Macquarie Group AGM

FULL TRANSCRIPT

P Warne: Thank you, Nicola. Agenda item 3 is the election of an external candidate, Stephen Mayne, to the board. Mr Mayne has offered himself for election as a voting director of Macquarie Group Limited. The board has not endorsed his nomination. As Mr Mayne is in Melbourne, he has pre-recorded this short address in support of his election as a director.

S Mayne: Good morning, everyone and thanks for the opportunity to address the shareholders, Chair. I'm running for the board primarily on a platform of fixing up Australia's 'anything goes' capital raising system, which has seen retail shareholders diluted out of more than $20 billion of value since the GFC. Now, Macquarie has been the single biggest adviser to listed companies over that period and continues to be extremely prominent in the market, advising corporates to structure capital raisings, which systematically dilute retail shareholders.

Those who attended last year's AGM would remember I asked the board if they could do an SPP first ahead of any placement, if they were to raise capital and unfortunately they ignored that request and went ahead and did a $1 billion institutional placement, which was followed by an SPP, but we really need in the market companies doing SPPs first to make up for the systematic dilution that retail shareholders have suffered or doing PAITREO capital raisings, which were renounceable and pro-rata and are the fairest way to treat all classes of shareholders.

Now, I've had a lot of experience over the years in politics, in journalism, a local government councillor, and sitting on boards, and a couple of comments that have been made by people over the years. The former Lord mayor, Robert Doyle in Victoria, now disgraced, said, “Stephen Mayne's done a terrific job, bringing a fresh perspective, transparency and good governance practises to the City of Melbourne.”

Carol Schwartz, who's a Reserve Bank Director said, “Stephen Mayne has always been a vocal advocate for equality for women in the context of power sharing and decision making at all levels. We need more individuals like Stephen in the Australian parliament.”

Tim Costello, the prominent anti-gambling campaigner said, “Stephen is a man of great integrity. He's never been afraid to stand up to the powerful and does not shy away from the truth.”

And after four years serving on the City of Manningham, the Liberal Mayor, Geoff Gough at the time when I departed said, “Councillor Mayne has been an outstanding and innovative contributor during this term of council and his input and opinions will be missed.”

I'm pitching myself as someone who would bring diversity to the board. It's a fairly old board at the moment, average age of 66 and when Gary Banks retires at the end of the AGM, all of the non-executive directors will be based in Sydney. It's very white elderly and Sydney and I would be the youngest director at 51, as opposed to the current average age of 66. I'd be the only Melbourne based or Victorian based director because Gary Banks at the moment is the only one of those and I'd be younger than the existing directors, so I think I would bring some diversity. I'd be happy to answer any questions that shareholders have got.

Finally, I think there'll be some sort of an irony if the person who gave Macquarie Bank, its nickname, the 'Millionaire Factory' actually got on the board. The history of that is that when I was the Business Editor of the Herald Sun in Melbourne, and back in 1997, I coined the phrase 'Millionaire's Factory" for Macquarie after reading an article in the Times Newspaper in London, describing Goldman Sachs as a Millionaire Factory and I thought, what could I come up with in Australia, for Macquarie? And I think it's helped Macquarie attract thousands of new staff over the years because every smart graduate aspires to be a millionaire. So why wouldn't you go and work for the Millionaire Factory? So that's one reason to put the person to come up with the nickname on the board.

So thanks for the opportunity. I would have liked for the six resolutions to be dealt with separately today, but we're only having an all-in question and answer session starting shortly. So that'll be a bit curious, trying to ask questions about resolutions at the same time as shareholders are being invited to ask me questions. I would hope that in future, the board would move to a model of dealing with resolutions one at a time. I'm not expecting to win today. Last time I ran in 2015, I got less than 2 per cent. The time before that I got around 15 per cent, but the board's not supporting me.

The proxy advisers are not supporting me, even my old employers at the ASA unfortunately have gone against. So no misconceptions that I'm going to get elected. But any extra support that can maybe get me sneaking up towards 2 per cent by shareholders voting today after listening to this, would be much appreciated and I'd be happy to answer any questions that you've got. So thanks very much for the opportunity and enjoy the rest of the meeting.

Peter Warne: I understand Stephen Mayne is on the teleconference line. Having regard to the nature and scale of the Group's businesses, the board believes that Mr Mayne does not have the experience required of a voting director. Macquarie also considers that his concerns about Macquarie and its clients' treatment of retail shareholders are not justified. In September, 2019, Macquarie raised a billion dollars of ordinary share capital through an institutional placement and then it accepted all applications from retail shareholders in the following share purchase plan, raising a further $700 million at the same price as the institutional placements.

In addition, institutions were required to respond to their placement offer within a few hours. Retail shareholders had a period of approximately six weeks to decide whether they wish to participate. This raising approach represented a roughly proportionate mix of our share register at that time. In March year, Macquarie Bank Limited withdrew its Bank Capital Notes 2 offer directed at retail shareholders in light of the significantly changed market conditions due to the spread of the COVID-19 virus.

The Bank returned to the market in May when market conditions had stabilised offering a higher margin on the BCN 2 raising $641 million. Applications under the Macquarie security holder offer were scaled in line with the average scaling applied to under the broker firm offer. More recently, Macquarie has issued shares through the dividend reinvestment plan at a 1.5

per cent discount to market allowing issuance to all shareholders on a proportional basis. Macquarie has acted on 23 equity raising transactions for Australian clients during the COVID-19 pandemic to date. Under each raising the offer structuring was determined by the individual companies and their boards. The Macquarie board has no involvement in such decisions. Macquarie provided advice on all transactions with consideration of the interest of the issuers, including the treatment of their retail shareholders.

Now to allow everyone attending our virtual meeting, an opportunity to vote. I opened the polls in respect of all motions that shareholders will vote on today. Shareholders and proxy holders attending via the Lumi platform can vote online by clicking on the bar chart icon, select the option corresponding to the way you wish to vote. Once the option has been selected, the vote you selected will appear in blue to change your vote, press a different option to override. Votes can be changed up until the time I closed the polls. Proxy holders with directed votes, will have those votes automatically voted as directed. All open votes held by a shareholder or a proxy holder will be voted in accordance with the option you select via Lumi.

Shareholders and proxy holders participating in this meeting via teleconference cannot vote using the teleconference facility. Let's now move to take questions and comments. It is my duty as Chairman to ensure that shareholders as a whole, have had a reasonable opportunity to ask questions about or comment on the management of the company, the remuneration report, and other items of business before the meeting today. To achieve this, I have adopted procedures for this meeting as set out on this slide.

I'm committed to ensuring that people attending the meeting feel safe and respected at all times and this includes ensuring the meeting is conducted in an orderly fashion. Shareholders have attended today's meeting to discuss matters of interest to shareholders as a group. We will read out and seek to answer the relevant questions received in writing prior to the meeting or during the meeting via the Lumi platform. You may submit a question via the Lumi platform at any time during the meeting and until the end of the Q and A session.

To submit a question or comment, select the question icon, which looks like a speech bubble, compose your question or comment noting the maximum character limit of 1000 per question or comment. You may submit more than one question. To submit select the send icon, which looks like an arrow. You'll receive confirmation that your question has been submitted.

Questions may be moderated or amalgamated if there are multiple questions on the same topic. We'll also respond to questions from shareholders calling in on the teleconference line. You will have a limit of asking two questions at a time. Dial into the teleconference, using your preregistration information, provided to you by Boardroom and follow the prompts to ask a question. You will be instructed to press star one, if you wish to ask a question. We will start with questions submitted in advance, and then turn to questions on the teleconference line, followed by the questions submitted online during the meeting.

Following investor feedback after prior AGMs, in order to address a broader range of topics of interest to shareholders as possible, I may defer to later in the meeting, further questions on a particular topic or subject area if there have already been a number of questions asked on that topic. If you have individual customer issues or other matters that don't relate to the items of business in today's meeting our investor relations staff would be happy to take your query.

Please email them to macquarie.shareholders@macquarie.com. I also note that Ms Kristin Stubbins from Pricewaterhouse Coopers, the external auditor, is present at today's meeting. She is available to respond to any questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. The external auditor did not receive any written questions from shareholders prior to the meeting. I will now take questions that have been submitted in advance.

Facilitator: Thank you, Mr Chair, we've received a number of questions from shareholders in advance of the meeting. The first question is from Dowrena Proprietary Limited. Why am I not given the opportunity to select my proxy? I have many shareholdings where this option is simpler.

Peter Warne: Well, you are entitled to nominate whoever you would like to nominate as proxy on the proxy form and on the voting site, there is a capacity to nominate whoever you want your proxyholder to be.

Facilitator: The next question is from Mr Robert Simpson. Is the board willing to allow shareholders a binding vote on the remuneration report? And if not, why not?

Peter Warne: Well, in Australia, there is no requirement to have a binding vote on the remuneration report. There is the capacity that while the remuneration report vote is not binding, if shareholders voted against the remuneration report and that's a 25 per cent limit, if they vote more than 25 per cent against the remuneration report in two consecutive years, then there is a vote for a board spill. So then that spill could bring around board change if that's required.

I would note though, in addition to that, that if there is a requirement and certainly, we engage with shareholders, so if there is a significant negative vote against the remuneration report, our automatic response is to engage with those shareholders that have voted in the negative to find out what those issues are and explore them.

Facilitator: The next question is from Ms Lorica Kubella, how many indigenous people are in positions of decision making or other authority?

Peter Warne: We certainly have a number of indigenous members of staff across all our operating and support groups, including in decision making roles. We also have an active indigenous employee network group. I'd like to say as an organisation, diversity and inclusion is a business priority for us, and we are closely committed to diversity. We have a Career Trackers program running where we recruit indigenous interns. This has provided us with an indigenous talent pipeline and last year we had 26 people through that program. As part of Macquarie's DNI strategy, we continue to review our people and talent processes to ensure that the processes and structures are inclusive.

Facilitator: The next question is from Mr Peter Roan. Does the current Managing Director need to be paid the enormous amount being sought to do the role of CEO?

Peter Warne: Well, Macquarie, I think we need to remember, is a global company and a market leader in many of its businesses. Last year, we generated two thirds of our income and profit from overseas jurisdictions. Only one third from Australia. We're rated by external agencies as the number one infrastructure manager globally, the number one global renewables adviser, the number one global infrastructure financial adviser, the number two physical gas market in North America and number one in Australia for completed M&A transactions. So a market leader, in many of our businesses. To do that, we need to attract and retain the best quality people in each of our international markets within which we operate. Now, we have a pay for performance model, and we are delighted with the performance of our CEO.

The board assesses the CEO and our senior management across a number of criteria, including financial performance, risk management and compliance, our business leadership and people leadership, including professional conduct, consistent with our Code of Conduct and what we stand for. Our remuneration approach is very longstanding and has been overwhelmingly supported by shareholders consistently. I think we do need to remember that we are employing our staff in many jurisdictions, including the major financial centres of the world, and to maintain those market positions, we need to be able to attract and retain the highest quality people and I think our pay for performance remuneration structure has demonstrated that we do that.

Facilitator: The next question is from Mrs [Katarzyna Capera]. What are Macquarie's plans once the COVID-19 crisis is over?

Peter Warne: Well, I think that we are still very much in the middle of the midst of the pandemic and as I said earlier, we can't be sure about how this pandemic will play out from here, but Macquarie's strong fundamentals have enabled the group to be resilient and continue to be there for our clients, shareholders, staff, and stakeholders. These fundamentals include our longstanding risk management framework, our strong balance sheet and funding position, the diversity of our business and geography and will continue to stand us in good stead. I think we've always been able to demonstrate an ability to evolve and adapt our business to changing external conditions and I fully expect that will continue to be the case.

Facilitator: The next question is from Dr Colin Busby. Why do you give preferential treatment to institutional investors over retail investors? Many of your retailer investors are sophisticated investors who believe they have not been treated fairly.

Peter Warne: Well. I don't believe that we do show preferential treatment to our institutional shareholders. We, in deciding which are institutional shareholders and which are retail investors, that's a distinction which is applied by the Corporations Law. In relation to the raisings which we did last year, I think as we already explained we had an institutional placement and that was initially conducted and raised a billion dollars and then it was followed up by a share purchase plan to our retail investors and it was done at the exact same price and as I said, in my earlier remarks our retail investors had a period of many weeks to make a decision about whether they wish to participate or not. So they were given advantage that our institutional shareholders don't get. So I would say that in fact, our retail shareholders have all been treated very fairly.

Facilitator: The next question is from Ms Sarah Chow. How will you better incorporate climate risk and screen out stranded assets?

Peter Warne: Well, the risk of investing in stranded assets is something we're well and truly aware of and it is certainly taking into account in our very comprehensive risk management framework. Where we're relying on the value of an asset to return our capital at some point in the future the risk of that is fully analysed and if there is a significant risk of that, well, that would certainly affect our investment decisions.

Facilitator: The next question is from Dr Terrence Dwyer. Are you going to join the fad for virtue signalling or stick to making profits and paying dividends?

Peter Warne: Well, we have all always fully recognised our responsibility to all our stakeholder groups. We believe this is simply good business and in our shareholders' long term interests. We conduct our business in line with our long standing core principles of opportunity, accountability, and integrity and as I mentioned earlier, our purpose statement in my opening address, which is empowering people to innovate and invest for a better future. I don't think these are virtue signalling statements. These are very practical business rationales and really a reflection of the Macquarie culture and way of doing business. I think we've demonstrated to our shareholders with a long, strong track record of financial and operating performance over the long term, which has demonstrated our strong corporate responsibility.

Facilitator: The next question is from Miss Mah Stephanie Flores. What changes are going to happen in 2020/21?

Peter Warne: Well that's a difficult call, that certainly requires a strong crystal ball and I'm not sure we can answer it accurately, but we've certainly asked Shemara to give us her views on what we might do there.

Shemara W: Thanks very much for the question and I agree with you completely, Peter, that it's very difficult at the moment, more difficult than other times of our history to forecast how things could play out, both with this health pandemic, which continues to have increasing second and third waves, and then also how governments and central banks respond and what that means for economies and markets.

But each of our businesses as usual will respond as they see the environment evolve and as I mentioned briefly, in our asset management business, we're thinking that this lower return world will be in, is going to drive flow of more assets to alternates and so that should position us well, being a leading alternate asset manager, and also in our fixed income and equities business, where we're a strong, active manager. Banking and financial services, the needs of our customers in Australia will continue across both the personal and the business banking clients.

And we hope with all the investment we've made in systems, processes, tailored solutions, we'll continue to grow those businesses, servicing them. Our global commodities and financial markets business also has built very valuable franchises and we're seeing in the commodity businesses, increased volatility in the shorter term, create extra demand for their services, but medium term structural changes. And then lastly, in our investment bank where we have a strong franchise built here in Australia and we're growing globally, and we support that with principal investment, both in infrastructure energy, and in the advisory and capital solutions that we'll continue to see opportunities currently, not meaningful dislocation in markets, even though we have strong capital surpluses to invest, but we'll continue to monitor changes as they happen and respond.

Peter Warne: Thank you, Shemara.

Facilitator: The next question is from Ms Paula Pickaninny. After Gary Banks retires the entire Macquarie Group board will comprise residents of Sydney. When are you going to embrace geographic diversity with your board, particularly by appointing a resident of Melbourne?

Peter Warne: The criteria for selecting board members to the Macquarie board is really focused on their previous experience and track record and their broad skills that they have developed in their professional lives. In particular one broad criteria is that we want a diverse range of people on the board, with a broad range of skills and experience. We also really require people that have a global outlook, people that are focused on global activity. The majority of our board in fact, have worked for global organisations and many of them have lived and worked overseas during their professional lives. So that's the broad level of experience, the actual place of residence within Australia is really not considered to be a relevant characteristic, even though over time, we certainly have had a number of directors from Melbourne.

Facilitator: The next question is from Yondale Pty Ltd. Mr Warne, as you announced last year, that you were in your last term as Chairman, a new one will be appointed within the next year. Is the new Chairman currently on the board and if not, why not?

Peter Warne: Well, the board has already begun a process to determine the next Chairman that process is underway but not yet completed. So we don't really have anything else to announce at this point.

Facilitator: The next question is also from Yondale Pty Ltd and is directed to Ms Grady and Ms Wakefield Evans. Understanding that decisions are made in a collective manner, nevertheless, what action that the board has taken for which you were a lead advocate gave you the greatest satisfaction over the last three years?

Peter Warne: Diane, I'm going to ask you to comment on that.

Diane Grady: Okay, thank you, Peter and thank you for the question. As you indicate directors contribute across a range of topics based on their experience and their interests. That said one of the topics I've been a lead advocate for, for some time is encouraging our groups to be more proactive in seeking and measuring client feedback and providing more fulsome reporting on client experience to the board. This has been a natural evolution out of my long standing interest in customer service that I mentioned in my earlier comments. BFS, which is our group focused on retail clients has advanced customer feedback systems, which the whole board and the board governance committee now gets detailed reporting on. Other groups who serve more institutional and wholesale clients have more recently initiated formal client feedback processes and are reporting on their progress. So I believe that this reporting to the board on client experience has helped groups in their efforts to assess and improve their performance and that's something I'm pleased about.

Peter Warne: Nikki, would you like to make a comment on that?

Nicola W: Thank you, Peter and thank you also very much for the question. One of the areas that I've been the lead advocate for is in relation to the ongoing development and maturity of the work health and safety framework at Macquarie. This has arisen out of my role as chair of the board governance and compliance committee, and also my extensive experience in this area, both from being a non-executive director on the boards of Toll Holdings and the Lendlease Group and in my previous career as a corporate lawyer, where I advised many companies on work, health and safety issues. We've worked closely with the risk management group and the business units to ensure that Macquarie has an appropriate world-class work health and safety framework that takes into account the breadth of its activities.

Peter Warne: Thanks, Nikki.

Facilitator: The next question is from Mr Sean Smith. Could you comment on the board's workload, given that your directors sit on boards across multiple organisations?

Peter Warne: Certainly. One of the core factors considered by the board nominating committee in the selection and appointment of new directors is the candidate's time availability to meet the commitment required as a director. And as I said earlier, Macquarie is a hardworking board. In accepting their appointment and before any election or re-election directors are required to acknowledge that they do have sufficient time to fulfil the responsibilities as a director.

I think in the annual report, I think it's on page 79, indicates the directors were exemplary in their attendance at board and committee meetings which I think again, demonstrates our directors do have the time to attend meetings. So I would confirm that the time availability is a very critical point. We certainly take that into account and our directors have demonstrated that they certainly do have the time, and certainly I have the ability to attend all meetings. I think the other point I'd actually make is that we do go through an annual board performance review, and one of the questions that we do ask of all our directors to is to comment on their peers, and to the commitment and the contribution that each of their colleagues makes and certainly if people were not contributing the time required, that would certainly come out of that review.

Facilitator: Thank you, Mr Chairman, that concludes questions received in advance. We will now proceed to the teleconference.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. You are able to ask two questions. If you wish to ask additional questions, you will need to press star one to re-join the queue. If you are on a speakerphone, please pick up the handset to ask your question and if you wish to cancel your request, please press star two. The first question comes from William Vanderpool private investor. Please go ahead.

William V: Yeah, thanks for the opportunity. Just a quick question from me. Macquarie's TCFD report States that are lending exposures to the coal sector are limited, and we expect them to run off over the next few years. Now over 130 globally significant financial institutions have policies in place to exit the coal sector, including three of Australia's, Big 4 Banks. So can Macquarie summit to providing no further banking or financing activity to the coal sector and set a date by which existing exposure will fall to zero?

Peter Warne: Well, I would say as per our previous discussions have shown over recent years, our exposure to the coal area is a very minor one. I'd reiterate that our exposures are very short dated, and that we do expect them to run off over the near term. So I think that's the position we've taken that our exposures to the coal industry absolutely tiny when compared to our exposures to renewable energy.

William V: That's understood, but I'm just looking for a set date by which that expectation can be clearly articulated to shareholders. And just a quick follow up if I may, given the transition risk assessment in that TCFD report demonstrates risk profiles for high carbon power generation and oil and gas exploration and production are similar to that of coal under a Paris aligned scenario, does Macquarie expect exposures to these sectors to fall over the coming years as well? And will Macquarie put in place any policies to guide these exposures down in order to reduce the climate transition risk facing this company?

Peter Warne: Well, again, our balance sheet exposures to the oil and natural gas industries are again small relative to our balance sheet. I think 1.3 per cent of our total funded loan assets and 2.2 per cent of our equity investment. So again, small, and the tenor of those exposures is also very short. So we have not made a policy decision to have a final date where we would exit coal. But again, I would say in the bigger picture if we look at our exposures, generally our exposures to fossil fuels are short dated, and in the nature of more trading type activities where we're purchasing from suppliers and selling to consumers. Whereas our range of balance sheet commitments in terms of long term investments are all in the renewable energy sphere and are many multiples of the size of our fossil fuel exposures.

William V: Thanks.

Operator: Thank you. The next question comes from Rachel Deans, private investor. Please go ahead.

Rachel D: Mr Warne, in your address earlier, you spoke of an ongoing role for natural gas for some time. Macquarie's TCFD report released last week shows gas demand falling by around 70 per cent between now and 2050 under each of the 1.5 degree scenarios modelled, with a drop of around 20 per cent by 2030 in the orderly transition scenario. Does Macquarie see the role for gas declining significantly from now on, in line with its modelling of the energy transition required to meet the Paris climate targets? And how will Macquarie ensure its involvement in the gas industry does not expose the company to avoidable transition risk?

Peter Warne: Well, I think you can refer back to my last answer that our major exposures in the natural gas world are in the nature of supply and inventory from producers to consumers. So that by its own nature means that that exposure runs off if consumption slows down or reduces, that our exposure there automatically reduces as part of that. I think the models that we look at and we refer to in our TCFD report show the current levels of gas consumption for at least the next 10 years whereas our exposure to that to that market are much, much shorter than that, within only two or three years.

Rachel D: Thank you.

Operator: Thank you. The next question comes from Stephen Mayne, private investor, please go ahead.

Stephen M: Thanks, Chair. Two questions, the first one on the board and the second one on capital raisings. I'll just ask the first one first. So Chair, are you confirming that you will definitely be retiring at the end of your current term and does that mean you'll Chair next year's AGM and then retire at the end of the AGM? And in terms of the process for selecting your successor is it extending to external candidates or is your successor more likely to be one of the current directors?

Peter Warne: Well, I think I said in one of those earlier answers, Stephen, that we have a process underway, that process has not yet been completed, so we don't have much more, we can update you with, at this point.

Stephen M: Okay. Just on the capital raisings issue, I appreciate your comments earlier in the meeting about your own record with Macquarie, with capital raisings, and also what has happened with your 23 clients over the last few months. I just want to raise an issue about the question of renounceability, which is very important for retail shareholders, given that the majority of retail shareholders don't participate in capital raisings. So they get diluted and they need to be compensated.

Why has Macquarie never done a renounceable capital raising, it's always been the placement SPP model and just to give you some specifics in the recent capital raisings these five companies, Australian Finance Group, a Super Retail, Southern Cross Media, Downer EDI and oOh!media, have all done non-renounceable entitlement offers advised and underwritten by Macquarie. And all of them banned retail shareholders from applying for additional shares, which is a normal feature, which is designed to minimise dilution of retail, because those that do participate can apply for the shortfall shares left on the table by those who don't participate.

So why is Macquarie the common underwriter and adviser on all of those raisings, which have left retail shortfalls ranging between 20, 30 and as high as 34 per cent for oOh!media and Southern Cross? Can’t you get the message out both when you do your own raising and through your equity capital markets team to structure capital raisings, to look after retail shareholders, particularly by looking after those who don't participate by adding the feature of renounceability.

Peter Warne: Well, firstly, in relation to the clients of Macquarie, that's, again, we don't comment on client transactions, but other than to say the decisions made in regard to their issues are decisions made by those companies and their boards, and they're making them in the best interests of those companies and their shareholders. But other than that, I can't comment because again, as I said earlier, it's not something that the Macquarie board even discusses in terms of client transactions. In terms of our own issue, the reason that we haven't recently done a renounceable offer is that it makes the whole process a very much more lengthy process to be engaged with. The aim I think, of the placement and SPP approach is to make, at least the placement approach, as quickly as possible, and then leave it as to the option of shareholders about whether they wish to participate or not. The extent to say that a non-participating shareholder is diluted or is disadvantaged.

Well, they do have six weeks to decide whether they wish to participate and structuring the way it is, the current structure means that the discount to the current market price, by having the placement process and the SPP minimises that discount as much as possible. I think when we did our placement last year, it was a discount of our around 2.8 per cent.

I did the arithmetic on that process and the discount for an average shareholder for Macquarie, an average shareholder has something like 270 shares, that's worth about $30,000 at the time. The discount for someone that did not take up their entitlement or participate in the SPP to the extent of their pro-rata amount, meant that the discount that they forewent was worth about $40 per shareholder. That's $40 compared to a shareholding worth $30,000.

The daily volatility on the price on that holding is something like about $600 and the dividends are something like $1,200. It's a relatively small amount, the benefit for shareholders as a whole is that enables the issue to be done quickly and to keep that discount as small as possible.

Operator: Thank you. The next question comes from Eduardo [unclear 39:44], private investor. Please go ahead.

Eduardo: Thank you. My question is about Macquarie has major stake in Marshall McClelland MMC, the parent company of Marsh, which is currently providing insurance brokerage services for the Adani Carmichael Coal Project. I understand our company has engaged with MMC in the lead up to their AGM earlier this year and I was pleased to read in the Australian Financial Review that due to this engagement, Marsh was working on a climate policy to be released at their AGM. But unfortunately, what Marsh released, was a 180 word motherhood statement containing only vague and general comments on sustainability with no mention, or any commitment to limit its involvement with the thermal coal project. Given that the result of our company's engagement is only such a meaningless document, I'm wondering what our next steps will be?

I have read that BetaShares and Australian Ethical have divested from MMC because of this same issue. Will we follow suit, if not, why not? And I'm only asking this question, Chair, because our company has done some good work on climate and renewables. For example, our CEO, Shemara has done, you know, good things. So why do we want to let all these efforts be tainted by associating ourselves in any way, shape or form with the Adani Carmichael Coal Project, the most toxic and reputation damaging project in the country? I just don't understand. It would throw all our hard work down the drain. It would damage our brand, our image, our credibility impair recruitment with younger generations and I mean, for what? I'm sure there are other companies we can invest in wouldn't you agree?

Peter Warne: Well, just to be clear, Macquarie is not involved in the Carmichael Coal Project. MMC or Marshall McClelland, as you quite rightly said, is a listed financial services company in the US. Any shareholding that we have in that company is held by our funds management business in the US, that's a portfolio a company that our fund managers have chosen to invest in. They have engagement with their investee companies that they undertake. They have made a decision about the business of that company. It is a global company and provides services across a broad range of activities for a broad range of clients.

We don't talk in detail about the conversations we have with the investee companies, but can say that that our asset management businesses certainly are committed to evaluating ESG factors in their investment decision making. So we'll have taken that into account as an investment.

Eduardo: Thank you.

Operator: Thank you. The next question comes from Maggie McEwan with Market Forces. Please go ahead.

Maggie M: Our company is the third largest shareholder of Stifel, an investment bank that has been enlisted to arrange financing for Adani’s Abbot Point terminal. The coal port that will ship Adani’s Carmichael coal to be burnt in India and Bangladesh. Earlier, Mr Warne mentioned that our company is wary of stranded assets, and I hope the board are aware that Adani’s Abbot Point has widely been labelled by economists as a stranded asset.

Our company has committed to investing in line with the goals of the Paris climate agreement. This commitment is undermined by our investment in Stifel, the bank helping Adani raise capital to finance its struggling coal port. This would free up funds to open up a massive new thermal coal basin releasing billions of tonnes of greenhouse gas emissions that must be kept in the ground if we want a chance at keeping global warming below 1.5 degrees.

As part of our company's commitment to the Paris climate goals and to protect shareholders from the financial and reputational risk of our company's connection to Adani’s globally controversial coal mine, will our company and the board at least use its power as a top three shareholder of Stifel, to urge Stifel to terminate its services, to arrange finance for Adani Abbott Point coal port. If Stifel does not terminate its servicing for the Adani coal project, will our company consider reviewing our investment in Stifel in line with our commitment to the Paris climate goals of keeping warming well below 1.5 degrees?

Peter Warne: Well, I just, again, reiterate firstly, that Macquarie is not involved in the Carmichael coal mine project. In terms of Stifel, I'm actually not aware of that as an investment Shemara, are you?

Shemara W: No, I'm not aware of it.

Peter Warne: We'll have to take that question on notice. I'm afraid we're not aware of any investment that Macquarie has in Stifel.

Maggie M: According to our information, our company has a 5% in Stifel. So the board is risking our company's reputation and exposing shareholders to financial risk. If it refuses to act on our companies, connecting to the hugely controversial Adani coal mine, what will the board do to protect shareholders from this risk?

Peter Warne: Well, as I just said, I'm unaware and no one in the room here is aware. So we'll have to take that question on notice and get back to you about that.

Maggie M: Thank you.

Shemara W: It may be a portfolio investment in one of the funds.

Peter Warne: I assume that's what it is, but I don't know…

Operator: Thank you. The next question comes from Josette Cruz, private investor, please go ahead.

Josette C: Hi I'm Josette Cruz, from I'm from Brownsville, Texas, in the United States and Macquarie Bank is a private equity investor for the Rio Grande LNG export terminal proposed for my community. If built this terminal would pollute our marginalised community with toxic air pollution. It would hurt our local economy that depends on fishing from our pristine ecosystems, and it would destroy the endangered ocelot's habitat.

The Rio Grande LNG terminal would liquefy and export fracked gas and drive the expansion of fracking in Texas, which would worsen global climate change. Why is Macquarie supporting the Rio Grande LNG project that is facing massive public opposition and lawsuits, when the bank has committed to supporting the transition to a low carbon economy?

Peter Warne: Well, I think firstly, just like to clarify that that particular transaction, that Macquarie is not an investor in that particular transaction. It has a minor advisory role and it has had for some time. However we don't usually comment specific transactions but it is a matter of public record that this project has been scaled back and has been delayed. So as far as I know, it is not currently active.

Josette C: Okay.

Operator: Thank you. The next question comes from [Juan Mancer], private investor, please go ahead.

Juan M: Hello, I'm Juan Mancer, Chairman of the Comecrudo Tribe of Texas. Macquarie Bank is the private equity investment for the proposed Rio Grande LNG export terminal that would destroy pristine lands that are sacred to the Comecrudo Tribe. This project is tremendously opposed by local community and the NextDecade company has never consulted with our Tribe about the Rio Grande LNG Project which would be in a systemic racist environmental disaster for South Texas. The inadequate consultation is a violation of our rights as the native original people of the Rio Grande valuation across Texas. What message do you have for our communities who are against the LNG terminal and have not been properly consulted by this project?

Peter Warne: Well, I think if you just refer to the last question and my response to that. That firstly Macquarie is not an equity investor in that project. It has a minor advisory role to that that particular project. Since that issue was raised last year at our AGM, we have requested that discussions are held with the local people in regard to that transaction. But as I said earlier, it's a matter of public record that that project has been scaled back and been delayed.

Operator: Thank you. The next question comes from Craig Caulfield, private investor, please go ahead.

Craig C: Good afternoon, Mr Warne, Craig Caulfield, private investor, but I'm also the founder of Bank Warriors and a member of Bank Reform Now. We've all seen at the Royal Commission a lot of outlandish and very poor treatment of customers across banks throughout Australia. In that respect I campaigned for several items, some of which I raised at last year's AGM. And I'm thankful to you, Mr Warne, because you did initiate some conversations around that.

I've met with five Macquarie executives, Mr Markell, the customer advocate before the AGM, Mr Borough at last year's AGM, Mr Ward, and more recently with Miss Reemst, the CEO of Macquarie Bank and Miss [Bravad]. My observations are that whilst I have my own personal case and grievances with Macquarie Bank on a micro level, the failures are matching the failures on a macro level, the macro level items, I would like Miss Wakefield Evans perhaps to address this, given that she's the chairman of the board governance committee, but four of those issues, model litigant is one. I just can't see why ANZ, NAB, CBA and Westpac can say, yes, we'll act as model litigant when we're in a legal dispute with a customer. They're very basic fairness principles.

The second is the banking and finance oath. Correct me if I'm wrong, but Macquarie might have 14,000 employees. I searched the banking and financial oath database live this morning before this AGM only seven people came up as labelled at Macquarie that are members. Something like the Bank of Queensland that has half of the number of employees has between 100 and 200 members that have made a very basic commitment to standards of honesty and integrity. I also looked at the [audio cuts out 51:51] of accountability, just a simplified version in the APRA governance report.

They're still not published. So, that confirms to me on a macro level, that on a micro level, you know, I have to have 31 case managers go through my case. Two years of my records have gone missing. I see a big disconnect between what comes up through the Macquarie business, perhaps through the executives and to the directors and I heard Ms Grady talking about having the accountability and customer oversight but when the rubber hits the road in cases like mine and on the macro scale of items, it's just not there. I would like Ms Wakefield Evans comments, please. Thank you.

Peter Warne: Just, I'm not sure Nicola has been briefed on that, Mr Caulfield, we certainly have met at last year's AGM and we have communicated since then. I think the two issues there about the banking oath and the model litigant matters. The banking oath, is not a matter for banks per se, the banking oath is something that individuals who may be employees of banks can take up if they wish to and subscribe to. I'd say that in fact, Macquarie has a range of other policies which are certainly compulsory for our employees and they would certainly cover all those areas. Whereas we certainly have no problem with our individual employees signing up to the banking oath if they wish to, but our own policies and procedures, I think, are more important as far as we're concerned. In relation to the model litigant issue. Greg are you aware of that issue? Could you speak to that?

Greg Ward: Thank you, Chair. Yeah, in terms of the model litigant we have very limited litigations with our clients and we don't want to be in a legal dispute with our clients. We have a range of other measures culminating with our customer advocate to come to appropriate resolutions with clients. We do have a conflict resolution statement, which basically adopts the protocol set out in the model litigant guidance that Mr Caulfield has indicated. So we think we have that covered. In terms of the banking oath we have our Code of Conduct, which is compulsory for our staff, which governs all things, including honesty and integrity and so forth, and picks up all of the matters, as you say, that are in the baking oath and that's a personal choice for staff. But they are compulsorily required to comply with our code of conduct, which I think covers that. Lastly, I would just say that we've had lots of staff, including myself, look at Mr Caulfield's personal situation and we can't comment on that here, of course, and there were a couple of failings there, which we deeply regret and that isn't how things normally work.

Peter Warne: Thanks, Greg.

Craig C: Can I just comment back there, Chairman?

Peter Warne: Mr Caulfield, just one point, I'd just say in relation to our own Code of Conduct that is on our website and anyone can go to our website and read and see what's involved in our own Code of Conduct, which is incredibly comprehensive and, sorry, you had another comment?

Craig C: Just in response to those. Yes, I do. I would accept that your own code of conduct would be very good, but that is drafted from a point of view of protecting Macquarie. Something like the banking and finance oath and the model litigant is a public statement to let the public know. Now, of course, we all know that the banking and finance oath is a voluntary commitment by individual staff, but 7 out of 14,000 is just infinitesimally small. So for all the reasons that you've given and Mr Ward has given, Bank of Queensland is in the same situation and they still garner 100 to 200. They've actively recommended and espouse the values there. Now I understood that's what you would be doing, that Macquarie would be circulating that to the staff to take up, you know, there's something seriously wrong. If there is only 7 that is identified as Macquarie, even if there's some unidentified and it's 20, it's very poor form. One of your directors, Glenn Stevens, is a very strong advocate of the banking and finance oath.

I'm certainly not happy with the explanations, nor am I happy with the numbers. In terms of model litigant, Mr Ward talks of we don't like to have litigation and we have very small amounts of litigation and therefore we don't require that. Well, if you have such small amounts of litigation, there will be no problem signing up to the model litigant principles, which, you know, the other major banks have and he then further spoke of going to the customer advocate. I've been to the customer advocate at Macquarie, and that failed. That is a failed resource. Thank you.

Peter Warne: Thanks, Mr Caulfield.

Operator: Thank you. The next question comes from Stephen Mayne, private investor, please go ahead.

Stephen M: Thanks Chair. Look, I just want to commend you firstly, for allowing the three platforms of questions. So the written beforehand we had 12 of them, the unscripted oral, verbal questions where I think we've had 10 so far and it's been very interesting and you've done very well with handling of the diversity of it. I just want two questions on process. In future years, can we have go back to the conventional system of having debate on each item of business? Because what this sort of all-in approach means is that we don't really get to discuss remuneration much because it's just one all-in session. I'd also like you, given the complexity and the diversity of what's been covered during this Q and A, and I think you mentioned this in our private discussion, but could you provide a transcript of the full debate on your website, because it's very complex, it's very diverse and it's quite difficult to scroll back through a webcast archive.

Other companies like Transurban and Tabcorp have provided this. It’s just part of the record of proceedings. I'd appreciate it if you could do that and just to throw in a Rem question, because, you haven't had one, and Macquarie has got the best paid people in the country. Has there been any concerns expressed by any of the proxy advisors this year on your Rem structures and has there been any meaningful protest vote in terms of the proxies? And if there has been, what was the issue that was raised expressing any concern about your remuneration structures? Thank you.

Peter Warne: Dealing with your last question first. No, in our meetings with the proxy advisors there were no negative issues raised in their written reports. There have been no negative issues raised. We usually receive lots of compliments about the remuneration framework itself, its alignment with shareholders and the disclosures in our remuneration report. So, no there has not been. Consistent with that, we are unaware of any significant negative vote or negative views expressed by shareholders. Certainly, I have met with a number of our major shareholders over recent weeks and had no negative comment regarding our remuneration framework in general or our FY20 outcomes, in particular. So I think that is answering your remuneration question.

In relation to the style of questions that we have at the AGM, well, we embarked on this format four or five years ago in response to complaints from shareholders that doing their previous structured questions relating to each agenda item was very unsatisfactory and very frustrating for a whole range of shareholders. So we've moved to this particular format. We believe it's actually been very successful and we've been complimented on it by a whole range of shareholders. So I think we're very pleased with it.

Certainly, if we were to get feedback that shareholders generally were uncomfortable with it, then we would certainly have another look. But to date in fact, you’re the only shareholder who hasn't been happy with it as far as I'm aware. In relation to your other point, which was – can you remind me?

Stephen M: Providing a transcript.

Peter Warne: The transcript, again, you're the only person that's ever asked us for a transcript of our meeting. Certainly, the full video copy of the meeting is available on the website. No one else has actually asked us for a transcript. To take us to the time and expense of not only getting a transcript, but then making 100 per cent sure that it's totally accurate is something we'd prefer not to do to be quite frank. Again, if there was other demand for it, then that would be different.

Operator: Thank you. I will now hand questions back to the room.

Facilitator: Thank you, Jess. We have a number of online questions submitted by shareholders during the meeting. The first question is from Mr Stephen Leong. With technology causing disruption, what outside businesses are causing Macquarie the most disruption with regard to technology and which divisions are most impacted by this and how are you countering this disruption?

Peter Warne: Well, I think when it comes to individual businesses, those sorts of issues are dealt with by each of our individual businesses and they all respond to them in their own way. I might ask Shemara does she have a response to that question?

Shemara W: Yes. Thank you, Peter, and thank you for the question Mr Leong. The disruption from technology obviously creates a lot of challenges, but also a lot of opportunities for us and so we're constantly trying to stay across the latest technologies, learn from them and adapt to them in all of our businesses. And as Peter said, it's generally driven business by business. Banking and financial services where you heard from Greg Ward who runs that business has been a leader in terms of digital banking offering here in Australia with world class e-banking and contactless payments.

We also, in terms of technology across the business are investing a lot in terms of cloud technologies, our equity markets business, and our commodities business, they're also trying to look at where the best technological options are to help them deliver service to their customers and community.

So it's certainly an area where we're looking at things like collaboration tools. Cybersecurity is another area we focus on a lot in terms of detecting and combating threats there. So I think across our business and the technology team sits inside Nicole Sorbara, our head of operations team. We continue to look at opportunities as well as challenges. The other thing we do in terms of technology, is we try to invest as well in disruptive technology businesses. So you’ll have seen in 2019, we exited our investment in PEXA which was a disruptive business in terms of real estate transactions, and now we're investing in Nuix, which is a due diligence system technology business. So we're very alive to not just the challenges, but the huge opportunities from disruptive technology and try to respond.

Facilitator: The next question is from Mr Peter [Callawero]. Will the full meeting, including questions and answers be available on the company site and YouTube channel? I'd like to see the full meeting and not just the Chair and CEO presentations.

Peter Warne: I have to take some advice on that. I think the full meeting will certainly be available. It will be including the Q and A will certainly be on the website this afternoon in addition to the Chair and the CEO presentations. What you have seen on the screen will be what will be available on the website.

Facilitator: Thank you, Mr Chair. The next question is from Heavey Lex No. 124 Pty Ltd. Could you please explain [audio cuts out 65:21] on the second half dividend, given the latest APRA recommendations. Many SMSF shareholders rely on this income and have been devastated by APRA's instructions on the banking sector. Thank you.

Peter Warne: Well our second half dividend for FY20 has been declared and paid. So that has happened and there'll be no change to that when we look forward to our future dividends, the half year as at the end of September, and then the full year, we will be going through our normal process of looking at the performance of the company, and then looking at the capital requirements of the company. In terms of a broad policy statement, we have retained or still have in place, our standard payout ratio of 60 to 80 per cent.

What we actually do this year will of course be subject to APRA's view on capital management and dividends and as you said APRA has just announced an update to their views on dividend policy.

Our dividend ratio for the whole of FY20 was 56 per cent and in FY19 was 66 per cent. All of this, of course, will be a function of the capital requirements for the company and will be conditional on the outlook as well as our performance over this coming year. I think the letter that has been posted on the APRA website talks about a 50 per cent payout ratio as the policy for the next few months or towards the end of the year, what will be at the full year, it still remains to be seen.

But we are obviously very cautious as Shemara went through in her presentation, we're very cautious about the outlook for the coming year and when we come to decide a dividend we'll be again, taking that outlook into account.

Facilitator: Thank you, Chair. The next question is from the Australian Shareholders Association proxy holder. At the end of the financial year, your impairment including looking forward amounts was calculated at $1.04 billion. Do you still stand by that?

Peter Warne: That gets to become quite a technical question. So I might hand that to our CFO, Alex Harvey.

Alex Harvey: Thanks, Peter. Yeah, at the end of the year, as you say, we had impairment provisions going through of just over $1 billion. We went through a very thorough process at the time and feel like the impairments that we took at that time reflect the conditions that we saw at the time and anticipated going forward. As you're aware, the accounting standards require us to take a forward-looking view of the economic circumstances. We developed quite a detailed profile of the economic outlook both under a baseline scenario, a downside scenario and an upside scenario.

We weighted those scenarios and applied those scenarios to our loan assets and we continue to feel like, the provision we took at the time was appropriate given the circumstances that we are faced with.

Peter Warne: I think you might comment on what Shemara mentioned in her answer though that we have to keep taking further provisions with the growth in the books.

Alex Harvey: Yeah. So going forward as Shemara mentioned in her 1Q Update, and then outlook, we have to continue to review the level of our provisioning across the group and that takes into consideration changes in the size of our loan exposures across the organisation together with things like the payment pause arrangements that apply here in Australia and that have been extended recently to 10 months or the 31st of March 2021. And we also see as we expected, that as the outlook for the economy rolls through, we continue to look at the performance of our underlying clients and in some cases we've had downgrade, particular circumstances, which require us to take some additional provisions.

So we see that coming through, through the first quarter, and as we noted, and particularly in relation to the banking and financial services business, we see that as an ongoing provision exercise through the balance of the year. Thank you.

Facilitator: Thank you. The next question was from the Australian Shareholders Association proxy holder. What are the two greatest financial risks that Macquarie faces in this current financial year?

Peter Warne: Well, Shemara, I might ask you to deal with that one as well.

Shemara W: Thank you for that question and it's a fair question given that we're in a particularly uncertain time in terms of real world and in terms of economies. One of the great things about our business is that it's very diversified. So we face different risks in different business lines, for example, the banking and financial services business that Greg Ward heads, is exposed a lot to Australian GDP and unemployment levels, but not to foreign exchange, for example.

Equity markets are an important factor in businesses like our fixed income equities asset management business. But whilst drops in equity markets might be challenging there, they're positive for the principal investing businesses and the infrastructure fund investing business. So we're very diversified set of risks by regions, by markets, credit markets, equity markets, short term funding markets, energy markets, commodity markets and also transaction activity levels and economic activity.

If I had to pick a single risk that would be big for us, it's preserving the approach and the culture and the philosophy we have to doing business, which is one that, as Peter mentioned, in our purpose statement is all about empowering people on the ground to innovate and invest for where they see a better future, where they see unmet need in community, and they can deliver solutions and we do that with our three core cultural principles of opportunity, accountability, and integrity.

So if we can't maintain the culture and attract people who live to that culture of going out and pursuing opportunity where they have deep expertise and they see unmet need, but always being accountable for the disciplined execution of their ideas and acting with long term integrity to preserve our brand and our reputation and our licence to be involved in communities. To me, that is the biggest risk and I think that we, as a leadership team work the hardest to preserve is that culture that we've built over five decades.

Facilitator: Thank you. The next question is from the Australian Shareholders Associations proxy holder. A question for Mr Mayne, if we may, disregarding capital raising, if you had been on the board, what other actions that didn't happen would you have advocated for, and how would this have benefited retail shareholders?

Stephen M: Well, thank you. Well I think I've advocated for PAITREO pro-rata capital raisings. I think I'd probably have pushed for a bit more diversity on the board. I think that as I mentioned in my pre-record, a very white board, average age, 66 all Sydney. I think that I'd have been advocating for some more diversity. But look overall, I think the performance has been very good and without being inside the boardroom, it's tricky to sort of say, you know, what you'd do specifically differently.

I guess the single biggest thing is that, is that whole respect for retail shareholders in the ECM division. It has been disappointing that Macquarie has been involved in so many transactions which have been instructed to dilute retail shareholders. So Shemara's comments just then about culture and reputation and preserving that. I mean, I would love if there was a culture and a reputation within the equity capital markets division, whereby they always promote fair treatment of retail shareholders. They always promote protection of property rights. They always promote pro-rata where possible and avoidance of dilution of retail shareholders.

Unfortunately, the track record is that Macquarie is involved in many, many transactions where that doesn't happen and I'm disappointed that the culture within the ECM division of fairness for retail, and the little guy, hasn't been looked after. That's probably the biggest thing I've been advocating for if I was on the board. But thank you for the question.

Peter Warne: I think I do have to make a statement at that point. I think Stephen is using some very extreme language there that I know having spoken to our ECM team, that our people do promote fairness and in relation to institutional and retail shareholders, they've gone out of their way to ensure that shareholders do get at least a pro-rata allocation so that they are not diluted in their activities in the capital raising activities we have.

And in fact, have gone over recent months to move that to, for large retail shareholders who the SPP may in fact, have diluted, have made sure that they can now get access to the true pro-rata allocated via their participating broker. So we have gone to great lengths to assure people that they are treated fairly. In addition to that, I would say that as a result of the changes made to the SPP arrangements done at the beginning of the COVID pandemic period back in April and May that ASIC and the ASX are very careful to ensure that all shareholders, including retail shareholders get at least a pro-rata allocation. So I think Stephen has made some excessive statements there about the current situation.

Facilitator: Thank you, Mr Chair. The next question is from Mirobar Pty Ltd. What is Macquarie's view on how COVID-19 is impacting the global economy, duration and the economic stimulus from governments? How is that view changing MAM's investment strategy?

Peter Warne: Shemara, I'll hand that to you.

Shemara W: Yeah, look, it's very difficult to forecast at this time. Alex Harvey, our CFO at the time of our results took the market through the assumptions we'd made, all the scenarios we'd factored into calculating our expected credit loss provision. At the end of last financial year, we had a scenario for Australia and the US that he shared, and also, we had our own scenario for the European markets. We are finding that broadly, those scenarios are playing out. I think Australia went a little bit deeper than we had forecast, but has recovered at this stage quite well, but there are second and third waves coming around the world that are difficult to predict. Europe has come out also in line with what we expected and the US obviously we're seeing less control of the pandemic there, but with a lot of stimulus from central banks and governments.

And so the economy at this stage is playing out as we'd forecast. Very hard to say how it'll play out from here. For our asset management business, as I mentioned briefly, when I was presenting, the move to lower for longer in terms of returns and risk-free rates continues, and this pandemic is probably going to exacerbate that with the fiscal and monetary responses we've seen. So the need for the growing amounts of savings in the world to find investment opportunities that are driving real return is becoming even greater and we think that positions our asset management business, which is involved, as I said, in infrastructure and real assets, infrastructure, real estate, agriculture, private credit, and the transportation, and also in active management in fixed income and equities, positions it well, because we're really looking to deliver alpha superior return compared to the underlying return of each asset class.

So hopefully medium term, it's a good thing for the asset management business, despite obviously very challenging for real world and economies over the shorter term. Thank you.

Facilitator: The next question is from Miss Tammy Chan. Well done on the personal banking products. Has there been continuing relief provided to customers affected by the Bushfires?

Peter Warne: I might ask Greg Ward to answer that question, if you could please, Greg?

Greg Ward: Of course, Chairman, yes, there is ongoing support provided to customers affected by bushfires.

Peter Warne: Thank you.

Facilitator: The next question is from Benjamin Reddick. As engagement with shareholders and cost control is important to shareholders did the board consider the impossibility of reading 6 point font in its presentation via the chosen meeting platform prior to engaging that platform for the shareholder meeting? Is the board aware that the chosen meeting webcast technology is merely a rebadged $95 Vimeo service? How does that compare to the actual cost paid and what other alternatives that do not pay large and undisclosed commissions to share registry resellers were considered?

Peter Warne: All I can say is that we did examine all the available technologies, proven technologies that have actually worked in various AGMs. We have tried to put together the broadest range, so not only the Lumi technology, but also the telephone technology to ensure as wide a group as possible, can access today's online AGM. To the extent that you have unfortunately not being happy with that, I'm sorry about that. But this is the best available that we have been able to discover.

Facilitator: The next question is from Kewell holdings Pty Limited. For Nicola Wakefield Evans, as an experienced non-executive director with many other positions, aside from the Macquarie Group Board and subcommittees, how do you ensure you spend sufficient time and commitment in fulfilling your role in the Macquarie Group Board and its subcommittees?

Peter Warne: Nicola, can you take that question, please?

Nicola W: Sure. Thank you, Peter and thank you for the question. I had a professional career as a mergers and acquisitions, capital markets, lawyer, and partner at a major Australian law firm. So I'd start off by saying that I'm actually used to hard work. I think it is a question that comes up from time to time for a lot of non-executive directors. But part of our role is to make sure that we allocate the time that we need to each of our individual obligations and that's something that I pride myself on doing. I think Peter's has already mentioned that the workload of this board is quite large and that every director has attended every meeting and sub-committee meeting that they're required to.

Peter Warne: Thanks, Nicola. I'd just like to reiterate that point. I can assure you that Nicole arrives at all board and committee meetings fully read and well-prepared and fully thought about the issues that we're discussing. I'd also say that the extra work she puts in in her role as chair of the board governance and compliance committee demonstrates a great commitment in terms of effort and time to Macquarie.

Facilitator: Mr Chairman, we have a comment from Miss Tammy Chan. Proud to be a shareholder of the company with such strong female representation. Thank you.

Peter Warne: Okay.

Facilitator: The next question is from [Fuzzo Leto Pty Limited]. Regarding the proposal for election of Stephen Mayne as a director, please explain whether or not his proposal for SPP ahead of institutional share placement is viable, i.e. whether the risks and consequences of failure in a capital raising attempt in that fashion outweigh the advantages he espouses.

Peter Warne: I can't see that there are any advantages in going with the SPP, if I'm assuming Stephen says that as a desired approach so that we can determine whether how much the SPP raises and then decide what we need to would need to issue via the placement to make up the balance of the capital that we would be seeking. However, I think circumstances have moved past that point to the extent that all shareholders, both retail and institutional can get at least their pro-rata allocation via the SPP and placement mechanisms. For retail, they get the benefit, as I said earlier, of subscribing at the same price as the institutions, or if in fact the price has fallen or they would get a benefit of a lower market price, and they get the benefit of a considerable period of time to consider whether they wish to participate and to organise their finances. So I can't see any advantage to either retail or wholesale to the company at large at all, by having the SPP first.

Facilitator: The next question is from Mr Aston Aronson. What was the thought process behind raising funds by a relatively high interest capital note versus the potentially lower interest on secured bonds?

Peter Warne: That's a question I can pass to our CFO. Thanks Alex.

Alex Harvey: Sure, thanks. We obviously, as part of the overall funding strategy for the Group, we're looking for a diverse source of funding across the capital structure and so we have been very active in capital markets through the year as Shemara mentioned in her presentation, I think Peter did as well. We raised $26 billion through the year across a range of debt investments. As part of the overall strategy, we're looking to make sure that we tap a broad range of sources of that capital and it made sense in the context of that, to look to raise capital via the hybrid issue of the BCN 2 that we did just a couple of months ago. Apart from that, obviously we have regulatory obligations in terms of hybrid capital as part of their bank capital structure and we needed to with that BCN 2 to satisfy those regulatory obligations as well. So there's both, I guess, the commercial imperative in terms of making sure we have a diverse range of funding, as well as of course, meeting our regulatory obligations. Thanks for the question.

Facilitator: The next question is from Mrs Ester Hockridge. Pandemic times is tricky for all businesses where many economic research and predictions can be derailed when we depend on historical data for projections. Has Macquarie invested enough to grow a sophisticated data analytics team and to focus on agility for all areas of the business?

Peter Warne: Shemara, would you like to comment?

Shemara W: I was actually going to suggest that Nicole Sorbara, head of corporate operations, answer that question because we have a material enterprise data management team that Nicole leads.

Nicole S: Sure, thank you. As Shemara mentioned, we do have a comprehensive enterprise data management program of work across the entire Group. This is to ensure that we have a framework in place. So our data is complete, timely and accurate from source right through to reporting. In addition, each group has and continues to develop their own data analytics team and this is supported by some of the latest technologies like Alteryx and Microsoft Power BI. We also use cloud data analytics in a number of our customer services. All of these teams providing sites for us into everything from operational efficiencies also to provide customer insights as well.

Peter Warne: Thank you, Nicole.

Facilitator: The next question is from Mr Terry Lee. Over two thirds of Macquarie's profit comes from overseas. The Australian dollar has gone up 30 per cent recently has the CEO forecast for 2021 accounted for the rising Australian dollar? Does Macquarie use currency hedging to cover foreign profits?

Peter Warne: Shemara or Alex?

Alex Harvey: Thanks for the question, Mr Lee, indeed, you're right. Obviously, two thirds of our income does come from off shore markets and so we are exposed to foreign currency fluctuations in relation to your first comment, as we think about the business performance going forward, obviously we update when we're talking to the businesses for currency movements and as they produce their forecasts, obviously we take those updated views on currency movements into account. One of the observations I think we'd make, and we've talked about this before today is the strength of the diversity that comes through the group. And the currency diversity is also, I think, one of the one of the strengths of Macquarie. So we do update for currency movements. In relation to the operating profit is exposed to those movements that happen throughout the year. We do have a program of hedging our capital in foreign currency markets to make sure that we can manage the volatility as it affects our capital ratios. Thank you.

Facilitator: The next question is from Miss Tracy [Finucane]. I currently volunteer at Western Sydney Community Centre who run a food parcel program that is self-funded. With COVID-19 we are struggling to feed everybody who are now in need because of unemployment. Is there somewhere we can apply to be considered under any future revenue Macquarie may donate to not for profit to assist with COVID-19 recovery?

Peter Warne: Well, yes, there certainly is. Certainly, make an application to the Macquarie Foundation. In terms of exactly how to get that you will be able to contact the Macquarie Foundation via their website, that should be available via our website. If you any difficulty finding access to how to contact the Foundation, please contact me. I'll certainly organise that.

Facilitator: The next question is from Dr Kim Kilpatrick. In reference to an earlier question as at 31st March, 2020 Macquarie was the third largest shareholder of Stifel with a 5.27 per cent holding. Stifel has been enlisted to arrange finance for Adani’s Abbott Point coal port, which will ship Carmichael coal. Despite the Chair and board being unaware of this investment, can the board enlighten shareholders as to what it would do to protect shareholders from the risks of connection to the hugely controversial Adani coal project?

Peter Warne: Well, I think I've already answered that question, it's not something that any of the board here are aware of. We are assuming that it's a…

Shemara W: Peter, I can comment because we've managed to speak to some of our teams around the world and find out about this Stifel investment and it's held in our funds across a few funds in the US, in the Delaware US equity funds in which we hold obviously many tens of billions of investments. This company, it turns out is a financial services brokerage business, which has about a 3 billion market cap and the shareholding is listed as being Macquarie Group, but it's actually held through various funds.

I'm told that the investment in that company was made before they had a role with Adani. So this will be something that they'll take into account under the ESG policies of the various funds that hold the position. Now that the Adani role has been taken on. But the funds have their fiduciary duty to the investors in those funds, develop ESG policies within the mandates on which they're given money and entrusted with money to invest and in accordance with those mandates and policies, they will be reviewing their involvement. The investment in Stifel, it's a liquid position, obviously, so it's up to the funds to take into account how they manage that investment, given their ESG structures and policies.

Facilitator: The next question is from Mr Aston Oronson. Currently MQG has a dividend payout ratio for the most part above those of similar us companies, such as JP Morgan and Citigroup. These companies reinvest the majority of their profits into their company, fostering greater future growth. This seems to be a common theme between Australian and US listed companies. What is the company's justification for not reinvesting their profits at the same extent as their US competitors?

Peter Warne: Well, I think when it comes to capital management because we are listed in Australia, with a large degree of Australian shareholding the Australian shareholders like to receive dividends, that's a feature of the Australian market. The US market is a different sort of market where they pay much lower dividends and return cash to shareholders by doing buybacks on a far more frequent basis. So it is a different feature of the two markets and when it comes to driving enough capital to invest in our business. That that is a separate, but related decision, that we are continually looking at our capital base. We have found that our shareholders are very happy to support investing additional capital into the company when we see that there's a need to do so, but Alex, would you like to add anything to add anything to that?

Alex Harvey: I think you've probably covered it, Chair.

Facilitator: Thank you, Mr Chair. The next question is from the Australian Shareholders Association as proxy holder. In relation to the answer to Mr Mayne's remuneration question, the ASA and its voting intentions raised three issues, the method of calculating profit for profit share being different to that for shareholders, reward being based on profit measures alone and using fair value in calculating PSU and are voting undirected proxies against the remuneration report. Could you comment on this in light of your previous comments?

Peter Warne: Yes, certainly. I must admit I had forgotten that the Shareholders Association hadn't quite put you in the box of proxy advisor, so I apologise for that. The issues that the ASA have raised in as they have raised in, in past years has been the issue of not calculating or publishing realised pay and we have discussed that again with the ASA. The ASA is the only body that asks about that question and that being the amount of cash that is realised in a particular year for our management the reason we don't calculate that is that, that particular amount results from the vesting of awards, which were made up to seven years ago. It's certainly not reflective of the performance of the individual in this current year.

And it's certainly not something that the board takes into account in establishing this year's remuneration. This year's remuneration is established for the performance of the company and the individuals in this current year. So that's why we don't publish that and in fact, we don't even calculate that. In terms of the other issues in relation to the other points being raised it was only a financial component. Well as we've discussed with the ASA, that is not true. A major element which goes into our remuneration structure is the financial performance of the company and the contribution of the individual to the to the financial performance of the company. But there are a whole range of other issues which are taken into account in establishing that amount and they include the business leadership demonstrated by our executives the outcomes for customers, the regulatory performance of that business, the leadership in terms of investing for the future for those businesses. So there's a whole range of other issues which are taken into account, in addition to the financial performance,

Facilitator: The next question is from the Australian Shareholders Association as proxy holder, and is in relation to item 4. APRA has suggested that the financial element of bonuses, which your profit share would be classified as, should be limited to 50 per cent. Why have you not started modifying your bonus profit share to clearly take non-financial matters into account?

Peter Warne: Well, I would just reiterate to say that we certainly do take nonfinancial matters into account. In fact, we have had discussions with APRA about this arrangement of 50 per cent financial and 50 per cent non-financial. Our remuneration structure works on the basis that no one measure guarantees a profit share, incentive payment in a particular year. Certainly performance in the nonfinancial matters, if that was poor enough, then that would be sufficient to reduce any profit share to zero. And certainly to get a profit share element, there must be satisfactory performance on a whole range of non-financial measures, which I indicated earlier.

Facilitator: The next question is from the Australian Shareholders Association as proxy holder, also in relation to item four. Can you name five other companies in the ASX 50 who still use fair value in calculating their bonuses?

Peter Warne: No, I can't, but I haven't looked so I'm not sure about that. But I would point out that we use and publish the value of our PSUs on fair value and at face value. So it is there for shareholders to see and choose whichever valuation they like to choose.

Facilitator: Thank you, Chair. The next question is from Anderson Pender Family Pty limited. Of MIRA's $140 billion EUM. How much is invested in fossil fuel infrastructure?

Peter Warne: Shemara, do you have that?

Shemara W: Yeah, again, the MIRA business, like the MIM business we just talked about, it has fiduciary duties to its investors in its funds and being an investor in long term assets, climate change is one of the factors that it has to take into account and what could play out over the 10 to 12 years that it owns some its investments.

So some time ago, MIRA made a statement saying that it would not invest in standalone coal generation projects or ones that have material exposure to coal and it has less than 1 per cent of its portfolio today in standalone coal generation assets. It does have exposure to gas assets in transmission distribution, et cetera and it obviously, as it makes each investment takes into account over the duration of the time, it may hold that investment, how climate impacts could play out to ensure that those are resilient investments for its investors, as well as for the communities that it invests in.

Facilitator: The next question is from Anderson Pender family Pty Limited. Macquarie is the second largest physical gas marketer in North America, which contributes 32 per cent of the net profit in the commodities and global markets division.

How does this role reconcile with our company support for the Paris Agreement, given the relentless expansion of the oil and gas industry in North America?

Peter Warne: I think it is totally consistent with the Paris Accord on all models in relation to reduction of emissions to limit temperature rises to either 1.5 or 2 per cent under any of those models, there is a general agreement that there's a role for natural gas for power generation, as part of that at least for the next decade, probably to 2035 before that starts reducing. So I think that is again, totally consistent that natural gas will be a major power generator in the world at least for the next decade and so from that point of view, I think that's totally consistent.

Facilitator: The next question is from Rachel Deans, proxy holder. Other shareholders raised your involvement in the Rio Grande project in the USA. In what capacity do you advise and why has the Carrizo/Comecrudo Tribe, a sovereign nation not been consulted? Will you commit to meeting with them to discuss this project in your position as an advisor for the project, you can show moral leadership, by denouncing the project.

Peter Warne: Do you have any more information, Shemara?

Shemara W: Oh, look, all I can say is repeat what you said, which is we have an advisory role only, and that project is on hold. We've asked the organisation that are running the project to engage locally with all these interested parties. But our role is only as financial advisor and the project is on hold as the Chairman mentioned.

Facilitator: Thank you, Mr Chair, we have several questions on the teleconference, please proceed, Jess.

Operator: Thank you. The next question is a telephone question from Juan [Mancer] private investor. Please go ahead.

Pardon me Juan. Your line is live. We'll move on to the next question from Josette Cruz, private investor, please go ahead.

Josette C: Hi. Earlier you mentioned that the project was scaled back and delayed, and I know that you just mentioned that again. However, it does not mean that the project itself is cancelled. So can the Bank show moral leadership and denounce Rio Grande LNG, so the project does not go forward and can Macquarie Bank meet with me and other residents that have concerns about the Rio Grande LNG project?

Peter Warne: Well, as Shemara has just mentioned, we certainly have requested our people in the US and the promoters of this project to meet with the local people. If you could send me some information and then I will endeavour to ensure that that takes place.

Josette C: Sure. We can make sure to send you some information. That works. Yes.

Peter Warne: Thank you.

Josette C: Thank you.

Operator: Thank you. The next question comes from Craig Caulfield, private investor, please go ahead.

Craig C: Hello Chair. I just wanted to confirm Stephen Mayne's request to have the videocast transcript put up. That'd be something wonderful. I know you said you'd only had one request, but I thought I'd just add to that, to let you know other people would be interested. Thank you.

Facilitator: Thank you, Mr Chair. There are no more questions.

Peter Warne: As there are no further questions. I now ask for a summary of the available proxy votes on the motions to be shown on the screens. Please note that all open proxies given to the chairman of the meeting will be voted by me in favour of items, 2A, 2B, 4, 5 and 6, and against item 3. As you can see, the proxy votes were strongly in favour of all the proposed resolutions with the exception of item 3, where the proxies were strongly against. If you have not yet cast your votes, I now ask you to do so. Boardroom, our share registry will act as returning officer and determine the results of the polls.

Could everyone who wishes to vote, ensure that they have now done so. Thank you, ladies and gentlemen, the polls will now be closed. The results will be announced to the ASX as soon as practical this afternoon. That concludes the business of this annual general meeting. Thank you for your attendance and your support during the year.

END OF TRANSCRIPT