

# **Corporate Governance Report**

**Banco Macro S.A.**

**2020**



## Introduction

The Argentine Securities Exchange Commission (Comisión Nacional de Valores) ("CNV") established, through RG (General Resolution) 797/2019, the general guidelines for the corporate governance of listed companies. Corporate governance is the set of practices, processes and structures whereby companies are managed and controlled. In general terms, good corporate governance practices facilitate the creation of an environment of trust and transparency that seeks to favor long-term investments, financial stability and business integrity. In addition, the adoption of these practices allows companies to improve their competitiveness, reputation and dialogue with investors and stakeholders.

The Code is structured into three levels: Principles, Recommended Practices and Guidelines. The Principles are general concepts that underlie any good corporate governance, and guide and inspire the Recommended Practices in the code and other ad-hoc practices that the company has determined to be the best for it. The second level consists of specific Recommended Practices that are considered "best practices", and each of them can be regarded as "applied" when the company carries them out in the same way as specified in the code. Lastly, the Guidelines are the justification and explanation of the principles, and of the practices that reflect such principles. The value of the Guidelines is to guide, inspire, and clarify the topics covered in each chapter.

It is mandatory for the company to prepare a report, to be submitted to the regulatory authority every year together with the Annual Report, in which the Board of Directors shall detail and describe how the principles apply under the system called "apply or not, explain". This system recognizes that the practice of corporate governance should not be understood as a rigid model of rules that apply equally to all companies. On the contrary, principles are broad and flexible enough to provide a degree of freedom for companies to explain the eventual non-adoption of a specific practice. That is why the Board of Directors can provide a justified explanation that indicates an alternative way to comply with the principle.

The Bank features a Corporate Governance Policy, which describes the general guidelines of the practices and processes adopted by the Bank, taking in consideration the good practices dictated by the recommendations of the Argentine Securities Exchange Commission and the Central Bank of the Republic of Argentina.

# CORPORATE GOVERNANCE REPORT

## A) THE ROLE OF THE BOARD OF DIRECTORS

### Principles

**I. The company must be led by a professional and qualified Board of Directors that will be in charge of laying the necessary foundations to ensure the company's sustainable success. The Board of Directors is the guardian of both the company and the rights of all its Shareholders.**

**II. The Board of Directors shall be in charge of determining and promoting corporate culture and values. In performing its functions, the Board shall guarantee the observance of the highest standards of ethics and integrity based on the best interests of the company.**

**III. The Board of Directors shall be in charge of ensuring a strategy inspired by the vision and mission of the company, in line with its values and culture. The Board of Directors shall get involved constructively with the Management to ensure the proper development, implementation, monitoring and modification of the company's strategy.**

**IV. The Board of Directors will exercise permanent control and supervision of the company's management, ensuring that the Management takes actions aimed at implementing the strategy and business plan approved by the Board.**

**V. The Board of Directors shall have the necessary mechanisms and policies to carry out its functions both collectively and individually in an efficient and effective manner.**

### Practices

1. The Board of Directors designs the company's general strategy and approves the strategic plan developed by the Management. In doing so, the Board takes into account environmental, social and corporate governance factors. The Board of Directors oversees its implementation through the use of key performance indicators and taking into consideration the best interests of the company and of all its shareholders.
2. The Board of Directors supervises the Management and ensures that it develops, implements and maintains an adequate internal control system with clear reporting lines.
3. The Board of Directors designs the corporate governance structures and practices, appoints the person responsible for their implementation, monitors their effectiveness, and suggests changes if necessary.
4. The Board of Directors is responsible for approving policies that promote inclusion and diversity, ensuring the existence of education and training policies on gender and prevention or treatment of gender-based violence.

5. The members of the Board of Directors have enough time to perform their duties in a professional and efficient manner. The Board and its committees have clear and formalized rules for their operation and organization, which are disclosed on the company's website.

## Application

The Board of Directors is vested with the management of the Bank, by determining and setting the entity's vision, mission and values, and also by defining the business global strategy, within a framework of adequate risk management, which will safeguard the Bank's liquidity and solvency, and the business long-term sustainability. It promotes corporate governance practices and supervises the implementation of the Corporate Governance Code, spreading corporate principles and values, and reasserting the Management's commitment. The Designations and Corporate Governance Committee is responsible for the implementation and monitoring of good practices on the subject. The Committee reports to the Board of Directors after every meeting held, and records in the minutes the matters discussed.

Through its participation in the bank's several committees, the Board of Directors assesses the performance of Senior Management by supervising the fulfillment of their functions, and oversees that the required actions are taken for the purpose of identifying, evaluating, monitoring, controlling and mitigating the assumed risks. Furthermore, this revision is carried out through the follow-up of the Business Plans and Budget, and their adjustment to the strategy defined by the Board of Directors. There is an information channel for the timely revision of policies and the monitoring of corporate goals.

It conducts, through the Designations and Corporate Governance Committee, an annual survey of the Corporate Governance Code, to ensure it is appropriate to the Bank's profile, in terms of its size, complexity and relative significance within the financial system.

The Board of Directors and the Committees created have clear, written and formalized rules for their operation, which also describe the scope of their functions and duties. The Board of Directors' Regulations are published on our corporate website. Furthermore, the composition of the Board of Directors and the structure of Committees, as well as the members of each of them, are disclosed to third parties on the Bank's website.

Directors are not required to limit the number of companies in which they fulfill similar duties; however, commitment and willingness are required to perform the task. Except for contingencies, Directors must have perfect attendance at the meetings that are held.

## B) CHAIRMAN OF THE BOARD AND CORPORATE SECRETARY

### Principles

**VI. The Chairman of the Board of Directors is in charge of safeguarding the actual fulfillment of the Board's functions and of leading its members. The Chairman should generate a positive work dynamic and promote the constructive participation of the Board's members, as well as ensure that members have the elements and information required for decision-making. This also applies to the Chairman of each committee of the Board as regards the task they should perform.**

**VII. The Chairman of the Board of Directors shall lead processes and establish structures seeking the commitment, objectiveness and competence of the members of the Board, as well as the best functioning of the body as a whole and its evolution according to the company's needs.**

**VIII. The Chairman of the Board of Directors shall ensure that the Board as a whole is committed to the company, and responsible for the succession of the general manager.**

### Practices

1. The Chairman of the Board of Directors is responsible for the proper organization of Board's meetings, prepares the agenda ensuring the cooperation of the other members, and makes sure that all members receive the necessary materials sufficiently in advance so that they can participate in the meetings in an efficient and informed manner. Chairmen of committees have the same responsibilities for their meetings.
2. The Chairman of the Board oversees the correct internal functioning of the Board through the implementation of formal annual evaluation processes.
3. The Chairman creates a positive and constructive work space for all members of the Board of Directors and ensures that they receive ongoing training to keep up to date and be able to carry out their functions correctly.
4. The Corporate Secretary supports the Chairman of the Board in the effective administration of the Board and cooperates in the communication between shareholders, Board and Management.
5. The Chairman of the Board ensures the participation of all its members in the development and approval of a succession plan for the general manager of the company.

## Application

The Secretary of the Board of Directors assists the Chairman of the Board in the performance of their duties and ensures the proper functioning of the Board's meetings and the Shareholders' Meetings. One of their main duties is the distribution to both the Directors and the Shareholders of the agenda of the meetings to be held, and all the relevant information concerning such meetings, sufficiently in advance to allow the necessary analysis thereof.

Furthermore, they are in charge of duly recording in the relevant books of minutes all the meetings held by the management body and the proper registration of all corporate documents.

The Board of Directors has established the Board Self-Assessment Policy. The Corporate Governance Committee is responsible for implementing and revising said policy, which is carried out individually (with a Self-Assessment Survey).

The assessment shall be of a qualitative nature and is oriented to the operation of the board as a deliberative body, the frequency of its meetings, the time devoted thereto, the availability of sufficient and timely information, the Senior Management evaluation, and finally, matters of individual nature.

The Board's self-assessment process takes place during the first quarter of each year, and the Corporate Governance Committee evaluates the results obtained. The Directors who are members of said Committee are in charge of transmitting the results to the deliberative body. Such results are presented in the Integrated Annual Sustainability Report, integrated into the Report and Balance Sheet for the Fiscal Year.

Every year, the Designations and Corporate Governance Committee evaluates the implications of an unforeseen unavailability of the General Manager, as well as the existence of retirement or succession programs. It is responsible for evaluating, together with the Human Resources Management, the members of Senior Management as potential candidates to replace the General Manager in case of extended or sudden unavailability, and suggesting to the Board the candidates to be taken into account in the event any such unavailability occurs.

## C) COMPOSITION OF THE BOARD OF DIRECTORS, DESIGNATION AND SUCCESSION

### Principles

**IX. The Board of Directors must have adequate levels of independence and diversity that allow it to make decisions in the best interests of the company, avoiding group thinking, and decision-making by individuals or dominant groups within the Board.**

**X. The Board of Directors shall ensure that the company has formal procedures for the proposal and nomination of candidates to occupy positions on the Board within the framework of a succession program.**

### Practices

1. The Board of Directors has at least two members who are independent in accordance with the current criteria established by the Argentine Securities Exchange Commission.
2. The company has a Nomination Committee that is composed of at least three (3) members and is chaired by an independent director. If presiding at the Nomination Committee, the Chairman of the Board will abstain from participating in the appointment of their own successor.
3. The Board of Directors, through the Nomination Committee, develops a succession program for its members that guides the process for the pre-selection of candidates to fill vacancies, and takes into consideration the non-binding recommendations made by its members, the General Manager and the Shareholders.
4. BCRA's regulations stipulate that it is a good practice for entities to take into account gender parity in the composition of the Board, in order to boost discussions and enrich decision-making, and to evaluate the progressive incorporation of women, on the occasion of new appointments and/or renewals, until reaching gender parity.
5. The Board implements an orientation program for its newly elected members.

## Application

Banco Macro has independent directors in compliance with the rules applicable to it for being a financial entity and a company that issues shares under the public offering system that list in local stock exchanges as well as in the New York Stock Exchange. This independence allows directors to exercise independent judgment and strengthen objectiveness in decision-making.

Currently, the Bank does not feature a policy aimed at keeping a specific proportion of independent Directors on the total number of Directors, and does not have specific policies for independent directors to hold exclusive meetings.

The Bank has a Designations and Corporate Governance Committee chaired by an independent Director. The composition of this Committee is such so that independent Directors can hold a majority and preside at the Committee.

It is not the duty or responsibility of the Designations and Corporate Governance Committee to develop a succession program for its members or for the members that make up the Board of Directors. Candidates for positions on the Board of Banco Macro S.A. are proposed by the shareholders and elected by the Annual General Shareholders' Meeting.

The Bank's policy is to ask the shareholders present at the meeting called to designate the members of the board, to inform about the independence of the nominated persons, in the form of a sworn statement.

The Bank runs a training program for members of the Board of Directors and Senior Management. The Training Program takes into account both legal and regulatory matters, aspects related to corporate sustainability practices, product and service development, innovation, financial education and other business affairs. The Secretary of the Board of Directors is in charge of coordinating the preparation and approval of this Training Program for directors.



## D) REMUNERATION

### Principles

**XI. The Board of Directors must create incentives through remuneration to align the Management - led by the general manager - and the Board itself with the company's long-term interests so that all directors fulfill their obligations equitably with respect to all the Bank's shareholders.**

### Practices

1. The company has a Remuneration Committee that is made up of at least three (3) members. Members are wholly independent or non-executive.
2. The Board of Directors, through the Remuneration Committee, establishes a remuneration policy for the general manager and for the members of the Board of Directors.

### Application

The Bank has an Employee Incentives Committee responsible for establishing the Fixed and Variable Compensation Policy, applicable to all employees of Banco Macro, including Senior Management.

The Variable Compensation Policy is consistent with the mission and values of the organization, its goals, long-term business sustainability, strategy, control environment, and prudent risk assumption. They are intended to recognize the employees' outstanding performance according to: i) Their contribution to the results achieved, and ii) The way they manage the company in line with the mission and values of the Organization.

The goals pursued by Banco Macro include remunerating its staff ensuring recognition of performance, internal fairness, competitiveness, productivity, efficiency and added value.

The Employee Incentives Committee has no responsibility regarding the setting up of the remuneration of the Board of Directors. The General Annual Shareholders' Meeting determines the directors' remuneration, and establishes its amount based on reasonableness criteria, in light of the results obtained during their performance while in office, taking into account the provisions of the Argentine General Business Company Act No. 19550, as amended and supplemented. The Shareholders' Meeting may delegate to the Board the individual allocation of the approved fees. Every year, the Board of Directors submits for consideration by the Shareholders' Meeting a proposal for the remuneration of the Board as a deliberative body.

In accordance with the provisions of section 261 of the Argentine General Business Company Law ("GBCL") and the rules of the Comisión Nacional de Valores ("CNV"), the maximum amount the members of the Board are allowed to receive as remuneration for all purposes shall not exceed twenty-five percent (25%) of the profits. Said maximum amount shall be limited to five percent (5%) when no dividends are distributed to the shareholders, and shall be increased in proportion to the distribution, until reaching the twenty-five percent (25%) limit when the aggregate amount of profits is to be distributed.

Whenever the performance of special duties or technical and administrative functions by one or more directors demands the need to exceed the above mentioned limits, such remunerations in excess may only be paid if expressly agreed by the shareholders' meeting.

As a good practice, the Board of Directors appoints independent members who have experience in risk management and knowledge of compensation systems to form part of the Committee.

## E) CONTROL ENVIRONMENT

### Principles

**XII. The Board of Directors must ensure the existence of a control environment, consisting of internal controls developed by the Management, the internal audit department, risk management department, regulatory compliance department, and external audit department, which establishes the necessary lines of defense to ensure integrity in the company's operations and financial reports.**

**XIII. The Board of Directors must ensure the existence of a comprehensive risk management system that allows the Management and the Board to efficiently direct the company towards its strategic goals.**

**XIV. The Board of Directors must ensure the existence of a person or department (depending on the size and complexity of the business, the nature of operations and the risks to be faced) in charge of the internal audit of the company. In order to evaluate and audit the company's internal controls, corporate governance processes and risk management, this internal auditor should be independent and objective, and have clearly established reporting lines.**

**XV. The Audit Committee of the Board of Directors shall be composed of qualified and experienced members, and shall carry out its functions in a transparent and independent manner.**

**XVI. The Board of Directors must establish adequate procedures to ensure the independent and effective performance of the External Auditors.**

### Practices

1. The Board of Directors determines the company's risk appetite, and also supervises and guarantees the existence of a comprehensive risk management system that identifies, evaluates, decides the course of action, and monitors the risks faced by the company, including -among others- environmental and social risks, and those inherent to the business in the short and long term.
2. The Board of Directors monitors and reviews the effectiveness of the independent internal auditor or department, and guarantees the resources for the implementation of an annual risk-based audit plan, and a direct reporting line to the Audit Committee.
3. The internal auditor or the members of the internal audit department are independent and highly trained.
4. The Board of Directors has an Audit Committee that acts according to specific regulations. The committee is mostly composed of and chaired by independent directors and does not include the general manager. Most of its members have professional experience in financial and accounting areas.

5. The Board of Directors, with the opinion of the Audit Committee, approves a policy for the selection and monitoring of external auditors, which defines the indicators that should be considered when the Board makes a recommendation to the Shareholders' Meeting with regard to the continuance or replacement of the external auditor.

## Application

In accordance with the entity's policy and in order to implement the guidelines for an adequate risk management, Banco Macro has decided to set up a Risk Management Committee, and defined the role of the Integral Risk Management Manager, responsible for ensuring that the Bank adopts specific policies aimed at the management and administration of operational risk (including Technological Risk), credit and market risk (including Liquidity and Rate), counterparty risk, entitlement, strategic and reputational risk.

The Risk Management process involves several responsibilities. This process is conducted by Board of Directors, the General Manager, the first-line managers, and the Bank's officers, and includes the entire Bank's staff.

Said management is applicable to the definition of strategies and is designed to identify potential events that may affect the organization, handle its consequences within the range of accepted risk and provide reasonable assurance about the achievement of goals. Consequently, there is an integral policy and different specific policies for each of the risks to which the Bank is exposed.

On the other hand, the Bank's Internal Audit Department is in charge of assessing the proper operation of the internal control system, compliance with the policies and procedures established by the company's management, and the regulations that govern the industry, within a framework of professionalism, objectivity and independence proper to such duties.

The internal audit department is independent, reports directly to the Internal Audit Committee and features sufficient resources and a budget consistent with the complexity of the business. Every year, it prepares and submits for approval by the Committee the Annual Audit Program.

The Audit Committee is made up of three regular directors and one alternate director. It carries out an annual review of the performance of the Internal Audit area, as well as of the degree of independence of the function. In addition, every year, it evaluates the External Auditors' qualification, experience and performance.

## F) ETHICS, INTEGRITY AND COMPLIANCE

### Principles

**XVII. The Board of Directors shall design and establish the appropriate structures and practices to promote a culture of ethics, integrity and compliance with standards that prevents, detects and addresses serious corporate or personal misconduct.**

**XVIII. The Board of Directors shall ensure the establishment of formal mechanisms to prevent and, failing that, deal with the conflicts of interest that may arise in the administration and direction of the company. The Board shall adopt formal procedures for ensuring that transactions between related parties are carried out in the best interests of the company, and that all shareholders will receive an equitable treatment.**

### Practices

1. The Board of Directors approves a Code of Ethics and Conduct that reflects the values and ethical and integrity principles, as well as the culture of the company. The Code of Ethics and Conduct is communicated and applicable to all the company's directors, managers and employees.
2. The Board of Directors establishes and revises periodically, based on the risks, size and financial capacity, an Ethics and Integrity Program. The Management supports the plan visibly and unequivocally, and designates an internal person to be in charge of developing, coordinating, supervising and evaluating the program periodically as to its effectiveness. The program provides: (i) periodic training for directors, administrative officers, and employees on ethics, integrity, and compliance matters; (ii) internal channels for reporting irregularities, open to third parties and adequately disseminated; (iii) a whistleblower protection policy against retaliation; and an internal investigation system that respects the rights of those investigated and imposes effective penalties for violations of the Code of Ethics and Conduct; (iv) integrity policies in bidding procedures; (v) mechanisms for periodic risk analysis, monitoring, and evaluation of the program; and (vi) procedures that prove the integrity and background of third parties or business partners (including due diligence for the verification of irregularities, illegal acts or the existence of vulnerabilities during the corporate transformation and acquisition processes), including suppliers, distributors, service providers, agents and intermediaries.
3. The Board of Directors ensures the existence of formal mechanisms to prevent and deal with conflicts of interest. In the case of transactions between related parties, the Board of Directors approves a policy that establishes the role of each corporate body and defines how those transactions detrimental to the company or only to certain investors are identified, handled and disclosed.

## Application

The Bank has a Code of Ethics applicable to directors and Senior Management members. The entity expects its representatives to act in accordance with the highest levels of personal and professional integrity in every aspect of their activities, to comply with the applicable laws, and to discourage the commission of reprehensible acts.

The Code of Ethics establishes guidelines and formal mechanisms to deal with conflict-of-interest situations. It also establishes that officers should act honestly and ethically, including the ethical handling of any conflicts of interest, whether apparent or real, between their personal and professional relationships, and promotes ethical behavior among colleagues and subordinates. The Audit Committee must be informed of any significant transaction or personal relationship that may reasonably cause any such conflict.

The Code of Ethics is supplemented by the Bank's Code of Conduct, which is applicable to all employees.

The Code of Conduct is intended to establish the principles and values that all members of the Bank should respect. All Bank's employees become aware of the standards of ethics and conduct defined by the Management, and make the commitment to observe such standards at all times. This plan is supplemented by training sessions or specific communication actions regarding the plan in general or specific situations that need to be highlighted. The Management and Senior Management are in charge of conducting and leading all actions in this regard, ensuring a guide of conduct from the top down to the organization.

Banco Macro S.A. has implemented an Integrity Program, under the terms of the Argentine Corporate Criminal Liability Law (Act No. 27401), applicable laws and regulations, and good practices disseminated by several specialized entities and organizations.

Said Program is based on the Anti-Corruption Policy approved by the Board of Directors and includes, among others, the following elements:

- i) Providing training or carrying out information actions on a regular basis targeted to directors, senior management, employees and third parties, on integrity, compliance and ethics matters.
- ii) A reporting line and a defined protocol to address such reports.
- iii) Protection against retaliation for any person filing a report.
- iv) Integrity policies applicable to suppliers/vendors or third-party business partners.
- v) Regular analysis of the program, including the risk matrix and the monitoring and reporting scheme.
  
- vi) Guidelines for the interaction with public officers, and also for the identification

- of vulnerabilities in corporate transformation or acquisition processes.
- vii) A Code of Conduct for Suppliers/Vendors, and guidelines for the relationship with business partners, by establishing contractual clauses.

The Board of Directors has established that the Ethics and Compliance Committee shall be responsible for the application of this Policy, the follow-up, and periodic reporting to the Board. Besides, it has appointed a Senior Management member to act as the person responsible for the implementation of the Integrity Program, and has established that the Compliance Management shall monitor Program Compliance.

## G) PARTICIPATION OF SHAREHOLDERS AND INTERESTED PARTIES

### Principles

**XIX. The company shall treat all Shareholders equitably. It shall guarantee equal access to non-confidential and significant information for the making of decisions at the shareholders' meetings of the company.**

**XX. The company shall promote the active participation of all the shareholders providing them with adequate information, especially as regards the composition and structure of the Board of Directors.**

**XXI. The company shall have a transparent Dividend Distribution Policy in line with the strategy.**

**XXII. The company shall take into account the interests of its stakeholders.**

### Practices

1. The company's website discloses financial and non-financial information, providing timely and equal access to all Investors. The website features a specialized section to deal with queries raised by Investors.
2. The Board of Directors shall ensure that there is a procedure in place for identifying and classifying its stakeholders, and a communication channel for them.
3. The Board of Directors sends the Shareholders, prior to the holding of a Meeting, a "provisional information package" that allows Shareholders - through a formal communication channel- to make non-binding comments and share opinions that differ from the recommendations made by the Board of Directors. When sending the final information package, the Board shall expressly express itself about the comments received as it may deem necessary.
4. The company's bylaws provides that Shareholders can receive the information packages for the Shareholders' Meeting through virtual means and participate in Meetings through the use of electronic means of communication that allow the simultaneous transmission of sound, images and words, ensuring the principle of equal treatment of participants.
5. The Dividend Distribution Policy is in line with the strategy and clearly establishes the criteria, frequency and conditions under which the dividend distribution shall be made.



## Application

Banco Macro promotes the transparency of its information, providing broad and immediate disclosure of corporate and financial information to investors, shareholders, customers and the public at large, our interested parties, in accordance with the applicable regulations and best practices in the matter. This information can be accessed in our website under the Investor Relations section at the following address <https://www.macro.com.ar/relaciones-inversores/home>.

The Bank designated a person responsible for Investor Relations whose function is to create and maintain relationships with institutional investors, analysts and other agents of the local and international financial system. The transparency rule in information disclosure is supplemented with the disposition and willingness to deal with the concerns and queries of any interested party.

Moreover, prior to each Shareholders' Meeting and sufficiently in advance, the Secretary of the Board of Directors sends the shareholders the agenda, along with any background information for the analysis of each of the topics to be discussed. The Regulations of the Board of Directors provide that directors may attend meetings by means of simultaneous sound, image and word transmission, such as videoconferences or similar means of communication.

The aim of the Bank's dividend distribution policy is to maintain an adequate balance between the amounts distributed and the investment and expansion policies, and not to jeopardize the entity's liquidity and solvency. Distribution of dividends to shareholders is regulated by the Central Bank of the Republic of Argentina (Revised Text, Accounting and Audit Rules - B. Accounts Guide - 9. Profit Distribution).

It should be noted that the distribution of dividends is conditional on the prior authorization from the Central Bank of the Republic of Argentina.

Dividends shall be paid in proportion to the relevant shareholdings recorded in the Bank's shareholders' register. In accordance with the regulations of the Comisión Nacional de Valores ("CNV"), dividends shall be paid within thirty (30) calendar days as from approval thereof by the Shareholders' Meeting. Under the rules and regulations of Bolsas y Mercados Argentinos ("BYMA") (Argentine Stock Exchanges and Securities Markets), in the case of cash dividends, payment shall start within ten (10) days as from the relevant resolution by the competent authority.