

## **CHAIRMAN'S ADDRESS**

### **MACQUARIE GROUP LIMITED ANNUAL GENERAL MEETING**

**29 JULY 2021**

**50 MARTIN PLACE, SYDNEY**

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#### **Introduction**

Good morning ladies and gentlemen and welcome to Macquarie Group's 2021 Annual General Meeting. I am Peter Warne, Chairman of the Macquarie Group Board. I will be chairing the meeting today. I note that a quorum is present and now formally declare the meeting open.

I acknowledge the traditional owners of the lands from where I speak to you today, the Gadigal people of the Eora nation, and pay my respects to their elders, past, present and emerging.

This meeting is being held in Sydney, which is currently subject to COVID-19 public health restrictions, with the majority of our shareholders attending remotely. Those of us who are in the room are practicing appropriate physical distancing. The COVID-19 pandemic continues to affect communities here and internationally. I hope all of you attending this meeting today are safe and well.

Joining me today is your Board. Sitting alongside me is Managing Director and Chief Executive Officer Shemara Wikramanayake. We are also joined by Chief Financial Officer Alex Harvey and Company Secretary Dennis Leong. Attending remotely are Non-Executive Directors Jillian Broadbent, Philip Coffey, Michael Coleman, Diane Grady, Rebecca McGrath, Mike Roche, Glenn Stevens and Nicola Wakefield Evans.

Also attending remotely are members of Macquarie's Executive Committee, including: Greg Ward, Nick O'Kane, Michael Silverton, Ben Way, Stuart Green, Nicole Sorbara and Patrick Upfold.

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

- I will outline the key highlights of the past financial year;
- Shemara will take you through last year's result, update you on the first quarter of the current financial year, and discuss the outlook for the remainder of the year;
- We will hear from Directors seeking re-election to the Board today, Glenn Stevens, and I; and
- We will also hear from Directors Rebecca McGrath and Mike Roche who are seeking election for the first time.

I will then formally open the polls.

This year, we will not break for refreshments. Funds traditionally spent on refreshments will be donated to OzHarvest.

The final part of the meeting will be dedicated to shareholder questions and discussion of the formal items of business. As with last year, I assure you there will be ample opportunity for shareholders wishing to address the meeting to do so.

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

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

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

## **Macquarie's purpose and what we stand for**

You may recall that last year we discussed the work that the team had done on rearticulating Macquarie's purpose: *Empowering people to innovate and invest for a better future*. Over the course of the year, this statement of purpose has continued to be embedded into Macquarie's culture, alongside our long-held principles of Opportunity, Accountability and Integrity.

Our purpose explains why Macquarie does business and our principles define how we do business. As Shemara and I take you through today's presentation, and in the short films that open and close this meeting, you will see many examples of Macquarie's purpose and principles at work.

## **Macquarie's response to COVID-19**

Like many organisations around the world, Macquarie has felt the effects of the COVID-19 pandemic. Throughout this challenging period, the Group's longstanding fundamentals have positioned us well to support our clients and other stakeholders. These fundamentals are the diversity of our business mix and geography, strong capitalisation, a well-funded balance sheet and a conservative approach to risk management.

Strong fundamentals have enabled us to focus on addressing the immediate needs of our stakeholders and meeting our ongoing commitments to them. The ways in which we have done this include helping consumers and small businesses deal with sudden change, facilitating access to global capital, bolstering resilience in essential community services, supporting the move to remote working and learning, and addressing community needs through philanthropy. Making decisions with a view to the ongoing health and welfare of our people has been critical in fulfilling these commitments.

At the peak of the pandemic last year, 98 per cent of staff were working remotely. Considerable long-term investment has been made into the systems and capabilities to support large-scale remote working, and we are pleased that staff engagement actually increased despite the change to our working conditions. Our teams are at differing stages of returning to the office based on what is permitted in each location.

As a general comment, we have seen more of our staff successfully embrace a hybrid of remote and in-office working, and we expect this trend will continue.

FY21 was an uncertain period for many of our customers, and Macquarie provided a range of support options. It is pleasing that, as at June 2021, less than 0.01 per cent of our clients remained on some form of pandemic assistance, down from peak levels of 13 per cent. Importantly, these clients have returned to regular repayments, and we have once again stepped-up support for clients most affected by the latest wave of lockdowns in Australia.

We recognise the responsibility that comes with managing essential services and our longstanding approach to crisis planning helped portfolio assets managed by Macquarie to withstand the economic impact of the pandemic, while identifying new ways to respond to disruption on behalf of the community.

While not related to the pandemic, I want to pause for a moment to note a significant incident at one of our portfolio businesses, Currenta. which is a provider of infrastructure and services to chemical producers in Germany. Currenta is owned and managed by two of Macquarie's European infrastructure funds. Earlier this week there was an explosion at a tank farm which has tragically resulted in two fatalities and the injury of 30 staff. Macquarie is supporting Currenta's management team as they support their staff, assist authorities with their investigations, conduct their own reviews, and communicate with stakeholders. Our deepest condolences go to the families of those workers who have tragically lost their lives.

Our philanthropic efforts last year included a COVID-19 specific allocation of \$A20 million, over and above our regular philanthropic funding. The COVID-19 allocation balanced immediate and longer-term needs across direct relief, public health and clinical research, and supporting workers and businesses in restarting economic activity. We also stood by our existing community partners as they faced sharply increased demand for their services by providing more funding flexibility and additional grants.

## **FY21 financial performance**

Shemara will take you through Macquarie's performance in detail. In advance of that, I will outline a few key financial highlights for the last financial year.

FY21 was another busy year for Macquarie, and while the effects of the pandemic on economic activity were particularly felt in the first half, the Group ended the financial year achieving a record result of just over \$A3 billion. This is testament to the resilience of our diverse businesses and staff, and the ability to adapt to changing market conditions.

In addition to net profit, the Group reported growth in key financial performance metrics including operating income, earnings per share and dividends per share.

## **FY21 Dividend**

Shareholders received a full-year dividend per ordinary share of \$A4.70, franked at 40 per cent. This was up from \$A4.30 per share in the prior year which was also franked at 40 per cent.

56 per cent of earnings – or about \$A1.7 billion – was returned to shareholders in dividends, with the payout ratio balancing returns to shareholders with opportunities to invest in future growth and to support clients through the pandemic period. In order to allow additional flexibility to support business growth, the Board has resolved to update the annual dividend payout policy range to 50 to 70 per cent.

## **Risk culture and conduct**

I now turn to risk culture and conduct, an area in which the Board and management invest considerable time and resources.

Macquarie's strong performance over more than 50 years is characterised by empowering teams to harness their capabilities to serve clients, investors and communities. This opportunity is balanced with strong accountability for owning and managing risk. The primary responsibility for risk resides at the individual and business unit level while robust independent oversight is provided by our Risk

Management Group, and further independent and objective risk-based assurance is provided by the Internal Audit division. Integrity underpins everything that we do.

The risk management framework is supported by a remuneration framework and consequence management process to encourage appropriate behaviours and discourage inappropriate behaviours. In FY21, there were 97 matters involving conduct or policy breaches that resulted in termination of employment or formal warnings. The majority of formal warnings were accompanied by an average 48 per cent reduction in profit share.

While covering risk management matters, I would like to note to shareholders that at the beginning of the current financial year, APRA announced enforcement action against Macquarie Bank. The enforcement action resulted in increased capital and liquidity requirements for the Bank and requires us to restate selected historical regulatory returns. This action is in relation to historical matters and does not impact the current overall soundness of Macquarie Group's capital or liquidity ratios. From a Board perspective, this is a matter that we take very seriously, and we are providing rigorous review and interrogation of the work being done to address these matters to APRA's satisfaction.

The Board's oversight of risk culture and conduct is informed by qualitative and quantitative analysis. In FY21, given the large shift to remote working, senior leadership increased their staff communications with regular and clear reminders of risk culture and conduct expectations.

### **Risk culture and conduct in practice**

While our businesses have been busy, so too have our support areas, and their collaboration in maintaining risk conduct and culture is one important example.

We continued to roll out our Executive Leadership Development Program in FY21 and added virtual senior leadership development programs. These programs place emphasis on inclusive working environments and their positive impact on risk culture. Online supervisory training for our people managers and directors has been

refreshed, with the inclusion of additional material covering hybrid working environments and fostering a 'speak up' culture in teams.

A new conduct standard was launched, supported by enhanced monitoring to identify and evaluate instances where conduct is a root cause of incidents. The Board regularly receives detailed risk culture indicator reports, including insights from risk culture deep dives and assessment of progress made from prior reviews.

The Group's Integrity Office is an independent function that has been in place for more than 20 years. It reports directly to the CEO and meets regularly with me as Chair. In FY21, the Integrity Office has continued a heavy schedule of training and development. More than 9,000 staff received tailored training and leadership development in FY21, focusing on hybrid working, integrity, speaking up and psychological safety.

### **Environmental, social and governance**

Environmental, social and governance matters remain an area of significant focus for the Group and the Board. This is entirely appropriate given the responsibilities that we have to clients, shareholders, communities, our people and the environments in which we operate.

Macquarie is very active across all three aspects of ESG through:

- direct investment, such as in energy transition and social infrastructure;
- engaging in forums where we can share our expertise to help inform policies that support better ESG outcomes;
- supporting reporting standards to promote better measurement of impact; and
- putting in place the policies and practices that foster sound ESG outcomes in our investments, workplaces and capabilities in our staff.

Macquarie continued to be active across a wide range of ESG initiatives during FY21, with a number of outcomes achieved by staff. These outcomes span business activities, conduct and culture, direct operations and engagement with clients, staff and communities.

The environmental aspect of ESG continues to drive a lot of business and operational activity within Macquarie. As at March 2021, Macquarie had 44 gigawatts of green energy assets in development, operation or management. For every \$A1 invested in conventional energy, the Group is investing \$A6.64 in renewable energy.

### **Driving global climate solutions**

As I have said at previous AGMs, alongside our proactive approach to addressing the challenges in energy transition, we note that global projections of power generation indicate an ongoing role for natural gas for some time in an orderly transition to a low-carbon economy, especially where it enables coal phase-outs and higher shares of variable renewables generation. The sources of these projections include the International Energy Agency, the US Government's Energy and Information Administration and Bloomberg New Energy Finance. We are working with a number of conventional energy businesses on their decarbonisation initiatives and commitments and Macquarie is extremely well placed to support those businesses as they transition to net-zero.

The demand for solutions that address the effects of climate change continues to grow around the world. With many countries committing to green economic recoveries, and nations and businesses committing to net zero emissions, we anticipate that this demand will continue to expand.

Macquarie, with its strong heritage in infrastructure, energy and commodities, has a differentiated set of capabilities to help meet that demand. Each of our operating groups in all of our regions are engaged through direct investment, creating new assets, providing financing, facilitating market activity, or advising clients on addressing the challenges of climate change.

### **Our commitment to net zero**

When we announced the Group's FY21 result in May this year, we also announced the Group's commitment to net zero emissions. This follows a commitment made by Macquarie Asset Management to achieve net zero emissions across its portfolio by 2040.



Our involvement in energy transition goes back 20 years and this longstanding expertise and capability is reflected in the four components of our net zero commitment:

- Firstly, strengthening support for clients and portfolio companies to manage the transition to net zero and realise decarbonisation ambitions. For example, we have started work with portfolio companies to consistently measure greenhouse gas emissions and identify emission reduction opportunities. Where we have sufficient influence, we will work with these businesses to develop plans that will put them on a pathway to reduce emissions in line with a net zero economy.
- Secondly, increasing our own investment in climate mitigation and adaptation solutions. This builds on our leading position as a global developer, investor, financier, and manager of renewable energy projects.
- Thirdly, aligning the emissions of our financing activities with the objective of enabling and accelerating the world's pathway to net zero by 2050. This includes measuring and setting interim and long-term science-based emissions targets for our financing activities, prioritising our efforts with clients and partners in high emission sectors and the role that we will play in accelerating their path to net zero.
- Finally, continuing to reduce the emissions of our own business operations, with a commitment to reaching net zero operational emissions by 2025. Macquarie has been carbon neutral since 2010 across our offices, data centres and business air travel, and this provides a strong foundation for our 2025 commitment.

Work on our detailed net zero plan is currently underway with the aim of publishing it in 2022, with annual progress reports thereafter.

### **Diversity and inclusion**

Macquarie strives to be a diverse and inclusive workplace and considerable investment has been made in this area over a number of years. As a business that is underpinned by the expertise of its people, there is a strong connection between

the depth, breadth and scale of the Group, the diversity of our staff, and the range of perspectives they bring to our projects and decision-making.

Fostering and maintaining a diverse workplace with an inclusive culture requires continual investment. The work that we do often follows the professional lifecycle of an individual – from school where they make choices about their career path, through to university, and then into their career with Macquarie. The types of initiatives undertaken include working with schools and universities to promote financial services as a fulfilling career path for women; ensuring diversity of recruitment in our intern and graduate programs; embedding more equitable work practices; employee network groups; and prioritising growing the leadership capability of our people leaders to maintain an inclusive workplace.

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

### **Macquarie Group Foundation**

The Macquarie Group Foundation has had a particularly active year. The Foundation and Macquarie staff contributed a record \$A64 million to more than 2,400 non-profits. This includes the \$A20 million COVID-19 allocation, funding allocations to our five 50<sup>th</sup> Anniversary Award recipients and our global grant-making program. As I have said in previous years, Macquarie's philanthropic activity is substantially driven by Macquarie staff. Fundraising is just one aspect of the contribution our staff make to community organisations. Each year staff contribute thousands of hours volunteering, sharing their skills and serving on non-profit boards.

The Foundation has also managed the distribution of the \$A20 million COVID-19 allocation. Almost all of that allocation has now been distributed to a range of local and international organisations, focused on direct relief, medical research and economic recovery.

## **Board and management**

As I conclude this section of the meeting, I would like to thank my Board colleagues and extend a special welcome to new directors Mike Roche and Rebecca McGrath who will address the meeting during the formal business.

I would also like to thank Gordon Cairns and Mike Hawker, both of whom retired from the Board: Gordon in May this year and Mike in September 2020. Gordon and Mike have served Macquarie shareholders over many years and fulfilled their responsibilities with great care, energy and tremendous enthusiasm for the organisation. On a personal note, I have enjoyed working with Gordon and Mike and have benefited from their insightful counsel. We wish both of them well for the future.

The Macquarie Board is a hardworking one and every board member makes a valued contribution. The experience and expertise of your directors, and the diligence with which they carry out their responsibilities, supports the growth of your company.

I would also like to thank Macquarie's management and staff for their valued contribution. FY21 has presented a unique set of challenges; the management and team, led by Shemara, have navigated global economic uncertainty with great care, have grown the business and kept its focus on supporting the needs of clients, shareholders and the broader community.

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

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