

**CHAIRMAN'S ADDRESS**

**MACQUARIE GROUP LIMITED GENERAL MEETING**

**17 DECEMBER 2009**

**THE WESTIN, SYDNEY**

***CHECK AGAINST DELIVERY***

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GOOD AFTERNOON LADIES AND GENTLEMEN AND WELCOME TO THIS GENERAL MEETING OF MACQUARIE GROUP LIMITED.

I'M DAVID CLARKE, THE CHAIRMAN OF MACQUARIE GROUP AND I'LL BE CHAIRING TODAY'S MEETING.

THE COMPANY SECRETARY HAS CONFIRMED THAT A QUORUM IS PRESENT, SO I FORMALLY DECLARE THE MEETING OPEN.

AS WELL AS THOSE SHAREHOLDERS PRESENT IN PERSON, THE HOLDERS OF APPROXIMATELY 214 MILLION SHARES, OR ABOUT 64 PER CENT OF THE GROUP'S ORDINARY SHARE CAPITAL, ARE REPRESENTED BY PROXIES.

BEFORE WE GET UNDERWAY, I WOULD LIKE TO INTRODUCE OUR DIRECTORS AND SOME OF OUR SENIOR EXECUTIVES.

ON MY LEFT IS YOUR CHIEF EXECUTIVE OFFICER NICHOLAS MOORE.

NEXT TO HIM IS THE GROUP'S CHIEF FINANCIAL OFFICER GREG WARD, THEN NON-EXECUTIVE DIRECTORS JOHN NILAND, PETER WARNE AND CATHERINE LIVINGSTONE.

ON MY RIGHT IS OUR COMPANY SECRETARY, DENNIS LEONG.

NEXT TO HIM ARE NON-EXECUTIVE DIRECTORS HELEN NUGENT, THE CHAIRMAN OF OUR BOARD REMUNERATION COMMITTEE, PETER KIRBY AND KEVIN MCCANN.

PLEASE NOTE THAT RECORDING DEVICES, PHOTOGRAPHIC EQUIPMENT AND MOBILE PHONES MAY NOT BE USED DURING THE MEETING.

AT THE END OF THE MEETING, YOU ARE INVITED TO JOIN US FOR REFRESHMENTS IN THE FOYER.

## **WHAT ARE SHAREHOLDERS BEING ASKED TO APPROVE?**

THE PURPOSE OF TODAY'S MEETING IS TO DISCUSS AND SEEK SHAREHOLDER SUPPORT FOR PROPOSED CHANGES TO MACQUARIE'S REMUNERATION ARRANGEMENTS.

ON 31 MARCH THIS YEAR, WE ANNOUNCED PROPOSED CHANGES TO OUR REMUNERATION ARRANGEMENTS, WHICH WERE SUBSEQUENTLY SUSPENDED IN JUNE DUE TO LEGISLATIVE CHANGES FORESHADOWED BY THE FEDERAL GOVERNMENT.

ON 30 OCTOBER, THE MACQUARIE BOARD ANNOUNCED NEW PROPOSALS, REFLECTING THE ANTICIPATED LEGISLATION AS WELL AS THE CURRENT COMPETITIVE CONDITIONS IN EMPLOYMENT MARKETS FOR EXECUTIVE TALENT.

THE PROPOSED CHANGES ARE CONSISTENT WITH, AND REINFORCE, OUR LONG-STANDING APPROACH TO REMUNERATION.

THEY BUILD ON EXISTING RETENTION AND EQUITY ARRANGEMENTS, WHILE REFLECTING GLOBAL REMUNERATION TRENDS AND REGULATORY DEVELOPMENTS.

TO IMPLEMENT THE PROPOSED CHANGES, WE ARE SEEKING TWO APPROVALS.

THE FIRST RELATES TO BOTH THE IMPLEMENTATION AND OPERATION OF THE NEW EQUITY PLAN, CALLED THE MACQUARIE GROUP EMPLOYEE RETAINED EQUITY PLAN, AND THE RELEASE OF DEFERRED REMUNERATION TO TERMINATING STAFF.

THE SECOND APPROVAL IS FOR THE PARTICIPATION BY THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER IN THE NEW EQUITY PLAN.

**WHY DOES MACQUARIE NEED SHAREHOLDER APPROVAL FOR SOME  
“TERMINATION BENEFITS”?**

I WOULD FIRSTLY LIKE TO EXPLAIN WHY WE NEED SHAREHOLDER APPROVAL FOR SOME TERMINATION BENEFITS.

MACQUARIE REWARDS STAFF BASED ON THEIR PERFORMANCE ON THE JOB.

THERE ARE NO GOLDEN HANDSHAKES AND NO ADDITIONAL CONTRACTUAL TERMINATION PAYMENTS, EXCLUDING REDUNDANCY SITUATIONS.

THIS PARTICULAR RESOLUTION RELATES INSTEAD TO THE RELEASE OF REMUNERATION THAT HAS BEEN EARNED IN PRIOR YEARS AND RETAINED BY MACQUARIE.

IN MOST CASES, EXECUTIVE DIRECTORS FORFEIT ANY UNVESTED INCENTIVES WHEN THEY LEAVE MACQUARIE.

HOWEVER, THERE ARE LIMITED AND APPROPRIATE EXCEPTIONS, INCLUDING GENUINE RETIREMENT, DEATH, TOTAL AND PERMANENT DISABILITY AND OTHER EXCEPTIONAL CIRCUMSTANCES.

WHERE THESE EXCEPTIONS APPLY, THE RESULTING RELEASE OF DEFERRED REMUNERATION TO THE EMPLOYEE MAY BE CONSIDERED A "TERMINATION BENEFIT", REQUIRING SHAREHOLDER APPROVAL.

SUCH PAYMENTS WOULD ONLY BE MADE TO DEPARTING STAFF FOR WHOM THERE HAVE BEEN NO DISQUALIFYING EVENTS, SUCH AS ACTS OF DISHONESTY.

IF GRANTED, THE APPROVALS WOULD ALSO EXTEND TO THE RELEASE OF ANY ACCRUED SUPERANNUATION ENTITLEMENTS.

I WILL NOW TALK ABOUT THE PROPOSED REMUNERATION CHANGES.

## **PROPOSED REMUNERATION CHANGES - RETENTION LEVELS**

TURNING FIRST TO PROFIT SHARE RETENTION.

UNDER THE PROPOSED CHANGES, A GREATER PROPORTION OF PROFIT SHARE WILL BE DEFERRED AND DELIVERED AS EQUITY RATHER THAN AS A CASH BONUS.

CURRENTLY, 55 PER CENT OF PROFIT SHARE FOR THE CHIEF EXECUTIVE OFFICER IS RETAINED, 40 PER CENT FOR OTHER EXECUTIVE COMMITTEE MEMBERS, AND 20 PER CENT FOR OTHER EXECUTIVE DIRECTORS.

FOR 2009, IT IS PROPOSED THAT THIS WILL RISE TO 50 PER CENT FOR ALL EXECUTIVE DIRECTORS – SOME 340 STAFF – AND 55 PER CENT FOR THE CHIEF EXECUTIVE OFFICER.

FROM 2010, THESE ARRANGEMENTS WILL CONTINUE TO APPLY FOR EXECUTIVE COMMITTEE MEMBERS, INCLUDING THE CHIEF EXECUTIVE OFFICER, AS WELL AS “DESIGNATED EXECUTIVE DIRECTORS”.

THESE ARE MEMBERS OF THE OPERATIONS REVIEW COMMITTEE AND OTHERS WHO HAVE A SIGNIFICANT MANAGEMENT OR RISK RESPONSIBILITY IN THE ORGANISATION.

FOR OTHER EXECUTIVE DIRECTORS, FROM 2010, 40 PER CENT OF EACH ANNUAL PROFIT SHARE ALLOCATION WILL BE RETAINED.

### **INVESTMENT OF RETAINED PROFIT SHARE**

TO FURTHER ALIGN THE INTERESTS OF STAFF AND SHAREHOLDERS, MORE PERFORMANCE-BASED REMUNERATION WILL BE DELIVERED IN THE FORM OF MACQUARIE SHARES.

CURRENTLY, 20 PER CENT OF AN EXECUTIVE DIRECTOR'S ANNUAL PROFIT SHARE IS INVESTED IN A NOTIONAL PORTFOLIO OF MACQUARIE-MANAGED FUNDS AND CASH.

FOR EXECUTIVE COMMITTEE MEMBERS, AN ADDITIONAL 20 PER CENT IS RETAINED IN MACQUARIE SHARES AND 35 PER CENT FOR THE CHIEF EXECUTIVE OFFICER.

UNDER THE PROPOSED ARRANGEMENTS, ALL RETAINED PROFIT SHARE WILL BE INVESTED IN A COMBINATION OF MACQUARIE

SHARES AND MACQUARIE-MANAGED FUNDS, DEPENDING ON EACH EXECUTIVE DIRECTOR'S ROLE.

FOR OTHER STAFF, RETAINED PROFIT SHARE PREVIOUSLY HELD IN CASH WILL BE INVESTED IN MACQUARIE SHARES, WITH NO CHANGE TO THE VESTING ARRANGEMENTS OR RETENTION LEVELS.

### **VESTING AND RELEASE**

THE VESTING AND PAYOUT SCHEDULE FOR EXECUTIVE DIRECTORS WILL ALSO CHANGE.

FOR 2009, ALL RETAINED AMOUNTS FOR EXECUTIVE DIRECTORS WILL VEST AND BE RELEASED IN YEARS THREE TO SEVEN.

THESE ARRANGEMENTS WILL CONTINUE TO APPLY FROM 2010 FOR EXECUTIVE COMMITTEE MEMBERS, INCLUDING THE CHIEF EXECUTIVE OFFICER, AND DESIGNATED EXECUTIVE DIRECTORS.

FOR OTHER EXECUTIVE DIRECTORS, IT IS PROPOSED THAT FROM 2010 ALL RETAINED AMOUNTS VEST AND BE RELEASED IN YEARS THREE TO FIVE.

## **EARLY VESTING AND RELEASE**

OUR PROPOSED REMUNERATION CHANGES ALSO PLACE MORE ONEROUS CONDITIONS ON TERMINATION, WHILE ADDING A NEW DISQUALIFYING EVENT.

CURRENTLY, A DEPARTING EXECUTIVE DIRECTOR'S RETAINED PROFIT SHARE IS PAID OUT AFTER SIX MONTHS.

UNDER THE PROPOSED ARRANGEMENTS:

- PROFIT SHARE FROM ALL BUT THE LAST TWO YEARS WILL BE PAID OUT AFTER SIX MONTHS.
- PROFIT SHARE FROM TWO YEARS AGO WILL BE PAID OUT AFTER ONE YEAR.
- PROFIT SHARE FROM ONE YEAR AGO WILL BE PAID OUT AFTER TWO YEARS.

IN ADDITION, THERE WILL BE A NEW DISQUALIFYING EVENT.

RETAINED PROFIT SHARE WILL BE SUBJECT TO FORFEITURE IF IT IS FOUND THAT THE INDIVIDUAL HAS ACTED, OR FAILED TO ACT, IN A WAY THAT DAMAGES MACQUARIE.

THIS WILL INCLUDE BUT IS NOT LIMITED TO SITUATIONS, WHERE THE ACTION OR INACTION LEADS TO A MATERIAL FINANCIAL RESTATEMENT, A SIGNIFICANT FINANCIAL LOSS OR ANY SIGNIFICANT REPUTATIONAL HARM TO MACQUARIE OR ITS BUSINESSES.

### **PERFORMANCE SHARE UNITS**

IN PLACE OF OPTIONS GRANTS, EXECUTIVE COMMITTEE MEMBERS WILL NOW RECEIVE SHARE UNITS TO WHICH PERFORMANCE HURDLES ARE ATTACHED.

THESE WILL VEST IN THREE TRANCHES AFTER TWO, THREE AND FOUR YEARS IN THE SAME WAY THAT OPTIONS DID, AND WILL BECOME EXERCISABLE ON ACHIEVING THE PERFORMANCE HURDLES.

THE PERFORMANCE HURDLE ON 50 PER CENT OF THE UNITS WILL BE BASED ON THE AVERAGE ANNUAL RETURN ON EQUITY OVER THE VESTING PERIOD COMPARED TO A REFERENCE GROUP OF LEADING DOMESTIC AND INTERNATIONAL FINANCIAL INSTITUTIONS.

THE HURDLE ON THE OTHER 50 PER CENT WILL BE BASED ON THE COMPOUND AVERAGE ANNUAL GROWTH IN EARNINGS PER SHARE OVER THE VESTING PERIOD.

THE INTRODUCTION OF EPS IS PARTICULARLY APPROPRIATE FOR THE EXECUTIVE COMMITTEE WHO ARE AT A LEVEL WITHIN MACQUARIE WHERE THEY CAN HAVE AN IMPACT ON ITS ACHIEVEMENT. AT THE SAME TIME, FACTORS OVER WHICH EXECUTIVES HAVE LITTLE CONTROL ARE EXCLUDED.

THE UNITS WILL VEST ON A SLIDING SCALE AND, WHERE A PERFORMANCE HURDLE HAS NOT BEEN ACHIEVED, THE UNITS WILL LAPSE.

#### **TRANSITIONAL ARRANGEMENTS**

EXECUTIVE DIRECTORS WITH PRE-2009 RETAINED PROFIT SHARE HAVE BEEN GIVEN THE CHOICE WHETHER TO MOVE SOME OR ALL OF THEIR PRE-2009 RETAINED PROFIT SHARE TO THE NEW ARRANGEMENTS.

ANY SUCH TRANSITIONED AMOUNTS WILL BE INVESTED IN THE NEW EQUITY PLAN AND NOTIONALLY INVESTED IN MACQUARIE-MANAGED FUNDS ACCORDING TO THE SAME INVESTMENT MIX WHICH APPLIED TO THEIR 2009 RETAINED PROFIT SHARE.

THESE AMOUNTS WILL VEST OVER SEVEN YEARS FOR EXECUTIVE COMMITTEE MEMBERS AND FIVE YEARS FOR OTHER EXECUTIVE DIRECTORS, SUBJECT TO ANY DISQUALIFYING EVENTS.

ANY RETAINED PROFIT SHARE NOT TRANSITIONED TO THE NEW ARRANGEMENTS WILL BE GRANDFATHERED IN THE PRE-2009 DIRECTORS' PROFIT SHARE PLAN.

### **SPECIFIC RESOLUTIONS – MEREP INITIAL SIZE**

ONE OF THE SPECIFIC APPROVALS SOUGHT TODAY RELATES TO THE NEW EQUITY PLAN.

THE NEW MACQUARIE GROUP EMPLOYEE RETAINED EQUITY PLAN WILL BE ESTABLISHED TO DELIVER REMUNERATION IN THE FORM OF MACQUARIE SHARES.

THE PLAN WILL INITIALLY COMPRISE A PORTION OF THE 2009 RETAINED PROFIT SHARE, AS WELL AS PRE-2009 RETAINED PROFIT SHARE AMOUNTS THAT EXECUTIVE DIRECTORS HAVE ELECTED TO TRANSITION TO THE NEW ARRANGEMENTS.

ON 11 DECEMBER 2009, WE ANNOUNCED THAT THE VALUE APPLIED TO THE GRANT OF MACQUARIE SHARES WILL BE APPROXIMATELY \$A350 MILLION.

## **SPECIFIC RESOLUTIONS – MEREP CONVERSION PRICE**

IN ACCORDANCE WITH OUR STATEMENT ON 1 MAY THIS YEAR, 2009 RETAINED PROFIT SHARE AND PRE-2009 PROFIT SHARE TRANSITIONED FROM THE OLD DIRECTORS' PROFIT SHARE PLAN WILL BE CONVERTED TO SHARES AT THE VOLUME WEIGHTED AVERAGE PRICE FROM 4 MAY 2009 TO 29 JULY 2009, BEING \$36.36 PER SHARE.

THIS COMPARES TO THE MAY INSTITUTIONAL PLACEMENT PRICE OF \$A27.00 AND \$A26.60 FOR THE SUBSEQUENT SHARE PURCHASE PLAN OFFERED TO ALL SHAREHOLDERS.

## **SPECIFIC RESOLUTION – MANAGING DIRECTOR**

LET ME NOW TALK ABOUT THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S PARTICIPATION IN THE NEW EQUITY PLAN, WHICH IS THE SUBJECT OF RESOLUTION TWO.

THE ISSUE OF RESTRICTED SHARE UNITS AS A RESULT OF PARTICIPATION IN THIS PLAN IS NOT NEW REMUNERATION FOR THE MANAGING DIRECTOR, BUT REMUNERATION THAT HAS BEEN EARNED AND RETAINED OVER A PERIOD OF UP TO 10 YEARS.

IT IS PROPOSED THAT RESTRICTED SHARE UNITS BE ISSUED TO THE MANAGING DIRECTOR IN THE FOLLOWING AMOUNTS:

- UP TO A MAXIMUM OF 415,667 RESTRICTED SHARE UNITS REPRESENTING \$A15.1 MILLION OR 80 PER CENT OF PRE-2009 RETAINED PROFIT SHARE.
- 57,270 RESTRICTED SHARE UNITS REPRESENTING \$A2.1 MILLION OR 80 PER CENT OF RETAINED PROFIT SHARE FOR 2009.

THE MANAGING DIRECTOR HAS SINCE ELECTED TO TRANSITION 100 PER CENT OF HIS PRE-2009 RETAINED PROFIT SHARE, WITH 80 PER CENT TO BE INVESTED IN THE MACQUARIE GROUP EMPLOYEE RETAINED EQUITY PLAN AND THE BALANCE IN THE POST-2009 DIRECTORS' PROFIT SHARE PLAN.

IT IS ALSO PROPOSED THAT 38,300 PERFORMANCE SHARE UNITS SUBJECT TO HURDLES BE GRANTED TO THE CHIEF EXECUTIVE OFFICER FOR 2009.

THIS ALLOCATION HAS BEEN DETERMINED BASED ON A VALUATION OF A PERFORMANCE SHARE UNIT AT 10 NOVEMBER 2009, BEING THE

DAY ON WHICH THE NOTICE OF MEETING WAS CONSIDERED BY THE BOARD.

IN CONCLUSION, I WOULD LIKE TO SAY THAT THE APPROVALS BEING SOUGHT ARE REQUIRED BY THE CORPORATIONS ACT AND THE ASX LISTING RULES, BUT, TO SUMMARISE, THE KEY ELEMENTS OF THE PROPOSAL ARE AS FOLLOWS:

- THE PROPORTION OF PROFIT SHARE THAT IS RETAINED WILL INCREASE, AND THE PROPORTION THAT IMMEDIATELY VESTS WILL DECREASE;
- THE PROPORTION OF PROFIT SHARE DELIVERED AS CASH WILL DECREASE, AND THE PROPORTION DELIVERED AS EQUITY WILL INCREASE;
- RETAINED AMOUNTS WILL VEST OVER THREE TO SEVEN YEARS DEPENDING ON THE ROLE OF THE INDIVIDUAL;
- THERE WILL BE MORE ONEROUS CLAW-BACK CONDITIONS AROUND THE RELEASE OF PROFIT SHARE ON TERMINATION OF EMPLOYEES; AND
- OPTIONS FOR SENIOR EXECUTIVES WILL BE REPLACED WITH SHARE UNITS SUBJECT TO PRESCRIBED PERFORMANCE HURDLES.

THAT CONCLUDES MY DISCUSSION OF OUR PROPOSED REMUNERATION CHANGES.