All MCN4 are scheduled to be Exchanged on 10 September 2029, unless the Exchange Conditions relevant to that date are not met (in which case, Exchange will be deferred until the next quarterly Distribution Payment Date where the Exchange Conditions are met). The Exchange Conditions (where applicable) are intended to ensure that MCN4 Holders will receive approximately \$101 worth of Ordinary Shares per MCN4 on Exchange (based on the VWAP during the 20 ASX Trading Days before the Exchange Date) and that the Ordinary Shares are capable of being sold on ASX.
- **Exchange at MGL's option:** MGL may also choose to Exchange all or some MCN4 on 10 September 2026, 10 March 2027 and 10 September 2027 or if there has been a Tax Event or Regulatory Event, provided certain conditions are met.

- **Acquisition Event:** MGL will be required to Exchange all MCN4 for Ordinary Shares if an Acquisition Event (broadly, a change of control of MGL by takeover bid, scheme of arrangement or otherwise) occurs, provided certain conditions are met.
- **Non-Viability Event:** MGL will be required to immediately Exchange all or some MCN4 for Ordinary Shares (or, if Exchange has not occurred for any reason within 5 Business Days, Write-Off all or some MCN4) if a Non-Viability Event occurs. Exchange under these circumstances is not subject to any conditions.

The maximum number of Ordinary Shares that MCN4 can be Exchanged for is 3.9139 per MCN4 (subject to adjustment).

### Ranking in a winding up

In a Winding Up of MGL, MCN4 will rank ahead of Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MGL.

However, any return on MCN4 in a Winding Up may be adversely affected or reduced to zero if a Non-Viability Event occurs. If APRA determines that a Non-Viability Event occurs, some or all of the MCN4 are to be Exchanged, or if that does not occur, Written Off.



# Investor Information

## Enquiries

Investors who wish to enquire about any matter relating to their Macquarie Group Limited shareholding are invited to contact the share registry:

## Boardroom Pty Limited

Level 12, 225 George Street  
Sydney NSW 2000 Australia

Telephone (within Australia): 1300 554 096  
Telephone (internationally): +61 1300 554 096  
Facsimile: +61 2 9290 9655

Email: [macquarie@boardroomlimited.com.au](mailto:macquarie@boardroomlimited.com.au)  
Website: [investorserve.com.au](http://investorserve.com.au)

All other enquiries relating to a Macquarie Group Limited share investment can be directed to:

## Investor Relations

Macquarie Group Limited  
Level 6, 50 Martin Place  
Sydney NSW 2000 Australia

Telephone: +61 2 8232 3333  
Facsimile: +61 2 8232 7780

Email: [macquarie.shareholders@macquarie.com](mailto:macquarie.shareholders@macquarie.com)  
Website: [macquarie.com/investors](http://macquarie.com/investors)

## Website

Macquarie's 2019 Annual Report is available on Macquarie's website at:  
[macquarie.com/about/investors/reports](http://macquarie.com/about/investors/reports)



Macquarie Group Limited  
ABN 94 122 169 279

#### All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

#### All Enquiries to:

☎ **By Phone:** 1300 554 096

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)



#### Your Address

This is your address as it appears on the company's securities register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## LODGING A PROXY

Your Proxy must be received by **10:30 am (AEST) on Tuesday, 23 July 2019.**

### 💻 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/MQGAGM2019>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC): XXXXXXXX**

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. **A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.**

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the Meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid. The sum of the votes cast must not exceed your total number of shares or 100%.

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** This Proxy Form and any Power of Attorney must be lodged by 10:30 am (AEST) on Tuesday, 23 July 2019. If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. **Please sign in the appropriate place to indicate the office held.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:30 am (AEST) on Tuesday, 23 July 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** <https://www.votingonline.com.au/MQGAGM2019>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Macquarie Group Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Sheraton Grand Sydney Hyde Park, Grand Ballroom, 161 Elizabeth Street, Sydney NSW 2000 on Thursday, 25 July 2019 at 10:30 am (AEST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given and to the extent permitted by law, as the proxy sees fit.

**Chair of the Meeting authorised to exercise available proxies on remuneration related matters (items 3, 4 and 5):** If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of items 3, 4 and 5, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these items even though items 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of the key management personnel for Macquarie Group Limited, which includes the Chair.

**The Chair of the Meeting intends to vote all available proxies in favour of Items 2a, 2b, 2c, 2d, 3, 4, 5 and 6.** If you have appointed the Chair of the Meeting as your proxy (or the Chair of the Meeting becomes your proxy by default), and you wish to give the Chair specific voting directions on an item, you should mark the appropriate box opposite that item in step 2 below (directing the Chair to vote for, against or to abstain from voting).

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 10:30 am (AEST) on Tuesday 23 July 2019. Please read the voting instructions overleaf before marking any boxes with a [X].

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
<b>Item 2a</b>	Re-election of Mr MJ Hawker as a Voting Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Item 3</b>	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Item 2b</b>	Re-election of Mr MJ Coleman as a Voting Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Item 4</b>	Approval of Managing Director's participation in the Macquarie Group Employee Retained Equity Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Item 2c</b>	Election of Mr PM Coffey as a Voting Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Item 5</b>	Increase the maximum aggregate Non-Executive Director remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Item 2d</b>	Election of Ms JR Broadbent as a Voting Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Item 6</b>	Approval of the issue of Macquarie Group Capital Notes 4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Voting on Item 6:** Please refer to the Notice of Meeting for details on voting restrictions and the related ASX waivers for Item 6. If you are a trustee, nominee or custodian who is subject to these voting restrictions, and you are directing your proxy to vote on Item 6, then by signing and lodging this Proxy Form you are confirming to Macquarie Group Limited that the conditions of the ASX waivers referred to in the Notice of Meeting have been satisfied in relation to all security holdings that are the subject of the proxy.

### APPOINTING A SECOND PROXY

I/We wish to appoint a second proxy

State the percentage of your voting rights or the number of shares for this proxy

AND

%

OR

Name of second proxyholder

### STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019