



MACQUARIE CORPORATE GOVERNANCE STATEMENT

Year ended 31 March 2020

Cover image

Long Beach Container Terminal is the largest cargo gateway in North America, handling one third of the region's total container volumes. A Macquarie-led consortium acquired the highly automated and energy efficient terminal operator in October 2019.

Corporate Governance

This Corporate Governance Statement (Statement) has been approved by the Board. It describes Macquarie's key governance practices and articulates how decision-making is guided to meet stakeholder expectations of sound corporate governance, acknowledging Macquarie's specific and broader responsibilities to its shareholders, funders, clients, staff and the communities in which it operates.

Macquarie's governance practices have been consistent with the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations throughout the year. Relevant governance practices were updated during the year to reflect the 4th edition of the Principles and Recommendations from the end of FY20.

Macquarie is a global financial services group operating in 31 markets in asset management, leasing and asset financing, retail banking and wealth management, market access, commodity trading, investment banking and principal investment.

Macquarie's *Code of Conduct* incorporates *What We Stand For*: the principles of Opportunity, Accountability and Integrity that guide Board, management and staff conduct. It is expected that they all meet these standards and deal honestly and fairly with our clients, counterparties and regulators. There are appropriate consequences for anyone who fails to meet our standards.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success and a key factor in our long record of unbroken profitability. Macquarie's approach to corporate governance is to embed key governance principles in the implementation of its strategy.



Board oversight

The Board sets the 'tone at the top' in a highly visible manner. Board members have extensive contact with staff at all levels within the organisation and across regions.

There is a culture of open and frank discussion at the Board. Actions taken by the Board seek to promote long-term sustainability and prudent management of risk consistent with *What We Stand For*.

In FY20 there were 50 formal Board and Board Committee meetings during the year with over 600 attendees who were not members of Macquarie's Executive Committee. At these meetings a total of approximately 700 items of business were considered. Between formal meetings management provided the Board with material business and other updates as well as information in response to requests from Board members.

Workshops scheduled during FY20 included presentations on work health and safety, financial crime risk, Interbank Offered Rate (IBOR) transition program, future leadership and succession planning, scenario analysis and conflicts management.

Non-executive Board members also met regularly without members of management and held private meetings with each of the external auditor, Head of Internal Audit and Chief Risk Officer to assist with their oversight role.

Board members believe that informal conversations with staff are important in assessing the culture within Macquarie. During FY20, Board members attended more than 21 staff functions in Australia and overseas offices to meet with staff at all levels.

Corporate Governance

Continued

Professional Conduct

The Board oversees compliance with key policies that are intended to instil a culture of acting lawfully, ethically and responsibly. Key policies are included in Macquarie's *Code of Conduct*. Material breaches of these policies are reported to the Board through the relevant Board Committee.

The following actions taken by the Board as part of its oversight role also support the Board in forming a view on culture at Macquarie.

Board Oversight

- Commitment to achieving the highest standards of professional conduct across all Macquarie operations
- Regularly reinforce company-wide expectations and enhance Board reporting
- Diligently take action as part of its responsibility to clients, shareholders, communities and the environment in which Macquarie operates
- Review and monitor operations and challenge management

Conduct and Culture

- Set high behavioural standards and act in accordance with these standards
- Take a dynamic approach to oversight of risk culture and conduct risk management in response to business outcomes and expectations of communities and regulators
- Monitor the actions management take to embed behavioural standards, including a sound risk culture, in operations:
 - staff training
 - direct communications to staff
 - monitoring and surveillance activity

Business strategy

Assess ability of strategy to adapt to markets and deliver sound client and community outcomes within Board approved risk appetite and related limits

Review capital management and funding strategies to deliver on business strategy while maintaining sufficient surplus capital and remaining well funded

Financial and non-financial risk management

Approve Macquarie's Risk Management Strategy, Risk Appetite Statement and standards for managing material risks

Review the operation of Macquarie's risk management framework, including compliance with regulatory requirements and Macquarie policies and procedures

Pay for performance

Approve remuneration policies that provide alignment of the interests of staff and shareholders while effectively aligning remuneration with prudent risk taking

Bottom up assessment of performance at both business and individual level, including review of breaches of Macquarie's standards of professional conduct and risk management framework to determine remuneration outcomes

FY20 Governance activities

In addition to the Board's oversight of professional conduct, the Board has participated in consultation on significant regulatory change initiatives during the year. In Australia, the Australian Prudential Regulation Authority (APRA) is undertaking regulatory reviews in a number of areas and there are proposals responding to the Banking Royal Commission recommendations, including Treasury's proposal to extend the Banking Executive Accountability Regime (BEAR) for Authorised Deposit-Taking institutions (ADI) to a new regime that includes all APRA regulated entities.

Other Board governance activities included:

- continued oversight of the impact of increased expectations and actions from Macquarie's regulators across the industry through an extensive regulatory change agenda and management's response, including the enhancement of Macquarie's global framework for regulatory engagement to coordinate Macquarie's response across regions
- continued oversight of management initiatives to respond to additional regulatory focus on non-financial risk with particular attention to matters relating to Governance, Culture, Remuneration and Accountability
- enhanced cross-committee information sharing through the introduction of formal practices, including Board and Board Committee Chair meetings and specific reporting on non-financial risk matters considered by the Board Governance and Compliance Committee (BGCC) to the Board Risk Committee (BRiC)
- implementation of BEAR for Macquarie Bank Limited (Macquarie Bank), a subsidiary of Macquarie Group Limited, from 1 July 2019
- review of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th Edition). Macquarie's existing corporate governance practices were largely consistent with the changes introduced in the 4th Edition. Relevant governance practices were updated during the year to reflect the 4th Edition of the Principles and Recommendations from the end of FY20.

Corporate Governance framework

Macquarie's Code of Conduct

The Board approved *Code of Conduct*, which applies to Macquarie's Non-Executive Directors (NEDs) and staff:

- incorporates *What We Stand For*: the principles of Opportunity, Accountability and Integrity that guide the way staff conduct business
- provides clear guidance on good decision-making and escalation, encouraging staff to speak up and report genuine concerns about misconduct
- reinforces Macquarie's key policies, including the *Whistleblower Policy* and the *Anti-Bribery and Corruption Policy*.

To ensure that Macquarie's culture of honesty and integrity remains strong throughout the organisation, all staff who join Macquarie receive specific training on *What We Stand For* and the *Code of Conduct*. Existing staff also receive periodic training and sign an annual certification that they understand the obligations imposed on them by the *Code of Conduct* (Code) as well as their responsibility to adhere to the Code.



What We Stand For and the *Code of Conduct* are available at macquarie.com/what-we-stand-for

The Integrity Office

Consistent with the principles of *What We Stand For*, Macquarie is committed to providing an environment in which people are comfortable escalating improper conduct or voicing concerns about unethical behaviour. The *Code of Conduct* sets out the expectation that staff speak up, and outlines the mechanisms, support and protections available to staff who do so.

The Integrity Office, which was established in 1998, supports this commitment as an internally independent function dedicated to receiving and investigating concerns about improper conduct or unethical behaviour and protecting those who raise concerns.

Macquarie's Whistleblower Program (Program) provides numerous channels for staff and external parties to confidentially raise concerns about improper conduct, including suspected breaches of the *Code of Conduct*. The Program, which is managed by the Integrity Office, is supported by the *Whistleblower Policy* and includes an externally managed service that enables concerns to be raised anonymously. All concerns raised with the Integrity Office or through the externally managed service are assessed and where appropriate, investigated.

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

The Integrity Office reports directly to the CEO and provides an annual report to the BGCC. Supporting the Group Integrity Officer are Regional Integrity Officers located in Macquarie's offices around the world. The Integrity Office also promotes high ethical standards and good decision-making through communications and engagement with staff.



Macquarie's *Whistleblower Policy* is available at macquarie.com/whistleblower-policy



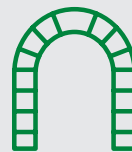
Opportunity

We seek to identify opportunity and realise it for our clients, community, shareholders and our people.



Accountability

We are accountable for all our actions, to our clients, our community, our shareholders and each other.



Integrity

We earn the trust of our clients, colleagues, community and shareholders through the quality of our work and our high ethical standards.

Corporate Governance

Continued

Customer Advocate

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

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

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

Risk governance

Macquarie's approach to risk management is based on stable and robust core risk management principles:



Details of Macquarie's approach to risk management is contained in the Risk Management section in our Annual Report at macquarie.com

The Board annually approves Macquarie's *Risk Appetite Statement* and *Risk Management Strategy*. The BRiC assists the Board with oversight of the operation of Macquarie's risk management framework and the implementation of Macquarie's risk management strategy. The BRiC forms a view of Macquarie's risk culture and identifies and monitors any desirable actions to change the risk culture.

All independent directors of the Board are members of the BRiC to support strong risk governance and oversight. They constructively challenge management's proposals and decisions on risk management arising from business activities. The Board is also assisted by the Board Audit Committee (BAC), the Board Remuneration Committee (BRC) and the BGCC in its oversight of financial and non-financial risk.

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

The risk management framework has been established on the premise that a disciplined approach to risk management is best maintained with a single risk management framework located within Macquarie Group that applies to all Macquarie

Operating and Central Service Groups (including Bank Group entities). The Banking Group maintains its own governance structure that is responsible for the sound and prudent management of the Banking Group, with due consideration to the interests of deposit holders.

Macquarie's risk culture

A sound risk culture has been integral to Macquarie's risk management framework since inception. Primary responsibility for risk management in Macquarie, including risk culture, is at the business level. The Board, assisted by the BRiC, is responsible for:

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

Macquarie's approach to maintaining an appropriate risk culture is based on the following three components:

Setting behavioural expectations

Senior management, with oversight from the Board, set behavioural expectations. Staff are made aware that Macquarie's principles of *What We Stand For: Opportunity, Accountability and Integrity* must form the basis of all behaviours and actions. These behavioural expectations are specified in the Board approved *Code of Conduct*, which is actively promoted by management and cascaded through the organisation.

Leading and executing

Management implements behavioural expectations through:

- leadership actions and communication
- organisational governance
- incentives and consequence management
- organisational and individual capability.

Monitoring, measuring and reporting

Macquarie monitors and measures its risk culture to gauge effectiveness while promoting continuous improvement.

Mechanisms include:

- reports incorporating behavioural elements (such as policy and limit breaches) are prepared by all Operating and Central Service Groups, including reports prepared by RMG, HR and the Integrity Office. These are escalated where relevant and include regular reports relating to risk culture that are provided to senior management and the Board
- the Risk Culture team in RMG Behavioural Risk uses a well-developed assessment process, governed by the Risk Culture Framework. The team undertakes independent risk culture reviews across the Operating and Central Service Groups to assess the relative strengths and areas for development within a business or function.

These mechanisms facilitate a feedback loop of sharing good practice and lessons learned to enable cultural alignment.

Macquarie's remuneration framework and consequence management processes are designed to promote accountability, encourage innovation, reward appropriate behaviours and discourage inappropriate behaviours.

Chief Risk Officer

The Head of RMG, as Macquarie's Chief Risk Officer (CRO), is a member of Macquarie's Executive Committee and reports directly to the CEO. The CRO has a secondary reporting line to the BRiC, which reviews and endorses the appointment and removal of the CRO and reviews the performance of the CRO. The CRO has unrestricted access to the BRiC and meets privately with BRiC members during the year. The CRO presents on risk matters at the BRiC meeting. Where there is no scheduled BRiC meeting, the CRO presents risk matters to the Board meeting.

Internal audit

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

The BAC has primary power of direction over the Internal Audit Division and is accountable for reviewing the effectiveness of the Internal Audit function. The Head of Internal Audit reports functionally to the BAC and is primarily accountable to them. The Head of Internal Audit has unrestricted access to the BAC and its Chair. The Head of Internal Audit meets privately with the BAC members regularly during the year. The BAC reviews and monitors the performance, degree of independence and remuneration of the Head of Internal Audit. The BAC also approves any appointment and removal of the Head of Internal Audit.

Environmental, Social and Governance risk

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

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

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

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



Additional information is available at macquarie.com/esg and macquarie.com/risk-management

Oversight of remuneration

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

The Board oversees Macquarie's remuneration arrangements, assisted by the BRC. The BRC annually reviews whether Macquarie's remuneration approach remains appropriate and that it creates a strong alignment of staff and shareholders' interests while prudently managing risk.

Non-Executive Director remuneration

Macquarie's NEDs are remunerated for their services from the maximum aggregate annual amount approved by shareholders, currently \$A5.0 million. They do not receive payments on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration.

Corporate Governance

Continued

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

- for NEDs other than the Chair, an investment equivalent to one times the average annual NED fee for the financial year ending prior to their appointment
- for the Chair, an investment equivalent to one times the annual Chair fee
- with the minimum number of shares to be acquired by NEDs determined using the share price as at the date of a NED's/Chair's appointment.

The above requirements apply to NEDs appointed after March 2018 and are to be met within three years from appointment with one third of the requirement to be held after one year, two thirds after two years and in full after three years.



Each NED's current Macquarie shareholding is set out in the Key Management Personnel disclosure in the Remuneration Report in our Annual Report at [macquarie.com](https://www.macquarie.com)

Executive remuneration

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

Macquarie's remuneration framework works as an integrated whole. An individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units. Macquarie retains a percentage of certain individuals' annual profit share allocation (retained profit share) which is invested in a combination of Macquarie shares under the Macquarie Group Employee Retained Equity Plan and Macquarie-managed fund equity.



Details of Macquarie's approach and the amount of remuneration paid to NEDs and Executive KMP are contained in the Remuneration Report in our Annual Report at [macquarie.com](https://www.macquarie.com)

Financial reporting

On behalf of the Boards of MGL and MBL, the BAC:

- **oversees the quality and integrity of Macquarie's financial reporting and the operation of the financial reporting processes.** The processes are aimed at providing assurance that the financial statements and related notes are complete, in accordance with applicable legal requirements and accounting standards and give a true and fair view of Macquarie's financial position. During its review of Macquarie's interim and year-end financial reports the BAC meets with the external auditor in the absence of management
- **reviews the external auditor engagement.** The BAC annually reviews the terms of the engagement and the performance of the external auditor. The BAC recommends to the Board the appointment and removal of the external auditor
- **monitors and reviews the operation of Internal Audit.** The BAC monitors and reviews the degree of independence of the Head of Internal Audit, their performance and remuneration (after seeking input from the CRO) and approves their appointment and removal. The BAC also approves the Internal Audit annual plan and monitors and reviews the effectiveness of the Internal Audit function
- **reviews the adequacy of Macquarie's control framework for financial regulatory reporting to banking regulators.** The BAC receives reporting on the operation of this framework.

Auditor independence

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

Macquarie's *Auditor Independence Policy* requires BAC approval, or between meetings the approval of the BAC Chair, for material non-audit work performed by its auditor if the proposed service falls outside the scope of pre-approved services or the proposed engagement fee exceeds the local currency threshold under the policy.

Also under the policy, which reflects Australian legal requirements, Macquarie's lead auditor and review auditor must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

Macquarie's auditor attended the Annual General Meeting (AGM) held during the reporting period and was available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report.

Ms Kristin Stubbins of PricewaterhouseCoopers (PwC) became Macquarie's lead auditor in FY20.



The BAC Charter and the External Auditor Policy Statement describe key aspects of Macquarie's *Auditor Independence Policy* and external auditor review process, and are available at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)

External auditor performance

The BAC conducts an annual review of the qualification, expertise, resources and performance of the external auditor, PwC. The process involves assessing PwC's performance against audit quality guidance, obtaining feedback from the Board and senior stakeholders across various Macquarie businesses on group and subsidiary audits and obtaining feedback from PwC on the results of any internal or other external audit quality review relating to the audit. A written report summarising the results, issues for discussion and recommendations, is presented to, and discussed at a BAC meeting and separately discussed with PwC.

Chief Executive Officer and Chief Financial Officer declaration

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

Board and management

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

The Board Charter details the Board's role and responsibilities, and matters expressly reserved for the Board, which include approving the annual strategy and business plan, adopting an annual budget, approving Macquarie's funding and capital management strategy, approving Macquarie's *Risk Appetite Statement* and *Risk Management Strategy*, monitoring material risks faced by Macquarie and how they are managed, appointing Macquarie's Chief Executive Officer and approving group policies relating to remuneration, diversity and a code for ethical behaviour. The role of the Board is to promote the long-term interests of Macquarie, taking into account Macquarie's specific and broader responsibilities to its shareholders, funders, clients, staff and the communities in which it operates.

The Board is assisted by its various Board Committees as detailed in each Board Committee Charter.



The Macquarie Group Limited Constitution and Board Charter are available at macquarie.com/leadership-corporate-governance

The Board determines delegations to management and approves applicable limits and policies.

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

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

Board Committees

Macquarie's five standing Board Committees assist the Board in its oversight role. All Board members have access to all Board Committee meeting papers and may attend any Board Committee meeting. Subsequent to each Board Committee meeting, the minutes are included in the Board papers and presented to the Board by the respective Committee Chairs.

All NEDs are members of the BRiC to assist the Board in its oversight of Macquarie's risk management framework. The Chairs of the Board and each Board Committee meet to broadly consider the work plan, responsibilities and the performance of each Committee and to focus on any areas of overlap or gaps in Committee reporting and responsibilities, including coordination of non-financial risk reporting between Committees and the coverage of risk reporting across Committees.



The Board Committee Charters, detailing the responsibilities of each Committee are available at macquarie.com/leadership-corporate-governance

Corporate Governance

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Allocation of responsibilities between Board Committees

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

Committee	Role
Board Risk Committee (BRiC)	The BRiC assists the Board by providing oversight of Macquarie's risk management framework and advising the Board on Macquarie's risk position, risk appetite, risk culture and risk management strategy. The BRiC receives information on material risks and external developments that may have an impact on the effectiveness of the risk management framework. The BRiC reviews and monitors Macquarie's risk culture and the extent to which it supports the ability of Macquarie to operate consistently within its risk appetite. The Chief Risk Officer reports directly to the CEO and has a secondary reporting line to the BRiC.
Board Governance and Compliance Committee (BGCC)	The BGCC assists the Board with adopting the most appropriate corporate governance standards for Macquarie and assists the Board in fulfilling its responsibility for oversight of the regulatory and compliance risk framework of Macquarie, including reviewing and monitoring compliance with Macquarie's <i>Conduct Risk Management Framework</i> . In addition, the BGCC reviews the operation of Macquarie's work health and safety, environmental and social risk management policies and customer and client reporting. The BGCC also set measurable objectives for increasing the diversity of Macquarie's workforce. The BRiC, BRC and BAC review aspects of the regulatory and compliance risk framework relating to their duties and responsibilities.
Board Remuneration Committee (BRC)	The BRC makes recommendations to the Board that promote appropriate remuneration policies and practices for Macquarie consistent with the risk management framework. The BRC also satisfies itself that Macquarie's remuneration policies and practices are consistent with and promote Macquarie's <i>Code of Conduct</i> and the accountability of staff for the business outcomes they deliver by encouraging a long-term perspective. The BRC reviews Human Resources-related reports and is responsible for liaising with the BRiC to ensure there is effective co-ordination between the two Committees to assist in producing a properly integrated approach to remuneration that reflects prudent and appropriate risk. The BRC is also responsible for remuneration related disclosures in the Remuneration Report.
Board Audit Committee (BAC)	The BAC assists the Board with its oversight of the integrity of the financial statements. The BAC also reviews the adequacy of Macquarie's control framework for financial regulatory reporting to banking regulators and monitors the internal financial control environment. The BAC reviews reports from the external auditor and Internal Audit, referring matters relating to the duties and responsibilities of the BRiC and BGCC to the appropriate Board Committee. The BAC monitors and reviews the performance of the Head of Internal Audit and the effectiveness of the Internal Audit function.
Board Nominating Committee (BNC)	The BNC assists the Board in satisfying itself that it has an appropriate mix of skills, experience, tenure and diversity for the Board to be an effective decision-making body and to provide successful oversight and stewardship of Macquarie.

Board and Board Committee membership

The Board has eleven Directors, comprising ten Independent Directors and one Executive Voting Director who is the Macquarie Group Limited Managing Director and Chief Executive Officer.

The Chair of the Macquarie Group Limited Board is Peter Warne, an Independent Director, who has been the Chair of the Board since April 2016. Shemara Wikramanayake is the Managing Director and Chief Executive Officer of Macquarie Group Limited.

Each Board Committee has an Independent Director as its Chair and comprises members who are Independent Directors. All Independent Directors are members of at least three Board Committees and all Independent Directors are members of the BRiC and BNC.

The Chair of the Board and the CEO attend Board Committee meetings by invitation as a matter of course. The following table sets out the current composition of the Board, each Director's date of appointment and the membership of each Board Committee. During FY20:

- Glenn Stevens was appointed Chair of the BRiC
- Michael Hawker ceased as Chair of the BRiC, remaining as a member
- Philip Coffey was appointed as a member of the BAC and BRC
- Jillian Broadbent was appointed as a member of the BRC.



Members' attendance at Board and Board Committee meetings during the past year is contained in the Directors' Report in our Annual Report at macquarie.com

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

Board skills and experience

Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

The Board of Macquarie believes that its membership should comprise high calibre directors with an appropriate mix and diversity of skills, professional experience, tenure and personal background that allow the directors individually, and the Board collectively, to:

- discharge their responsibilities and duties under the law effectively and efficiently
- consider and form a view on Macquarie's culture and governance
- understand the business of Macquarie and the environment in which Macquarie operates so as to be able to agree with management the objectives, goals and strategic direction that will promote the creation of enduring value
- assess the performance of management in meeting those objectives and goals.

Accordingly, in selecting potential new directors, the BNC identifies the competencies and diversity required to enable the Board to fulfil its responsibilities. In doing so, the BNC has regard to the results of the annual appraisal of the Board's performance, the performance of each Director and ongoing succession planning.

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

From time to time there are areas identified by the Board where additional knowledge would be beneficial, which it addresses by engaging external advisers, conducting site visits, Board workshops and/or requesting more detailed reporting from management. Technology and digital disruption is an example where this approach has been taken.



Details of the Directors' qualifications and experience are contained in the Directors' Report in our Annual Report at [macquarie.com](https://www.macquarie.com)

Corporate Governance

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

Board Skills and Experience	Description	No. of Directors
 Senior leadership	Having performed a CEO or senior executive level role provides understanding of developing, implementing and assessing business strategies and operating plans for an organisation of the scale and complexity of Macquarie	11
 Financial Services/ Retail Banking	Experience in a senior position within financial services or retail banking assists in understanding and reviewing Macquarie's businesses and strategy	9
 Investment Banking/ Corporate Banking/Financial Markets/Funds Management	Experience in a senior position within these sectors assists in understanding and reviewing Macquarie's businesses and strategy in these specialist areas	8
 Energy/Infrastructure	Experience in a senior position in the energy and/or infrastructure industry or advising in this sector assists in understanding and reviewing Macquarie's businesses and strategy	8
 Financial acumen	Financial literacy assists in the understanding of financial reporting and capital management strategies	11
 Accounting	Accounting qualifications and experience provide the Board with financial expertise in overseeing the integrity of financial reporting	2
 Business development and strategy	Senior executive experience developing and directing the strategy of an organisation to assist with the Board's review of strategy	11
 People and culture management	People management and human resources expertise assists with the Board's role in overseeing talent management and development, including succession planning	11
 Global experience	Experience living and working overseas in a senior role in a global organisation or responsibility for overseas operations is important in understanding and reviewing Macquarie's global businesses and strategy	11
 Regulation and public policy	Professional experience working in a regulated organisation, regulatory body or government department/agency is relevant to Macquarie as it operates in many highly regulated markets globally	10
 Law	Legal qualifications and/or practice assists the Board in meeting its legal and compliance requirements in highly regulated markets globally	2
 Corporate governance including risk governance	Experience developing strategy, policies and frameworks to support sound corporate governance, including identifying, monitoring and overseeing material risks in a complex organisation. Typically, experience as a Director at a listed company or a large organisation would provide such experience	11
 Customer/Client	Experience developing customer/client strategy and delivering customer/client outcomes provides the Board with insight on understanding the needs of customers/clients	10
 Innovation and entrepreneurship	Experience developing, implementing and executing strategies with a focus on innovation and responding to disruption assists with the Board's oversight of Macquarie's strategy and business plan	8

Director independence

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

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



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

91% of Board members are independent directors

100% of Board Committee members are independent directors

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

Consistent with the ASX Corporate Governance Council's guidance on assessing independence, the following interests or associations were considered by the BGCC:

- a family member of Mr Coleman has been employed by Macquarie for a number of years prior to his appointment and is currently a Division Director
- Mr Warne and Mr Hawker have served on the Board for 13 years and 10 years respectively.

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

Dealing with potential conflicts of interest

Macquarie recognises that conflicts of interest or potential conflicts of interest may arise from time to time for its Directors. Macquarie has in place procedures to identify and monitor for such conflicts and to adopt appropriate measures where these arise.

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

- Board members declaring their interests required under the *Corporations Act 2001* (Cth), the ASX Listing Rules and general law requirements
- Board members with a material personal interest in a matter before the Board not receiving the relevant Board paper and not being present at the Board meeting during the consideration of the matter and subsequent vote, unless the Board (excluding the relevant Board member) resolves otherwise
- as a general rule, Board members with a conflict not involving a material personal interest in a matter before the Board should not receive the relevant Board paper and are not present at the Board meeting during discussion of the matter.

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

Board renewal, appointment and performance

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



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

Corporate Governance

Continued

Board diversity and tenure

The Board of Macquarie believes that its membership should comprise Directors with an appropriate mix and diversity of skills, professional experience, tenure, gender and personal background. The general expectation is that NEDs will serve three 3-year terms from first election by shareholders. NEDs may serve for longer than three 3-year terms if the Board considers it to be of significant benefit to Macquarie.



Years of NED tenure



Director appointment, induction and development

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

All Directors have received an appointment letter setting out the terms of their appointment. The material terms of appointment are set out in Macquarie's *Policy on Board Renewal, Appointment of Directors and Board Performance Review*.

New Directors also undertake an induction program covering relevant matters such as Board practices and procedures, prudential requirements and briefings with senior management of business units and support groups.

NEDs identify business awareness needs on an ongoing basis and regular Board workshops are held during the year on topical, emerging business and governance issues relevant to Macquarie. In FY20, the Board participated in workshops which included presentations on work health and safety, financial crime risk, IBOR transition program, future leadership and succession planning, scenario analysis and conflicts management. The BRiC reviews the annual schedule of Board workshop sessions. In addition to workshops, the Board schedules two separate visits to Macquarie overseas offices annually.

The BNC reviews the skills and experience of the NEDs. When the Chair conducts individual Director interviews as part of the Board performance review, he reviews with each Director whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role on the Board effectively.

Board performance

A Director's continuing Board membership is subject to their performance and ongoing relevance of their skills and experience. The Board undertakes a formal annual performance assessment to review its performance and the performance of each Director with emphasis on those individual Directors who are required to stand for re-election at the next AGM. The Board considers the performance and skills of Directors standing for re-election and whether other particular skills or experience not currently available are needed prior to determining whether to recommend their re-election to shareholders.

Every three years an external facilitator conducts the Board's performance review. In the intervening years, an internal performance assessment is led by the Chair with the support of the Company Secretary. The next external evaluation is scheduled for 2021.

The process for conducting the review is agreed by the Board. Typically the process includes individual interviews by the Chair or an external facilitator with each Director and the use of a self-assessment questionnaire to cover matters such as:

- the Board's contribution to developing strategy and policy
- the Board's performance relative to its objectives
- interaction between the Board and management and between Board members
- the Board's oversight of business performance and compliance, risk controls and management
- Board composition, including consideration of relevant skills and structure
- the operation of the Board, including the conduct of Board meetings, group behaviours and the performance of the Chair as chair.

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

A written report summarising the results and feedback is presented to the Board and discussed at a Board meeting.

The Board's review in FY20 was conducted internally in accordance with the process described above. Directors were also requested to provide examples of effective Board oversight, steps the Board could have taken to improve oversight and areas of focus for the Board in the next 12 months to improve its effectiveness. To facilitate their evaluation, Directors were provided with the status of:

- enhancements implemented by the Board since the prior external Board review
- progress on the *Role of the Board* action items from the self-assessment of Macquarie's risk governance practices.

Board Committee performance

As part of the Board's annual performance assessment, the functioning of the Board Committees is reviewed. Each Board Committee also undertakes a periodic review, at least biennially, of its performance and the extent to which it has met its responsibilities set out in its Charter. The process for the review of Board Committee performance also includes use of a self-assessment questionnaire and discussion of the outcomes, including recommendations, which is led by the Chair of the respective Board Committee.

Each Board Committee undertook its biennial review of its performance in FY20. The internal performance assessment process included consideration of feedback received from the last biennial review. Committee members also provided examples of effective Board Committee oversight, steps the Board Committees could have taken to improve oversight, and areas of focus for the Board Committees to improve their effectiveness. The Board Committees considered the results of their performance assessment and discussed feedback.

Employment and performance of senior executives

In accordance with Macquarie's *Fit and Proper Policy*, prior to a senior executive being appointed, appropriate background checks are undertaken.

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

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

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

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

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

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



Details of the nature and amount of remuneration for each Executive KMP and Macquarie's remuneration policies and practices are contained in the Remuneration Report in our Annual Report at [macquarie.com](https://www.macquarie.com)

Diversity and Community

Diversity & Inclusion

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

The diversity of Macquarie's staff remains fundamental to our success. Macquarie's *Workforce Diversity Policy* defines Macquarie's diversity commitment and the structures in place to ensure its realisation, including the requirement that the BGCC set measurable objectives for increasing the diversity of Macquarie's workforce, including its gender diversity, and annually assessing both those objectives and Macquarie's progress in achieving them.



Macquarie's *Workforce Diversity Policy* is available at [macquarie.com/diversity](https://www.macquarie.com/diversity)

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

Macquarie has reported against its diversity objectives since March 2014, including increasing the representation of women and other traditionally under-represented groups at all levels in the Macquarie workforce. This includes increasing female representation at senior leadership levels (Board of Directors, Executive Committee, Division Head and Senior Executive) and more broadly, embed and promote female representation in recruitment practices.

Corporate Governance

Continued

Reporting to the BGCC sets out the composition of Macquarie's workforce, female representation and progress towards achieving its measurable objectives for diversity.

Macquarie launched its refreshed global FY20–21 Diversity & Inclusion Strategy in December 2019. The strategy encompasses three pillars: Our Diverse People, Our Inclusive Workplace and Our Clients and Community.



Macquarie's measurable objectives for achieving diversity and progress towards achieving those objectives are detailed in the Diversity & Inclusion section in our Annual Report at [macquarie.com](https://www.macquarie.com)

Macquarie and the community

Macquarie engages in the wider community through various programs, including the Macquarie Group Foundation (the Foundation), Macquarie Sports and the Macquarie Group Collection.

Together with Macquarie staff, the Foundation has in total contributed more than \$A410 million to thousands of community organisations since its inception in 1985. Staff also volunteer with a number of community organisations globally. In the year ended 31 March 2020, the Foundation and Macquarie staff contributed a record \$A51 million and approximately 46,000 hours to non-profit organisations.

In August 2019, Macquarie announced the five winners of the Macquarie 50th Anniversary Award that will each receive \$A10 million over a five-year period for their bold approach to drive change through global projects: Last Mile Health, Monash University's World Mosquito Program, Murdoch Children's Research Institute World Scabies Elimination Program, Social Finance and The Ocean Cleanup. Their projects will impact millions of lives, meeting social needs in the areas of life-saving healthcare, protection from devastating diseases, improved social mobility for low-income workers and action to rid the world's oceans of plastic.



\$A51m
contributed in FY20



46,000
hours volunteered



Further information about the Macquarie Foundation and the Macquarie 50th Anniversary Award is available at [macquarie.com/community](https://www.macquarie.com/community)

Commitment to shareholders and an informed market

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

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

The Continuous Disclosure Committee considers matters that may require disclosure to ASX in accordance with Macquarie's continuous disclosure obligations.

All external communications which include any price-sensitive material for public announcement, annual and interim result announcements, release of financial reports, presentations to investors and analysts and other prepared investor presentations for Macquarie will:

- be factual and subject to internal review and authorisation before issue
- not omit material information
- be timely and expressed in a clear and objective manner.

Material announcements relating to matters which fall within the reserved powers of the Board and not delegated to management are referred to the Board for approval.



Macquarie's *Continuous Disclosure & External Communications Policy* is available at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)

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

As part of Macquarie's commitment to keep its investor base informed, management presents at various investment conferences and conducts investor visits and meetings throughout the year. All material presentations and other disclosures which include material information not previously released are lodged with ASX ahead of the presentation and made available on Macquarie's website.

Periodic corporate reports that are not audited or reviewed by PwC are verified internally by management prior to release to ASX. The verification process allocates material disclosures within the relevant document to contributors to substantiate the disclosures by reference to company source documents or, if no source documents are available, by persons with the knowledge and expertise to confirm the accuracy and completeness of the disclosures.

Macquarie's website

Recent announcements, past and current reports to shareholders, including summaries of key financial data, operational briefing presentations, AGM webcasts and copies of recent notices of meeting are all available in the investors centre of our website. Investor Relations contacts are also available on our website.

Shareholders can elect to receive communications electronically by contacting Macquarie's share registry.



Further information about Macquarie is available at [macquarie.com](https://www.macquarie.com).

Shareholder meetings

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

Macquarie typically holds its AGM in July of each year.

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

If shareholders are unable to attend the meeting, they are encouraged to vote on the proposed motions by appointing a proxy. The proxy form included with a notice of meeting explains how to appoint a proxy. Online proxy voting is also available to shareholders.

Unless specifically stated in a notice of meeting, all holders of fully paid ordinary shares are eligible to vote on all resolutions. Macquarie's practice is that voting on each proposed resolution is conducted by poll.

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



A shareholder calendar is available at [macquarie.com/investors](https://www.macquarie.com/investors)

Key policies

Anti-Bribery and Corruption Policy

Under Macquarie's *Anti-Bribery and Corruption Policy* the actual or attempted use of any form of bribery or corruption either directly or indirectly on Macquarie's behalf to advance its business interests or those of its associates is strictly prohibited. Bribery and corruption are incompatible with the *Code of Conduct* and the probity and integrity expected of staff.

The Risk Management Group, headed by the Chief Risk Officer, oversees the operation of the policy.



Macquarie's *Anti-Bribery and Corruption Policy* is available at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)

Dealing with potential conflicts

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

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

Macquarie has established various systems and controls to prevent and manage conflicts of interest, many of which are outlined in Macquarie's policies in relation to conflicts of interest, investment research, personal investments, gifts and entertainment, outside business activities, allocations of financial products, personal relationships in the workplace and political contributions. Conflict checks are required prior to entering into certain business arrangements.

Managing conflicts of interest forms part of the training on *What We Stand For* and the *Code of Conduct* for all new and existing staff.

Corporate Governance

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Trading Macquarie securities



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

Key principles of Macquarie's *Trading Policy* include:

- **trading prohibition while in possession of material non public information:** Dealing in Macquarie securities while in possession of inside information is prohibited.
- **trading windows:** Generally, Directors and staff may only trade in Macquarie securities during designated trading windows following Macquarie's announcement of its interim results, full year results and AGM
- **pre-clear securities trading:** Directors and staff must pre-clear their Macquarie securities trading
- **excluded dealings:** Certain types of transactions such as acquisition of securities under an employee share plan or participation in a dividend reinvestment plan may be effected outside a trading window without pre clearance
- **deferred and unvested equity awards, retained shares and minimum shareholding requirements cannot be hedged**

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

Corporate governance in Macquarie-managed funds

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

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



Macquarie's *Statement of Corporate Governance in Macquarie-managed Funds* sets out the key elements of the corporate governance framework for Macquarie-managed funds and is available at macquarie.com/leadership-corporate-governance

This Corporate Governance Statement is current as at 7 May 2020 and has been approved by the Board.



Our Corporate Governance Statement and Key to Disclosures (Appendix 4G) have been lodged with the ASX and are available at macquarie.com/leadership-corporate-governance

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