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**Fastställelseintyg till årsredovisning**

**Financial statements approval**

**Nordic Renewable Power (Holdings) AB**

Organisationsnummer /Corporate Identity number: 559134-1499

Årsredovisning för räkenskapsåret/Annual report for the period: 2021-04-01 – 2022-03-31

**Undertecknad styrelseledamot i Nordic Renewable Power (Holdings) AB intygar härmed att denna kopia av årsredovisningen överensstämmer med originalet och att resultaträkningen och balansräkningen antogs på årsstämman den 28 september 2022. Årsstämman beslutade att anta styrelsens förslag till resultatdisposition.**

**The undersigned board member of Nordic Renewable Power (Holdings) AB, hereby certify that this is a true copy of the original document, and that on 28 September 2022 the profit and loss account and the balance sheet were approved at the annual general meeting. The board's proposal on profit/loss allocation has been approved at the annual general meeting.**

29 September 2022

**Date and place**

**Signature**

**Chris Waples**

**Printed name**

20221026025222

**NORDIC RENEWABLE POWER (HOLDINGS) AB**
**ORGANISATIONSNUMMER 559134-1499**
***CORPORATE IDENTITY NUMBER 559134-1499***

**ÅRSREDOVISNING FÖR RÄKENSKAPSÅRET 2021-04-01--2022-03-31**
***ANNUAL REPORT FOR THE PERIOD FROM 2021-04-01--2022-03-31***

**NORDIC RENEWABLE POWER (HOLDINGS) AB**
**559134-1499**

**Innehållsförteckning**
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**NORDIC RENEWABLE POWER (HOLDINGS) AB**
**559134-1499**

# FÖRVALTNINGSBERÄTTELSE
# *BOARD OF DIRECTORS' REPORT*

Styrelsen avger årsredovisningen för Nordic Renewable Power AB (nedan definierat som "**Bolaget**") för räkenskapsåret 1 april 2021 till 31 Mars 2022.

*The Board of Directors present the annual report of Nordic Renewable Power AB (hereinafter defined as the "**Company**") for the period from April 1st, 2021 to March 31st, 2022.*

Om inte annat särskilt anges, redovisas alla belopp i EUR.
*Unless otherwise stated, all amounts are in EUR.*

## Allmänt om verksamheten
## *General information*

Nordic Renewable Power (Holdings) AB bildades den 16 november 2017. Bolaget ska direkt eller indirekt, äga, och förvalta fast och lös egendom samt värdepapper, såsom aktier i bolag aktiva inom vindkraftsbranschen, samt bedriva därmed förenlig verksamhet. Bolaget har sitt säte i Göteborg, Västa Götalands Län.

*Nordic Renewable Power AB is a private company incorporated November 16, 2017. The main activity of the Company is to directly or indirectly, own and manage real estate and securities as well as securities, such as shares in companies active in the wind power industry, and conduct operations compatible therewith. The company is headquartered in Gothenburg, Västa Götaland County.*

## Väsentliga händelser under räkenskapsåret
## *Significant events during the reporting period*

Bolaget har, genom dotterbolaget Nordic Renewable Power AB, fortsatt att investera i tre vindkraftanläggningar under uppbyggnad, varav två i Norge och en i Sverige. Lake Wind AB (Sverige) och Tysvaer Vindpark AS (Norge) har under året färdigställts och påbörjat sin produktion.

The Company continued to invest, through the subsidiary Nordic Renewable Power AB, in three wind power construction sites, of which two in Norway and one in Sweden. Lake Wind AB (Sweden) and Tysvaer Vindpark AS (Norway) achieved Commercial Operations during the financial year.

## Flerårsöversikt
## *Key Performance Indicators*

| | | 2022-03-31 | 2021-03-31 | 2019-03-31 |
|---|---|---|---|---|
| Resultat efter finansiella poster<br>*Result after financial items* | | -64 104 | -10 000 | 0 |
| Soliditet<br>*Equity ratio* | % | 46,66% | 94,68% | 100,00% |

## FÖRÄNDRINGAR I EGET KAPITAL
## *STATEMENT OF CHANGES IN EQUITY*

| | Bundet eget kapital<br>*Restricted equity* | Fritt eget kapital<br>*Unrestricted equity* | | | |
|---|---|---|---|---|---|
| | Aktiekapital<br>*Share capital* | Överkurs-fond<br>*Share Premium Fund* | Balanserat resultat<br>*Retained earnings* | Årets resultat<br>*Net result for the period* | Summa eget kapital<br>*Total shareholders' equity* |
| **Ingående balans per 2021-04-01**<br>***Balance as of April 1, 2021*** | **6 504** | **4 099 996** | **-10 000** | **-91 835** | **4 004 665** |
| Disposition enligt årsstämmobeslut<br>*Appropriation by AGM* | | | -91 835 | 91 835 | |
| Årets resultat<br>*Net results for the period* | | | | -64 104 | -64 104 |
| **Utgående balans per 2022-03-31**<br>***Balance as of March 31, 2022*** | **6 504** | **4 099 996** | **-101 835** | **-64 104** | **3 940 561** |

**FÖRVALTNINGSBERÄTTELSE (FORTSÄTTNING)**
***BOARD OF DIRECTORS' REPORT (CONTINUED)***

**Förslag till vinstdisposition**
***Proposed distribution of earnings***

Följande belopp står till årsstämmans förfogande:
*The following amounts are to be considered at the Annual General Meeting:*

| | |
|---|---|
| Överkursfond<br>Share premium reserve | 4 099 996 |
| Balanserat resultat<br>*Retained earnings* | -101 835 |
| Årets resultat<br>*Net result for the period* | -64 104 |
| | 3 934 057 |

Styrelsen föreslår att balanserade medel disponeras enligt följande:
*The Board of Directors proposes that unappropriated funds are allocated as follows:*

| | |
|---|---|
| Överförs i ny räkning<br>*Carried forward* | 3 934 057 |
| | 3 934 057 |

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**NORDIC RENEWABLE POWER (HOLDINGS) AB**
**559134-1499**

| **RESULTATRÄKNING**<br>***INCOME STATEMENT*** | **Not**<br>***Note***<br>1 | **2021-04-01**<br>**- 2022-03-31** | **2020-04-01**<br>**- 2021-03-31** |
|---|---|---|---|
| Övriga rörelseintäkter<br>*Other income* | | 1 796 | 0 |
| **Rörelsekostnader**<br>***Operating expenses*** | | | |
| Övriga externa kostnader<br>*Other external expenses* | | -51 322 | -72 658 |
| **Summa rörelsekostnader**<br>***Total operating expenses*** | | **-51 322** | **-72 658** |
| **Rörelseresultat**<br>***Operating result*** | | **-49 526** | **-72 658** |
| Räntekostnader och liknande resultatposter<br>*Interest expense and similar items* | | -14 577 | -19 177 |
| **Summa finansiella poster**<br>***Total financial items*** | | **-14 577** | **-19 177** |
| **Resultat efter finansiella poster**<br>***Result after financial items*** | | **-64 104** | **-91 835** |
| **Årets resultat**<br>***Net result for the year*** | | **-64 104** | **-91 835** |

**NORDIC RENEWABLE POWER (HOLDINGS) AB**
**559134-1499**

## BALANSRÄKNING
## *STATEMENT OF FINANCIAL POSITION*

| | Not<br>*Note* | 2022-03-31 | 2021-03-31 |
|---|---|---|---|
| **TILLGÅNGAR**<br>***ASSETS*** | 1 | | |
| **Finansiella anläggningstillgångar**<br>***Financial assets***<br>Aktier i dotterbolag<br>*Shares in subsidiary* | 2 | 4 326 500 | 4 326 500 |
| **Summa finansiella anläggningstillgångar**<br>***Total financial assets*** | | **4 326 500** | **4 326 500** |
| **Kortfristiga fordringar**<br>***Current receivables***<br>Fordringar hos koncernföretag<br>*Receivables on group companies* | 3 | 4 106 500 | 4 106 500 |
| Förutbetalda kostnader och upplupna intäkter<br>*Prepaid expenses and accrued income* | | 12 622 | 0 |
| ***Total current receivables*** | | **4 119 122** | **4 106 500** |
| **Summa tillgångar**<br>***Total assets*** | | **8 445 622** | **8 433 000** |
| **EGET KAPITAL OCH SKULDER**<br>***SHAREHOLDER'S EQUITY AND LIABILITIES*** | 1 | | |
| **EGET KAPITAL**<br>***SHAREHOLDER'S EQUITY*** | | | |
| **Bundet eget kapital**<br>***Restricted equity***<br>Aktiekapital<br>*Share capital* | | 6 504 | 6 504 |
| **Fritt eget kapital**<br>***Unrestricted equity***<br>Överkursfond<br>*Share premium fund* | | 4 099 996 | 4 099 996 |
| Balanserat resultat<br>*Retained earnings* | | -101 835 | -10 000 |
| Årets resultat<br>*Net result for the period* | | -64 104 | -91 835 |
| **Summa eget kapital**<br>***Total shareholder's equity*** | | **3 940 561** | **4 004 665** |
| **SKULDER**<br>***LIABILITIES*** | | | |
| **Långfristiga skulder**<br>***Non-current liabilities***<br>Skulder till koncernföretag<br>*Liabilities to Group companies* | 4 | 389 890 | 311 835 |
| **Summa långfristiga skulder**<br>***Total non-current liabilities*** | | **389 890** | **311 835** |
| **Kortfristiga skulder**<br>***Current liabilities***<br>Leverantörsskulder<br>*Accounts payable* | | 2 671 | 0 |
| Skulder till koncernföretag<br>*Liabilities to Group companies* | 5 | 4 106 500 | 4 106 500 |
| Upplupna kostnader<br>*Accrued expenses* | 6 | 6 000 | 10 000 |
| **Summa kortfristiga skulder**<br>***Total current liabilities*** | | **4 115 171** | **4 116 500** |
| **Summa eget kapital och skulder**<br>***Total equity and liabilities*** | | **8 445 622** | **8 433 000** |

**Nordic Renewable Power (Holdings) AB**
**559134-1499**

**FÖRÄNDRINGAR I EGET KAPITAL**
***STATEMENT OF CHANGES IN EQUITY***

| | **Bundet eget kapital** *Restricted equity* | | **Fritt eget kapital** *Unrestricted equity* | | |
|---|---|---|---|---|---|
| | **Aktiekapital** *Share capital* | **Reservfond** *Share Premium Reserve* | **Balanserat resultat** *Retained earnings* | **Årets resultat** *Net result for the period* | **Summa eget kapital** *Total shareholders' equity* |
| **Ingående balans per 2020-04-01** | | | | | |
| ***Opening balance as of April 1, 2020*** | **6 504** | **4 099 996** | ***0*** | **-10 000** | **4 096 500** |
| Resultatdisposition | | | | | |
| *Appropriation of result* | | | -10 000 | 10 000 | **0** |
| Årets resultat | | | | | |
| *Net results for the year* | | | | -91 835 | -91 835 |
| **Utgående balans per 2021-03-31** | | | | | |
| ***Ending balance as of March 31, 2021*** | **6 504** | **4 099 996** | **-10 000** | **-91 835** | **4 004 665** |
| **Ingående balans per 2021-04-01** | | | | | |
| ***Opening balance as of April 1, 2021*** | **6 504** | **4 099 996** | **-10 000** | **-91 835** | **4 004 665** |
| Resultatdisposition | | | | | |
| *Appropriation of result* | | | -91 835 | 91 835 | **0** |
| Årets resultat | | | | | |
| *Net results for the year* | | | | -64 104 | -64 104 |
| **Utgående balans per 2022-03-31** | | | | | |
| ***Ending balance as of March 31, 2022*** | **6 504** | **4 099 996** | **-101 835** | **-64 104** | **3 940 561** |

**TILLÄGGSUPPLYSNINGAR**
***NOTES TO THE FINANCIAL STATEMENTS***

**1. Redovisnings- och värderingsprinciper**
***Accounting and valuation principles***

Nordic Renewable Power (Holdings) AB:s årsredovisning har upprättats enligt Årsredovisningslagen och Bokföringsnämndens allmäna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Bolaget upprättar inte någon koncernredovisning enligt ÅRL, Kap 7:2 §. Moderföretag som upprättar koncernredovisning är Macquaire Group Limited, organisationsnummer ACN 122 169 279, med säte i Sydney, Australien.

*Nordic Renewable Power (Holdings) AB's annual report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 Annual Report and consolidated accounts (K3). The Company does not prepare consolidated accounts in accordance with ÅRL, Kap 7:2§. The parent company that prepares consolidated accounts is Macquire Group Ltd, corporate identity number ACN 122 169 279, with its registered office in Sydney, Australia.*

**(a) Utländsk valuta**
***Foreign currency***

Bolagets redovisningsvaluta är EUR. Monetära tillgångs- och skuldposter i utländsk valuta värderas till balansdagens avistakurs. Transaktioner i utländsk valuta omräknas enligt transaktionsdagens avistakurs.

*The company's accounting currency is EUR. Monetary asset and liability items in foreign currency are valued at the spot rate on the balance sheet date. Transactions in foreign currency are translated at the spot rate on the transaction date.*

**(b) Finansiella instrument**
***Financial instruments***

Finansiella instrument redovisas i enlighet med reglerna i K3 kapitel 11, vilket innebär att värdering sker utifrån anskaffningsvärde.

*Financial instruments are reported in accordance with the rules in K3, Chapter 11, which means that valuation is based on acquisition value.*

Finansiella instrument som redovisas i balansräkningen inkluderar fordringar och skulder mot koncernbolag. Instrumenten redovisas i balansräkningen när Nordic Renewable Power (Holdings) AB blir part i instrumentets avtalsmässiga villkor.

*Financial instruments reported in the balance sheet include receivables and liabilities towards group companies. The instruments are reported in the balance sheet when Nordic Renewable Power (Holdings) AB becomes a party to the instrument's contractual terms.*

Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och Bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten.

*Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Company has transferred virtually all risks and benefits associated with ownership.*

Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

*Financial liabilities are removed from the balance sheet when the obligations have been settled or otherwise ceased.*

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(b) ***Finansiella instrument (fortsättning)***
***Financial instruments (continued)***

**Fordringar**
***Receivables***

Fordringar redovisas som omsättningstillgångar med undantag för poster med förfallodag mer än 12 månader efter balansdagen, vilka klassificeras som anläggningstillgångar. Fordringar tas upp till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar. Fordringar som är räntefria eller som löper med ränta som avviker från marknadsräntan och har en löptid överstigande 12 månader, redovisas till ett diskonterat nuvärde och tidsvärdeförändringen redovisas som ränteintäkt i resultaträkningen.

*Receivables are reported as current assets with the exception of items maturing more than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are recognized with the amount that is expected to be paid after deductions for individually assessed doubtful receivables. Receivables that are interest-free or that bear interest that deviates from the market interest rate and has a maturity of more than 12 months are reported at a discounted present value and the change in time value is reported as interest income in the income statement.*

**Nedskrivningsprövning av finansiella anläggningstillgångar**
***Impairment testing of financial fixed assets***

Vid varje balansdag bedömer Nordic Renewable Power (Holdings) AB om det finns någon indikation på nedskrivningsbehov i någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och prövas individuellt.

*At each balance closing date, Nordic Renewable Power (Holdings) AB assesses whether there is any indication of impairment in any of the financial fixed assets. Impairment occurs if the decline in value is deemed to be permanent and is assessed individually.*

(c) **Aktier i dotterbolag**
***Shares in subsidiaries***

*Aktier i dotterbolag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de lämnas. Utdelning från dotterföretag redovisas som intäkt.*

*Shares in subsidiaries are recognized with acquisition value after reduction for any impairment. The acquisition value includes the purchase price of the shares. Any shareholder contributions are added to the acquisition price when executed. Dividend from subsidiaries is recognized as income.*

TILLÄGGSUPPLYSNINGAR (FORTSÄTTNING)
*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**2. Aktier i dotterbolag**
***Shares in subsidiary***

| | 2022-03-31 | 2021-03-31 |
|---|---|---|
| Ingående anskaffningsvärde<br>*Opening acquisition balance* | 226 500 | 226 500 |
| Aktieägartillskott<br>*Shareholder contributions* | 4 100 000 | 4 100 000 |
| **Utgående redovisat värde**<br>***Closing carrying amount*** | **4 326 500** | **4 326 500** |

Innehav av andelar i dotterförelag utgörs av följande:
*Holdings of shares in subsidiaries consist of the following:*

| Dotterbolag<br>*Subsidiary* | Organisationsnummer<br>*Corporate identity number* | Säte<br>*Domicile* | Eget kapital<br>*Equity* | Resultat<br>*Profit* |
|---|---|---|---|---|
| Nordic Renewable Power AB | 559178-0623 | Gothenburg, Västra Götaland County | 781 436 | 367 291 |

| Dotterföretag<br>*Subsidiary* | Ägarandel<br>*Ownership* | Antal aktier<br>*Number of shares* | Bokfört värde 2022-03-31<br>*Book value 2022-03-31* |
|---|---|---|---|
| Nordic Renewable Power AB | 100% | 6502 | 4 326 500 |

**3. Fordringar hos koncernföretag**
***Receivables on group companies***

| | 2022-03-31 | 2021-03-31 |
|---|---|---|
| Nordic Renewable Power Holdings (UK) Limited | 4 106 500 | 4 106 500 |
| **Utgående redovisat värde**<br>***Closing carrying amount*** | **4 106 500** | **4 106 500** |

**4. Skulder till koncernföretag**
***Non- current liabilities to Group companies***

| | 2022-03-31 | 2021-03-31 |
|---|---|---|
| **Motparter**<br>***Counterparties***<br>Moderbolag<br>*Parent company* | 389 890 | 239 177 |
| Dotterbolag<br>*Subsidiary* | 0 | 72 658 |
| **Utgående redovisat värde**<br>***Closing carrying amount*** | **389 890** | **311 835** |

**5. Skulder till koncernföretag**
***Current liabilities to Group Companies***

| | 2022-03-31 | 2021-03-31 |
|---|---|---|
| **Motparter**<br>***Counterparties***<br>Dotterbolag<br>*Subsidiary* | 4 106 500 | 4 106 500 |
| **Utgående redovisat värde**<br>***Closing carrying amount*** | **4 106 500** | **4 106 500** |

**6. Upplupna kostnader**
***Accrued expenses***

| | 2022-03-31 | 2021-03-31 |
|---|---|---|
| *Revisionsarvode*<br>*Audit fees* | 3 000 | 5 000 |
| Redovisningstjänster<br>*Accounting fees* | 3 000 | 5 000 |
| **Summa**<br>***Sum*** | **6 000** | **10 000** |

**7. Transaktioner med närstående**
***Transactions with related parties***

Nordic Renewable Power AB avger inte koncernräkenskaper då moderbolaget Macquaire Group Ltd, organisationsnummer ACN 122 169 279, med säte i Sydney, Australien, avger konsoliderade räkenskaper enligt International Financial Reporting Standards (IFRS).

*Nordic Renewable Power AB does not issue consolidated financial statements since the parent company Macquaire Group Ltd, corporate identity number ACN 122 169 279, with its registered office in Sydney, Australia, issues consolidated financial statements under International Financial Reporting Standards (IFRS).*

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**8. Väsentliga händelser efter balansdagen**
***Significant events after the end of the financial year***

Buheii Vindkraft AS (Norge) har färdigställts och påbörjat sin produktion efter räkenskapsårets slut. Styrelsen bedömer att Covid-19 som drabbat världen alltsedan år 2020 inte kommer att påverka Bolagets verksamhet i väsentlig grad. Konflikten i Ukraina som eskalerat under början av år 2022 skulle kunna få en negativ effekt på företagets resultat men styrelsen kan i dagsläget inte bedöma hur omfattande. Styrelsen följer aktivt utvecklingen och vidtar vid behov åtgärder för att kunna begränsa eventuella negativa effekter.

*Buheii Vindkraft AS (Norway) achieved Commercial Operations after the end of the financial year. The Board deems that Covid-19 which has hit the world since 2020 will not have a material impact on the Company's operations. The Ukraine conflict which has escalated in early 2022 could have a negative impact on the profitability of the Company, but the Board can not at this moment predict to what extent. The board actively monitors the situation and.takes measures as needed to mitigate potential negative impact.*

Stockholm 2022-09-28

Christopher Waples
Styrelseordförande
*Chairman of the Board*

Ole Nielsen
Styrelseledamot
*Board member*

Öhrlings PricewaterhouseCoopers AB

Johan Brobäck
Auktoriserad revisor
*Authorised Public Accountant*

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**8. Väsentliga händelser efter balansdagen**
***Significant events after the end of the financial year***

Buheli Vindkraft AS (Norge) har färdigställts och påbörjat sin produktion efter räkenskapsårets slut. Styrelsen bedömer att Covid-19 som drabbat världen alltsedan år 2020 inte kommer att påverka Bolagets verksamhet i väsentlig grad. Konflikten i Ukraina som eskalerat under början av år 2022 skulle kunna få en negativ effekt på företagets resultat men styrelsen kan i dagsläget inte bedöma hur omfattande. Styrelsen följer aktivt utvecklingen och vidtar vid behov åtgärder för att kunna begränsa eventuella negativa effekter.

*Buheli Vindkraft AS (Norway) achieved Commercial Operations after the end of the financial year. The Board deems that Covid-19 which has hit the world since 2020 will not have a material impact on the Company's operations. The Ukraine conflict which has escalated in early 2022 could have a negative impact on the profitability of the Company, but the Board can not at this moment predict to what extent. The board actively monitors the situation and.takes measures as needed to mitigate potential negative impact.*

Stockholm 2022-09-28

Christopher Waples

Styrelseordförande
*Chairman of the Board*

Ole Nielsen

Styrelseledamot
*Board member*

Öhrlings PricewaterhouseCoopers AB

Johan Brobäck

Auktoriserad revisor
*Authorised Public Accountant*

8. **Väsentliga händelser efter balansdagen**
***Significant events after the end of the financial year***

Buheii Vindkraft AS (Norge) har färdigställts och påbörjat sin produktion efter räkenskapsårets slut. Styrelsen bedömer att Covid-19 som drabbat världen alltsedan år 2020 inte kommer att påverka Bolagets verksamhet i väsentlig grad. Konflikten i Ukraina som eskalerat under början av år 2022 skulle kunna få en negativ effekt på företagets resultat men styrelsen kan i dagsläget inte bedöma hur omfattande. Styrelsen följer aktivt utvecklingen och vidtar vid behov åtgärder för att kunna begränsa eventuella negativa effekter.

*Buheii Vindkraft AS (Norway) achieved Commercial Operations after the end of the financial year. The Board deems that Covid-19 which has hit the world since 2020 will not have a material impact on the Company's operations. The Ukraine conflict which has escalated in early 2022 could have a negative impact on the profitability of the Company, but the Board can not at this moment predict to what extent. The board actively monitors the situation and takes measures as needed to mitigate potential negative impact.*

Stockholm 2022-09-28

Christopher Waples
Styrelseordförande
*Chairman of the Board*

Ola Nielsen
Styrelseledamot
*Board member*

Öhrlings PricewaterhouseCoopers AB 2022-09-28

Johan Brobäck
Auktoriserad revisor
*Authorised Public Accountant*

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# Revisionsberättelse

Till bolagsstämman i Nordic Renewable Power (Holdings) AB, org.nr 559134-1499

## Rapport om årsredovisningen

### Uttalanden

Vi har utfört en revision av årsredovisningen för Nordic Renewable Power (Holdings) AB för räkenskapsåret 1 april 2021 till 31 mars 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Nordic Renewable Power (Holdings) ABs finansiella ställning per den 31 mars 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Nordic Renewable Power (Holdings) AB.

### Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Nordic Renewable Power (Holdings) AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

### Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

20221026025531

# Rapport om andra krav enligt lagar och andra författningar

## Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Nordic Renewable Power (Holdings) AB för räkenskapsåret 1 april 2021 till 31 mars 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

## Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Nordic Renewable Power (Holdings) AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

## Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

## Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Göteborg den 28 september 2022

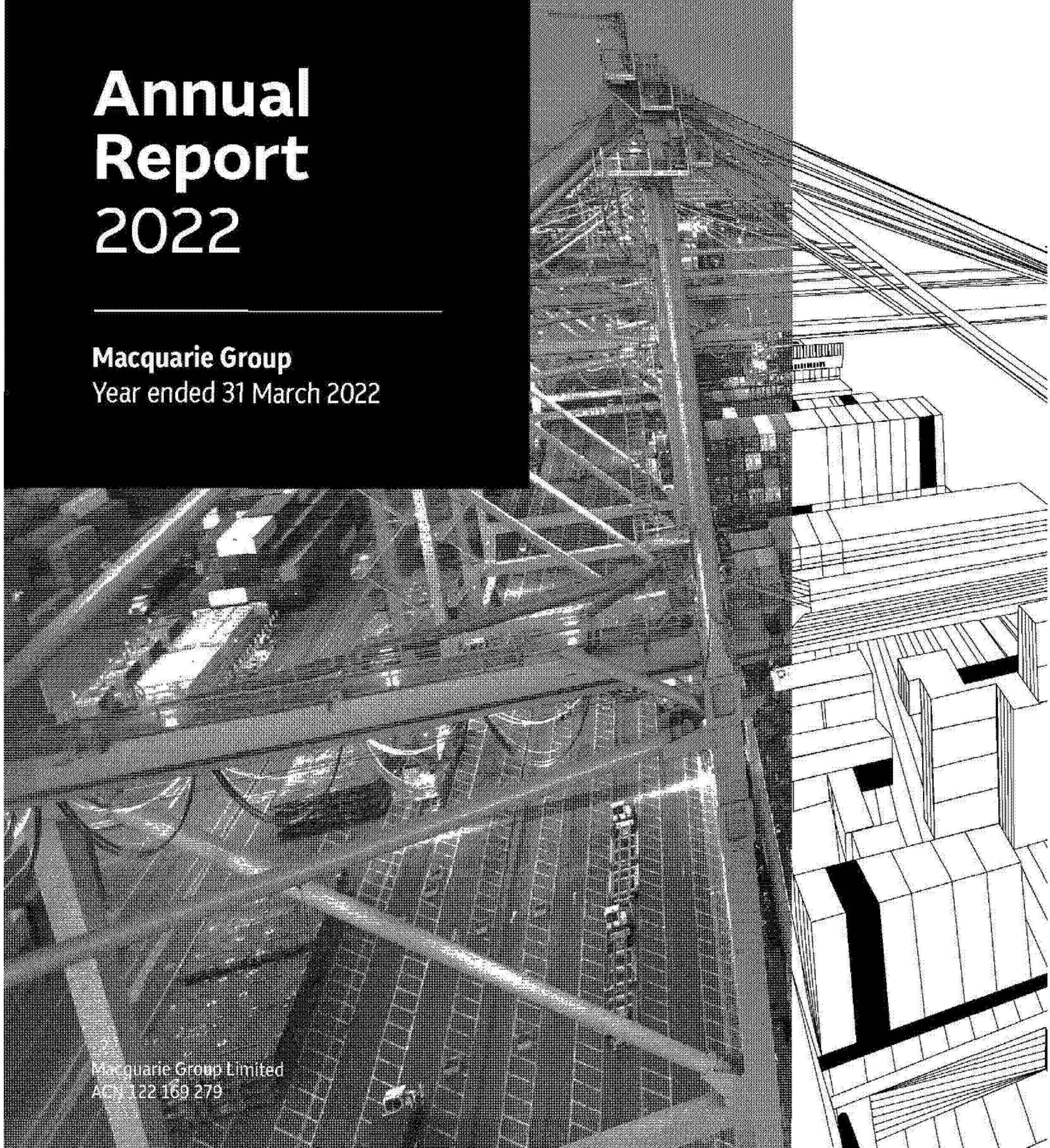
Öhrlings PricewaterhouseCoopers AB

Johan Brobäck
Auktoriserad revisor

MACQUARIE

# Annual Report 2022

**Macquarie Group**
Year ended 31 March 2022



Macquarie Group Limited
ACN 122 169 279

Macquarie is a global financial services group operating in 33 markets in asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal investment.

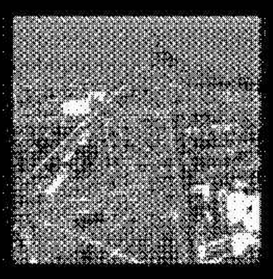
## 2022 Annual General Meeting

Macquarie Group Limited's 2022 AGM will be held at 10:30 am on Thursday, 28 July 2022.

Details of the meeting will be sent to shareholders separately.

## Cover image

Macquarie manages investments in infrastructure integral to the US economy. Long Beach Container Terminal is part of the combined port complex of Los Angeles and Long Beach, the largest cargo gateway in North America.



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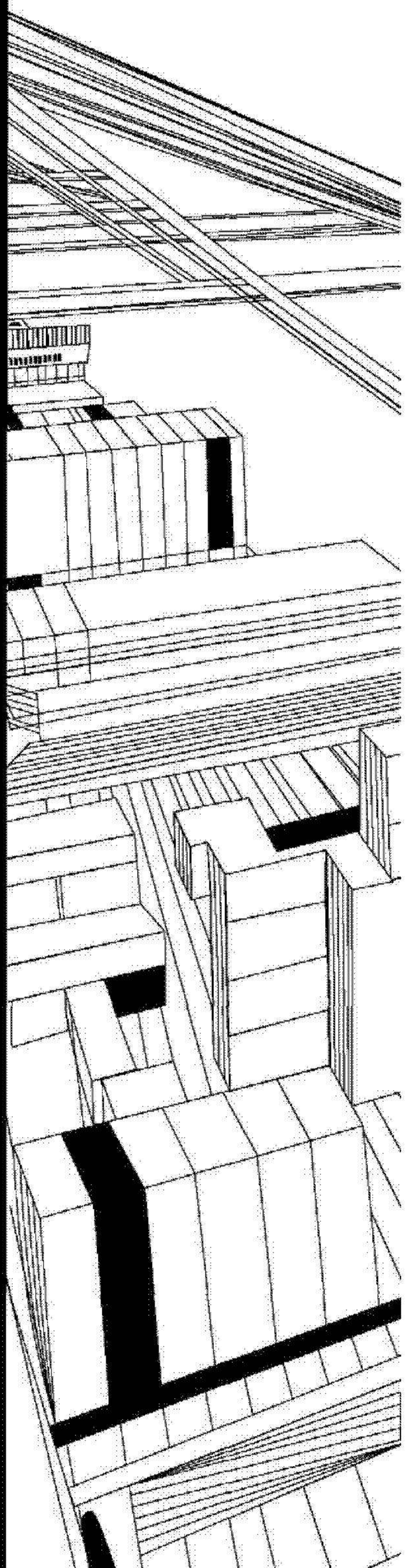
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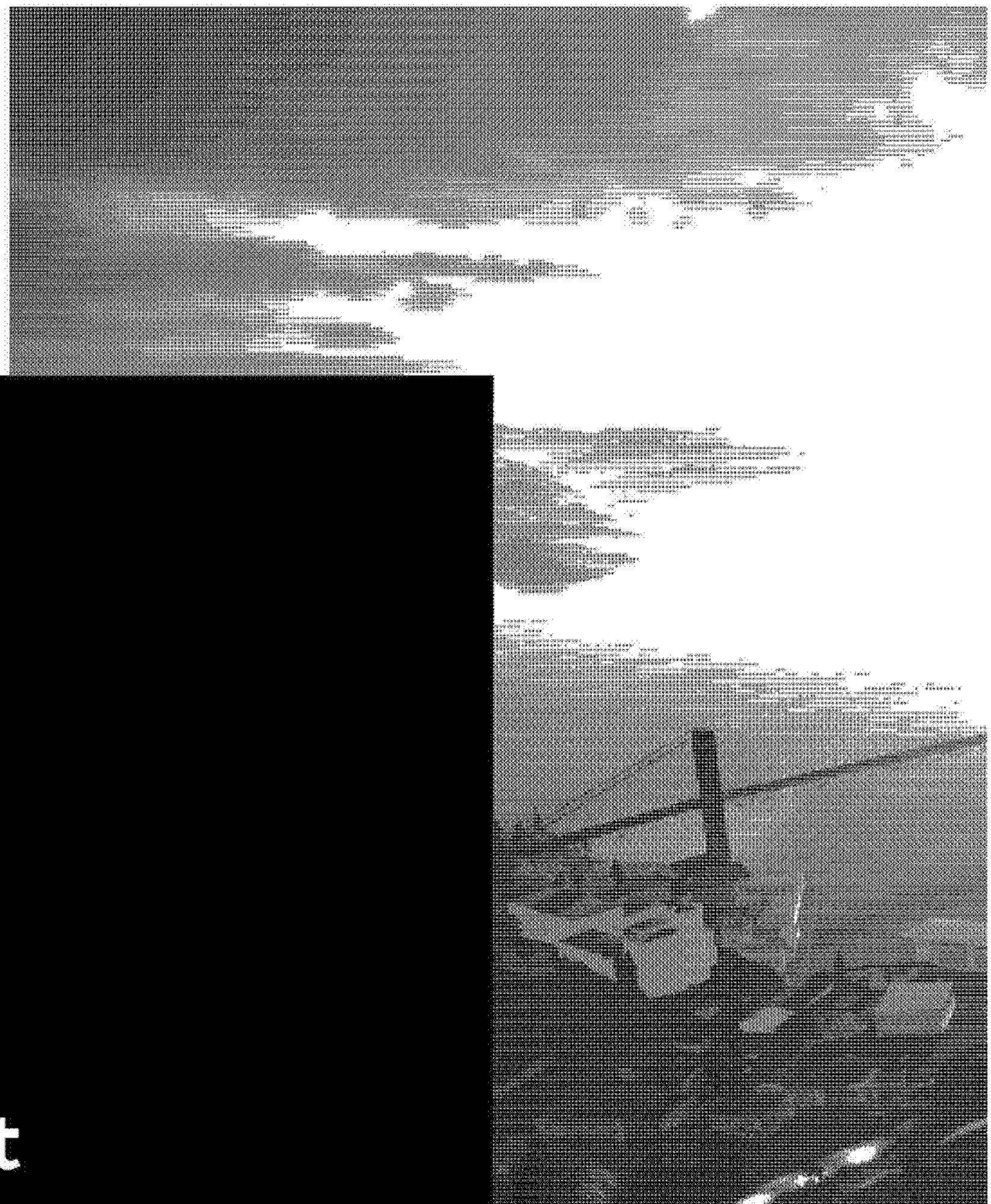



01

# About

**Sotra Link, Norway**

Macquarie Capital is the lead sponsor and equity investor in Sotra Link, an extensive new state-of-the-art bridge and tunnel system in Norway that focuses on traffic safety, public transport, and sustainability.

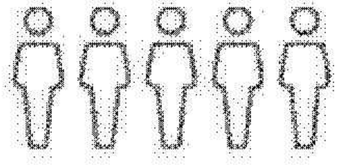




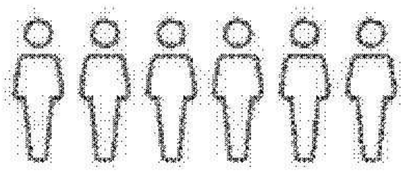
Macquarie (MGL and its subsidiaries, the Consolidated Entity) is a global financial group with offices in 33 markets.

**Macquarie now employs over 18,000[1] people globally across 33 markets.**

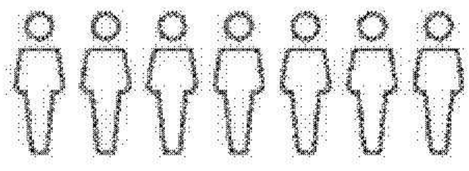
**EMEA ~14%**



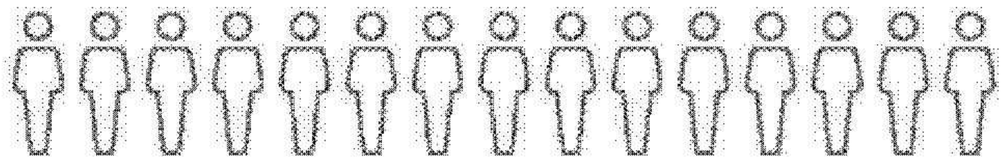
**Americas ~18%**



**Asia ~22%**



**ANZ ~46%**



(1) This figure includes staff employed in certain operationally segregated subsidiaries (OSS). Unless otherwise stated, further references to staff data and policies do not include those in OSS.

# About Macquarie

Macquarie Group Limited (MGL, the Company) is listed in Australia and is regulated by the Australian Prudential Regulation Authority (APRA), the Australian banking regulator, as a Non-Operating Holding Company (NOHC) of Macquarie Bank Limited (MBL), an authorised deposit-taking institution (ADI). Macquarie's activities are also subject to supervision by various other regulatory agencies around the world.

Founded in 1969, Macquarie now employs over 18,000[1] people globally, has total assets of $A399.2 billion and total equity of $A28.8 billion as at 31 March 2022.

Macquarie's breadth of expertise covers asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal investment. The diversity of our operations, combined with a strong capital position and robust risk management framework, has contributed to Macquarie's 53-year record of unbroken profitability.

Macquarie works with institutional, corporate, government and retail clients and counterparties around the world, providing a diversified range of products and services. We have established leading market positions as a global specialist in a wide range of sectors, including renewables, infrastructure, resources and commodities, energy, financial institutions and real estate.

Alignment of interests is a longstanding feature of Macquarie's client-focused business, demonstrated by our willingness to both invest alongside clients and closely align the interests of our shareholders and staff.

**$A4,706m**

FY2022 profit



1969 2022



Macquarie's performance reflects strong results across the organisation as our operating businesses and support groups again delivered on their commitment to supporting our clients, partners and communities."

## Letter from the

# Chairman

Since we last wrote to shareholders, the world has made significant progress in adjusting to COVID-19. Vaccines have become widely available, precipitating a global economic recovery that has so far proven largely resilient, notwithstanding current geo-political and inflationary challenges. While the ebb and flow of case numbers and the possibility of new variants remains, the world has increasingly adapted to a new normal of living with the virus.

Macquarie's FY2022 performance reflects strong results across the organisation as our operating and support groups again delivered on their commitment to supporting our clients, partners and communities. Macquarie Group CEO, Shemara Wikramanayake, provides further detail on Macquarie's financial performance in her letter to shareholders.

On behalf of the Board, I commend the efforts of our staff and extend our thanks for their resilience and continued outperformance in uncertain times. Globally, we have formalised an ongoing approach to hybrid working, with our teams delivering effectively as they split their working days between the office and home, in line with our hybrid working principles. This model of working is supported by the Board and Management, underpinned by significant investment in technology to ensure that staff can continue to discharge their duties to high standards, meet regulatory obligations and remain connected with their colleagues and clients.

## Macquarie culture

Our purpose of 'empowering people to innovate and invest for a better future' is deeply embedded in Macquarie's culture and is underpinned by our longstanding operating principles of Opportunity, Accountability and Integrity. These foundational aspects of our culture are further distilled in Macquarie's *Code of Conduct*, which sets out the expectations of Management and staff in managing their responsibilities and conducting themselves.

A core responsibility of Macquarie's Board and Management is ensuring the highest level of professional conduct across our operations - a commitment that has been in place since Macquarie's inception 53 years ago. We actively manage and enhance our risk culture and the Conduct Risk Management Framework in response to changes in our business operations, outcomes of our oversight activities and the expectations of regulators and communities. The Board and Management also regularly review and enhance our reporting, training, monitoring and surveillance activity. Everyone at Macquarie is accountable for their conduct, and supervisors are accountable for outcomes in their businesses with independent oversight by the Risk Management Group.

In relation to the APRA matters we noted last year, the Board has worked closely with Management on a comprehensive remediation plan. We believe the changes proposed under this plan will have a positive impact on Macquarie Bank Limited (MBL) through improved systems, frameworks and processes for regulatory reporting and prudential risk management; enhanced governance, risk culture and remuneration framework; and a simplified group structure.

## Environmental, social and governance

The Board and Management recognise the importance of sound environmental, social and governance (ESG) practices as part of our responsibility to our clients, shareholders and the communities in which we operate.

ESG considerations guide and inform the way we conduct our business operations and manage risk, and it is our responsibility to uphold these practices to build towards a better future. The ESG section of this Annual Report and our website provide further details on the part we are playing in investing to drive solutions across diverse sources of emissions, supporting our clients with their own net zero commitments and contributing to global policy formation through the roles the Macquarie Group CEO and other executives hold on a range of supranational panels and commissions.

In early FY2022, we made a commitment to reach net zero operational emissions by 2025 and to align our financing activity with the global goal of net zero emissions by 2050. While our equity and lending exposure to fossil fuels is smaller than many peers, detailed work has been underway to assess our own and our clients' activities. I am pleased to note that we are on track to release our detailed net zero plan by the end of 2022, while Macquarie Asset Management is also working on asset-level plans to the same timetable. This activity forms part of a broader suite of ESG initiatives and reporting, which we expect will continue to evolve over the coming years.

## Board changes

Towards the end of FY2022, we welcomed Michelle Hinchliffe to the MGL and MBL Boards, following the previously announced retirement of Diane Grady. Michelle's deep knowledge of finance and financial services and her global experience will be of great value to the Boards and our businesses. Furthermore, Michelle's appointment maintains gender parity on the MGL Board, which reflects our ongoing commitment to achieving gender equity at all levels of our workforce. Michael Coleman has announced his intention to retire as a Voting Director of MGL and MBL after 10 years on the Boards. Michael's retirement will be effective at the conclusion of the 2022 AGM. Gordon Cairns retired in May 2021 after six years on the Boards. I would like to reiterate my thanks to Diane, Michael and Gordon for their important contributions to Macquarie over many years.

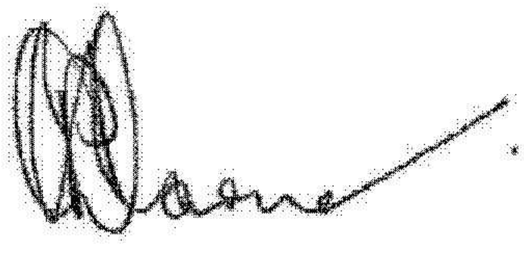
As previously announced, I will retire as Chair with the delivery of our FY2022 results, after 15 years on the Macquarie Boards. With this letter being my last as Chairman, I want to take the opportunity to thank my Board colleagues, Management and staff for their leadership and commitment. I have immensely enjoyed my time at Macquarie and appreciated working alongside such incredibly talented people delivering tirelessly to address unmet community need. It has been a privilege to play a part in Macquarie's growth, which has seen a threefold increase in our profitability and a doubling in the size of our team since I joined the Board.

I'd like to extend my thanks and best wishes to my successor as Chair, Glenn Stevens. Glenn has already made significant contributions to our Board discussions and committees in recent years and his appointment places Macquarie in good stead thanks to his extensive experience in markets and economics after many years as a successful Governor of the Reserve Bank of Australia.

## Dividends

The Board resolved to pay a final ordinary dividend of $A3.50 per share (40% franked). This results in a total ordinary dividend for the year ended 31 March 2022 of $A6.22 per share, up from $A4.70 in the prior year.

On behalf of the Board, and for my final time as Chairman, I would like to thank Macquarie's staff for their efforts, and our clients and shareholders for their considerable support, including for our capital raising in late 2021, which has enabled us to achieve this strong result in FY2022 and sustained performance over many years.



**Peter Warne**
Independent Director and Chairman

Sydney
6 May 2022



Our longstanding strategy to address key areas of unmet need in the community is unchanged. Over time, this has seen us build deep and differentiated franchises in each of our areas of activity, all of which delivered strong performance in FY2022."

## Letter from the

# Managing Director and CEO

Against an uncertain backdrop, Macquarie's teams remained focused on delivering for our clients, partners, shareholders and the communities in which we operate. Supported by our central teams and empowered to identify and capitalise on opportunities in line with our purpose, all four Macquarie operating groups increased their overall net profit contribution in FY2022.

While many of the regions and markets in which Macquarie operates saw heightened levels of volatility this year, our longstanding strategy to address key areas of unmet need in the community is unchanged. Over time, this has seen us build deep and differentiated franchises in each of our areas of activity, all of which delivered sound outcomes and strong performance in FY2022.

For the year ended 31 March 2022, Macquarie delivered a profit of $A4,706 million, up 56% on the prior year, with three of the four operating groups delivering their best-ever performance. This result reflects our continued emphasis on areas underpinning long-term global economic growth, our agility and adaptability in uncertain times, and our ongoing commitment to prudent risk management. While each of our franchises continued to grow strongly, the result was also supported by some exceptional elements, in terms of specific assets realised during the year and a heightened need to support clients through volatile markets.

In Macquarie Asset Management (MAM), excluding the impact of acquisitions, income related to the disposition of Macquarie Infrastructure Corporation (MIC) assets together with growth in base fees were partially offset by gains on the sale of Macquarie European Rail in the prior year and lower performance fees. Banking and Financial Services (BFS) benefited from strong growth in home loans, funds on platform and total BFS deposits together with releases in net credit impairments. This was partially offset by increased technology investment and higher average headcount costs to support business growth and regulatory requirements.

Commodities and Global Markets (CGM) saw increased revenue from Commodities with strong risk management demand driven by increased client hedging activity and trading activity as a result of elevated volatility and commodity price movements. The contribution from Commodities inventory management and trading was also up while Financial Markets continued to deliver strong performance. The contribution from Asset Finance also increased, largely related to the partial sale of the UK Meters portfolio and increased activity across its other sectors. Macquarie Capital saw significantly higher fee and commission income due to mergers and acquisitions and debt capital markets activities. This was partially offset by lower equity capital markets fee income and brokerage income. Investment-related income was up substantially due to material asset realisations in the green energy, technology and business services sectors and an increase in the private credit portfolio.

To provide us with additional flexibility to invest in new opportunities while maintaining an appropriate capital surplus, we raised $A2.8 billion

in additional capital in FY2022 through an institutional placement and associated share purchase plan. These offers received strong interest from institutional and retail shareholders respectively and were successfully completed towards the end of 2021. I would like to thank shareholders for their support in providing this capital for further growth. Macquarie Group remains well capitalised, with APRA Basel III Capital of $A33.6 billion at 31 March 2022 and a surplus of $A10.7 billion.

We have previously communicated our work with APRA to create a remediation plan that strengthens MBL's governance, culture, structure and remuneration to ensure full and ongoing compliance with prudential standards. The plan was approved and endorsed by the MBL Board in FY2022 and is broad-ranging and comprehensive, including detailed programs of work across governance, remuneration, risk culture, regulatory reporting, prudential risk management and group structure. Management is committed to advancing this work through FY2023 and beyond.

## Investing in a sustainable future

During the year, we announced the move of Macquarie's Green Investment Group (GIG) from Macquarie Capital into MAM, which took effect from 1 April 2022. The need for climate investment has grown substantially in GIG's focus areas and the move brings together our specialist capabilities in green finance to respond to investor appetite for long-term investment across the asset lifecycle as we seek to address broad sources of emissions from energy, transportation, agriculture, industry, waste and real estate.

Macquarie is committed to playing a leading role in driving the global transition to net zero. Alongside our own investment commitment and working with clients to deliver practical climate solutions, we are playing an active role in the mobilisation of private capital through our participation in global initiatives such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the Climate Finance Leadership Initiative (CFLI), for which I act as Co-Chair of the India workstream.

## Management update

During FY2022, following the retirement of Mary Reemst after 22 years with Macquarie, Stuart Green became Managing Director and Chief Executive Officer of MBL on 1 July 2021 and joined the MBL Board and the MGL and MBL Executive Committees.

After 22 years with Macquarie, Daniel Wong stepped down as Co-Head of Macquarie Capital and from Macquarie's Executive Committee, on 29 October 2021. Michael Silverton, Daniel's Co-Head, became sole Group Head of Macquarie Capital.

Patrick Upfold stepped down as Chief Risk Officer, Head of the Risk Management Group (RMG) and from Macquarie's Executive Committee on 31 December 2021, after 25 years with Macquarie. Patrick remains with Macquarie until mid-2022 to complete an extended handover to his successor, Andrew Cassidy, who has been with Macquarie for 18 years. Andrew joined Macquarie's Executive Committee on 1 January 2022.

Michael Herring retired as Group General Counsel and Head of the Legal and Governance Group on 6 May 2022 after 17 years with Macquarie. Evie Bruce, previously Australian Managing Partner for King & Wood Mallesons Australia's Mergers & Acquisitions and Banking & Finance practice teams joined Macquarie in January 2022 and has undertaken an extended handover period before taking over Michael's responsibilities. Evie joined Macquarie's Executive Committee on 2 March 2022.

In addition to the new Executive Committee members noted above, Verena Lim, Macquarie's Asia CEO; Leigh Harrison, the global head of MAM's Real Assets business; and Tim Whitehead, global head of RMG Credit all joined Macquarie's Management Committee.

## In the community

Consistent with the social impact that our businesses seek to drive from their investments, our people and the Macquarie Group Foundation together contributed $A44 million in funding and thousands of hours of time to community organisations across the globe in FY2022.

Furthermore, the remainder of the $A20 million COVID-19 donation fund launched at the start of the pandemic in 2020 was fully deployed to 40 organisations in 32 countries during the year, while the $A50 million in additional grants allocated in 2019 to mark Macquarie's 50th anniversary continued to be deployed as those projects advanced. More detail is provided in this report.

A further one-off $A20 million allocation was made in FY2022 to expand the Foundation's Social Impact Investing program and help address employment, education and economic empowerment needs. In support of communities and families across Ukraine, the Foundation and Macquarie employees also made a $A3.5 million donation to the critical humanitarian and refugee response.

A total of $A520 million has now been contributed to philanthropic causes by our people and the Foundation since it was established in 1985.

## External outlook

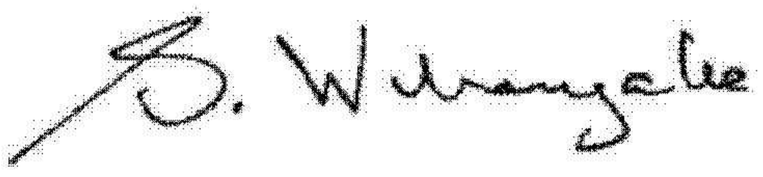
As more parts of the world transition to a managed phase of the COVID-19 pandemic, we have seen improvement to overall economic sentiment and in market conditions. In the near term, global growth looks set to remain strong, but the outlook remains uncertain, as the invasion of Ukraine and further outbreaks of COVID-19 add to already high inflationary pressures and increase the likelihood of interest rate rises in many advanced economies.

While we haven't provided overall guidance for the 2023 financial year, we have provided the market with an outline of the factors impacting the short-term outlook for each of our operating groups. We maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

## Chair succession

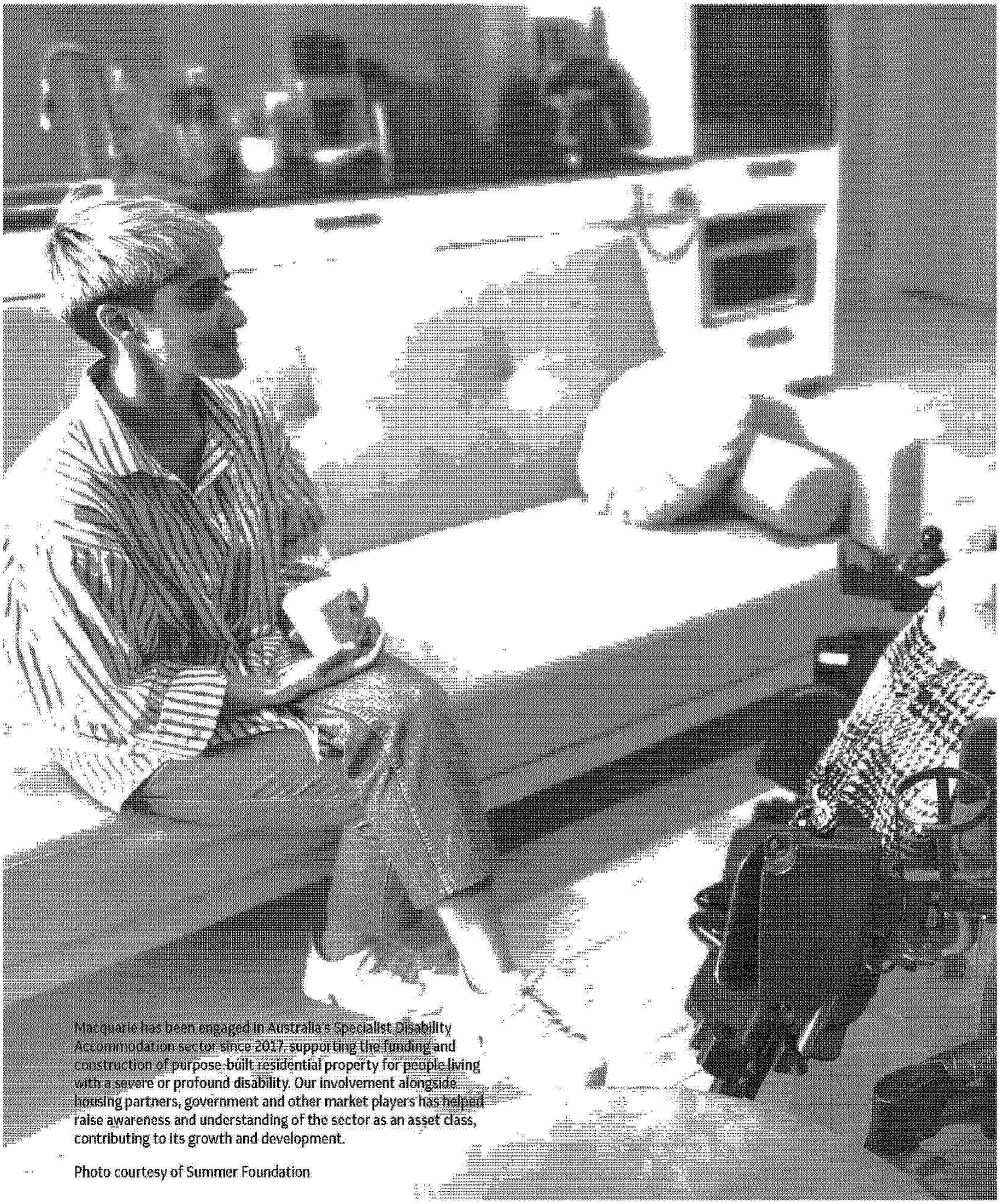
On behalf of Macquarie's management team and our staff, I would like to thank Peter Warne for his significant contribution to Macquarie over the past 15 years. Peter has been an insightful and highly engaged Chair through many milestone events for Macquarie and I also express my appreciation for the steadfast support he has given to me since I became CEO. He retires with our best wishes for the future, and I look forward to working with his experienced successor, Glenn Stevens.

We would also like to thank Macquarie's staff for their hard work and commitment in delivering this result in exceptional times, and our clients and shareholders for their ongoing support.



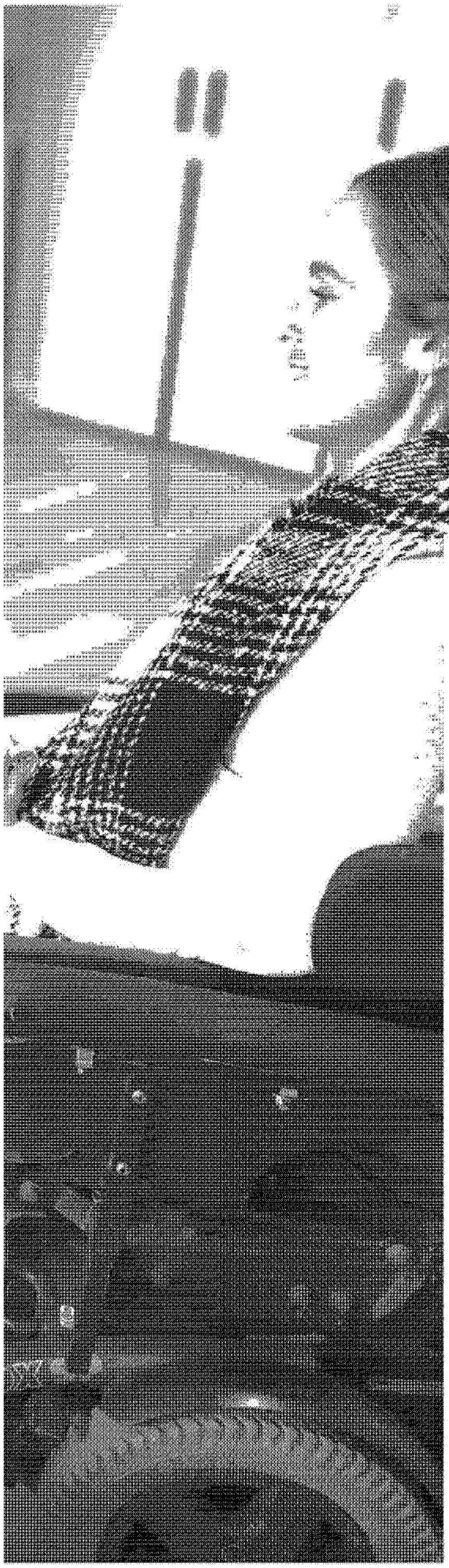
**Shemara Wikramanayake**
Managing Director and Chief Executive Officer

Sydney
6 May 2022



Macquarie has been engaged in Australia's Specialist Disability Accommodation sector since 2017, supporting the funding and construction of purpose-built residential property for people living with a severe or profound disability. Our involvement alongside housing partners, government and other market players has helped raise awareness and understanding of the sector as an asset class, contributing to its growth and development.

Photo courtesy of Summer Foundation



# Empowering people to innovate and invest for a better future

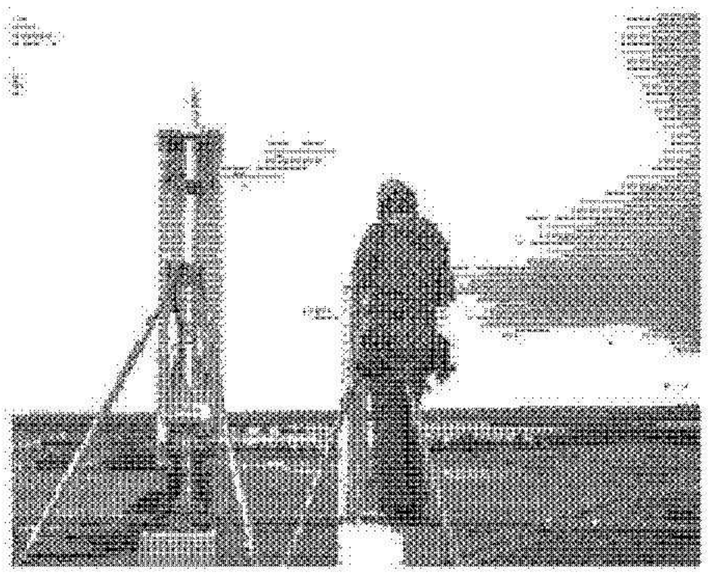
At Macquarie, we are committed to delivering sustainable long-term outcomes for our clients, shareholders, communities and each other.

This means managing our assets, deploying our capital and resources, and applying our deep expertise to develop solutions that have a direct, positive impact and contribute to a better future.

As custodians of businesses that provide essential services and manage the infrastructure underpinning economic activity around the world, we recognise our responsibility to invest to create strong, sustainable organisations that provide lasting benefits and allow communities to prosper.

We are also helping to address immediate and long-term societal challenges by investing in the development of new high-quality education, housing and healthcare facilities, building and upgrading digital technology and communications infrastructure, and developing emissions reduction technologies for the energy, agriculture, transportation, industry, real estate and waste management sectors.

Through the Macquarie Group Foundation, we give back to the communities in which we live and work by contributing financial support, time and expertise to non-profit organisations globally.



## Supporting new social infrastructure

There is an increasing need for new social and digital infrastructure to support a growing, urbanising and interconnected global population.

Macquarie is leveraging deep-rooted experience in infrastructure and innovative financing solutions to support communities in meeting this need.

In launching new ways for regulated non-profit sectors to secure investment, we are helping to deliver high-quality affordable and social housing.

We have supported the launch of new investment platforms to build sustainable, community-based build-to-rent housing at an attainable price in Australia, and specialist disability accommodation dwellings for tenants eligible under the National Disability Insurance Scheme. In the UK, we have invested over £800 million on behalf of clients over the past five years in the affordable housing sector.

To support increased demand for digital infrastructure, especially in rural and more remote regions, we are investing in new networks and technology. This includes the creation of Spain's first independent fibre network operator to connect people and businesses outside larger urban areas, and the accelerated rollout of UK fibre to provide broadband to poorly connected communities. Taking advantage of this improved connectivity, we continue to invest directly in innovative businesses taking many aspects of education online.



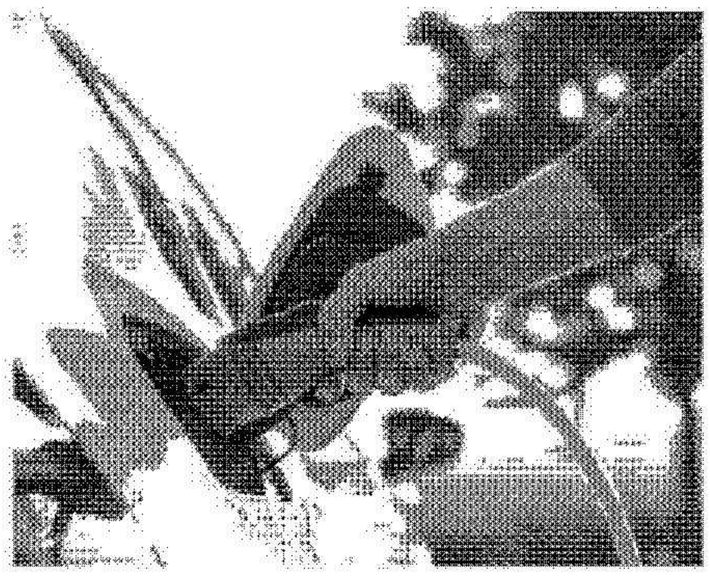
## Our role in the global energy transition

Macquarie's role in driving the global energy transition is three-fold: scaling-up the development and deployment of technologies critical to delivering deep decarbonisation; supporting the adaption and transition of our clients, industries and assets; and assisting in the mobilisation of private capital for climate solutions in developing countries.

Since our first project almost 20 years ago, we have evolved our approach from a focus on investing and developing individual assets to creating, acquiring, and partnering with specialist development businesses. By deploying our balance sheet in partnership with the specialist capabilities of our partners, we have been able to accelerate the rollout of mature technologies and establish and commercialise new ones.

This has seen us become a leader in the fast-growing wind and solar industries that form the basis of a decarbonised global energy system – developing, constructing, operating and financing over 50 GW of projects around the world – and expand our involvement in emerging technologies, with early-stage investments in utility scale storage, zero emission transport and hydrogen.

While driving this important transition, we also recognise the need to replace jobs and reskill communities through a planned process. Macquarie businesses are also active in helping to address heightened levels of scarcity and volatility in global energy markets.



## Helping clients and portfolio companies decarbonise

The global transition to net zero will be driven by consumers and companies taking action to reduce their carbon emissions.

For two decades we've used our deep capabilities in agriculture, energy, infrastructure, transportation, technology and commodities to work with clients and our portfolio businesses to create practical solutions to their decarbonisation challenges.

Around the world, this means providing clients with ESG investment products, corporate advisory services, green power purchase agreements, risk and capital solutions for clean and renewable fuels, carbon offsetting products that are directing capital to vital under-funded climate projects, and asset finance in areas like transport fleet electrification, smart meters, and the circular economy.

In our asset management business, where we have sufficient influence we are working with our portfolio companies to develop business plans that set them on emissions reduction trajectories in line with a net zero economy by 2040 or sooner. In Australia, our retail banking and financial services business is supporting the rapid growth of electric vehicles with a specialist buying service.

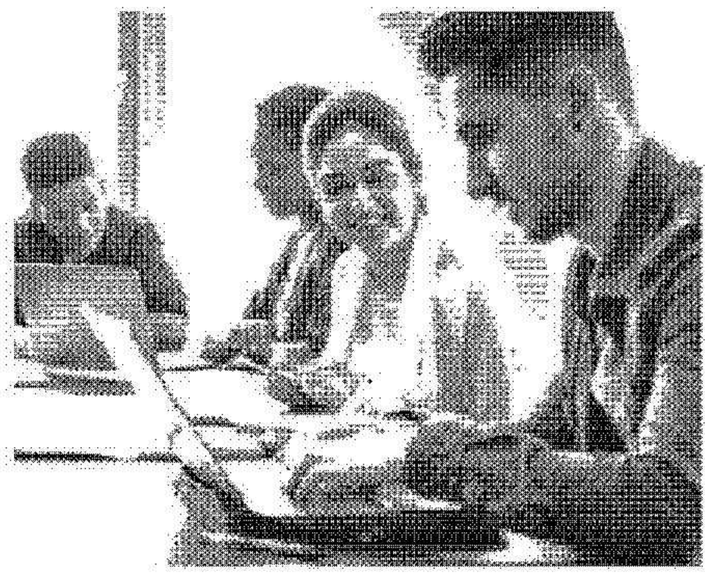


## Driving the transition to net zero

Our success in translating climate ambition into action with the urgency we need to see relies on close alignment between communities, corporates, and the finance industry. Achieving this requires partnership between the public and private sectors.

This year, we led important new initiatives on mobilising capital for the transition in emerging markets and developing economies through GFANZ and CFLI. We also joined the Net Zero Banking Alliance (NZBA) in FY2022 and are working with banks worldwide to standardise the industry approach to setting targets for 2030 and align lending and investment portfolios with net zero emissions by 2050.

Our own net zero plan is on track to be released by the end of 2022, and this will confirm our commitments to exit coal lending and equity by 2024 and reduce the carbon intensity of our limited oil and gas equity and lending positions. We were pleased to join the discussions with other leaders at the 26th United Nations Climate Change Conference (COP26) in Glasgow in November 2021 on working together to accelerate climate action.



## Catalysing meaningful social impact in our communities

The Macquarie Group Foundation plays a vital role in how Macquarie lives out its purpose, building on our strong staff-led approach to giving.

The Foundation is increasing the scale and impact of our grantmaking, which continues to support social and economic mobility and finding opportunities to partner with Macquarie's businesses to further social impact.

Focusing on the communities where our people live and work enables a better understanding of local needs, and helps to leverage our staff time, expertise and networks for greater impact.

In support of communities and families across Ukraine, Macquarie staff and business groups donated a total of $A3.5 million, including Foundation matching, to organisations working to provide vital humanitarian support.

A one-time $A20 million additional allocation was also made to the Macquarie Group Foundation to expand our Social Impact Investing program, which invests to generate positive, measurable social impact alongside a financial return. Macquarie also announced a first-of-its-kind initiative for unemployed people in the UK, the Green Jobs program, with catalytic funding provided by the Foundation.



## Embedding ESG considerations across business decisions

We recognise that a robust approach to ESG considerations is beneficial to all our stakeholders, and is integral to our commitment to investing for a better future. ESG considerations are embedded in both our operational and investment decision-making, along with the asset management frameworks that inform how our portfolio companies assess and improve their performance.

The delivery of sustainable long-term value requires the allocation of capital and resources in a way that identifies and addresses unmet community need. Financial institutions play an essential role in taking risks to support communities and economic growth. For Macquarie, the appetite for such risk sits within a clear risk management framework which has enabled us to invest successfully across broad areas of sustainable development over many decades.

Meanwhile, well-considered corporate governance is essential in promoting transparency and accountability and creating an environment of trust. Evolving governance expectations required of boards and companies are lifting the standards to which business must perform, and we strongly support this trajectory. Nonetheless, such obligations must also balance the ability to take necessary risks to achieve sound community outcomes and financial returns for investors. Macquarie's Board and Management continue to devote significant time to ensuring we achieve this balance across our business activities.

For two decades we've used our deep capabilities in agriculture, energy, infrastructure, transportation, technology and commodities to work with clients and our portfolio businesses to create practical solutions to their decarbonisation challenges."

# Financial Highlights

**FY2022 net profit**

## $A4,706m

↑ 56% on prior year

**FY2022 net operating income**

## $A17,324m

↑ 36% on prior year

**FY2022 operating expenses**

## $A10,785m

↑ 22% on prior year

**FY2022 earnings per share**

## $A12.72

↑ 51% on prior year

**FY2022 return on equity**

## 18.7%

↑ from 14.3% in prior year

**FY2022 dividends per share**

## $A6.22

(40% franked)
↑ 32% on prior year

**FY2022 effective tax rate**

## 25.2%

↑ from 23.0%
in prior year

**Assets under management**

## $A774.8b

↑ from $A563.5b
as at 31 March 2021

## FY2022 international income[1]

EMEA
**20%**

Asia
**7%**

Americas
**48%**

Australia[2]
**25%**

## FY2022 net profit contribution[3] by activity

**Annuity-style activities**

**$A4,132m**

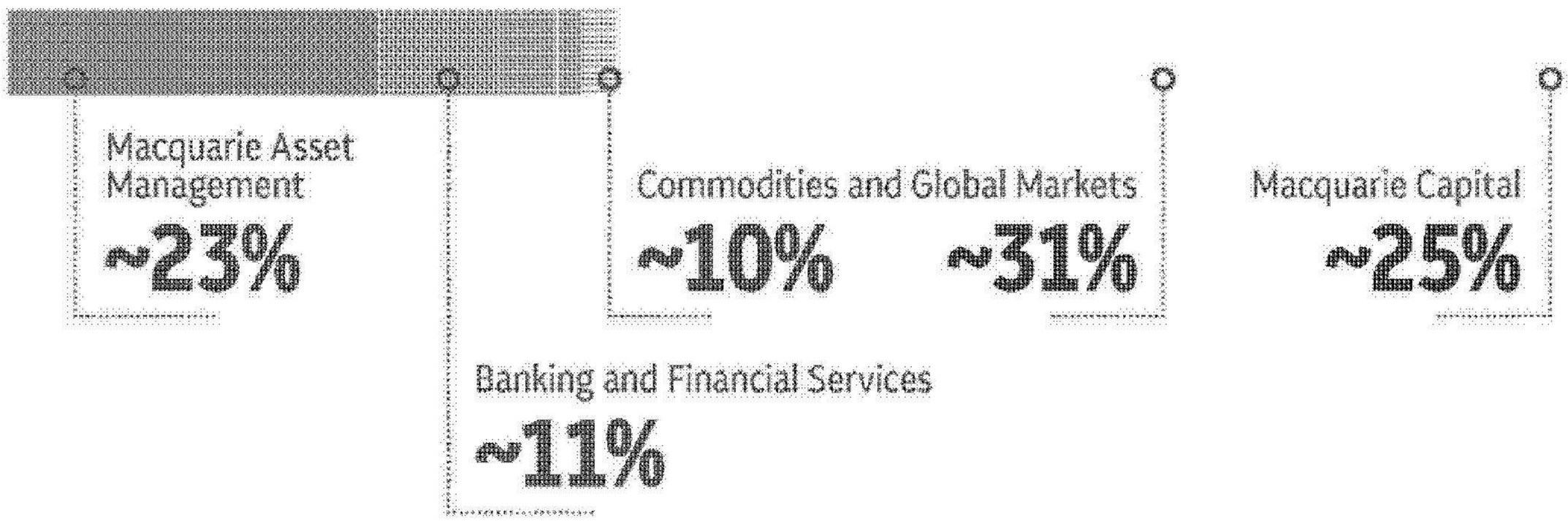
↑ 25% on prior year

**Markets-facing activities**

**$A5,330m**

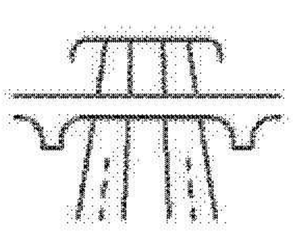
↑ 92% on prior year

**~44%** **~56%**

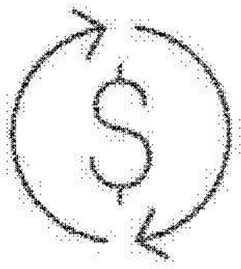



(1) International income is net operating income excluding earnings on capital and other corporate items.
(2) Includes New Zealand.
(3) Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

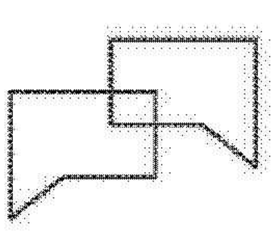
# Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.



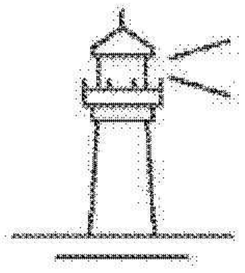
**Asset management**



**Banking**



**Advisory**



**Capital solutions**



Further information is also available at **macquarie.com/company**

For more details on the operational performance of the Operating Groups, see slides 14 to 17 of the presentation to investors and analysts available at **macquarie.com/fy22-investor-presentation**

For internal reporting and risk management purposes, Macquarie is divided into four Operating Groups, which are supported by four Central Service Groups. The Operating Groups are split between annuity-style businesses and markets-facing businesses.

## Operating Groups update

Effective 1 April 2022, the Green Investment Group (GIG) has transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.

## Central Service Groups

The Central Service Groups provide a range of functions supporting Macquarie's Operating Groups, ensuring they have the appropriate workplace support and systems to operate effectively and the necessary resources to meet their regulatory, compliance, financial reporting, legal and risk management requirements.

### Risk Management Group (RMG)

An independent and centralised function responsible for independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks. RMG designs and oversees the implementation of the risk management framework. The Head of Internal Audit reports functionally to the Board Audit Committee and operationally to the Head of RMG for day-to-day management.

### Legal and Governance Group (LGG)

Provides a full range of legal and corporate governance services, including strategic legal and governance advice and risk assessment on corporate transactions, treasury and funding, insurance, regulatory enquiries and litigation.

### Financial Management Group (FMG)

Responsible for capital, funding, liquidity, tax and provides strategic analysis and advice in relation to financial performance to support the growth of the Macquarie business. It ensures Macquarie continues to meet its financial, regulatory and tax reporting compliance obligations, as well as maintain significant relationships with a range of external stakeholders on behalf of the Group.

### Corporate Operations Group (COG)

Provides specialist support services through technology, operations, human resources, workplace, strategy, operational risk management, data and transformation, resilience and global security, and also includes the Macquarie Group Foundation.

## Annuity-style businesses

### Macquarie Asset Management

# $A2,150m

↑ 4% on prior year

MAM is a leading specialist global asset manager, investing to deliver positive impact for everyone.

MAM provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions.

### FY2022 Highlights

MAM's AUM increased 38% to $A773.1 billion as at 31 March 2022, due to acquisitions and positive net flows within Public Investments, and strong investment activity within Private Markets.

During the period, MAM raised a record $A27.0 billion in new equity from clients for a diverse range of Private Markets strategies, including its new global infrastructure and real estate funds, and the final close of its sixth Americas infrastructure fund.

MAM continued to scale and expand its Public Investment's capabilities, successfully completing the acquisitions of Waddell & Reed Financial, AMP Capital's public investments business and Central Park Group.

### Medium-term

MAM is a global specialist asset manager, well-positioned to respond to current market conditions and grow assets under management through its diversified product offering, track record and experienced investment teams.

MAM is committed to achieving net zero emissions across its investment portfolio by 2040. The integration of the Green Investment Group provides strong momentum as the low carbon transition accelerates.

### Banking and Financial Services

# $A1,001m

↑ 30% on prior year

BFS serves the Australian market, and is organised into the following three business divisions:

**Personal Banking:** provides a diverse range of retail banking products to clients with home loans, car loans, transaction and savings accounts and credit cards.

**Wealth Management:** provides clients with a wide range of wrap platform and cash management services, investment and superannuation products, financial advice, private banking and stockbroking.

**Business Banking:** provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms.

### FY2022 Highlights

For the full-year ended 31 March 2022, the loan portfolio increased 24% to $A110.2 billion, total BFS deposits increased 21% to $A98.0 billion, and funds on platform increased 17% to $A118.6 billion.

The home loan portfolio increased 34% to $A89.5 billion driven by strong demand in lower loan-to-value ratio and owner-occupier lending tiers, while the Business Banking loan portfolio increased 13% to $A11.5 billion driven by an increase in client acquisition across core segments and a continued build into emerging segments. During the year, BFS expanded the Macquarie Wrap managed accounts offering with funds under administration of $A7.9 billion, up from $A5.4 billion in March 2021.

### Medium-term

BFS focused on growth opportunities through intermediary and direct retail client distribution, platforms and client service; opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments; and modernising technology to improve client experience and support growth.

## Markets-facing businesses

### Commodities and Global Markets

# $A3,911m

↑ 50% on prior year

CGM is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across:

**Commodities:** provides risk management, lending and financing, and physical execution and logistics to clients with exposure to commodity markets.

**Financial Markets:** provides risk management, financing and capital solutions, and market access to corporate and institutional clients with exposure to fixed income and equities.

**Asset Finance:** global provider of specialist finance and asset management solutions.

### FY2022 Highlights

CGM's net profit contribution was strong across the platform, up 50% on the prior year. The result was reflective of increased revenue across Commodities with strong risk management income from Gas and Power, Resources, Agriculture and Global Oil due to increased client hedging activity and trading activity as a result of elevated levels of volatility and commodity price movements. Commodities inventory management and trading income also increased with strong trading gains from supply and demand imbalances in Gas and Power partially offset by unfavourable timing of income recognition on Gas storage and transport contracts. Financial Markets continued to record strong performance across major products and markets. The result also benefited from an increased contribution from Asset Finance, largely related to the partial sale of the UK Meters portfolio in May 2021 and increased activity across its other sectors.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including Oil and Products House of the Year, Natural Gas/LNG House of the Year and Derivatives House of the Year in the 2022 Energy Risk Awards and Base Metals, Commodity Research, Derivatives and Oil and Products House of the Year in the 2021 Energy Risk Asia Awards. CGM is ranked by Platts as No.4 physical gas marketer in North America.

### Medium-term

CGM remains focused on: opportunities to grow the commodities business, both organically and through acquisition; the development of institutional and corporate coverage for specialised credit, rates and foreign exchange products; providing tailored financing solutions globally across a variety of industries and asset classes; continued investment in the asset finance portfolio; supporting the client franchise as markets evolve, particularly as it relates to the energy transition and growing the client base across all regions.

### Macquarie Capital

# $A2,400m

↑ significantly from $A651m in prior year

Macquarie Capital has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors.

It also has global capability in development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure.

Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

### FY2022 Highlights

Macquarie Capital maintained its No. 1 global ranking for infrastructure financial adviser as well as No.1 in ANZ for M&A.

Macquarie Capital acted as financial adviser to Sydney Aviation Alliance on its ~$A32 billion acquisition of Sydney Airport and as exclusive financial adviser to Scientific Games Corporation on its $US6.05 billion sale of its Lottery Business to Brookfield Business Partners.

As at 31 March 2022, the Principal Finance committed portfolio was over $A15 billion including $A13 billion credit portfolio, with record deployment during the financial year through focused investment in credit markets and bespoke financing solutions. Macquarie Capital provided more than 30 unitranche financings to clients, including to support Onex's acquisition of TES Global, a well-established international provider of comprehensive software solutions for the education sector.

A Macquarie-led consortium, Bridging Pennsylvania Partners, has been selected by the Pennsylvania Department of Transport as Preferred Bidder for the $US2 billion Pathways Major Bridge P3 Initiative involving the design, build, financing, and maintenance of nine bridges in Pennsylvania, USA.

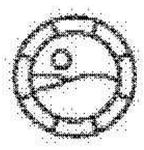
### Medium-term

Macquarie Capital continues to pursue opportunities for balance sheet investment alongside clients and project development in the infrastructure space. It continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions. Macquarie Capital is positioned to respond to market facing transaction activity.

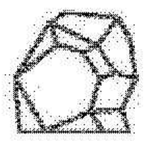
# Our purpose

Empowering people to innovate and invest for a better future.

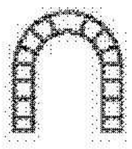
## What we stand for



Opportunity



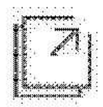
Accountability



Integrity

The way we fulfil our purpose is defined by these three long-held principles that determine how we conduct business and guide what we do every day. Our purpose and principles and what we expect of our staff are set out in our *Code of Conduct*.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success and a key factor in our long record of unbroken profitability.



The *Code of Conduct* is available at macquarie.com/what-we-stand-for

## Our business strategy

Consistent with the principles of *What We Stand For*, Macquarie's business strategy is focused on the medium-term with the following key aspects:

### Risk management approach

Adopting a conservative approach to risk management underpinned by a sound risk culture. Macquarie's robust risk management framework and risk culture are embedded across all Operating and Central Service Groups.

### Strong balance sheet

Maintaining a strong and conservative balance sheet.

This is consistent with Macquarie's longstanding policy of holding a level of capital that supports its business and managing its capital base ahead of ordinary business requirements.

Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet.

We continue to pursue the strategy of diversifying funding sources by growing our deposit base and accessing wholesale funding across a variety of products and markets.

### Business mix

Conducting a mix of annuity-style and markets-facing businesses that deliver consistent returns in a range of market conditions.

### Diversification

Operating a diversified set of businesses across different locations and service offerings: asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

Macquarie offers a range of services to government, institutional, corporate and retail clients. This diversity in services and clients mitigates concentration risk and provides resilience to Macquarie.

### Proven expertise

Utilising proven deep expertise has allowed Macquarie to establish leading market positions as a global specialist in sectors including renewables, infrastructure, resources and commodities, energy, financial institutions and real estate.

### Adjacencies

Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions.

These include products and geographies adjacent to our established areas of expertise, supporting sustainable evolutionary growth.

### Pursuit of growth opportunities

Targeting continued evolution and growth through innovation. We start with knowledge and skill, and we encourage ingenuity and entrepreneurial spirit coupled with accountability.

Ideas for new businesses are typically generated in the Operating Groups. Additionally, there are no specific businesses, markets or regions in which our strategy dictates that we operate. This means we retain operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Risk Appetite Statement (RAS) approved by the Board.

## Risk management

Macquarie recognises that a sound risk culture is a fundamental requirement of an effective risk management framework.

### Risk culture

Macquarie's risk culture is well established, grounded in the long-held principles of *What We Stand For*: Opportunity, Accountability and Integrity.

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

- **setting behavioural expectations:** Senior Management, with oversight from the Board, set behavioural expectations. The way we fulfil Macquarie's purpose is defined by our principles of *What We Stand For*: Opportunity, Accountability and Integrity. Staff are made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are specified in the Board approved *Code of Conduct*, which is actively promoted by Management and cascaded through the organisation
- **leading and executing:** Management implements behavioural expectations through leadership actions and communication, organisational governance, incentives and consequence management and organisational and individual capability
- **monitoring, measuring and reporting:** Macquarie monitors and measures its risk culture to gauge effectiveness while promoting continuous improvement.

### Risk management framework

Macquarie's risk management framework is embedded across all operations. The framework is the totality of systems, structures, policies, processes and people within Macquarie that identify, measure, monitor, report and control or mitigate internal or external sources of material risk.

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

- ownership of risk at the business level
- understanding worst-case outcomes
- requirement for an independent sign-off by RMG.

During the year, Macquarie detected unauthorised trading activity by one individual in CGM and reported the issue promptly to all relevant regulators. While there have been no systemic issues identified and the impact is not material to CGM or MGL from a P&L perspective, there are learnings from the situation in relation to processes and enhancements to the control framework have been implemented. There were no client impacts from this issue.

Refer to Risk Management in section 2 for details on Macquarie's risk management framework, risk culture and conduct risk management

## Macroeconomic and other factors

The key macroeconomic risks to Macquarie's short and medium term financial outlook noted on page 28 are:

### Market conditions

The general condition of markets, driven by both macroeconomic and geopolitical factors may have a bearing on Macquarie's businesses. Changing market conditions influence the volume and timing of client and principal transactions across businesses and the value of various equity, credit and market risk exposures held by Macquarie on its balance sheet.

### The value of the Australian dollar

A significant proportion of Macquarie's net income is denominated in foreign currency. Therefore, net income will be lower in Australian dollar terms if the Australian dollar appreciates against other foreign currencies, and net income will be higher in Australian dollar terms if the Australian dollar depreciates against other foreign currencies.

### Potential regulatory changes

Macquarie is affected by changes in regulation. Regulatory change continues to increase at both the global and Australian levels and has the potential to affect the regulatory capital and funding requirements and profitability of Macquarie's businesses.

### Funding and liquidity

Macquarie uses deposits and debt markets, among other funding sources, to fund its assets. Macquarie is therefore exposed to the risk of an increase in the cost of funding, or of reduced access to funding sources.

In addition, there are specific material risks that relate to the nature of Macquarie's operations. Material risks are those that could have a material impact, financial or non-financial on Macquarie. These include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks. These risks, including those mentioned above, are monitored, mitigated and managed under Macquarie's risk management framework.

Further details on the management of these risks are available at macquarie.com/risk-management

# Operating and Financial Review

Review of group performance and financial position

## Group performance

### Overview

Profit attributable to ordinary equity holders of $A4,706 million for the year ended 31 March 2022 increased 56% from $A3,015 million in the prior year.

| | FULL YEAR TO | | |
|---|---|---|---|
| | 31 Mar 22 $Am | 31 Mar 21 $Am | *Movement %* |
| Net operating income | **17,324** | 12,774 | *36* |
| Operating expenses | **(10,785)** | (8,867) | *22* |
| Income tax expense | **(1,586)** | (899) | *76* |
| (Profit)/loss attributable to non-controlling interests | **(247)** | 7 | * |
| Profit attributable to ordinary equity holders | **4,706** | 3,015 | *56* |

# FY2022 net profit contribution by Operating Group[1]

Summary of the Operating Groups' performance for the year ended 31 March 2022.

Non-Banking Group

Annuity-style businesses

## Macquarie Asset Management (MAM)

# $A2,150m

↑ 4% on prior year

- Increased base fees primarily driven by the acquisition of Waddell & Reed Financial (Waddell & Reed), investments made by Private Markets-managed funds and mandates and Public Investments market movements.
- Increased other fee and commission income largely due to a disposition fee from Macquarie Infrastructure Corporation[2] (MIC).
- Increased share of net profits from associates and joint ventures, primarily driven by equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance.

Partially offset by:

- increased operating expenses driven by Waddell & Reed one-off acquisition and ongoing costs
- decreased net income on equity, debt and other investments driven by the non-recurrence of gains on sale of Macquarie European Rail and other investments as well as lower gains on revaluation of property investments
- decreased performance fees following a strong prior year.

Markets-facing businesses

## Macquarie Capital

# $A2,400m

↑ significantly from $A651m in prior year

- Substantially higher net income on equity, debt and other investments driven by material asset realisations in the green energy, technology and business services sectors and included realisations across all regions.
- Higher fee and commission income due to higher mergers and acquisitions fee income and debt capital markets fee income, partially offset by lower equity capital markets fee income and brokerage income.
- Higher net interest and trading income resulting from growth in the private credit portfolio.

Partially offset by:

- higher credit and other impairment charges primarily due to a small number of underperforming equity investments and growth of the private credit portfolio
- higher non-controlling interests predominantly driven by the share of gains on disposal attributable to non-controlling interests.

Banking Group

## Banking and Financial Services (BFS)

# $A1,001m

↑ 30% on prior year

- Higher net interest and trading income mainly driven by volume growth in the loan portfolio and BFS deposits.
- Decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- higher employment, technology and other operating expenses, including increased headcount, to support business growth and to meet regulatory requirements.

## Commodities and Global Markets (CGM)[3]

# $A3,911m

↑ 50% on prior year

- Increased risk management income with gains across the platform, particularly in Gas and Power, Resources, Agriculture, and Global Oil driven by increased client hedging activity and trading activity due to elevated levels of volatility and price movements in commodity markets, partially offset by the impact of fair value adjustments across the derivatives portfolio.
- Net income on equity, debt and other investments up significantly driven by the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio.
- Decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- increased other operating expenses driven by higher expenditure on technology platform and infrastructure and increasing compliance and regulatory management spend.

For more details on the financial performance of the Operating Groups, see section 3.0 Segment Analysis of the Management Discussion and Analysis available at **macquarie.com/results**

(1) Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.
(2) On 22 September 2021, Macquarie Infrastructure Corporation completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continues to trade under the New York Stock Exchange symbol of 'MIC'.
(3) Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.

## Net operating income

Net operating income of $A17,324 million for the year ended 31 March 2022 increased 36% from $A12,774 million in the prior year.
The increase was primarily driven by higher Fee and commission income, Net other operating income and Net interest and trading income.

### Net interest and trading income

FULL YEAR TO

| 31 Mar 22 $Am | 31 Mar 21 $Am |
|---|---|
| **6,856** | 5,677 |

↑ **21%** on prior year

- Higher commodities income mainly driven by increased risk management income with gains across the platform, particularly from Gas and Power, Resources, Agriculture, and Global Oil in CGM.
- Growth in the private credit portfolio in Macquarie Capital.
- Growth in the average loan portfolio as well as average deposit volumes in BFS.

Partially offset by:
- lower income in Corporate due to accounting volatility from changes in the fair value of economic hedges
- the impact of fair value adjustments across the derivatives portfolio in CGM.

### Fee and commission income

FULL YEAR TO

| 31 Mar 22 $Am | 31 Mar 21 $Am |
|---|---|
| **6,887** | 5,176 |

↑ **33%** on prior year

- MAM included higher base fee income primarily driven by the acquisition of Waddell & Reed and a disposition fee from MIC.
- Higher mergers and acquisitions fee income and debt capital markets fee income in Macquarie Capital.

Partially offset by:
- lower performance fees in MAM following a strong prior year
- lower equity capital market fee income and brokerage income in Macquarie Capital.

### Net operating lease income

FULL YEAR TO

| 31 Mar 22 $Am | 31 Mar 21 $Am |
|---|---|
| **402** | 466 |

↓ **14%** on prior year

- Reduction in secondary income in Technology, Media and Telecoms as well as the partial sale of the UK Meters portfolio of assets, partially offset by an increase in income from other areas of the Macquarie Energy, Resources & Sustainability portfolio, in CGM.

### Share of net profits/(losses) from associates and joint ventures

FULL YEAR TO

| 31 Mar 22 $Am | 31 Mar 21 $Am |
|---|---|
| **240** | (3) |

↑ **significantly** on prior year

- Increased equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance in MAM.

### Credit and other impairment charges

FULL YEAR TO

| 31 Mar 22 $Am | 31 Mar 21 $Am |
|---|---|
| **(509)** | (524) |

↓ **3%** on prior year

- Partial release of COVID-19 overlays in BFS and CGM. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:
- a small number of underperforming equity investments in Macquarie Capital.

### Net other operating income

FULL YEAR TO

| 31 Mar 22 $Am | 31 Mar 21 $Am |
|---|---|
| **3,448** | 1,982 |

↑ **74%** on prior year

- Substantially higher revenue from material asset realisations in the green energy, technology and business services sectors and included realisations across all regions in Macquarie Capital.
- Gain on the partial sale of the UK Meters portfolio of assets in CGM.

Partially offset by:
- the non-recurrence of the gain on sale of Macquarie European Rail in the prior year in MAM.

# Operating expenses

Total operating expenses of $A10,785 million for the year ended 31 March 2022 increased 22% from $A8,867 million in the prior year with increases across all expense categories.

## Employment expenses

| FULL YEAR TO | | |
|---|---|---|
| | 31 Mar 22 $Am | 31 Mar 21 $Am |
| | **6,725** | 5,517 |

↑ **22%** on prior year

- Higher performance-related profit share expense and share-based payments mainly as a result of the performance of the Consolidated Entity.
- Higher expenses from the Waddell & Reed acquisition in MAM.
- Higher expenses from wage inflation and higher average headcount.

## Brokerage, commission and fee expenses

| FULL YEAR TO | | |
|---|---|---|
| | 31 Mar 22 $Am | 31 Mar 21 $Am |
| | **1,029** | 879 |

↑ **17%** on prior year

- Higher expenses from the Waddell & Reed acquisition in MAM.

Partially offset by:

- the cessation of grandfathered commission payments to third party advisors in line with legislation in BFS.

## Non-salary technology expenses

| FULL YEAR TO | | |
|---|---|---|
| | 31 Mar 22 $Am | 31 Mar 21 $Am |
| | **926** | 781 |

↑ **19%** on prior year

- Higher investment in technology to support business activity and business growth.
- Higher expenses from the Waddell & Reed acquisition in MAM.

## Other operating expenses

| FULL YEAR TO | | |
|---|---|---|
| | 31 Mar 22 $Am | 31 Mar 21 $Am |
| | **2,105** | 1,690 |

↑ **25%** on prior year

- Higher expenses from the Waddell & Reed acquisition in MAM.

# Income tax expense

Income tax expense of $A1,586 million for the year ended 31 March 2022 increased 76% from $A899 million in the prior year, primarily reflecting higher operating profit before income tax. The effective tax rate for the year ended 31 March 2022 was 25.2%, up from 23.0% in the prior year.

The higher effective tax rate compared to the prior year was mainly driven by the geographic composition and nature of earnings.

## Statement of Financial Position

The Consolidated Entity's statement of financial position was impacted during the year ended 31 March 2022 by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility and price movements in commodity markets.

### Total assets

| AS AT | | |
|---|---|---|
| 31 Mar 22 $Am | 31 Mar 21 $Am | |
| **399,176** | 245,653 | ↑ 62% on 31 Mar 21 |

The principal drivers for the increase in the Consolidated Entity's total assets were as follows:

- derivative assets of $A84.9 billion as at 31 March 2022 increased significantly from $A20.6 billion as at 31 March 2021 primarily due to an increase in CGM's Energy market business driven by client trade volumes and mark-to-market movements. Exposures in UK and EMEA Gas increased significantly during the year due to elevated levels of volatility and price movements. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was $A16.0 billion (31 March 2021: $A5.2 billion). Residual derivative exposure is short term in nature and managed within our market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash and bank balances of $A52.8 billion as at 31 March 2022 increased significantly from $A18.4 billion as at 31 March 2021 primarily due to an increase in high quality liquid assets held as overnight deposit with the Reserve Bank of Australia (RBA)
- loan assets of $A134.7 billion as at 31 March 2022 increased by 28% from $A105.0 billion as at 31 March 2021 primarily due to growth in BFS home loan and business banking portfolios and an increase in Macquarie Capital's principal loan portfolio, partially offset by a reduction in the BFS car loan portfolio
- cash collateralised lending and reverse repurchase agreements of $A51.2 billion as at 31 March 2022 increased by 40% from $A36.7 billion as at 31 March 2021 primarily due to an increase in Group Treasury holdings of liquid assets through reverse repurchase agreements and client financing requirements in CGM
- margin money and settlement assets of $A25.1 billion as at 31 March 2022 increased by 74% from $A14.4 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed with financial institutions and trade settlement balances by CGM.

These increases were partially offset by:

- trading assets of $A13.6 billion as at 31 March 2022 decreased by 37% from $A21.7 billion as at 31 March 2021 primarily due to a decrease in government bonds and metal inventories in CGM.

### Total liabilities

| AS AT | | |
|---|---|---|
| 31 Mar 22 $Am | 31 Mar 21 $Am | |
| **370,370** | 223,302 | ↑ 66% on 31 Mar 21 |

The principal drivers for the increase in the Consolidated Entity's total liabilities were as follows:

- derivative liabilities of $A84.5 billion as at 31 March 2022 increased significantly from $A17.6 billion as at 31 March 2021 primarily due to an increase in CGM's Energy market business driven by client trade volumes and mark-to-market movements. Exposures in UK and EMEA Gas increased significantly during the year due to elevated levels of volatility and price movements on short positions. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was $A16.1 billion (31 March 2021: $A3.8 billion)
- issued debt securities of $A99.5 billion as at 31 March 2022 increased by 63% from $A61.0 billion as at 31 March 2021 primarily due to the net issuance of short and long-term debt by Group Treasury and additional net issuance of bondholder notes by securitisation vehicles in BFS
- deposits of $A101.7 billion as at 31 March 2022 increased by 21% from $A84.2 billion as at 31 March 2021 primarily due to an increase in retail and business banking deposits in BFS
- cash collateralised borrowing and repurchase agreements of $A16.9 billion as at 31 March 2022 increased significantly from $A4.5 billion as at 31 March 2021 primarily due to an additional draw down of the RBA Term Funding Facility by Group Treasury
- margin money and settlement liabilities of $A27.2 billion as at 31 March 2022 increased by 23% from $A22.1 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed by financial institutions and broker settlement balances with CGM.

### Total equity

| AS AT | | |
|---|---|---|
| 31 Mar 22 $Am | 31 Mar 21 $Am | |
| **28,806** | 22,351 | ↑ 29% on 31 Mar 21 |

The increase in the Consolidated Entity's equity was predominantly attributable to earnings of $A4.7 billion generated during the year and the issuance of Contributed equity of $A3.9 billion, including $A2.8 billion raised through the Institutional Placement and Share Purchase Plan.

This increase was partially offset by dividend payments of $A2.2 billion.

## Funding

Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

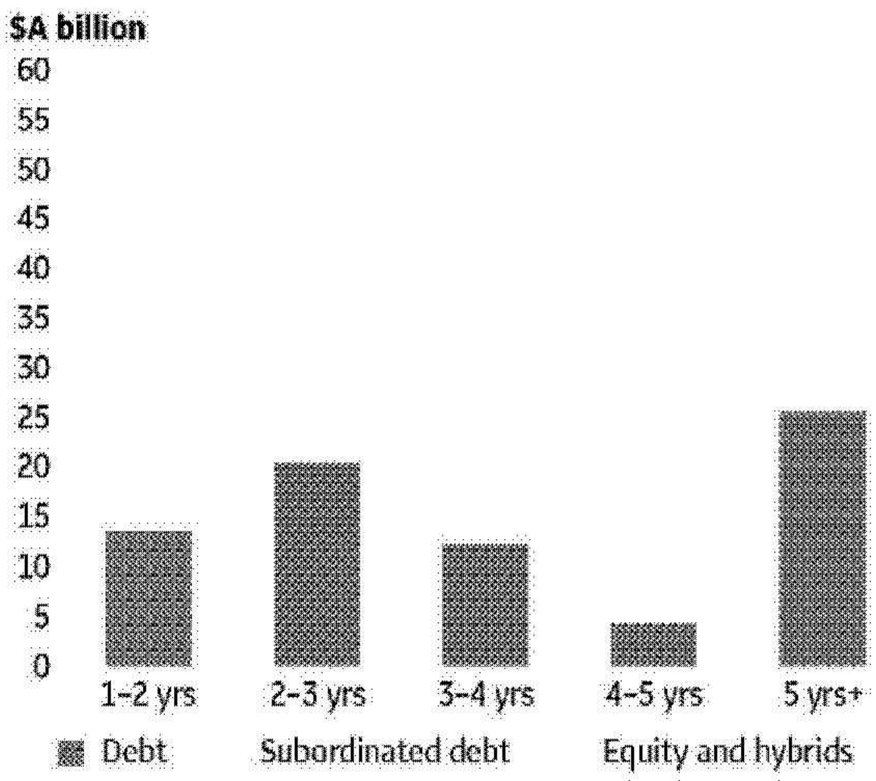
Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets. As at 31 March 2022, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding Term Funding Facility (TFF), equity and securitisations) was 5.1 years and the weighted average term to maturity of term funding maturing beyond one year including TFF (excluding equity and securitisations) was 4.7 years as at 31 March 2022.

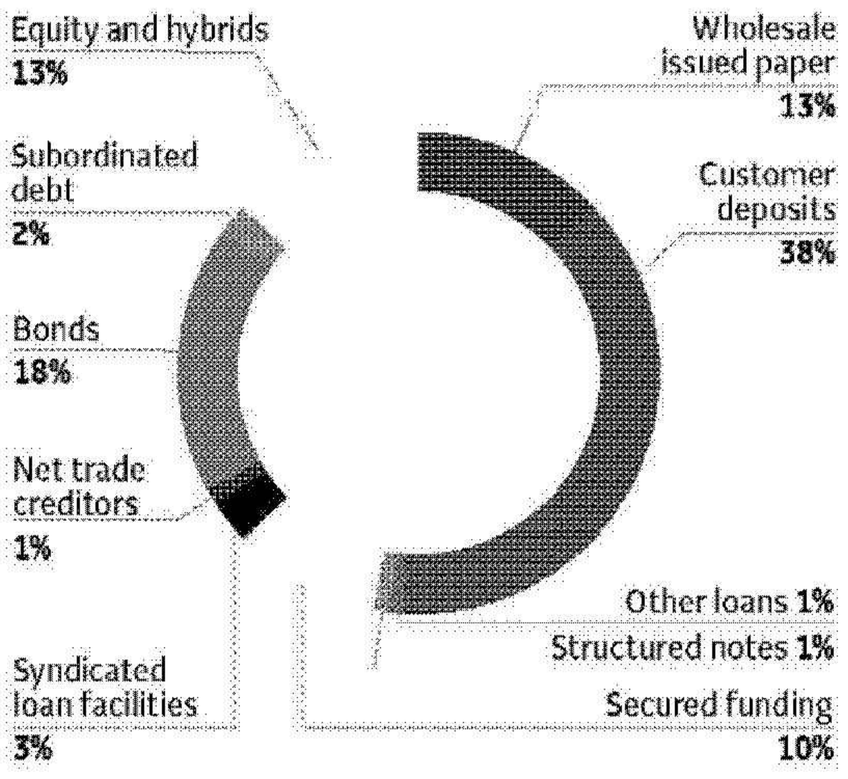
**5.1**
years
Weighted average maturity

## Term funding profile

### Detail of drawn funding maturing beyond one year




### Diversity of funding source




Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2021, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2021 and 31 March 2022:

| | | Bank Group $Ab | Non-Bank Group $Ab | Total $Ab |
|---|---|---|---|---|
| Issued paper | – Senior and subordinated | 7.8 | 13.9 | **21.7** |
| Secured funding | – Term securitisation and other secured finance | 9.0 | 0.8 | **9.8** |
| | – RBA Term Funding Facility[1] | 9.5 | – | **9.5** |
| Loan facilities | – Syndicated unsecured loan facilities | 3.0 | 3.6 | **6.6** |
| Hybrids | – Hybrid instruments | 0.7 | – | **0.7** |
| **Total[2]** | | **30.0** | **18.3** | **48.3** |

In addition to the $A48.3 billion of term funding raised, $A2.8 billion of equity capital was raised through $A1.5 billion institutional placement and $A1.3 billion share purchase plan.

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2022.

(1) $A9.5 billion of Supplementary and Additional Allowance drawn in June 2021. $A1.7 billion of Initial Allowance was drawn in September 2020.
(2) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

**$A10.7b**
Group capital surplus

## Capital

As an Australian Prudential Regulation Authority (APRA) authorised and regulated Non-Operating Holding Company (NOHC), Macquarie's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- the Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA authorised deposit-taking institution (ADI) Prudential Standards; and
- the Non-Bank Group's capital requirement, calculated using Macquarie's Board approved Economic Capital Adequacy Model (ECAM).

Transactions internal to Macquarie are eliminated.

Macquarie remains well capitalised with APRA Basel III Group capital of $A33.6 billion at 31 March 2022, with a Group surplus of $A10.7 billion ($A14.1 billion on a Harmonised(1) Basel III basis).

Under Basel III rules, APRA requires authorised deposit-taking institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including the 2.5% capital conservation buffer (CCB), with at least 7% in the form of Common Equity Tier 1 capital, per APRA ADI Prudential Standard 110.(2)

In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels. The minimum BCBS Basel III leverage ratio requirement of 3% was effective from 1 January 2018.(3)

As at 31 March 2022, the Bank Group had the following capital adequacy ratios:

| Bank Group Level 2 Basel III ratios as at 31 March 2022 | Harmonised Basel III | APRA Basel III |
|---|---|---|
| Common Equity Tier 1 Capital Ratio | 14.6% | 11.5% |
| Tier 1 Capital Ratio | 16.5% | 13.2% |
| Leverage Ratio | 5.6% | 5.0% |

For further information relating to the capital adequacy of Macquarie, refer to section 6.0 Capital of the Management Discussion and Analysis at macquarie.com/fy22-mda.

## Outlook

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

The range of factors that may influence our short-term outlook include:

- Market conditions including: significant volatility events, global inflation and interest rates, and the impact of geopolitical events
- potential tax or regulatory changes and tax uncertainties
- completion of period-end reviews and the completion rate of transactions
- the geographic composition of income and the impact of foreign exchange.

(1) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.
(2) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included.
(3) APRA released the final 'Prudential Standard APS 110 Capital Adequacy' on 29 November 2021 which has a minimum requirement for the leverage ratio of 3.5% effective 1 January 2023.

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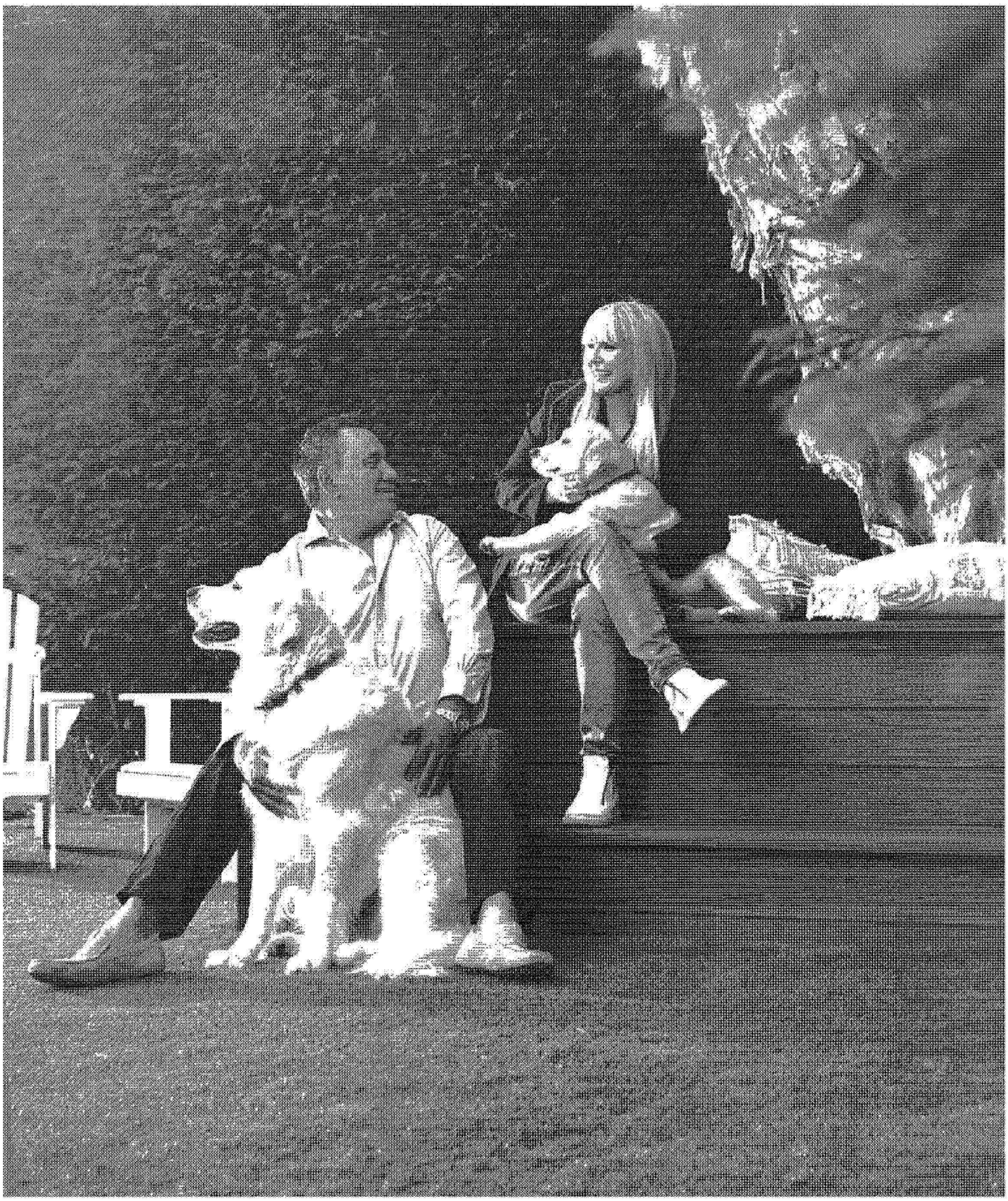
02

# Governance

## The Home of Good Borrowers

Since we launched the Home of Good Borrowers campaign In November 2020, we have continued to generate awareness about how we reward good borrowers for their positive financial habits with flexible home loan options, great rates, low fees and an exceptional digital experience.





# Corporate Governance

Macquarie's key governance practices guide our decision-making to meet stakeholder expectations of sound corporate governance, acknowledging Macquarie's specific and broader responsibilities to its shareholders, funders, clients, staff and the communities in which it operates.

MGL's corporate governance practices have been consistent with the 4th edition of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* throughout the year.

Macquarie is a global financial services group operating in 33 markets in asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal investment.

Macquarie's purpose statement 'Empowering people to innovate and invest for a better future' explains why we exist. We believe that by empowering people we will achieve our shared potential.

The way we fulfil our purpose is defined by our principles of Opportunity, Accountability and Integrity. These principles guide Board, management and staff conduct, and it is expected that they all meet these standards and deal honestly and fairly with our clients, counterparties and regulators. There are appropriate consequences for anyone who fails to meet our standards.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success and a key factor in our long record of unbroken profitability. Our corporate governance practices reflect this balance.

Identify and realise opportunity for clients, community, shareholders and our people

Promote the long-term profitability of Macquarie while prudently managing risk

Drive superior and sustainable shareholder value over the long-term

Meet stakeholder expectations of sound corporate governance

*What We Stand For*: Opportunity, Accountability and Integrity

Prudently managing risk

Align staff and shareholders' interests

Responsibility to clients, funders, communities

The full Corporate Governance Statement (Statement) has been lodged with ASX and is available on our website at **macquarie.com/corporate-governance**. This summary should be read with the Statement.

## Board oversight

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

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

In FY2022 there were 44 formal Board and Board Committee meetings. At these meetings a total of approximately 660 items of business were presented by over 450 presenters who were not members of the Board or Macquarie's Executive Committees. Between formal meetings management provided the Board with material business and other updates as well as information in response to requests from Board members.

Workshops scheduled during FY2022 included presentations on cryptocurrency and blockchain, non-financial risk appetite metrics, regulatory engagement, ransomware, whistleblowing guidance, Macquarie's issue and incident management reporting system, conduct risk and environmental, social and governance practices.

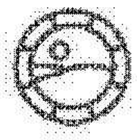
Non-executive Board members also met regularly without members of management and held private meetings with each of the external auditor, Head of Internal Audit and Chief Risk Officer (CRO) to assist with their oversight role.

During FY2022, the Board continued to enable virtual attendance at Board and Board Committee meetings, workshops and meetings with management, as needed to respond to ongoing COVID-19 restrictions.

Board members believe that informal conversations with staff are important in assessing the culture within Macquarie and seeing Macquarie's purpose at work. Board members generally attend various staff functions in Australia and conduct two overseas trips to Macquarie offices each year. Due to international travel restrictions in FY2022 and in the interests of health and safety, the Board held virtual visits with the US, EMEA and Asia offices. These visits helped to emulate the in-person experience for the Board with presentations from regional staff covering regional, group and strategy updates, topical issues in regions, people and culture and Macquarie's purpose statement in practice, and presentations from external speakers. Key highlights from the US office virtual Board visit included virtual small group break-out discussions among the Board and staff on diversity, equity and inclusion, wellbeing and evolving ways of working, and Macquarie's purpose statement in action in the Americas. In the EMEA virtual office visit, highlights included a virtual staff town hall and panel Q&A session where the Board could ask, and staff could submit, questions in real time to a panel of speakers. During these virtual visits the Board engaged with approximately 130 staff at all levels of seniority. Each visit brought together staff from various locations within the regions, increasing and enhancing the Board's opportunity for engagement with staff.

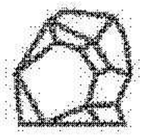
## Professional Conduct

Macquarie's culture, as represented by our long-held principles, may be summarised as follows:



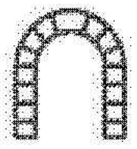
Opportunity

**We are entrepreneurial.** Our people come from diverse backgrounds and are empowered to work together to pursue innovative ideas, to solve problems and challenge conventional thinking and the status quo. We work hard and with enthusiasm and everyone has the opportunity to achieve to their full potential. We have a learning and growth mindset, and continually evolve our expertise. We recognise and reward performance.



Accountability

**We take pride and ownership of the long-term outcomes we deliver for our clients and shareholders, our communities and each other.** We manage risk to ensure these outcomes are sustainable and invest our time and capital to contribute to a better future. We take ownership of the performance of our endeavours and seek to quickly identify and respond to change, emerging issues and trends.



Integrity

**We operate with care and professionalism.** We work collaboratively to amplify our impact and consider the effect of our decisions on others. We have the courage, and are encouraged, to speak up with our ideas, when we make a mistake or see something that doesn't seem right. We respect the law, community expectations, our regulators, shareholders, clients and customers and each other.

The Board oversees compliance with key policies that are intended to instil a culture of acting lawfully, ethically and responsibly. An overview of the key policies that apply to our staff, such as the *Whistleblower Policy* and *Anti-bribery and Corruption Policy*, is provided in Macquarie's *Code of Conduct*. Material incidents and breaches relating to those policies and the *Code of Conduct* are reported to the Board, typically through the relevant Board Committee.

# Corporate Governance

Continued

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

**Board oversight**

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

**Conduct and Culture**

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

**Business strategy**

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

Review budget and funding and capital management strategy to deliver on business strategy.

**Financial and non-financial risk management**

Approve Macquarie's *Risk Management Strategy* and *Risk Appetite Statement*, monitor material risks faced by Macquarie and review how they are managed.

Monitor Macquarie's risk management framework, including its compliance framework.

**Pay for performance**

Approve remuneration policies that align the interests of staff and shareholders to deliver sustained results for our customers, clients and community.

Remuneration outcomes reflect an assessment of a range of factors including risk management, compliance and behavioural measures to promote good conduct and commitment to the *Code of Conduct* and *What We Stand For.*

## FY2022 Governance activities

During FY2022, the Board's governance activities included:

- continuing Board renewal and succession planning, including the appointment of one Non-Executive Director (NED), Michelle Hinchliffe
- the appointment of Philip Coffey as Chair of the Board Risk Committee (BRiC) effective 1 March 2022 replacing Glenn Stevens who was appointed as the next Chair of MGL and Macquarie Bank Limited (MBL), effective 10 May 2022. Mr Stevens will replace Peter Warne, who retires after six years as the Chair, and almost 15 years as a Non-Executive Director, of the MGL and MBL Boards
- overseeing ongoing programs that focus on strengthening MBL's processes and controls, including those around intra-group funding arrangements and internal exposures; capital and liquidity reporting; risk management frameworks; and accountabilities and governance. A number of these programs also form part of a remediation plan as required by APRA, which has been established to define and deliver programs of work that strengthen MBL's governance, risk culture, structure, and incentives to ensure full and ongoing compliance with prudential standards
- overseeing a self-assessment of Macquarie's governance, culture, remuneration and accountability practices (the second such self-assessment Macquarie has undertaken, the first of which was in 2018) and endorsing the findings and recommended actions from that self-assessment
- overseeing Macquarie's regulatory engagement, including interacting with some key regulators directly
- meeting with shareholders and proxy advisors as part of Macquarie's ongoing engagement to discuss matters relating to Macquarie's business performance, governance and remuneration
- continuing cross-committee information sharing through Board and Board Committee Chair meetings and specific reporting on non-financial risk matters considered by the Board Governance and Compliance Committee (BGCC) to the BRiC
- extending a standing invitation to Board Audit Committee (BAC) members to attend meetings with the Chairs of the BAC, the BGCC, the BRiC and the Head of Internal Audit to discuss Internal Audit Report findings ahead of each scheduled BAC meeting
- conducting its annual Board performance review with an external Board facilitator and conducting internally its biennial Board Committee performance reviews
- convening a joint annual meeting of the Board Remuneration Committee (BRC), BGCC and BRiC to discuss risk matters in an independent report provided to the BRC by the CRO of notable risk matters relevant to the determination of remuneration outcomes for FY2022
- continuing activities relating to the Banking Executive Accountability Regime (BEAR) with respect to MBL and preparations for the implementation of the proposed Financial Accountability Regime (FAR) applying to MGL and MBL.

# Corporate Governance framework

## Macquarie's Code of Conduct

The Board approved *Code of Conduct*, which applies to Macquarie's NEDs and staff:

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

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

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

## Risk governance

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




Details of Macquarie's approach to risk management is contained in the **Risk Management** section

The Board annually approves Macquarie's *Risk Management Strategy* and *Risk Appetite Statement*. The BRiC assists the Board by providing oversight of Macquarie's risk management framework and advising the Board on Macquarie's risk appetite, risk culture and risk management strategy.

All independent Voting Directors of the Board (Independent Directors) are members of the BRiC. The BRiC constructively challenges management's proposals and decisions on risk management arising from Macquarie's activities. The Board is also assisted by the BAC, the BRC and the BGCC in its oversight of financial and non-financial risk.

During each year, including the most recent year, the Board monitored the operation of Macquarie's risk management framework to satisfy itself that the framework continues to be sound and that Macquarie is operating with due regard to the risk appetite set by the Board. Key components of the framework are reviewed by the relevant Risk Management Group (RMG) divisions and the results are reported to the Board. The Internal Audit Division (IAD) independently and objectively reviews the compliance with, and effectiveness of, Macquarie's risk management framework, with coverage of all material elements of the framework over any 3-year period.

The risk management framework has been established on the premise that a disciplined approach to risk management is best maintained with a single risk management framework located within Macquarie that applies to all Macquarie Operating and Central Service Groups (including MBL and its subsidiaries (together, 'the Bank Group')). The Bank Group maintains its own governance structure and has the MBL Board and MBL Executive Committee that is ultimately responsible for the sound and prudent management of MBL, with due consideration to the interests of deposit holders.

## Oversight of remuneration

Macquarie's longstanding and consistent approach to remuneration continues to meet our remuneration objectives and align with our principles. The Board recognises that to achieve these objectives, we must attract, motivate and retain exceptional people with deep industry expertise, align their interests with shareholders to meet the needs of clients and customers and ensure that the spirit and intent of regulatory requirements are upheld. This broad approach has been in place since Macquarie's inception and is reviewed regularly to ensure the framework continues to meet our remuneration objectives and aligns with the expectations of stakeholders.

The Board oversees Macquarie's remuneration framework. The Board has a BRC which assists it and the Board of MBL with Macquarie's remuneration policies and practices.

The **Remuneration Report** contains further information on:
- each NED's current Macquarie shareholding, set out in the Key Management Personnel (KMP) disclosure
- Macquarie's approach and the amount of remuneration paid to NEDs and Executive KMP.

## External auditor performance and independence

At least annually, on behalf of the Boards of MGL and MBL, the BAC reviews:

- **the external auditor engagement:** The BAC annually reviews the terms of the engagement and assesses the performance, quality, expertise, resources and qualifications, objectivity, independence and effectiveness of the external auditor. In FY2022, the BAC determined to undertake a comprehensive review of the external auditor beginning in FY2024. The BAC at least annually recommends to the Board the continuation of, appointment of a new, or removal of the existing external auditor
- **the external auditor's independence:** Before the approval of the interim and year-end financial reports, the BAC reviews the independence of the external auditor, PricewaterhouseCoopers (PwC).

### Auditor independence

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

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

Ms Kristin Stubbins of PwC has been Macquarie's lead auditor since FY2020. She attended the Annual General Meeting (AGM) held during the reporting period and was available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report.

Macquarie's auditor provides a declaration to the BAC at the time of Macquarie's interim and year-end financial reports, that no prohibited non-audit services have been provided. The external auditor is also required to declare in their audit report that they are independent of MGL and its subsidiaries in accordance with the auditor independence requirements of the *Corporations Act 2001* (Cth) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) that are relevant to its audit of the financial report in Australia.

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

### Review of the quality and effectiveness of the external auditor's performance

The BAC conducts an annual review of the quality and effectiveness of the external auditor, including qualifications, expertise, resources and performance of the external auditor, PwC. During FY2022, the BAC determined to implement a more detailed, comprehensive review of the external auditor which will be conducted at least every 5 years, beginning in FY2024, in addition to its annual external auditor review processes.

The annual evaluation involves assessing PwC's performance against ASIC's audit quality guidance, obtaining feedback from the Board and senior stakeholders across various Macquarie finance and business teams, and obtaining and reviewing feedback from PwC on the results of any internal or other external audit quality reviews relating to the audit. The comprehensive review will focus on the performance of the audit firm over several years – both at Macquarie and as a firm in servicing its clients, its industry expertise, application of professional scepticism, internal quality processes and independence processes. This enhanced periodic review strengthens the governance framework for the external auditor and helps manage risks relating to the auditor's independence and effectiveness, which may include the risk of institutional familiarity arising from the external auditor's tenure.

A written report summarising the results of the annual and comprehensive (as applicable) review and feedback from the Board and senior stakeholders across Macquarie finance and business teams, is presented to, and discussed at, a BAC meeting and separately discussed with PwC.

Based on the results of this year's annual performance and independence reviews, in May 2022 the BAC recommended to the Board that PwC continue in its role as Macquarie's external auditor.

## Board evaluation and consideration

In FY2022, the Board exercised its continuing oversight of the performance of the external auditor. The Board members provided feedback forming part of the annual performance review of the external auditor considered by the BAC to assess their effectiveness and service quality.

Based on that assessment, the results of the auditor independence review and recommendation of the BAC, in May 2022 the Board agreed that PwC should continue as Macquarie's external auditor.

## Board and management

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

The Board Charter details the Board's role and responsibilities and matters expressly reserved for the Board, which include approving the annual strategy and business plan, adopting an annual budget, approving Macquarie's funding and capital management strategy, approving Macquarie's *Risk Management Strategy* and *Risk Appetite Statement*, monitoring material risks faced by Macquarie and how they are managed, appointing MGL's CEO and approving group policies relating to remuneration, diversity and the *Code of Conduct*.

The role of the Board is to promote the long-term interests of MGL, taking into account MGL's specific and broader responsibilities to its shareholders, funders, clients, staff and the communities in which it operates.

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

MGL's Constitution and Board Charter are available at macquarie.com/corporate-governance

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

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

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

## Board Committees

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

The Chairs of the Board and each Board Committee meet to broadly consider the work plan, responsibilities and the performance of each Committee and to focus on any areas of overlap or gaps in Committee reporting and responsibilities, including coordination of non-financial risk reporting between Committees and the coverage of risk reporting across Committees.

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

## Allocation of responsibilities between Board Committees

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

| Committee | Role |
|---|---|
| **Board Risk Committee (BRiC)** | The BRiC assists the Board by providing oversight of Macquarie's risk management framework and advising the Board on Macquarie's risk appetite, risk culture and risk management strategy. The BRiC receives information on material risks and reviews the impact of developments in markets in which Macquarie operates on its risk profile. The BRiC monitors Macquarie's risk culture and, with assistance from the BGCC, conduct risk and certain other non-financial risks, and forms a view on Macquarie's risk culture and the extent to which it supports the ability of each of Macquarie and MBL to operate consistently within their risk appetites. The CRO reports directly to the CEO and has a secondary reporting line to the BRiC. |
| **Board Governance and Compliance Committee (BGCC)** | The BGCC assists the Board with adopting the most appropriate corporate governance standards for Macquarie and assists the Board in monitoring regulatory, legal, compliance and financial crime risk matters for Macquarie, including reviewing and monitoring compliance with Macquarie's Conduct Risk Management Framework and its implementation. In addition, the BGCC reviews and monitors Macquarie's work health and safety, environmental and social risk management policies and customer and client reporting. The BRiC, BRC and BAC oversee aspects of the regulatory, legal and compliance risk matters for Macquarie relating to their duties and responsibilities. |
| **Board Remuneration Committee (BRC)** | The BRC makes recommendations to the Board that promote appropriate remuneration policies and practices for Macquarie and to oversee that these policies and practices drive behaviours that support Macquarie's risk management framework and promote Macquarie's *Code of Conduct* and the accountability of staff for the business and customer outcomes they deliver by encouraging a long-term perspective. The BRC reviews HR-related reports and is responsible for liaising with the BRiC, BGCC and BAC to ensure there is effective coordination between the Committees to assist in producing a properly integrated approach to remuneration that reflects prudent and appropriate risk. The BRC is also responsible for remuneration related disclosures in the Remuneration Report. |
| **Board Audit Committee (BAC)** | The BAC assists the Board with its oversight of the quality and integrity of the accounting, auditing and financial reporting of Macquarie. The BAC also reviews the adequacy of Macquarie's control framework for financial regulatory reporting to APRA and prudential regulators in other jurisdictions and monitors the internal financial control environment. The BAC at least annually, reviews and assesses, and reports to the Board on the quality, effectiveness, objectivity, independence and other matters relating to the prior year's audit of the external auditor. The BAC reviews reports from the external auditor and Internal Audit, referring matters relating to the duties and responsibilities of the BRiC and BGCC to the appropriate Board Committee. The BAC also monitors and reviews the performance, objectives and rating, remuneration and the degree of independence of the Head of Internal Audit and the effectiveness of the Internal Audit function. |
| **Board Nominating Committee (BNC)** | The BNC assists the Board in satisfying itself that it has an appropriate mix of skills, experience, tenure and diversity for the Board to be an effective decision-making body and to provide successful oversight and stewardship of Macquarie. |

Details of the Directors' qualifications, experience, Committee membership and meeting attendance at Board and Board Committee meetings is contained in the **Directors' Report**

## Commitment to shareholders and an informed market

Macquarie is committed to ensuring that the market as a whole is relevantly and consistently informed regarding information about Macquarie by providing securityholders and the market with timely, balanced, direct and equal access to information issued by Macquarie, to promote investor confidence in the integrity of Macquarie and in the trading of its securities.

Macquarie has a continuous disclosure policy that is incorporated in its *Continuous Disclosure & External Communications Policy*. This policy includes a Continuous Disclosure Committee, which may be convened to consider matters that may require disclosure to ASX in accordance with Macquarie's continuous disclosure obligations.

All external communications that include any price sensitive material for public announcement, annual and interim result announcements, release of financial reports, presentations to investors and analysts and other prepared investor presentations for Macquarie will, in accordance with the *Continuous Disclosure & External Communications Policy*:

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

Material announcements relating to matters that fall within the reserved powers of the Board or which are otherwise clearly within the purview of the Board's responsibilities, are provided to the Board for approval.

The Board receives copies of material market announcements promptly after they have been released by ASX.

Macquarie's *Continuous Disclosure & External Communications Policy* is available at macquarie.com/corporate-governance

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

As part of Macquarie's commitment to keep its investor base informed, management presents at various investment conferences and conducts investor visits and meetings (including virtual) throughout the year. All material investor or analyst presentations are lodged with ASX ahead of the presentation and made available on Macquarie's website.

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

## Macquarie's website

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

Shareholders can elect to receive communications from, and send communications to, MGL and MGL's share registry electronically by visiting the investor contacts page on Macquarie's website.

Further information about Macquarie is available at **macquarie.com**

## Shareholder meetings

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

MGL typically holds its AGM in July each year.

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

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

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

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

Due to the COVID-19 pandemic, Macquarie decided in the interests of the health and safety of shareholders, staff and other stakeholders, to hold MGL's 2021 AGM largely as an online meeting. Shareholders were provided with various alternatives to participate in the AGM, including by watching the AGM live through a facility that enabled shareholders to vote and to ask questions or make comments online and a dial-in teleconference to listen to the meeting live and to ask questions on the telephone but not vote.

A shareholder calendar is available at **macquarie.com/investors**

**The Corporate Governance Statement is current as at 5 May 2022 and has been approved by the Board.**

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

Macquarie recognises that the diversity of our people is one of our greatest strengths. An inclusive, equitable workplace enables us to deliver more innovative and sustainable solutions for our people, clients, shareholders and communities.



## Our commitment

Macquarie's growth has been driven by the entrepreneurialism of our people and the unique ideas and perspectives applied to finding opportunities. Diversity, Equity and Inclusion (DEI) are business priorities and remain fundamental to Macquarie's success. Creating an inclusive culture is a shared responsibility with everyone, from our most senior leaders to our newest employees, accountable for ensuring that people can be their authentic selves and reach their full potential.

In FY2022, we reaffirmed our commitment to building a diverse workforce that reflects the communities in which we operate. We elevated equity in our strategy and enhanced our internal metrics for measuring progress. Our leadership teams in each Operating and Central Service Group and region have developed DEI strategies to realise tangible results aligned to our *Workforce Diversity Policy*. Progress towards achieving Macquarie's FY2022 DEI objectives is disclosed in this report.

Macquarie is committed to:

- continue building a workforce that reflects all aspects of diversity to bring a range of perspectives, ideas and insights to everything we do
- fostering a workplace where our people feel respected for their uniqueness, valued for their contribution and supported to perform at their best
- championing equity for people from under-represented groups by removing barriers, valuing and accommodating for differences so more people are included and reach their full potential.

Macquarie's Workforce Diversity Policy is available at macquarie.com/diversity-equity-and-inclusion

## Diversity, Equity and Inclusion objectives

Accountability and transparency are critical to DEI progress. The Board Remuneration Committee (BRC) monitors the diversity, equity and inclusion objectives and progress of each group and region. The *Workforce Diversity Policy* provides that each year the BRC will set measurable objectives for increasing the diversity of Macquarie's workforce and maintaining a culture of respect and inclusion.

Our DEI objectives reflect the commitment to action across our organisation. Every employee is responsible for creating a respectful and inclusive culture and valuing the diverse ideas and perspectives of others. Management Committees globally, in each Operating and Central Service Group and region, are accountable for achieving Macquarie's DEI objectives. The Board and BRC receive regular updates on progress against Macquarie's DEI commitments and challenge our leaders to do better.

Macquarie's BRC has endorsed the FY2022 DEI objectives as set out below.

### Our diverse people

Macquarie is committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything we do. Our focus continues to be on developing the internal and external pipeline of people from under-represented groups at all levels and enhancing our recruitment and talent practices to facilitate this. Macquarie's objectives are:

Workforce composition:

- increase representation of women and under-represented ethnic groups across our workforce
- increase representation of women and under-represented ethnic groups at the senior leadership levels of Executive Committee, Division Head and Senior Executive
- increase diversity of our Board of Directors, including always having at least 30% female representation
- maintain gender balance and increase ethnic diversity on Intern and Graduate programs.

Diversity practices:

- internal campaign to enhance the collection of demographic data to understand the diversity of our workforce
- evolve practices to attract candidates with broad inherent diversity and acquired diversity
- require diverse representation on all recruitment shortlists and interview panels and ask 'if not, why not?'
- hire experienced candidates from groups that are under-represented in Macquarie to diversify our workforce at all levels
- maintain high return-to-work and retention rates for employees following parental leave
- maximise retention of people from under-represented groups through targeted support.

### Progress in FY2022

We recognise that our people have multiple, intersecting identities. In FY2022 we gave our people the opportunity to self-identify across a broader range of diversity dimensions including cultural and racial diversity, disability, gender identity, lesbian, gay, bisexual, transgender and queer (LGBTQ+), and parenting and caring roles. This data will enable internal and external benchmarking, as well as measurement of progress over time.

# Diversity, Equity and Inclusion

Continued

## Gender Balance

The outcome of our ongoing commitment to gender balance is demonstrated in Table 1. Female representation on the Macquarie Group Board of Directors has increased to 50% and the Executive Committee to 30%.

While additional improvements are still necessary, Female representation has increased year-on-year across Macquarie's total workforce, and in the senior executive and division head population.

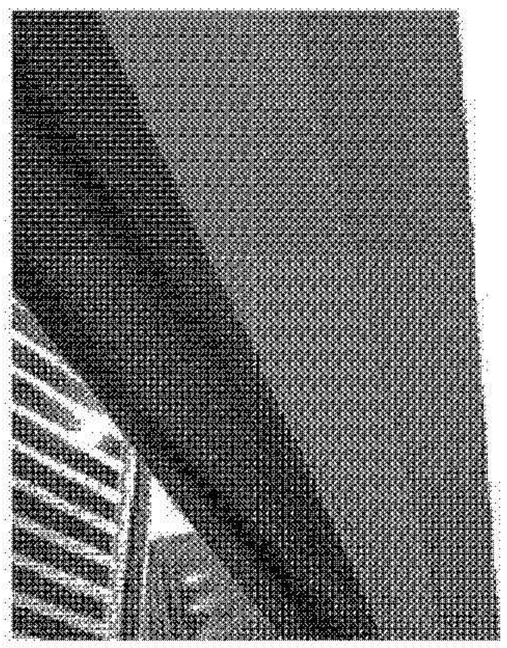
**Table 1: Global female representation by level over five years**

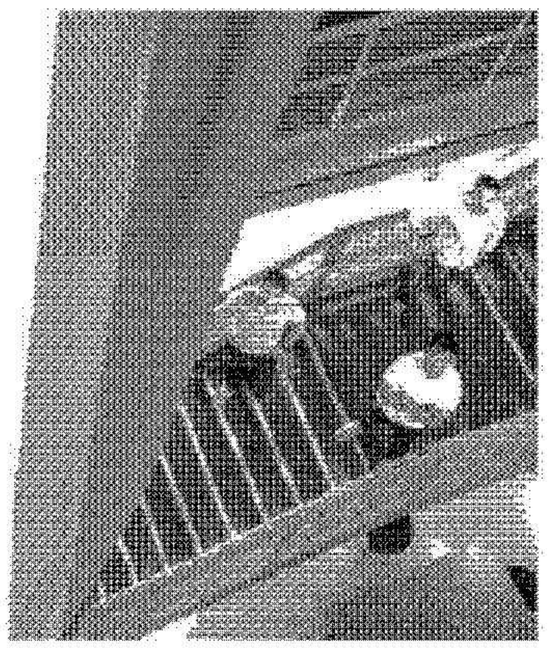
| As at 31 March | 2018 % | 2019 % | 2020 % | 2021 % | 2022 % |
|---|---|---|---|---|---|
| Board of Directors | 30.0 | 36.4 | 36.4 | 45.5 | **50.0** |
| Executive Committee | 25.0 | 25.0 | 27.3 | 27.3 | **30.0** |
| Division Head[1] | 23.5 | 23.9 | 24.6 | 23.0 | **26.5** |
| Senior Executive[2] | 17.2 | 19.1 | 19.9 | 20.5 | **21.8** |
| Macquarie Workforce | 39.8 | 40.1 | 41.0 | 42.0 | **43.0** |

Over 81% of permanent roles filled globally during FY2022 had at least one female candidate on the shortlist and one or more female Macquarie staff on the interview panel. Macquarie maintained gender balanced Intern and Graduate programs and women continue to be hired in greater proportion than the underlying application rate. Female and male turnover have remained comparable.

To address representation in the long-term pipeline, we continue to encourage young women to explore a career in financial services by highlighting the exciting career opportunities available and connecting them with role models across Macquarie's business groups. Adjusted for a virtual environment, programs include our Empowering Women in Finance & Tech in Australia, the Female Business Series in the UK and Australia, Girls Go Tech program in Hong Kong and NavGurukul in India.

We met our UK Women in Finance Charter female representation objective in January 2022, 18 months ahead of schedule. In India, Macquarie ranked in the top 100 Best Companies for Women.





## Families and carers

Macquarie continues to provide support to working parents of all genders and those with carer's responsibilities through flexibility, paid leave and initiatives such as backup child, adult and eldercare, parent facilities, and return-to-work coaching for parents and their managers.

In ANZ, Macquarie was accredited as a Family Friendly Workplace and received a National Level 2 carer accreditation from Carers+Employers, recognised for our deep commitment to supporting the careers of carers.

Macquarie's global return to work rate was 96% in FY2022 and high retention rates continue to be achieved for staff who have taken parental leave.

## Cultural diversity and racial equity

As a global organisation, we acknowledge the importance, necessity and benefit of cultural diversity and racial equity in the workforce. Macquarie has continued to accelerate initiatives to ensure we are building an organisation that takes real steps towards racial equity and full inclusion for all colleagues.

We continue to invest in internship and recruitment channels that expand our reach and better connect with talent from under-represented racial groups. In the U.S., Macquarie continued to partner with Jopwell, Seizing Every Opportunity, and BLK Capital Management. In Australia, the CareerTrackers and CareerSeekers programs placed 50 students in paid internships during FY2022. In EMEA, we were recognised as a Top 10 Outstanding Employer at the UK Ethnicity awards for our actions taken to drive the ethnicity agenda.

Recognising each of the regions in which we operate is unique, we take an active and localised approach to drive change in our business and communities. In FY2022, Macquarie launched sponsorship programs to support directors from under-represented groups and held focus groups to understand the unique experiences of our colleagues of colour. The $US5 million multi-year Racial Equity Fund continued to support community groups working to promote racial equity in the US.

Cultural awareness and race fluency training programs and events took place across our regions, facilitating awareness and allyship tailored to cultural elements within our specific markets. Our multicultural Employee Network Groups (ENGs), made up of members and allies, continue to play an active role in connecting and empowering colleagues of different races, ethnicities and cultures.

(1) Division Head refers to critical roles across Macquarie. It typically includes executives two layers down from the CEO.
(2) Senior Executive refers to Macquarie's combined Division Director and Executive Director population.

## LGBTQ+

Our commitment to LGBTQ+ inclusion extends beyond our own workforce and we have been recognised by external community partners as a leading LGBTQ+ inclusive organisation. Macquarie achieved #1 ranking in the UK Stonewall Workplace Equality Index, Platinum Employer status in the Australian Workplace Equality Index Awards and a 100 score for the fourth consecutive year on the Human Rights Campaign's Corporate Equality Index in the US. In Asia, Macquarie was named a Silver Employer in India's Workplace Equality Index and in Japan's PRIDE Index. We were also selected as a top 10 employer by the British LGBT Awards. Such awards recognise our focus on LGBTQ+ inclusion at every stage for employees, including through policies, benefits, training and leadership engagement.

In 2021 we enabled our staff to self-identify as gender diverse, released global gender affirmation guidelines for staff and managers, expanded our educational resources and created safe spaces for women who identify as LGBTQ+ to virtually connect across the globe.

Macquarie's Pride ENG chapters continued to provide strong and active communities for LGBTQ+ people and their allies, celebrating our progress and championing inclusion across our businesses.

## People who are neurodiverse or living with disabilities

Macquarie is a member of The Valuable 500, a global collective focused on disability inclusion. We highlighted the importance of accessibility in the Macquarie Technology Summit to encourage staff, clients and the broader community to create inclusive products and services that benefit everyone. We continue to design for accessibility and provide adjustments to working arrangements to meet the unique needs of candidates and employees who are living with disabilities. Principles of inclusive design are embedded within our eLearning standards, and event guidelines and inclusive design resources are available to all staff. Accessible technology tools and features continue to be embraced as we work in a hybrid working environment.

In EMEA, in addition to rolling out neurodiversity training to all people managers, we launched a new neurodiversity focused ENG - Spark.

Accessibility is a strategic imperative across our digital communication channels. Macquarie's website aims to conform with WCAG 2.1 level AA accessibility criteria and teams who oversee this platform complete mandatory Web Accessibility training.

## Our inclusive culture

Creating a workplace where our people feel respected for their uniqueness, valued for their contribution and empowered to reach their full potential is essential for diversity of thought to flourish. We are embedding inclusion and psychological safety in our culture through day-to-day practices (behavioural inclusion), programs and policies (structural inclusion). Macquarie's objectives are:

Behavioural inclusion:

- continue developing inclusive leadership capabilities of our managers and leaders
- further promote psychological safety, and respectful and inclusive behaviour through awareness and education activities
- encourage flexible working in all its forms
- foster a culture of natural sponsorship of people from under-represented groups to create pathways to senior management.

Structural inclusion:

- continue to equip senior managers with data to understand the diversity of their teams and assess the inclusiveness of their practices
- monitor the equity of people decisions, holding senior managers accountable for inclusive practices
- empower staff to work flexibly in ways that suit their own roles, the needs of their teams, and their personal lives
- further embed the principles of DEI in all people-related policies, processes and programs to ensure the highest and fairest standards:
  - maintain pay equity for like roles and performance
  - provide equal access to opportunities and future skilling
  - maintain equality for people of all genders and ethnicities in promotion decisions
  - provide staff with access to flexible working.

## Progress in FY2022

With the majority of staff working remotely in FY2022, Macquarie continued to focus on maintaining an inclusive virtual working environment. In our 2021 staff survey, 96% of staff feel that our people listen to, learn from and act on the diverse perspectives of their colleagues.

The Inclusive Leadership: Directors Masterclass series was released in 2021 to create active and visible allies, promoting a stronger sense of belonging for all our people. To date, over 1,600 directors across the Americas, Asia and ANZ attended sessions on Covering, Allyship and Inclusion Moments that Matter.

Whilst flexible working has long been part of Macquarie's working practice, the COVID-19 environment has enhanced the ways in which we connect with each other. Macquarie has adopted hybrid working as part of the evolving culture of work and continues to empower our people to manage their work and time to achieve their career and personal goals. 93% of staff say they have the technology and tools they need to do their job well in a remote working environment.

# Diversity, Equity and Inclusion

Continued

## Networks and Committees

Macquarie has a range of ENGs and DEI committees in each region. Their focus spans culture and heritage, First Nations, gender balance, LGBTQ+, race and ethnicity, families, neurodiversity and military veterans. These groups amplify the voices of under-represented people and provide staff with opportunities to exchange ideas, build relationships and support Macquarie's DEI strategy.

## Inclusive and equitable practices

The principles of equity and inclusion are embedded in Macquarie's people practices and processes, including core talent programs, recruitment processes, remuneration and promotion criteria. In FY2022 we elevated the focus on equity and we are comprehensively reviewing our processes as part of our talent transformation.

Macquarie continues to embed equity in everything we do to promote fairness of outcomes. We focus on creating opportunities for all staff to demonstrate skills and capability and their promotion-readiness; and ensuring we support staff from under-represented groups through the critical midcareer levels and into senior roles.

Workforce data is regularly analysed and provided to senior managers so they may assess the equity of people decisions, the inclusiveness of practices in their teams and to identify where additional action is needed. Senior managers are also held accountable for achieving inclusion objectives. In FY2022:

- remuneration outcomes were reviewed to ensure pay equity for like roles and performance across all Operating and Central Service Groups and regions. No significant differences in remuneration outcomes were found to exist between males and females for like roles and performance
- promotion decisions and outcomes were reviewed and analysed to identify any gender discrepancies. Promotion rates of males and females to Director levels have remained comparable
- analyses were provided to senior leadership on the cultural background of promotion candidates.

## Our clients and community

Macquarie is committed to providing and supporting commercial and development opportunities for under-represented people in our community. We have long-term funding partnerships with non-profit organisations around the globe and our staff participate in a variety of activities including literacy and employability coaching, and mentoring. We are proud of the awards we have received this year and are committed to doing more to provide opportunities to under-represented people in our communities. Macquarie's objectives are to:

- continue to tailor the delivery of our services to meet the needs of our diverse client base
- increase opportunities in our supply chain for businesses that have been historically under-represented in our communities or those driven by a social purpose
- further support the progress of under-represented groups through partnerships and sponsorships with organisations in the diversity sector
- promote finance and technology careers to secondary and tertiary students from under-represented groups to increase the diversity of the finance industry
- participate in additional DEI benchmarking indexes to identify opportunities for improvement.

## Progress in FY2022

Macquarie is committed to fostering a diverse and inclusive workplace for its own staff and seeks to instill this commitment within its assets under management when possible. For example, the MAM Real Assets business is focused on progressing DEI initiatives at the asset level and equipping its portfolio board directors and portfolio company leaders with resources and training to foster an inclusive environment and set measurable diversity objectives.

As part of our sustainable procurement strategy, Macquarie includes sustainability and supplier diversity requirements within tender documents. In FY2022, Macquarie spent over $A16.5 million with minority-owned businesses in our tier one and tier two supply chain.[3]

The Macquarie Group Foundation (Foundation) provides support to hundreds of community organisations globally each year through financial support, volunteering and skills sharing, predominantly in the locations in which Macquarie operates. The Foundation's work focuses on capacity building within the community sector and increasing social and economic mobility of underrepresented groups. The Macquarie Americas Racial Equity Fund (REF) supports non-profit organisations advancing solutions that promote a more equitable and just society for all people. In FY2022, the Americas Management Committee and the Foundation increased its funding from a $US1 million fund over a 3-year period to a $US5 million fund over five years to support direct relief programs, research and policy, and education and economic equity initiatives.

(3) Includes qualified businesses from traditionally under-represented groups such as companies owned and operated by minorities, women, Indigenous Australians and small businesses. Tier one is defined as spend incurred via diverse suppliers directly contracted by Macquarie. Tier two is defined as spend incurred via fourth parties meeting the diverse supplier definition, indirectly supporting goods and services delivered to Macquarie.

Macquarie is proud to be a partner and sponsor of organisations across the diversity sector, including those that support students from under-represented groups.

In Australia, staff completed secondments with Indigenous organisations through our partnership with Jawun. We continued to support Women in Banking and Finance and helped provide female entrepreneurs with access to strategic networks via Heads Over Heels. Through our First Nations ENG, Macquarie supports the Clontarf Aboriginal College, Melbourne Indigenous Transition School and Gawura School in Sydney. In Asia, Macquarie has continued its partnership with The Women's Foundation and Girls Go Tech Program to encourage girls to pursue Science, Technology, Engineering and Mathematics subjects. In the US, Macquarie is also a member of #TheEquityCollective, a diversity-driven collaboration between 23 wealth and asset management firms to develop and enhance the next generation of industry leaders. In the UK, Macquarie's Graduate team partnered with the Bright Network to develop a diversity academy, aimed at increasing the number of students successfully winning internships and graduate roles.

## Diversity, Equity & Inclusion awards

In FY2022 Macquarie was recognised for its commitment and progress in creating an inclusive workplace for all staff and supporting our communities in each of our regions.

## Select Diversity, Equity & Inclusion partnerships

# Environmental, Social and Governance

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

## ESG approach

Macquarie's ESG approach is structured around eight focus areas considered to be material to our business.

Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. We regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, staff, suppliers and the wider community.

## ESG governance

The Board is responsible for approving Macquarie's ESG framework including major ESG policies. In accordance with its Charter, the Board Governance and Compliance Committee (BGCC) assists the Board in adopting appropriate governance standards and reviewing the operation of environmental and social risk management policies. Responsibility for implementation of the ESG framework and related Board approved policies resides with Management.

**ESG governance:** *What We Stand For* (principles of Opportunity, Accountability and Integrity), *Code of Conduct*, Board oversight, ESG risk management

External stakeholder interests
Risks and opportunities identified by the business

**ESG focus areas**

### Environmental and social risk management

**431**
transactions
assessed under our *Environmental and Social Risk (ESR) Policy*

### Climate change

**Alignment to net zero by 2050**

**$A6.40**
invested in renewable energy for every $A1 invested in conventional energy[1]

### Environmental and social financing

Over
**30 GW**
of green energy assets in development or construction as at 31 March 2022[2]

**16 GW**
of green energy assets in operation or under management as at 31 March 2022[2]

### Sustainability in direct operations

**100%**
renewable electricity sourced globally in FY2022[3]

Emissions per capita reduced by
**91%**
from FY2010 baseline (43% reduction from FY2021)[4]

Carbon neutral since 2010[5]

(1) Includes (i) banking book equity investments fair valued through profit or loss; (ii) investments in which Macquarie has significant influence or joint control (investments in associates and joint ventures); and (iii) investments held through consolidated subsidiaries. Excludes off balance sheet equity commitments.
(2) GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.
(3) The equivalent of 100% of our FY2022 electricity consumption was sourced from renewable sources through a combination of green tariffs (43%) and energy attribute certificates (57%) which have been retired or will be retired by 30 June 2022. Due to a lack of availability, we were unable to source renewable energy certificates within the South Korean market, which is a requirement of the RE100 market boundary criteria. All other renewable energy purchases were sourced in line with the criteria and we are 98.4% compliant at this time. We are working towards full RE100 compliance by FY2023, ahead of our FY2025 commitment.
(4) FY2022 emissions per capita are calculated as total operational market-based emissions of 14,238 tCO2e (covers Scopes 1 and 2 emissions, and Scope 3 business travel) divided by the total headcount of 17,556 (based on total global workforce excluding staff employed in operationally segregated subsidiaries as at 31 March 2022). Unless otherwise stated, all operational emissions in this report have been calculated using the market-based method. From FY2022, Macquarie has expanded Scope 3 definitions related to business travel. See page 60 for detail.
(5) Covers Scope 1 and Scope 2 emissions, and business travel.

# About these disclosures

Macquarie's FY2022 ESG disclosures comprise relevant sections of Macquarie's 2022 Annual Report and Macquarie's website. They have been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For the first time, this year Macquarie is also reporting under select Sustainability Accounting Standards Board (SASB) standards and accounting metrics.

The content of the disclosures is presented to align with Macquarie's ESG focus areas, which are reviewed annually and selected as most relevant to Macquarie based on business insights, secondary research, market benchmarking, and stakeholder analysis.

Full details of how the focus areas have been defined and how Macquarie engages with our stakeholders are available at macquarie.com/esg

GRI and SASB index tables can be downloaded from macquarie.com/esg

## Client experience

2021 MFAA Excellence Awards for Major Lender of the Year

2022 CANSTAR Outstanding value award for Savings and Transaction Accounts

#1 IPE Real Assets Top 100 Infrastructure Investment Managers since 2017

2021 Financial Standard Investment Leadership Awards Investment Manager of the Year

Top rating for Australian ESG research by institutional investors in 2021 Peter Lee survey

## People and workplace

Australian Workplace Equality Index

**Platinum Employer**

**No. 1**

among Stonewall's 2022 most inclusive UK employers

**100%**

on the US Corporate Equality Index 2022

## Business conduct and ethics

Tailored training, workshops and leadership sessions provided to over

**8,000**

**staff**[6]

## Community

**Over**

**$A520m**

donated by Macquarie staff and the Foundation since inception in 1985 ($A44 million in FY2022)[7]

Further information can be found on pages 68 to 71 of this Annual Report

(6) Tailored content focused on conduct, supervision in a hybrid working environment, integrity, speaking up and psychological safety. Macquarie also requires all staff globally to undertake mandatory online *Code of Conduct* training.

(7) Contribution comprises Macquarie Group Foundation matching support for staff donations and fundraising; Foundation donations to commemorate staff attaining 10 year and 25 year anniversaries at Macquarie; Foundation grants to non profit organisations to recognise 12 months of board service by a Macquarie employee; and Macquarie and Foundation grants to community organisations.

## Environmental and social risk management

Macquarie recognises that failure to manage ESG risks could affect communities, the environment and other external parties, and expose the organisation to commercial, reputational and regulatory impacts. Assessing and managing Macquarie-wide ESG risks is a key business priority and an important component of our broader risk management framework, detailed in the Risk Management section of this Annual Report.

Under the *Code of Conduct* all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the ESR team.

The ESR team coordinates a diverse range of ESG activities across business groups and regions, including developing and implementing Macquarie-wide and business-specific policies, reviewing transactions, providing advice on ESG risks and opportunities and facilitating training. The ESR team regularly reports to the Chief Risk Officer (CRO) and to the BGCC on ESG-related matters.

## ESR in transactions

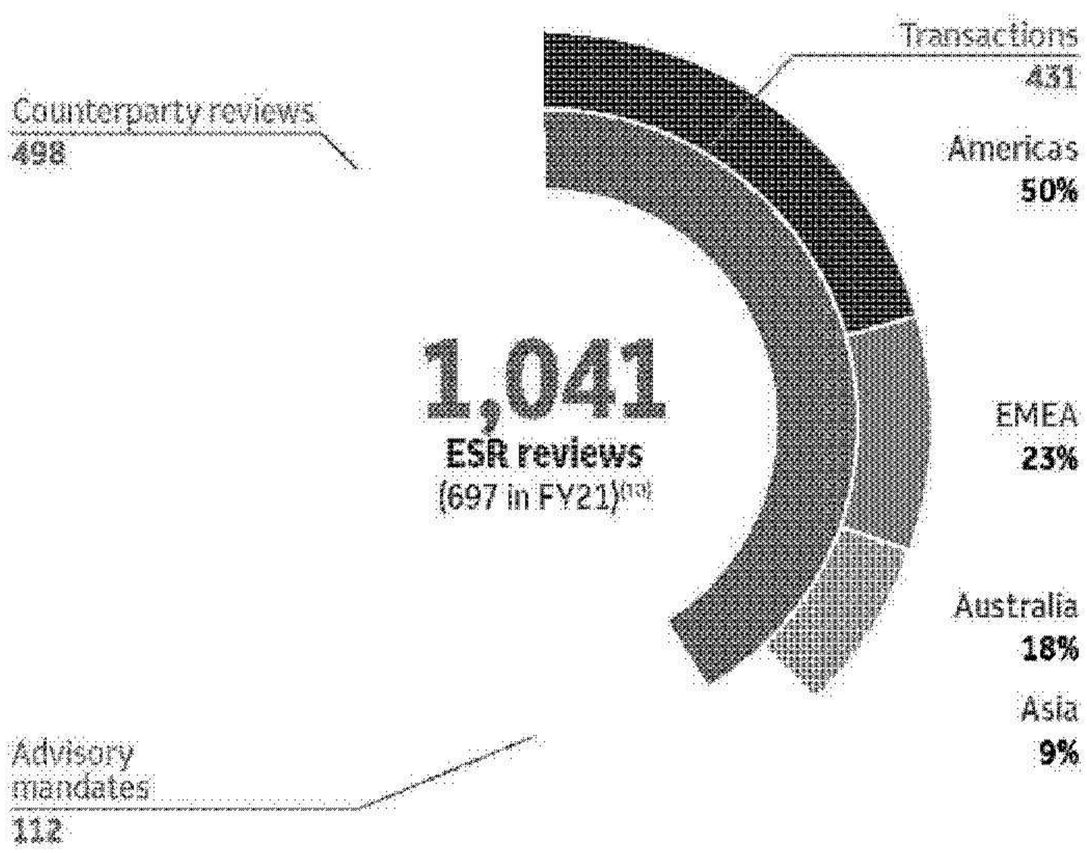
Environmental and social risks are managed through the implementation of the *ESR* and *Work Health and Safety (WHS)* policies, which are based on international standards.[8] These are updated periodically to address opportunities for improvement and emerging issues.

Macquarie's *ESR Policy* describes our approach to ESR management when onboarding or reviewing clients and other counterparties and across a broad range of transactions including equity investments, financing, leasing and advisory mandates. The *ESR Policy* provides a robust process to assess, manage, mitigate, monitor and report environmental and social risks and takes a precautionary approach to ESR issues including labour and employment practices, climate change, human rights, resource efficiency, pollution prevention, biodiversity and cultural heritage. Based on international guidelines, including the International Finance Corporation Performance Standards, the *ESR Policy* provides escalated decision-making and approval processes, alongside the credit approval process, for material environmental and social risks. Transactions with material environmental and social risks are referred to the CRO and may be escalated to the Executive Committee or Macquarie Board.

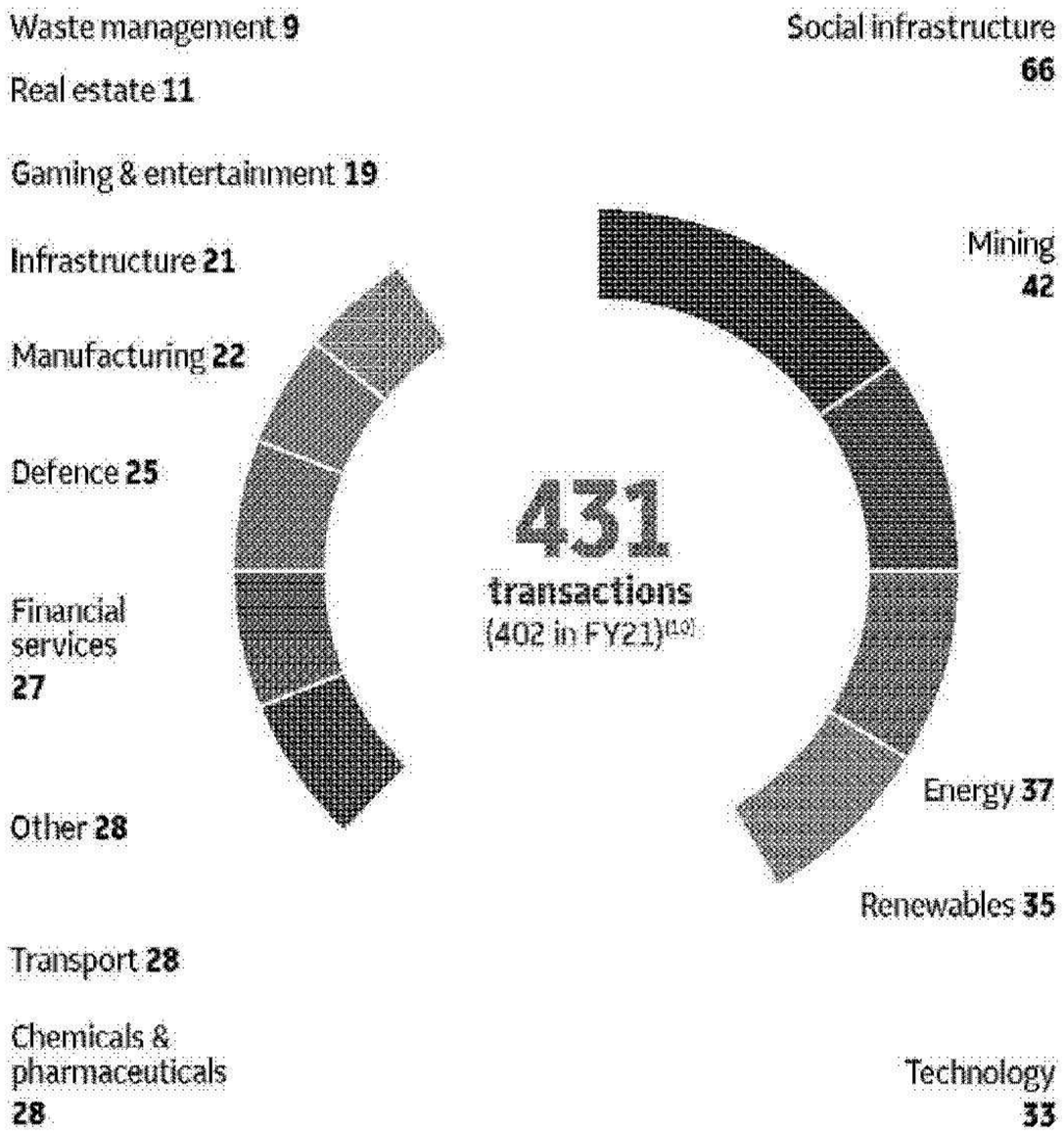
**590**
staff received ESR and WHS training in FY2022[9]

**4,400**
staff received specialist Human Rights training in FY2022

**ESR Policy referrals**

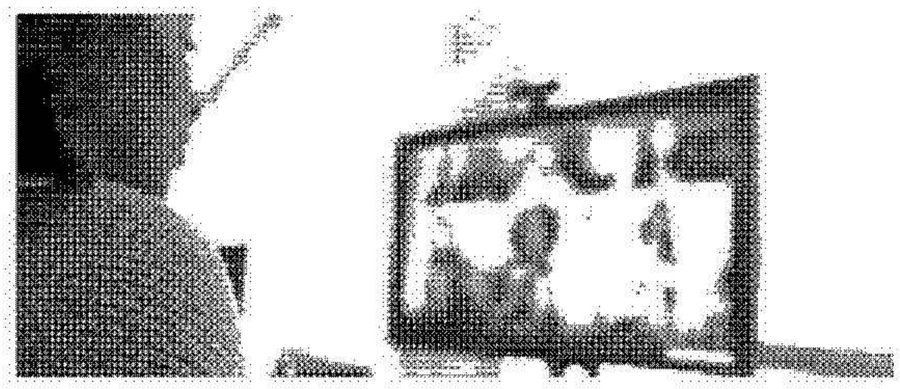



**Transactions assessed under the ESR Policy by sector**




(8) 'Occupational health and safety management systems – Requirements with guidance for use' ISO 45001:2018 and 'Environmental management systems – Requirements with guidance for use' ISO 14001:2016.
(9) Includes risk managers and those in specific business groups with greatest potential exposure to environmental, social and WHS risks.
(10) The number of transactions reviewed under the *ESR Policy* in FY2021 has been restated from 317 to 402 transactions, bringing the total number of reviews under the *Policy* in FY2021 from 612 to 697 reviews.

# Our approach to Work Health and Safety



At Macquarie we are committed to providing a zero-harm environment where our people, contractors and visitors can work and collaborate without loss of life or risk of serious injury or illness.

Our WHS vision, "Safe workplaces that enable and empower people to do their best work", is designed in connection with our purpose to empower people to invest and innovate for a better future. Our strong culture of leadership, governance and assurance is integral to how we bring this vision to life.

Our WHS practices are supported by:

- clear expectations and behaviours agreed with Macquarie staff, contractors, visitors and business partners
- incorporation of WHS into our investment and business decision-making processes
- adequate WHS management frameworks and controls to manage safety-critical risks effectively; comply with laws, regulatory obligations and standards; select, contract with and govern Third Party Suppliers; and enable effective consultation and communication of relevant WHS matters and information
- sufficient resourcing to manage material WHS risks
- measuring, monitoring and managing the progress of our WHS performance.

## Macquarie staff

All staff are encouraged to speak up on the potential and actual workplace health and safety risks including matters relating to inappropriate workplace behaviour such as sexual harassment, discrimination, bullying or victimisation.

Staff are provided with opportunities to engage in safety forums and consultation committees to address local and regional safety matters and assist in shaping our focus for future wellbeing initiatives and strategies for injury prevention.

The safety and wellbeing of our staff continues to be at the centre of our response to the global pandemic. To enable staff to work efficiently, effectively and safely in a hybrid working environment, we have been providing:

- an additional wellbeing leave day to proactively support overall wellbeing and work-life balance
- ongoing access to financial support to suitably equip a home-office environment with appropriate technology and an ergonomic chair to assist in the prevention of work-related injuries or incidents
- ongoing access to training, information and on-demand resources in injury prevention
- annual global Health, Safety and Resilience at Macquarie online training to address the current and emerging risks within a hybrid way of working.

**0.1** Lost Time Injury Frequency Rate (LTIFR) in the year ended 31 March 2022[11]

Macquarie's holistic wellbeing program, *Macquarie Plus*, provides a comprehensive range of wellbeing benefits and initiatives to equip our people with the tools and resources to invest in their wellbeing. Complimenting the existing annual program offerings are targeted initiatives and key areas of focus within the four dimensions of wellbeing: physical, psychological, financial and social.

## Health and safety in our investments

Macquarie has integrated WHS into the investment lifecycle from due diligence prior to investment through to divestment. We believe there is a strong correlation between actively managing WHS risk and improving investment returns.

Macquarie Operating Groups have a tailored Safety Alignment Framework to drive consistent WHS principles and expectations for portfolio companies.

WHS is the responsibility of management within each portfolio company. The portfolio company board oversees the management of WHS. In FY2022, 140 Macquarie Nominee Directors received WHS governance training. Portfolio companies regularly monitor and report on WHS performance and risk management to Macquarie, including outcomes of incident investigations where there was a fatality or serious injury, or the potential for a fatality or serious injury.

During FY2022, there has been a strong focus on regularly discussing WHS best practices and sharing of lessons learnt across our regions and Operating Groups. 23 safety alerts were shared across our business.

## Human rights

Macquarie recognises the duty of States to protect human rights and the responsibility of businesses to respect human rights. Macquarie supports fundamental human rights as set out in the Universal Declaration of Human Rights and core International Labour Organization (ILO) Conventions.

Macquarie has a framework of polices and processes in place to identify and mitigate potential and actual human rights, including modern slavery, impacts resulting from our business activities and the relationships connected to those activities.

More detailed information, including examples of how we put WHS into practice, is available at macquarie.com/esg

Macquarie's modern slavery and human trafficking statement prepared under the *UK Modern Slavery Act 2015* and the *Australian Modern Slavery Act 2018 (Cth)* can be downloaded from macquarie.com/esg

(11) Lost time injury (LTI) is an incident that results in time lost from work equal to or greater than a full day/shift. The LTI Frequency Rate (LTIFR) is the number of Lost Time Injuries resulting in a compensable claim per million workhours.

## Climate change

Climate change is one of the most complex and critical challenges facing the world. Meeting the goals set out in the Paris Agreement requires the private and public sectors to work together to deliver the transition to a low-carbon future at unprecedented scale and pace, and in a socially inclusive manner. Macquarie is committed to playing a leading role in driving this global transition to net zero.

For two decades, we have used our deep capabilities in energy, infrastructure, transportation, technology, agriculture and commodities to work with clients to deliver practical climate solutions. Our approach to driving climate action is founded on five key areas.

### Developing and investing in green energy

Investing and deploying green energy is at the core of our contribution to the net zero transition. Macquarie is committed to growing renewable energy capacity and is already developing, constructing, operating and financing over 50 GW of green energy projects around the world.

Our Green Investment Group (GIG) has more than 250 green energy projects in development or construction (either directly or through operating platforms) totalling over 30 GW of predominantly solar and wind projects. FY2022 was a landmark year, as GIG further established capabilities in the development of new clean technologies like floating offshore wind, utility scale storage and hydrogen, all of which will play a critical role in enabling deep decarbonisation.

Overall, Macquarie has invested and arranged $A2.3 billion into green energy projects in the past five years alone. While some of the investments are no longer on our balance sheet they continue to generate green energy every year, and will continue to do so well into the future.

### Creating climate resilient infrastructure

As the world's largest infrastructure manager and a major developer of new greenfield infrastructure, our focus on climate resilience and adaptation is helping prepare communities for a changing world.

With over 160 portfolio companies, 530 properties and 4.7 million hectares of farmland in its global portfolio, Macquarie Asset Management (MAM) is investing in climate-specific risk assessments, revised operating procedures, physical enhancements, industrial technologies, and training, all of which contribute to greater climate resilience.

Macquarie Capital is also designing climate resilience into new infrastructure projects from the start, to deal with a higher frequency of extreme weather events and rising sea levels.

### Enabling the decarbonisation of our customers, clients and portfolio companies

There is broad societal consensus on the need to decarbonise, the goals that the world needs to reach, and the steps needed to get there. As a result, we are increasing our efforts, working with our customers, clients and portfolio companies to help them take action to decarbonise their activities. Macquarie is committed to continued expansion of our capabilities to help clients and customers navigate the transition to net zero. Building on our track record in renewables financial advisory and in helping businesses procure clean energy for their operations, we have developed financing and risk management solutions in areas including batteries, renewable fuels and clean transportation, and built a dedicated team that helps companies enhance their sustainability commitments with carbon offsets.

### Aligning our activities to net zero

In 2021, Macquarie made a commitment to align its business operations and financing activities with the objective of enabling and accelerating the world's pathway to net zero by 2050.

Last year, we established a dedicated cross-group Net Zero Program team to assess our lending and equity clients' existing climate footprint, and we are on track to release our first net zero plan by the end of 2022. Granular analysis of our exposures within the oil, gas and coal sectors is well progressed. Our initial work has highlighted significant data challenges, with many clients unable to provide estimates of their emissions. Given the gaps, and to ensure appropriate quality, we are augmenting our analysis with estimates using industry standards such as the Partnership for Carbon Accounting Financials to guide our approach.

We recognise that the availability and robustness of emissions data continues to evolve and have sought to establish approaches that can be adjusted over time as more companies compile and report their emissions footprint. We welcome moves by regulators to increase transparency with regard to company level emissions. These initiatives are likely to see data availability and quality improve materially in coming years.

Detailed analysis is also underway to assess the emissions associated with our retail vehicle lending portfolio, focused on the vehicle make, model and estimated distance travelled.

Over the coming months, we will continue to evolve this in-depth analysis to support the establishment of interim and long-term science-based goals for these sectors. This is in addition to our existing commitment on coal, where we expect our limited remaining equity and lending exposures to run off by 2024. We will expand the analysis to further sectors in 2023.

In addition, GIG also committed to achieving net zero emissions from financing activities associated with renewable energy generation projects by 2030, while MAM committed to invest and manage its portfolio in line with global net zero by 2040. During FY2022, MAM has been working with its portfolio companies to report and verify their emissions, set targets for emissions reduction, and develop business plans that contribute to a net zero economy by 2040 or sooner.

To accelerate our efforts, effective 1 April 2022, GIG has moved to operate as part of MAM. The need for investment in the energy transition continues to grow substantially. The combined teams will significantly enhance Macquarie's capacity to mobilise institutional capital for the transition and provide greater scale of decarbonisation solutions for clients, portfolio companies, communities, and the environment.

## Working in partnership to raise ambition

Across the world, we work in close partnerships with stakeholders in the public and private sectors to raise ambitions on achieving global climate targets.

These partnerships take different forms, focusing on the many challenges ahead – including accelerating the deployment of mature technologies, driving the commercialisation of emerging climate solutions and technologies, mobilising capital to support the transition of emerging markets and developing countries, or rapidly scaling up investment in adaptation.

We are working on several industry-led UN-convened projects to accelerate the transition to a net zero economy. Macquarie's CEO, Shemara Wikramanayake, sits on the CEO Principals Group of the Glasgow Financial Alliance for Net Zero (GFANZ) and is leading a workstream to mobilise private capital for the transition in emerging markets. Our efforts in finding solutions for emerging markets are complemented through our role in co-chairing the Climate Finance Leadership Initiative's India country pilot with the Tata Group. We are signatories of the UN-convened Net Zero Asset Managers initiative and Net Zero Banking Alliance. Macquarie is also a member of His Royal Highness The Prince of Wales' Sustainable Markets Initiative and the Global Commission on Adaptation.

## Climate-related financial disclosures

Macquarie continues to support the important work of the Task Force on Climate-Related Financial Disclosures (TCFD) and is actively implementing its recommendations.

In July 2021, we published a detailed report outlining our progress towards TCFD implementation. The report provides details of the transition and physical risk scenario analysis that was completed in 2021, including:

- physical risk analysis of prototypical equity investments, representing pathways to 1.5°C and 4°C warming by 2100
- vulnerability and resilience of our business premises to physical climate risks.

Particular focus was placed on trying to address the various challenges that remain to full transition including energy storage, land use, the need for a greater number of investible projects and greater levels of investment in adaptation and resilience projects. In FY2022 these efforts continued globally, see pages 52 to 59 of this Annual Report.

### FY2022 energy sector exposures

$A6.40 invested in renewable energy for every $A1 invested in conventional energy as at 31 March 2022.[12]

In supporting clients and economies through a managed transition, we note that significantly increased investment is required in renewables for the world to reduce its reliance on fossil fuels. Macquarie has played a leading role in increased deployment of renewables and the wider decarbonisation of the global economy.

**Macquarie's equity and loan portfolio exposures to the oil, gas, coal and renewables sectors as at 31 March:[13]**

| | FY21 | | | | FY22 | | | |
|---|---|---|---|---|---|---|---|---|
| | Loan assets[14] | Equity investments[12] | | | Loan assets[14] | Equity investments[12] | | |
| | | Non-consolidated | Consolidated | Total | | Non-consolidated | Consolidated | Total |
| | $Ab | $Ab | $Ab | $Ab | $Ab | $Ab | $Ab | $Ab |
| Oil | 0.3 | 0.1 | <0.1 | 0.1 | **0.2** | **0.1** | **<0.1** | **0.1** |
| Gas | 0.2 | <0.1 | 0.1 | 0.1 | **0.2** | **<0.1** | **0.2** | **0.2** |
| Coal | 0.1 | <0.1 | <0.1 | <0.1 | **<0.1** | **<0.1** | **<0.1** | **<0.1** |
| Renewable energy | <0.1 | 0.6 | 0.7 | 1.3 | **<0.1** | **0.9** | **0.7** | **1.6** |

(12) Includes (i) banking book equity investments fair valued through profit or loss; (ii) investments in which Macquarie has significant influence or joint control (investments in associates and joint ventures); and (iii) investments held through consolidated subsidiaries. Excludes investments off balance sheet equity commitments.
(13) Renewable energy assets under management are disclosed separately on page 57.
(14) Includes drawn loan assets held at amortised cost adjusted to exclude certain items such as assets that are funded by third parties with no recourse to Macquarie, operating leases, asset finance and short-term financing such as inventory financing. Exposure in Credit Facilities can fluctuate based on timing of projects and working capital requirement of counterparties. With high commodity prices some loans have been paid down ahead of schedule and may have the ability to be redrawn.

## Scenario analysis

Each year, we have built on the prior analysis, refining our understanding of the potential vulnerabilities to climate change risks for Macquarie. This year, our analysis is focusing on the physical risks of Macquarie's Australian residential real estate lending portfolio and the transition risks of parts of Macquarie's Australian business lending and residential real estate lending portfolios, as part of APRA's Climate Vulnerability Assessment. In carrying out this assessment, we are also performing more detailed assessments of selected counterparties, and balance sheet projections over a 30-year timeframe.

In addition, we have undertaken preliminary work to understand the risks associated with the commodity trading activities within our European regulated entity.

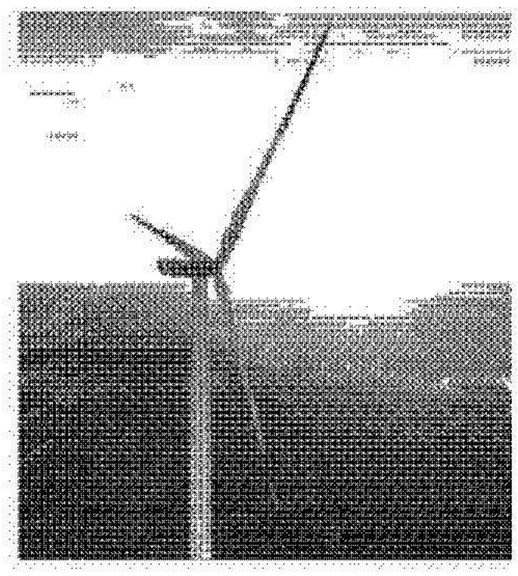
The capabilities developed through these activities support us in evolving our understanding of climate risk and integration into existing stress testing activities.

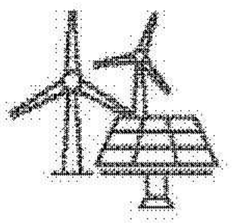
This section includes a summary of our climate-related disclosures. A more detailed report will be published with our net zero plan by the end of 2022.

More detailed information is available in our TCFD report which can be downloaded from **macquarie.com/esg**

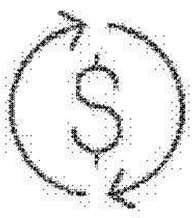
More detailed information on our approach to climate change is also available at **macquarie.com/esg**

# Our work in action





Supporting renewable energy projects globally



Making sustainable choices more affordable

## Investing in renewable energy

Over the past year, our GIG business' operationally segregated subsidiaries (OSS) have been supporting solar projects across Europe, with projects in Greece, Italy, the UK and France. In Asia, our OSS Blueleaf Energy is developing solar and onshore wind projects in Japan, Taiwan, India, the Philippines and other markets in Southeast Asia.

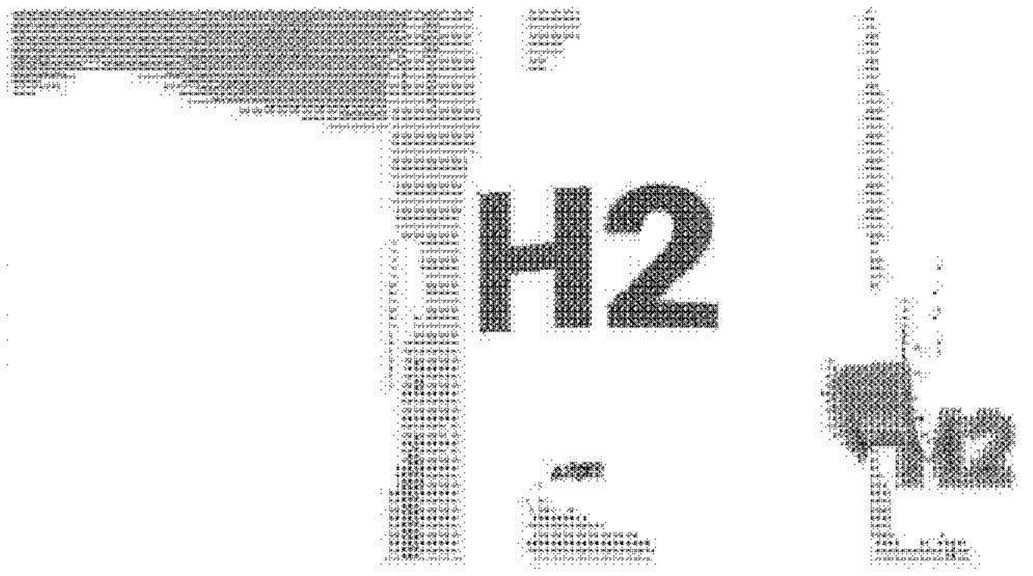
GIG has continued to build out its offshore wind portfolio by securing opportunities in development projects off the coasts of Scotland, Sweden and Ireland, and establishing partnerships to bid for offshore wind projects in France and Norway. GIG recently launched Corio Generation, its new dedicated offshore wind business, which will take that portfolio forward. Together with TotalEnergies, GIG has obtained an electricity business licence for its floating offshore wind project located off the coast of Ulsan, Korea. With a maximum installed capacity of 1.5 GW the project is one of the largest floating offshore wind developments in the world and aims to help deliver the Korean government's 'Green New Deal', revitalise local economies and support high-skilled employment opportunities.

In January 2022, another of GIG's joint ventures successfully secured the rights to develop the 2 GW West of Orkney Windfarm project off the coast of Scotland. As part of this development, the partners will unlock a £140m initiative to support the development of the local supply chain to actively promote employment and innovation in the region. Once built, the windfarm could also deliver renewable power to the Flotta Hydrogen Hub, a proposed large-scale green hydrogen production facility in Orkney, Scotland.

The International Energy Agency suggests the use of hydrogen will need to double over the course of this decade to meet net zero. To help meet this demand, we are working to advance a number of projects with partners globally. This includes feasibility studies into the production of green hydrogen in Orkney, Scotland, the Port of Newcastle in New South Wales, Australia and the Port of Southampton in the UK.

Together with Nobian, GIG has formed the Hydrogen Chemistry Company (HyCC), a company focused on producing green hydrogen from renewable power at an industrial scale. This includes a






> Macquarie is the first Australian banking group to provide a specialised electric vehicle buying service, Macquarie Vehicle Select, that supports customers transitioning to an electric vehicle."

planned 60 MW facility in the north of the Netherlands to supply green hydrogen for renewable methanol and aviation fuels, a 100 MW project near Amsterdam to enable sustainable steel production, and a 250 MW project in Rotterdam to replace fossil-based hydrogen. The deal will allow HyCC to grow this pipeline and expand further into the European market.

In FY2022, Macquarie Capital also launched Aerogy, a platform that develops, operates and invests in renewable natural gas infrastructure projects that convert waste into low-carbon energy.

With greater electrification, and a growing share of renewables in generation, comes a greater need for system flexibility through technologies like battery storage. In June 2021, GIG acquired its first utility-scale battery storage development portfolio. We are now working to co-develop that portfolio of projects, which are strategically located across congested areas of the UK grid network. In late 2021, GIG entered a partnership to deliver Australia's largest privately funded and owned utility-scale battery. The project is fully committed and will connect to existing network infrastructure to support the transition to renewable energy at the site of the former Hazelwood Power Station in the Latrobe Valley, Victoria.

## Driving transport decarbonisation

In recognition of our role to make sustainable choices more affordable for households, Macquarie is the first Australian banking group to provide a specialised electric vehicle buying service, Macquarie Vehicle Select, that supports customers transitioning to an electric vehicle. In addition to helping navigate the electric vehicle landscape in Australia, customers financing a new electric vehicle through Macquarie will access a discounted, car loan which has a lower interest rate than what is offered for internal combustion engine vehicles. Although Macquarie's direct car business remains a small part of its overall car loan portfolio, the business directly financed more EVs than ICE vehicles in the six months to 31 March 2022 and expects this trend to continue over the coming years.

As EV adoption rises, significant investment is needed to accelerate the roll-out of charging infrastructure. To support this, GIG has partnered with Heliox to create one of the first 'charging-as-a-service' offerings for fleet electrification in Europe.

By constructing and maintaining charging facilities on behalf of our customers, the service removes up-front costs whilst providing assurance around the design, operations and maintenance of the facilities, hence reducing the main barriers to fleet electrification. At the same time, MAM has invested in Roadchef, one of the UK's largest motorway service area operators. MAM has committed to develop and accelerate the rollout of fast-charging infrastructure for EVs at its 30 locations across the UK motorway network.

In the US, our Commodities and Global Markets (CGM) business is part of a consortium that was awarded grant funding by the California Air Resources Board and the California Energy Commission's Clean Transportation Program to deliver 30 XCIENT Class 8 hydrogen fuel cell electric trucks and the associated refuelling infrastructure in California. The advancement of the transition to zero emissions in this region marks an important milestone for the business as they look to progress similar zero emission vehicle rollouts across the commercial transportation sector in the future.

## TCFD Implementation Summary

| | Climate change governance | Strategy |
|---|---|---|
| Progress to end of FY2021 | • Board responsibility for approving ESG framework and key ESG policies.<br>• BGCC oversight and monitoring of effectiveness of ESG framework, including approach to climate change risk management.<br>• Governance structures to support relevant regulatory guidelines on climate-related risks. | • Engaged in activities related to climate change and the low carbon transition for over a decade.<br>• Announced a commitment for Macquarie to align our business operations and financing activities with the global goal of net zero emissions by 2050.<br>• MAM announced a plan to manage its portfolio in line with net zero emissions by 2040.<br>• GIG committed to achieving net zero emissions from financing activities associated with renewable energy generation projects by 2030.<br>• Pursued a sustainability strategy in direct operations, including a commitment to operate on a carbon neutral basis since 2010 and to source 100% renewable energy for Macquarie premises by 2025.<br>• Supported a range of global and national strategies on climate, led by third parties, including the Climate Finance Leadership Initiative and the Global Commission on Adaptation.<br>• Issued £500 million and $US150 million in accordance with the APLMA Green Loan Principles. |
| Progress during FY2022 | • Established Net Zero Program team to coordinate Macquarie-wide climate risk and net zero activity, reporting to CRO and Executive Committee.<br>• Global Green Committee reconfigured to become an action-oriented Climate Solutions Taskforce, led by Senior Management to promote and coordinate climate change mitigation and adaptation opportunities across Macquarie.<br>• Improved Board, executive and staff knowledge of net zero and climate-related risks through training.<br>• Enhancing and embedding climate considerations within existing risk management framework. | • Made a series of new investments in climate mitigation and adaptation spanning established and new technologies, including: onshore and offshore wind, solar, waste-to-energy, battery storage, hydrogen, smart meters and ultra-low emission transport.<br>• Established Global Carbon business to provide integrated carbon offsetting solutions across voluntary and compliance carbon markets.<br>• Established a Climate Intelligence Unit to support and inform Macquarie's engagement and growth in issues related to climate change and the energy transition.<br>• Macquarie senior leaders attended COP26, engaging with government, business and industry leaders.<br>• Hosted annual Green Energy Conference with participation from 2,795 stakeholders and clients.<br>• Grew our internal employee network on sustainability issues, Green@Macquarie, which now has over 2,500 members, and introduced a new weekly briefing on Climate Matters, distributed across Macquarie.<br>• Provided all staff with a briefing programme, 'The road to COP', on the energy transition that delivered eight hours of training on seven topics including carbon markets, decarbonisation for emission intensive corporates and hydrogen. |
| Focus beyond FY2022 | • Continue to enhance and embed climate considerations within existing risk management framework.<br>• Continue to enrich Board and executive insight into and visibility of climate-related risks and opportunities. | • Align our business operations and financing activities with the global goal of net zero emissions by 2050.<br>• Deploy balance sheet and funds under management to develop and invest in projects that support the energy transition.<br>• Provide a range of products and services to support our clients to make progress towards their decarbonisation goals.<br>• Support our clients and portfolio companies to strengthen the climate resilience of infrastructure assets.<br>• Continue to build internal expertise and capacity to support the global energy transition into new markets and across new technologies.<br>• Continue to evolve integration into business strategy planning.<br>• Continue to source 100% renewable energy and work towards full RE100 compliance by FY2023 ahead of our FY2025 commitment. |

(15) Covers Scope 1 and Scope 2 emissions, and business travel.
(16) GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.
(17) The equivalent of 100% of our FY2022 electricity consumption was sourced from renewable sources through a combination of green tariffs (43%) and energy attribute certificates (57%) which have been retired or will be retired by 30 June 2022. Due to a lack of availability, we were unable to source renewable energy certificates within the South Korean market, which is a requirement of the RE100 market boundary criteria. All other renewable energy purchases were sourced in line with the criteria and we are 98.4% compliant at this time. We are working towards full RE100 compliance by FY2023, ahead of our FY2025 commitment.
(18) FY2022 emissions per capita are calculated as total operational market-based emissions of 14,238 tCO2e (covers Scopes 1 and 2 emissions, and Scope 3 business travel) divided by the total headcount of 17,556 (based on total global workforce excluding staff employed in operationally segregated subsidiaries as at 31 March 2022). From FY2022, Macquarie has expanded Scope 3 definitions related to business travel. See page 60 for detail.
(19) Minimum LEED Gold, BREEAM Good or 5 Star Green Star.

| Risk management | Metrics |
|---|---|
| • Incorporated climate-related risks into environmental and social risk and credit analysis for carbon intensive sectors.<br>• Established approaches to transition risk analysis in the oil, gas, coal and power generation sectors of our lending and equity portfolios.<br>• Generated physical and transition climate risk vulnerability heat maps for lending and equity portfolios across sectors and geographies. | • Consistently invested and arranged capital into green energy projects: $A3.1 billion in FY2021, $A9.0 billion in FY2020, $A7.9 billion in FY2019, $9.5 billion in FY2018.<br>• Carbon neutral since 2010.[15] |
| • Included net zero and climate change as causes within Macquarie's *Risk Appetite Statement* supporting consideration as a systemic risk issue.<br>• Conduct physical and transition climate scenario analysis as part of APRA Climate Vulnerability Assessment, in progress.<br>• Conduct screening level climate scenario analysis of commodity trading for Macquarie's European regulated entity, in progress. | • $A2.3 billion invested or arranged in green energy projects in FY2022.<br>• Over 30 GW of green energy assets in development or construction as at 31 March 2022.[16]<br>• 16 GW of green energy assets in operation or under management as at 31 March 2022.[16]<br>• Sourced 100% renewable energy for Macquarie premises.[17]<br>• FY2022 emissions per capita reduced by 91% from FY2010 baseline (43% reduction from FY2021).[18]<br>• FY2022 absolute emissions reduced by 89% from FY2010 baseline (38% reduction from FY2021).[18] |
| • Continue integration of climate-related risks through our risk management framework.<br>• Refine climate scenario analysis and evolve approaches to integrate into broader stress testing.<br>• Evolve strategic response to vulnerability and resilience of our business premises to physical climate risks. | • 20% reduction in electricity use by 2023 (from 2014 baseline).<br>• Continue to source 100% renewable energy and work towards full RE100 compliance by FY2023 ahead of our FY2025 commitment.[17]<br>• 80% of employees in sustainably-rated premises by 2025.[19]<br>• Ongoing enhancement of TCFD disclosures to be consistent with all relevant Task Force recommendations and regulatory requirements. |

## Environmental and social financing

We have seen further growth in demand for environmental and social finance. This is driven largely by the global energy transition and opportunities in transport and mobility, digital infrastructure, housing, education and healthcare where social needs are seeing client demands for capital, innovative financing solutions and support for new technologies.

Macquarie continues to support clients seeking to manage and respond to sustainability challenges and capitalise on emerging opportunities. Drawing on our global network, sector expertise and strong record, Macquarie provides a diverse range of products and services with an ESG focus to corporate, government and institutional clients. Our activities span the investment cycle from research on alternative energy to tailored capital solutions for the development and construction of renewable assets and social infrastructure.

### Our capabilities

**Financing and developing**

- Investment in development projects, platforms and businesses
- Debt and equity investment
- Asset financing, including demand side management, energy efficient assets, distributed generation and battery storage, and electric vehicles.

**Advising**

- Financial advisory
- Debt and equity arrangement
- Green impact assessment, reporting and ratings.

**Managing**

- Real asset management, including green and social infrastructure, equity and debt, asset finance and real estate
- Securities investment management and structured access to funds
- Equity based products and alternative assets.

**Researching**

- Specialist ESG and clean energy research
- Corporate and investor ESG engagement programs.

**Trading**

- Environmental risk management solutions
- Access to wholesale energy markets for renewable energy suppliers, retailers and producers
- Access to voluntary and compliance carbon markets.

### Financing, developing and advising

Macquarie has a substantial and longstanding commitment to the renewable energy sector, offering a full range of financial services and products across the organisation that target investments in projects to support the transition to a low carbon economy. We service clients across various technologies including solar, wind, waste-to-energy, bioenergy, sustainable transport, energy efficiency and decarbonisation projects.

Our GIG business is helping drive the fast-growing renewables power purchase agreement market and Macquarie Capital has been advising clients on over $A30 billion of renewable transactions in the last three years.[20] Macquarie Capital's cash equities team is able to help asset owners in substantially reducing the carbon intensity of their portfolios through their trading expertise. Our CGM business invests in and finances a variety of decarbonisation projects globally as well as a trading platform for ESG inclusive commodities. We also provide emission inventory financing and derivative financing for renewable energy companies and offer a range of specialist asset finance solutions from zero emission transport fleets to smart meters, peaking and flexible power, and sustainable waste solutions.

Macquarie continues to support housing, education and healthcare sectors by advising, sponsoring and investing in social infrastructure, and assisting public and private entities to deliver essential services. By combining advice and capital, Macquarie is helping clients expand access to education and healthcare around the world.

### Managing

Macquarie is committed to evaluating ESG factors in investment decision-making and engaging with its clients on ESG issues as part of its asset management activities.

MAM has established specific ESG policies and approaches that reflect the ESG considerations associated with the breadth of its activities across its Public Investments and Private Markets activities. MAM is also a signatory to the UN-supported Principles for Responsible Investment (UN PRI).

This year, MAM has continued to work closely with companies in its Private Markets portfolio to report and verify their emissions, set targets for emissions reduction, and develop business plans that contribute to a net zero economy by 2040 or sooner. MAM also supported a growing number of these companies to participate in the GRESB sustainability assessment process. Participating portfolio companies continue to see an improvement in their performance, underlining the progress in ESG management across MAM's portfolio and the increasing quantity and quality of ESG information made available to its clients.

(20) Value as disclosed by Inframation.

MAM has also continued to enhance its sustainability efforts in relation to its Public Investments activities.

MAM's Equity and Fixed Income Investment teams have access to ESG analytical tools that provide insight into the carbon footprint of individual investments and portfolios. The tools enable these teams to identify companies aligned with the UN Sustainable Development Goals via MAM's proprietary database and offer guidance regarding material ESG factors that affect a given industry.

MAM is also focused on stewardship, as demonstrated by its proxy voting and engagement efforts. MAM has implemented an updated proxy voting policy and guidelines to explicitly support more favourable ESG resolutions and implemented a pro-active ESG proxy alert system. MAM has also established a centralised ESG engagement tracker and enhanced its participation in collaborative engagements to collectively strive for change across its Public Investments portfolio.

**$A24.3b** renewable energy assets under management as at 31 March 2022(21)

**$A3.6b** assets managed under Public Investment's targeted Responsible Investment strategies

**$A6.9b** funds managed in line with Public Investment's clients' specific ESG goals and screening preferences

MAM continues to participate actively with industry bodies, in working groups and other collaborative initiatives to promote and advance sustainability best practice.

## Researching

It is important to us to keep our clients informed about emerging ESG trends. Macquarie has made ESG a standard component of all Australian stocks initiations and issued specialist ESG reports this year covering topics such as human capital management, company ESG ratings, COP26, sustainable finance and reporting season.

We also hosted virtual investor calls focused on biodiversity, climate litigation, carbon offsets, ethical supply chains, corporate governance as well as other sustainability themed events.

**Top rating** for Australian ESG research by institutional investors in 2021 Peter Lee survey

In Europe, Macquarie has a strategic partnership with Kepler Cheuvreux, a UN PRI signatory. The partnership provides our clients with access to a larger pool of alternative energy research.

In Asia, we are responding to increased client demand for ESG research with an expanded ESG team that works alongside our existing equity and macro research teams. This year, we rolled out sector specific ESG scores for our coverage of approximately 800 companies across 11 Asian markets. Our scoring system layers analysts' impressions of covered companies on top of a rich set of company-reported and third-party data. We provide more context for the scores and company-level ESG performance through sector thematic reports and investor calls on a wide range of topics, from labour rights in Malaysia, to green steel in India, fossil fuel divestment in Japan to EV supply chains in China, and many more.

## Trading

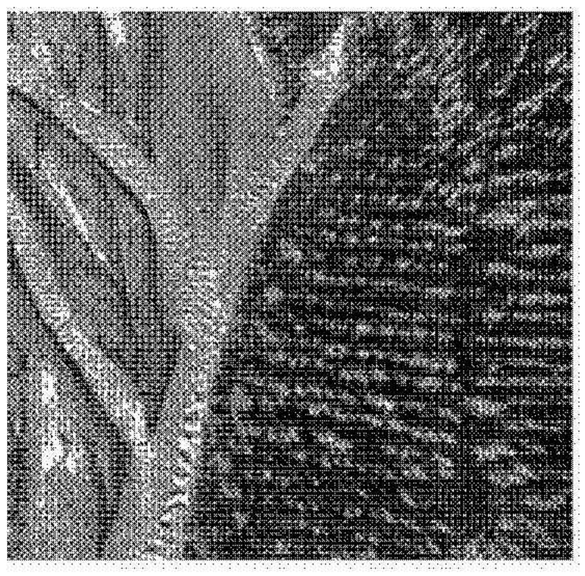
Our CGM business provides risk management and trading solutions to support clients' varying energy transition needs.

We provide wholesale energy market access and hedging for a wide range of green energy suppliers, retailers and producers, such as waste-to-energy and biomass power plants.

We also provide access for corporations, including those operating in hard-to-abate sectors, to both voluntary and compliance global carbon markets to help manage their emission-related risks and achieve their climate goals. Our Global Carbon business, launched in 2021, builds on our voluntary carbon and wider commodity market expertise to provide a range of carbon offsetting solutions. As part of this, the business is developing a portfolio of high-quality offset projects that can be brought to market. For example, together with C-Quest Capital and partners, we have developed a sub-Saharan Africa cookstove program that is expected to result in the abatement of more than 220 million tonnes of carbon over the next 10 years, which are jointly marketed by Macquarie and C-Quest Capital. The program will distribute cookstoves to approximately 3.7 million households, not only providing verified emissions reductions, but also meaningful social and health improvements in these communities.

More detailed information is available at macquarie.com/esg and mirafunds.com/sustainability

(21) Includes equity and debt investments.



# Our work in action



## Enhancing biodiversity

Biodiversity and ecosystem services underpin our society and economies. Exacerbated by climate change, biodiversity loss is accelerating globally. We are evolving our approaches to consider biodiversity and climate change in our investment activities.

As a major agriculture investment manager, MAM is implementing a range of sustainable farm management practices across its portfolio to promote biodiversity, conservation and carbon capture. In FY2022, a MAM-managed fund registered two new environmental planting projects under the Australian Federal Government's Carbon + Biodiversity Pilot initiative. As part of these projects, 67,000 native trees and shrubs will be planted within a 175-hectare conservation area to enhance biodiversity and carbon sequestration, with 28,000 tCO2e projected to be sequestered over the 25-year life of the project.

Similar biodiversity and carbon projects have been implemented across other parts of the portfolio, including two soil carbon sequestration projects registered with the Emissions Reduction Fund. At Steam Plains Station, MAM has commenced the restoration of a former irrigated rice farm to a native grassy-woodland, typical of what would have existed prior to European settlement. Land-use change from an annual cropping system to perennial grasses and native woodland is a well-established method of sequestering carbon in the soil and the project will help the business towards carbon neutrality while enhancing biodiversity. Similarly, at Merrimba Station, New South Wales, a soil carbon project has been established across country suitable for growing multi-species cover crops. Careful management by the station manager has enabled a diverse pasture containing grasses, legumes and forbs to establish, helping to boost soil organic carbon and stimulate life below the soil. Livestock have also been introduced to graze the paddock to maximise vegetative growth and soil carbon sequestration. Preliminary analysis has presented encouraging results, with an estimated 2.9 tCO2e per hectare being sequestered so far.

In New York and New Jersey, Macquarie-managed container terminal operator, Maher Terminals, has repurposed 151 reinforced concrete platforms, initially designed to elevate containers off the ground for screening by US Customs & Border Protection, as artificial reefs. After confirmation from the New Jersey Department of Environmental Protection (NJDEP) that the platforms were ideally suited to serve as foundation material for artificial reefs, Maher committed all necessary funding and coordinated with the NJDEP, longshore labour, and a contractor to relocate the platforms to a designated location where it is creating a new reef ecosystem.

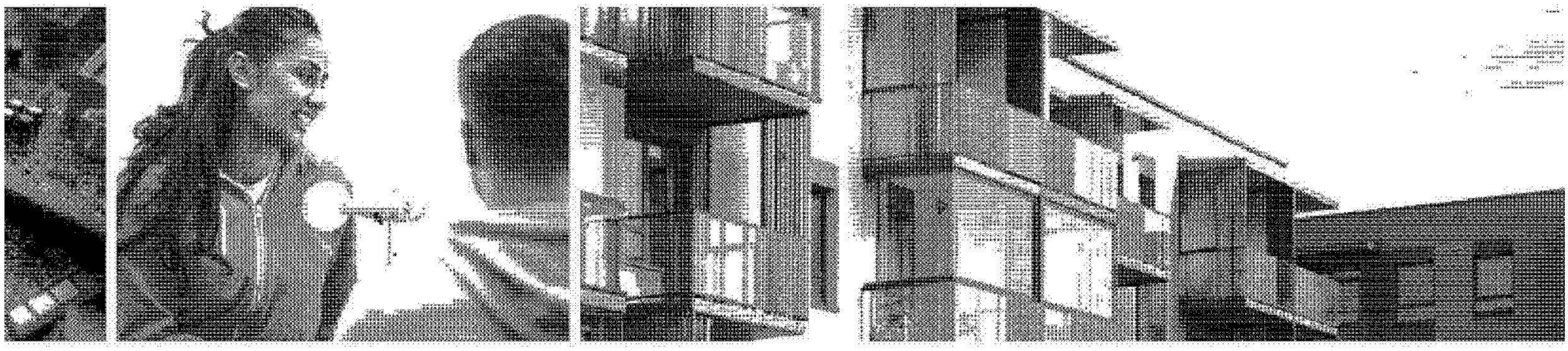
## Funding the circular economy

The circular economy reflects a need for society to rethink its approach to the use of products and raw materials, prevent waste and pollution while supporting the regeneration of natural systems. This is an area of focus for our own operations as well as an area of past and future investment opportunity.

Macquarie's CGM business has recently launched a sustainable device lifecycle program for telecoms corporate customers, enabling more sustainable device management services and increased circularity in the smart device economy. The program aims to do this by extending the useful life of a device through a 'return, refurbish, redeploy' approach, embedding an e-waste recycling solution and offsetting the carbon footprint of the entire device lifecycle.

CGM also provided a construction-to-permanent loan to Camston Wrather, a science and engineering company specialising in the recovery of sustainable resources from e-waste. The loan will support the development of Camston Wrather's production facility in allowing them to fulfil their long-term expansion plans of economically and efficiently lowering the carbon intensity of precious metals, plastics, and other metal products through recycling.

67,000 native trees and shrubs will be planted within a 175-hectare conservation area to enhance biodiversity and carbon sequestration."



## Helping communities transition towards more sustainable economies

The global transition to net zero will bring significant changes and opportunities to communities, and in some cases that will have an effect on people's jobs, especially those employed in high emissions sectors. This is why Macquarie and Generation UK have this year launched a pioneering green jobs programme. The initiative is the first of its kind offering profession-specific training to people facing barriers into employment to help them enter the green sector. The programme has been developed with guidance from experts across Macquarie, GIG, and with catalytic funding from the Macquarie Group Foundation. As at 31 March 2022, 12 learners have completed the course and are accredited.

In Korea, GIG and TotalEnergies have offered scholarships to three outstanding students from the Ulsan Institute of Science and Technology. The scholarships form part of the Ulsan floating offshore wind farm's cooperation programme with the university. In addition to the scholarships, the program fosters the development of local talent through internship programmes and industry-led lectures.

## Investing in social housing

An undersupply of housing, coupled with high property prices relative to wages, continues to drive the need for affordable and social housing across the UK. Recognising this challenge, MAM has been helping to finance the UK's affordable housing sector and local authorities, with more than £800 million invested in these sectors on behalf of clients over the past five years.

This year, MAM provided a long-term debt facility of £50 million to Melin Homes, a charitable registered social housing association in Wales. The financing provides Melin Homes with both flexibility and certainty as it seeks to deliver 1,000 new homes by 2025 and meet its long-term growth ambitions. MAM also provided £80 million of long-term debt financing to not-for-profit association Havebury Housing Partnership. MAM's investment features a minimum 30-year term and a bespoke drawdown and repayment profile tailored to the housing association's investment needs. The debt financing, which forms part of a broader £210 million package, will enable Havebury Housing Partnership to maintain the quality of its existing portfolio and support its goal for all homes to achieve an Energy Performance Certificate of Level C by 2030. The financing will also support the development of 250 new homes per year to 2028.

As the impacts from climate change become more apparent, integrating sustainability and wellbeing into the design of affordable homes has become increasingly important. To support green affordable housing projects in Kenya, UK Climate Investments – a joint venture between Macquarie's GIG and the UK Government – has committed £30 million to help deliver approximately 10,000 new green homes that will provide affordable ownership and rental opportunities for low-income families in the country.

In Australia, a joint venture managed by MAM is launching Local, a new build-to-rent platform designed to create positive change in the Australian housing market. The platform, which incorporates impact housing and targets zero carbon emissions, will seek to provide sustainable housing at an attainable price in an inclusive community for residents. All Local projects will incorporate a targeted component of impact housing with accommodation to create positive social impact, focusing on three groups – key workers such as nurses and hospitality workers, people living with a disability and women over the age of 55 who are at risk of homelessness.

In addition, MAM has launched an impact investing platform focused on specialist disability accommodation dwellings in Australia. The platform intentionally seeks to deliver secure, integrated and sustainable homes to tenants eligible under Australia's National Disability Insurance Scheme. MAM has been engaged in the sector since 2017 and its new venture represents a scaled, institutional-grade investment platform. MAM uses a bespoke framework to manage, measure and report the impact of the portfolio. In addition to social impact, the platform seeks to minimise the environmental impact of its operations through energy saving initiatives and offsets to produce net zero emissions. MAM's involvement – with its housing partners, government and other market players – has helped raise institutional awareness and understanding of the sector as an asset class and its potential for delivering both social and environmental impact.

## Sustainability in direct operations

Macquarie's direct environmental and social impacts predominantly relate to the resources we consume in our offices, data centres, business travel, and our procurement activity. We seek to manage these impacts by monitoring and reducing resource use, maintaining innovative and sustainable workplaces, maintaining carbon neutrality, and improving the sustainability of our supply chain.

Macquarie's 2025 Sustainability Plan articulates our corporate sustainability commitments with specific and measurable targets across environmental and social pillars. In FY2022, the Plan was updated in line with current technical guidance, industry trends and Macquarie's ambition to achieve Net Zero emissions.

### Emissions from energy use and business travel

Macquarie's FY2022 absolute emissions decreased by 38% from FY2021.[22]

Last year, Macquarie committed to reaching net zero operational emissions by 2025.[23] This was supported by existing targets to reduce electricity use and meet all of our operational electricity needs from renewable sources.

This year, Macquarie has sourced the equivalent of 100% of our electricity consumption from renewable sources through a combination of green tariffs (43%) and energy attribute certificates (57%).[24] Due to a lack of availability, we were unable to source renewable energy certificates within the South Korean market, which is a requirement of the RE100 market boundary criteria. All other renewable energy purchases were sourced in line with the criteria and we are 98.4% compliant at this time. We will continue to work towards full RE100 compliance by FY2023, ahead of our FY2025 commitment. Our FY2022 electricity consumption was 40,996 MWh, which is a decrease of 5% from the previous year due to premises upgrades and our cloud transformation strategy that enables rationalisation of servers.

Macquarie has expanded its definition of Scope 3 emissions relating to business travel to include air travel, ground transportation, hotels and food and beverages.[25] Additionally, the air travel emission calculation methodology has matured to be more comprehensive and now reflects the class of ticket flown (for example economy, business class).

Business travel emissions continue to be affected due to ongoing travel restrictions in place since March 2020. In FY2022, we continued to adopt virtual collaboration and conference tools to support effective working from home and to help reduce the need for business travel.

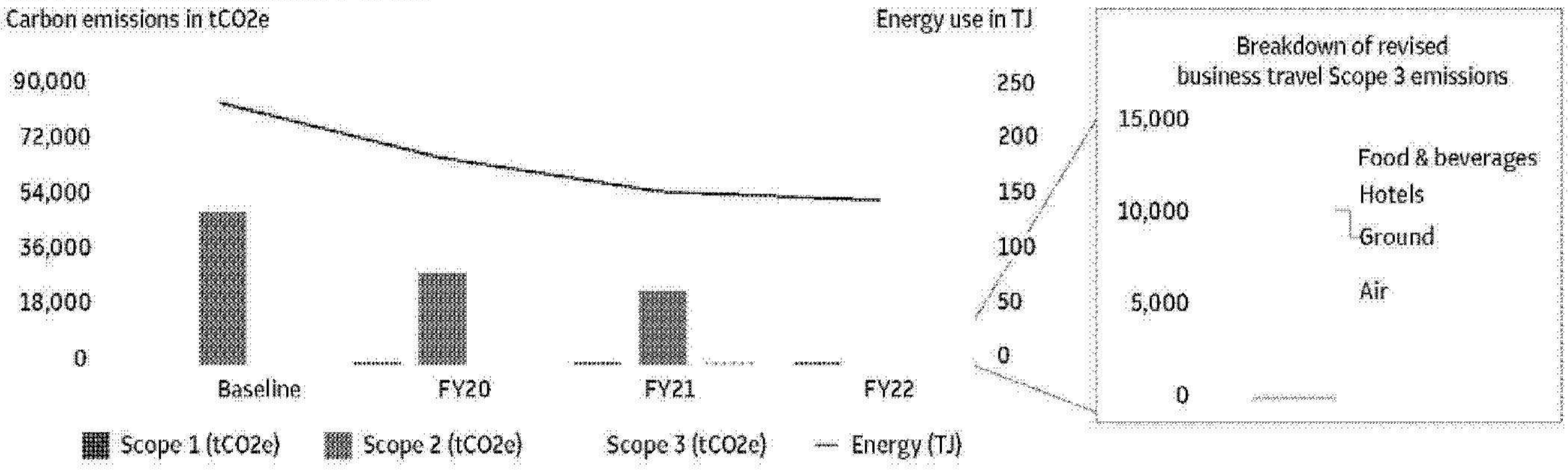
In FY2022, we initiated a review of the additional Scope 3 categories of emissions resulting from upstream operational activities.[26] We will assess the materiality of the emissions from each activity and establish data strategies and calculation methodologies to support baselining and prioritisation of reduction efforts.

Scope 1 emissions are not considered to be material, comprising 2.5% of Macquarie's total operational emissions.

### Carbon neutrality

Since 2010, Macquarie has maintained our carbon neutral commitment by working to reduce and offset emissions.[27] In FY2022, to meet this commitment, Macquarie purchased and retired a portfolio of Australian Carbon Credit Units and other voluntary carbon offsets that meet the Verified Carbon Standard. The projects were selected based on quality and verifiable emissions reductions. Supported by the sale of carbon credits on international markets, they provide solutions to reduce carbon emissions in each of the regions in which Macquarie operates.

**Carbon and energy data for FY2022[28]**




(22) Unless otherwise stated, all operational emissions in this report have been calculated using the market-based method. PwC has provided limited assurance over selected information for the FY2022 reporting period as detailed in its independent assurance report available on Macquarie's website. The assurance report includes a table outlining Macquarie's carbon and energy data for the last 10 years as well as a definition of the different scopes.
(23) Operational emissions include Scope 1 and Scope 2 emissions, and emissions from business travel.
(24) Energy Attribute Certificates have been retired or will be retired by 30 June 2022.
(25) Food & beverages include entertainment and business travel.
(26) As defined in the Greenhouse Gas Protocol.
(27) Covers Scope 1 and Scope 2 emissions, and business travel.
(28) Note that the baseline for Scope 2 electricity emissions is FY2009 while, due to data availability, the baseline for Scope 3 business travel emissions is FY2010. As highlighted in the text, FY2022 Scope 3 emissions are not comparable to previous periods due to a change in methodology.

## Sustainable buildings

Macquarie's corporate offices are fitted with water and energy efficient fittings and fixtures and are continually monitored for energy performance, environmental quality and staff comfort. Macquarie's new global headquarters, currently being developed in Sydney, achieved a 6-Star Green Star Design rating. The design of the public spaces in the development are informed by community consultation and will integrate public amenities, First Nations design principles, native plants and public art. At the end of FY2022, 71% of Macquarie staff occupied a sustainably-rated office.[29]

## Resource efficiency

We continue to raise staff awareness and improve recycling rates across our regional headquarters. In all major Sydney offices and our London headquarters, we reached an average recycling rate of 45%. Office closures and reduced occupancy during the pandemic have impacted our waste data collection and verification. This is scheduled to resume as our people return to office.

In addition, in FY2022, we committed to divert a minimum of 75% of the construction and demolition waste from landfill, and the elimination of single use plastic in premises operations by FY2025.

In FY2022, paper use remained the same as FY2021. Paper use data is collected across most of Macquarie's offices, representing approximately 97% of Macquarie staff. In addition, we have increased our commitment to a 60% reduction target by FY2025 from a 2019 baseline. The environmental impacts of paper use are also being addressed through an ongoing commitment to use certified sustainable or recycled paper stock for 100% of office paper needs.

Following a review in FY2021, we have committed to managing all our electronic waste through sustainably-certified suppliers to ensure it is managed in a responsible manner.

## Sustainable procurement

Macquarie is enhancing its procurement strategy to drive positive environmental, social and economic impacts across our supply chain. A sustainable procurement framework is in development to integrate sustainability considerations throughout the procurement lifecycle. This will bring our approach in closer alignment to global best practice as outlined in the ISO 20400: 2017.[30]

This will support our revised commitment to increase spend on environmentally and socially sustainable products to 80% of our global purchasing needs for prioritised goods by 2025 and 100% by 2030.

Macquarie continues to implement a risk-based approach to environmental and social due diligence in our supply chain. Macquarie includes environmental and social risk requirements within relevant commercial agreements and tender documents. Since the inception of the *Supplier Governance Policy* in mid-2019, over 1,250 suppliers have responded to Macquarie's ESG questionnaire developed to assess their ESG credentials, and over 1,050 have acknowledged our *Principles for Suppliers*. Our risk-based independent assurance programme involves an in-depth assessment and onsite meetings with suppliers exposed to heightened environmental and social risks based on the country of operation and service category. Border and office closures due to the ongoing COVID-19 pandemic continue to impact our ability to fully execute the intended assurance plan. Macquarie remains committed to this process and focussed on expanding it as offices reopen.

In FY2022, we developed a more extensive "Responsible Supply Chain" contractual clause which requires relevant suppliers to comply with our *Principles for Suppliers*, maintain written records documenting their compliance with the Principles and allow Macquarie to assess the suppliers' compliance. This will be incorporated as a standard clause for any new suppliers exposed to heightened environmental or social risk, whilst contracts for existing suppliers will be revised at the point of renewal.

Macquarie's approach towards identifying and mitigating the risk of modern slavery within our supply chain and business operations is set out in our *Modern Slavery Transparency Statement* as described on page 49.

In FY2022, Macquarie spent over $A16.5 million (or 0.5% of global spend) with minority-owned businesses in our tier one and two supply chain.[31]

We continue to be committed to sourcing 1% of our global spend from diverse suppliers and have now expanded our strategy to include 10% of small suppliers by 2025.

Further information is available at **macquarie.com/esg**

The *Principles for Suppliers* are available at **macquarie.com/suppliers**

Macquarie's *Modern Slavery Transparency Statement* can be downloaded from **macquarie.com/esg**

(29) Minimum LEED Gold, BREEAM Good or 5 Star Green Star.
(30) The International Standard for Sustainable Procurement that provides guidance to organisations, independent of their activity or size, on integrating sustainability within procurement.
(31) Includes qualified businesses from traditionally under-represented groups such as companies owned and operated by minorities, women, Indigenous Australians and small business. Tier 1 is defined as spend incurred via diverse suppliers directly contracted by Macquarie. Tier 2 is spend incurred via fourth parties meeting the diverse supplier definition, indirectly supporting goods and services delivered to Macquarie.

## Client experience

Clients are at the core of our business. They put their trust in Macquarie by choosing to work with us, and we seek to maintain this trust by focussing on delivering exceptional client experiences and outcomes.

Macquarie relies on building and maintaining enduring relationships with our co-investors, corporate, institutional, government and retail clients across all our businesses.

Our specialist teams engage with our clients through a variety of channels including one-to-one contact, video and online, knowledge-based conferences and events, and other insight-based communications. We collect formal and informal feedback and use client and data insights to help shape our products and services.

### Supporting clients

As part of our ongoing program of work to support our clients, Macquarie has continued to build staff capability.

Macquarie's Banking and Financial Services (BFS) business has introduced an online First Nations cultural competency training program for relevant BFS client-facing teams, which was developed by an Australian Indigenous business specialising in cultural competency training. The program is designed to enhance participants' understanding of Indigenous people, culture and history while providing practical knowledge and skills to serve and support First Nations people more effectively.

BFS also delivers quarterly virtual workshop training for specialist teams assisting clients experiencing heightened vulnerability and continues to deliver a support program providing bespoke assistance tailored for client needs. This may include a direct paid referral to an external specialist holistic community support services provider with whom BFS partners to support our clients.

In addition, BFS has continued to offer financial support to clients impacted by natural disaster events. The business has recently streamlined and enhanced its natural disaster response processes.

### Our response to COVID-19

Amidst the changing external environment of the pandemic, Macquarie has continued providing tailored support to clients impacted by COVID-19. BFS delivered relief via its existing financial assistance service and Business Banking relationship managers worked closely with SME clients to provide personalised care and support. Since the beginning of the pandemic, CGM has continued to look for ways to help clients with their long-term resilience and response to disruption and has recently shifted its focus to supply and demand challenges triggered by the pandemic that have contributed to market volatility. CGM's expertise and strong market position enables the business to work closely with clients to help them navigate the challenges of the current environment. Macquarie Capital has also been providing expertise, advice and capital solutions to help our clients and partners to navigate COVID-19 and the related market disruption – from strategic advisory and capital raising to supporting our clients' continued growth and transformation in key sectors reshaped by COVID-19, such as healthcare and education.

Throughout the pandemic, we have been evolving how we partner and engage with our clients. We are now enhancing and embedding many of the changes trialled at the beginning of the pandemic. For example, MAM held its Annual Meetings virtually again this year, making it easier for investors to access the events, and resulting in significantly higher client attendance compared with prior in-person and virtual events. We also continue to invest in the quality of our digital client experience, with thought leadership webinars, virtual knowledge sharing forums and tools such as MAM's client portals, which enable easy and timely access to key investment information.

As the pandemic has presented new opportunities for fraud attempts and phishing scams, BFS initiated a proactive campaign to educate clients on fraud protection and provide a range of educational resources. This campaign, combined with leading digital security features such as the Macquarie Authenticator mobile app, is a key part of our proactive approach to keeping clients' information safe.

### Fair and efficient resolution of issues

Reflecting our commitment to our clients, Macquarie Bank Limited subscribes to the Australian Banking Association *2019 Banking Code of Practice* (as amended).

Macquarie has a robust complaint management framework across our retail banking business to ensure client complaints are resolved quickly and fairly. BFS teams analyse complaint data to understand the root causes of complaints so they can be addressed at their source, with oversight from senior management. In FY2022, 44% of BFS complaints were resolved within the same business day and 90% within five business days. For the second year running BFS external complaints with the Australian Financial Complaints Authority were lowest in the sector relative to loan and deposit funds under management.

Macquarie's Customer Advocate is separate to the operating, risk and support groups including our internal dispute resolution teams and reports directly to the CEO. The Customer Advocate's role is to:

- listen to our customers and provide a customer-centric voice when making recommendations to improve customer experience
- minimise the risk of future problems by reviewing key customer themes and new product approvals to identify opportunities to enhance products, services, systems and processes
- work with Macquarie complaint teams to promote fair and reasonable customer outcomes.

Further information is available at macquarie.com/bank

Further information on the Customer Advocate office is available at macquarie.com/customer-advocate

The *Banking Code of Practice* can be downloaded at macquarie.com/banking-code

# People and workplace

Macquarie recognises that our most important assets are our people. We recruit talented individuals and encourage them to realise their potential in an environment that values excellence, innovation and creativity. By supporting their development and wellbeing, we ensure Macquarie continues to meet the highest standards and serves the evolving needs of our stakeholders.

## Evolution of the Macquarie Leadership Standards

In FY2022, new Leadership Standards were launched for all Macquarie director-level staff. The Standards were used this year to establish promotion criteria for all director-level staff, following last year's successful pilot for Executive Director promotions. Further, as part of broader succession planning efforts, the Executive Committee have all undertaken personal development planning aligned to, and grounded in, the Macquarie Leadership Standards. The Standards also underpin the design of the new Director Leadership Program (DLP). This program was designed and built for Macquarie's Associate and Division Directors globally, and the learning outcomes are mapped to each of the standards. DLP was piloted in FY2022 with 23 Associate Directors from ANZ. The pilot received favourable feedback, delivering on its objective to build leadership capability, and will now scale and launch globally. By participating, director-level staff will deepen their understanding of what it means to be a leader at Macquarie, and further develop a sense of personal responsibility to lead in alignment with the Macquarie Purpose and Leadership Standards.

## Future-skilling

Acknowledging the industry demand for certain future-focussed skills along with competition for talent in the marketplace, Macquarie, like many organisations, has been investing in and growing these skills for many years. In FY2022, a cross-functional team used a human centred design approach to undertake a review of how the current and future needs of our people and our businesses continues to evolve. Based on the early outcomes of this review, the team launched a data capability future-skilling pilot. Learnings from this pilot will inform further evolution of the global approach to addressing future-skilling needs across Macquarie.

## Training

During FY2022, 2,683 instructor-led courses were delivered globally, 503 of these sessions were on Management and Leadership, 271 on Personal Effectiveness and 85 on wellbeing. As well as instructor-led offerings, 1,587 web-based training sessions were completed.

Recognising the ongoing impact the global pandemic has on the wellbeing of our people, Macquarie made a non-mandatory masterclass available to all director-level staff (globally 867 director-level staff attended). The masterclass specifically focused on the topic of burnout and provided tools for attendees as individuals, and as leaders to support their teams.

## Early career pipelines

Empowering and investing in early career talent is a global priority aligned to our purpose.

Macquarie's CEO, Shemara Wikramanayake, is an advocate for the Girls Who Invest vision that 30% of the world's investable capital is managed by women by 2030. Macquarie participates in the Girls Who Invest internship program in the Americas, hiring two sophomore interns each year. In FY2022, the Americas also launched two new early careers partnerships, sourcing interns from Sponsorship for Educational Opportunity and BLK Capital Management.

In EMEA, the Early Careers Team have refined the eligibility criteria and recruitment process for the Junior Associate Program to ensure positive diversity outcomes. The Junior Associate program is a partnership between Macquarie, London Works and the Social Mobility Foundation to provide careers access to social mobility candidates who are currently studying at a London University. Students gain valuable experience by working with Macquarie two days per week whilst they complete their degree.

In Australia, 36 individuals from asylum seeker and refugee backgrounds and 14 First Nations interns completed paid summer internships via the Career Seekers and Career Trackers programs. These programs provide students with the experience and skills development they need to launch their careers.

## Talent and performance management

Macquarie's approach to identifying and developing talent continues to evolve into a more integrated, developmental approach focused on generating strategic talent insights and a positive employee experience.

FY2022 saw all Operating and Central Service Groups formalising a new Macquarie-wide consistent, technology-enabled performance management approach that promotes ongoing performance and development check-ins and at least one annual career development conversation, in addition to an annual performance appraisal. In FY2022, the number of career development conversations doubled, and feedback collected from our people via human centred design empathy interviews indicates these conversations are highly valued and are felt to be effective tools to support career progression.

Macquarie's approach to performance assessment has also evolved to more clearly distinguishing what someone achieved and how they achieved it. This distinction leads to greater emphasis on assessing whether behaviours are aligned to our cultural expectations and our *Code of Conduct*.

# Environmental, Social and Governance

Continued

As Macquarie continues to grow, the continued focus on strong talent and performance management practices has enabled managers to effectively hire and integrate new colleagues in record numbers in FY2022. The majority of new hires joined to take on new roles that support Macquarie's strong performance, although at 14.8%, voluntary turnover is higher than it was during the pandemic, reflecting global industry trends.

## Hybrid working

Around the world, our people have continued to work in a hybrid manner, balancing time spent in the office (where permitted by local regulations) with time working from home. Throughout the pandemic, Macquarie has provided people with the tools and technology to enable them to collaborate effectively. This year, Macquarie reaffirmed our ongoing commitment to flexible and hybrid working and provided all people with a common definition and guiding principles for leading hybrid teams. All teams have been encouraged to work together to develop and iterate hybrid working arrangements that enable them to achieve positive outcomes on wellbeing, relationship building, risk, regulatory requirements, learning, career progression and innovation.

## Diversity, Equity and Inclusion

Macquarie's ongoing commitment to workforce Diversity, Equity and Inclusion ensures that our business remains innovative and sustainable and continues to meet the evolving needs of our clients.

The diversity of our people and the unique ideas they bring are key strengths and critical to the wide range of services we deliver across a global operating environment.

Information on our approach to diversity, equity and inclusion is provided in the **Diversity, Equity and Inclusion** section of this Annual Report

Further information is available at **macquarie.com/esg** and **macquarie.com/careers**

## Business conduct and ethics

Macquarie's organisational culture drives the way we do business, and our expectations of our staff are outlined in the *Code of Conduct*. Our approach is based on three long-held principles: Opportunity, Accountability and Integrity.

Macquarie's purpose 'Empowering people to innovate and invest for a better future' represents *why* we exist and *what* we do. We believe that by empowering people – our colleagues, clients, communities, shareholders and partners – we will achieve our shared potential.

Macquarie's Risk Culture and Conduct team is responsible for developing and maintaining frameworks for risk culture and conduct risk, and monitoring and reporting on the implementation of those frameworks across Macquarie. As part of their role, the team:

- assesses the risk culture across the group and provides oversight of its alignment to Board expectations
- challenges and advises Macquarie teams on how to enhance risk culture maturity
- assesses, challenges and advises on the effective identification, evaluation, and management of conduct risk.

Macquarie's Integrity Office provides an internally independent and confidential point of contact for Macquarie staff and external parties to safely raise concerns about improper conduct. It is responsible for implementing the *Whistleblower Policy* and for managing the investigation of concerns raised under this policy, including any raised through the Macquarie Staff Hotline. The Integrity Office reports to the Macquarie CEO and provides regular reports to the BGCC.

**64** Disclosures to the Integrity Office in FY2022[32]

The Integrity Office also promotes high ethical standards and good decision-making through communications and engagement with staff.

Information on our risk culture and approach to conduct risk is provided in the **Risk Management** section of this Annual Report

## Tax transparency

Macquarie acknowledges stakeholder expectations for increased transparency on tax-related matters. Macquarie is a signatory to the Australian Board of Taxation's voluntary Tax Transparency Code.

More detailed information on Macquarie's approach to tax transparency is available at macquarie.com/fy22-tax-transparency

## Political engagement and public policy

Macquarie believes we need to be engaged and understand the evolving policy, political and regulatory environments in Australia and other jurisdictions in which we operate, as these factors impact our business as well as our clients' businesses.

As a listed financial institution operating in highly regulated sectors, we have a responsibility to our shareholders, clients, counterparties and employees to understand and contribute to public policy and to ensure that our organisation and operating environments are well understood by parliamentarians and policy makers. Additionally, our clients, many of whom also operate in regulated sectors, expect us to have detailed current knowledge of public policy issues and drivers when we provide advice and services to them.

Macquarie contributes to public policy in the markets in which we operate in the following ways:

- making submissions to industry consultation processes and inquiries, where appropriate. These may be processes established by parliaments, government departments or government agencies such as regulators. Submissions may be made by Macquarie directly or as part of a broader industry group
- participating in government and other policy advisory panels when invited to do so, and where we can make a differentiated contribution based on our expertise
- engaging with parliamentarians and policy-makers through avenues such as formal meetings, attending events, speaking in public forums and appearing before parliamentary inquiries where appropriate
- contributing to the advocacy work done by industry groups in key markets around the world. Given the diversity of Macquarie's business activities, we are members of industry groups representing sectors such as financial services and markets, infrastructure, energy as well as general business peak bodies.

In Australia, political parties are funded by a mix of public and private monies. As part of its engagement with the Australian political process, Macquarie provides financial support to the major political parties, primarily through paid attendance at events.

Macquarie has a full disclosure policy and declares all monies paid to political parties to the Australian Electoral Commission (AEC) regardless of any thresholds or other provisions that may otherwise limit the need to disclose. This disclosure is made by way of an annual AEC return on a 1 July to 30 June basis and is published by the AEC in the February following the end of the disclosure year.

(32) Covers all disclosures made to the Integrity Office, including whistleblower disclosures, and includes disclosures made through the anonymous reporting channel.

In the year ended 30 June 2021, Macquarie's political contributions in Australia totalled $A230,400 comprising: $A108,064 to the Liberal Party of Australia; $A110,961 to the Australian Labor Party; and $A11,375 to the National Party. Contributions were to meet the costs of memberships of political party business forums, attendance at events and party conference corporate days, and sponsorship of events. Macquarie did not make any direct donations.

Macquarie does not generally make political donations in other jurisdictions.

## Cybersecurity

Macquarie recognises that cyber and information security risk is inherent in the use of the technology platforms that support our business activities. We manage cyber and information security risk through Macquarie's operational risk management framework, detailed in the Risk Management section of this Annual Report.

Macquarie complies with cybersecurity regulations and laws in the countries in which it operates.

In FY2022, Macquarie has observed the increasing adoption of hybrid working arrangements, and high profile external ransomware attacks that are impacting company supply chains. In response Macquarie has performed assessments to ensure controls implemented are appropriate and staff are adequately trained to operate securely and can respond to specific threats such as ransomware.

## Data Privacy

Macquarie has a *Group Privacy Policy* that sets out why we need to collect personal information, how we collect it, what we do with it, how it is stored and who we might share it with. The policy also describes how individuals can access or correct information about themselves and how to ask further questions or make a complaint. The policy is available on Macquarie's website. It is administered by a dedicated privacy and data function and is supported by privacy and data training and awareness activities.

Macquarie has processes in place to investigate data breaches involving personal information and will notify clients, customers, regulators, and other appropriate stakeholders of a data breach that has a material impact where we are required to do so under local legislation or as is otherwise appropriate in the circumstances.

Macquarie has had one data breach that has been required to be reported under any data protection regimes in which Macquarie operates for the year ended 31 March 2022.[33]

Further information is available at **macquarie.com/corporate-governance**

Our policies are available at **macquarie.com/esg**

(33) For example, as per section 26WE of the *Australian Privacy Act 1988* (Cth) and reportable under Part IIIC of the Act.

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# Macquarie Group Foundation

Macquarie Group Foundation (the Foundation) is the philanthropic arm of Macquarie. The Foundation encourages our people to give back to the communities in which they live and work by contributing service, leadership, and financial support to the causes and community serving organisations they feel passionately about.

**$A520m+**
contributed since inception

**2,300+**
non-profit organisations supported in FY2022

**$A44m**
contributed in FY2022

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The Foundation's total giving since inception surpassed half a billion dollars in FY2022, totalling $A520 million.

Amid ongoing challenges around the world, including the continued effects of the pandemic, this year the Foundation focused on supporting existing and new grant partner relationships, and engaging our staff and businesses to support the communities where they live and work. In FY2022, a total of $A44 million was contributed to 2,300 community organisations around the world by Macquarie people and the Foundation.

Focusing on the communities where Macquarie people live and work enables a better understanding of local needs and helps to leverage employee time, expertise, and networks for greater impact. In FY2022, our people continued to volunteer their time in a variety of ways, including pro bono service and leading on non-profit organisation boards. Many employees provide their time and skills to non-profit organisations supporting social and economic mobility of young people, aligned with the Foundation's global grant-making focus.

Virtual volunteering remained active throughout FY2022, with Macquarie people continuing to be highly engaged in global initiatives such as Foundation Week, as well as regional initiatives including Mentoring Week in the Americas, Better Migration Week in Asia, Raise mentoring in ANZ and Social Mobility Week in EMEA.

The eighth annual Foundation Week in October 2021 saw a total of $A2.7 million contributed to 175 non-profits, with more than 212 fundraising and volunteering events held across 44 offices. By hosting 87% of Foundation Week fundraising and volunteer events either virtually or in a hybrid way[1], Macquarie people ensured the non-profit organisations they were passionate about still received critical support despite the ongoing pandemic.

## Humanitarian support for Ukraine

In support of communities and families across Ukraine, our people and the Foundation have to date donated a total of $A3.5 million to organisations working to provide vital humanitarian support. Recipients included International Medical Corps and Razom.

## $A20 million allocation for Social Impact Investing

To expand the scope and scale of the Foundation's impact, a one-time $A20 million allocation was made to the Foundation to enable the expansion of the Social Impact Investing program over the coming years. This activity aims to generate positive, measurable social returns, with any financial returns returned to the Foundation for additional social impact. The allocation builds on the Foundation's $A1 million impact investing pilot, as well as over 10 years of wider sector support.

## Green Jobs program launch

In FY2022, Macquarie and Generation UK launched a pioneering green jobs programme. The initiative is the first of its kind offering profession-specific training to people facing barriers into employment to help them enter the green sector.

The programme has been developed with guidance from experts across Macquarie, the Foundation and Green Investment Group (GIG), with catalytic funding provided by the Foundation. 12[2] learners have completed the course and are accredited.

## Racial Equity Fund expanded

The Macquarie Racial Equity Fund (REF) was established in 2020 in the Americas to support solutions that promote a more equitable and just society for all people.

In FY2021 and FY2022, $US1 million from the REF was allocated across eight organisations supporting one-off and multi-year projects, including Black Girls Code, the Thurgood Marshall Scholarship Fund, and YWCA's WE360 project supporting entrepreneurs of colour. In FY2022 Macquarie expanded the REF to $US5 million over five years to support direct relief programs, research, policy, education and economic equity initiatives.

(1) Where safe to do so and local restrictions allowed.
(2) As at 31 March 2022.

## Supporting social and economic opportunities

In FY2022, the Foundation continue to provide a flexible approach to grant making as the effects of the pandemic continued to challenge communities around the world.

The Foundation's grant making focus continues to target social and economic opportunities for young people, with a multi-year grant portfolio supporting community organisations around the globe. Working with these partners, the Foundation aims to maximise social impact with both financial resources and the skills and networks of our people. Macquarie people are engaged with many of the grant partner organisations through skilled volunteering, mentoring, career development and employability programs. These organisations include The Opportunity Network in the Americas, Generation Australia in ANZ, NavGurukul in Asia and Social Mobility Foundation in EMEA.

## COVID-19 donation fund fully deployed

In FY2022, the Foundation fully deployed the COVID-19 donation fund, with grants made in FY2021 and FY2022 to 40[3] organisations in 32[4] countries across three focus areas:

- **direct relief**: $A7.35 million allocated to 29 organisations
- **health research**: $A2 million allocated to two Australian projects
- **economic recovery**: $A10.65 million allocated to 12 organisations.

## Macquarie 50th Anniversary Award

In 2019, Macquarie announced five winners of the Macquarie 50th Anniversary Award to each receive $A10 million over a five-year period for bold, social impact projects: Last Mile Health, Monash University's World Mosquito Program, Murdoch Children's Research Institute's World Scabies Program, Social Finance and The Ocean Cleanup.

Throughout FY2022, the five winners continued to make significant progress against social and environmental issues while adapting to pandemic challenges.

For more information about the Macquarie 50th Anniversary Award, see pages 70 and 71.

## Macquarie Sports

With COVID-19 lockdowns continuing to affect Macquarie Sports' clinics, Macquarie Sports launched the Virtual Ambassador Program, aimed at inspiring children to pursue sports through virtual interactions with Australian sporting identities. More than 900 students from nine primary schools across Australia participated in the pilot program, which gave many remote and regional schools the opportunity to engage with some of Australia's best sportspeople during the pandemic. Participating schools were also sent shipments of sporting equipment to encourage ongoing involvement in sports and physical activity.

In FY2022, the Macquarie Sports Scholarships aligned with Macquarie's Summer Internship Program. Scholarship recipients benefited from this alignment with an 11-week work placement and greater networking and program opportunities alongside the group-wide summer internship cohort.

## Macquarie Group Collection

The Macquarie Group Collection's (the Collection's) annual Emerging Artist Prize and Exhibition celebrated its 10th year. In recognition of this milestone, 10 finalists were selected from a record number of submissions, enabling more emerging artists to be supported. The event was once again held virtually, with strong external engagement following a successful social media campaign.

The Collection has been supporting emerging Australian artists for over 30 years by acquiring and displaying their works in Macquarie offices around the world. The Collection features art in all media, around the theme The Land and its Psyche, reflecting the diversity of the Australian landscape as seen through the eyes of its artists. Now comprising more than 950 works selected by a volunteer committee of Macquarie employees and a curatorial expert, the Collection is on display in around 41 Macquarie offices worldwide.

## FY2022 contribution amount

Total Macquarie spend
(including matching of staff contributions)

**$A31,629,000**

Staff contribution
(estimation based on Foundation match funding)

**$A12,596,000**

(3) Three organisations received more than one grant.
(4) Country total includes both project location and organisation headquarters location where applicable.


Last Mile Health


Murdoch Children's Research Institute's World Scabies Program


Monash University's World Mosquito Program

MACQUARIE

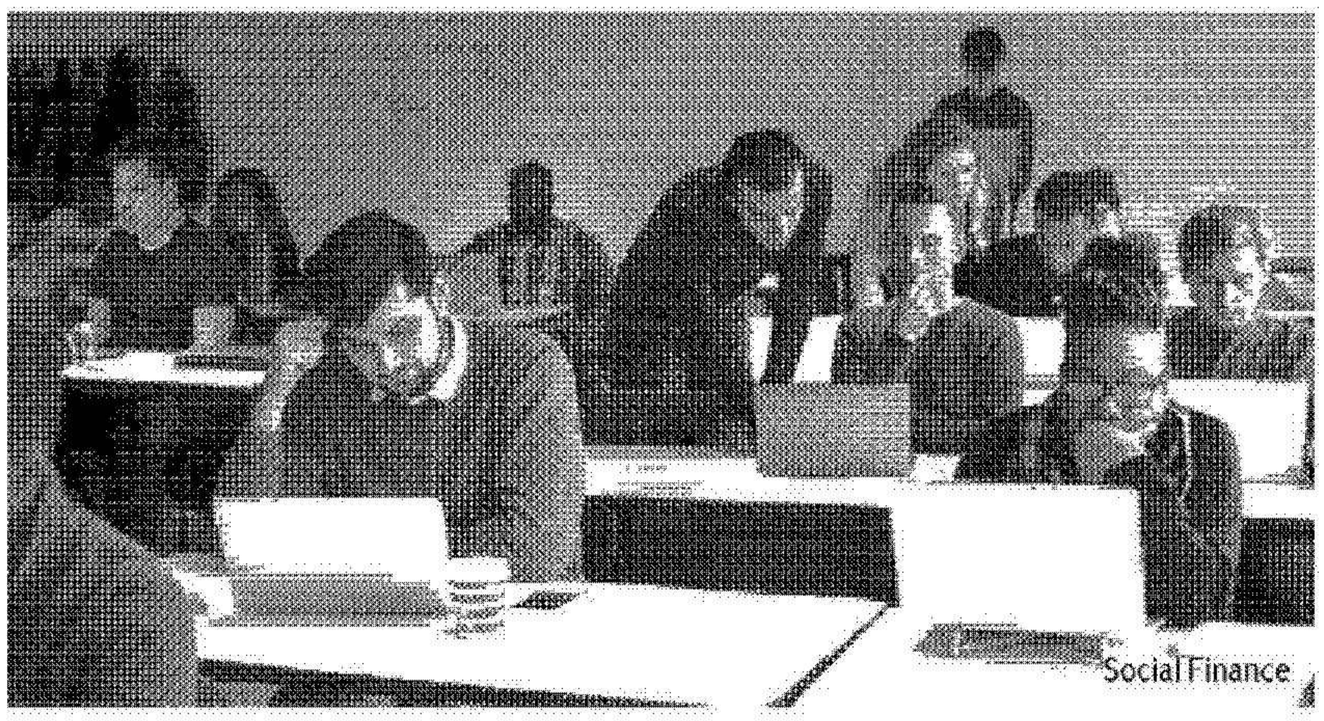
**Macquarie Group Foundation**

50 ANNIVERSARY AWARD

# Spotlight on our 50th Anniversary Award winners

In 2019, Macquarie announced five winners of the Macquarie 50th Anniversary Award to each receive $A10 million over a five-year period for a bold, social impact project: Last Mile Health, Monash University's World Mosquito Program, Murdoch Children's Research Institute's World Scabies Program, Social Finance and The Ocean Cleanup.

Throughout FY2022, the five winners continued to make significant progress against social and environmental issues while adapting to pandemic challenges.



Social Finance

## Last Mile Health

### Saving lives in the world's most remote communities

Last Mile Health, in partnership with governments in four countries in Africa, continued to strengthen high-quality, data-driven community health systems, including the programs and policies that guide teams of health workers and health leaders to deliver high-quality care in remote communities. A total of 4.5 million people were served by community health workers that were supervised, skilled, supplied, or salaried in partnership between a Ministry of Health and Last Mile Health.

## Monash University's World Mosquito Program

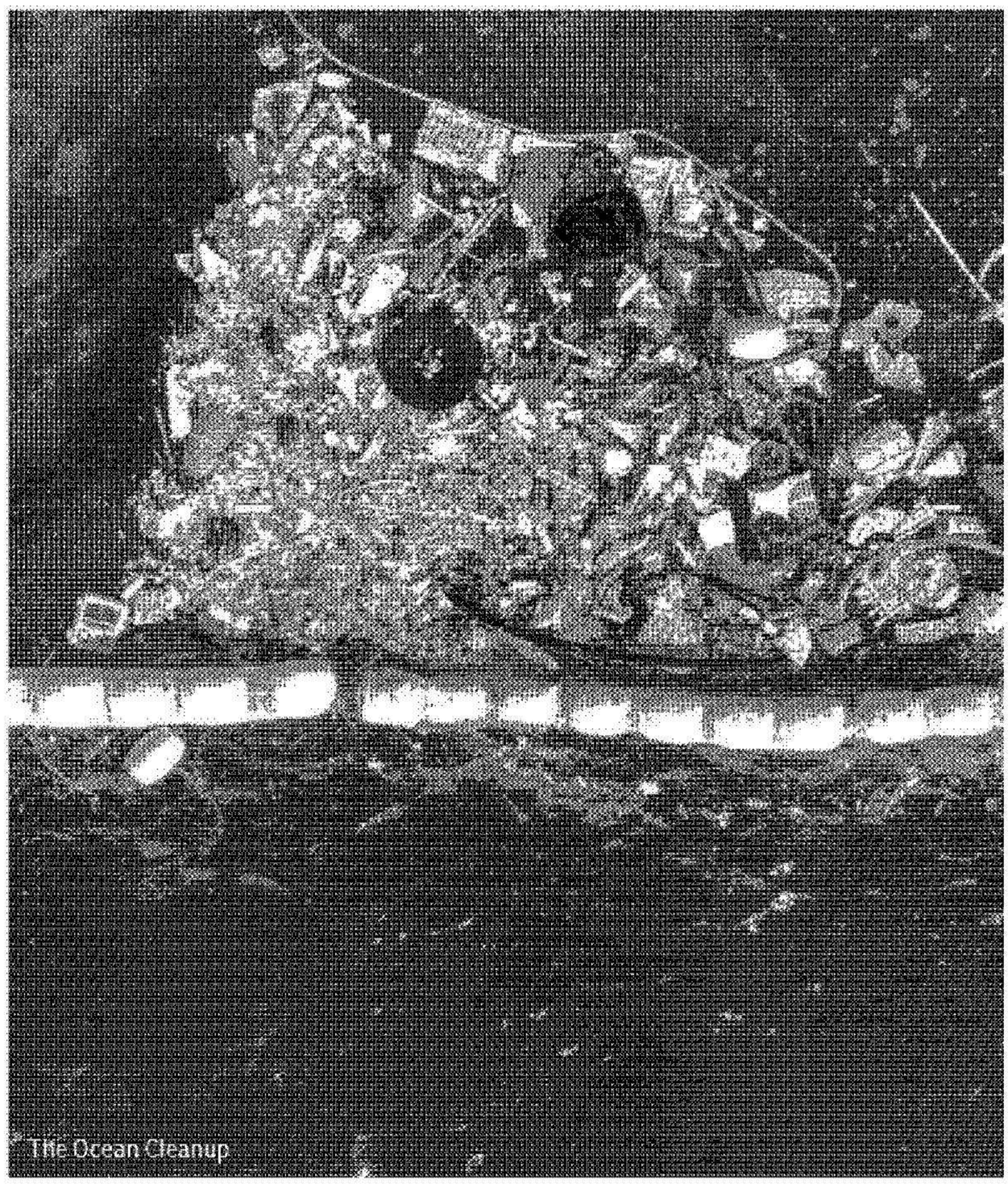
### Protecting vulnerable communities from mosquito-borne diseases

The Monash University's World Mosquito Program reached a major milestone during the year with the results of their landmark Wolbachia trials, conducted in Yogyakarta, Indonesia, being published in the New England Journal of Medicine. The results of the trial found that Wolbachia deployments amongst mosquito populations reduced incidents of dengue by 77% and dengue hospitalisation by 86%. The results set a new benchmark for the use of this sustainable method to combat the spread of dengue and other diseases.

## Murdoch Children's Research Institute's World Scabies Program

### Taking action to eliminate scabies across the world

In research released during the year by Murdoch Children's Research Institute's World Scabies Program in collaboration with the Fiji Ministry of Health and Medical Services and the Kirby Institute at the University of New South Wales, a study noted one dose of the anti-parasite drug ivermectin is just as effective as two at significantly reducing the spread of scabies. This study paves the way for a more cost-effective and efficient one-dose strategy for scabies control in countries where the disease is endemic, such as Fiji and the Solomons where Macquarie's funding is helping to significantly reduce the incidence of scabies and prevent further disease.



The Ocean Cleanup

## Social Finance

### Mobilising capital to drive social progress

Working with the public, private and social sectors, Social Finance developed relationships with 65 new partners and mobilised $US65 million of capital for projects in its economic mobility portfolio. This portfolio has increased access to effective education and training programs for approximately 2,500 students, with the goal of preparing workers for jobs that lead to sustainable careers and a more equitable society.

## The Ocean Cleanup

### Developing advanced technologies to rid the world's oceans of plastic

Non-profit environmental organisation The Ocean Cleanup made substantial progress in their mission to rid the world's oceans and rivers of plastic, pioneering ground-breaking research, reaching proof of technology with their latest ocean system (System 002, aka Jenny), and deploying new interceptor solutions that prevent plastic from entering the ocean from rivers in Dominican Republic, Malaysia, Jamaica and Vietnam.

For more information on the Macquarie 50th Anniversary Award winners, visit macquarie.com/50award

# Risk Management

## Risk governance at Macquarie

### Role of the Board

The role of the Board is to promote the long-term interests of Macquarie, taking into account Macquarie's specific and broader responsibilities to its shareholders, funders, clients, staff and the communities in which it operates. The Board is committed to oversight of Macquarie's performance, risk management, engagement with regulators and culture and to promoting the creation of enduring value by realising opportunities for the benefit of our clients, community, shareholders and our people. Macquarie's robust risk management framework supports the Board in its role. The Board is ultimately responsible for the framework, including oversight of its operation by Management.

### Role of Management

The Group Heads of the Operating and Central Service Groups are responsible for the implementation of the risk management framework in their groups. They are required semi-annually to attest that key risks have been identified and are adequately controlled in their groups. These management representations support the sign-off of the half-year and the full-year financial statements.

### Three lines of defence

Macquarie's approach to risk management adopts the 'three lines of defence' model which sets risk ownership responsibilities functionally independent from oversight and assurance:

- primary responsibility for risk management lies with the business. The risk owner is the first line of defence. An important part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately
- the Risk Management Group (RMG) forms the second line of defence and provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks
- Internal Audit, as the third line, provides independent and objective risk-based assurance on the compliance with, and effectiveness of, Macquarie's financial and risk management framework.

## Risk management framework

### Overview

Macquarie's risk management framework is the totality of systems, structures, policies, processes and people within Macquarie that identify, measure, monitor, report and control or mitigate internal and external sources of material risk. Material risks are those that could have a material impact, financial or non-financial on Macquarie. Macquarie's material risks include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks. The risk management framework applies to all Operating and Central Service Groups.

Details about the risks we manage are available at macquarie.com/risk-management

### Key components

#### Core risk management principles

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

- **ownership of risk at the business level:** Group Heads are responsible for ownership of material risks that arise in, or because of, the business' operations, including identification, measurement, control and mitigation of these risks. Before taking decisions, clear analysis of the risks is sought to ensure those taken are consistent with the risk appetite and strategy of Macquarie
- **understanding worst-case outcomes:** Macquarie's risk management approach is based on examining the consequences of worst-case outcomes and determining whether these are acceptable and within Macquarie's risk appetite. This approach is adopted for all material risk types and is often achieved by stress testing. Macquarie operates a number of sophisticated quantitative risk management processes, but the foundation of the approach is the informed consideration of both quantitative and qualitative inputs by highly experienced professionals
- **requirement for an independent sign-off by RMG**: Macquarie places significant importance on having a strong, independent risk management function charged with signing off all material risk acceptance decisions. It is essential that RMG has the capability to do this effectively. RMG has invested in recruiting skilled professionals from a range of disciplines, including those with trading or advisory and capital markets experience. For all material proposals, RMG's opinion must be sought at an early stage in the decision-making process. The approval document submitted to senior management must include independent input from RMG on risk and return.

## Risk Management Group

RMG, which forms the second line of defence, is an independent and centralised function responsible for independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks. RMG designs and oversees the implementation of the risk management framework. RMG is structured into specialist functional divisions, depicted below, and employs an integrated approach to risk analysis and management across risk classes. RMG's assessment and monitoring of risks involves a collaborative effort across the divisions to ensure a detailed analysis takes place both at the individual and aggregate risk level.

RMG's oversight of risk is based on the following five principles:

- **Independence**: RMG is independent of Macquarie's Operating and Central Service Groups. The Head of RMG, as Macquarie's CRO, reports directly to the CEO with a secondary reporting line to the BRiC. RMG approval is required for all material risk acceptance decisions
- **Centralised risk management**: RMG's responsibility covers the whole of Macquarie. It assesses risks from a Macquarie-wide perspective and provides a consistent approach across Macquarie
- **Approval of all new business activities:** The Operating and Central Service Groups may not undertake new businesses or activities, offer new products, enter new markets, or undertake significant projects without first consulting RMG. RMG reviews and assesses risk and sets limits. Where appropriate, these limits are approved by the Executive Committees and the Board
- **Continuous assessment**: RMG continually reviews risks to account for changes in market circumstances and developments within Macquarie's business
- **Frequent monitoring and reporting**: The risk profile of Macquarie with respect to all material risks is monitored by RMG on an ongoing basis. Centralised systems exist to allow RMG to monitor financial risks daily. For the valuation of trading positions and deals, daily revaluation factors are sourced, where possible, from independent market sources. Reporting on all material risks is provided to senior management and the Board.

## Internal audit

The Internal Audit Division, as the third line, provides independent and objective risk-based assurance to the Board Audit Committee (BAC), other Board Committees and senior management on the compliance with, and effectiveness of, Macquarie's financial and risk management framework, including its governance, systems, structures, policies, processes and people for managing material risks. The Internal Audit Division assesses whether material risks have been properly identified by management and reported to the Board, and whether key internal controls have been properly designed and are operating effectively and sustainably to mitigate those material risks.

The BAC has primary power of direction over the Internal Audit Division and is accountable for reviewing the effectiveness of the Internal Audit function. The Head of Internal Audit reports functionally to the BAC and is primarily accountable to it. The Head of Internal Audit has unrestricted access to the BAC and its Chair and meets privately with the BAC members regularly during the year. The BAC monitors and reviews the performance, degree of independence and remuneration of the Head of Internal Audit. The BAC also approves any appointment and removal of the Head of Internal Audit. The Head of Internal Audit reports operationally to the CRO for day-to-day management. For audit matters relating to RMG, the role of the CRO will be replaced by the CEO.




(1) The Board Risk Committee assists the Board by providing oversight of Macquarie's risk management framework and advising the Board on Macquarie's risk appetite, risk culture and risk management strategy. In addition, the Board Governance and Compliance Committee assists the Board in fulfilling its responsibility for monitoring the regulatory, legal, compliance and financial crime risk matters for Macquarie, including the conduct risk management framework, and reviews and monitors Macquarie's work health and safety, environmental and social risk management policies and customer and client reporting.

# Risk Management

Continued

## Risk appetite management

Macquarie's risk appetite, being the nature and amount of risk that Macquarie is willing to accept in pursuit of its strategic objectives and business plan is detailed in the Board-approved *Risk Appetite Statement (RAS)*. The RAS states transactions must generate returns proportionate to the risks. Accordingly, a risk and return analysis is required for all significant new deals, products and businesses.

The RAS is accessible to all staff and is referred to in the *Code of Conduct*. The principles of the RAS are implemented primarily through the following mechanisms:

### Risk tolerances

Risk tolerances have been established to ensure we only accept risks that are consistent with our risk appetite.

### Financial risks

Limits translate risk appetite principles into hard constraints, being the Global Risk Limit that constrains Macquarie's aggregate level of risk as well as granular limits for specific financial risks.

Macquarie sets the Global Risk Limit with reference not only to capital but also to earnings so that in a prolonged, severe downturn, earnings and surplus capital are sufficient to cover losses and maintain market confidence in Macquarie. The Global Risk Limit requires Macquarie to maintain sufficient capital above regulatory minimums throughout a severe but plausible economic downturn, without taking mitigating actions. The potential financial impact of a non-financial risk event is also included in the Global Risk Limit.

Macquarie operates under a strict principle of 'no limits, no dealing'. Compliance with granular limits is monitored by the business and RMG. These granular limits are set to allow the Businesses to achieve their near-term plans while promoting a reassessment of the opportunity and associated risks as the limit is approached.

### Non-financial risks

Macquarie seeks high standards in addressing non-financial risks. Macquarie monitors and reports on a range of metrics for non-financial risks that provide a measure of our risk profile for these risks.

These metrics provide a basis for analysis and communication of risk, for forcing explicit consideration of the risk profile, raising awareness of risks and facilitating debate and actions in relation to potential future risks.

Further explanation on Environmental, Social and Governance (ESG) and Work Health and Safety risks in particular is set out in the ESG section of this Annual Report.

### Policies

Policies are key tools for ensuring that risks taken are consistent with Macquarie's risk appetite. They are designed to influence and determine all major decisions and actions, and all activities must take place within the boundaries they set.

### New product and business approval process

All new businesses, new products, and significant changes to existing businesses, products, processes or systems are subject to a rigorous, interactive approval process that adheres to the principles stated in the RAS. This results in constructive dialogue on risk matters between RMG and the relevant business.

This formal process is designed so that the proposed transaction or operation can be managed. All relevant risks are reviewed to ensure they are identified and addressed prior to implementation. These risks are also monitored on an ongoing basis. The approvals of RMG, Financial Management Group, Legal and Governance and other relevant stakeholders within Macquarie are required. RMG also checks that all necessary internal approvals are obtained prior to commencement.

## Stress testing

Stress testing is an integral component of Macquarie's risk management framework and a key input to the capital adequacy assessment process. Stress testing incorporates enterprise-wide scenario analyses in which losses and capital are driven by the chosen economic parameters of a scenario. The scenarios as well as their economic parameters are tailored to Macquarie's portfolio.

Stress testing is used to validate that Macquarie's capital targets and associated triggers remain appropriate given the risk profile of the portfolio. It is also used to identify areas of potential concentration in Macquarie's portfolio, as well as being a key measure of aggregate risk appetite, calibrated to Macquarie's ability to withstand severe stress.

## Risk culture

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

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

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

### Setting behavioural expectations

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

### Leading and executing

Management implements behavioural expectations through:

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

## Monitoring, measuring and reporting

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

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

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

## Remuneration and consequence management

Macquarie's remuneration framework and consequence management process are designed to support its remuneration objectives, including delivering strong company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of Conduct* and *What We Stand For*. Effective consequence management is a key component of Macquarie's risk culture. Macquarie aims to apply consequences for non-compliance in a timely manner, and as fairly and consistently as possible.

See the **Remuneration Report** for more details on Macquarie's remuneration framework and consequence management process

## Conduct risk

Macquarie defines conduct risk as the risk of behaviour, action or omission by individuals employed by, or on behalf of, Macquarie or taken collectively in representing Macquarie that may have a negative outcome for our clients, counterparties, the communities and markets in which we operate, our staff, or Macquarie.

Such behaviour, actions or omissions may include:

- breaches of laws or regulations
- disregard for Macquarie's principles of *What We Stand For* or the *Code of Conduct*
- negligence and/or a lack of reasonable care and diligence
- failure to escalate improper conduct.

Conduct risk can arise inadvertently or deliberately in any of Macquarie's Operating and Central Service Groups.

Macquarie's approach to conduct risk management is integrated in our risk management framework and is consistent with our three lines of defence model. Risk-taking must be consistent with Macquarie's principles of *What We Stand For*: Opportunity, Accountability and Integrity which must form the basis of all behaviours and actions. These behavioural expectations are outlined in the Board approved *Code of Conduct*.

Macquarie has a range of controls and processes in place to identify and manage conduct risk, including:

- new and emerging conduct risks are identified through the annual strategy and business planning process
- conduct risks that may arise when Macquarie establishes a new business or product, or makes a significant change to an existing business, product, process or system are identified and assessed through the new business and product approval process
- independent monitoring and surveillance conducted by RMG, in addition to front line supervisory activities performed by the business
- the Risk and Control Self-assessment incorporates a conduct risk lens, requiring businesses to identify and assess their key conduct risks
- where incidents occur, we investigate the underlying contributing behaviours and record where they are the root cause of the incident
- performance-based remuneration reflects an individual's performance, which is assessed against a range of financial and non-financial factors including approach to risk management and compliance
- an Integrity Office that is an independent point of contact for staff to safely raise concerns about misconduct, unethical behaviour or breaches of the *Code of Conduct*
- a global Staff Hotline for staff who wish to speak up anonymously
- a Customer Advocate Office to promote fair and reasonable customer complaint outcomes and to review and assist with determining escalated customer complaints.

# Market and credit risk

## Year end performance indicators

Macquarie monitors and measures a range of risks as outlined above in the risk management framework overview. The following graphs provide historical and current year information on key market and credit risks.

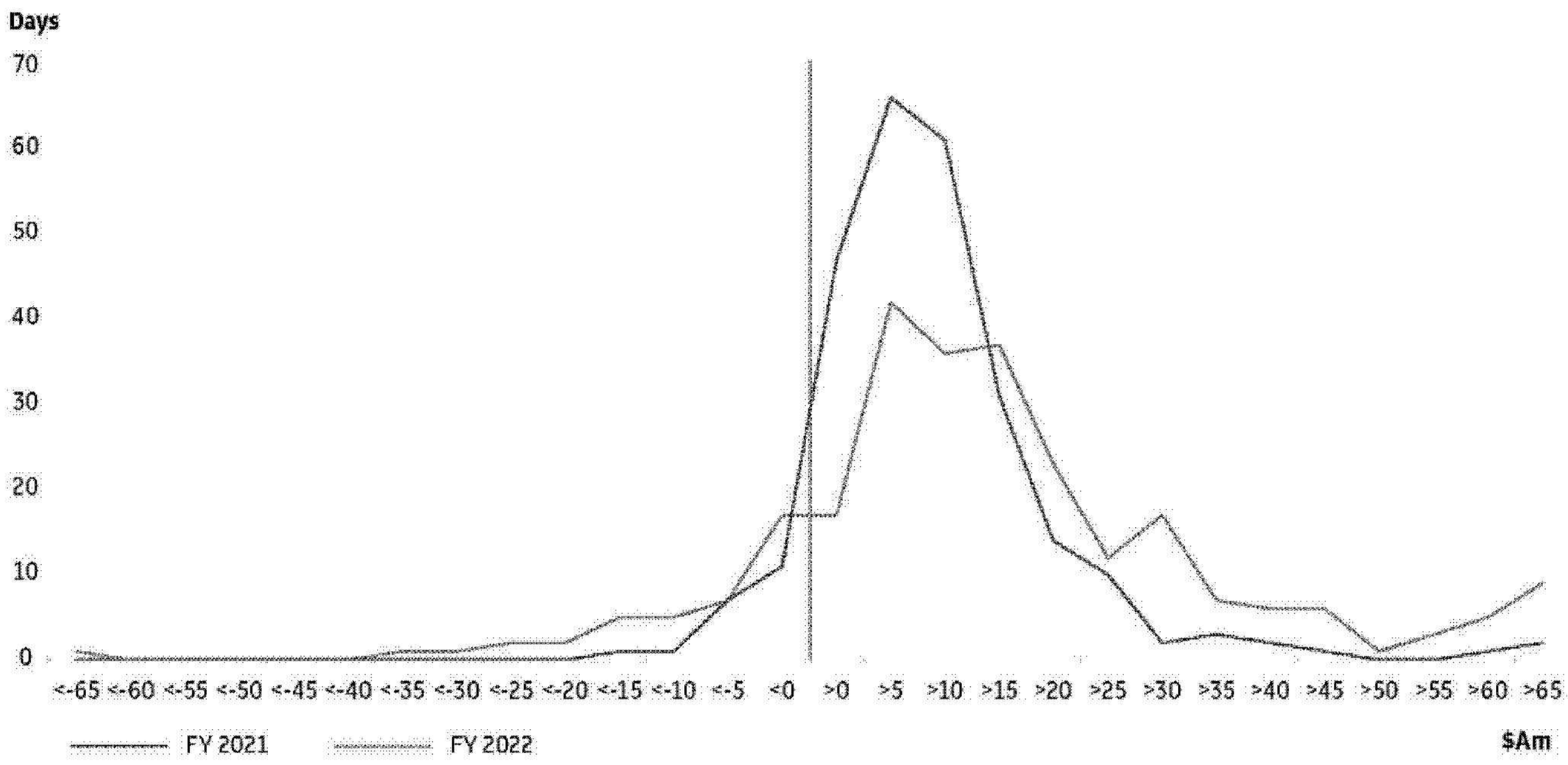
### Trading revenue

The effectiveness of Macquarie's risk management framework can be partially measured by Macquarie's daily trading results. These are daily profit and loss results that are directly attributable to market based activity from Macquarie's trading desks.

Macquarie's market risk activities continue to be based on earning income from client-facing businesses. The majority of trading income is derived from client activities rather than outright proprietary trading activity.

Macquarie's trading results over time have shown consistent profits and low volatility. This is evident in the graph below and reflects the client based nature of trading activities. In FY2022 Macquarie made a net trading profit on 221 out of 261 trading days (FY2021 results: 240 out of 261 trading days) and trading loss profiles were consistent with previous years.

### Daily trading profit and loss

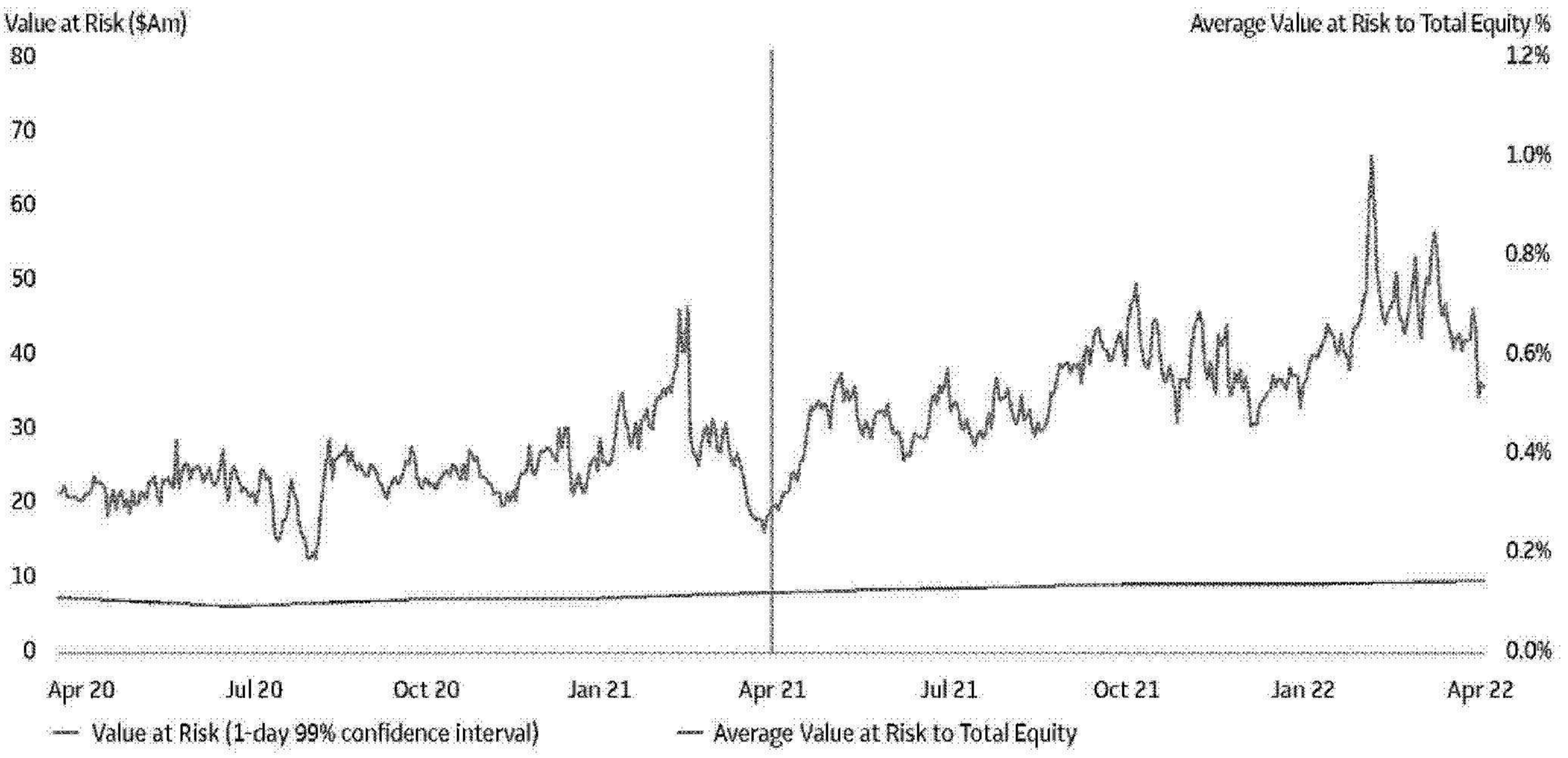


## Value at Risk (VaR)

VaR provides a statistically based summary of overall market risk in Macquarie. The magnitude of VaR reflects changes in positions as well as changes in market volatility, correlations and enhancements to the model. The integrity of the VaR model is regularly tested against daily profit and loss.

Macquarie's market risk increased compared to the previous year, primarily driven by commodity exposure from oil, gas and power activity as well as continued market volatility. VaR remains modest in comparison to capital and earnings, representing less than 0.2% of total equity.

### Aggregate VaR



# Risk Management

Continued

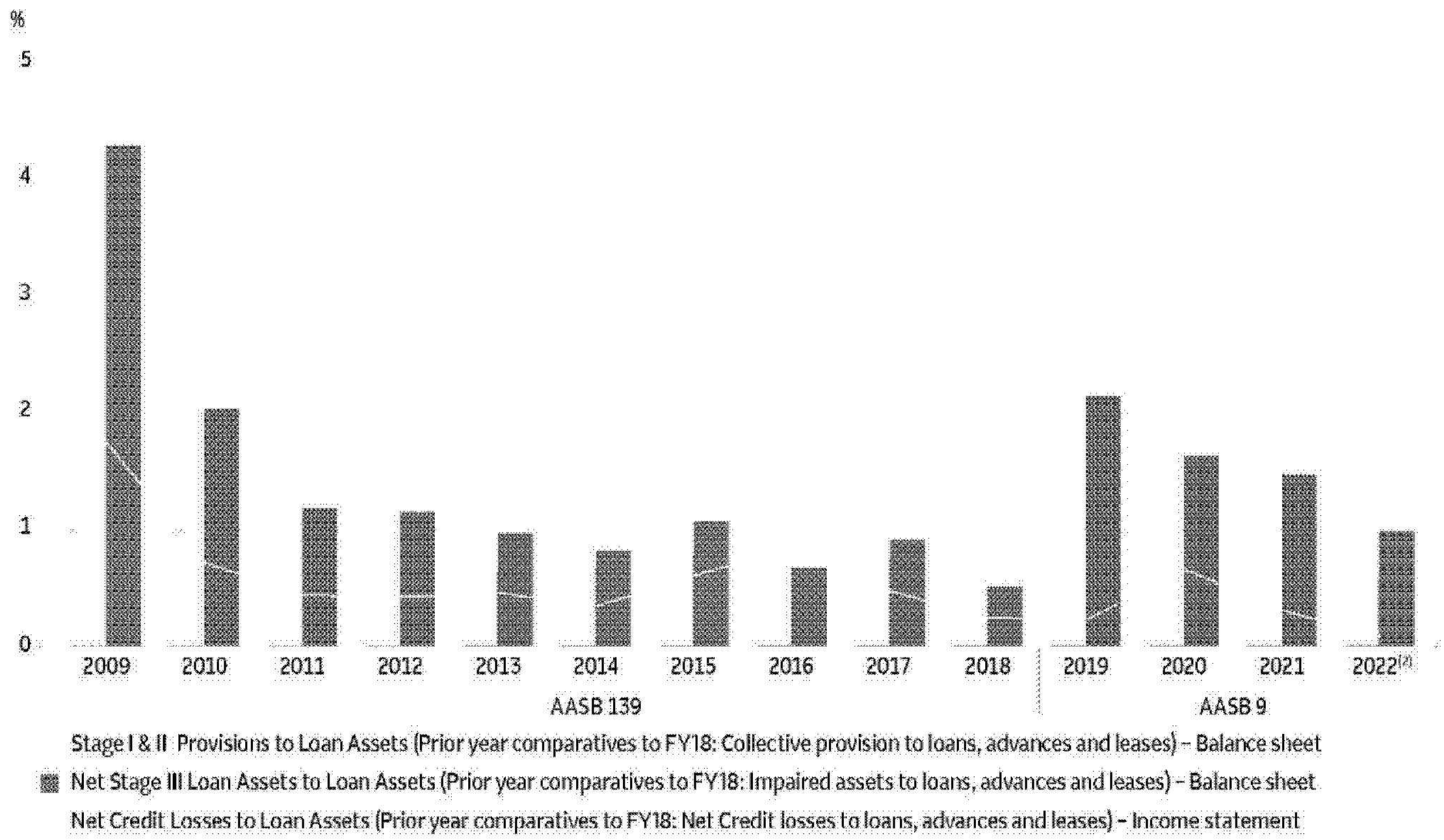
## Loan impairment review

Macquarie prospectively adopted AASB 9 *Financial Instruments* (AASB 9) effective 1 April 2018. As permitted by AASB 9, prior year comparative information was not restated. AASB 9 contains requirements for the classification and measurement of certain financial instruments, hedge accounting requirements and, from a credit provisioning perspective, introduced an expected credit loss methodology, which differed to the incurred loss methodology applied prior to FY2019.

For AASB 9 disclosures refer to Note 36.1 *Credit risk* to the financial statements including disclosure of loan asset exposures by stage of credit performance. Note 13 *Expected credit losses* to the financial statements discloses expected credit losses on loan assets by stage of credit performance. The FY2022 numbers presented below are calculated with reference to this information. Loan assets categorised as stage III in terms of AASB 9 are defined as 'credit impaired'. As noted, AASB 9 did not require the restatement of comparative information, and for that reason the comparative numbers in the graph below have not been restated.

Underlying credit quality in FY2022, as indicated by Stage I & II provisions and credit losses, has broadly improved compared to FY2021. The level of Stage I & II provisions to loan assets and net credit losses to loans assets is primarily caused by improved market conditions, portfolio growth and recoveries during FY2022 (as disclosed in the Notes to the financial statements).

## Ratio of Provisions and Credit Impaired Loan Assets to Loans Assets




## Notes to prior year comparatives(3)

- Loans, advances and leases excluded securitised mortgages, securitised Macquarie Capital loans/leases, segregated futures funds and receivables in the form of fees.
- The collective provision is intended to cover losses inherent in the existing overall credit portfolio which are not yet specifically identifiable.
- Net impaired assets and net losses excluded investment securities.
- Net credit losses represented the total P&L impact in the stated period due to additional individual provisions, direct write-offs (net of any writebacks) and change in Stage I & II provisions.

(2) The decrease in the ratio of Net Stage III Loan Assets to Loan Assets during FY2022 is attributable to the growth in the Home Loans portfolio and a reduction in the carrying value of loans within Stage III relative to the prior year.

(3) The information for the financial years ended 31 March 2009–2022 is based on results using the Australian Accounting Standards that were effective and adopted by the Consolidated Entity at the reporting dates. Reporting periods have been restated only to the extent as required by the accounting standards. The financial reporting periods may hence not be fully comparable with one another as a result of changes in accounting standards' requirements.

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03

# Directors' Report

**Prime Data Centers**
**Sacramento Campus, United States**

Macquarie Capital has invested in Prime Data Centers, a global wholesale and hyperscale data center developer. This photo shows the interior of their Sacramento Building One facility pre-tenant occupancy.



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# Directors' Report

For the financial year ended 31 March 2022

The Directors of MGL submit their report with the financial report of the Consolidated Entity and of the Company for the year ended 31 March 2022.

## Directors

At the date of this report, the Directors of MGL are:

### Independent Directors

P.H. Warne, Chairman

J.R. Broadbent AC

P.M. Coffey

M.J. Coleman

M.A. Hinchliffe

R.J. McGrath

M. Roche

G.R. Stevens AC

N.M. Wakefield Evans

### Executive Voting Director

S.R. Wikramanayake, Managing Director and Chief Executive Officer

Other than Ms Hinchliffe, the Directors listed above each held office as a Director of MGL throughout the financial year ended 31 March 2022. Ms Hinchliffe joined the Board of Directors as an Independent Director effective from 1 March 2022.

Mr G.M. Cairns retired as an Independent Director on 7 May 2021 and Ms D.J. Grady AO retired as an Independent Director on 24 February 2022. Mr Warne will retire as an Independent Director and Chairman on 9 May 2022. Mr Stevens will become Chairman effective 10 May 2022.

Those Directors listed as Independent Directors have been independent throughout the period of their appointment.

Details of the qualifications, experience and special responsibilities of the Directors and qualifications and experience of the Company Secretaries at the date of this report are set out on pages 88 to 93 of this report

## Principal activities

The principal activity of MGL during the financial year ended 31 March 2022 was to act as a Non-Operating Holding Company (NOHC) for the Consolidated Entity. The activities of the Consolidated Entity were those of a global financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.
In the opinion of the Directors, there were no significant changes to the principal activities of the Consolidated Entity during the financial year under review that are not otherwise disclosed in this report.

## Result

The financial report for the financial years ended 31 March 2022 and 31 March 2021, and the results have been prepared in accordance with Australian Accounting Standards.

The consolidated profit after income tax attributable to ordinary equity holders for the financial year ended 31 March 2022 was $4,706 million (2021: $A3,015 million).

## Dividends and distributions

Subsequent to the year ended 31 March 2022, the Directors have resolved to pay a final ordinary dividend of $A3.50 per share, 40% franked based on tax paid at 30% ($A1,341 million in aggregate). The final ordinary dividend is payable on 4 July 2022.

On 14 December 2021, the Company paid an interim ordinary dividend of $A2.72 per share, 40% franked ($A1,021 million in aggregate) for the financial year ended 31 March 2022.

On 2 July 2021, the Company paid a final ordinary dividend of $A3.35 per share, 40% franked ($A1,208 million in aggregate) for the financial year ended 31 March 2021.

No other ordinary share dividend or distributions were declared or paid during the financial year by the Company.

## State of affairs

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review that are not otherwise disclosed in this report.

## Operating and financial review

Please refer to section 1 of this Annual Report for the following in respect of the Consolidated Entity:

- a review of operations during the year and the results of those operations
- likely developments in the operations in future financial years and the expected results of those operations
- comments on the financial position
- comments on business strategies and prospects for future financial years.

In respect of likely developments, business strategies and prospects for future financial years, material which if included would be likely to result in unreasonable prejudice to the Consolidated Entity, has been omitted.

## Directors' equity participation and other relevant interests

As at the date of this report, the Directors have relevant interests in MGL ordinary shares, MGL securities, or managed investment schemes made available by related companies of MGL and other relevant disclosable interests, as notified by the Directors to ASX in accordance with the *Corporations Act 2001* (Cth) (the Act), in the following:

| | EQUITY PARTICIPATION | | | OTHER RELEVANT INTERESTS | |
|---|---|---|---|---|---|
| Name and position | MGL ordinary shares | RSUs held in MEREP(1) | PSUs held in MEREP(1) | Direct and Indirect Interests | Number held |
| **Executive Voting Director** | | | | | |
| S.R. Wikramanayake | 1,007,159 | 397,522 | 98,832 | MAFCA Investments Pty Ltd ordinary shares | 2,000,000 |
| **Independent Directors** | | | | | |
| J.R. Broadbent | 16,062 | – | – | Macquarie Group Capital Notes 3 (MCN3) | 7,177 |
| | | | | Macquarie Group Capital Notes 4 (MCN4) | 4,000 |
| | | | | Macquarie Bank Capital Notes 2 (BCN2) | 1,500 |
| P.M. Coffey | 8,895 | – | – | Walter Scott Global Equity Fund units | 408,699.89 |
| M.J. Coleman | 7,480 | – | – | Macquarie Group Capital Notes 5 (MCN5) | 2,000 |
| | | | | Macquarie Bank Capital Notes 3 (BCN3) | 3,000 |
| M.A. Hinchliffe | – | – | – | – | – |
| R.J. McGrath | 2,210 | – | – | – | – |
| M. Roche | 2,156 | – | – | – | – |
| G.R. Stevens | 4,847 | – | – | – | – |
| N.M. Wakefield Evans | 7,267 | – | – | – | – |
| P.H. Warne | 14,933 | – | – | – | – |

During the financial year, Directors received dividends relating to their holdings of MGL ordinary shares at the same rate as other shareholders.

(1) These RSUs and PSUs were issued pursuant to the Macquarie Group Employee Retained Equity Plan (MEREP) and are subject to the vesting, forfeiture and other conditions applied to grants of awards to Executive Directors, as described in Note 32 *Employee equity participation* disclosure to the financial statements in the Financial Report.

# Board and Board Committee meetings and attendance

The number of meetings of the Board of Directors (the Board) and of the Committees of the Board and the individual attendance by Directors at those meetings which they were eligible to attend, during the financial year, is summarised in the table below:

| | Regular Board meetings[2] | BAC meetings[2] | BGCC meetings[2] | BNC meetings[2] | BRC meetings[2] | BRiC meetings[2] | Special Board meetings[2] |
|---|---|---|---|---|---|---|---|
| Number of meetings | 10 | 6 | 5 | 6 | 7 | 6 | 4 |
| P.H. Warne | 10/10 | – | – | 6/6 | 7/7 | 6/6 | 4/4 |
| S.R. Wikramanayake | 10/10 | – | – | – | – | – | 4/4 |
| J.R. Broadbent | 10/10 | – | – | 6/6 | 7/7 | 6/6 | 4/4 |
| G.M. Cairns[3] | 1/1 | – | – | – | 3/3 | 1/1 | – |
| P.M. Coffey | 10/10 | 6/6 | – | 6/6 | 7/7 | 6/6 | 4/4 |
| M.J. Coleman | 10/10 | 6/6 | 5/5 | 6/6 | – | 6/6 | 4/4 |
| D.J. Grady[4] | 9/9 | – | 4/4 | 6/6 | 6/6 | 5/5 | 3/3 |
| M.A. Hinchliffe[5] | 1/1 | 1/1 | – | – | – | 1/1 | 1/1 |
| R.J. McGrath | 10/10 | – | 5/5 | 6/6 | – | 6/6 | 4/4 |
| M. Roche | 10/10 | – | – | 6/6 | 7/7 | 6/6 | 4/4 |
| G.R. Stevens | 10/10 | 6/6 | – | 6/6 | – | 6/6 | 4/4 |
| N.M. Wakefield Evans | 10/10 | 6/6 | 5/5 | 6/6 | – | 6/6 | 4/4 |

There was one Board sub-committee convened during the period, with two meetings held. All eligible sub-committee members, being Mr Warne, Ms Wikramanayake, Mr Coleman and the Chief Financial Officer (CFO), Mr Harvey, attended both meetings.

All Board members are sent Board Committee meeting agendas and may attend any meeting.

The Chairman of the Board and the CEO attend Board Committee meetings by invitation as a matter of course.

(2) Number of meetings attended by the member/total number of meetings eligible to attend as a member.
(3) Mr Cairns retired from the Board as an Independent Voting Director on 7 May 2021.
(4) Ms Grady retired from the Board as an Independent Voting Director on 24 February 2022.
(5) Ms Hinchliffe was appointed to the Board as an Independent Voting Director, and as a member of the Board Audit, Board Nominating, and Board Risk Committees, on 1 March 2022.

## Directors' and officers' indemnification and insurance

Under MGL's Constitution, MGL indemnifies all past and present directors and secretaries of MGL and its wholly-owned subsidiaries (including at this time the Directors named in this report and the Secretaries), against certain liabilities and costs incurred by them in their respective capacities. The indemnity covers the following liabilities and legal costs (subject to the exclusions described as follows):

- every liability incurred by the person in their respective capacity
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of their respective capacity
- legal costs incurred by the person in good faith in obtaining legal advice on issues relevant to the performance and discharge of their duties as an officer of MGL and its wholly-owned subsidiaries, if that has been approved in accordance with MGL policy.

This indemnity does not apply to the extent that:

- MGL is forbidden by law to indemnify the person against the liability or legal costs, or
- an indemnity by MGL of the person against the liability or legal costs, if given, would be made void by law.

MGL has also entered into a Deed of Access, Indemnity, Insurance and Disclosure (as amended from time to time) (Deed) with each of the Directors. Under the Deed, MGL agrees to, among other things:

- indemnify the Director upon terms broadly consistent with the indemnity contained in MGL's Constitution
- take out and maintain an insurance policy against liabilities incurred by the Director acting as an officer of MGL or its wholly-owned subsidiaries. The insurance policy must be for an amount and on terms and conditions appropriate for a reasonably prudent company in MGL's position. Insurance must be maintained for seven years after the Director ceases to be a Director or until any proceedings commenced during that period have been finally resolved (including any appeal proceedings)
- grant access to the Director to all relevant company papers (including Board papers and other documents) for seven years after the Director ceases to be a Director or until any proceedings commenced during that period have been finally resolved (including any appeal proceedings).

In addition, MGL made an Indemnity and Insurance Deed Poll on 12 September 2007 (Deed Poll). The benefit of the undertakings made by MGL under the Deed Poll have been given to each of the directors, secretaries, persons involved in the management and certain other persons, of MGL and its wholly-owned subsidiaries and other companies where the person is acting as such at the specific request of MGL and its wholly-owned subsidiaries. The Deed Poll provides for broadly the same indemnity and insurance arrangements for those persons with the benefit of the Deed Poll as for the Deed described above. However, the Deed Poll does not provide for access to company documents.

The indemnities and insurance arrangements provided for under the MGL Constitution, the Deed and the Deed Poll, are broadly consistent with the corresponding indemnities and insurance arrangements provided under the MBL Constitution and deeds entered into by MBL.

Macquarie maintains a Directors' and Officers' insurance policy that provides cover for each person in favour of whom such insurance is required to be taken out under the Deed and the Deed Poll and for MGL in indemnifying such persons pursuant to the Deed and the Deed Poll. Relevant individuals pay the premium attributable to the direct coverage under the policy and MGL pays the premium attributable to the company reimbursement coverage under the policy. The Directors' and Officers' insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

To the extent permitted by law, MGL has agreed to reimburse its auditor, PricewaterhouseCoopers (PwC), for any liability (including reasonable legal costs) PwC incurs in connection with any claim by a third party arising from MGL's breach of the letter of engagement dated 22 June 2021.

## Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified, appropriately addressed and material breaches notified. The Directors have determined that there has not been any material breach of those obligations during the financial year.

## Non-audit services

Fees paid or payable to PwC, being the auditor of the Consolidated Entity, for non-audit services during the year ended 31 March 2022 total $A12.7 million (2021: $A11.9 million). Further details of amounts paid or payable to PwC and its related practices are disclosed in Note 41 *Audit and other services provided by PricewaterhouseCoopers* in the Financial Report.

The Voting Directors are satisfied that the provision of non-audit services did not compromise the auditor independence requirements of the Act for the following reasons:

- the operation of the Consolidated Entity's *Auditor Independence Policy*, restricts the external auditor from providing non-audit services under which the auditor assumes the role of management, becomes an advocate for the Consolidated Entity, audits its own professional expertise, or creates a mutual or conflicting interest between the auditor and the Consolidated Entity. The policy also provides that significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the Board Audit Committee (BAC) or the BAC Chairman, as appropriate
- the BAC has reviewed a summary of non-audit services provided by PwC, including details of the amounts paid or payable, and has provided written advice to the Board of Directors.

Consistent with the advice of the BAC, the Voting Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices is compatible with the general standard of independence for auditors imposed by the Act.

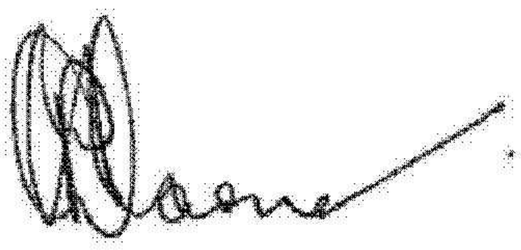
## Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, amounts in the Directors' Report and Financial Report have been rounded off to the nearest million Australian dollars unless otherwise indicated.

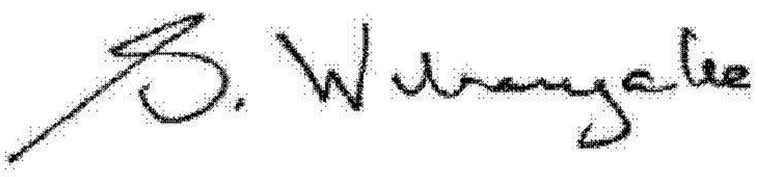
This report is made in accordance with a resolution of the Directors.

## Events subsequent to balance date

At the date of this report the Directors are not aware of any matter or circumstance, other than transactions disclosed in the financial statements, that has arisen and has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the financial years subsequent to 31 March 2022.



**Peter Warne**
Independent Director and Chairman



**Shemara Wikramanayake**
Managing Director and Chief Executive Officer

Sydney
6 May 2022

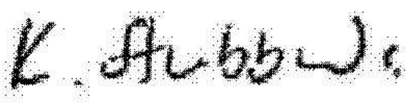
## Auditor's independence declaration

As lead auditor for the audit of Macquarie Group Limited for the year ended 31 March 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie Group Limited and the entities it controlled during the financial year.



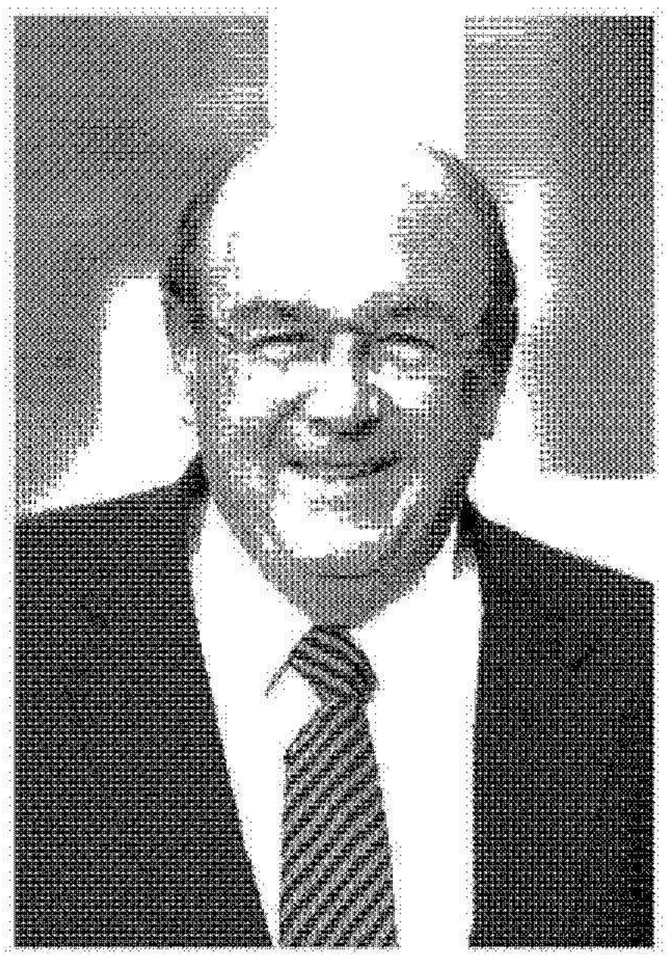
**Kristin Stubbins**
Partner
PricewaterhouseCoopers

Sydney
6 May 2022

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo,
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Professional Standards Legislation

# Directors' experience and special responsibilities



## Peter H Warne

BA (Macquarie), FAICD

**Age:** 66
**Resides:** New South Wales

Independent Chairman of MGL and MBL since April 2016

Independent Voting Director of MGL since August 2007

Independent Voting Director of MBL since July 2007

Mr Warne is Chairman of the BNC and a member of the BRC and BRiC

### Experience

Peter Warne has extensive knowledge of, and experience in, financial services and investment banking, through a number of senior roles at Bankers Trust Australia Limited, including as Head of its global Financial Markets Group from 1988 to 1999. Mr Warne was a Director of the Sydney Futures Exchange (SFE) from 1990 to 1999, then from 2000 to 2006.

He served as Deputy Chairman of the SFE from 1995 to 1999. When the SFE merged with the Australian Securities Exchange (ASX Limited) in July 2006, he became a Director of ASX Limited, a position he held to 2020. Mr Warne has previously served as Chairman of ALE Property Group from 2003 to 2017. He was a Director of New South Wales Treasury Corporation from 2012 to 2020, where he served as Chairman from 2019 to 2020.

### Listed company directorships (last three years)

- Chairman, IPH Limited (since February 2022); Chairman-elect (November 2021–February 2022); Director (since November 2021)
- Director, ASX Limited (July 2006–September 2020)

### Other current directorships/appointments

- Board member, Allens
- Member, ASIC Corporate Governance Consultative Panel
- Member, NSW Net Zero Emissions and Clean Economy Board
- Member, Corporate Governance Committee, Australian Institute of Company Directors



## Shemara R Wikramanayake

BCom LLB (UNSW)

**Age:** 60
**Resides:** New South Wales

Managing Director and Chief Executive Officer of MGL since December 2018

Executive Voting Director of MGL and MBL since August 2018

### Experience

Shemara Wikramanayake has been Macquarie Group's Managing Director and CEO since late 2018.

Shemara joined Macquarie in 1987 in Macquarie Capital in Sydney. In her time at Macquarie, Shemara has worked in six countries and across several business lines, establishing and leading Macquarie's corporate advisory offices in New Zealand, Hong Kong and Malaysia, and the infrastructure funds management business in the US and Canada. Shemara has also served as Chair of the Macquarie Group Foundation.

As Head of Macquarie Asset Management for 10 years before her appointment as CEO, Shemara led a team of 1,600 staff in 24 markets. Macquarie Asset Management grew to become a world-leading manager of infrastructure and real assets and a top 50 global public securities manager.

Shemara sits on the World Bank's Global Commission on Adaptation and was a founding CEO of the United Nations Climate Finance Leadership Initiative (CFLI). She currently leads emerging markets workstreams for CFLI and the Glasgow Financial Alliance for Net Zero (GFANZ).

Before joining Macquarie, Shemara worked as a corporate lawyer at Blake Dawson Waldron in Sydney. She holds Bachelor of Commerce and Bachelor of Laws degrees from UNSW and completed the Advanced Management Program at Harvard Business School in 1996.

### Other current directorships/appointments

- Board member, Institute of International Finance
- Founding Member, Glasgow Financial Alliance for Net Zero (GFANZ)
- Founding Member, Climate Finance Leadership Initiative; Co-Chair, CFLI India
- Founding Commissioner, Global Commission on Adaptation
- Member, Australian Federal Government's University Research Commercialisation Scheme Taskforce
- Member, Australian Federal Government's Technology Investment Advisory Council
- Member, UK Investment Council
- Member, Investment Attraction Council, Investment New South Wales



## Jillian R Broadbent AC

BA (Maths & Economics) (Sydney)

**Age:** 74
**Resides:** New South Wales
Independent Voting Director of MGL and MBL since November 2018

Ms Broadbent is Chair of the BRC and a member of the BNC and BRiC

### Experience

Jillian Broadbent has extensive investment banking industry knowledge and markets expertise, including a deep knowledge of risk management and regulation in these areas. She also has considerable executive management and listed company board experience.

Ms Broadbent spent 22 years at Bankers Trust Australia until 1998, initially as an economic strategist and then as executive director responsible for risk management and derivatives in foreign exchange, interest rates and commodities.

Ms Broadbent was also a Member of the Reserve Bank of Australia Board between 1998 and 2013 and has previously served as Chair of the Board of Clean Energy Finance Corporation, and as a director of ASX Limited, SBS, Coca Cola Amatil Limited, Woodside Petroleum Limited, Qantas Airways Limited, Westfield Management Limited, Woolworths Group Limited and the National Portrait Gallery of Australia.

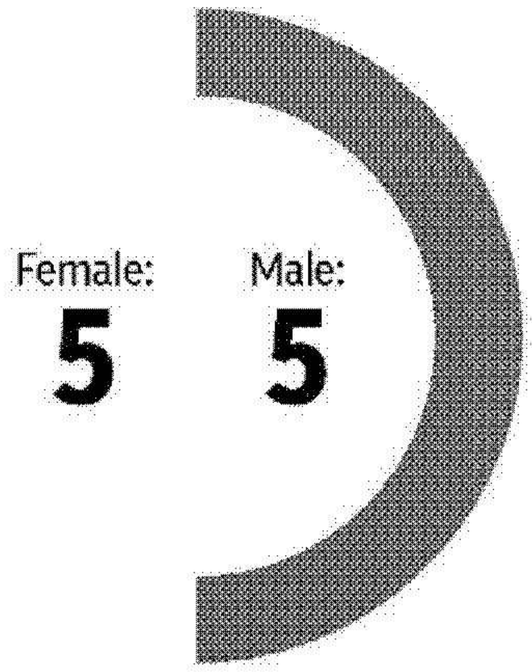
**Listed company directorships (last three years)**

- Director, Woolworths Group Limited (January 2011–November 2020)

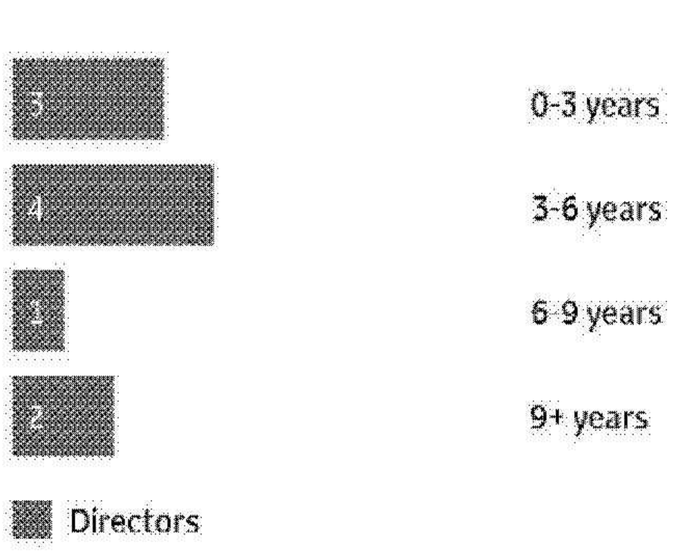
**Other current directorships/appointments**

- Director, National Portrait Gallery of Board Foundation
- Director, Sydney Dance Company

### Gender diversity




### Board tenure




### Board independence

# Directors' experience and special responsibilities

Continued



## Philip M Coffey

BEc (Hons) (Adelaide), GAICD, SF Finsia

**Age:** 64
**Resides:** New South Wales
Independent Voting Director of MGL and MBL since August 2018
Mr Coffey is Chairman of the BRiC and a member of the BAC, BNC and BRC

### Experience

Phil Coffey served as the Deputy Chief Executive Officer (CEO) of Westpac Banking Corporation from April 2014 until his retirement in May 2017. As the Deputy CEO, Mr Coffey had the responsibility for overseeing and supporting relationships with key stakeholders of Westpac including industry groups, regulators, customers and government. He was also responsible for the Group's Mergers & Acquisitions function. Prior to this role, Mr Coffey held a number of executive positions at Westpac including Chief Financial Officer and Group Executive, Westpac Institutional Bank.

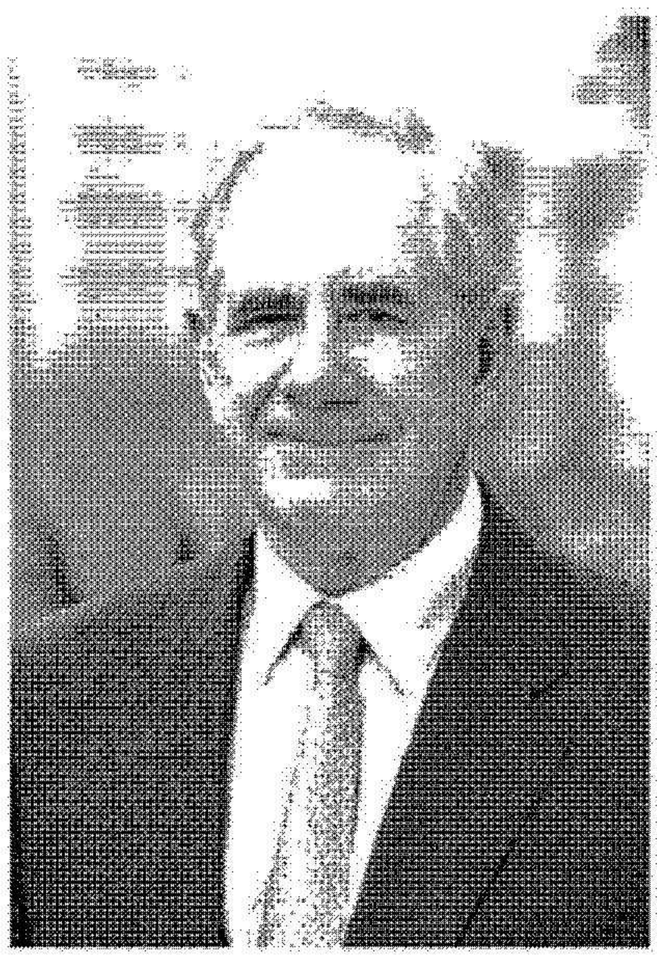
He has successfully led operations based in Australia, New Zealand, the United States, the United Kingdom and Asia, and has extensive experience in financial markets, funds management, balance sheet management and risk management. He began his career at the Reserve Bank of Australia and has also held executive positions at AIDC Limited and Citigroup.

Listed company directorships (last three years)

- Director, Lendlease Corporation Limited (since January 2017)

Other current directorships/appointments

- Director, Clean Energy Finance Corporation
- Director, Goodstart Early Learning Ltd



## Michael J Coleman

MCom (UNSW), FCA, FCPA, FAICD

**Age:** 71
**Resides:** New South Wales
Independent Voting Director of MGL and MBL since November 2012
Mr Coleman is Chairman of the BAC and a member of the BGCC, BNC and BRiC

### Experience

After a career as a senior audit partner with KPMG for 30 years, Mr Coleman has been a professional Non-Executive Director since 2011. He has significant experience in risk management, financial and regulatory reporting and corporate governance.

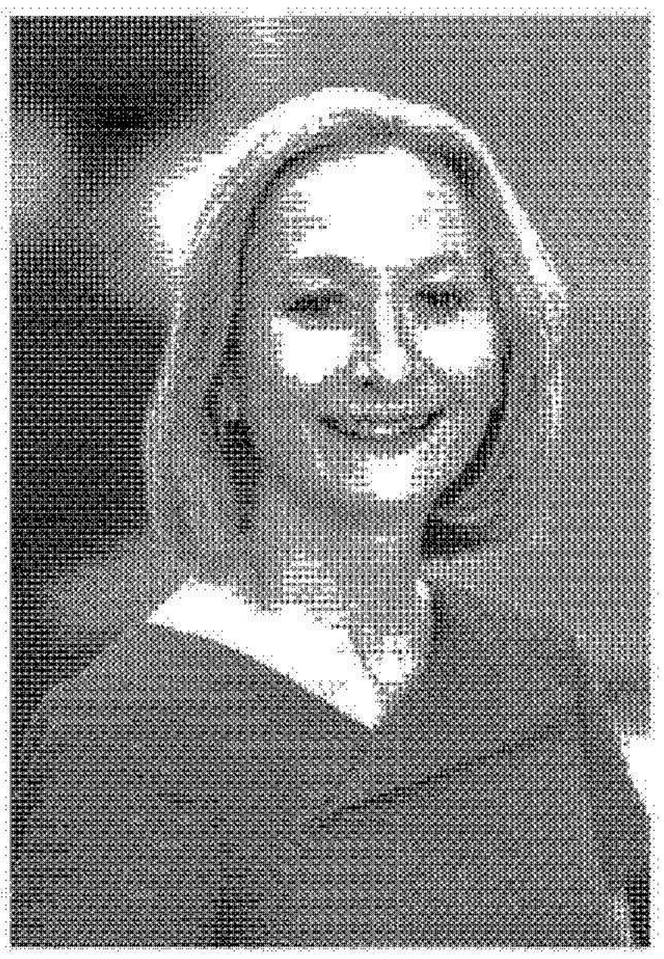
Mr Coleman has been the Chairman of Bingo Industries Limited and ING Management Limited, a member of the Audit Committee of the Reserve Bank of Australia and a member of the Financial Reporting Council, including terms as Chairman and Deputy Chairman. During his time with KPMG, Mr Coleman was a financial services specialist, providing audit and advisory services to large banks, investment banks and fund managers. He was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010, and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011.

Listed company directorships (last three years)

- Chairman, Bingo Industries Limited (March 2017–August 2021)

Other current directorships/appointments

- Deputy Chair and Chair of the Audit and Risk Committee, Planet Ark Environmental Foundation
- Chairman, Reporting Committee, Australian Institute of Company Directors
- Board member, Legal Aid NSW
- Councillor, NSW Division, Australian Institute of Company Directors
- Member, Nominations and Governance Committee, Chartered Accountants Australia and New Zealand



## Michelle A Hinchliffe

BCom (UQ), FCA, ACA

**Age:** 57
**Resides:** Queensland
Independent Voting Director of MGL and MBL since March 2022
Ms Hinchliffe is a member of the BAC, BNC and BRiC

### Experience

Michelle Hinchliffe has more than 35 years' professional experience within the financial services sector in the United Kingdom and Australia, with extensive experience in leading large global teams in the provision of external audit, internal audit and advisory services to clients across financial services.

Michelle was the Global Lead Audit Partner for a number of global banking institutions as well as the Head of Audit, KPMG UK from September 2017 to April 2019 and then Chair of Audit, KPMG UK from May 2019 to September 2021. During the period from May 2019 to February 2022 she was a board member of KPMG UK. Prior to this she was the Head of Financial Services for KPMG Australia, where she was also a member of the board.

**Listed company directorships (last three years)**

- Director, BHP Group Limited (since March 2022)



## Rebecca J McGrath

BTP (Hons) (UNSW), MAppSc (ProjMgt) (RMIT), FAICD

**Age:** 57
**Resides:** Victoria
Independent Voting Director of MGL and MBL since January 2021
Ms McGrath is a member of the BGCC, BNC and BRiC

### Experience

Rebecca McGrath is an experienced professional company director and Chair, with substantial international business experience. She spent 25 years at BP plc. where she held various executive positions, including Chief Financial Officer Australasia and served as a member of BP's Executive Management Board for Australia and New Zealand.

Ms McGrath has served as a director of CSR Limited, Big Sky Credit Union and Incitec Pivot Ltd, and as Chairman of Kilfinan Australia. She is a former member of the JP Morgan Advisory Council. She has attended executive management programmes at Harvard Business School, Cambridge University and MIT in Boston.

**Listed company directorships (last three years)**

- Chairman, OZ Minerals Limited (since May 2017); Director (since November 2010)
- Director, Goodman Group (since April 2012)
- Director, Incitec Pivot Limited (September 2011–December 2020)

**Other current directorships/appointments**

- Chairman, Scania Australia Pty Limited
- Director, Investa Wholesale Funds Management Limited
- Director, Investa Office Management Holdings Pty Limited
- President, Victoria Council, Australian Institute of Company Directors
- Member, National Board, Australian Institute of Company Directors
- Member, ASIC Corporate Governance Consultative Panel
- Member, The Australian British Chamber of Commerce Advisory Council

# Directors' experience and special responsibilities

Continued



## Mike Roche

BSc (UQ), GAICD, FIA (London), FIAA

**Age:** 69
**Resides:** New South Wales
Independent Voting Director of MGL and MBL since January 2021
Mr Roche is a member of the BNC, BRC and BRiC

### Experience

Mike Roche has over 40 years' experience in the finance sector as a highly skilled and experienced provider of strategic, financial, mergers and acquisitions, and capital advice to major corporate, private equity and government clients. He held senior positions with AXA Australia as a qualified actuary and Capel Court/ANZ Capel Court.

Mr Roche spent more than 20 years at Deutsche Bank and was Head of Mergers and Acquisitions (Australia and New Zealand) for 10 years where he advised on major takeovers, acquisitions, privatisations, and divestments. He stepped down as Deutsche Bank's Chairman of Mergers and Acquisitions (Australia and New Zealand) in 2016. He was a member of the Takeovers Panel for two terms from 2008 to 2014.

**Listed company directorships (last three years)**

- Director, Wesfarmers Limited (since February 2019)

**Other current directorships/appointments**

- Director, MaxCap Group Pty Ltd
- Director, Six Park Asset Management Pty Ltd
- Director, Te Pahau Management Ltd
- Managing Director, M R Advisory Pty Ltd
- Co-founder and Director, Sally Foundation
- Member, ADARA Partners Corporate Advisory Wise Counsel Panel



## Glenn R Stevens AC

BEc (Hons) (Sydney), MA (Econ) (UWO)

**Age:** 64
**Resides:** New South Wales
Independent Voting Director of MGL and MBL since November 2017

Mr Stevens is a member of the BAC, BNC and BRiC

### Experience

Glenn Stevens worked at the highest levels of the Reserve Bank of Australia (RBA) for 20 years and, as well as developing Australia's successful inflation targeting framework for monetary policy, played a significant role in central banking internationally. Most recently, he was Governor of the Reserve Bank of Australia between 2006 and 2016.

Mr Stevens has also made key contributions to a number of Australian and international boards and committees, including as chair of the Australian Council of Financial Regulators between 2006 and 2016, as a member of the Financial Stability Board and on a range of G20 committees.

**Other current directorships/appointments**

- Board member, NSW Treasury Corporation
- Director, Anika Foundation
- Director, Lowy Institute
- Deputy Chair, Temora Aviation Museum



## Nicola M Wakefield Evans

BJuris/BLaw (UNSW), FAICD

**Age:** 61
**Resides:** New South Wales
Independent Voting Director of MGL and MBL since February 2014
Ms Wakefield Evans is Chair of the BGCC and a member of the BAC, BNC and BRiC

### Experience

Nicola Wakefield Evans is an experienced Non-Executive Director and corporate finance lawyer. As a lawyer, Ms Wakefield Evans has significant Asia-Pacific experience and was a partner at King & Wood Mallesons (and its predecessor, Mallesons Stephen Jaques) for more than 20 years.
Ms Wakefield Evans has particular expertise in the financial services, resources and energy, and infrastructure sectors.
She held several key management positions at King & Wood Mallesons including Managing Partner International in Hong Kong and Managing Partner, Practice in Sydney.

**Listed company directorships (last three years)**

- Director, Lendlease Corporation Limited (since September 2013)
- Director, Viva Energy Group Limited (since August 2021)

**Other current directorships/appointments**

- Director, MetLife Insurance Limited
- Director, MetLife General Insurance Limited
- Director, Clean Energy Finance Corporation
- Chair, 30% Club Australia
- Member, Takeovers Panel
- Member, National Board, Australian Institute of Company Directors
- Director, GO Foundation
- Director, UNSW Foundation Limited

# Company secretaries' qualifications and experience

## Dennis Leong

BSc BE (Hons) (Syd), MCom (UNSW), FGIA

Company Secretary since October 2006

### Experience

Dennis Leong is an Executive Director of Macquarie and has had responsibility for Macquarie's company secretarial requirements, general and professional risks insurances and aspects of its employee equity plans. He has over 28 years company secretarial experience and 12 years experience in corporate finance at Macquarie and Hill Samuel Australia Limited.

## Simone Kovacic

BBus LLB (Hons) (UTS), LLM (Sydney), FGIA

Assistant Company Secretary since June 2020

### Experience

Simone Kovacic is a Division Director of Macquarie, having joined in 2009. Simone has company secretarial responsibilities and provides governance and corporate advice. She has over 20 years of experience as a corporate lawyer at Macquarie and in private practice at Freehills, now Herbert Smith Freehills, and Skadden, Arps, Slate, Meagher & Flom LLP in the US.



Our longstanding approach to remuneration has been a key driver of our sustained success. Staff are rewarded based on their performance against a range of financial and non-financial considerations, delivering positive outcomes over the long-term for our clients, shareholders, partners and communities."

**Letter from the**

# Chair of the Board Remuneration Committee

On behalf of the Board, I am pleased to present the 2022 Remuneration Report as Chair of the Board Remuneration Committee (BRC).

During the 2022 financial year (FY2022), Macquarie teams continued to support our clients, partners and the broader community as the world emerged from the COVID-19 pandemic. We are mindful of the challenges faced by many due to the ongoing impact of the pandemic and amid uncertain geopolitical and market conditions.

We remain guided by our core principles and purpose of 'empowering people to innovate and invest for a better future'. Macquarie's ongoing success as an organisation and ability to deliver positive outcomes for all our stakeholders relies on the commitment of our people to identify new opportunities and manage uncertainty. As such, it is critical that we attract, motivate and retain exceptional people.

Macquarie's proven risk management framework and culture position us well to respond to a dynamic short and long-term environment. Our strength in business and geographic diversity and ability to adapt our portfolio mix to changing market conditions is reflected through the record financial results and returns to shareholders in FY2022:

- Net profit after tax (NPAT) is up 56% compared to FY2021
- Return on Equity (ROE) of 18.7% is up compared to FY2021's 14.3%
- Earnings per share (EPS) of 1,271.7 cents per share is up 51% compared to FY2021
- the FY2022 full-year dividend is up 32% compared to FY2021.

## Review of the remuneration framework

Our longstanding approach to remuneration has been a key driver of our sustained success. Staff are rewarded based on their performance against a range of financial and non-financial considerations, delivering positive outcomes over the long-term for our clients, shareholders, partners and communities. Nevertheless, we continue to review and adjust our approach to ensure that the remuneration framework remains fit for purpose and balances the evolving expectations of all our stakeholders.

During the year, the Board reviewed all structural components of the remuneration framework, taking into account a range of perspectives. As economies emerge from the pandemic, we are seeing a highly competitive global market where businesses are struggling to attract and retain key talent. This dynamic is continuing into FY2023. Macquarie has not been immune to this market-wide challenge, which has impacted voluntary turnover levels and our ability to fill open roles. We have also reviewed the remuneration framework against the expectations of shareholders and regulators, including APRA's new Prudential Standard CPS 511 *Remuneration* (CPS 511).

Following a comprehensive review, the Board approved several changes to fine-tune our approach. The Board considers that the revised remuneration arrangements remain consistent with our remuneration principles and longstanding approach while responding to a broad range of expectations.

The key structural changes to be implemented in a phased approach include:

- changes to the malus framework from FY2022 which was last amended in 2015. The group of employees who will be subject to malus is expanded to include all Executive Directors (EDs). The events that may trigger the application of the malus provisions were also expanded and aligned to CPS 511 and the expectations of other global regulators
- changes to the release of retained profit share on termination from FY2023. For profit share allocations made to EDs from FY2023, where the Board exercises its discretion to accelerate vesting on termination, the six-month release point post-termination will be removed. Amounts that would have vested after six months will now be released after 12 months and amounts that would have vested after 12 months will now be released after 24 months
- increases to fixed remuneration levels for FY2024. Fixed remuneration will be increased for the CEO and Executive Key Management Personnel (KMP) but will remain low relative to the industry and as a proportion of total remuneration
- changes to profit share retention and vesting arrangements from FY2024. From FY2024, retention rates and vesting periods will be reduced for certain senior employees. For the CEO and Executive KMP, retention rates will be reduced by up to 10% and vesting periods will be shortened by two years, remaining long enough to appropriately consider the time horizons of risk. Upon retirement from Macquarie or redundancy, unvested retained profit share will no longer be accelerated and released over a two-year period, but instead will continue to vest on its original schedule (up to five years)

For the CEO and Executive KMP, whilst an increased proportion of remuneration will vest during employment, the above changes will remove the acceleration of unvested retention and extend the release period post-termination (in the case of redundancy or retirement from Macquarie). Additionally, retention rates and vesting periods will meet or exceed both the minimums required under CPS 511 and the deferral arrangements of many of Macquarie's global comparators.

- changes to vesting of Performance Share Units (PSUs) from FY2024. For PSUs granted from FY2024 onwards, the vesting period will be extended by a year for the MGL CEO and the MBL CEO, to reflect regulatory expectations and increase the alignment to shareholders.

Further detail on these changes is provided on pages 99 to 100.

## Performance and remuneration outcomes for FY2022

The Board spends considerable time each year assessing performance and determining remuneration outcomes for the CEO and Executive KMP. Mindful of the external focus on overall remuneration levels, and recognising the expectations and perspectives of all stakeholders, the Board has considered a range of factors critical to Macquarie's ongoing success.

In addition to considering the financial results of Macquarie overall as well as each Operating Group, the Board continues to focus on non-financial considerations to ensure senior management are accountable for their decisions, behaviours and associated risk management, customer and reputational consequences.

The Board's determination of remuneration outcomes for FY2022 for the CEO and Executive KMP reflect the following factors:

- record profits and strong financial performance while delivering sound customer/client and community outcomes across all four businesses
- the strong leadership of the CEO and the whole Executive Committee demonstrating both an alignment to our purpose and ongoing resilience to the impacts of the COVID-19 pandemic
- increased cross-collaboration across Macquarie, including strategic initiatives to reflect the evolving environment in climate solutions and energy transition
- continued focus on building a diverse, equitable and inclusive work environment
- the continued investment in technology and digitalisation
- role-modelling and encouragement of behaviours that support a strong risk culture
- focus on regulatory engagement, in particular commitment to strengthening regulatory relationships, prudential compliance and governance across Macquarie
- progress against the APRA remediation plan to strengthen the voice of the Bank
- continued focus on Work Health and Safety (WHS) as a key priority to reduce the risk of serious injuries and fatalities across our activities. This priority will continue into FY2023
- the management of financial and non-financial risks. During the year, there has been a strong focus on enhancements of risk capabilities and risk frameworks. While we have no systemic concerns, there have been risk management issues during the

year for which we have imposed remuneration impacts to the MGL CEO, the MBL CEO and relevant Executive KMP.

After careful consideration of these factors, we believe the following outcomes for the year are appropriate:

- CEO awarded profit share has increased 26% on the prior year to $A25.0 million
- total Executive KMP awarded profit share of $A123.82 million (up 16% on the prior year)
- PSU allocations of $A4.0 million for the CEO and ranging from $A1.4 million to $A2.8 million for Executive KMP.

## Culture, accountability and remuneration

Macquarie's evolution is driven by our people who are guided by our purpose and core principles of Opportunity, Accountability and Integrity. Our purpose and principles remain pivotal to our culture and effectively guide our staff in balancing risk and reward when making decisions that realise opportunities for the benefit of our clients, our shareholders, our people and the communities in which we operate.

The BRC and the Board assess Macquarie's culture in many ways, including through staff survey results, human capital reporting, strategy presentations, risk culture and incident reporting as well as through personal observation of management and staff behaviours and actions.

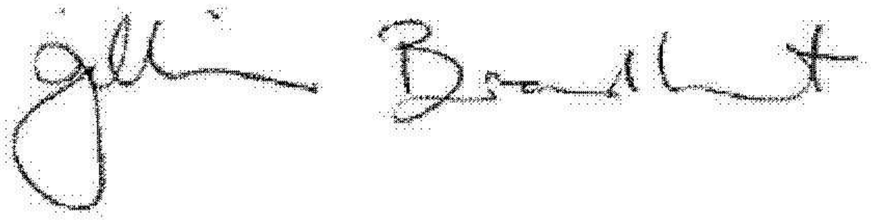
Risk management is a fundamental part of everyone's role at Macquarie. Staff understand that they are rewarded for their performance, including the identification and management of risk, and that there are consequences for non-compliance with Macquarie's behavioural expectations.

In FY2022, there were 82 (FY2021: 97) matters involving conduct or policy breaches that resulted in formal consequences including termination of employment or formal warning and a downward adjustment to profit share. Consistent with prior years, further details regarding these matters are disclosed on page 109.

## Non-Executive Director Fees

During the year the aggregate MGL and MBL Board member base fees were increased from $A260,000 to $A275,000, and the combined MGL and MBL Board Chair fee was increased from $A890,000 to $A935,000. Board Committee fees were also increased by approximately 5-7%. The fee increases were effective 1 July 2021 and reflect the increasing complexity, time commitment and regulatory focus of both MGL and MBL. Board base fees were last increased in July 2018 and Board Committee fees in October 2015. Refer to page 129 for more details.

I look forward to receiving your views and support at the 2022 Annual General Meeting.



**Jillian Broadbent**

Chair
Board Remuneration Committee

Sydney
6 May 2022

# Remuneration framework

This section explains the link between our purpose, our remuneration objectives and principles, and how these are reflected in the remuneration framework.

Macquarie's longstanding and consistent approach to remuneration continues to meet our remuneration objectives and align with our principles. The Board recognises that to achieve these objectives, we must attract, motivate and retain exceptional people with deep industry expertise, align their interests with shareholders to meet the needs of clients and customers and ensure that the spirit and intent of regulatory requirements are upheld. This broad approach has been in place since Macquarie's inception and is reviewed regularly to ensure the framework continues to meet our remuneration objectives and aligns with the expectations of our stakeholders. As a result of this year's review, agreed changes to the remuneration structure are set out on pages 99 to 100.

Our remuneration approach has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long-term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational consequences.

This approach has been fundamental in ensuring we can continue to attract, motivate and retain exceptional, entrepreneurial and ethical people across the global markets in which we operate. We hire world-class people in 33 highly competitive markets. These people come from, and compete in, various industry sectors (including hedge funds, private equity firms, global investment banks, fund managers, advisory boutiques, commodity houses and other banks, as well as industries that are not specific to banking or financial services, for example, technology, accounting, and engineering) across many jurisdictions.

The table below shows the link between our purpose and our remuneration objectives and principles.

Our purpose:

## Empowering people to innovate and invest for a better future

Opportunity Accountability Integrity

### Remuneration objectives

Macquarie's remuneration framework aims to:

- deliver strong company performance over the short and long-term whilst prudently managing risk
- attract, motivate and retain exceptional people with deep industry expertise
- align the interests of staff and shareholders to deliver sustained results for our customers, clients and community
- promote innovation and the building of sustainable businesses
- drive behaviours that reflect our culture and the principles of *What We Stand For*
- foster a diverse and inclusive work environment.

### Remuneration principles

These objectives are achieved by:

- emphasising performance-based remuneration
- determining an individual's variable remuneration based on a range of financial and non-financial factors
- retaining a significant proportion of performance-based remuneration to enable risk outcomes to be considered over a long period
- delivering retained profit share in equity to ensure the interests of staff and shareholders are aligned over the long-term
- remunerating high-performing staff appropriately, relative to global peers
- providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives.

## Remuneration framework continued

The remuneration framework works as an integrated whole. As summarised below, an individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units (PSUs).

**Remuneration framework**

**Fixed Remuneration**

- primarily comprises base salary, as well as superannuation contributions and standard country-specific benefits in line with local market practice
- for Executive KMP, is set at a comparatively low level, relative to the industry, and a low proportion of total remuneration but sufficient to avoid inappropriate risk-taking
- is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements
- for risk and financial control staff, is generally a higher proportion of total remuneration than for front office staff.

**Performance-based Remuneration**

| Criteria | Profit Share | Performance Share Units |
|---|---|---|
| **Eligibility** | • all permanent employees | • Executive Committee members |
| **Determination** | • allocations reflect an individual's performance, which is assessed against a range of financial and non-financial factors including:<br>– contribution to financial results<br>– approach to risk management and compliance<br>– business leadership including outcomes for customers and the community<br>– people leadership and professional conduct including the role-modelling of Macquarie's culture, our purpose and our long-standing principles of *What We Stand For* | • individual allocations reflect their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie<br>• allocations are based on the face value of shares on the grant date<br>• allocations are subject to Board discretion |
| **Structure** | • significant proportion is retained (80% for the CEO and 60% for other Executive KMP)<br>• long deferral periods (up to seven years for the CEO and other Executive KMP)<br>• retained profit share is delivered in a combination of Macquarie equity and Macquarie-managed fund equity | • PSUs vest after four years, subject to the achievement of two financial performance hurdles (no retesting of hurdles)<br>• PSUs are structured as Deferred Share Units (DSUs)[1] with no exercise price<br>• no right to dividend equivalent payments |
| **Malus** | • applies for senior employees, including all Executive Directors | • applies to all awards |
| **Forfeiture** | • retained profit share is subject to forfeiture upon leaving Macquarie except in certain circumstances | • unvested PSUs are subject to forfeiture upon leaving Macquarie except in certain circumstances |

(1) A DSU is a Deferred Share Unit and is an award type under the Macquarie Group Employee Retained Equity Plan (MEREP). For further details, refer to Note 32 to the financial statements in the Financial Report.

## Remuneration framework continued

The Board annually reviews and fine-tunes the remuneration framework to ensure it is consistent with changing market conditions and complies with regulatory expectations and corporate governance developments. During the year, to address both regulatory requirements under APRA's new Prudential Standard CPS 511 *Remuneration* (CPS 511) and the evolving expectations of our stakeholders, the Board undertook a holistic review of all structural components of the remuneration framework to ensure that they are delivering on a broad range of objectives. As part of this review, the BRC considered diverse perspectives, including those of shareholders and regulators, as well as global peer group benchmarking and increased global competition for talent in many of Macquarie's areas of activity.

The following changes to the remuneration framework have been approved by the Board and are being implemented in a phased approach from FY2022. The Board believes that the revised arrangements are consistent with our longstanding remuneration principles and allow for ongoing attraction, motivation, retention and accountability of talent, respecting and recognising the expectations of all stakeholders.

<table>
<tr><th>Component</th><th>Remuneration arrangements</th><th>Rationale/link to remuneration principles</th></tr>
<tr><td>Fixed Remuneration</td><td>Fixed remuneration will be increased for the CEO and other Executive KMP from 1 April 2023. This is the first fixed remuneration increase for Executive KMP since 2010, noting that the MBL CEO and the Chief Risk Officer (CRO) are receiving a fixed remuneration increase from 1 April 2022 to recognise their appointments to these roles on 1 July 2021 and 1 January 2022 respectively. Fixed remuneration will remain set at a comparatively low level, relative to the industry, and at a low proportion of total remuneration but sufficient to avoid inappropriate risk-taking.<br><br>
<table>
<tr><th>Role</th><th>Current ($Am)</th><th>Revised ($Am)</th></tr>
<tr><td>CEO</td><td>0.8</td><td>1.5</td></tr>
<tr><td>MBL CEO</td><td>0.7</td><td>1.3</td></tr>
<tr><td>Executive KMP</td><td>0.7-0.75</td><td>1.0-1.1</td></tr>
</table></td><td>Preserves the underlying remuneration principles of paying for performance and having comparatively low fixed remuneration levels relative to the industry. Addresses external market pressures.</td></tr>
<tr><td>Profit Share</td><td>Retention and vesting arrangements:<br>For profit share allocations made in respect of FY2024 onwards, retention rates and vesting periods will be reduced for certain senior employees but remain long enough to appropriately consider the time horizons of risk. Retention rates and vesting periods will meet or exceed both the minimums required under CPS 511 and the deferral arrangements of many of Macquarie's global comparators.<br><br>
<table>
<tr><th rowspan="2">Role</th><th colspan="2">Current</th><th colspan="2">Revised</th></tr>
<tr><th>Retention (%)</th><th>Vesting & release</th><th>Retention (%)</th><th>Vesting & release</th></tr>
<tr><td>CEO</td><td>80</td><td rowspan="3">One-fifth in years 3-7</td><td>70</td><td rowspan="3">One-third in years 3-5</td></tr>
<tr><td>MBL CEO</td><td>60</td><td>60</td></tr>
<tr><td>Executive KMP</td><td>60</td><td>50</td></tr>
<tr><td>Designated Executive Directors[2]</td><td>50</td><td colspan="2">40</td></tr>
</table>
Note, Macquarie's stated vesting periods do not include the performance year, whereas vesting periods under CPS 511 are defined as including the period over which performance is assessed (i.e. in the above table, for senior employees the current vesting period is defined by Macquarie as years 3 to 7, whereas under the CPS 511 definition this would translate to a vesting period of years 4 to 8).</td><td>Emphasises performance-based remuneration and continues to enable risk outcomes to be considered over a prolonged period. The changes ensure that regulatory requirements are upheld and that prevailing market conditions are taken into consideration.</td></tr>
</table>

(2) Executive Directors who have a significant management or risk responsibility in the organisation (equivalent to "Material Risk Takers" under CPS 511).

<table>
<tr><th>Component</th><th>Remuneration arrangements</th><th>Rationale/link to remuneration principles</th></tr>
<tr><td></td><td>Vesting and release of retained profit share upon termination:<br>Where the Board exercises its discretion to accelerate the vesting of retained profit share for Executive Directors (in cases of retirement from Macquarie or redundancy), that release currently occurs over the period from six months to two years after termination.<br><br>For profit share allocations made in respect of FY2023 onwards, the six-month release date post-termination will be removed. Amounts that would have vested after six months (i.e. retained profit share which does not relate to the final two years of employment) will now be released after 12 months and amounts that would have vested after 12 months will now be released after 24 months.<br><br>For profit share allocations made in respect of FY2024 onwards, unvested retained profit share will no longer be released over a two-year period for certain employees and will instead be kept on its original vesting schedule, as set out in the following table:<br><br>
<table>
<tr><th>Role</th><th>Current</th><th>FY2023</th><th>FY2024</th></tr>
<tr><td>Executive KMP, Designated Executive Directors</td><td rowspan="2">6 to 24 months</td><td rowspan="2">12 to 24 months</td><td>0 to 60 months</td></tr>
<tr><td>Other Executive Directors</td><td>12 to 24 months</td></tr>
</table></td><td></td></tr>
<tr><td>PSUs</td><td>From FY2024, the vesting period for PSUs granted will be extended by a year, to five years for the CEO and the MBL CEO (currently, PSUs vest after four years).</td><td>Reflects regulatory expectations and increases the alignment of the interests of staff and shareholders over the long-term.</td></tr>
<tr><td>Malus</td><td>From FY2022, the population subject to malus has been expanded to include all Executive Directors. The events that may trigger the application of malus provisions have also been expanded (see page 108), to align to CPS 511 and the expectations of other global regulators.<br><br>From FY2024, Macquarie's malus provisions will be further expanded to include all employees with deferred performance-based remuneration and clawback provisions will be introduced for certain senior employees to align with CPS 511.</td><td>Strengthens the alignment between remuneration and prudent risk management and aligns Macquarie's malus framework to APRA's expectations as set out in CPS 511.</td></tr>
</table>

# Profit share

This section describes the way in which profit share is determined, structured and delivered.

## Annual process to determine profit share outcomes

Remuneration outcomes are based on realised outcomes and are determined through a principles-based approach, taking into consideration individual, business group and company-wide performance. Outcomes may be adjusted downwards at any level as a result of any risk management, compliance and conduct issues that have been identified during the year.

### Individual profit share allocations

Individual profit share allocations reflect an employee's performance against their objectives, which are formally assessed annually. Permanent employees are required to have at least one formal Year in Review with their manager each year. The Year in Review comprises two core components:

- **what** was achieved over the past 12 months, including any Operating Group or Central Services Group/Division specific goals and objectives
- **how** cultural/behavioural expectations were demonstrated, including the principles of Macquarie's *Code of Conduct* and the cultural standards of the business group.

An individual's performance is assessed against a range of financial and non-financial factors, which fall under the following four areas of focus and link to the "what" and "how" components of the Year in Review:

| | Areas considered |
|---|---|
| **Financial/ business results** | • for front office staff, based on business profits and individual contribution to profits<br>• for risk and financial control roles, primarily based on contribution to high quality control functions<br>• for other support staff, based on their contribution to delivering high quality services to support the businesses, while managing costs and investing in people and technology to ensure the ongoing robustness of the risk management framework |
| **Risk management and compliance** | • the active management and consideration of a wide range of financial and non-financial risks<br>• motivating a culture of disciplined risk management, and regulatory, policy and business compliance<br>• performance against a risk management objective, which is mandatory for all employees and consistent across Macquarie |
| **Business leadership** | • business growth and innovation<br>• delivering solutions for our customers and the communities in which we operate<br>• relationship with external stakeholders, including regulators |
| **People leadership and professional conduct** | • conduct and behaviour consistent with the *Code of Conduct* and *What We Stand For*<br>• fostering a diverse and inclusive work environment<br>• talent development<br>• to drive Macquarie's cultural expectations, all employees are assessed against a mandatory objective on Diversity, Equity and Inclusion (DEI) and all people managers against a people management objective aligned to our purpose and culture |

Three of these four factors are non-financial, with considerations given in varying proportions depending on the nature of the role. Individual profit share allocations also consider relativities in the market in which each business competes for talent. Significant judgement is applied in determining remuneration outcomes to ensure all factors that may potentially impact the quantum of profit share allocations are considered.

When determining individual allocations, consideration is given to any matters raised in the independent reports provided to the BRC by the CRO and the Head of Internal Audit, or matters raised through the consequence management process, which may result in downward adjustments to profit share allocations for relevant individuals (see page 109).

## Profit share pools

The initial business group profit share pools are determined through a combination of a top-down and bottom-up approach. The company-wide profit share pool is an aggregate of the assessments conducted at both the business and individual level. The initial profit share pools are then adjusted up or down to reflect a consideration of the factors below:

**Operating/Central Service Group Level**

| Financial performance | Risk management | Business specific considerations | Market position and trends |
|---|---|---|---|
| For Operating Groups:<br>• contribution to company-wide profits<br>• returns on Economic and Regulatory Capital<br>• funding requirements and usage.<br><br>For Central Services Groups, based on the quality and integrity of control functions and support services, and not primarily determined with reference to profitability. | • risk profile of the business (e.g. capital usage)<br>• extent and nature of financial and non-financial risks including any significant reputational, cultural or compliance matters<br>• regulatory environment and regulatory risk considerations. | • innovation, new business development (including acquisitions) and maturity of the business<br>• reliance on intellectual versus financial capital<br>• customer/client and community outcomes<br>• impact of one-time gains/losses. | • overall remuneration levels in the market in which each business operates<br>• staff retention considerations. |

**Macquarie Group/Macquarie Bank level**

Additional considerations at a Macquarie Group and Macquarie Bank level include:

- Group profitability, including the balance of profit distribution between employees and shareholders
- Group capital metrics (including prudential ratios) and liquidity considerations
- impact of the profit share pool on Macquarie's capital position and ability to strengthen its capital base (as confirmed by the Chief Financial Officer (CFO))
- reasonableness of the resultant estimated compensation expense to income ratio and how it compares to that of peers
- regulatory considerations, including any company-wide risk and conduct matters
- factors that impact the macro environment in which Macquarie operates, including those that may affect our ability to attract and retain high performing staff
- CRO confirmation as to whether there have been any matters of systemic concern during the year.

The Board retains discretion to amend the profit share pool as determined in accordance with the above process to ensure all relevant factors, including risk and conduct matters, have been appropriately taken into consideration.

## Retained profit share: retention and vesting

A percentage of each individual's annual profit share allocation is retained (retained profit share) above certain thresholds. This is invested in a combination of Macquarie ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP) and Macquarie-managed fund equity notionally invested under the Directors' Profit Share (DPS) Plan.[3] While they are employed, an individual's retained profit share vests and is released over a period that reflects the scope and nature of their role and responsibilities.[4] These arrangements ensure that Macquarie continues to retain high-performing staff, provide significant long-term alignment to shareholders and customers, as well as enabling risk outcomes to be considered over long periods.

Retention and vesting arrangements are determined by the BRC according to prevailing market conditions, remuneration trends, and compliance with regulatory requirements (including under the Banking Executive Accountability Regime (BEAR)). For each year's allocation, once the vesting period has been determined it remains fixed for that allocation.

The table below summarises the standard retention and vesting arrangements applicable for FY2022. These vesting periods do not include the performance year but begin following the date remuneration is awarded.

### FY2022 standard profit share retention and vesting arrangements

| Role | Profit share retention (%) | Vesting and release of profit share[5] |
|---|---|---|
| CEO | 80 | One-fifth in each of years 3–7 |
| MBL CEO | 60 | |
| Executive Committee members | 60 | |
| Designated Executive Directors | 50 | |
| Executive Directors | 40 | One-third in each of years 3–5 |
| Staff other than Executive Directors[6] | 25–60 | One-third in each of years 2–4 |

The Board's discretion to change remuneration arrangements, as noted above, includes changes to profit share retention levels provided that the retention percentage is at least 30% for all Executive Directors.

## Investment of retained profit share

An individual's retained profit share is invested in a combination of Macquarie ordinary shares under the MEREP and Macquarie-managed fund equity notionally invested under the DPS Plan. The allocation reflects the nature of their role as set out in the following table:

### FY2022 standard investment of retained profit share

| | Retained profit share investment | |
|---|---|---|
| **Role** | **MEREP (MGL ordinary shares) %** | **DPS Plan (Macquarie-managed fund equity) %** |
| CEOs of MGL and MBL | 90 | 10 |
| Executive Committee members | 80–90 | 10–20 |
| Executive Committee members with Funds responsibilities | 50 | 50 |
| Executive Directors[7] | 80–100 | 0–20 |
| Executive Directors with Funds responsibilities | 25 | 75 |
| Staff other than Executive Directors[8] | 100 | 0 |

(3) Both the MEREP and DPS Plan are fundamental tools in Macquarie's retention, alignment and risk management strategies, encompassing both long-term retention arrangements and equity holding requirements. The MEREP has a flexible plan structure that offers different types of equity grants depending on the jurisdiction in which the participating employees are based. In most cases, the equity grants are in the form of units comprising a beneficial interest in Macquarie ordinary shares held in a trust for the staff member (Restricted Share Units or RSUs). For further details on the MEREP, refer to Note 32 *Employee equity participation* to the financial statements in the Financial Report. The DPS Plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment.
(4) Profit share that is not retained ("available profit share") is delivered in cash except for certain staff subject to requirements under European remuneration regulations, where 50% of available profit share is delivered in Macquarie equity and is subject to a 12-month hold period.
(5) For certain staff subject to European remuneration regulations, retained profit share invested in Macquarie equity is subject to a further 6 or 12-month hold post the vesting period.
(6) Above certain monetary thresholds.
(7) For certain Executive Directors subject to European remuneration regulations, retained profit share is invested 60% in Macquarie equity and 40% in the DPS Plan.
(8) For staff other than Executive Directors, retained profit share is generally 100% invested in Macquarie equity with the exception of those staff with funds responsibilities where retained profit share is invested in a combination of Macquarie equity and Macquarie-managed fund equity.

In addition to the arrangements set out in the tables above, different arrangements may apply in certain circumstances:

- retention rates and vesting and release schedules may vary for certain groups of staff who have become employees as a result of an acquisition, or for staff in certain jurisdictions, for example in the UK or European Union (EU), to ensure compliance with local regulatory requirements
- in limited circumstances, retained profit share may be allocated under arrangements other than the DPS Plan or the MEREP. For example, this may include investment in funds or products of a specific business group where there is a need to directly align the interests of staff with those of their clients.

## Forfeiture of retained profit share - malus and clawback

The Board or its delegate has the ability to reduce or eliminate unvested retained profit share for certain senior employees (including all Executive Directors) in certain circumstances (malus), as set out on page 108. For certain employees identified in the UK or EU, the Board also has the ability to recover (in whole or in part) vested profit share (clawback).

## Early vesting and release of retained profit share

The standard policy is that staff who cease employment with Macquarie will forfeit their unvested retained profit share. The Board may exercise discretion to accelerate the vesting of a departing employee's retained profit share and reduce the retention period including where, for example, their employment ends in the case of retirement from Macquarie, redundancy, death, serious incapacitation, disability, or serious ill-health. The Board's discretion to accelerate the vesting of retained profit share under these circumstances is subject to the conditions of early release as set out below for Executive Directors.

Discretion may be exercised in certain other limited exceptional circumstances on the grounds of business efficacy, in relation to strategic business objectives, including in connection with the divestment or internalisation of Macquarie businesses, or when an employee resigns to fulfil a public service role in a governmental organisation or agency. Where such discretion is exercised, the Board may impose such other conditions as it considers appropriate. This year, such discretion has been exercised and retained profit share was approved to be released for two executives due to the transfer of their employment to operationally segregated subsidiaries.

## Conditions of early release to departing Executive Directors - Post Employment Events

Where discretion has been exercised to accelerate the vesting of retained profit share, the Board may reduce or eliminate their retained profit share if it is determined that the Executive Director has, at any time during their employment or the relevant release periods after their employment, committed a Malus Event (as set out on page 108) or:

(a) taken staff to a competitor of Macquarie or been instrumental in causing staff to go to a competitor, or

(b) joined a competitor of Macquarie or otherwise participated in a business that competes with Macquarie.

Each of the above is a Post Employment Event.

In the case of death or serious incapacitation, the Board will typically accelerate the vesting of retained profit share and immediately release it. In other circumstances, the release will occur over the period from six months to two years after the Executive Director leaves, in accordance with the following table:

| | First Period | Second Period | Third Period |
|---|---|---|---|
| **Time post-departure** | Six months | Six months to one year | One year to two years |
| **Unvested retained profit share released** | From all but the last two years of employment | From the second year prior to the end of employment | From the year prior to the end of employment |
| **Subject to** | No Malus Event or Post Employment Event as set out previously | No Malus Event or Post Employment Event during the First Period, and<br>No Malus Event or Post Employment Event (a) above during Second Period | No Malus Event or Post Employment Event during the First Period, and<br>No Malus Event or Post Employment Event (a) during the Second Period, and<br>No Malus Event during the Third Period |
| **Where the release is by reason of retirement from Macquarie** | As above | As above and in addition, the release is subject to no Post Employment Event (b) during the Second Period | As above and in addition, the release is subject to no Post Employment Event (b) during the Second or Third Period |

In addition to the above, for Accountable Persons, the exercise of discretion for any early release of retained profit share will be subject to Macquarie meeting the minimum deferral periods required under the BEAR.

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the Board has discretion to release unvested retained profit share up to an amount equal to the Executive Director's tax liability at an earlier time than noted above.

# Performance Share Units

This section describes the way in which PSUs are determined, structured and delivered.

## Allocation and structure

Executive Committee members are the only group of staff eligible to receive PSUs, which are subject to the achievement of two financial performance hurdles and determined with reference to Macquarie's performance as a whole. As such, they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term and beyond their business group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

Individual allocations are based on their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie, including their collaboration across businesses.

PSUs are granted in August each year, after Macquarie's Annual General Meeting (AGM), in respect of the previous financial year. The number of PSUs to be allocated is calculated by dividing the face value of the award by the price of Macquarie ordinary shares on or around the date of grant.

Since their introduction, PSUs have been structured as DSUs with performance hurdles. Holders have no right to dividend equivalent payments. There is no exercise price for PSUs.

## Performance hurdles

The following table summarises the key terms of PSUs and the performance hurdles for FY2022:

| | EPS CAGR hurdle | ROE hurdle |
|---|---|---|
| **Application** | 50% of PSU award | 50% of PSU award |
| **Performance measure** | Compound annual growth rate (CAGR) in EPS over the vesting period (four years)[9] | Average annual ROE over the vesting period (four years)[9] relative to a reference group of global financial institutions.[10]<br><br>The reference group for awards is Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Laazard Ltd, Morgan Stanley and UBS AG. |
| **Hurdle** | Sliding scale applies:<br>• 50% becoming exercisable at EPS CAGR of 7.5%<br>• 100% at EPS CAGR of 12%<br><br>For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable | Sliding scale applies:<br>• 50% becoming exercisable above the 50th percentile<br>• 100% at the 75th percentile<br><br>For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable |
| **Forfeiture** | • malus provisions apply<br>• the standard policy is that unvested PSUs will be forfeited upon termination<br>• in the case of retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances, the Board or the BRC has the authority to either accelerate the vesting of PSUs or to permit the PSUs to continue to vest in accordance with the original award schedule and remain subject to the same performance hurdles<br>• should a change of control occur[11] the Board or the BRC has discretion to determine how unvested PSUs should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change in control. | |

(9) PSUs awarded prior to FY2020 vested in two equal tranches after three and four years.
(10) Comparator company information is presented in the same order throughout the Remuneration Report.
(11) Under the MEREP Plan Rules, a change in control occurs where a person acquires or ceases to hold a relevant interest in more than 30% of Macquarie ordinary shares or where the Board resolves that a person is in a position to remove one-half or more of the Non-Executive Directors.

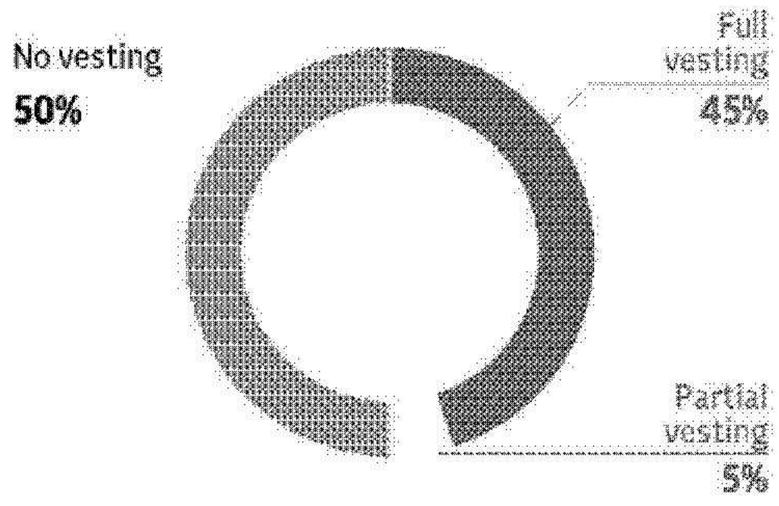
## Rationale for hurdles

The PSU hurdles are annually reviewed by the BRC to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC's review includes consideration of the most relevant performance metrics to be used as hurdles as well as the levels at which the hurdles are achieved. The international reference group used for the ROE hurdle is also reviewed to determine whether our comparators remain suitable for Macquarie's diversified business interests and global footprint. The BRC also considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators, as well as market practice. In the FY2022 annual review, both the relative ROE and absolute EPS hurdles were considered to still be appropriate for the following reasons:

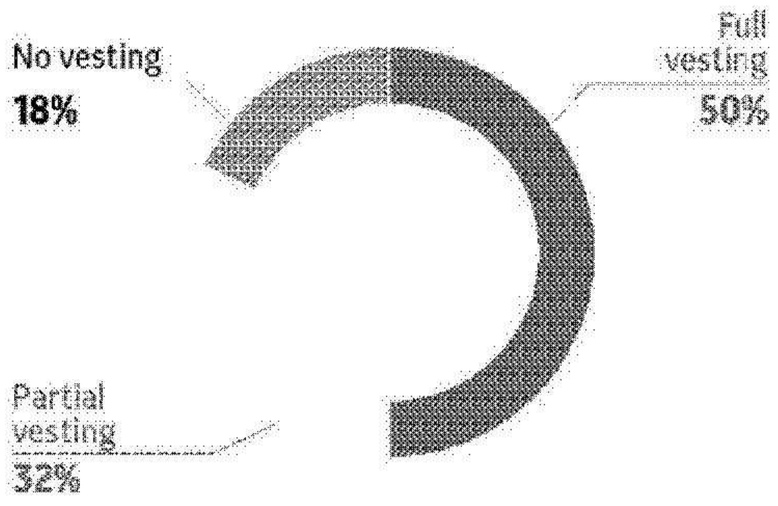
- ROE and EPS growth drive long-term shareholder value and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- the approach is consistent with that advocated by APRA in not using TSR as a measure
- ROE and EPS can be substantiated using information that is disclosed in Macquarie's annual reports
- a sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test, which some have argued could promote excessive risk-taking
- the hurdles are designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations. The time frame used for PSUs should also be considered in light of the three to seven-year deferral of profit share for members of the Executive Committee
- the EPS targets are confirmed as rigorous when market performance is considered, with the EPS threshold hurdle exceeding the performance of most of the ASX 20, global reference group and relevant indices over time
- for the EPS element to fully vest, Macquarie needs to achieve at least 12% CAGR over the vesting period. Supporting the rigour of the hurdle, cumulative EPS growth of 57% over four years is required to achieve full vesting
- the ROE vesting thresholds and sliding scale are in line with the domestic market and are particularly challenging when compared to international practice.

The charts below display Macquarie's historical EPS and ROE PSU outcomes, highlighting that since their introduction in 2009, 55% of the EPS tranches and 50% of the ROE tranches have resulted in either no vesting or partial vesting.

**Historical EPS tranche outcomes**




**Historical ROE tranche outcomes**




## Use of an international reference group

An international reference group recognises the extent of Macquarie's diversification and internationalisation. As at 31 March 2022, total international income represented approximately 75% of Macquarie's total income, with approximately 54% of Macquarie's staff located outside Australia. The BRC considers an international reference group to be appropriate on the basis that:

- the international reference group is currently most representative of Macquarie's business operations and talent pool. These firms broadly operate in the same markets and in similar business segments, and compete for the same people as Macquarie
- Macquarie has no comparable Australian-listed peers.

In addition, the BRC considers it important to not intervene reactively to remove under-performers or over-performers in any given period. An organisation's period of under-performance is generally followed by a period of over-performance.

# Culture, accountability and remuneration

This section describes how risk and conduct are considered throughout Macquarie's remuneration approach.

## Risk culture

Our purpose of 'empowering people to innovate and invest for a better future' and *What We Stand For* principles of Opportunity, Accountability and Integrity remain pivotal to our culture. Our purpose and principles effectively guide our staff in balancing risk and reward and making decisions that realise opportunity for the benefit of our clients, shareholders, partners and the communities in which we operate. Staff are continually made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are outlined in the Board approved *Code of Conduct*, which is actively promoted by management and cascaded through the organisation through multiple mechanisms. Macquarie invests significant time and effort in communicating and reinforcing Macquarie's culture through communications from senior management, policy reminders, training, and learning and development activities. The Board is able to assess Macquarie's culture in a number of ways including through staff survey results, human capital reporting, strategy presentations, risk culture reports, consequence management reports as well as through personal observation of management, and staff behaviour and actions.

Strong risk management is a fundamental part of everyone's role at Macquarie. Staff understand they are rewarded not just for their contribution to financial results, but also for how those results are achieved. This includes an assessment of an individual's approach to managing risk, and their alignment to the *What We Stand For* principles. They understand there are potential consequences for non-compliance with the risk management framework and Macquarie's behavioural expectations. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

## Alignment of remuneration with risk outcomes

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to its remuneration approach. The consideration of risk is embedded throughout the entire remuneration process including through the determination of individual profit share allocations, business and company-wide profit share pools as well as through the way in which remuneration is structured and delivered.

The Board is aware of the increasing focus of regulators and shareholders on ensuring risk-related matters that come to light subsequent to remuneration being awarded are appropriately factored into remuneration decisions. Macquarie's retention and vesting arrangements provide a mechanism for the Board to consider risk outcomes over a long period. Furthermore, where an investigation has commenced into a risk or conduct-related matter that may result in forfeiture or, for senior employees, the application of malus, Macquarie may further defer the payment, vesting and/or release of profit share to allow for the investigation to be completed.

## Culture, accountability and remuneration continued

As set out on page 100, the BRC reviewed the malus framework for FY2022 and expanded its scope to apply to a wider group of employees (including all Executive Directors). The events that may trigger the application of the malus provisions were also expanded and aligned to CPS 511.

The following mechanisms exist to risk adjust remuneration outcomes:

**In-year profit share adjustments** — **Applies to all staff**

- determined as part of assessing an individual's performance each year
- the annual assessment includes consideration of compliance with the risk management framework and with the behavioural expectations outlined in the *Code of Conduct*
- in addition, any outcomes from the consequence management process (such as formal warning) or the independent reporting from the CRO, Head of Internal Audit, and General Counsel are also considered.

**Forfeiture** — **Applies to all staff with retained profit share**

- where an individual's employment is terminated due to a compliance or conduct concern (or they resign), unvested remuneration is forfeited, as per our standard policy.

**Malus Events (expanded for FY2022)** — **Applies to senior employees**

The malus provisions provide the Board or its delegate with the ability to reduce or eliminate in full the retained profit share for senior employees, and for Executive Committee members unvested PSUs, where it is determined:

- there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based; or
- the employee has at any time:
  - engaged in misconduct leading to significant adverse outcomes
  - acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction)
  - significantly failed in or breached their compliance, accountability or fitness and propriety requirements or
  - acted or failed to act in a way that contributed to, and/or by virtue of their role or seniority is accountable for:
    - a breach of a significant legal or significant regulatory requirement relevant to Macquarie
    - MGL or MBL making a material financial restatement or
    - MGL, MBL or any Group within Macquarie[12] incurring significant reputational harm
    - MGL, MBL or any Group within Macquarie incurring a significant unexpected financial loss, impairment charge, cost or provision
    - a significant failure of financial or non-financial risk management or
    - a significant adverse outcome for customers, beneficiaries or other stakeholders.

Additional provisions may apply to staff in certain jurisdictions to ensure compliance with local regulations. This includes staff in the UK and EU who are subject to additional malus and clawback provisions under local regulatory requirements.

The BRC considers whether, and the extent to which, to apply malus, taking into account local employment laws, the nature and circumstances of the event and any other redress that has been or may be applied.

(12) A "Group within Macquarie" is a reference to any Operating Group or Central Services Group within MGL or MBL.

## Risk adjustment processes

There are robust processes in place to ensure that all risk, reputation, and conduct-related matters are specifically considered when determining remuneration outcomes. These processes may result in a downward adjustment to group and/or individual profit share allocations where appropriate. A wide range of risks that could have a financial or non-financial impact on Macquarie are considered, including if there has been a detriment to customers or any impact on prudential standing.

The diagram below provides an overview of these processes:

**Independent control function input when determining remuneration outcomes**

**Risk Management Group**

The CRO provides the BRC with an independent report detailing significant regulatory and legal matters, significant compliance and operational incidents and other financial and non-financial risk matters.

**Internal Audit**

The Head of Internal Audit provides the BRC with an independent report detailing notable internal audit issues and any trends at company-wide or group level.

**Legal**

The General Counsel provides a further source of independent input and, in conjunction with HR, considers whether there are any incidents (including any breach of the BEAR obligations) that should be brought to the attention of the BRC which might lead to a malus determination.

**Human Resources**

The Global Head of HR discusses the reports from RMG and Internal Audit with the Group Heads to ensure any matters listed in the reports are appropriately reflected in remuneration outcomes for relevant staff and provides a report to the joint committees meeting between the BRC, BRiC, BAC and BGCC on how this has been achieved.

The Global Head of HR also annually reports to the BRC on the outcomes from the consequence management process and confirms that these matters have been considered in determining remuneration and promotion outcomes where appropriate.

**Consequence management process**

Incidents, breaches of policy and misconduct issues are regularly reported to senior management. There are a number of processes in place to ensure consistency (across business groups and staff levels) in the application of consequences and the determination of remuneration outcomes, including the review and challenge by senior management of consequence management outcomes for consistency at year end.

Where an investigation has commenced into a risk or conduct-related matter, vesting, payment and/or release of profit share (including available and/or retained amounts) to an employee may be deferred to allow for the investigation to be completed.

## Consequence management outcomes

Macquarie's Consequence Management Guideline applies wherever a breach of internal policy or regulatory requirement is identified. Consequences may include further training, removal of delegated authorities or permissions, adjustments to performance-based remuneration, impact on promotion, formal warnings or termination.

Where an employee has received a formal warning, their performance-based remuneration is subject to further review and in some cases, it will be reduced to zero. Promotion decisions may also be impacted. Impacts may also be applied where a formal warning has not been issued. In each case, judgement is exercised as to the appropriate consequence(s) based on all the relevant circumstances.

In FY2022, there were 82 (FY2021: 97) matters involving conduct or policy breaches that resulted in formal consequences. These included 38 (FY2021: 45) *Code of Conduct* or appropriate workplace behaviour related matters and 44 (FY2021: 52) other policy matters including risk management and technology breaches. Of the 82:

- for 29 matters, termination of employment was the outcome (FY2021: 16)
- for 53 matters, a formal warning was issued (FY2021: 81). Additional consequences were applied as appropriate including additional training, removal of delegated authorities or permissions, adjustments to profit share and/or impact to promotion (12 have resulted in individuals subsequently leaving Macquarie before year-end outcomes were determined and 40 individuals had their profit share reduced by an average of 44%).

The 82 matters were considered isolated incidents and there was no evidence of broader systemic conduct issues.

## Further details on the remuneration framework

This section describes other key features of Macquarie's remuneration framework and of the employment contracts for Executive Committee members.

### Other features of Macquarie's remuneration framework

| | |
|---|---|
| **Role-based allowances** | • Role-based allowances are a component of fixed remuneration that may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals. |
| **Minimum shareholding requirement** | • Executive Directors are required to hold a relevant interest in Macquarie ordinary shares that have a value equal to 5% of an Executive Director's aggregate profit share allocations for each of the past five years (10 years for Executive Committee members), which can be satisfied by the requirements of the profit share retention policy.<br>• For Executive Committee members who were eligible for profit share allocations prior to the current year, compliance with this policy equates to a minimum shareholding requirement of between 110% to 970% of fixed remuneration based on share values unadjusted for market price changes. |
| **Promotion and New Hire Awards** | • Staff who are promoted to or hired at Associate Director, Division Director or Executive Director level receive an allocation of MEREP awards set with reference to an Australian dollar value. Currently these awards range from $A25,000 to $A175,000 depending on the Director level. |
| **Performance fees** | • A small number of individuals with funds responsibilities may receive a portion of their performance-based remuneration as a share of performance fees paid by Macquarie-managed funds.<br>• The profit share pool is adjusted downwards to reflect these deferred remuneration arrangements, which are also taken into account in determining the individual's profit share allocation.<br>• Consistent with market practice, these individuals are allocated an entitlement to a share of performance fees paid by a particular fund. This allocation is based on performance, seniority and the extent of the individual's involvement with the particular fund.<br>• An individual will not receive their entitlement until Macquarie has received performance fees towards the end of the fund's life, which is typically upwards of 10 years. The entitlement will be forfeited if their employment ceases before five years from the date of allocation. Entitlements are subject to similar forfeiture conditions as profit share.<br>• Prior to joining the Executive Committee, Mr Way (who joined the Executive Committee on 1 April 2021) participated in these arrangements for certain funds in his former role. Upon joining the Executive Committee, he maintained his participation in these existing funds, but he has not been allocated any additional entitlements. No other Executive Committee members currently participate in these arrangements. |
| **Hedging** | • Macquarie prohibits staff from hedging:<br>(i) shares held to meet the minimum shareholding requirement and<br>(ii) unvested equity held in the MEREP. |

### Employment contracts

The following table summarises key features of the employment contracts for Executive Committee members including the CEO.

| | |
|---|---|
| **Length of contract** | Permanent open-ended. |
| **Remuneration review period** | 1 April to 31 March annually. |
| **Profit share participation** | Executive Committee members are eligible to be considered for a profit share allocation that ensures a large part of their remuneration is 'at risk'. Refer to pages 101 to 104 for details. |
| **PSU participation** | Executive Committee members are eligible to receive PSUs. Refer to pages 105 to 106 for details. |
| **Termination of employment** | Requires no more than three months' notice by Macquarie or the Executive Committee member (Post-employment restrictions apply). |
| **Post-employment restrictions** | Restrictions include non-solicitation provisions applicable for six months, and paid non-competition provisions applicable, at Macquarie's election, for up to three months post-termination. |

# Pay for performance

This section details Macquarie's results and demonstrates the link between pay and performance.

## Macquarie's results

Macquarie delivered record financial results for shareholders in FY2022. NPAT has increased by 56% compared to the prior year and EPS has increased by 51%. In addition, returns to shareholders have been strong with an increase in ordinary dividends of 32% compared to the prior year.

Total compensation and total Executive KMP awarded profit share have not increased to the same extent as NPAT and the compensation expense to income ratio decreased to 36.7%, below the prior year's level. CEO awarded profit share has increased by 26%. This increase has been explained in both the Chair letter and the CEO's awarded pay table on page 117.

## Comparison of performance measures and executive remuneration measures: FY2021-2022

| | Expressed as | FY2022 | FY2021 | Increase/(Decrease) % |
|---|---|---|---|---|
| **Performance measures** | | | | |
| NPAT | $Am | **4,706** | 3,015 | 56 |
| Basic EPS | Cents per share | **1,271.7** | 842.9 | 51 |
| Ordinary Dividends | Cents per share | **622.0** | 470.0 | 32 |
| Return on equity | Percent | **18.7** | 14.3 | |
| **Executive remuneration measures** | | | | |
| Total compensation expense | $Am | **6,364** | 5,190 | 23 |
| Compensation expense to income ratio | Percent | **36.7** | 40.6 | |
| Average staff headcount[13] | | **17,002** | 16,385 | 4 |
| Actual staff headcount[13] | | **18,133** | 16,459 | 10 |
| CEO awarded profit share | $Am | **25.00** | 19.85 | 26 |
| Total Executive KMP awarded profit share | $Am | **123.82** | 106.90 | 16 |
| CEO Statutory Remuneration | $Am | **23.72** | 15.97 | 49 |
| Total Executive KMP Statutory Remuneration | $Am | **129.47** | 122.36 | 6 |

## Performance over past 10 years: FY2013-2022

| Year ended 31 March | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | | | | |
| NPAT ($Am) | 851 | 1,265 | 1,604 | 2,063 | 2,217 | 2,557 | 2,982 | 2,731 | 3,015 | **4,706** |
| Basic EPS (cents per share) | 251.2 | 383.6 | 502.3 | 619.2 | 657.6 | 758.2 | 883.3 | 791.0 | 842.9 | **1,271.7** |
| **Shareholder returns** | | | | | | | | | | |
| Return on equity (%) | 7.8 | 11.1 | 14.0 | 14.7 | 15.2 | 16.8 | 18.0 | 14.5 | 14.3 | **18.7** |
| Ordinary Dividends (cents per share) | 200 | 260 | 330 | 400 | 470 | 525 | 575 | 430 | 470 | **622** |
| Special Dividends (cents per share)[14] | - | 116 | - | - | - | - | - | - | - | - |
| Share price as at 31 March ($A) | 37.15 | 57.93 | 76.67 | 66.09 | 90.20 | 102.90 | 129.42 | 85.75 | 152.83 | **203.27** |
| Annual TSR (%) to 31 March[15],[16] | 34.5 | 67.2 | 40.0 | (9.2) | 46.0 | 21.3 | 32.8 | (29.9) | 83.9 | **38.6** |
| 10 year TSR (%) to 31 March[15],[16] | 170.4 | 189.6 | 187.7 | 83.5 | 99.0 | 257.7 | 723.6 | 220.7 | 628.6 | **1,101.9** |

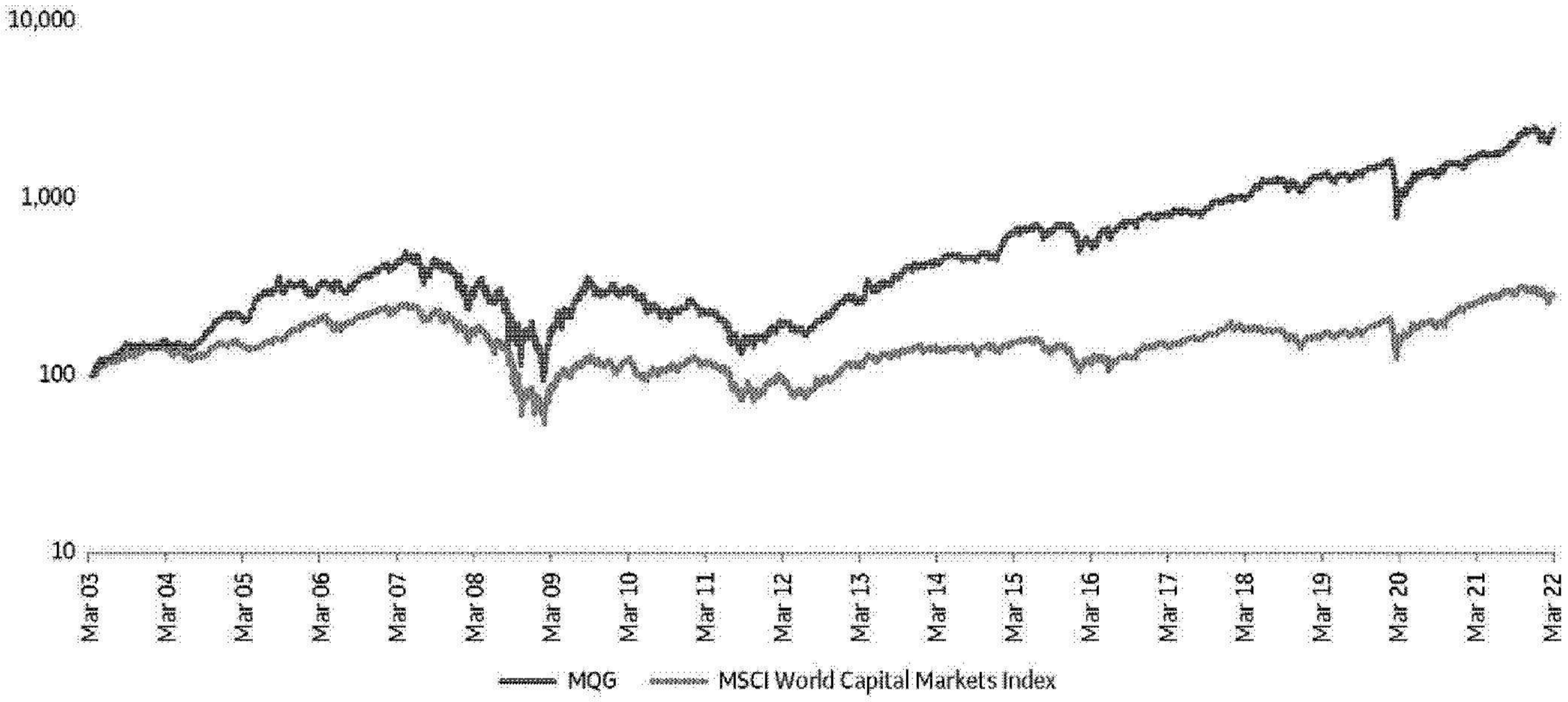
(13) Headcount for both FY2022 and FY2021 includes staff employed in operationally segregated subsidiaries (OSS).
(14) The special dividend for the year ended 31 March 2014 represented the special dividend component of the SYD Distribution in January 2014. The total distribution including return on capital was 373 cents per share.
(15) TSR data reflects the reinvestment of gross dividends.
(16) Source: Bloomberg.

## Total shareholder return

Macquarie's TSR over the long-term has been strong and continues to outperform both the MSCI World Capital Markets Index (MSCI Index) since the inception of this index and the All Ordinaries Accumulation Index (All Ords Index) since listing.

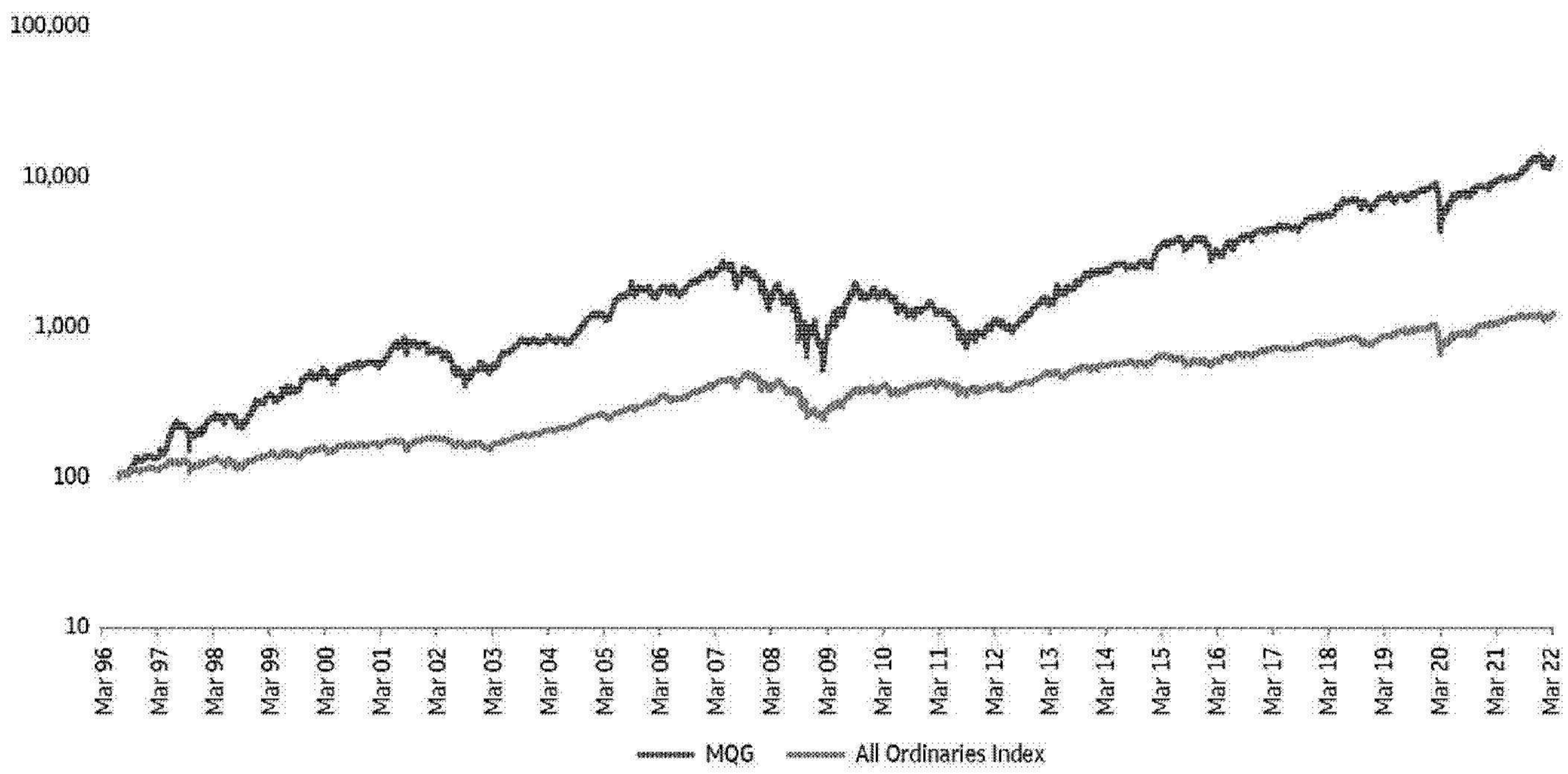
The TSR charts below are displayed on a base-10 logarithmic scale, which displays relative percentage movements over an extended historical time frame as similar in size, without visually skewing the performance in more recent years.

**Macquarie TSR versus the MSCI Index[17]: 30 April 2003, being the date the index was first calculated, to 31 March 2022**




Source: Bloomberg.

**Macquarie TSR since listing versus the All Ords Index[18]: 29 July 1996 to 31 March 2022**




Source: Bloomberg.

(17) Indexed to 100 on 30 April 2003, being the date the index was first calculated. The MSCI World Capital Markets Index comprises a basket of companies that provide capital markets activities (defined by MSCI as asset management, investment banking and brokerage, and diversified capital markets activities). Macquarie TSR calculations assume continuous listing. Therefore, they are based on Macquarie Bank Limited (ASX Code: MBL) data up to and including 2 November 2007 (the last day of trading of MBL shares), and MGL (ASX Code: MQG) data from the commencement of trading of MGL ordinary shares on 5 November 2007 onwards.

(18) Indexed to 100 on 29 July 1996, being when MBL shares were first quoted on ASX. The All Ordinaries Accumulation Index (All Ords Index) comprises the 500 largest ASX listed companies by market capitalisation. As per the footnote for the MSCI World Capital Markets Index, Macquarie TSR calculations assume continuous listing.

## Macquarie's ROE performance compared with an international reference group

Macquarie's ROE for FY2022 of 18.7% has improved from 14.3% in the prior year and remains higher than the average of the international reference group. In addition, Macquarie's three, five and ten-year average annual ROE exceeds the majority of the reference group.

**Reference group ROE over ten years FY2013-2022**

| | 1 year average % p.a. | 3 year average % p.a. | 5 year average % p.a. | 10 year average % p.a. |
|---|---|---|---|---|
| Macquarie | **18.7** | **15.3** | **15.6** | **13.4** |
| Average of reference group | **16.5** | **13.3** | **11.6** | **10.2** |
| Company | 12.4 | 9.9 | 9.5 | 6.9 |
| Company | 11.4 | 6.3 | 3.7 | 2.0 |
| Company | (3.8) | 3.4 | 2.5 | 1.1 |
| Company | 3.4 | (2.0) | (1.5) | (1.7) |
| Company | 23.0 | 14.6 | 12.4 | 11.2 |
| Company | 18.3 | 14.8 | 13.5 | 11.7 |
| Company | 56.0 | 48.8 | 43.4 | 45.4 |
| Company | 15.3 | 13.3 | 11.9 | 8.5 |
| Company | 12.4 | 10.6 | 8.5 | 6.9 |

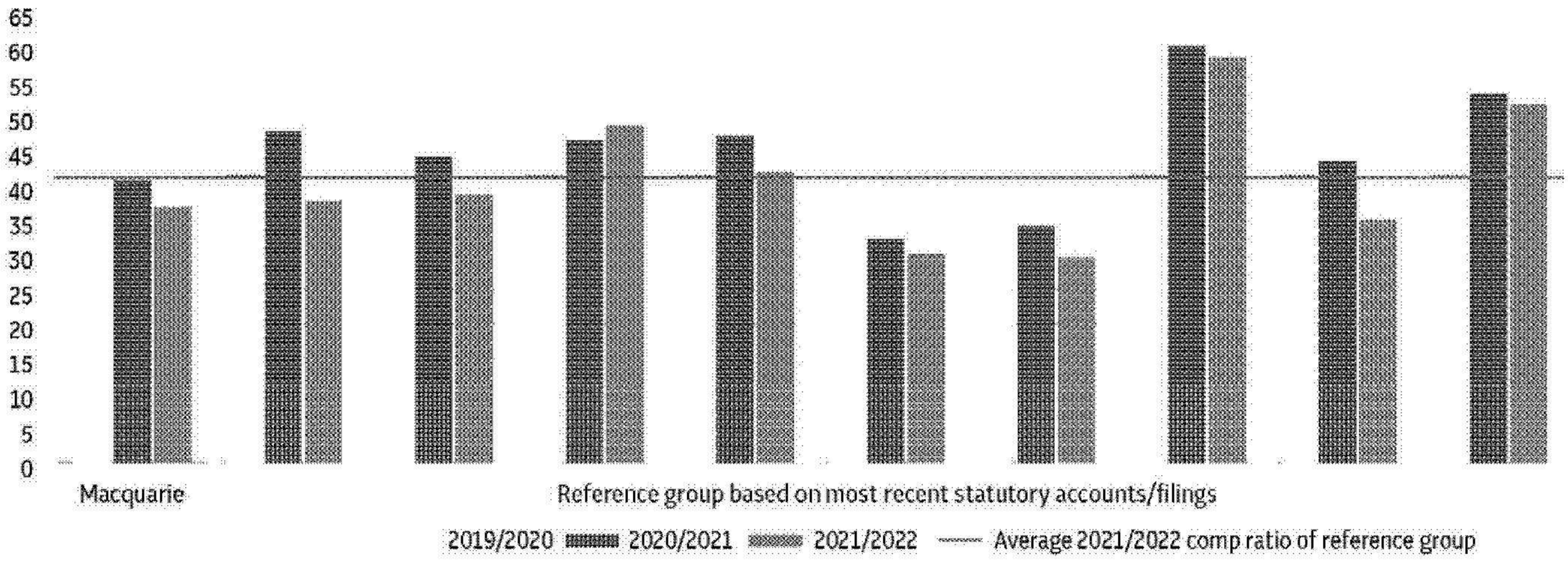
Source: Bloomberg (reference group) and Macquarie as reported.

## Compensation expense to income ratio

In determining the reasonableness of the company-wide profit share pool, the Board considers Macquarie's compensation expense to income ratio (compensation ratio) compared to that of the international reference group as a broad guide to assess whether the share of profits distributed to staff and shareholders is reasonable. The compensation ratio effectively adjusts for differences in size between organisations; however, some companies are or have become part of larger organisations, often with large retail operations that can distort comparisons.

In the following chart, Macquarie's compensation ratio is compared with that of the international reference group.[19] Macquarie's FY2022 compensation ratio of 36.7% is below the average of our international peer group.

**Compensation expense to income ratio: FY2020-2022 (%)**



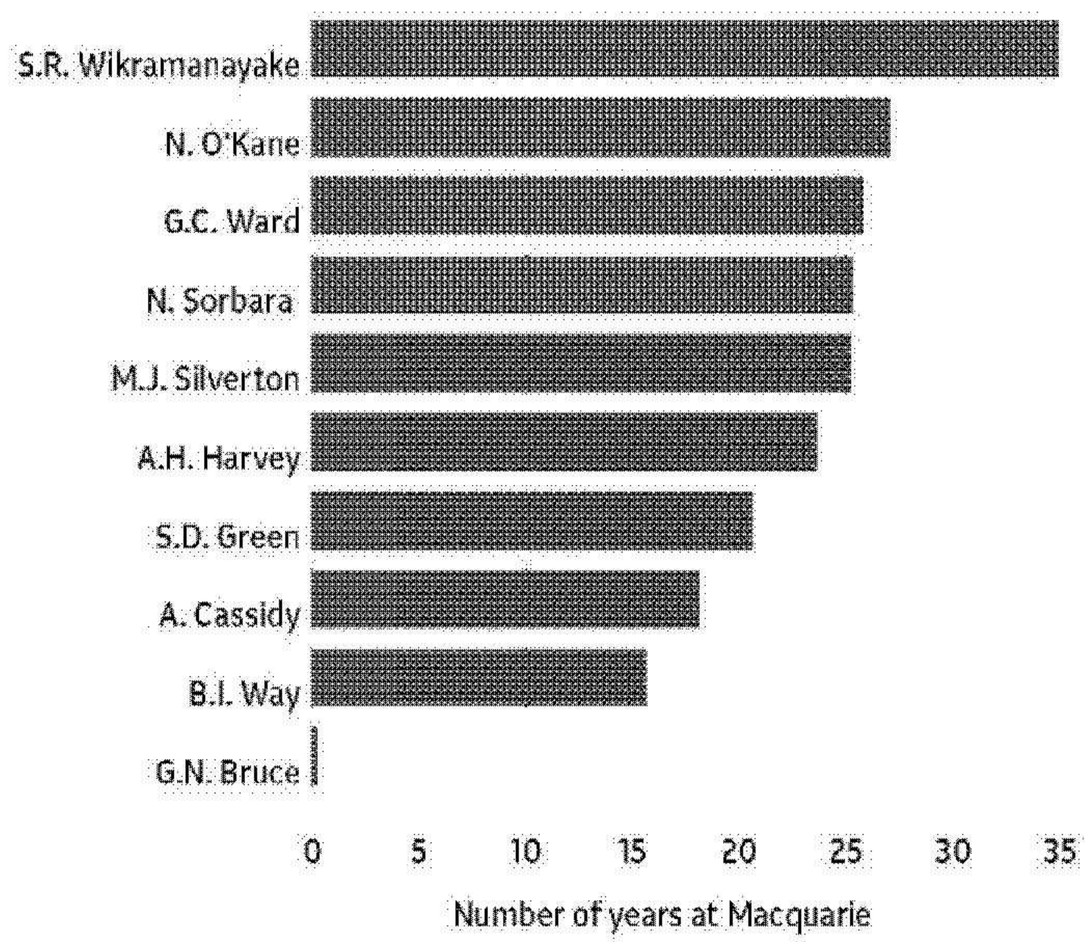

Source: Data has been calculated by Macquarie. The information is based on publicly available information for the reference group. In order to show more comparable compensation ratios, impairments have been consistently netted against net revenue in the revised calculations for some organisations.

(19) The reference group comprises Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

## Tenure of Executive KMP[20]

One of the primary goals of our remuneration framework is to attract, motivate and retain high-performing staff. The Board's view is that we continue to achieve this goal as demonstrated by the following:

- Macquarie's Executive KMP had an average tenure of 22 years with Macquarie as at 31 March 2022. Their strong leadership and deep expertise have been integral to driving company and business performance in FY2022
- as at 31 March 2022, 48% of Director-level staff had more than ten years' experience with Macquarie, while a further 21% had between five and ten years' experience with Macquarie
- the 6% Director-level voluntary turnover rate in FY2022, while higher than the prior year due to external factors such as the highly competitive global market for talent, remains well below the voluntary turnover rate across Macquarie overall.




(20) This includes accumulated service at acquired companies, for example, Bankers Trust Investment Bank Australia.

# Executive KMP remuneration outcomes for FY2022

This section details the process for determining Executive KMP remuneration outcomes for FY2022 and demonstrates the link between pay and performance.

## Executive KMP fixed remuneration outcomes

In line with our pay for performance approach to remuneration, fixed remuneration for our Executive KMP in FY2022 comprised approximately 8% of total awarded remuneration, with the balance at risk and explicitly linked to performance.

Mr Cassidy and Mr Green were appointed to the Executive Committee during FY2022. To reflect their new roles, their fixed remuneration has been increased, effective 1 April 2022. There are no fixed remuneration increases for other Executive KMP for FY2023, however as noted in the letter from the Chair, fixed remuneration levels will be increased from 1 April 2023.

## Process to determine Executive KMP profit share outcomes

There is a consistent and comprehensive process for the Board and the BRC to assess the performance of the CEO and each Executive KMP during the year to enable them to determine remuneration outcomes at the end of the year. The Board is always mindful of the external focus on overall remuneration levels and has spent considerable time determining remuneration outcomes. The BRC recognises the range of expectations and has made decisions that take into consideration the perspectives of all stakeholders. Significant judgement is applied to ensure that remuneration outcomes are aligned both with individual and company-wide performance and with outcomes delivered to our shareholders, our clients and the communities in which we operate.

As part of the Board's annual review of Macquarie's CEO's performance, the CEO meets with the Non-Executive Directors (NEDs) of the Board towards the end of the financial year to consider formal documentation that outlines her views of Macquarie's performance. The presentation includes a broad range of Macquarie's activities covering the following main areas:

- financial performance
- risk management and compliance
- business leadership including customer and community outcomes
- people leadership and professional conduct consistent with the *Code of Conduct* and the principles of *What We Stand For.*

Over the course of the year the Board receives regular reports and updates on many of these areas. These are summarised in the CEO's presentation, together with additional information on matters of interest the Board has identified for further discussion as a part of the review process. This year, the NEDs requested that the CEO focus on major strategic, risk and business initiatives as well as the management of prudential and regulatory obligations. The Board then considers the CEO's performance and progress against all of these topics in determining the CEO's remuneration for the year. A similar process is followed for the CEO of Macquarie Bank focussed on MBL-specific measures.

The Board and the BRC review formal documentation for each Executive KMP, which includes consideration of the same factors as the CEO as set out above.

The BRC also consider risk-related matters raised in the independent reports from the CRO and the Head of Internal Audit. To ensure all matters are appropriately brought to the BRC's attention and to achieve an integrated approach to remuneration that reflects prudent and appropriate risk management, there is a joint meeting of the BRC, BRiC, BAC and the BGCC.

Finally, the BRC considers remuneration levels for organisations that broadly operate in the same markets and compete for the same people as Macquarie.

## FY2022 Executive KMP profit share outcomes

FY2022 remuneration outcomes reflect:

- this year's achievements against a range of financial and non-financial factors, some of which are discussed below
- the recognition that our people are our greatest asset, and the importance of retaining key people to encourage innovation and pursue growth opportunities
- an alignment to the outcomes delivered to shareholders
- risk management, compliance and conduct outcomes.

The Board's determination of remuneration outcomes for FY2022 for the CEO and Executive KMP reflect the following factors:

- record profits and strong financial performance while delivering sound customer/client and community outcomes across all four businesses
- the strong leadership of the CEO and the whole Executive Committee demonstrating both an alignment to our purpose and ongoing resilience to the impacts of the COVID-19 pandemic
- increased cross-collaboration across Macquarie, including strategic initiatives to reflect the evolving environment in climate solutions and energy transition
- continued focus on building a diverse, equitable and inclusive work environment
- the continued investment in technology and digitalisation
- role-modelling of and encouragement of behaviours that support a strong risk culture
- focus on regulatory engagement, in particular commitment to strengthening regulatory relationships, prudential compliance and governance across Macquarie
- progress against the APRA remediation plan to strengthen the voice of the Bank. This incorporates the programs of work across governance, remuneration, risk culture, regulatory reporting, prudential risk management, and group structure
- continued focus on WHS as a key priority to reduce the risk of serious injuries and fatalities across our activities. This priority will continue into FY2023

- the management of financial and non-financial risks. During the year, there has been a strong focus on enhancements of risk capabilities and risk frameworks. While we have no systemic concerns, there have been risk management issues during the year for which we have imposed remuneration impacts to the MGL CEO, the MBL CEO and relevant Executive KMP.

Executive KMP remuneration outcomes have been considered in the context of the wider workforce. The BRC receives extensive reporting on remuneration outcomes and individually reviews and approves the remuneration of Accountable Persons, staff who hold regulated roles, Designated Executive Directors (generally direct reports of Executive KMP) and other senior staff, and has reviewed overall total remuneration levels across each business to ensure appropriate distribution of remuneration across the organisation. The BRC has also considered the compensation expense to income ratio as a guide as to whether the share of profits distributed to staff and shareholders is reasonable.

After careful consideration of all these factors, we believe the following outcomes for the year are appropriate:

- CEO awarded profit share has increased 26% on the prior year to $A25.0 million
- total Executive KMP awarded profit share of $A123.82 million (up 16% on the prior year)
- PSU allocations of $A4.0 million for the CEO and ranging from $A1.4 million to $A2.8 million for Executive KMP.

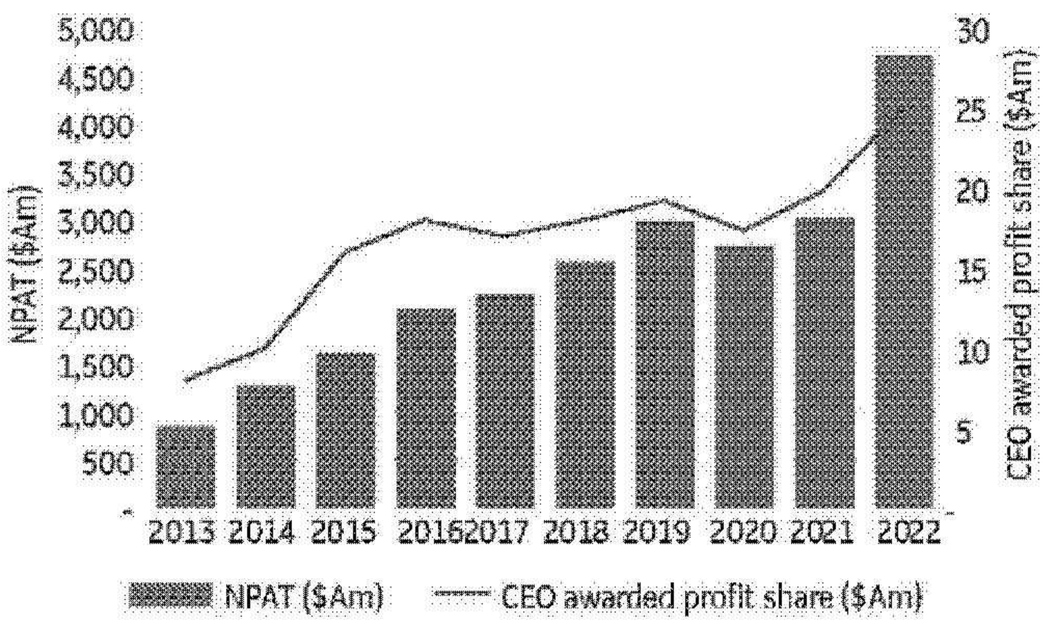
## New Executive Committee member

The Board recognises that it is vital to secure the best executive talent. In January 2022, we were pleased to welcome Evie Bruce to Macquarie in the role of incoming General Counsel. Ms Bruce was subsequently appointed to the Executive Committee on 2 March 2022.

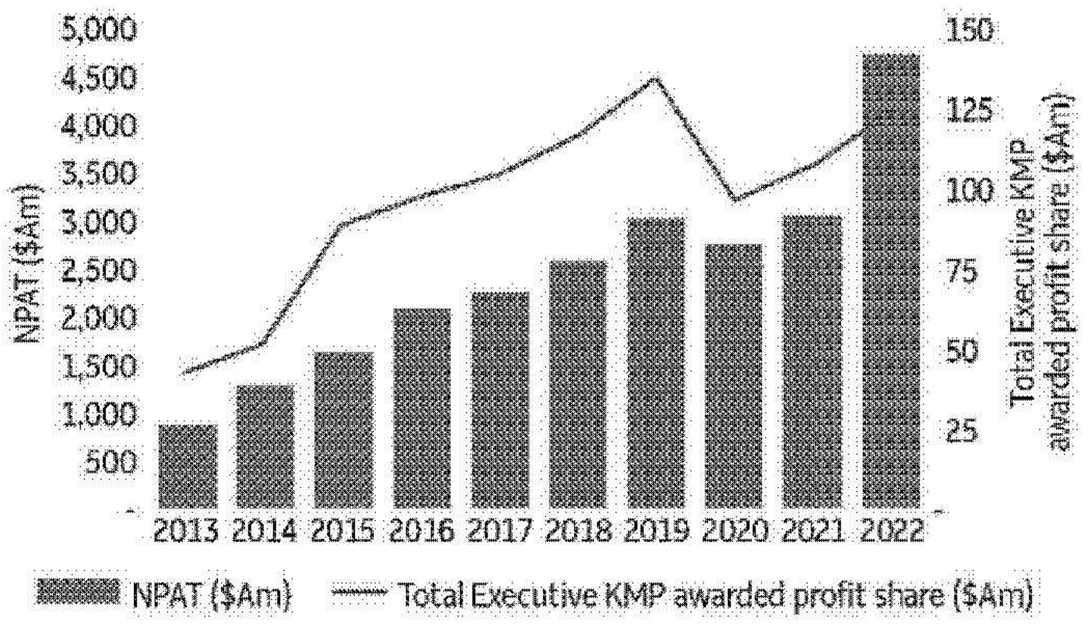
To secure Ms Bruce's appointment, the Board determined it was necessary and appropriate to provide competitive remuneration arrangements, with consideration of internal peers and external market comparators. This included awarding minimum profit share allocations of $A0.7 million and $A2.6 million for the performance years ending 31 March 2022 and 2023, respectively. The profit share allocations will be subject to Macquarie's standard remuneration arrangements, including the retention, forfeiture, and release conditions as set out on pages 103 to 104 of the Remuneration Report. Ms Bruce will also receive a minimum PSU allocation of face value $A2.0 million for FY2023, subject to the performance hurdles and other conditions applicable to the PSU allocations awarded to other Executive Committee members.

To demonstrate the alignment between pay and performance, the following graphs show the multi-year alignment between CEO and total Executive KMP awarded profit share and Macquarie NPAT over a ten-year period.

**CEO awarded profit share[21]**




**Total Executive KMP awarded profit share**




(21) For 2019, the graph reflects awarded profit share for the CEO role for FY2019. This equates to the sum of awarded profit share for Mr Moore for the period 1 April 2018 to 30 November 2018 and awarded profit share for Ms Wikramanayake for the period 1 December 2018 to 31 March 2019.

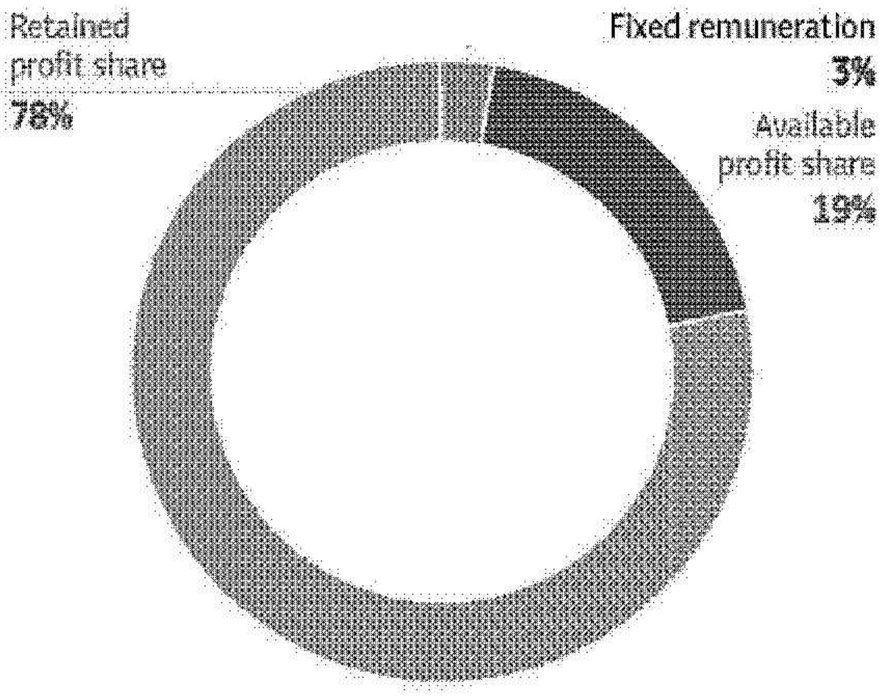
# Executive KMP awarded pay

To clearly demonstrate the link between pay and performance, we have included awarded remuneration disclosures for fixed remuneration and profit share as well as highlights of each Executive KMP's performance for the year. Details of PSUs awarded and vested in the year are set out in the following sections. The tables on the following pages are additional disclosures that are prepared on a different basis to those included in the statutory disclosures in Appendix 2 and are not additive. Remuneration relating to the portion of the relevant periods that each person was an Executive KMP is disclosed.

## Macquarie Group

### S.R. Wikramanayake – Macquarie CEO

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 820,887 | 820,244 |
| Available profit share | 5,000,000 | 3,970,000 |
| Retained profit share | 20,000,000 | 15,880,000 |
| **Total** | **25,820,887** | **20,670,244** |




**Financial results**

- Successfully steered the organisation through extended economic and market volatility, achieving strong financial outcomes, including highest profit on record: NPAT of $A4,706m, up 56% compared to FY2021 driven by strong growth in market-facing businesses.
- Maintained strong balance sheet and liquidity positions.

**Risk management and compliance**

- Strengthened our risk management framework with continued focus on meeting regulator expectations.
- Uplifted risk capability through recruiting, group-wide training and continued investment in technology.
- Implemented robust processes to identify, assess and consider emerging risks.
- Matured our approach to managing conduct risk through framework uplifts, staff training and delivering insights to key forums.

**Business leadership (including customer and community outcomes)**

- Continued to navigate the organisation through the ongoing impacts of COVID-19 focussing on employees, clients, portfolio companies and the community.
- Moved the Green Investment Group (GIG) into MAM Private Markets to combine specialist capabilities in green finance and meet investor demand for green opportunities.
- Promoted collaboration across Macquarie's businesses to unlock new opportunities and share best practice.
- Active participation with regulators, governments and advisory panels on strategic initiatives relating to climate and energy solutions, including the Glasgow Financial Alliance for Net Zero and Climate Financial Leadership Initiative.

**People leadership and professional conduct**

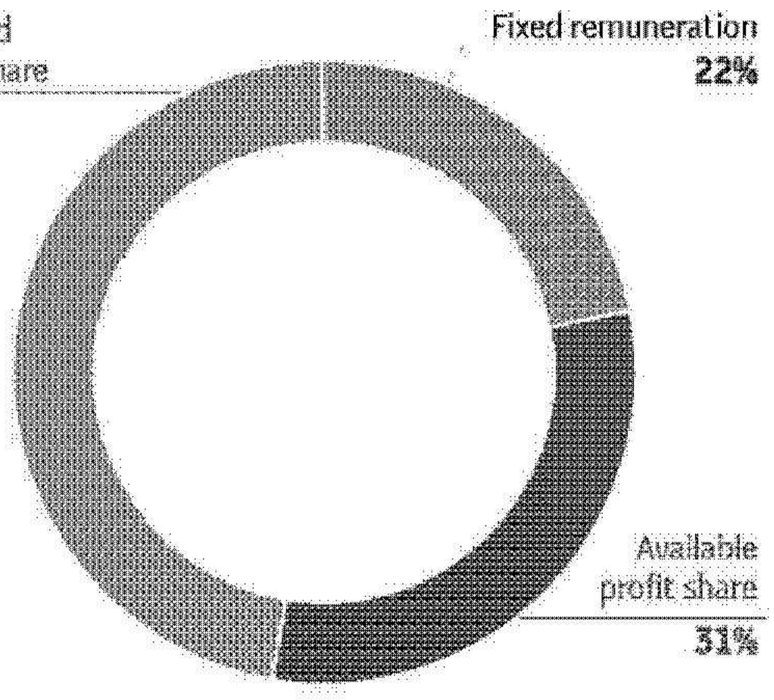
- Continued development of a strong leadership team through new appointments to the Executive and Management Committees to drive greater collaboration and business growth.
- Strong people leadership reflected in high CEO approval and employee engagement results through the Macquarie Voice survey, further improving through extended periods of remote working and CEO time devoted to staff engagement.
- Enhanced focus on embracing equity to attract and retain diverse talent, with the addition of equity as a pillar of Macquarie's people strategy in FY2022 and internal and external engagement to support progress on DEI initiatives and active participation at events aimed at driving equitable opportunities.

# Macquarie Bank

## S.D. Green – Macquarie Bank CEO

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 536,496 | n/a |
| Available profit share | 750,000 | n/a |
| Retained profit share | 1,125,000 | n/a |
| **Total** | **2,411,496** | **n/a** |

Mr Green was appointed to the Executive Committee effective 1 July 2021. Awarded remuneration disclosed reflects his time as Executive KMP from the period 1 July 2021 to 31 March 2022.




**Financial results**

- Strong management of MBL's balance sheet, including continued growth across MBL in capital utilisation, supported by the strong capital position of MGL.
- Improved credit rating for Macquarie from stable to positive based on Moody's positive outlook on MBL's asset risk profile and profitability over a sustained period.
- Maintained Macquarie's upgraded S&P rating of A+.

**Risk management and compliance**

- Continued investment in technology to strengthen the voice of the Bank, enhance MBL's risk management framework and risk capabilities to ensure businesses are well positioned to manage current and emerging risks.
- Ongoing focus on monitoring heightened risks driven from external factors including post COVID-19 recovery and increased market volatility.
- Commitment to strengthen prudential compliance and governance across Macquarie through closer relationships with global regulators.

**Business leadership (including customer and community outcomes)**

- Successful transition into the Macquarie Bank CEO role on 1 July 2021.
- Leading Macquarie through current remediation program with APRA to strengthen the voice of the Bank, manage potential conflicts and enhance MBL's risk management and regulatory reporting practices including active engagement with regulators.
- Active participation at external industry bodies, including the Australian Banking Association Council, Australian Financial Management Authority and Australian Business Growth Fund.

**People leadership and professional conduct**

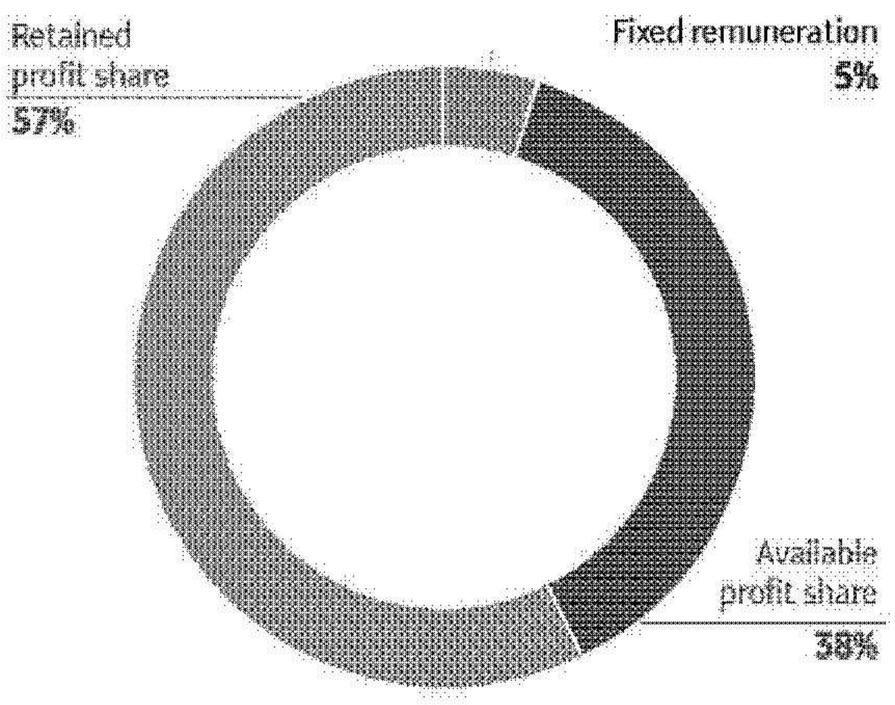
- Protection of MBL interests by closely engaging with our people, investors, governments and regulators.
- Ongoing focus on setting a strong 'tone from the top' and role modelling leadership behaviours.

# Macquarie Asset Management (MAM)

B.J. Way – Head of MAM

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 725,135 | n/a |
| Available profit share | 5,800,000 | n/a |
| Retained profit share | 8,700,000 | n/a |
| **Total** | **15,225,135** | **n/a** |

Mr Way was appointed to the Executive Committee effective 1 April 2021.




**Financial results**

- Delivered a net profit contribution of $A2,150m, up 4% on FY2021 financial results underpinned by the disposition fee and investment income.
- Total funding usage increased during FY2022 as disciplined use of balance sheet remains critical to support medium and long-term growth activities.

**Risk management and compliance**

- Continued to strengthen MAM's risk governance and frameworks during the year to support business change and growth, including embedding the conduct risk management framework, and compliance with sustainability-related regulations.
- Strong focus on Work Health and Safety (WHS) as a key priority during FY2022 including embedding an enhanced WHS framework and focus on leadership capabilities to reduce WHS risk at our portfolio companies. This priority will continue during FY2023.

**Business leadership (including customer and community outcomes)**

- Successfully transitioned into the Group Head of MAM role on 1 April 2021.
- Aligned the Group's organisation structure to MAM's capabilities with 4 divisions organised across Private Markets and Public Investments.
- Developed the 10-year growth plan with strong progress on strategic priorities and financial targets by 2030.
- Progressed the integration of GIG to bring together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.
- Delivered scalable growth with three corporate acquisitions (Waddell & Reed, AMP Capital, Central Park Group).
- Continued to drive sustainability and leadership through promotion of sustainability narrative and regular tracking of progress to achieve MAM's net zero target by 2040.

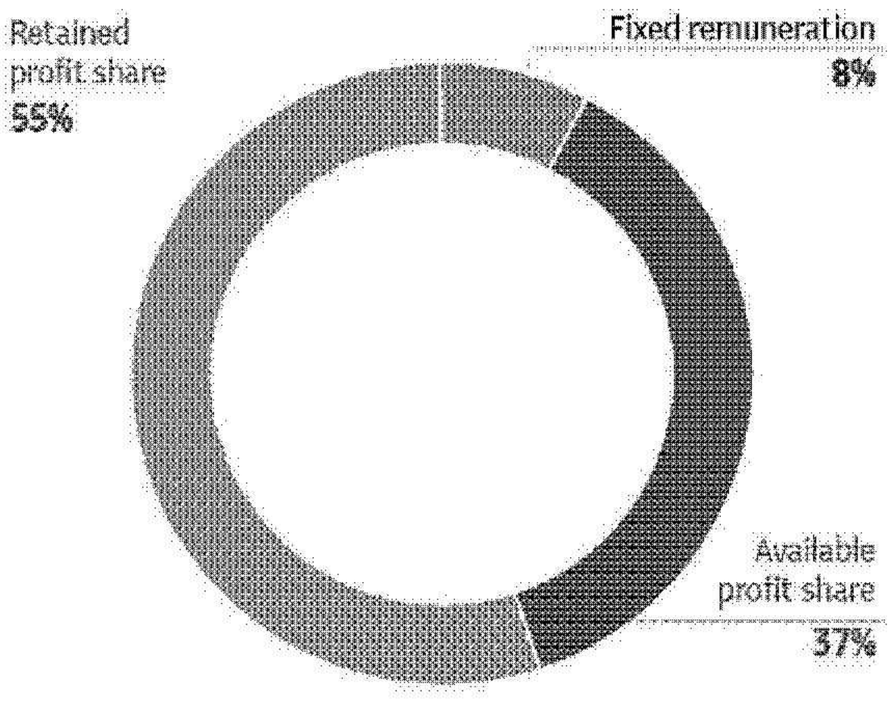
**People leadership and professional conduct**

- Fostering people and culture remains a high priority focussing on MAM's culture, DEI initiatives and staff development and recognition.
- Culture alignment remains a key focus from recent acquisitions and integrations.
- Investing in leadership and culture, with senior appointments to global roles driving strategy in priority areas including private credit, sustainability, and DEI.

# Banking and Financial Services (BFS)

G.C. Ward – Deputy Managing Director and Head of BFS

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 771,594 | 771,319 |
| Available profit share | 3,600,000 | 3,220,000 |
| Retained profit share | 5,400,000 | 4,830,000 |
| **Total** | **9,771,594** | **8,821,319** |




**Financial results**

- Delivered a net profit contribution of $A1,001m, up 30% on FY2021 results, with core business continuing to experience significant growth despite ongoing challenging environment.
- Strong organic growth with total BFS deposits increased 21% to $A98.0 billion and funds on platform increased by 17% to $A118.7 billion.
- Home loan portfolio increased by 34% to $A89.5 billion and Business Banking loan portfolio increased by 13% to $A11.5 billion.

**Risk management and compliance**

- Ongoing focus on key operational risk management to ensure robustness of control framework and effective risk management.
- Continued focus on enhancements to fraud prevention and detection capabilities, including client scam and fraud awareness.

**Business leadership (including customer and community outcomes)**

- Continued investment in innovative and technology-driven products and delivery of core technology programs to uplift agility, customer experience and risk management.
- Provided COVID-19 and natural disaster related support for our customers.
- Ongoing focus on the delivery of the remediation program with APRA to ensure it meets regulatory expectations.
- Received a number of awards including Mortgage & Finance Association of Australia (National Major Lender of the Year), Money Magazine (Best Savings Account), World Agility Forum Awards (Best Agile Place to Work).

**People leadership and professional conduct**

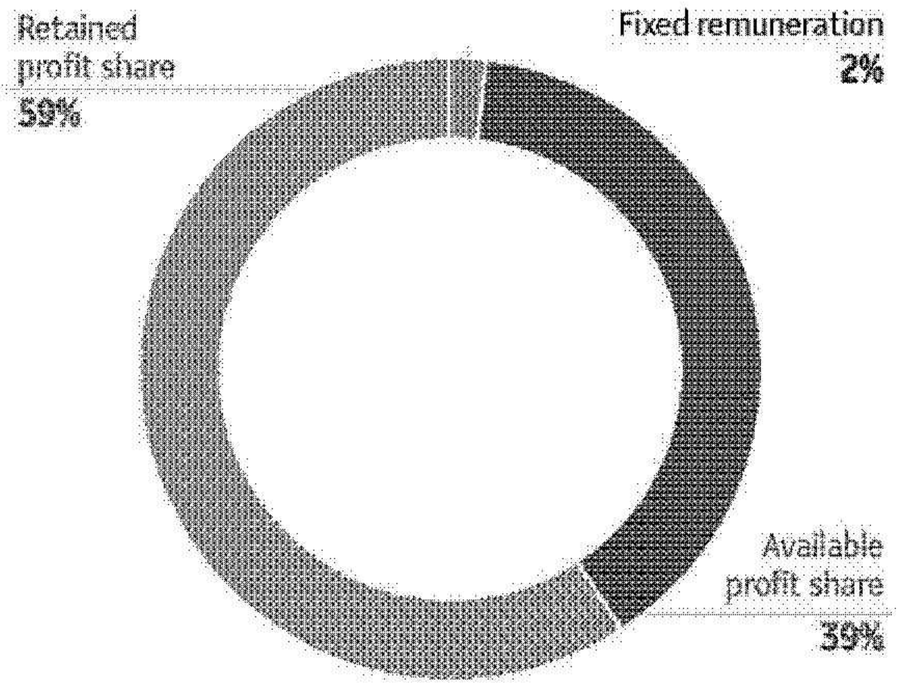
- Continued investment in people including performance, staff development and reward approach to drive strong staff engagement.
- Ongoing focus on DEI initiatives through sustained efforts in developing and recruiting diverse talent.

# Commodities and Global Markets (CGM)

N. O'Kane – Head of CGM

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 723,321 | 816,732 |
| Available profit share | 14,200,000 | 10,198,800 |
| Retained profit share | 21,300,000 | 15,298,201 |
| **Total** | **36,223,321** | **26,313,733** |

The movement in Mr O'Kane's fixed remuneration reflects an adjustment to his salary on relocation to Australia in FY2021 in line with other Executive KMP based in Australia.




**Financial results**

- Delivered a record net profit contribution of $A3,911m, up 50% on FY2021 results.
- Increased profits across all business divisions in Commodities, Financial Markets and Asset Finance, driven by:
  - increased revenue across Commodities with strong risk management income from Gas and Power, Resources, Agriculture and Global Oil due to increased client hedging activity as a result of elevated levels of volatility and commodity price movements. Commodities inventory management and trading income also increased with strong trading gains from supply and demand imbalances in Gas and Power partially offset by unfavourable timing of income recognition on Gas storage and transport contracts
  - record increased performance across major products and markets in Financial Markets
  - increased contribution from Asset Finance, largely related to the partial sale of the UK Meters portfolio in May 2021 and increased activity across its other sectors.

**Risk management and compliance**

- Continued investment in large scale projects to uplift the risk control environment and support regulatory expectations, including a focus on risk programs.
- Established a dedicated specialist risk team to focus on the diversity of the business's operations.

**Business leadership (including customer and community outcomes)**

- Maintained strong market recognition including ranked No.1 Futures broker on the ASX,[22] No.4 physical gas marketer in North America,[23] awarded House of the Year for Derivatives,[24] Oil and Products,[24] Base Metals and Commodity Research.[25]
- Energy transition remained a key focus area during the year including establishing the Global Carbon business with a focus on developing a significant global portfolio and a dedicated Net Zero team to support the Macquarie-wide initiative.
- Continued focus on client base with a diverse and growing client base, delivering increasing levels of repeat business.
- Ongoing focus on the delivery of the remediation program with APRA to ensure it meets regulatory expectations.

**People leadership and professional conduct**

- Continued investment in people and leadership development, including implementing people strategies to upskill staff and their development.
- Ongoing focus on DEI strategy and initiatives remain a key strategic priority.

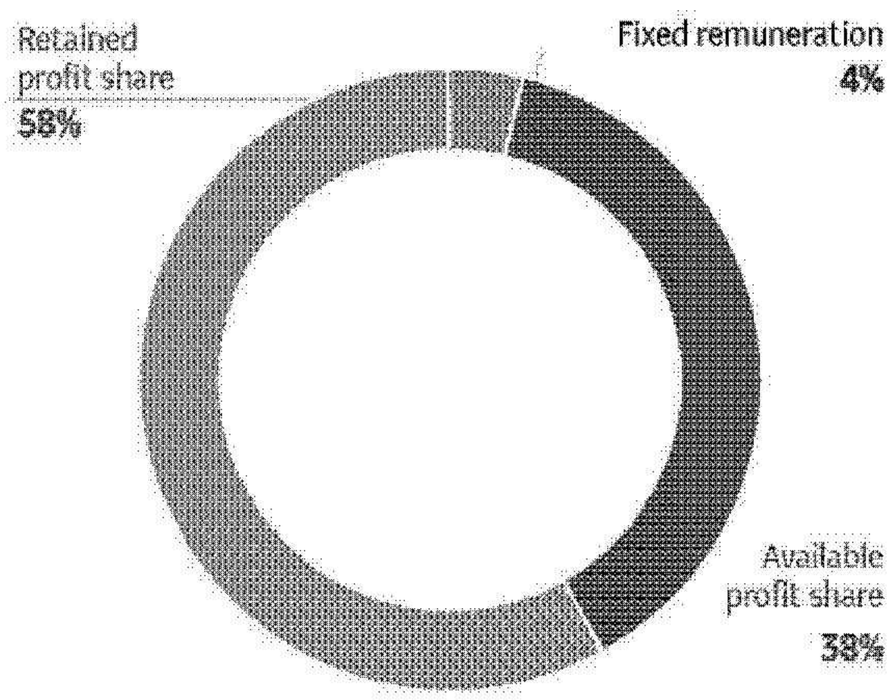
(22) Based on overall market share on ASX24 Futures volumes as at 31 Dec 2021.
(23) Platts Q3: Jun-Sep 2021.
(24) Energy Risk Awards 2021 and Energy Risk Asia Awards 2021.
(25) Energy Risk Asia Awards 2021 as at 31 January 2022.

# Macquarie Capital

## M.J. Silverton – Head of Macquarie Capital

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 705,436 | 724,676 |
| Available profit share | 6,456,000 | 1,650,000 |
| Retained profit share | 9,684,000 | 3,850,000 |
| **Total** | **16,845,436** | **6,224,676** |

Mr Silverton was Co-Head of Macquarie Capital during FY2021 and became Group Head of Macquarie Capital effective 29 October 2021.




**Financial results**

- Delivered a strong record net profit contribution of $A2,400m, significantly up from $A651m in FY2021 driven by increased fee and commission income and principal revenue with material asset realisations across a range of sectors and geographies from multi-year deals in FY2022.
- Continued growth in fee revenue leading to a record year, due primarily to improved market conditions and increased market share in key regions for M&A transactions.

**Risk management and compliance**

- Continued to focus on a strong risk control environment and culture, including investment in Non-Financial Risk function bringing together various specialist risk teams to provide expertise and drive best practice risk management.
- Continued focus on WHS including enhancements to management system and due diligence to ensure continuous improvement and promote bes practices.

**Business leadership (including customer and community outcomes)**

- Group Head of Macquarie Capital effective from 29 October 2021, previously he was Co-Head.
- Focussed on strategic areas of opportunity during the year, across advisory, capital markets and principal investing activities, including:
  - development of areas of established industry depth (e.g. Infrastructure and Energy, Gaming, Education, Government Services, Tech, Fintech, Critical Minerals)
  - targeted geographic expansion including the continued development of the business in Europe; and
  - development of principal strategies.
- Maintained the global No.1 ranking for infrastructure financial adviser as well as No.1 in ANZ for M&A. Macquarie Equities ranked first with Australian investors across Research and Sales, Corporate Access and Trading.
- Global collaboration between teams continues to drive successful outcomes, in such areas as financial sponsor relationships, private credit growth and cross border transactions.
- Drove improvement in areas of community need through principal investments and continued to focus on client outcomes demonstrated in part through repeat customers and ensuring inclusive access and sustainable outcomes.

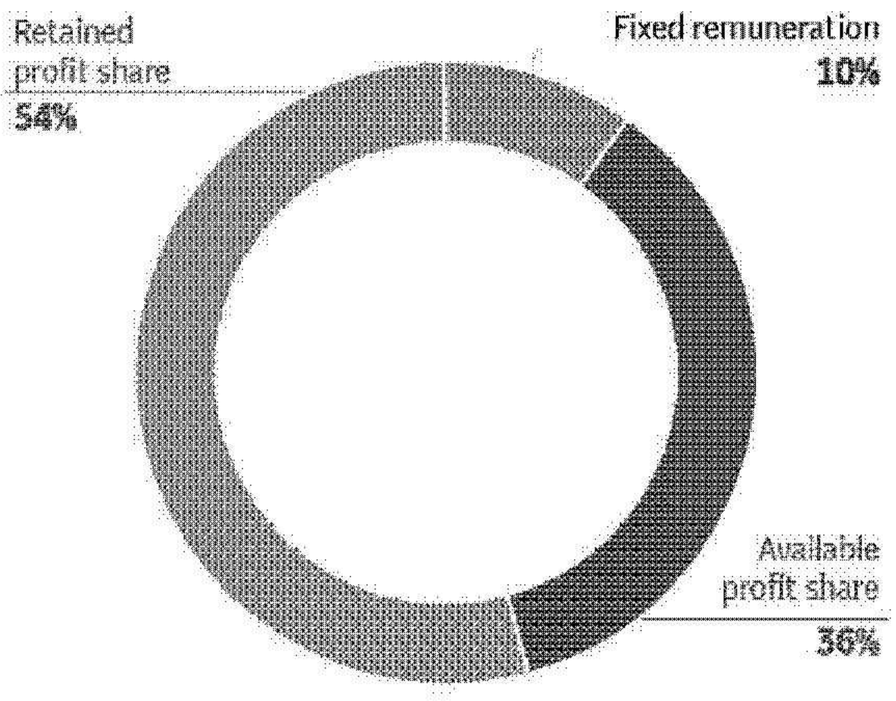
**People leadership and professional conduct**

- Ongoing focus to drive a collaborative and inclusive culture, including embedding purpose, focus on staff well-being, development and performance and prioritising people management as a key driver to an engaged and positive culture.
- Led teams through organisational transition of GIG from Macquarie Capital to MAM.
- Continued to focus on hybrid/flexible working and DEI initiatives, with work on recruitment and retaining a diversity pipeline.

# Corporate Operations Group (COG)

N. Sorbara – COO and Head of COG

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 771,594 | 771,319 |
| Available profit share | 2,900,000 | 2,440,000 |
| Retained profit share | 4,350,000 | 3,660,000 |
| **Total** | **8,021,594** | **6,871,319** |




**Financial results**

- Responsible for Technology, Operations, Human Resources, Business Services, Business Improvement and Strategy, Digital Transformation and Data, and the Macquarie Group Foundation.
- Increased investment in core technology services and strategic technology investments across all Groups.
- Delivered $A25 million in cost savings through efficiency initiatives (including investment in technology) across COG, and $A90 million in savings in COG controlled services charged direct to the business.

**Risk management and compliance**

- Effectively managed group wide risk frameworks including cyber security, global security and fraud, enterprise information management, business resilience, supplier governance and remuneration.
- Sponsorship of group wide risk programs achieving significant milestones in areas like enterprise data management.
- Led the engagement with APRA in regard to remuneration-related remediation activities and CPS 511.

**Business leadership (including customer and community outcomes)**

- Continued to lead Macquarie's successful response to COVID-19, including Macquarie's global return to office strategies and wellbeing support initiatives.
- Led the ongoing development and design of Sydney Metro Martin Place as well as 21 global workplace projects.
- Led end-to-end digitalisation programs across Macquarie including the ongoing digitalisation of HR, procurement and operations services, became the first Australian bank to migrate SAP Core Banking to the cloud, and partnered with FMG to deliver the Fusion General Ledger.
- Delivered support to the community with a record contribution to over 2,300 non-profit organisations and the expansion of the Racial Equity Fund.
- Led the execution of the 2025 Sustainability plan as part of Macquarie's net zero ambitions.

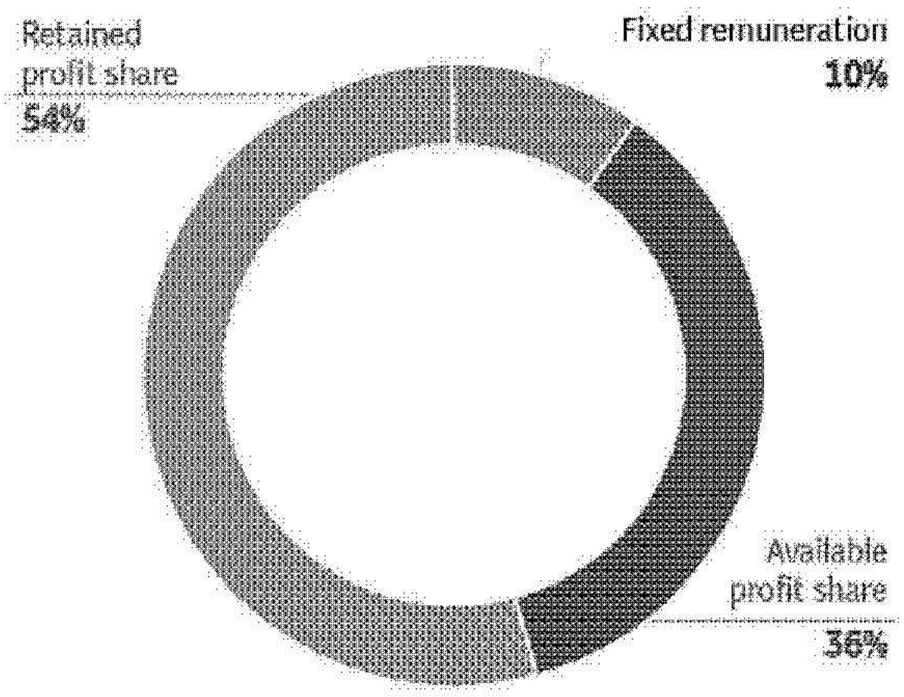
**People leadership and professional conduct**

- Continued investment in people including leadership, technology and future-skills.
- Ongoing strong focus on DEI initiatives, through role-modelling inclusive and authentic leadership behaviours and capabilities.
- Strong people leadership of COG with high staff engagement scores, sponsorship of career mobility, gender pay parity for like roles, and a diverse leadership team.
- Rolled out the addition of equity as a pillar of Macquarie's refreshed people strategy to drive a more diverse, inclusive and equitable organisation.

# Financial Management Group (FMG)

A.H. Harvey – CFO and Head of FMG

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 771,594 | 771,319 |
| Available profit share | 2,900,000 | 2,440,000 |
| Retained profit share | 4,350,000 | 3,660,000 |
| **Total** | **8,021,594** | **6,871,319** |




**Financial results**

- Responsible for financial, tax and treasury services to all areas of Macquarie and for Macquarie's corporate affairs team including corporate communications and investor relations.
- Maintained strong balance sheet and support for very significant growth across all of Macquarie's businesses. $A2.8 billion of equity capital and $A48.3 billion of term funding raised during FY2022.
- Ongoing progress on end-to-end transformation projects including review of control framework and operating model to enhance controls and automation. Successful implementation of the new General Ledger delivering significant annual financial benefits and cost savings due to structure simplification.

**Risk management and compliance**

- Continued focus on strong risk management framework and governance frameworks including participation in non-financial risk program, enhancements in finance control and operating standards and implementation of regulatory reporting policy.
- Ongoing focus on the effective and timely delivery of the remediation program with APRA to ensure it meets regulatory expectations.

**Business leadership (including customer and community outcomes)**

- Appointed as Chair of Macquarie Group Foundation on 1 January 2022. Our staff and the Macquarie Group Foundation together contributed $A44 million in funding and thousands of hours of their time to communities across the globe in FY2022. Managed global social impact investing pilot which led to $A20 million commitment to the Foundation.
- Enhanced regular engagement with global investors, funding banks, rating agencies, regulators and analysts despite pandemic restrictions in FY2022.
- Facilitated funding, structuring and stakeholder engagement for multiple significant transactions across the ESG spectrum.
- Partnered across Macquarie to execute over $A3 billion of acquisitions and divestments, including Waddell & Reed, AMP and UK meters business.
- Established the Climate Intelligence Unit in response to internal demand for subject matter expertise and external client demand for advice and leadership on decarbonisation opportunities.

**People leadership and professional conduct**

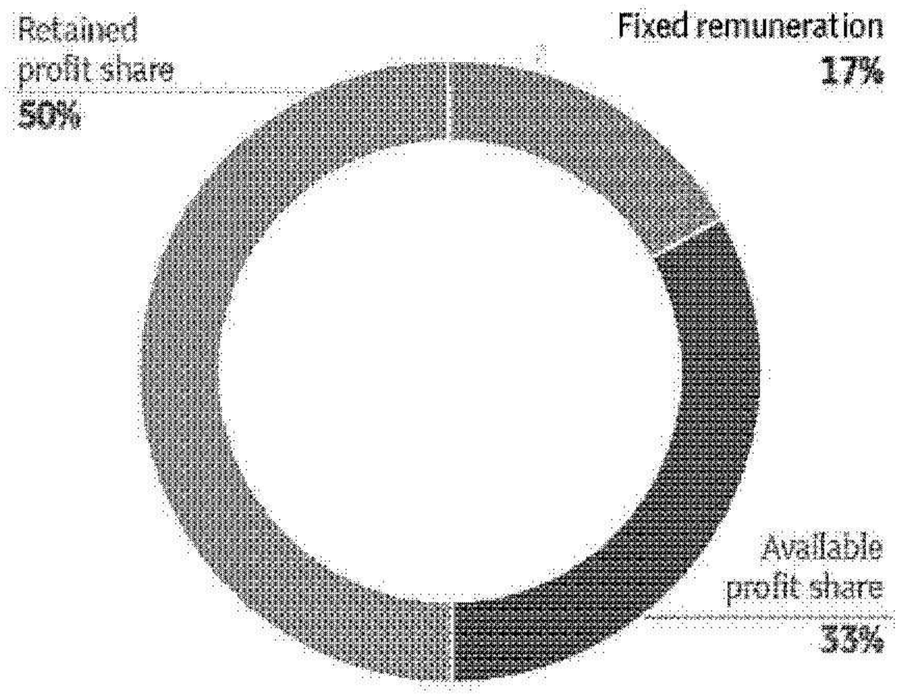
- Continued investment in people including leadership, learning and development and staff wellbeing.
- Ongoing strong focus on DEI initiatives, including diverse representation at senior levels.

# Risk Management Group (RMG)

A. Cassidy – CRO and Head of RMG

| Awarded remuneration ($A) | FY2022 | FY2021 |
|---|---|---|
| Fixed remuneration | 142,738 | n/a |
| Available profit share | 280,000 | n/a |
| Retained profit share | 420,000 | n/a |
| **Total** | **842,738** | **n/a** |

Mr Cassidy was appointed to the Executive Committee effective 1 January 2022. Awarded remuneration disclosed reflects his time as Executive KMP from the period 1 January 2022 to 31 March 2022.




**Financial results**

- Responsible for identifying, assessing, monitoring and reporting risks across Macquarie.

**Risk management and compliance**

- Strong focus on enhancements on risk capabilities and risk frameworks across three lines of defence through various projects across Macquarie.
- Continued investment in non-financial risk capabilities, including investment in people, systems, technology and processes.
- Regulatory expectations front of mind with ongoing engagement with local and offshore regulators.

**Business leadership (including customer and community outcomes)**

- Appointed to the role of CRO and Head of RMG on 1 January 2022.
- Continued support and collaboration on risk management frameworks and controls, including heightened regulatory interactions and scrutiny globally across Macquarie.
- RMG has evolved to deliver outcomes consistent with stakeholder expectations, including launching Macquarie-wide safety vision to improve WHS accountability and embed regional oversight.
- Ongoing focus on the delivery of the remediation program with APRA to ensure it meets regulatory expectations.

**People leadership and professional conduct**

- Continued investment in people with risk capabilities, including identifying and developing leadership capabilities.
- Ongoing focus on DEI initiatives through mentorship and driving an inclusive culture.

## Executive KMP - Allocation of PSUs for FY2022

As set out on page 105, individual PSU allocations were determined based on their role as members of the Executive Committee and contribution to driving the collective performance of Macquarie.

The number of PSUs to be allocated will be calculated by dividing the face value of the PSU award by the price of Macquarie ordinary shares on or around the date of grant.

Approval will be sought at Macquarie's 2022 AGM to allocate PSU awards to the Macquarie CEO, who is also an Executive Voting Director.

The table below sets out PSU awards to current Executive KMP but does not include former Executive KMP who received PSU awards in the prior year.

| Executive KMP | Value of the FY2022 PSU award ($A) | Value of the FY2021 PSU award ($A) |
|---|---|---|
| S.R. Wikramanayake | 4,000,000 | 3,200,000 |
| G.N. Bruce | 1,400,000 | - |
| A. Cassidy | 2,800,000 | - |
| S.D. Green | 2,800,000 | - |
| A.H. Harvey | 2,800,000 | 2,240,000 |
| N. O'Kane | 2,800,000 | 2,240,000 |
| M.J. Silverton | 2,800,000 | 2,240,000 |
| N. Sorbara | 2,800,000 | 2,240,000 |
| G.C. Ward | 2,800,000 | 2,240,000 |
| B.I. Way | 2,800,000 | - |

Pages 105 to 106 set out details of the performance hurdles and vesting period applicable to these awards.

## Executive KMP - PSUs vesting during FY2022

The PSUs that completed their performance period on 30 June 2021 comprised the second tranche of those awards granted in 2017 and the first tranche of those granted in 2018. The performance hurdle tests were performed using data sourced from Bloomberg for all companies in the international reference group (as well as Macquarie) and the calculations were reviewed independently. The results showed that the performance hurdles:

- based on Macquarie's relative average annual ROE compared to the international reference group were fully met for both tranches; and
- based on the EPS CAGR in Macquarie's reported financial year were not met for either the 2017 or the 2018 PSU grants.

As a result, 50% of the awards became exercisable on 1 July 2021, as shown below:

| | EPS CAGR Hurdle | | | ROE Hurdle | | |
|---|---|---|---|---|---|---|
| PSU tranche | Macquarie result (for vesting period) | Hurdle | Outcome | Macquarie result (for vesting period) | Hurdle | Outcome |
| **2017 Tranche 2** | 6.40% | 50% at 7.5% CAGR<br>100% at 12% CAGR | 0% exercisable | 14.80% (88th percentile) | 50% above the 50th percentile[26]<br>100% at the 75th percentile[26] | 100% exercisable |
| **2018 Tranche 1** | 3.59% | 50% at 7.5% CAGR<br>100% at 12% CAGR | 0% exercisable | 14.63% (88th percentile) | 50% above the 50th percentile[27]<br>100% at the 75th percentile[27] | 100% exercisable |

(26) International reference group ROE at 50th percentile 9.78% and international reference group ROE at 75th percentile 12.36%.
(27) International reference group ROE at 50th percentile 11.36% and international reference group ROE at 75th percentile 13.19%.

# Remuneration governance

Effective governance is central to Macquarie's remuneration strategy and approach. The key elements of Macquarie's remuneration governance framework are described below.

**MGL AND MBL BOARDS**

**Board Remuneration Committee** ⟷ **Board Risk Committee, Board Audit Committee & Board Governance and Compliance Committee**

Oversees remuneration policies and practices, and makes recommendations to the Boards

Discuss any relevant matters that may impact remuneration in a joint meeting with the Board Remuneration Committee

## Strong Board oversight

The Board oversees Macquarie's remuneration framework. The Board has a BRC whose objective is to assist the Board and the Board of Macquarie Bank with Macquarie's remuneration policies and practices. The BRC currently comprises four independent Non-Executive Directors (NEDs):

**Board Remuneration Committee**

| **Chair** | **Members** |
|---|---|
| J.R. Broadbent | P.M. Coffey |
| | M. Roche |
| | P.H. Warne |

The BRC members have the required experience and expertise in human resources, remuneration and risk to enable them to achieve effective governance of the remuneration framework. The BRC has a regular meeting cycle and met seven times during FY2022. Attendance at meetings by the BRC members is set out in the Directors' Report. Strict processes are in place to ensure conflicts of interest are appropriately managed.

## BRC responsibilities

The BRC pays close attention to the design and operation of remuneration practices for all Macquarie staff, not just for the most senior executives. The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the Board.

The Charter is available at macquarie.com/corporate-governance

Some of the responsibilities include:

- overseeing the process for the annual review by the Board of the CEOs' and other Executive KMPs' performance
- recommending to the Board the remuneration outcomes for all Executive KMP, Designated Executive Directors and other senior executives
- assessing the effectiveness of the *Remuneration Policy* to ensure compliance with legal and regulatory requirements, as well as to support the alignment of remuneration with prudent risk-taking and professional conduct across the organisation
- recommending the Remuneration Policy to the Board for approval.

## Alignment to risk

The BRC liaises with the BRiC, BAC and BGCC to ensure there is effective co-ordination between the Committees to assist in producing an integrated approach to remuneration that reflects prudent and appropriate risk management.

As set out on page 109, the CRO and the Head of Internal Audit provide the BRC with independent reports detailing significant regulatory and legal matters, significant compliance and operational incidents, internal audit issues and other non-financial risk matters. A joint meeting of the BRC, BRiC, BAC and BGCC is held to discuss these matters, with the CRO and the Head of Internal Audit in attendance. The General Counsel attends as required to provide a further source of independent input, including on matters that might lead to a malus determination.

## Engagement with external stakeholders

The Chairman of the Board and the BRC Chair undertook a series of meetings with investors and proxy advisors during the year to communicate our remuneration approach and to hear any concerns raised by the investor community.

They also engaged with APRA during the year as part of the development of Macquarie's implementation plan for the incoming requirements of CPS 511.

# Remuneration Report

Continued

## Independent remuneration review

The BRC has retained Pay Governance as its independent remuneration consultant, for the use of the Board to obtain advice on the appropriateness of Macquarie's remuneration framework.

The only service that Pay Governance provides to Macquarie is executive compensation consulting to the BRC. Pay Governance has not made any remuneration recommendations, as defined by the *Corporations Act 2001* (Cth) (the Act). The BRC is responsible for making decisions within the terms of its Charter. Pay Governance's terms of engagement set out their independence from members of Macquarie's management. This year, Pay Governance:

- provided information on global remuneration and regulatory trends
- considered alignment with shareholder interests
- compared individual remuneration for Executive KMP where relevant comparator company information was available
- considered Macquarie's overall remuneration approach compared to comparator company organisations.

Pay Governance's findings included that:

- the objectives of Macquarie's remuneration framework are similar to those cited by other leading global investment banks
- Macquarie's remuneration components support its remuneration objectives and principles and are largely consistent with practices at other leading global investment banks, including that performance-based remuneration takes risk management into account.

# Non-Executive Director remuneration

The Macquarie Board seeks to attract and appoint high-calibre NEDs. Reflecting the Board's role, the remuneration arrangements applicable to NEDs, as outlined in this section, differ significantly from the arrangements applicable to Executives.

## Non-Executive Director remuneration

Non-Executive Director fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board.

Macquarie's NED remuneration framework seeks to remunerate high-calibre directors by:

- setting an overall fee that reflects the scale and complexity of Macquarie, including risk management and regulatory responsibilities and the global financial nature of Macquarie's activities
- setting Board and Committee fees to reflect the time commitment required to meet the responsibilities involved in the annual scheduled calendar, taking into account market rates for relevant organisations and market trends
- paying separate fees for additional responsibilities that may arise on an ad hoc basis
- delivering these fees in a form that is not contingent on Macquarie's performance
- setting a minimum shareholding requirement to align the interest of NEDs with shareholders.

MGL NEDs are also NEDs of MBL and the framework governs the remuneration of NEDs of MGL and MBL. The CEO is not remunerated separately for acting as an Executive Voting Director.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive profit share payments. There are no termination payments to NEDs on their retirement from office other than payments relating to their accrued superannuation contributions comprising part of their remuneration.

NEDs may elect to receive their remuneration, in part, in the form of superannuation contributions over and above the minimum level of contribution required under applicable legislation.

Macquarie's NEDs are remunerated for their services from the maximum aggregate amount approved by shareholders for this purpose. Macquarie shareholders approved the current limit ($A5.0 million per annum) at MGL's 2019 AGM. The Board ensures that NED remuneration for MGL NEDs, including any fees for being a member of the MBL Board does not exceed this shareholder approved maximum amount.

Board and Committee fees are reviewed annually.[28] The Board has reviewed NED remuneration in the context of external market factors, including trend and peer analysis of Australian and international comparator groups. Having regard to this analysis and to address the increasing demands on NEDs given the growth in the scale of Macquarie's operations and regulatory initiatives that have increased the responsibilities and time commitment of NEDs, particularly as regards MBL, the Board determined to increase the aggregate Macquarie and Macquarie Bank Board member base fees from $A260,000 to $A275,000 and increase Board Committee fees by approximately 5-7%. The combined Macquarie and Macquarie Bank annual Board Chairman fee was also increased from $A890,000 to $A935,000. The fee increases were effective from 1 July 2021.

Board base fees were last increased in July 2018 and Board Committee fees in October 2015. Over the last five-year period from 2016-2017 to 2021-2022, the compound annual growth rate (CAGR) of the average non-Chairman Board member remuneration was about 1.1% pa and the CAGR of the Board Chairman's remuneration was about 1.6% pa.

## Minimum shareholding requirement for Non-Executive Directors

To align the interests of the Board with shareholders, the Board has a minimum shareholding requirement for NEDs, who are required to have a meaningful direct shareholding in Macquarie.

The Board minimum shareholding requirement:

- for NEDs other than the Chairman, is an investment equivalent to one times the average annual NED fee for the financial year ending prior to their appointment
- for the Chairman, is an investment equivalent to one times the annual Chair fee,

with the minimum number of shares to be determined using the share price as at the date of a NED's/Chairman's appointment.

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

Under Macquarie's Trading Policy, NEDs may only trade Macquarie securities during designated trading windows and are prohibited from hedging shares held to meet this minimum Macquarie shareholding requirement. Each NED's current holding of Macquarie ordinary shares is included on page 84 of the Directors' Report.

(28) Macquarie has five standing Board Committees. The BAC and BRiC are joint committees of Macquarie and Macquarie Bank. The BGCC and BRC assist both Boards. The BNC assists the Macquarie Board.

# Remuneration Report

Continued

| MGL and MBL Annual Director Fees (from 1 July 2021) | MGL FEES | | MBL FEES | | AGGREGATE FEES | |
|---|---|---|---|---|---|---|
| | Chairman[29] $A | Member $A | Chairman $A | Member $A | Chairman $A | Member $A |
| Board | 467,500 | 137,500 | 467,500 | 137,500 | 935,000 | 275,000 |
| Board Risk Committee (BRiC) | 40,000 | 18,500 | 40,000 | 18,500 | 80,000 | 37,000 |
| Board Audit Committee (BAC) | 40,000 | 18,500 | 40,000 | 18,500 | 80,000 | 37,000 |
| Board Remuneration Committee (BRC) | 80,000 | 37,000 | n/a | n/a | 80,000 | 37,000 |
| Board Governance and Compliance Committee (BGCC) | 80,000 | 37,000 | n/a | n/a | 80,000 | 37,000 |
| Board Nominating Committee (BNC) | n/a | 8,500 | n/a | n/a | n/a | 8,500 |

(29) The Chairman of the Board does not receive Board Committee membership fees.

# Appendix 1: Key Management Personnel (KMP) for FY2022

All the individuals listed below have been determined to be KMP for FY2022 for the purposes of the Act and as defined by AASB 124 *Related Party Disclosures*. KMP include Executive Voting Directors and Executives with authority and responsibility for planning, directing and controlling the activities of MGL and its controlled entities (together making Executive KMP) and NEDs. MGL's NEDs are required by the Act to be included as KMP for the purposes of disclosures in the Remuneration Report. However, the NEDs do not consider themselves part of Management.

| Name | Position | Term as KMP for FY2022 |
|---|---|---|
| **Executive Voting Director** | | |
| S.R. Wikramanayake | CEO | Full year |
| **Non-Executive Directors** | | |
| J.R. Broadbent AC | Independent Director | Full year |
| G.M. Cairns | Independent Director | Ceased to be a member of the Board on 7 May 2021 |
| P.M. Coffey | Independent Director | Full year |
| M.J. Coleman | Independent Director | Full year |
| D.J. Grady AO | Independent Director | Ceased to be a member of the Board on 24 February 2022 |
| M.A. Hinchliffe | Independent Director | Appointed to the Board effective from 1 March 2022 |
| R.J. McGrath | Independent Director | Full year |
| M. Roche | Independent Director | Full year |
| G.R. Stevens AC | Independent Director | Full year[30] |
| N.M. Wakefield Evans | Independent Director | Full year |
| P.H. Warne | Independent Chairman | Full year[31] |
| **Executives**[32] | | |
| G.N. Bruce | Incoming Head of LGG | Appointed to the Executive Committee on 2 March 2022 |
| A. Cassidy | CRO, Head of RMG | Appointed to the Executive Committee on 1 January 2022 |
| S. D. Green | Macquarie Bank CEO | Appointed to the Executive Committee on 1 July 2021 |
| A.H. Harvey | CFO, Head of FMG | Full year |
| F. Herold | Head of Macquarie Capital Principal Finance | Ceased to be a member of the Executive Committee on 7 May 2021 |
| N. O'Kane | Head of CGM | Full year |
| M.J. Reemst | Former Macquarie Bank CEO | Ceased to be a member of the Executive Committee on 30 June 2021 |
| M.J. Silverton | Head of Macquarie Capital | Full year |
| N. Sorbara | COO, Head of COG | Full year |
| B. I. Way | Head of MAM | Full year |
| P.C. Upfold | Former CRO, Head of RMG | Ceased to be a member of the Executive Committee on 31 December 2021 |
| G.C. Ward | Deputy Managing Director and Head of BFS | Full year |
| D. Wong | Former Co-Head of Macquarie Capital | Ceased to be a member of the Executive Committee on 29 October 2021 |

(30) Mr Stevens will become Chairman of the MGL and MBL Boards effective 10 May 2022.
(31) Mr Warne will retire as a Director and Chairman of the MGL and MBL Boards on 9 May 2022.
(32) Except where otherwise indicated, all of the Executives as well as the CEO were members of the Executive Committee as at 6 May 2022.

## Appendix 2: Executive KMP remuneration disclosure (in accordance with Australian Accounting Standards)

| | | | SHORT-TERM EMPLOYEE BENEFITS | | |
|---|---|---|---|---|---|
| Name | Position | Year | Salary (including superannuation) $A | Performance related remuneration $A | Total short-term employee benefits $A |
| **Executive Voting Director** | | | | | |
| S.R. Wikramanayake | Macquarie Group CEO | **2022** | **820,887** | **5,000,000** | **5,820,887** |
| | | 2021 | 820,244 | 3,970,000 | 4,790,244 |
| **Other Executives** | | | | | |
| A.H. Harvey | CFO, Head of FMG | **2022** | **771,594** | **2,900,000** | **3,671,594** |
| | | 2021 | 771,319 | 2,440,000 | 3,211,319 |
| N. O'Kane[33] | Head of CGM | **2022** | **723,321** | **14,200,000** | **14,923,321** |
| | | 2021 | 816,732 | 10,198,800 | 11,015,532 |
| M.J. Silverton[34] | Head of Macquarie Capital | **2022** | **705,436** | **6,456,000** | **7,161,436** |
| | | 2021 | 724,676 | 1,650,000 | 2,374,676 |
| N. Sorbara | COO, Head of COG | **2022** | **771,594** | **2,900,000** | **3,671,594** |
| | | 2021 | 771,319 | 2,440,000 | 3,211,319 |
| G.C. Ward | Deputy Managing Director, Head of BFS | **2022** | **771,594** | **3,600,000** | **4,371,594** |
| | | 2021 | 771,319 | 3,220,000 | 3,991,319 |
| **Total Remuneration - Comparable Executive KMP[35]** | | **2022** | **4,564,426** | **35,056,000** | **39,620,426** |
| | | 2021 | 4,675,609 | 23,918,800 | 28,594,409 |
| **New and Former Executives and Executive Voting Directors** | | | | | |
| G.N. Bruce[36] | Incoming Head of LGG | **2022** | **190,267** | **261,900** | **452,167** |
| | | 2021 | – | – | – |
| A. Cassidy[37] | CRO, Head of RMG | **2022** | **142,738** | **280,000** | **422,738** |
| | | 2021 | – | – | – |
| S.D. Green | Macquarie Bank CEO | **2022** | **536,496** | **750,000** | **1,286,496** |
| | | 2021 | – | – | – |
| F. Herold[38] | Head of Macquarie Capital Principal Finance | **2022** | **396,183** | **254,499** | **650,682** |
| | | 2021 | 723,138 | 1,176,000 | 1,899,138 |
| M.J. Reemst[39] | Former Macquarie Bank CEO | **2022** | **192,337** | **–** | **192,337** |
| | | 2021 | 771,319 | 1,508,000 | 2,279,319 |
| M.S.W. Stanley[40] | Former Head of MAM | **2022** | **–** | **–** | **–** |
| | | 2021 | 710,608 | 7,548,692 | 8,259,300 |
| P.C. Upfold[41] | Former CRO, Head of RMG | **2022** | **581,327** | **1,960,000** | **2,541,327** |
| | | 2021 | 771,319 | 2,440,000 | 3,211,319 |
| B.I. Way | Head of MAM | **2022** | **725,135** | **5,800,000** | **6,525,135** |
| | | 2021 | – | – | – |
| D. Wong[42] | Former Co-Head of Macquarie Capital | **2022** | **2,755,447** | **–** | **2,755,447** |
| | | 2021 | 4,675,126 | 471,476 | 5,146,602 |
| **Total Remuneration - Executive KMP (including new and former executives)** | | **2022** | **10,084,356** | **44,362,399** | **54,446,755** |
| | | 2021 | 12,327,119 | 37,062,968 | 49,390,087 |

(33) The movement in Mr O'Kane's fixed remuneration reflects an adjustment to his salary on relocation to Australia in FY2021 in line with other Executive KMP based in Australia.
(34) Mr Silverton is paid in US dollars. His base salary for FY2022 differs to FY2021 due to exchange rate movements. As a US tax resident, Mr Silverton's remuneration is subject to US social security and Medicare taxes, payable by Macquarie. Amounts of $A72 thousand and $A138 thousand were paid during FY2021 and FY2022, respectively, and are not included in Mr Silverton's statutory remuneration.
(35) Comparable KMP are Executive KMP who are members of the Executive Committee for the full year in both FY2022 and FY2021.
(36) Ms Bruce was hired by Macquarie on 1 January 2022 and appointed to the Executive Committee on 2 March 2022. To secure Ms Bruce's appointment, the Board determined it was necessary and appropriate to provide competitive remuneration arrangements. This included awarding minimum profit share allocations of $A654,750 and $A2.619 million for the performance years ending 31 March 2022 and 2023, respectively. The profit share allocations will be subject to Macquarie's standard remuneration arrangements. Ms Bruce will also receive a minimum PSU allocation of face value $A2.0 million for FY2023, subject to the performance hurdles and other conditions applicable to the PSU allocations awarded to other Executive Committee members. Remuneration amounts disclosed in the statutory remuneration table for Ms Bruce represent remuneration since her date of hire.
(37) Mr Cassidy, Mr Green and Mr Way were appointed to the Executive Committee on 1 January 2022, 1 July 2021 and 1 April 2021, respectively.
(38) Mr Herold ceased to be a member of the Executive Committee on 7 May 2021 but remains currently employed with Macquarie.

| LONG-TERM EMPLOYEE BENEFITS | | | SHARE BASED PAYMENTS | | | | |
|---|---|---|---|---|---|---|---|
| Restricted profit share $A | Earnings on prior years' restricted profit share $A | Total long-term employee benefits $A | Equity awards $A | PSUs $A | Total share-based payments $A | Total Remuneration $A | Percentage of remuneration that consists of PSUs % |
| **2,000,000** | **1,401,253** | **3,401,253** | **11,654,512** | **2,841,726** | **14,496,238** | **23,718,378** | **12%** |
| 1,588,000 | (714,053) | 873,947 | 9,465,702 | 837,375 | 10,303,077 | 15,967,268 | 5% |
| **435,000** | **136,239** | **571,239** | **3,597,080** | **1,693,434** | **5,290,514** | **9,533,347** | **18%** |
| 366,000 | (20,627) | 345,373 | 3,427,751 | 1,011,290 | 4,439,041 | 7,995,733 | 13% |
| **2,130,000** | **422,132** | **2,552,132** | **12,857,404** | **2,057,261** | **14,914,665** | **32,390,118** | **6%** |
| 1,529,820 | (34,776) | 1,495,044 | 11,044,704 | 1,281,745 | 12,326,449 | 24,837,025 | 5% |
| **968,400** | **131,612** | **1,100,012** | **4,404,025** | **1,281,464** | **5,685,489** | **13,946,937** | **9%** |
| 385,000 | (30,291) | 354,709 | 3,700,814 | 840,647 | 4,541,461 | 7,270,846 | 12% |
| **435,000** | **136,432** | **571,432** | **3,599,870** | **1,713,380** | **5,313,250** | **9,556,276** | **18%** |
| 366,000 | (21,996) | 344,004 | 3,404,577 | 297,673 | 3,702,250 | 7,257,573 | 4% |
| **1,080,000** | **381,019** | **1,461,019** | **4,408,060** | **2,084,601** | **6,492,661** | **12,325,274** | **17%** |
| 966,000 | (53,515) | 912,485 | 4,309,959 | 303,992 | 4,613,951 | 9,517,755 | 3% |
| **7,048,400** | **2,608,687** | **9,657,087** | **40,520,951** | **11,671,866** | **52,192,817** | **101,470,330** | |
| 5,200,820 | (875,258) | 4,325,562 | 35,353,507 | 4,572,722 | 39,926,229 | 72,846,200 | |
| **39,285** | – | **39,285** | **25,831** | **66,261** | **92,092** | **583,544** | **11%** |
| – | – | – | – | – | – | – | –% |
| **42,000** | **3,174** | **45,174** | **139,954** | **113,512** | **253,466** | **721,378** | **16%** |
| – | – | – | – | – | – | – | –% |
| **112,500** | **19,704** | **132,204** | **581,267** | **345,580** | **926,847** | **2,345,547** | **15%** |
| – | – | – | – | – | – | – | –% |
| **62,743** | **24,721** | **87,464** | **547,784** | **134,915** | **682,699** | **1,420,845** | **10%** |
| 274,400 | (49,417) | 224,983 | 2,970,895 | 1,350,459 | 4,321,354 | 6,445,475 | 21% |
| – | **27,423** | **27,423** | **4,118,505** | **1,259,090** | **5,377,595** | **5,597,355** | **22%** |
| 226,200 | (15,730) | 210,470 | 4,874,638 | 584,132 | 5,458,770 | 7,948,559 | 7% |
| – | – | – | – | – | – | – | –% |
| 5,661,519 | (1,136,619) | 4,524,900 | 4,668,814 | 987,166 | 5,655,980 | 18,440,180 | 5% |
| **294,000** | **107,757** | **401,757** | **4,662,483** | **1,435,423** | **6,097,906** | **9,040,990** | **16%** |
| 366,000 | (26,558) | 339,442 | 3,573,595 | 297,673 | 3,871,268 | 7,422,029 | 4% |
| **4,350,000** | **994,118** | **5,344,118** | **1,771,893** | **460,353** | **2,232,246** | **14,101,499** | **3%** |
| – | – | – | – | – | – | – | –% |
| **(2,913,498)** | **156,587** | **(2,756,911)** | **(4,529,854)** | **(1,284,251)** | **(5,814,105)** | **(5,815,569)** | **22%** |
| 220,022 | (123,691) | 96,331 | 3,171,256 | 840,647 | 4,011,903 | 9,254,836 | 9% |
| **9,035,430** | **3,942,171** | **12,977,601** | **47,838,814** | **14,202,749** | **62,041,563** | **129,465,919** | |
| 11,948,961 | (2,227,273) | 9,721,688 | 54,612,705 | 8,632,799 | 63,245,504 | 122,357,279 | |

(39) Ms Reemst ceased to be a member of the Executive Committee on 30 June 2021 and retired on 2 August 2021. As a result of her retirement, the outstanding amortisation related to her equity awards was accelerated resulting in further accounting amortisation of $A4.1 million included in her FY2022 statutory remuneration.

(40) Mr Stanley ceased to be a member of the Executive Committee on 31 March 2021 and retired on 30 June 2021. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in accounting amortisation of $17.2 million in FY2022.

(41) Mr Upfold ceased to be a member of the Executive Committee on 31 December 2021. He remains currently employed with Macquarie but intends to retire during FY2023. As a result of his intention to retire, the amortisation of his equity awards is being recognised over an accelerated vesting period. $A3.2 million of his FY2022 statutory remuneration represents accelerated amortisation of equity awards, with further accounting amortisation being recognised of $A5.2 million and $A5.1 million in FY2022 and FY2023, respectively.

(42) Mr Wong ceased to be a member of the Executive Committee on 29 October 2021 and resigned from Macquarie effective 18 January 2022. In compliance with Macquarie's standard remuneration arrangements and as a result of his resignation, Mr Wong forfeited his unvested retained profit share and unvested PSUs. In accordance with accounting requirements this resulted in a reversal of previously recognised remuneration expense consisting of $A2.9 million for forfeited retention notionally invested in Macquarie-managed fund equity and $A5.8 million of amortisation for forfeited equity awards during FY2022.

## Additional information regarding the statutory remuneration disclosures set out in this Appendix

The remuneration disclosures set out in this Appendix have been prepared in accordance with Australian Accounting Standards and differ to the additional disclosures set out on pages 117 to 125.

Under the requirements of AASB 124 *Related Party Disclosures*, the remuneration disclosures for the years ended 31 March 2022 and 31 March 2021 only include remuneration relating to the portion of the relevant periods that each person was an Executive KMP.

The following information provides more detail regarding some of the column headings in this Appendix:

(1) *Short-term employee benefits:*
   (a) *Salary*: includes salary, superannuation, any accrual for long service leave and other benefits
   (b) *Performance-related remuneration*: this represents the cash portion of each person's profit share allocation for the reporting period as an Executive KMP.

(2) *Long-term employee benefits:*
   (a) *Restricted profit share:* this represents the amount of retained profit share awarded for the current period that is deferred to future periods and held as a notional investment in Macquarie-managed fund equity (DPS Plan)
   (b) *Earnings on prior years' restricted profit share:* Profit share amounts retained under the DPS Plan are notionally invested in Macquarie-managed funds, providing Executive Directors with an economic exposure to the underlying investments. Executive Directors are each entitled to amounts equivalent to the investment earnings (dividends/distributions and security price appreciation) on the underlying securities. The notional returns are calculated based on Total Shareholder Return. Where these amounts are positive, they may be paid to Executive Directors and are included in these remuneration disclosures as part of 'Earnings on prior years' restricted profit share'. If there is a notional loss, this loss will be offset against any future notional income until the loss is completely offset and is reported as a negative amount in the same column. These earnings reflect the investment performance of the assets in which prior years' retained amounts have been notionally invested. Their inclusion in the individual remuneration disclosures on the previous pages may, therefore, cause distortions when year-on-year remuneration trends are examined. They do not reflect remuneration review decisions made about the individual's current year performance.

(3) *Share-based payments:*
   (a) *Equity awards including shares:* This represents the current year expense for retained profit share that is invested in Macquarie ordinary shares under the MEREP as described on pages 103 to 104. This is recognised as an expense over the respective vesting periods, or service period if shorter, as described on pages 103 to 104 and includes amounts relating to prior years equity awards that have been previously disclosed. Equity awards in respect of FY2022 performance will be granted during FY2023; however, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2021. The expense is estimated using the price of MGL ordinary shares as at 31 March 2022 and the number of equity awards expected to vest. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of the accounting fair value for each equity award when granted and will use this validation for recognising the expense over the remaining vesting period
   (b) *PSUs:* This represents the current year expense for PSUs that is recognised over the vesting period as described on page 105. This includes amounts relating to prior years' PSU awards. PSU awards in respect of FY2022 will be granted during FY2023; however, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2021. The expense is estimated using the price of MGL ordinary shares as at 31 March 2022 and the number of PSUs expected to vest. The estimate also incorporates an interest rate to maturity of 2.91% per annum, expected vesting date of 1 July 2026, and a dividend yield of 3.63% per annum. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of the accounting fair value for each PSU when granted and will use this validation for recognising the expense over the remaining vesting period. Performance hurdles attached to the PSUs allow for PSUs to become exercisable upon vesting only when the relevant performance hurdles are met. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.

# Appendix 3: Non-Executive Director remuneration

The remuneration arrangements for all the persons listed below as NEDs are described on pages 129 to 130 of the Remuneration Report. The fees shown include fees paid as members of both the MGL and MBL Boards.

| | Year | Fees $A | Other benefits[43] $A | Total Compensation $A |
|---|---|---|---|---|
| G.R. Banks[44] | **2022** | – | – | – |
| | 2021 | 124,333 | – | 124,333 |
| J.R. Broadbent | **2022** | **394,875** | – | **394,875** |
| | 2021 | 361,333 | – | 361,333 |
| G.M. Cairns[45] | **2022** | **34,527** | – | **34,527** |
| | 2021 | 338,000 | – | 338,000 |
| P.M. Coffey[46] | **2022** | **392,708** | – | **392,708** |
| | 2021 | 373,000 | – | 373,000 |
| M.J. Coleman | **2022** | **431,375** | **12,000** | **443,375** |
| | 2021 | 413,000 | 10,000 | 423,000 |
| D.J. Grady[47] | **2022** | **351,554** | – | **351,554** |
| | 2021 | 373,000 | – | 373,000 |
| M.J. Hawker[48] | **2022** | – | – | – |
| | 2021 | 203,167 | – | 203,167 |
| M.A. Hinchliffe[49] | **2022** | **29,792** | – | **29,792** |
| | 2021 | – | – | – |
| R.J. McGrath | **2022** | **352,625** | – | **352,625** |
| | 2021 | 66,108 | – | 66,108 |
| M. Roche | **2022** | **352,625** | – | **352,625** |
| | 2021 | 66,108 | – | 66,108 |
| G.R. Stevens[50] | **2022** | **391,292** | – | **391,292** |
| | 2021 | 378,000 | – | 378,000 |
| N.M. Wakefield Evans | **2022** | **431,375** | – | **431,375** |
| | 2021 | 413,000 | – | 413,000 |
| P.H. Warne | **2022** | **923,750** | – | **923,750** |
| | 2021 | 890,000 | – | 890,000 |
| **Total Remuneration – Non-Executive KMP** | **2022** | **4,086,498** | **12,000** | **4,098,498** |
| | 2021 | 3,999,049 | 10,000 | 4,009,049 |

(43) Other benefits for NEDs include due diligence fees paid to Mr Coleman of $A12,000 in FY2022 (FY2021: $A10,000).
(44) Mr Banks ceased to be a member of the MGL and MBL Boards on 30 July 2020.
(45) Mr Cairns ceased to be a member of the MGL and MBL Boards on 7 May 2021.
(46) Mr Coffey was appointed Chair of the Board Risk Committee on 1 March 2022.
(47) Ms Grady ceased to be a member of the MGL and MBL Boards on 24 February 2022.
(48) Mr Hawker ceased to be a member of the MGL and MBL Boards on 30 September 2020.
(49) Ms Hinchliffe was appointed to the MGL and MBL Boards as an Independent Voting Director on 1 March 2022. She became a member of the Board Audit Committee, the Board Risk Committee and the Board Nominating Committee on 1 March 2022.
(50) Mr Stevens was Chairman of the Board Risk Committee until 1 March 2022. He continues to serve as a member of the Board Risk Committee.

# Appendix 4: Share disclosures

## Shareholdings of KMP and their related parties

The following table sets out details of MGL ordinary shares held during the financial year by KMP including their related parties.

| Name and position | Number of shares held at 1 April 2021[51] | Shares received on withdrawal from the MEREP[52] | Other changes[53] | Number of shares held as at 31 March 2022[54,55] |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| S.R. Wikramanayake | 945,793 | 61,366 | – | **1,007,159** |
| **Non-Executive Directors** | | | | |
| J.R. Broadbent | 16,250 | – | (188) | **16,062** |
| G.M. Cairns | 12,734 | – | – | **12,734** |
| P.M. Coffey | 8,739 | – | 156 | **8,895** |
| M.J. Coleman[56] | 9,184 | 609 | (138) | **9,655** |
| D.J. Grady | 10,020 | – | 512 | **10,532** |
| M.A. Hinchliffe | – | – | – | **–** |
| R.J. McGrath | 349 | – | 1,861 | **2,210** |
| M. Roche | 2,000 | – | 156 | **2,156** |
| G.R. Stevens | 4,809 | – | 38 | **4,847** |
| N.M. Wakefield Evans | 7,111 | – | 156 | **7,267** |
| P.H. Warne | 14,933 | – | – | **14,933** |
| **Executives** | | | | |
| G.N. Bruce | – | – | – | **–** |
| A. Cassidy | 18 | – | – | **18** |
| S.D. Green | 50 | – | 182 | **232** |
| A.H. Harvey | 24,687 | 30,061 | (25,905) | **28,843** |
| F. Herold | – | – | – | **–** |
| N. O'Kane | 4,840 | 79,322 | (77,776) | **6,386** |
| M.J. Reemst | 81,331 | 17,649 | – | **98,980** |
| M.J. Silverton | 19,802 | 32,536 | (32,536) | **19,802** |
| N. Sorbara | 9,384 | 32,621 | (32,621) | **9,384** |
| P.C. Upfold | 75,151 | 38,585 | (38,585) | **75,151** |
| G.C. Ward | – | 45,428 | (45,428) | **–** |
| B.I. Way | – | 8,562 | (4,387) | **4,175** |
| D. Wong | 168 | 101,612 | (93,988) | **7,792** |

(51) Or date of appointment if later.
(52) For RSUs, this represents RSUs vesting during the current financial year. For DSUs, this represents vested DSUs exercised during the current financial year.
(53) Includes on market acquisitions and disposals.
(54) Or date of ceasing to be a KMP if earlier.
(55) In addition to the MGL ordinary shares set out in this table, Executive KMP also hold an interest in MGL ordinary shares through the MEREP, as set out in the table in page 141.
(56) A related party of Mr Coleman holds RSU awards, some of which vested during the year. Mr Coleman does not influence any investment decisions over, nor does he benefit from, this holding.

## RSU and DSU awards to KMP

The following table sets out details of the RSU and DSU awards associated with Macquarie equity granted to Executive KMP. Grants made to Executive KMP prior to their joining the Executive Committee are not disclosed. PSUs are disclosed in a separate table.

A significant portion of an Executive KMP's retained profit share is invested in Macquarie equity, delivered as RSUs or DSUs. RSUs are units comprising a beneficial interest in Macquarie ordinary shares held in a trust for the staff member. DSUs are structured to provide the holder with the same benefits and risks of RSU holders. For further details, refer to Note 32 *Employee equity participation* to the financial statements in the Financial Report. There have been no alterations to the terms or conditions of the grants set out below since the grant date. RSU and DSU awards are subject to forfeiture as set out on page 104. The maximum potential value of unvested awards could vary significantly and is dependent on the MGL ordinary share price at the time of vesting. Retention rates, the vesting profiles and service and performance criteria for the current year are set out on pages 103 to 104. RSUs and DSUs are granted in the financial year following the year of Macquarie's performance to which the grant relates. For example, RSUs and DSUs granted to KMP in June 2021 relate to their performance in FY2021. All awards that were eligible to vest, vested during the year. No awards were forfeited during the year.

| Name and position | RSU/DSU awards granted to date[57] | Grant date | Number vested/exercised during the year[58] |
|---|---|---|---|
| **Executive Director** | | | |
| S.R. Wikramanayake | **94,193** | **03-Aug-21** | – |
| | 139,266 | 04-Aug-20 | – |
| | 65,003 | 15-Aug-19 | – |
| | 49,162 | 21-Jun-18 | 9,832 |
| | 49,025 | 22-Jun-17 | 9,805 |
| | 54,473 | 17-Jun-16 | 10,894 |
| | 42,608 | 06-Jul-15 | 8,521 |
| | 47,019 | 25-Jun-14 | 8,036 |
| **Executives** | | | |
| A.H. Harvey | **21,709** | **09-Jun-21** | – |
| | 45,661 | 09-Jun-20 | – |
| | 25,945 | 24-Jun-19 | – |
| | 27,009 | 21-Jun-18 | 5,401 |
| F. Herold | **51,418** | **09-Jun-20** | – |
| | 33,150 | 24-Jun-19 | – |
| N. O'Kane | **89,324** | **09-Jun-21** | – |
| | 148,994 | 09-Jun-20 | – |
| | 91,106 | 24-Jun-19 | – |
| | 61,902 | 21-Jun-18 | 12,380 |
| M.J. Reemst | **13,417** | **09-Jun-21** | – |
| | 31,962 | 09-Jun-20 | – |
| | 18,831 | 24-Jun-19 | – |
| | 18,906 | 21-Jun-18 | 3,781 |
| | 21,229 | 22-Jun-17 | 4,245 |
| | 18,787 | 17-Jun-16 | 3,757 |
| | 14,810 | 06-Jul-15 | 2,962 |
| M.J. Silverton | **21,836** | **09-Jun-21** | – |
| | 37,375 | 09-Jun-20 | – |
| | 37,138 | 24-Jun-19 | – |

(57) Or during the period that the Executive was a KMP.
(58) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. For DSUs, this represents vested DSUs exercised during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

| Name and position | RSU/DSU awards granted to date[54] | Grant date | Number vested/exercised during the year[58] |
|---|---|---|---|
| N. Sorbara | **21,709** | **09-Jun-21** | – |
| | 45,661 | 09-Jun-20 | – |
| | 25,945 | 24-Jun-19 | – |
| | 27,009 | 21-Jun-18 | 5,401 |
| | 26,967 | 22-Jun-17 | 5,393 |
| | 25,049 | 17-Jun-16 | 5,009 |
| | 18,512 | 06-Jul-15 | 3,702 |
| | 17,105 | 25-Jun-14 | 3,042 |
| P.C. Upfold | **21,709** | **09-Jun-21** | – |
| | 45,661 | 09-Jun-20 | – |
| | 25,945 | 24-Jun-19 | – |
| | 27,009 | 21-Jun-18 | 5,401 |
| | 32,131 | 22-Jun-17 | 6,426 |
| | 33,399 | 17 Jun 16 | 6,679 |
| | 26,446 | 06-Jul-15 | 5,289 |
| B.I. Way | **8,877** | **09-Jun-21** | – |
| G.C. Ward | **25,466** | **09-Jun-21** | – |
| | 57,499 | 09-Jun-20 | – |
| | 31,618 | 24 Jun 19 | – |
| | 33,211 | 21-Jun-18 | 6,642 |
| | 40,801 | 22-Jun-17 | 8,160 |
| | 32,445 | 17-Jun-16 | 6,489 |
| | 26,446 | 06 Jul 15 | 5,289 |
| | 31,696 | 25-Jun-14 | 4,850 |
| D. Wong[59] | **19,006** | **09-Jun-21** | – |
| | 51,976 | 09-Jun-20 | – |
| | 42,258 | 24-Jun-19 | 17,391 |

(59) On 9 June 2021 and 24 June 2019, Mr Wong was granted 3,130 and 13,247 Material Risk Taker Available awards, respectively, which vested on the acquisition date of the awards and were subject to a 12-month non-disposal period. These awards represented 50% of his available profit share, as discussed on page 103, footnote 5, and were a requirement under the UK regulations (the UK Remuneration Code implementing CRD IV). During the current year, Mr Wong exercised the 13,247 awards granted in 2019. The awards granted in 2021 have not been exercised.

## PSU awards to KMP

The following table sets out details of PSU awards granted to Executive KMP.

| | GRANTED TO DATE[60] | | | | FORFEITED/LAPSED DURING THE FINANCIAL YEAR[63] | | | EXERCISED DURING THE FINANCIAL YEAR[64] | |
|---|---|---|---|---|---|---|---|---|---|
| Name and position | Number | Date | Accounting Fair Value $A[61] | Face Value $A[62] | Number | % | Value $A | Number exercised | Value $A |
| **Executive Directors** | | | | | | | | | |
| S.R. Wikramanayake | **20,278** | **03-Aug-21** | **2,718,063** | **3,164,585** | – | – | – | – | – |
| | 32,575 | 04-Aug-20 | 3,423,307 | 4,079,693 | – | – | – | – | – |
| | 34,198 | 15-Aug-19 | 3,385,267 | 4,035,364 | – | – | – | – | – |
| | 23,561 | 15-Aug-18 | 2,466,207 | 2,956,906 | 5,890 | 25% | 921,373 | 5,890 | 925,378 |
| | 33,552 | 15-Aug-17 | 2,449,276 | 2,944,524 | 8,388 | 25% | 1,312,135 | 8,388 | 1,323,626 |
| **Executives** | | | | | | | | | |
| A.H. Harvey | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 16,223 | 04-Aug-20 | 1,704,875 | 2,031,769 | – | – | – | – | – |
| | 17,032 | 15-Aug-19 | 1,686,001 | 2,009,776 | – | – | – | – | – |
| | 16,624 | 15-Aug-18 | 1,740,089 | 2,086,312 | 4,156 | 25% | 650,123 | 4,156 | 650,227 |
| F. Herold | **22,994** | **04-Aug-20** | **2,416,439** | **2,879,769** | – | – | – | – | – |
| | 24,139 | 15-Aug-19 | 2,389,524 | 2,848,402 | – | – | – | – | – |
| N. O'Kane | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 22,994 | 04-Aug-20 | 2,416,439 | 2,879,769 | – | – | – | – | – |
| | 24,139 | 15-Aug-19 | 2,389,524 | 2,848,402 | – | – | – | – | – |
| | 23,561 | 15-Aug-18 | 2,466,207 | 2,956,906 | 5,890 | 25% | 921,373 | 5,890 | 924,141 |
| M.J. Reemst | **16,223** | **04-Aug-20** | **1,704,875** | **2,031,769** | – | – | – | – | – |
| | 17,032 | 15-Aug-19 | 1,686,001 | 2,009,776 | – | – | – | – | – |
| | 16,624 | 15-Aug-18 | 1,740,089 | 2,086,312 | 4,156 | 25% | 650,123 | – | – |
| | 23,673 | 15-Aug-17 | 1,728,115 | 2,077,542 | 5,919 | 25% | 925,909 | – | – |
| M.J. Silverton | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 22,994 | 04 Aug 20 | 2,416,439 | 2,879,769 | – | – | – | – | – |
| N. Sorbara | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 16,223 | 04-Aug-20 | 1,704,875 | 2,031,769 | – | – | – | – | – |
| | 17,032 | 15-Aug-19 | 1,686,001 | 2,009,776 | – | – | – | – | – |
| | 16,624 | 15-Aug-18 | 1,740,089 | 2,086,312 | 4,156 | 25% | 650,123 | 4,156 | 653,084 |
| | 23,673 | 15-Aug-17 | 1,728,115 | 2,077,542 | 5,919 | 25% | 925,909 | 5,918 | 930,122 |

(60) Or during the period for which the Executive was a KMP if shorter.
(61) Based on the accounting fair value on the date of grant.
(62) Face value is calculated by multiplying the number of PSUs granted by the closing market price of Macquarie ordinary shares on the date of grant.
(63) Based on closing share price at 30 June 2021, being the day the PSUs were forfeited.
(64) Based on the share price at the time of exercise.

| | GRANTED TO DATE | | | | FORFEITED/LAPSED DURING THE FINANCIAL YEAR[65] | | | EXERCISED DURING THE FINANCIAL YEAR[65] | |
|---|---|---|---|---|---|---|---|---|---|
| Name and position | Number | Date | Accounting Fair Value $A[66] | Face Value $A[67] | Number | % | Value $A[68] | Number exercised | Value $A[69] |
| P.C. Upfold | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 16,223 | 04-Aug-20 | 1,704,875 | 2,031,769 | – | – | – | – | – |
| | 17,032 | 15-Aug-19 | 1,686,001 | 2,009,776 | – | – | – | – | – |
| | 16,624 | 15-Aug-18 | 1,740,089 | 2,086,312 | 4,156 | 25% | 650,123 | 4,156 | 654,406 |
| | 23,673 | 15-Aug-17 | 1,728,115 | 2,077,542 | 5,919 | 25% | 925,909 | 5,918 | 931,004 |
| G.C. Ward | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 22,994 | 04-Aug-20 | 2,416,439 | 2,879,769 | – | – | – | – | – |
| | 24,139 | 15-Aug-19 | 2,389,524 | 2,848,402 | – | – | – | – | – |
| | 23,561 | 15-Aug-18 | 2,466,207 | 2,956,906 | 5,890 | 25% | 921,373 | 5,890 | 918,705 |
| | 32,434 | 15-Aug-17 | 2,367,663 | 2,846,408 | 8,109 | 25% | 1,268,491 | 8,108 | 1,265,146 |
| D. Wong | **14,195** | **03-Aug-21** | **1,902,698** | **2,215,272** | – | – | – | – | – |
| | 22,994 | 04-Aug-20 | 2,416,439 | 2,879,769 | – | – | – | – | – |

As required under the Act, Macquarie has adopted the fair value measurement provisions of AASB 2 *Share-Based Payment* for all PSUs granted to KMP. The accounting fair value of such grants is being amortised and disclosed as part of each KMP's remuneration on a straight-line basis over the vesting period. The 2021 PSU allocation has been determined based on a face value methodology. The accounting fair value of $A134.04 at this date has been estimated using a discounted cash flow method.

The following key assumptions were adopted in determining the value of the PSUs granted:

| | |
|---|---|
| Interest rate to maturity | 0.5291% per annum |
| Expected vesting dates | 1 July 2025 |
| Dividend yield | 3.73% per annum |

PSUs have a nil exercise price. PSUs awarded from FY2020 vest in four years as set out on page 105 while PSUs awarded prior to FY2020 vest on a pro-rata basis as set out on page 105, footnote 9. For the 2021 grant, it will vest on 1 July 2025. The PSUs expire on 3 August 2030.

(65) Or during the period for which the Executive was a KMP if shorter.
(66) Based on the accounting fair value on the date of grant.
(67) Face value is calculated by multiplying the number of PSUs granted by the closing market price of Macquarie ordinary shares on the date of grant.
(68) Based on closing share price at 30 June 2021, being the day the PSUs were forfeited.
(69) Based on the share price at the time of exercise.

## MEREP awards of KMP and their related parties

The following tables set out details of the MEREP RSU, DSU and PSU awards held during the year for the KMP including their related parties.

Further details in relation to the MEREP RSU, DSU and PSU awards are disclosed in Note 32 *Employee equity participation* to the financial statements in the Financial Report

| Name and position | Type of Award | Number of Awards held at 1 April 2021[70] | Awards granted during the financial year[71] | Awards vested/ exercised during the financial year[72][73] | Awards forfeited or not able to be exercised during the financial year[74] | Number of Awards held as at 31 March 2022[75] |
|---|---|---|---|---|---|---|
| **Executive Director** | | | | | | |
| S.R. Wikramanayake | RSU | 350,417 | 94,193 | (47,088) | – | **397,522** |
| | PSU | 107,110 | 20,278 | (14,278) | (14,278) | **98,832** |
| **Executives** | | | | | | |
| G.N. Bruce | RSU | 947 | – | – | – | **947** |
| A. Cassidy | RSU | 11,782 | – | – | – | **11,782** |
| S.D. Green | RSU | 27,951 | – | – | – | **27,951** |
| A.H. Harvey | RSU | 149,624 | 21,709 | (25,905) | – | **145,428** |
| | PSU | 49,879 | 14,195 | (4,156) | (4,156) | **55,762** |
| F. Herold[76] | DSU | 66,816 | – | – | – | **66,816** |
| | RSU | 62,930 | – | – | – | **62,930** |
| | PSU | 47,133 | – | – | – | **47,133** |
| N. O'Kane | RSU | 445,130 | 89,324 | (73,432) | – | **461,022** |
| | PSU | 70,694 | 14,195 | (5,890) | (5,890) | **73,109** |
| M.J. Reemst | RSU | 106,784 | 13,417 | (17,649) | – | **102,552** |
| | PSU | 61,716 | – | – | (10,075) | **51,641** |
| M.J. Silverton | RSU | 139,735 | 21,836 | (32,536) | – | **129,035** |
| | PSU | 22,994 | 14,195 | – | – | **37,189** |
| N. Sorbara | RSU | 145,668 | 21,709 | (22,547) | – | **144,830** |
| | PSU | 61,716 | 14,195 | (10,074) | (10,075) | **55,762** |
| P.C. Upfold | RSU | 159,656 | 21,709 | (28,511) | – | **152,854** |
| | PSU | 61,716 | 14,195 | (10,074) | (10,075) | **55,762** |
| G.C. Ward | RSU | 189,865 | 25,466 | (31,430) | – | **183,901** |
| | PSU | 86,911 | 14,195 | (13,998) | (13,999) | **73,109** |
| B.I. Way | RSU | 51,477 | 8,877 | (8,562) | – | **51,792** |
| D. Wong[76] | DSU | 224,841 | 19,006 | (101,612) | – | **142,235** |
| | PSU | 22,994 | 14,195 | – | – | **37,189** |

(70) Or date of appointment if later.
(71) RSU and DSU awards are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs and DSUs disclosed as granted above relate to FY2021. PSUs are granted annually in August. RSU and PSU awards granted to the CEO, who is an Executive Voting Director, were approved by shareholders at the 2021 AGM as required under ASX Listing Rule 10.14.
(72) For RSUs, this represents vested RSUs transferred to the KMP's shareholding and includes RSUs vesting during the current year in respect of all grants, including those made prior to Executives becoming a KMP. For DSUs, this represents vested DSUs exercised during the current period in respect of all grants, including those made prior to Executives becoming a KMP.
(73) There were no PSUs that vested during the year that were not exercised.
(74) Or during the period for which the Executive was a KMP if shorter.
(75) Or date of ceasing to be a KMP if earlier.
(76) DSUs are granted in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs are structured to provide the holder with the same benefits and risks of RSU holders.

## Appendix 5: Loan disclosures

### Loans to Key Management Personnel and their related parties

Details of loans provided by Macquarie to KMP and their related parties are disclosed in the following table.

| Name and Position | Balance as at 1 April 2021[76] $A'000 | Interest charged $A'000 | Write downs $A'000 | Balance as at 31 March 2022[78] $A'000 | Highest balance during the year $A'000 |
|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | |
| D.J. Grady (related party) | 468 | 17 | – | 459 | 468 |
| N.M. Wakefield Evans (related party) | 4,800 | 63 | – | 4,638 | 4,800 |
| P.H. Warne (related party) | 456 | 7 | – | 441 | 456 |
| **Executives** | | | | | |
| A. Cassidy | 3,696 | 21 | – | 3,671 | 3,696 |
| A.H. Harvey | 5,500 | 32 | – | 8,000 | 8,000 |
| M.J. Silverton | 208 | 6 | – | 192 | 208 |
| Aggregate of KMP and related party loans[79] | 15,129 | 146 | – | 17,402 | 17,629 |

This Remuneration Report has been prepared in accordance with the Act. The Remuneration Report contains disclosures as required by AASB 124 *Related Party Disclosures* as permitted by Corporations Regulation 2M.3.03 *Prescribed details*.

Throughout this Remuneration Report financial information for Macquarie relating to the years ended 31 March 2013 through to 31 March 2022 has been presented in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(77) Or date of appointment if later.
(78) Or date of ceasing to be a KMP if earlier.
(79) The aggregate of KMP and related party loans includes loans to KMP (including their related parties) and the table above details KMP (including their related parties) with loans above $100,000 during FY2022. All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.

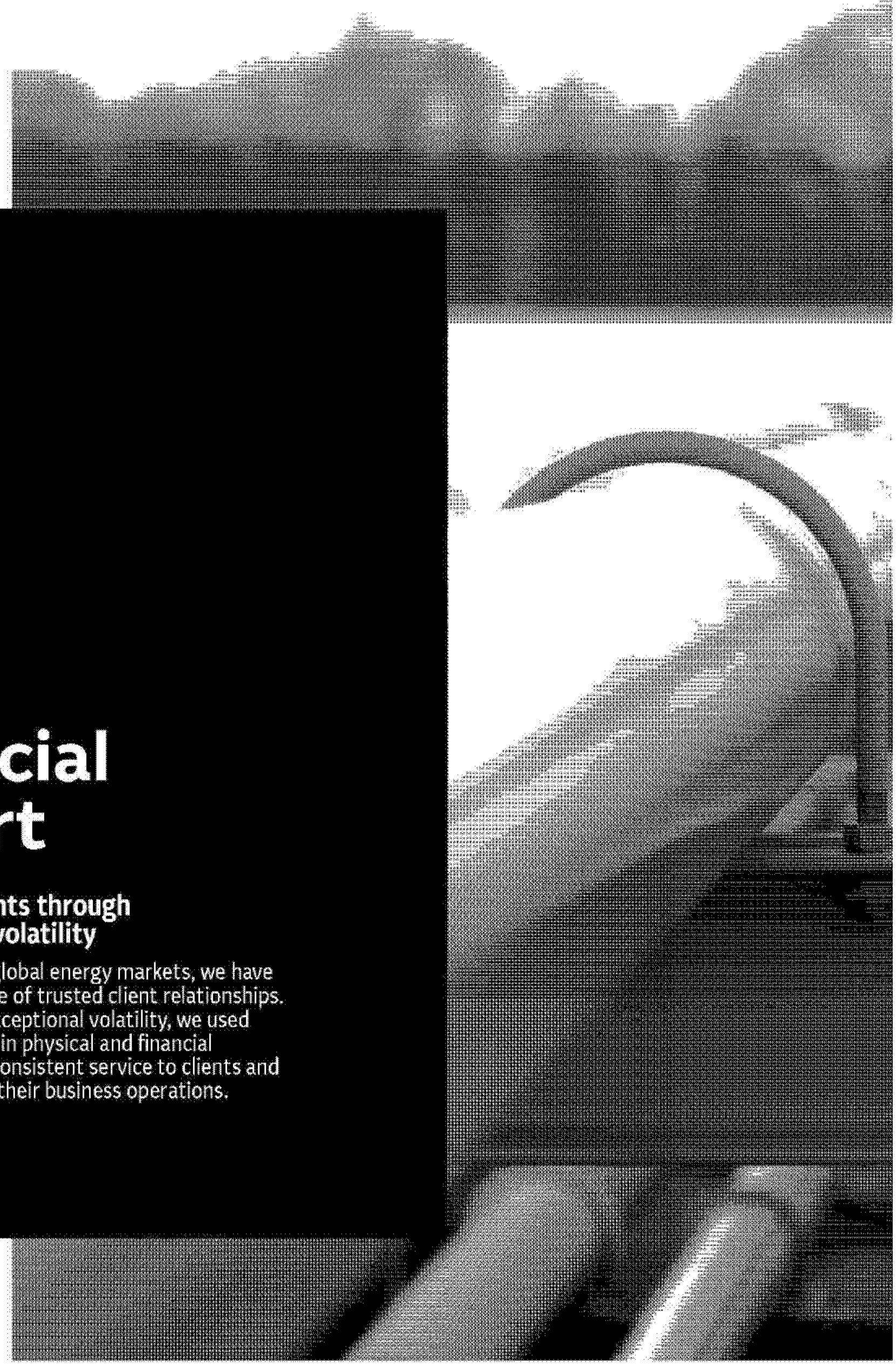
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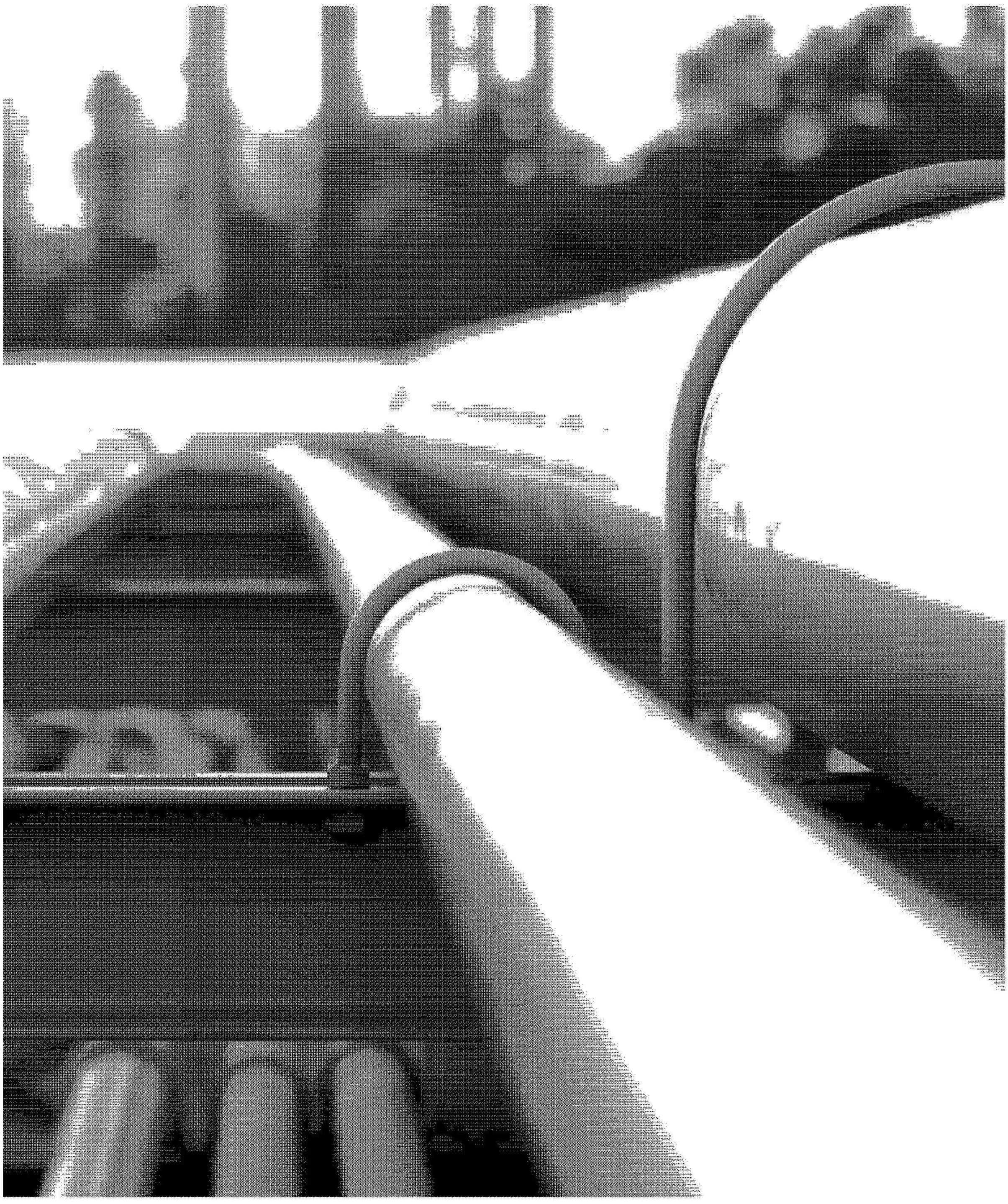
04

# Financial Report

## Supporting clients through energy market volatility

Over many years in global energy markets, we have built a deep franchise of trusted client relationships. During a period of exceptional volatility, we used our deep experience in physical and financial markets to provide consistent service to clients and ensure continuity in their business operations.





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The Financial Report was authorised for issue by the Board of Directors on 6 May 2022.
The Board of Directors has the power to amend and reissue the Financial Report.

# Income statements

For the financial year ended 31 March 2022

| | Notes | CONSOLIDATED 2022 $m | CONSOLIDATED 2021 $m | COMPANY 2022 $m | COMPANY 2021 $m |
|---|---|---|---|---|---|
| Interest and similar income | | | | | |
| Effective interest rate method | 2 | **3,991** | 3,632 | **629** | 554 |
| Other | 2 | **334** | 333 | **-** | - |
| Interest and similar expense | 2 | **(1,465)** | (1,770) | **(637)** | (602) |
| **Net interest income/(expense)** | | **2,860** | 2,195 | **(8)** | (48) |
| Fee and commission income | 2 | **6,887** | 5,176 | **12** | 14 |
| Net trading income/(loss) | 2 | **3,996** | 3,482 | **(457)** | (3) |
| Net operating lease income | 2 | **402** | 466 | **-** | - |
| Share of net profits/(losses) from associates and joint ventures | 2 | **240** | (3) | **-** | - |
| Net credit impairment (charges)/reversals | 2 | **(250)** | (434) | **(16)** | 18 |
| Net other impairment (charges)/reversals | 2 | **(259)** | (90) | **1,896** | - |
| Net other operating income | 2 | **3,448** | 1,982 | **-** | 761 |
| **Net operating income** | | **17,324** | 12,774 | **1,427** | 742 |
| Employment expenses | 2 | **(6,725)** | (5,517) | **(4)** | (4) |
| Brokerage, commission and fee expenses | 2 | **(1,029)** | (879) | **-** | - |
| Non-salary technology expenses | 2 | **(926)** | (781) | **-** | - |
| Other operating expenses | 2 | **(2,105)** | (1,690) | **(6)** | (4) |
| **Total operating expenses** | | **(10,785)** | (8,867) | **(10)** | (8) |
| **Operating profit before income tax** | | **6,539** | 3,907 | **1,417** | 734 |
| Income tax (expense)/benefit | 4 | **(1,586)** | (899) | **132** | 21 |
| **Profit after income tax** | | **4,953** | 3,008 | **1,549** | 755 |
| (Profit)/loss attributable to non-controlling interests | | **(247)** | 7 | **-** | - |
| **Profit attributable to ordinary equity holders of Macquarie Group Limited** | | **4,706** | 3,015 | **1,549** | 755 |
| | | **Cents** | Cents | | |
| Basic earnings per share | 6 | **1,271.7** | 842.9 | | |
| Diluted earnings per share | 6 | **1,230.6** | 824.6 | | |

The above income statements should be read in conjunction with the accompanying notes.

# Statements of comprehensive income

For the financial year ended 31 March 2022

| | Notes | CONSOLIDATED 2022 $m | CONSOLIDATED 2021 $m | COMPANY 2022 $m | COMPANY 2021 $m |
|---|---|---|---|---|---|
| **Profit after income tax** | | **4,953** | 3,008 | **1,549** | 755 |
| Other comprehensive income/(loss):[1] | | | | | |
| Movements in items that may be subsequently reclassified to the income statement: | | | | | |
| Fair value through other comprehensive income (FVOCI) reserve: | | | | | |
| Revaluation movement | 28 | **(25)** | 233 | - | - |
| Changes in allowance for expected credit losses | 28 | **7** | (127) | - | - |
| Cash flow hedges: | | | | | |
| Net movement recognised in other comprehensive income (OCI) | 28 | **(39)** | (13) | - | - |
| Transferred to income statement | 28 | **25** | 8 | - | - |
| Share of other comprehensive income/(loss) from associates and joint ventures | 28 | **43** | (22) | - | - |
| Foreign exchange movement on translation and hedge accounting of foreign operations | | - | (1,761) | - | - |
| Movements in item that will not be subsequently reclassified to the income statement: | | | | | |
| Fair value changes attributable to own credit risk on debt designated at fair value through profit or loss (DFVTPL) | 28 | **41** | (107) | **33** | (28) |
| **Total other comprehensive income/(loss)** | | **52** | (1,789) | **33** | (28) |
| **Total comprehensive income** | | **5,005** | 1,219 | **1,582** | 727 |
| Total comprehensive (income)/loss attributable to non-controlling interests | | **(241)** | 58 | **-** | - |
| **Total comprehensive income attributable to the ordinary equity holders of Macquarie Group Limited** | | **4,764** | 1,277 | **1,582** | 727 |

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

(1) All items are net of tax, where applicable.

# Statements of financial position

As at 31 March 2022

| | Notes | CONSOLIDATED 2022 $m | CONSOLIDATED 2021 $m | COMPANY 2022 $m | COMPANY 2021 $m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and bank balances | | **52,754** | 18,425 | **–** | – |
| Cash collateralised lending and reverse repurchase agreements | | **51,197** | 36,681 | **–** | – |
| Trading assets | 7 | **13,578** | 21,746 | **–** | – |
| Margin money and settlement assets | 8 | **25,108** | 14,397 | **–** | – |
| Derivative assets | 9 | **84,891** | 20,642 | **1** | 2 |
| Financial investments | 10 | **12,127** | 9,566 | **–** | – |
| Held for sale assets | 11 | **1,297** | 279 | **–** | – |
| Other assets | 11 | **8,632** | 6,006 | **28** | 54 |
| Loan assets | 12 | **134,744** | 105,026 | **–** | – |
| Due from subsidiaries | 30 | **–** | – | **38,591** | 22,227 |
| Interests in associates and joint ventures | 14 | **4,373** | 4,194 | **–** | – |
| Property, plant and equipment and right-of-use assets | 15 | **5,143** | 4,676 | **–** | – |
| Intangible assets | 16 | **3,780** | 2,543 | **–** | – |
| Investments in subsidiaries | 17 | **–** | – | **32,449** | 31,429 |
| Deferred tax assets | 18 | **1,552** | 1,472 | **–** | – |
| **Total assets** | | **399,176** | 245,653 | **71,069** | 53,712 |
| **Liabilities** | | | | | |
| Cash collateralised borrowing and repurchase agreements | | **16,947** | 4,542 | **–** | – |
| Trading liabilities | 19 | **5,290** | 6,205 | **–** | – |
| Margin money and settlement liabilities | 20 | **27,158** | 22,124 | **–** | – |
| Derivative liabilities | 21 | **84,464** | 17,579 | **6** | 1 |
| Deposits | 22 | **101,667** | 84,199 | **35** | 46 |
| Held for sale liabilities | 23 | **525** | 18 | **–** | – |
| Other liabilities | 23 | **11,167** | 8,211 | **211** | 423 |
| Borrowings | | **13,896** | 9,817 | **6,280** | 5,821 |
| Due to subsidiaries | 30 | **–** | – | **3,632** | 2,204 |
| Issued debt securities | 24 | **99,527** | 60,980 | **25,638** | 13,232 |
| Deferred tax liabilities | 18 | **216** | 204 | **21** | 4 |
| **Total liabilities excluding loan capital** | | **360,857** | 213,879 | **35,823** | 21,731 |
| Loan capital | 26 | **9,513** | 9,423 | **2,612** | 2,606 |
| **Total liabilities** | | **370,370** | 223,302 | **38,435** | 24,337 |
| **Net assets** | | **28,806** | 22,351 | **32,634** | 29,375 |
| **Equity** | | | | | |
| Contributed equity | 27 | **12,298** | 8,531 | **14,781** | 11,063 |
| Reserves | 28 | **1,523** | 1,286 | **1,332** | 1,158 |
| Retained earnings | 28 | **14,740** | 12,231 | **16,521** | 17,154 |
| **Total capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited** | | **28,561** | 22,048 | **32,634** | 29,375 |
| Non-controlling interests | 28 | **245** | 303 | **–** | – |
| **Total equity** | | **28,806** | 22,351 | **32,634** | 29,375 |

The above statements of financial position should be read in conjunction with the accompanying notes.

# Statements of changes in equity

For the financial year ended 31 March 2022

| | Notes | Contributed equity $m | Reserves $m | Retained earnings $m | Total $m | Non-controlling interests $m | Total equity $m |
|---|---|---|---|---|---|---|---|
| | | | | | | | CONSOLIDATED |
| **Balance as at 1 Apr 2020** | | 7,851 | 2,773 | 10,439 | 21,063 | 721 | 21,784 |
| Profit/(loss) after income tax | | – | – | 3,015 | 3,015 | (7) | 3,008 |
| Other comprehensive loss, net of tax | | – | (1,631) | (107) | (1,738) | (51) | (1,789) |
| Total comprehensive (loss)/income | | – | (1,631) | 2,908 | 1,277 | (58) | 1,219 |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | | | | |
| Issue of shares[1] | 27 | 262 | – | – | 262 | – | 262 |
| Dividends paid | 5, 28 | – | – | (1,123) | (1,123) | – | (1,123) |
| Non-controlling interests: | | | | | | | |
| Movement in non-controlling ownership interests | | – | – | (1) | (1) | 31 | 30 |
| Redemption of Macquarie Income Securities (MIS) | | (9) | – | – | (9) | (391) | (400) |
| Other equity movements: | | | | | | | |
| MEREP share-based payment arrangements | 27, 28 | 419 | 102 | 8 | 529 | – | 529 |
| Deferred tax benefit on MEREP share-based payment arrangements | 27, 28 | 8 | 42 | – | 50 | – | 50 |
| | | 680 | 144 | (1,116) | (292) | (360) | (652) |
| **Balance as at 31 Mar 2021** | | 8,531 | 1,286 | 12,231 | 22,048 | 303 | 22,351 |
| Profit after income tax | | – | – | **4,706** | **4,706** | **247** | **4,953** |
| Other comprehensive income/(loss), net of tax | | – | 17 | 41 | 58 | (6) | 52 |
| Total comprehensive income | | – | 17 | 4,747 | 4,764 | 241 | 5,005 |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | | | | |
| Issue of shares[1] | 27 | **3,282** | – | – | **3,282** | – | **3,282** |
| Dividends paid | 5, 28 | – | – | (2,229) | (2,229) | – | (2,229) |
| Movement in non-controlling interests | | – | – | (9) | (9) | (299) | (308) |
| Other equity movements: | | | | | | | |
| MEREP share-based payment arrangements | 27, 28 | **448** | **167** | **7** | **622** | – | **622** |
| Deferred tax benefit on MEREP share-based payment arrangements | 27, 28 | **37** | **46** | – | **83** | – | **83** |
| Other movements | | – | 7 | (7) | – | – | – |
| | | 3,767 | 220 | (2,238) | 1,749 | (299) | 1,450 |
| **Balance as at 31 Mar 2022** | | 12,298 | 1,523 | 14,740 | 28,561 | 245 | 28,806 |

(1) Net of transaction cost and shares accounted for as treasury shares.

| | Notes | Contributed equity $m | Reserves $m | Retained earnings $m | Total equity $m |
|---|---|---|---|---|---|
| | | | | | COMPANY |
| **Balance as at 1 Apr 2020** | | 10,380 | 1,056 | 17,535 | 28,971 |
| Profit after income tax | | – | – | 755 | 755 |
| Other comprehensive loss, net of tax | | – | – | (28) | (28) |
| Total comprehensive income | | – | – | 727 | 727 |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | | |
| Issue of shares[1] | 27 | 262 | – | – | 262 |
| Dividends paid | 5, 28 | – | – | (1,116) | (1,116) |
| Other equity movements: | | | | | |
| MEREP share-based payment arrangements | 27, 28 | 419 | 102 | 8 | 529 |
| Deferred tax benefit on MEREP share-based payment arrangements | 27, 28 | 2 | – | – | 2 |
| | | 683 | 102 | (1,108) | (323) |
| **Balance as at 31 Mar 2021** | | 11,063 | 1,158 | 17,154 | 29,375 |
| Profit after income tax | | – | – | **1,549** | **1,549** |
| Other comprehensive income, net of tax | | – | – | **33** | **33** |
| Total comprehensive income | | – | – | **1,582** | **1,582** |
| Transactions with equity holders in their capacity as ordinary equity holders: | | | | | |
| Issue of shares[1] | 27 | **3,270** | – | – | **3,270** |
| Dividends paid | 5, 28 | – | – | **(2,215)** | **(2,215)** |
| Other equity movements: | | | | | |
| MEREP share-based payment arrangements | 27, 28 | **448** | **167** | **7** | **622** |
| Other movements | | – | **7** | **(7)** | – |
| | | **3,718** | **174** | **(2,215)** | **1,677** |
| **Balance as at 31 Mar 2022** | | **14,781** | **1,332** | **16,521** | **32,634** |

The above statements of changes in equity should be read in conjunction with the accompanying notes.

(1) Net of transaction cost and shares accounted for as treasury shares.

# Statements of cash flows

For the financial year ended 31 March 2022

| | Notes | CONSOLIDATED 2022 $m | CONSOLIDATED 2021 $m | COMPANY 2022 $m | COMPANY 2021 $m |
|---|---|---|---|---|---|
| **Cash flows generated from/(utilised in) operating activities** | | | | | |
| Interest income and expense: | | | | | |
| Received | | **4,363** | 3,992 | **630** | 554 |
| Paid | | **(1,429)** | (1,919) | **(584)** | (628) |
| Fees, commissions and other income and charges: | | | | | |
| Received | | **6,539** | 5,128 | **1** | 14 |
| Paid | | **(896)** | (865) | **(3)** | (8) |
| Operating lease income received | | **1,000** | 1,026 | **-** | - |
| Dividends and distributions received | | **304** | 148 | **-** | 601 |
| Operating expenses paid: | | | | | |
| Employment expenses | | **(5,260)** | (4,647) | **(4)** | (4) |
| Other operating expenses including brokerage, commission, and fee expenses | | **(2,774)** | (1,872) | **(5)** | (1) |
| Income tax paid | | **(1,743)** | (790) | **(616)** | (345) |
| Changes in operating assets: | | | | | |
| Loan assets, receivables and balances with subsidiaries | | **(30,922)** | (14,056) | **(14,392)** | 520 |
| Assets under operating lease | | **(1,070)** | (388) | **-** | - |
| Other assets | | **(253)** | 102 | **(2)** | (38) |
| Trading, trading-related and collateralised lending balances (net of liabilities) | | **11,817** | (3,625) | **-** | - |
| Changes in operating liabilities: | | | | | |
| Issued debt securities | | **38,525** | 4,138 | **12,542** | 2,288 |
| Deposits | | **17,465** | 17,179 | **(11)** | (5) |
| Borrowings | | **14,834** | (668) | **489** | (2,821) |
| Other liabilities | | **(49)** | (57) | **-** | - |
| Net cash flows generated from/(utilised in) operating activities | 29 | **50,451** | 2,826 | **(1,955)** | 127 |
| **Cash flows generated from investing activities** | | | | | |
| Net (payments for)/proceeds from financial investments | | **(643)** | 149 | **-** | - |
| Associates, joint ventures, subsidiaries and businesses: | | | | | |
| Proceeds from distribution or disposal, net of cash deconsolidated | | **5,686** | 4,248 | **1,899** | 534 |
| Payments for additional contribution or acquisitions, net of cash acquired | | **(4,139)** | (1,092) | **(1,000)** | - |
| Property, plant and equipment, investment property and intangible assets: | | | | | |
| Payments for acquisitions | | **(977)** | (761) | **-** | - |
| Proceeds from disposals | | **85** | 359 | **-** | - |
| Net cash flows generated from investing activities | | **12** | 2,903 | **899** | 534 |
| **Cash flows generated from/(utilised in) financing activities** | | | | | |
| Proceeds from the issue of ordinary shares | | **2,777** | - | **2,752** | - |
| Loan capital: | | | | | |
| Issuance | | **1,405** | 4,419 | **-** | 725 |
| Redemption | | **(1,101)** | (1,271) | **-** | (531) |
| Dividends and distributions paid | | **(1,711)** | (861) | **(1,696)** | (855) |
| Non-Controlling interests: | | | | | |
| Redemption of Macquarie Income Securities | | **-** | (400) | **-** | - |
| (Payments to)/Receipts from non-controlling interests | | **(222)** | 25 | **-** | - |
| Net cash flows generated from/(utilised in) financing activities | | **1,148** | 1,912 | **1,056** | (661) |
| **Net increase in cash and cash equivalents** | | **51,611** | 7,641 | **-** | - |
| Cash and cash equivalents at the beginning of the financial year | | **33,493** | 28,960 | **-** | - |
| Effect of exchange rate movements on cash and cash equivalents | | **(781)** | (3,108) | **-** | - |
| **Cash and cash equivalents at the end of the financial year** | 29 | **84,323** | 33,493 | **-** | - |

The above statements of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the financial year ended 31 March 2022

## Note 1
## Basis of preparation

This Financial Report is a General Purpose Financial Report which has been prepared in accordance with *Australian Accounting Standards* and the *Corporations Act 2001* (Cth). Macquarie Group Limited is a for-profit Company for the purposes of preparing this Financial Report.

The principal accounting policies adopted in the preparation of this Financial Report are set out in Note 44 *Significant accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (Macquarie Group Limited and its subsidiaries) as well as the Company (Macquarie Group Limited), unless otherwise stated.

### (i) Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that this Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this Financial Report is compliant with IFRS.

### (ii) Basis of measurement

This Financial Report has been prepared under the historical cost convention except for the following items, as disclosed in the respective accounting policy:

- financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL); financial assets classified as fair value through other comprehensive income (FVOCI) and financial instruments that have been designated as FVTPL (DFVTPL)
- financial assets and liabilities that are otherwise measured on an amortised cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships
- non-current assets and disposal groups that have been classified as held for sale and where a disposal group has been impaired to its fair value less costs to sell
- commodity inventories that are measured at fair value less costs to sell in accordance with the broker-trader exemption
- certain other non-financial assets and liabilities that are measured at fair value, such as investment property.

### (iii) Critical accounting estimates and significant judgements

The preparation of this Financial Report in compliance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated Financial Report such as:

- determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (Note 44(vii))
- assessing whether the cash flows generated by a financial asset constitute solely payments of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non-recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable (Note 44(vii))
- choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss, including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (Note 44(xxii) and Note 13)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof (Note 44(i), Note 44(xxii), Note 14 and Note 17)
- timing and amount of impairment of goodwill and other identifiable intangible assets and, where applicable, the reversal thereof (Note 44(xxii) and Note 16)
- fair value of assets and liabilities including the determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 44(vii), Note 44(x) and Note 38)
- distinguishing between whether assets or a business is acquired under a business combination, particularly the determination of whether a substantive process exists that, together with an integrated set of activities and assets, significantly contributes to the ability to create an output (Note 44(ii))
- determination of significant influence over associates, joint control over arrangements and control over subsidiaries, including the assessment of whether certain rights are protective or substantive in nature, whether these rights are held in the capacity as agent or principal, and whether the level of involvement in an investee's relevant activities is sufficient to significantly affect the returns generated (Note 44(i))
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 44(vi), Note 4 and Note 18)
- recognition and measurement of certain revenue streams including performance fees from Macquarie-managed funds and other capital market investments and transactions (Note 44(iv))
- recognition and measurement of provisions related to actual and potential claims, determination of contingent liabilities (Note 44(iv), Note 44(xvii) and Note 33)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 44(x) and Note 35)
- timing of derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss (Note 44(i)).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

## Note 1
## Basis of preparation continued

### (iii) Critical accounting estimates and significant judgements continued

Management believes that the estimates used in preparing this Financial Report are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

### (iv) Coronavirus (COVID-19) impact

The Novel Coronavirus has had significant impacts on global economies and equity, debt and commodity markets, led to several changes in the economy and resulted in several support actions by financial markets, governments and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Consolidated Entity's results of operations and measurement of its assets and liabilities at the reporting date.

The Consolidated Entity's processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 31 March 2021 and 30 September 2021 financial statements. Those processes identified that expected credit losses (Note 13) required continued judgement as a result of the impact of COVID-19.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The Consolidated Entity drew down an additional $9.5 billion from the Reserve Bank of Australia (RBA) under the Term Funding Facility (TFF) during the reporting period. As at 31 March 2022, the Consolidated Entity had drawn $11.3 billion under the TFF which is in the form of repurchase agreements, is collateralised with issued loan notes in the Consolidated Entity's home loans' securitisation vehicles. The objective of the TFF is to reduce interest rates for borrowers and support businesses during this period through lending.

### (v) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are either effective in the current financial year or have been early adopted

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2021 did not result in a material impact on this Financial Report. There were no new Australian accounting standards that were mandatorily effective or have been early adopted for the Financial Report.

### (vi) Other developments

IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs)

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate), 'EURIBOR' (the Euro Inter-bank Offered Rate), 'CDOR' (the Canadian dollar offered rate) and 'BBSW' (the Australian Bank Bill Swap Rate). The nature of the reforms varies across different jurisdictions. For example, in Australia the existing IBOR benchmark (BBSW) has undergone reform and is expected to continue for the foreseeable future alongside the nominated ARR for AUD which is 'AONIA' (AUD Overnight Index Average). In Canada, the Canadian Alternate Reference Rate Working Group (CARR) has recommended to Refinitiv Benchmark Services UK Limited (Refinitiv), the administrator of CDOR, to cease publication of all of CDOR's remaining tenors after 30 June 2024. Refinitiv is yet to make a decision on the future of CDOR but expects to make an announcement in Q2 2022.

After 31 December 2021, 24 of 35 LIBOR currency-tenor pairings were discontinued, 6 LIBOR switched to a modified calculation methodology (known as 'synthetic' LIBORs) and 5 USD LIBOR tenors are expected to cease publication after 30 June 2023. Aside from the ongoing exceptional use of USD LIBOR, the use of LIBOR in new contracts ceased by the end of 2021.

Industry working groups have worked with authorities and consulted with market participants to develop market practices that may be used to transition existing LIBOR-linked contracts for derivatives, loans, bonds and other financial instruments that mature beyond their respective LIBOR cessation dates, to ARRs. Amongst the issues considered were the key differences between LIBOR and ARRs. LIBOR are term rates which are quoted at the beginning of that period (for example, one-, three-, six-or twelve-month periods) and include a component of bank credit risk. ARRs on the other hand are overnight rates with little or no credit risk. To facilitate the transition of contracts from LIBOR to ARRs on an economically equivalent basis, adjustments for term and credit differences needs to be applied.

## Note 1
## Basis of preparation continued

### (vi) Other developments continued

As a diversified financial services group with a variety of global products and services, IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity.

Impacts on financial reporting

AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, issued in October 2019, amended AASB 7 *Financial Instruments: Disclosures* (AASB 7) and AASB 9 *Financial Instruments* (AASB 9) to provide certain relief from applying specific accounting requirements to hedge accounting relationships directly affected by IBOR reform. The relief enables the continuation of hedge accounting for impacted hedge relationships during the period of uncertainty prior to IBOR transition. The Consolidated Entity early adopted these amendments for the year ended 31 March 2020.

In August 2020, AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* amended standards including AASB 7, AASB 9 and AASB 16 *Leases* (AASB 16) to address accounting issues following the transition to ARR. The amendments provide certain relief from applying specific requirements related to hedge accounting and the modification of financial assets and financial liabilities if certain criteria are met.

Where modifications to a contract, or changes in the basis for determining the contractual cash flows under a contract, are necessitated as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the relief allows an entity to reset the yield applied to such an exposure on a prospective basis. Thus, at the time of modification, where the relief applies, there is no impact to the income statement. The relief requires continuation of hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform.

The amendments, which were mandatorily effective for annual reporting periods beginning on or after 1 January 2021, also require additional quantitative and qualitative disclosures. The Consolidated Entity early adopted these amendments for the year ended 31 March 2021.

## Note 2
## Operating profit before income tax

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| **Net interest income/(expense)** | | | | |
| Interest and similar income: | | | | |
| Effective interest rate method[1] | **3,991** | 3,632 | **629** | 554 |
| Other | **334** | 333 | **–** | – |
| Interest and similar expense[2] | **(1,465)** | (1,770) | **(637)** | (602) |
| Net interest income/(expense) | **2,860** | 2,195 | **(8)** | (48) |
| **Fee and commission income** | | | | |
| Base and other asset management fees[3] | **3,254** | 2,305 | **–** | – |
| Mergers and acquisitions, advisory and underwriting fees | **1,373** | 858 | **–** | – |
| Brokerage and other trading-related fees | **801** | 816 | **–** | – |
| Performance fees | **395** | 660 | **–** | – |
| Other fee and commission income[4] | **1,064** | 537 | **12** | 14 |
| Total fee and commission income | **6,887** | 5,176 | **12** | 14 |
| **Net trading income[5]** | | | | |
| Commodities trading[6] | **3,371** | 2,750 | **–** | – |
| Equities trading | **377** | 399 | **–** | – |
| Credit, interest rate, foreign exchange and other products | **248** | 333 | **(457)** | (3) |
| Net trading income/(loss) | **3,996** | 3,482 | **(457)** | (3) |
| **Net operating lease income** | | | | |
| Rental income | **754** | 949 | **–** | – |
| Depreciation and other operating lease-related charges | **(352)** | (483) | **–** | – |
| Net operating lease income | **402** | 466 | **–** | – |
| **Share of net profits/(losses) from associates and joint ventures** | **240** | (3) | **–** | – |

(1) Includes interest income of $3,904 million (2021: $3,500 million) in the Consolidated Entity and $629 million (2021: $554 million) in the Company on financial assets measured at amortised cost and $87 million (2021: $132 million) in the Consolidated Entity on financial assets measured at FVOCI.
(2) Includes interest expense on financial liabilities measured at amortised cost calculated using effective interest rate method of $1,403 million (2021: $1,734 million) in the Consolidated Entity and $637 million (2021: $602 million) in the Company.
(3) Includes $2,796 million (2021: $2,011 million) of base fee income.
(4) The Consolidated entity's current financial year's income includes disposition fee from Macquarie Infrastructure Holdings LLC (formerly Macquarie Infrastructure Corporation).
(5) Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships; fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign currency-denominated monetary assets and liabilities. Refer to Note 44(x) *Derivative instruments and hedging activities*.
(6) Includes $508 million (2021: $679 million) of transportation, storage and certain other trading-related costs and $49 million (2021: $47 million) depreciation on right-of-use (ROU) assets held for trading related business.

## Note 2
### Operating profit before income tax continued

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| **Credit and other impairment (charges)/reversals** | | | | |
| **Credit impairment (charges)/reversals** | | | | |
| Loan assets | **(103)** | (323) | **-** | - |
| Held for sale and other assets[1] | **(83)** | (50) | **(11)** | 12 |
| Loans to associates and joint ventures | **(39)** | (17) | **-** | - |
| Margin money and settlement assets | **(26)** | (42) | **-** | - |
| Financial investments | **(2)** | 5 | **-** | - |
| Off balance sheet exposures | **1** | (9) | **(5)** | 6 |
| Gross credit impairment (charges)/reversals | **(252)** | (436) | **(16)** | 18 |
| Recovery of amounts previously written off | **2** | 2 | **-** | - |
| **Net credit impairment (charges)/reversals** | **(250)** | (434) | **(16)** | 18 |
| **Other impairment (charges)/reversals** | | | | |
| Interests in associates and joint ventures | **(180)** | 65 | **-** | - |
| Intangible and other non-financial assets | **(79)** | (155) | **-** | - |
| Investment in subsidiaries | **-** | - | **1,896** | - |
| Net other impairment (charges)/reversals | **(259)** | (90) | **1,896** | - |
| **Total credit and other impairment (charges)/reversals** | **(509)** | (524) | **1,880** | 18 |
| **Net other operating income** | | | | |
| **Investment income** | | | | |
| Net gain from: | | | | |
| Disposal of subsidiaries and businesses[2] | **2,789** | 239 | **-** | 167 |
| Financial investments | **248** | 220 | **-** | - |
| Interests in associates and joint ventures | **190** | 1,063 | **-** | - |
| Non-financial assets | **64** | 492 | **-** | - |
| Change of control, joint control and/or significant influence | **-** | 9 | **-** | - |
| Dividends from subsidiaries (Note 30) | **-** | - | **-** | 601 |
| Total investment income | **3,291** | 2,023 | **-** | 768 |
| **Subsidiaries held for investment purposes:[3]** | | | | |
| Net operating revenue[4] | **447** | 354 | **-** | - |
| Expenses[5] | **(473)** | (504) | **-** | - |
| Net loss from subsidiaries held for investment purposes | **(26)** | (150) | **-** | - |
| Other income/(charges) | **183** | 109 | **-** | (7) |
| **Total net other operating income** | **3,448** | 1,982 | **-** | 761 |
| **Net operating income** | **17,324** | 12,774 | **1,427** | 742 |

(1) Represents the ECL on due from subsidiaries for the Company.
(2) Includes $274 million (2021: $Nil) attributable to non-controlling interests.
(3) Subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.
(4) Includes revenue of $1,176 million (2021: $968 million) after deduction of $729 million (2021: $614 million) related to cost of goods sold.
(5) Includes employment expenses, depreciation, amortisation expenses and other operating expenses.

## Note 2
## Operating profit before income tax continued

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| **Employment expenses** | | | | |
| Salary and related costs including commissions, superannuation and performance-related profit share | **(5,627)** | (4,522) | **(4)** | (4) |
| Share-based payments[1] | **(659)** | (582) | **–** | **–** |
| Provision for long service leave and annual leave | **(78)** | (86) | **–** | **–** |
| Total compensation expenses | **(6,364)** | (5,190) | **(4)** | (4) |
| Other employment expenses including on-costs, staff procurement and staff training | **(361)** | (327) | **–** | **–** |
| Total employment expenses | **(6,725)** | (5,517) | **(4)** | (4) |
| **Brokerage, commission and fee expenses** | | | | |
| Brokerage and other trading-related fee expenses | **(748)** | (643) | **–** | **–** |
| Other fee and commission expenses | **(281)** | (236) | **–** | **–** |
| Total brokerage, commission and fee expenses | **(1,029)** | (879) | **–** | **–** |
| **Non-salary technology expenses** | | | | |
| Information services | **(210)** | (216) | **–** | **–** |
| Depreciation on own use assets: equipment (Note 15) | **(31)** | (27) | **–** | **–** |
| Service provider and other non-salary technology expenses | **(685)** | (538) | **–** | **–** |
| Total non-salary technology expenses | **(926)** | (781) | **–** | **–** |
| **Other operating expenses** | | | | |
| **Occupancy expenses** | | | | |
| Lease expenses | **(155)** | (172) | **–** | **–** |
| Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements (Note 15) | **(63)** | (67) | **–** | **–** |
| Other occupancy expenses | **(139)** | (143) | **–** | **–** |
| Total occupancy expenses | **(357)** | (382) | **–** | **–** |
| **Other expenses** | | | | |
| Professional fees | **(576)** | (495) | **–** | **–** |
| Indirect and other taxes | **(170)** | (154) | **–** | **–** |
| Advertising and promotional expenses | **(178)** | (100) | **–** | **–** |
| Amortisation of intangible assets | **(134)** | (63) | **–** | **–** |
| Audit fees | **(64)** | (55) | **–** | **–** |
| Other | **(626)** | (441) | **(6)** | (4) |
| Total other expenses | **(1,748)** | (1,308) | **(6)** | (4) |
| Total other operating expenses | **(2,105)** | (1,690) | **(6)** | (4) |
| **Total operating expenses** | **(10,785)** | (8,867) | **(10)** | (8) |
| **Operating profit before income tax** | **6,539** | 3,907 | **1,417** | 734 |

(1) Includes share-based payment related expenses of $41 million (2021: $50 million gain) for cash settled awards.

## Note 3
## Segment reporting

### (i) Operating segments

AASB 8 *Operating Segments* requires the 'management approach' to disclosing information about the Consolidated Entity's reportable segments. The financial information is reported on the same basis as used internally by Senior Management for evaluating Operating Segment performance and for deciding how to allocate resources to Operating Segments. Such information may be produced using different measures to that used in preparing the statutory income statement.

For internal reporting, performance measurement and risk management purposes, the Consolidated Entity is divided into four Operating Groups and a Corporate segment (reportable segments).

The financial information disclosed relates to the Consolidated Entity's ordinary activities.

These segments have been set up based on the different core products and services offered. The Operating Groups comprise:

- **MAM** provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions
- **BFS** provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance
- **Macquarie Capital** has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors. It also has global capability in development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure. Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

Effective 1 April 2022, the Green Investment Group (GIG) has transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups.

Items of income and expense within the Corporate segment include the net result of managing Macquarie's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable.

Other items of income and expenses within the Corporate segment include earnings from investments, changes in central overlays to impairments or valuation of assets, unallocated head office costs and costs of Central Service Groups, the Consolidated Entity's performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to certain non-controlling interests.

Below is a selection of key policies applied in determining the Operating Segment results.

#### Internal funding arrangements

Group Treasury has the responsibility for managing funding for the Consolidated Entity, and Operating Groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

Generally, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases the Operating Group bears the funding costs directly and Group Treasury may levy additional charges where appropriate.

Deposits are a funding source for the Bank Group. The value of deposits that the Bank Group generates is recognised within Net interest and trading income for segment reporting purposes.

#### Transactions between Operating Segments

Operating Segments that enter into arrangements with other Operating Segments must do so on commercial terms or as agreed by the Consolidated Entity's Chief Executive Officer or Chief Financial Officer.

Internal transactions are recognised in each of the relevant categories of income and expense and eliminated on consolidation as appropriate.

## Note 3
## Segment reporting continued

### (i) Operating segments continued

Accounting for derivatives that economically hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in fair value are presented in net trading income and gives rise to income statement volatility unless designated in a hedge accounting relationship, in which case the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk to reduce volatility in the income statement. If designated in a cash flow hedge accounting relationship, the effective portion of the derivative's fair value gains or losses is deferred in the cash flow hedge reserve as part of Other comprehensive income (OCI), and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. For segment reporting purposes, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

Central Service Groups

The Central Service Groups provide a range of functions supporting MGL's Operating Groups, ensuring they have the appropriate workplace support and systems to operate effectively and the necessary resources to meet their regulatory, compliance, financial reporting, legal and risk management requirements.

Central Service Groups recover their costs from Operating Groups generally on either a time and effort allocation basis or a fee for service basis. Central Service Groups include the Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance Group (LGG) and Central Executive.

Performance-related profit share and share-based payments expense

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREP) are recognised in the Corporate segment and are not allocated to Operating Groups.

Income tax

Income tax expense and benefits are recognised in the Corporate segment and are not allocated to the Operating Groups. However, to recognise an Operating Group's contribution to permanent income tax differences, the internal management revenue/charges category is used.

This internal management revenue/charges category, which is primarily used for permanent income tax differences generated by the Operating Groups, are offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on consolidation.

Presentation of segment income statements

The income statements on the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with information relevant to the understanding of the Consolidated Entity's financial performance. The financial information disclosed relates to the Consolidated Entity's ordinary activities.

Reportable segment assets

Segment assets are the external operating assets that are employed by a segment in its operating activities.

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## Note 3
**Segment reporting** continued

**(i) Operating segments** continued

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment:

| | Macquarie Asset Management $m | Banking and Financial Services $m |
|---|---|---|
| Net interest and trading (expense)/income | **(241)** | **1,972** |
| Fee and commission income/(expense) | **4,063** | **457** |
| Net operating lease income | **63** | **–** |
| Share of net profits/(losses) from associates and joint ventures | **268** | **(2)** |
| Net other operating income: | | |
| Credit and other impairment reversals/(charges) | **112** | **22** |
| Other operating income and charges | **182** | **11** |
| Internal management revenue/(charges) | **37** | **1** |
| Net operating income | **4,484** | **2,461** |
| Total operating expenses | **(2,329)** | **(1,460)** |
| Operating profit/(loss) before income tax | **2,155** | **1,001** |
| Income tax expense | **–** | **–** |
| (Profit)/loss attributable to non-controlling interests | **(5)** | **–** |
| **Net profit/(loss) contribution** | **2,150** | **1,001** |
| **Reportable segment assets** | **9,678** | **111,103** |
| | | |
| Net interest and trading (expense)/income | (249) | 1,746 |
| Fee and commission income/(expense) | 2,921 | 419 |
| Net operating lease income | 79 | – |
| Share of net (losses)/profits from associates and joint ventures | (12) | (3) |
| Net other operating income: | | |
| Net credit and other impairment reversals/(charges) | 85 | (115) |
| Other operating income and charges | 699 | 30 |
| Internal management revenue/(charges) | 31 | 1 |
| Net operating income | 3,554 | 2,078 |
| Total operating expenses | (1,474) | (1,307) |
| Operating profit/(loss) before income tax | 2,080 | 771 |
| Income tax expense | – | – |
| (Profit)/loss attributable to non-controlling interests | (6) | – |
| **Net profit/(loss) contribution** | 2,074 | 771 |
| **Reportable segment assets** | 5,927 | 90,226 |

| Commodities and Global Markets $m | Macquarie Capital $m | Corporate $m | Total $m |
|---|---|---|---|
| | | | CONSOLIDATED 2022 |
| **4,732** | **327** | **66** | **6,856** |
| **507** | **1,893** | **(33)** | **6,887** |
| **335** | **–** | **4** | **402** |
| **40** | **(67)** | **1** | **240** |
| | | | |
| **(65)** | **(573)** | **(5)** | **(509)** |
| **625** | **2,623** | **7** | **3,448** |
| **5** | **10** | **(53)** | **–** |
| **6,179** | **4,213** | **(13)** | **17,324** |
| **(2,268)** | **(1,572)** | **(3,156)** | **(10,785)** |
| **3,911** | **2,641** | **(3,169)** | **6,539** |
| **–** | **–** | **(1,586)** | **(1,586)** |
| **–** | **(241)** | **(1)** | **(247)** |
| **3,911** | **2,400** | **(4,756)** | **4,706** |
| **172,698** | **25,443** | **80,254** | **399,176** |
| | | | CONSOLIDATED 2021 |
| 3,856 | 69 | 255 | 5,677 |
| 485 | 1,387 | (36) | 5,176 |
| 383 | – | 4 | 466 |
| 43 | (35) | 4 | (3) |
| | | | |
| (237) | (229) | (28) | (524) |
| 153 | 1,025 | 75 | 1,982 |
| (5) | 31 | (58) | – |
| 4,678 | 2,248 | 216 | 12,774 |
| (2,077) | (1,614) | (2,395) | (8,867) |
| 2,601 | 634 | (2,179) | 3,907 |
| – | – | (899) | (899) |
| – | 17 | (4) | 7 |
| 2,601 | 651 | (3,082) | 3,015 |
| 94,972 | 19,342 | 35,186 | 245,653 |

## Note 3
**Segment reporting** continued

**(ii) Fee and commission income/(expense) relating to contracts with customers**

The following is an analysis of the Consolidated Entity's fee and commission income/(expense) by reportable segment:

| | Macquarie Asset Management $m | Banking and Financial Services $m | Commodities and Global Markets $m | Macquarie Capital $m | Corporate $m | Total $m |
|---|---|---|---|---|---|---|
| | | | | | | CONSOLIDATED 2022 |
| **Fee and commission income/(expense)** | | | | | | |
| Base and other asset management fees | **3,007** | **245** | **2** | **–** | **–** | **3,254** |
| Mergers and acquisitions, advisory and underwriting fees | **3** | **–** | **(4)** | **1,386** | **(12)** | **1,373** |
| Brokerage and other trading-related fee income | **44** | **45** | **239** | **473** | **–** | **801** |
| Performance fees | **394** | **–** | **–** | **1** | **–** | **395** |
| Other fee and commission income/(expense) | **615** | **166** | **270** | **33** | **(20)** | **1,064** |
| **Total fee and commission income/(expense)** | **4,063** | **456** | **507** | **1,893** | **(32)** | **6,887** |
| | | | | | | CONSOLIDATED 2021 |
| **Fee and commission income/(expense)** | | | | | | |
| Base and other asset management fees | 2,090 | 212 | 3 | – | – | 2,305 |
| Mergers and acquisitions, advisory and underwriting fees | 18 | – | 12 | 839 | (11) | 858 |
| Brokerage and other trading-related fee income | 36 | 47 | 209 | 524 | – | 816 |
| Performance fees | 653 | – | – | 7 | – | 660 |
| Other fee and commission income/(expense) | 124 | 160 | 261 | 17 | (25) | 537 |
| **Total fee and commission income/(expense)** | 2,921 | 419 | 485 | 1,387 | (36) | 5,176 |

## Note 3
## Segment reporting continued

### (iii) Products and services

Segment reporting based on products and services is based on the following activities of the Consolidated Entity:

- **capital markets and principal investments:** capital raising, underwriting, facilitation and advisory services, principal investments
- **financial markets:** broker services and trading in fixed income, equities, foreign exchange and commodities
- **lending and structured financing:** home loans, corporate loans, structured financing, banking activities, asset financing and leasing
- **asset and wealth management:** distribution and management of funds and wealth management products.

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $m | 2021 $m |
| **Revenue from external customers** | | |
| Capital markets and principal investments | **6,327** | 3,814 |
| Financial markets | **6,275** | 6,023 |
| Lending and structured financing | **4,493** | 4,350 |
| Asset and wealth management | **4,314** | 3,208 |
| **Total revenue from external customers[1]** | **21,409** | 17,395 |

### (iv) Geographical areas

Geographical segments have been determined based on the tax domicile of the entity where the transactions have been recorded. The operations of the Consolidated Entity are headquartered in Australia.

| | CONSOLIDATED 2022 | | CONSOLIDATED 2021 | |
|---|---|---|---|---|
| | Revenue from external customers $m | Non-current assets[2] $m | Revenue from external customers $m | Non-current assets[2] $m |
| Americas[3] | **10,054** | **4,220** | 6,370 | 3,146 |
| Australia | **5,011** | **2,345** | 5,425 | 2,183 |
| Europe, Middle East and Africa[4] | **4,940** | **6,831** | 4,041 | 5,790 |
| Asia Pacific | **1,404** | **527** | 1,559 | 557 |
| **Total** | **21,409** | **13,924** | 17,395 | 11,676 |

### (v) Major customers

The Consolidated Entity does not rely on any major customers.

(1) Revenue from external customers includes operating income in the nature of fee and commission income, interest and similar income, net trading income, operating lease income, share of net profits/(losses) of associates and joint ventures, operating and investment income from subsidiaries held for investment purposes and gain on disposal of businesses, subsidiaries, associates and other financial/non-financial assets.
(2) Non-current assets consist of intangible assets, interests in associates and joint ventures, property, plant and equipment and right-of-use assets and investment properties.
(3) Includes external revenue generated in the United States of $9,980 million (2021: $5,979 million).
(4) Includes external revenue generated in the United Kingdom of $3,765 million (2021: $2,943 million).

## Note 4
## Income tax expense

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| **(i) Income tax (expense)/benefit** | | | | |
| Current tax (expense)/benefit | **(1,742)** | (1,021) | **137** | 37 |
| Deferred tax benefit/(expense) | **156** | 122 | **(5)** | (16) |
| **Total income tax (expense)/benefit** | **(1,586)** | (899) | **132** | 21 |
| **(ii) Reconciliation of income tax expense to *prima facie* tax expense** | | | | |
| *Prima facie* income tax expense on operating profit @30% (2021: 30%) | **(1,962)** | (1,172) | **(425)** | (220) |
| Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income: | | | | |
| Rate differential on offshore income | **422** | 302 | **14** | 62 |
| Intra-group dividends | **–** | – | **–** | 180 |
| Impairment reversal on subsidiaries | **–** | – | **569** | – |
| Other items | **(46)** | (29) | **(26)** | (1) |
| **Total income tax (expense)/benefit** | **(1,586)** | (899) | **132** | 21 |
| **(iii) Tax benefit/(expense) relating to OCI** | | | | |
| FVOCI reserve | **11** | (25) | **–** | – |
| Own credit risk | **(18)** | 46 | **(14)** | 12 |
| Cash flow hedges and cost of hedging | **33** | 15 | **–** | – |
| Foreign currency translation reserve | **12** | – | **–** | – |
| Share of other comprehensive expense of associates and joint ventures | **4** | 14 | **–** | – |
| **Total tax benefit/(expense) relating to OCI** | **42** | 50 | **(14)** | 12 |
| **(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities** | | | | |
| Property, plant and equipment | **(4)** | (5) | **–** | – |
| Intangible assets | **39** | 67 | **–** | – |
| Financial investments and interests in associates and joint ventures | **52** | (62) | **–** | – |
| Tax losses | **27** | (69) | **–** | – |
| Operating and finance lease assets | **(8)** | 55 | **–** | – |
| Loan assets and derivatives | **(33)** | (21) | **1** | 7 |
| Other assets and liabilities | **83** | 157 | **(6)** | (23) |
| **Total deferred tax benefit/(expense) represents movements in deferred tax assets/(liabilities)** | **156** | 122 | **(5)** | (16) |

Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking external advice where appropriate, and considers that it holds appropriate provisions.

## Note 5
## Dividends

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| **(i) Dividends paid** | | | | |
| Ordinary share capital | | | | |
| Final dividend paid (2021: $3.35 (2020: $1.80) per share) | **1,208** | 637 | **1,201** | 633 |
| Interim dividend paid (2022: $2.72 (2021: $1.35) per share) | **1,021** | 486 | **1,014** | 483 |
| **Total dividends paid (Note 28)[1]** | **2,229** | 1,123 | **2,215** | 1,116 |

The 2022 interim and 2021 final dividends paid during the year were franked at 40%, based on tax paid at 30% (2021 interim dividend and 2020 final dividends were franked at 40% based on tax paid at 30%)

The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Equity Shares issued by the Consolidated Entity in the current year and prior year were allocated as fully paid ordinary shares pursuant to the DRP, details of which are included in Note 27 *Contributed equity.*

**(ii) Dividends not recognised at the end of the financial year**

Since the end of the financial year, the Directors have resolved to pay a final dividend of $3.50 per fully paid ordinary share, 40% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 July 2022 from retained profits, but not recognised as a liability at the end of the financial year is $1,341 million. This amount has been estimated based on the number of shares and MEREP awards eligible to participate as at 31 March 2022.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Cash dividend (distribution of current year profits) ($ per share) | **6.22** | 4.70 | **6.22** | 4.70 |
| Franking credits available for the subsequent financial year at a corporate tax rate of 30% (2021: 30%) ($m)[2] | **457** | 426 | **457** | 426 |

(1) The Consolidated Entity additionally includes $14 million (2021: $7 million) of dividend equivalent amount paid to Deferred Share Unit (DSU) holders as described in Note 32 *Employee equity participation*.
(2) Amount represents balances for franking accounts adjusted for franking credits/debits that will arise from the payment/receipt of income tax payables/receivables as at the end of the financial year respectively.

## Note 6
### Earnings per share

Basic earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to all the dilutive potential ordinary shares) by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

| | CONSOLIDATED | |
|---|---|---|
| | 2022 | 2021 |
| | | CENTS |
| **Basic earnings per share** | **1,271.7** | 842.9 |
| **Diluted earnings per share** | **1,230.6** | 824.6 |
| | $m | $m |
| **Reconciliation of earnings used in the calculation of basic and diluted earnings per share** | | |
| Profit after income tax | **4,953** | 3,008 |
| (Profit)/loss attributable to non-controlling interests | **(247)** | 7 |
| **Profit attributable to the ordinary equity holders of MGL** | **4,706** | 3,015 |
| Less: profit attributable to participating unvested MEREP awards | **(147)** | (99) |
| **Earnings used in the calculation of basic earnings per share** | **4,559** | 2,916 |
| Add back: | | |
| Interest on convertible subordinated debt | **126** | 123 |
| Profit attributable to dilutive participating unvested MEREP awards | **100** | 57 |
| **Earnings used in the calculation of diluted earnings per share** | **4,785** | 3,096 |
| | | NUMBER OF SHARES |
| **Reconciliation of weighted average number of equity shares used in the calculation of basic and diluted earnings per share** | | |
| Weighted average number of equity shares (net of treasury shares) adjusted for participating unvested MEREP awards used in the calculation of basic earnings per share | **358,496,006** | 345,940,759 |
| Add: weighted average number of dilutive potential ordinary shares: | | |
| Convertible subordinated debt | **19,425,680** | 20,113,100 |
| Unvested MEREP awards | **10,904,311** | 9,394,636 |
| **Weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share** | **388,825,997** | 375,448,495 |

## Note 7
### Trading assets

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| Listed equity securities | **4,920** | 6,756 | **–** | – |
| Commodity contracts | **4,621** | 3,345 | **–** | – |
| Commodities | **3,224** | 6,988 | **–** | – |
| Debt securities: | | | | |
| Commonwealth and foreign government securities | **453** | 4,385 | **–** | – |
| Corporate loans and securities | **357** | 269 | **–** | – |
| Other debt securities | **3** | 3 | **–** | – |
| **Total trading assets** | **13,578** | 21,746 | **–** | – |

The majority of the above amounts are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity.

## Note 8
### Margin money and settlement assets

| | | | | |
|---|---|---|---|---|
| Margin money | **14,019** | 4,852 | **–** | – |
| Security settlements | **6,287** | 7,253 | **–** | – |
| Commodity settlements | **4,802** | 2,292 | **–** | – |
| **Total margin money and settlement assets** | **25,108** | 14,397 | **–** | – |

The above amounts are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity.

## Note 9
### Derivative assets

| | | | | |
|---|---|---|---|---|
| Held for trading | **84,217** | 19,478 | **1** | 2 |
| Designated in hedge relationships | **674** | 1,164 | **–** | – |
| **Total derivative assets** | **84,891** | 20,642 | **1** | 2 |

The above amounts under held for trading category are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity.

The Consolidated Entity's approach to financial risk management, as set out in Note 36 *Financial risk management*, remained unchanged during the year. This includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties, particularly in respect of derivatives and maintaining the risk within agreed risk limits as described in Note 36.3 *Market risk*. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement. Refer Note 39 *Offsetting financial assets and financial liabilities* for net exposure of derivative trades after offsetting positions and collateral margin money received from counterparties.

## Note 10
## Financial investments

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| Equity securities: | | | | |
| Listed | **184** | 181 | **-** | - |
| Unlisted | **1,318** | 1,260 | **-** | - |
| Debt securities: | | | | |
| Bonds and Negotiable Certificate of Deposits (NCDs) | **9,909** | 7,676 | **-** | - |
| Other | **716** | 449 | **-** | - |
| **Total financial investments** | **12,127** | 9,566 | **-** | - |

Of the above amounts, $2,447 million (2021: $2,309 million) is expected to be recovered within 12 months of the balance date by the Consolidated Entity.

## Note 11
## Held for sale and other assets

| | | | | |
|---|---|---|---|---|
| **Held for sale assets** | | | | |
| Assets of disposal groups and interests in associates and joint venture classified as held for sale | **1,297** | 279 | **-** | - |
| **Other financial assets** | | | | |
| Trade debtors and other receivables[1] | **3,187** | 1,893 | **10** | - |
| Commodity-related receivables | **2,519** | 1,661 | **-** | - |
| Other | **11** | 10 | **-** | - |
| **Total other financial assets** | **5,717** | 3,564 | **10** | - |
| **Other non-financial assets** | | | | |
| Property and other inventory | **955** | 681 | **-** | - |
| Income tax receivables | **625** | 675 | **14** | 52 |
| Contract assets | **551** | 326 | **-** | - |
| Prepayments | **448** | 536 | **-** | 2 |
| Indirect taxes and other receivables | **336** | 224 | **4** | - |
| **Total other non-financial assets** | **2,915** | 2,442 | **18** | 54 |
| **Total other assets** | **8,632** | 6,006 | **28** | 54 |

Of the above other financial and non-financial asset amounts, $5,864 million (2021: $4,801 million) is expected to be recovered within 12 months of the balance date by the Consolidated Entity and $28 million (2021: $53 million) by the Company.

(1) Includes $1,053 million (2021: $778 million) of fee and commission receivables.

## Note 12
## Loan assets

| | CONSOLIDATED 2022 | | | CONSOLIDATED 2021 | | |
|---|---|---|---|---|---|---|
| | Gross | ECL allowance[1] | Net | Gross | ECL allowance[1] | Net |
| | $m | $m | $m | $m | $m | $m |
| Home loans | **95,348** | **(76)** | **95,272** | 72,068 | (67) | 72,001 |
| Corporate, commercial and other lending | **30,157** | **(731)** | **29,426** | 20,392 | (722) | 19,670 |
| Asset financing | **10,270** | **(224)** | **10,046** | 13,697 | (342) | 13,355 |
| **Total loan assets** | **135,775** | **(1,031)** | **134,744** | 106,157 | (1,131) | 105,026 |

Of the above amounts, $33,947 million (2021: $27,422 million) is expected to be recovered within 12 months of the balance date by the Consolidated Entity.

### Finance lease receivables

Finance lease receivables are included within loan assets. The Consolidated Entity provides finance leases to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles, small plant and equipment, electronic and IT equipment. The following table represents the maturity profile of the contractual undiscounted cashflows of the Consolidated Entity:

| | CONSOLIDATED 2022 | | | CONSOLIDATED 2021 | | |
|---|---|---|---|---|---|---|
| | Gross investment in finance lease receivables | Unearned income | Present value of minimum lease payments receivable | Gross investment in finance lease receivables | Unearned income | Present value of minimum lease payments receivable |
| | $m | $m | $m | $m | $m | $m |
| Within one year | **1,088** | **(71)** | **1,017** | 1,532 | (123) | 1,409 |
| Between one to two years | **799** | **(50)** | **749** | 1,142 | (87) | 1,055 |
| Between two to three years | **510** | **(32)** | **478** | 751 | (56) | 695 |
| Between three to four years | **281** | **(18)** | **263** | 396 | (30) | 366 |
| Between four to five years | **147** | **(8)** | **139** | 130 | (9) | 121 |
| Later than five years | **39** | **(1)** | **38** | 43 | (1) | 42 |
| **Total** | **2,864** | **(180)** | **2,684** | 3,994 | (306) | 3,688 |

(1) The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in reserves. Refer to Note 13 *Expected credit losses*.

## Note 13
## Expected credit losses

The Consolidated Entity models the Expected Credit Losses (ECL) for on-balance sheet financial assets measured at amortised cost or FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantee contracts and letters of credit.

### Model inputs

The Consolidated Entity segments its credit portfolio between retail and wholesale exposures, and further splits these portfolios into representative groupings which are typically based on shared risk characteristics.

The Consolidated Entity has developed several models to predict the ECL. These models incorporate a range of components notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward-Looking Information (FLI).

For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling.

The key model inputs used in measuring the ECL include:

- exposure at default (EAD): The EAD represents the estimated exposure in the event of a default
- probability of default (PD): The calculation of PDs for retail and wholesale exposures is generally performed at a facility level. Retail exposures are segmented based on product type and shared characteristics that are highly correlated to credit risk such as region, product, counterparty groupings, loan-to-value ratio and other similar criteria. Portfolio PDs are a function of industry type, internal credit ratings and transition matrices used to determine a point in time PD estimate. PD estimates for both retail and wholesale portfolios are also adjusted for FLI
- loss given default (LGD): The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios.

### Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to material change in internal credit rating, whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the credit watch management committee to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as stage II or, if defaulted, as stage III.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on a relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in stage II that are of a higher credit quality than other similar exposures that are classified as stage I. Accordingly, while similar increases in the quantum of stage II exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

### Retail exposures

Exposures are assigned a behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour.

SICR movement thresholds between origination and reporting date of behavioural score movements have been established that, where exceeded, result in the exposure being categorised as stage II.

### Wholesale exposures

The Consolidated Entity assigns an internal credit rating to each exposure at origination based on information available at that date. These internal ratings are broadly aligned to external credit rating agencies such as Standard & Poor's and Moody's.

Where an exposures' assigned credit rating deteriorates beyond pre-defined thresholds per credit rating at origination, the exposure is categorised as stage II. The methodology has been calibrated so that a larger change in rating is required for higher quality credit rated exposures than for lower quality credit rated exposures to be classified as stage II.

For both retail and wholesale portfolios:

- the AASB 9 *'low credit risk'* exemption is not applied by the Consolidated Entity to material portfolios
- for material retail portfolios, the credit risk for an exposure or portfolio is generally deemed to have increased significantly if the exposure is more than 30 days past due, unless there are product specific characteristics that indicate that this threshold should be rebutted.

### Definition of default

The Consolidated Entity's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Consolidated Entity to actions such as realisation of available security; or the borrower is 90 days or more past due on an obligation to the Consolidated Entity.

The Consolidated Entity periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower including breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

## Note 13
### Expected credit losses continued

#### Forward-looking information (FLI)

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR in retail portfolios as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between these key indicators and the key model components (EAD, PD and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, calibration and validation process.

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $450 million (2021: $450 million). These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios and recommending the range of probability weights to apply to those scenarios. For this purpose, four possible economic scenarios have been developed for this period, being an upside, downside, severe downside and baseline scenario. In calculating the ECL, each of the scenarios is probability weighted and then applied to the exposures' PDs and LGDs.

The scenarios have been developed using a combination of publicly available data, internal forecasts and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the alternate scenarios. For the current reporting period, the Consolidated Entity has generated three alternate scenarios in addition to the baseline scenario, where the alternate scenarios are anchored relative to the baseline scenario.

Refinement of the scenarios includes benchmarking to external data from reputable sources. These sources includes, forecasts published from a range of market economists and official data sources, including major central banks, where available.

Where there are limited official data sources against which to benchmark key economic indicators on a forward-looking basis, management exercises judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Consolidated Entity.

Assigning probabilities to these scenarios requires professional judgement. This judgement draws on internal risk and economics specialist input, comparison to general market outlooks and publicly available market commentary.

The scenarios and the associated probabilities are ultimately approved by senior risk and finance executives.

The scenarios for each of the key regions where Macquarie's ECL is derived have been set out on the following pages. Noting the diversity of possible scenarios and macroeconomic outcomes, and the continuing uncertainty regarding the implications of events in Ukraine and broader inflationary pressures, these scenarios represent plausible forward-looking views as at the reporting date.

These scenarios impact the modelled ECL provisioning levels through determination of probabilities of default and level of losses that may be incurred should a default occur. The ability of borrowers to service their obligations through personal or business income is generally estimated using unemployment rates, GDP, commodity prices and interest rates. The losses that the Consolidated Entity may incur in the event of a default, and the collateral utilised is generally estimated through property price and share price index outlooks.

Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

## Note 13
### Expected credit losses continued

#### Forward-looking information (FLI) continued

| Scenario | Weighting | Expectation |
|---|---|---|
| **Baseline**<br><br>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$1,400 million[1] | Probable | **Global:** The baseline scenario assumes 2022 global GDP growth of around 3.3% year-on-year, bringing the world economy to within around 1% of the pre-pandemic trend, albeit with expectations of much variation between countries and some gradual slowing of growth over the year. Interest rates are expected to rise steadily in most advanced economies through 2022 and into 2023 in response to high inflationary pressures.<br><br>**Australia:** Lockdowns in 2021 temporarily delayed, but did not derail, the economy's recovery. Unemployment is expected to fall below 4%. Faster economic growth recovery would be constrained by projected elevated inflation and expected cash rate increases by the Reserve Bank of Australia (RBA).<br><br>House prices and equity markets are expected to reverse some of their gains from the past 12-18 months due to expected monetary tightening in the second half of the calendar year. House prices are projected to decline by approximately 10% over 2022 and 2023.<br><br>**United States:** GDP growth is expected to slow from 5.7% year-on-year in 2021 to 3.5% year-on-year in 2022, still above historical trends. The Federal Reserve (Fed) is projected to increase interest rates by 125 Bps over 2022, leading to slower growth in equity markets and house prices.<br><br>**Europe:** Eurozone output reached its pre-pandemic level at the end of 2021 and annual GDP growth of 3% year-on-year is projected for 2022. Europe's overall unemployment rate is projected to continue to decline marginally towards long-run levels. Despite the uncertainty introduced by the Russia-Ukraine conflict, the European Central Bank (ECB) is expected to reduce monetary policy stimulus. |
| **Downside**<br><br>A 100% weighting to this scenario would result in a of total expected credit loss provision on balance sheet at the reporting date of ~$1,650 million[1] | Possible | **Global:** The downside scenario projects growth in global GDP that is approximately 1% lower than the baseline scenario baseline through to 2025.<br><br>**Australia:** The scenario projects the early 2022 post lockdown economic recovery to lose momentum and show only marginally positive growth through the rest of 2022 and into 2023. Unemployment is projected to increase slightly but remain below 5% throughout the scenario horizon. Reduced inflationary pressures are expected to lead to a pause in rate hikes. Housing and equity prices are projected to remain broadly flat through the period.<br><br>**United States:** The scenario projects growth falling to around 1-1.5% year-on-year by the end of 2022. Consequently, it would be expected that the Fed delays tightening mid-way through the projected baseline increases. Unemployment is projected to fall below 4% in early 2022 and rebound to 5%. The combination of initial rate hikes and a subsequent slowing of the economy is expected to result in equity market losses in 2022 and limited gains over the following three years.<br><br>**Europe:** The scenario projects GDP growth to slow to around 1.5% year-on-year in 2022 and fall below 0.5% year-on-year in 2023. This is expected to result in unemployment levels of around 8%. Equity prices are projected to fall by around 7% by end of 2022 and remain close to those levels throughout the forecast period to 2025. |

(1) This number provides ECL provision information as at the reporting date assuming the scenarios outlined, but does not reflect changes in the credit rating of the counterparties that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.

## Note 13
**Expected credit losses** continued

**Forward-looking information (FLI)** continued

| Scenario | Weighting | Expectation |
|---|---|---|
| **Severe Downside**<br><br>A 100% weighting to this scenario would result in a of total expected credit loss provision on balance sheet at the reporting date of ~$2,050 million[1] | Unlikely | **Global:** The scenario projects a slowdown followed by a recession throughout 2022 and most of 2023. The recovery is projected to pick up in 2024 and beyond, however this recovery would remain significantly below the baseline scenario expectations.<br><br>**Australia:** The scenario projects GDP to slow during 2022 and then turn sharply negative during 2023. The unemployment rate is projected to rise to 6.5% in 2023, and house prices are expected to fall by 20% by the end of 2023 despite expansionary monetary policy.<br><br>**United States:** The scenario projects the current economic recovery slows, and growth is expected to turn negative for five straight quarters from 2022 into 2023. The unemployment rate is projected to reach 8.5% in mid-2023, and equity markets to decline by approximately 18% by mid 2023.<br><br>**Europe:** The scenario projects a recession that spans most of 2022 and 2023 with output expected to end significantly below its pre-pandemic level. The unemployment rate is expected to peak near 9% at end 2023 and equity markets are projected to suffer sizeable losses |
| **Upside**<br><br>A 100% weighting to this scenario would result in the recognition of total expected credit loss provision on balance sheet at the reporting date of ~$1,300 million[1] | Unlikely | **Global:** The upside scenario projects growth in global GDP that is approximately 1% higher than the baseline scenario throughout the forecast period to 2025.<br><br>**Australia:** The scenario projects continued growth of 2.5-3% annually and the unemployment rate to fall to 3.2% in late 2022 and early 2023. Aggressive tightening is expected from the RBA which is projected to result in a 10% decline in house prices by the end of 2023.<br><br>**United States:** The scenario projects GDP to sustain strong growth in 2022 and 2023. The unemployment rate is projected to fall below 3% for a brief period in early 2023. Equity markets are projected to perform well on the back of robust growth. Interest rates are projected to rise by 250 Bps over the span of two years.<br><br>**Europe:** The scenario projects GDP to surpass 3% year-on-year growth in 2022 and into 2023, though inflation is expected to remain above 4% year-on-year through much of this period. The unemployment rate is projected to fall to 6% and remain around this level through to 2025. |

(1) This number provides ECL provision information as at the reporting date assuming the scenarios outlined, but do not reflect changes in the credit rating of the counterparty that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.

## Note 13
### Expected credit losses continued

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*.[1]

| | GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT[1] | | | | ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortised cost $m | FVOCI $m | Other $m | Gross exposure $m | Amortised cost $m | FVOCI $m | Other $m | Total ECL allowance $m |
| | | | | | | | | CONSOLIDATED 2022 |
| Cash and bank balances | **52,754** | **–** | **–** | **52,754** | **–** | **–** | **–** | **–** |
| Cash collateralised lending and reverse repurchase agreements | **11,155** | **35,872** | **–** | **47,027** | **–** | **–** | **–** | **–** |
| Margin money and settlement assets | **24,681** | **–** | **–** | **24,681** | **97** | **–** | **–** | **97** |
| Financial investments | **4** | **9,941** | **–** | **9,945** | **–** | **3** | **–** | **3** |
| Held for sale and other assets[2] | **4,355** | **9** | **553** | **4,917** | **171** | **–** | **–** | **171** |
| Loan assets | **135,024** | **281** | **–** | **135,305** | **1,031** | **59** | **–** | **1,090** |
| Loans to associates and joint ventures | **573** | **76** | **–** | **649** | **63** | **33** | **–** | **96** |
| Off balance sheet exposures[3] | **–** | **–** | **10,082** | **10,082** | **–** | **–** | **56** | **56** |
| **Total** | **228,546** | **46,179** | **10,635** | **285,360** | **1,362** | **95** | **56** | **1,513** |
| | | | | | | | | CONSOLIDATED 2021 |
| Cash and bank balances | 18,425 | – | – | 18,425 | – | – | – | – |
| Cash collateralised lending and reverse repurchase agreements | 9,284 | 19,488 | – | 28,772 | – | – | – | – |
| Margin money and settlement assets | 14,136 | – | – | 14,136 | 71 | – | – | 71 |
| Financial investments | 18 | 7,632 | – | 7,650 | – | 6 | – | 6 |
| Held for sale and other assets[2] | 2,455 | 6 | 331 | 2,792 | 158 | – | – | 158 |
| Loan assets | 105,404 | 317 | – | 105,721 | 1,131 | 50 | – | 1,181 |
| Loans to associates and joint ventures | 635 | 90 | – | 725 | 99 | 31 | – | 130 |
| Off balance sheet exposures[3] | – | – | 8,695 | 8,695 | – | – | 57 | 57 |
| **Total** | 150,357 | 27,533 | 9,026 | 186,916 | 1,459 | 87 | 57 | 1,603 |

Loan assets continue to represent the Consolidated Entity's most significant component of credit exposures on which ECL allowances are carried. The credit quality of the Consolidated Entity's loan assets, is monitored through its credit policies, as set out in Note 36.1 *Credit risk*.

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.
(2) Other exposures included in other assets represent fee-related contract assets.
(3) Off balance sheet exposures includes gross exposure for undrawn credit commitments, letters of credit and financial guarantees (not measured at FVTPL). The gross exposure represents the notional values of these contracts.

## Note 13
**Expected credit losses** continued

The Company's ECL provision of $36 million (March 2021: $19 million) primarily relates to related party receivables of $35,650 million (March 2021: $19,260 million) that are presented as Due from Subsidiaries in the Statements of financial position and certain off balance sheet exposures of $4,840 million (March 2021: $4,402 million). Change in the ECL allowance is primarily due to the increase in underlying exposures during the year.

The table below provides a reconciliation between the opening and closing balance of the ECL allowance:

| | Margin money and settlement assets $m | Financial investments $m | Held for sale and other assets $m | Loan assets $m | Loans to associates and joint ventures $m | Off balance sheet exposures $m | Total $m |
|---|---|---|---|---|---|---|---|
| Balance as at 1 Apr 2020 | 71 | 15 | 143 | 1,106 | 150 | 56 | 1,541 |
| Credit impairment charge/ (reversal) (Note 2) | 42 | (5) | 50 | 323 | 17 | 9 | 436 |
| Amount written off, previously provided for | (33) | (2) | (12) | (159) | (21) | – | (227) |
| Reclassifications, foreign exchange and other movements | (9) | (2) | (23) | (89) | (16) | (8) | (147) |
| **Balance as at 31 Mar 2021** | 71 | 6 | 158 | 1,181 | 130 | 57 | 1,603 |
| Credit impairment charge/ (reversal) (Note 2) | **26** | **2** | **83** | **103** | **39** | **(1)** | **252** |
| Amount written off, previously provided for | **–** | **–** | **(64)** | **(163)** | **(73)** | **–** | **(300)** |
| Reclassifications, foreign exchange and other movements | **–** | **(5)** | **(6)** | **(31)** | **–** | **–** | **(42)** |
| **Balance as at 31 Mar 2022** | **97** | **3** | **171** | **1,090** | **96** | **56** | **1,513** |

The decrease of $90 million in the ECL allowance during the year reflects net impact of amounts written off partially offset by the net additional impairment charges for the current financial year.

The table below provides a reconciliation of the ECL allowance on loan assets to which the impairment requirements under AASB 9 are applied.

| | | LIFETIME ECL | | |
|---|---|---|---|---|
| | Stage I 12 month ECL $m | Stage II Not credit impaired $m | Stage III Credit impaired $m | Total $m |
| Balance as at 1 Apr 2020 | 285 | 358 | 463 | 1,106 |
| Transfers during the year | 17 | (24) | 7 | – |
| Credit impairment charge/(reversal) (Note 2) | 143 | (44) | 224 | 323 |
| Amount written off, previously provided for | – | – | (159) | (159) |
| Reclassifications, foreign exchange and other movements | (24) | (10) | (55) | (89) |
| **Balance as at 31 Mar 2021** | 421 | 280 | 480 | 1,181 |
| Transfers during the year | **42** | **(41)** | **(1)** | **–** |
| Credit impairment charge/(reversal) (Note 2) | **54** | **48** | **1** | **103** |
| Amount written off, previously provided for | **–** | **–** | **(163)** | **(163)** |
| Reclassifications, foreign exchange and other movements | **(31)** | **(2)** | **2** | **(31)** |
| **Balance as at 31 Mar 2022** | **486** | **285** | **319** | **1,090** |

## Note 14
## Interests in associates and joint ventures

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $m | 2021 $m |
| Equity investments with no provisions for impairment | **3,000** | 2,652 |
| Equity investments with provisions for impairment | | |
| Gross carrying value[1] | **993** | 1,415 |
| Less: provisions for impairment | **(489)** | (505) |
| Equity investments with provisions for impairment | **504** | 910 |
| Total equity investments in associates and joint ventures[2] | **3,504** | 3,562 |
| Loans to associates and joint ventures | **932** | 731 |
| Less: credit impairment charges[3] | **(63)** | (99) |
| Total loans to associates and joint ventures | **869** | 632 |
| **Total interests in associates and joint ventures[4],[5]** | **4,373** | 4,194 |

The majority of the above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

### Principal associates

The Consolidated Entity's principal associates at the balance date are:

| Associates | Carrying value 2022 $m | Carrying value 2021 $m | Ownership interest | Nature of activities | Financial reporting date |
|---|---|---|---|---|---|
| Macquarie Infrastructure Holdings LLC | **72** | 517 | **16.82%** | **Infrastructure business** | **31 December** |
| Macquarie AirFinance Limited | **583** | 569 | **50.00%** | **Aircraft leasing** | **31 March** |

### Macquarie Infrastructure Holdings LLC

The Consolidated Entity holds a 16.82% interest in Macquarie Infrastructure Holdings LLC (formerly Macquarie Infrastructure Corporation) (MIC) under the MAM Operating Group and accounts for it as an interest in associate on the basis of exercising significant influence through its advisory contract, Board representation and secondment of key management. MIC currently owns and operates an energy company that processes and distributes gas and provides related services.

During the financial year, MIC realised one of its infrastructure businesses. Proceeds were distributed to shareholders with the Consolidated Entity receiving its proportionate share. Indicators of impairment reversal have been identified which resulted in the Consolidated Entity calculating the investment's recoverable amount. The recoverable amount has been determined using management's estimate of the future risk-adjusted cash flows with significant inputs including net proceeds on realisation of the remaining portfolio businesses. Both the investment's fair value less costs of disposal (FVLCD) and value-in-use (VIU) resulted in a $114 million impairment reversal, which was recognised in the income statement as part of net other impairment charges.

(1) Represents the carrying value after equity-accounted gains and losses, if any.
(2) Includes investments in Macquarie-managed funds of $1,497 million (2021: $1,076 million). The Consolidated Entity classifies its investments in these funds as equity-accounted associates where it has a less than 20% ownership interest on the basis of its ability to participate in the financial and operating policy decisions through its role as general partner or manager.
(3) Excludes credit losses of $33 million (2021: $31 million) which have been recognised in FVOCI reserve on loans to associates measured as FVOCI.
(4) Comprises $2,796 million (2021: $3,039 million) relating to interests in associates and $1,577 million (2021: $1,155 million) relating to interests in joint ventures.
(5) Financial statements of associates and joint ventures have various reporting dates which have been adjusted to align with the Consolidated Entity's reporting date.

## Note 14
### Interests in associates and joint ventures continued

Macquarie AirFinance Limited

The Consolidated Entity holds 50% interest in Macquarie AirFinance Limited (MAF) under the MAM operating group and accounts for it as an equity-accounted associate due to having significant influence.

MAF has been impacted by a global reduction in airline movements due to COVID-19. An assessment of impairment indicators on an aircraft-by-aircraft basis was undertaken by MAF. For each aircraft with impairment indicators, recoverable value, being the higher of its VIU and its fair value less costs of disposal, was determined and compared to its book value. The cash flows included in the VIU assessment considered the circumstances of the lessee and its impact on contracted lease revenue, unleased aircraft, the probability of leases being extended, the time that an aircraft is off-lease, future lease rates and disposal proceeds. The fair value less costs of disposal was determined with reference to independent appraisal values for each aircraft. MAF recognised an impairment for aircraft with impairment indicators where the recoverable value was less than carrying value.

The recoverable value of the Consolidated Entity's investment in MAF, after accounting for the above-mentioned equity-accounted loss, was also considered. The investment's VIU was determined using the income approach where significant inputs included forecasts over the timing and amount of distributions, and the terminal value of the investment beyond the forecast period. The investment's fair value less costs of disposal was determined with reference to the current market value of the net assets of MAF.

Changes in the carrying value of the investment during the year as a result of the appreciation of the Australian dollar against the United States dollar are accounted for in the Consolidated Entity's foreign currency translation and net investment hedge reserve, together with applicable hedges.

## Note 15
## Property, plant and equipment and right-of-use assets

| | CONSOLIDATED 2022 | | | CONSOLIDATED 2021 | | |
|---|---|---|---|---|---|---|
| | Cost $m | Accumulated depreciation and impairment $m | Carrying value $m | Cost $m | Accumulated depreciation and impairment $m | Carrying value $m |
| **Assets for own use** | | | | | | |
| Land and buildings | **652** | **(38)** | **614** | 531 | (43) | 488 |
| Furniture, fittings and leasehold improvements | **899** | **(606)** | **293** | 1,020 | (633) | 387 |
| Infrastructure assets | **186** | **(24)** | **162** | 489 | (134) | 355 |
| Equipment | **131** | **(90)** | **41** | 129 | (90) | 39 |
| **Total assets for own use** | **1,868** | **(758)** | **1,110** | 2,169 | (900) | 1,269 |
| **Assets under operating lease** | | | | | | |
| Meters | **2,268** | **(904)** | **1,364** | 2,184 | (814) | 1,370 |
| Aviation | **1,024** | **(159)** | **865** | 967 | (124) | 843 |
| Telecommunications | **1,441** | **(632)** | **809** | 734 | (602) | 132 |
| Mining and other | **666** | **(129)** | **537** | 526 | (85) | 441 |
| **Total assets under operating lease** | **5,399** | **(1,824)** | **3,575** | 4,411 | (1,625) | 2,786 |
| **Right-of-use assets** | | | | | | |
| Office premises | **832** | **(428)** | **404** | 825 | (295) | 530 |
| Commodity storage | **102** | **(76)** | **26** | 129 | (78) | 51 |
| Other | **41** | **(13)** | **28** | 59 | (19) | 40 |
| **Total right-of-use assets** | **975** | **(517)** | **458** | 1,013 | (392) | 621 |
| **Total property, plant and equipment and right-of-use assets** | **8,242** | **(3,099)** | **5,143** | 7,593 | (2,917) | 4,676 |

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

## Note 15
### Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Consolidated Entity's property, plant and equipment was as follows:

| | Land and buildings $m | Furniture, fittings and leasehold improvements $m | Infrastructure assets $m | Equipment $m | Total $m |
|---|---|---|---|---|---|
| | | | | | CONSOLIDATED |
| **Assets for own use** | | | | | |
| Balance as at 1 Apr 2020 | 355 | 373 | 144 | 52 | 924 |
| Acquisitions and additions | 151 | 184 | 186 | 24 | 545 |
| Disposals | (11) | (13) | (5) | (1) | (30) |
| Depreciation expense[1] | (5) | (68) | (10) | (29) | (112) |
| Impairments | – | – | (8) | – | (8) |
| Reclassification and other adjustments | 2 | (52) | 84 | 1 | 35 |
| Foreign exchange movements | (4) | (37) | (36) | (8) | (85) |
| **Balance as at 31 Mar 2021** | 488 | 387 | 355 | 39 | 1,269 |
| Acquisitions and additions | **179** | **116** | **363** | **36** | **694** |
| Disposals | **(23)** | **(20)** | **(71)** | **–** | **(114)** |
| Depreciation expense[1] | **(7)** | **(81)** | **(13)** | **(32)** | **(133)** |
| Impairments | **–** | **(27)** | **(3)** | **–** | **(30)** |
| Reclassification and other adjustments | **(21)** | **(79)** | **(442)** | **(3)** | **(545)** |
| Foreign exchange movements | **(2)** | **(3)** | **(27)** | **1** | **(31)** |
| **Balance as at 31 Mar 2022[2]** | **614** | **293** | **162** | **41** | **1,110** |

| | Meters $m | Aviation $m | Telecommunications $m | Mining and other $m | Total $m |
|---|---|---|---|---|---|
| | | | | | CONSOLIDATED |
| **Assets under operating lease** | | | | | |
| Balance as at 1 Apr 2020 | 1,544 | 1,114 | 424 | 217 | 3,299 |
| Acquisitions and additions | 304 | 3 | (1) | 296 | 602 |
| Disposals | – | (10) | (92) | (18) | (120) |
| Depreciation expense[1] | (217) | (37) | (181) | (53) | (488) |
| Impairments | – | (3) | (14) | – | (17) |
| Reclassifications and other adjustments | (98) | (13) | (3) | 32 | (82) |
| Foreign exchange movements | (163) | (211) | (1) | (33) | (408) |
| **Balance as at 31 Mar 2021** | 1,370 | 843 | 132 | 441 | 2,786 |
| Acquisitions and additions | **270** | **55** | **683** | **213** | **1,221** |
| Disposals | **–** | **(7)** | **(1)** | **(15)** | **(23)** |
| Depreciation expense[1] | **(190)** | **(34)** | **(35)** | **(96)** | **(355)** |
| Reclassifications and other adjustments[3] | **(40)** | **(4)** | **54** | **(4)** | **6** |
| Foreign exchange movements | **(46)** | **12** | **(24)** | **(2)** | **(60)** |
| **Balance as at 31 Mar 2022** | **1,364** | **865** | **809** | **537** | **3,575** |

(1) Includes depreciation expense of $8 million (2021: $1 million) on infrastructure assets, $1 million (2021: $2 million) on equipment and $25 million (2021: $6 million) on buildings, furniture, fittings and leasehold improvements relating to subsidiaries held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit before income tax*.

(2) Includes $371 million (2021: $244 million) capital work in progress related to Building construction for Martin place Metro Project and $107 million (2021: $246 million) related to Macquarie Capital Infrastructure projects.

(3) Includes: $54 million (2021: $Nil) fair value hedge adjustment. Refer to Note 35 *Hedge accounting*.

## Note 15
## Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Consolidated Entity's ROU assets was as follows:

| | Office premises $m | Commodity storage $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED |
| **Right-of-use assets** | | | | |
| Balance as at 1 Apr 2020 | 702 | 84 | 35 | 821 |
| Acquisitions and additions | 102 | 31 | 29 | 162 |
| Reclassifications and Disposals | (23) | (3) | (5) | (31) |
| Depreciation expense[1] | (161) | (47) | (13) | (221) |
| Impairments | (11) | – | – | (11) |
| Foreign exchange movements | (79) | (15) | (3) | (97) |
| Others | | 1 | (3) | (2) |
| **Balance as at 31 Mar 2021** | 530 | 51 | 40 | 621 |
| Acquisitions and Additions | **62** | **27** | **75** | **164** |
| Reclassifications and Disposals | **(31)** | – | **(68)** | **(99)** |
| Depreciation expense[1] | **(145)** | **(49)** | **(11)** | **(205)** |
| Impairment | **(10)** | – | – | **(10)** |
| Foreign exchange movements | – | **2** | **2** | **4** |
| Others | **(2)** | **(5)** | **(10)** | **(17)** |
| **Balance as at 31 Mar 2022** | **404** | **26** | **28** | **458** |

The future minimum lease payments expected to be received under non-cancellable operating leases are as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $m | 2021 $m |
| **Assets under operating lease** | | |
| Within one year | **276** | 269 |
| Between one to two years | **240** | 230 |
| Between two to three years | **155** | 181 |
| Between three to four years | **59** | 116 |
| Between four to five years | **41** | 38 |
| Later than five years | **134** | 326 |
| **Total future minimum lease payments receivable** | **905** | 1,160 |

(1) Includes depreciation expense of $145 million (2021: $159 million) on property leases presented under other operating expenses, $49 million (2021: $47 million) on assets held for trading-related business presented under net trading income and $7 million (2021: $9 million) on technology leases presented under non-salary technology expenses in Note 2 *Operating profit before income tax.*

## Note 16
## Intangible assets

| | CONSOLIDATED 2022 | | | CONSOLIDATED 2021 | | |
|---|---|---|---|---|---|---|
| | Cost $m | Accumulated amortisation and impairment $m | Carrying value $m | Cost $m | Accumulated amortisation and impairment $m | Carrying value $m |
| Goodwill | **1,900** | **(37)** | **1,863** | 1,354 | (33) | 1,321 |
| Management rights and licenses | **1,422** | **(255)** | **1,167** | 486 | (133) | 353 |
| Customer and servicing contracts | **626** | **(239)** | **387** | 557 | (216) | 341 |
| Intangible assets with indefinite lives | **276** | **–** | **276** | 272 | – | 272 |
| Other identifiable intangible assets | **273** | **(186)** | **87** | 464 | (208) | 256 |
| **Total intangible assets**[1] | **4,497** | **(717)** | **3,780** | 3,133 | (590) | 2,543 |

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

There were no significant impairment indicators during the year. In cases where there were impairment indicators the recoverable amount was determined on the basis of the asset or cash generating unit's fair value less costs to sell. Where applicable, this measurement basis was determined with reference to external valuations or using Discounted Cashflow methodologies for goodwill and intangible assets with indefinite lives, in which case the key assumptions included discount rates ranging from 8%–12%, forecasted cashflows and long-term growth rate information specific to the underlying asset or cash generating unit.

The movement in the carrying value of the Consolidated Entity's intangible assets is as follows:

| | Goodwill $m | Management rights and license $m | Customer and servicing contracts $m | Intangible assets with indefinite lives $m | Other identifiable intangible assets $m | Total $m |
|---|---|---|---|---|---|---|
| Balance as at 1 Apr 2020 | 1,717 | 425 | 400 | 337 | 389 | 3,268 |
| Acquisitions[2] | 2 | 13 | 52 | – | 334 | 401 |
| Impairment | (106) | (11) | – | – | (9) | (126) |
| Amortisation[3] | – | (36) | (37) | – | (41) | (114) |
| Foreign exchange movements | (246) | (37) | (73) | (65) | (57) | (478) |
| Disposals and reclassifications | (8) | (1) | – | – | (367) | (376) |
| Other adjustments[4] | (38) | – | (1) | – | 7 | (32) |
| **Balance as at 31 Mar 2021** | 1,321 | 353 | 341 | 272 | 256 | 2,543 |
| Acquisitions[2] | **1,160** | **923** | **172** | **–** | **33** | **2,288** |
| Impairment | **(12)** | **(19)** | **(6)** | **–** | **(10)** | **(47)** |
| Amortisation[3] | **–** | **(97)** | **(32)** | **–** | **(31)** | **(160)** |
| Foreign exchange movements | **18** | **19** | **(1)** | **4** | **3** | **43** |
| Disposals and reclassifications | **(628)** | **(12)** | **(87)** | **–** | **(164)** | **(891)** |
| Other adjustments[4] | **4** | **–** | **–** | **–** | **–** | **4** |
| **Balance as at 31 Mar 2022** | **1,863** | **1,167** | **387** | **276** | **87** | **3,780** |

(1) Includes $2,863 million (2021: $1,368 million) related to the Consolidated Entity's integrated consolidated businesses and $917 million (2021: $1,175 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.
(2) Includes intangible assets acquired as part of business combinations and otherwise. Refer to Note 42 *Acquisitions and disposals of subsidiaries and businesses* for intangible assets acquired as part of business combinations.
(3) Includes amortisation of $26 million (2021: $51 million) presented under Other operating income and $134 million (2021: $63 million) under Other operating expenses in the Income statement.
(4) Includes purchase price adjustments.

## Note 17
## Investment in subsidiaries

| | COMPANY | |
|---|---|---|
| | 2022 $m | 2021 $m |
| Investment at cost with no provisions for impairment | **32,449** | 19,076 |
| Investment at cost with provisions for impairment | - | 14,249 |
| Less: provisions for impairment[1] | - | (1,896) |
| Investment with provisions for impairment | - | 12,353 |
| **Total investment in subsidiaries** | **32,449** | 31,429 |

The above amounts are expected to be recovered after 12 months of the balance date by the Company.

The following are the Company's notable subsidiaries:

| BANK GROUP | | NON-BANK GROUP |
|---|---|---|
| **Macquarie Bank Holding Pty Limited (MBHPL)** | **Macquarie Financial Holdings Pty Limited (MFHPL)** | **Macquarie Asset Management Holdings Pty Limited (MAMH)** |
| **Australia** | | |
| • Macquarie Bank Holding Pty Limited<br>• Macquarie Bank Limited<br>• Macquarie Group Services Australia Pty Limited<br>• Macquarie International Finance Limited<br>• Macquarie Offshore Services Pty Limited<br>• Macquarie Equities Limited<br>• Macquarie Investment Management Limited | • Macquarie Financial Holdings Pty Limited<br>• Macquarie Corporate Holdings Pty Limited<br>• Macquarie Group (US) Holdings No.1 Pty Limited<br>• Macquarie Securities (Australia) Limited | • Macquarie Asset Management Holdings Pty Limited<br>• Macquarie Specialised Asset Management Limited<br>• Macquarie Investment Management Global Limited<br>• Macquarie Investment Management Australia Limited<br>• Macquarie Infrastructure Management (Asia) Pty Limited |
| **Asia Pacific** | | |
| • Macquarie Global Services Private Limited (India) | • Macquarie Capital Limited | |
| **Europe, Middle East and Africa** | | |
| • Macquarie Bank Europe Designated Activity Company (Ireland)<br>• Macquarie Investments 1 Limited (United Kingdom) | • Macquarie Investment Management Europe Limited (United Kingdom)<br>• Macquarie (UK) Group Services Limited (United Kingdom)<br>• Macquarie Asset Management Europe S.à r.l. (Luxembourge)<br>• Macquarie Capital France Société Anonyme (Reporting date 31 December)<br>• Macquarie Capital (Europe) Limited | • Macquarie Infrastructure and Real Assets Investments Limited (United Kingdom) |

(1) In accordance with its accounting policies, where the Company's investments had indicators of reversal of impairment, the investments' carrying value was compared to its recoverable value determined as the higher of value-in-use and fair value less cost to sell (valuations). The valuations, which are classified as Level 3 in the fair value hierarchy (as defined in Note 38 *Fair value of assets and liabilities*), have been calculated using the subsidiaries maintainable earnings, growth rates and relevant earnings' multiples. A range of valuations including associated sensitivities, were used that demonstrated that the recoverable value was either equivalent to or exceeded the investments' current carrying value. Based on the recoverable value, previously recognised impairment losses of $1,896 million has been reversed by the Company during the year.

## Note 17
## Investment in subsidiaries continued

| BANK GROUP | | NON-BANK GROUP |
|---|---|---|
| **Macquarie Bank Holding Pty Limited (MBHPL)** | **Macquarie Financial Holdings Pty Limited (MFHPL)** | **Macquarie Asset Management Holdings Pty Limited (MAMH)** |
| **Americas** | | |
| • Macquarie Energy LLC (United States)<br>• Macquarie America Holdings Inc. (United States)<br>• Macquarie Global Services (USA) LLC (United States)<br>• Macquarie Futures USA LLC (United States) | • Macquarie Capital (USA) Inc. (United States)<br>• Macquarie Infrastructure Management (USA) Inc (United States)<br>• Macquarie Holdings (U.S.A.) Inc. (United States)<br>• Macquarie Capital Markets Canada Limited (United States)<br>• Macquarie PF Inc. (United States) | • Macquarie Management Holdings, Inc. (United States)<br>• Delaware Distributors, L.P. (United States)<br>• Delaware Management Company (United States)<br>• Delaware Investments Management Company, LLC (United States) |

The subsidiaries included in the notable subsidiaries list above are identified on the basis of their ongoing contribution to the Consolidated Entity's external assets and operating profit. Additionally, these include the major employing entities, entities that are key providers of funding to other subsidiaries and other operating entities considered key for each Operating Group and region.

The list of notable subsidiaries has been categorised based on the geographic region of their incorporation. The country of incorporation has been stated in brackets. For entities in the Australian region, the country of incorporation is Australia. Overseas subsidiaries conduct business predominantly in their place of incorporation. Notable subsidiaries may conduct business in other geographic regions through branches, the branches have not been included in the list of notable subsidiaries.

All notable subsidiaries have a 31 March reporting date, except for specific cases covered above.

## Note 18
## Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $m | $m | $m | $m |
| Other assets and liabilities | **1,444** | 1,237 | **–** | – |
| Financial investments and interests in associates and joint ventures | **300** | 149 | **–** | – |
| Tax losses | **211** | 185 | **–** | – |
| Intangible assets | **123** | 135 | **–** | – |
| Property, plant and equipment | **89** | 81 | **–** | – |
| Loan assets and derivatives | **65** | 60 | **–** | 7 |
| Operating and finance leases | **18** | 17 | **–** | – |
| Set-off of deferred tax liabilities | **(698)** | (392) | **–** | (7) |
| **Net deferred tax assets** | **1,552** | 1,472 | **–** | – |
| Intangible assets | **(316)** | (136) | **–** | – |
| Operating and finance lease assets | **(311)** | (302) | **–** | – |
| Financial investments and interests in associates and joint ventures | **(132)** | (37) | **–** | – |
| Loan assets and derivatives | **(91)** | (54) | **(6)** | – |
| Other assets and liabilities | **(56)** | (64) | **(15)** | (11) |
| Property, plant and equipment | **(8)** | (3) | **–** | – |
| Set-off of deferred tax assets | **698** | 392 | **–** | 7 |
| **Net deferred tax liabilities** | **(216)** | (204) | **(21)** | (4) |

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity and the Company.

Potential tax assets of approximately $488 million (2021: $389 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as the Directors do not believe that the realisation of the tax assets is probable. Included in this amount are gross losses of $68 million (2021: $34 million) that will expire within two years, $181 million (2021: $80 million) that will expire in 2–5 years, $310 million (2021: $109 million) that will expire in 5–10 years and $354 million (2021: $261 million) that will expire in 10–20 years. $1,180 million (2021: $1,060 million) of gross losses do not expire and can be carried forward indefinitely.

## Note 19
### Trading liabilities

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Listed equity securities | **5,252** | 6,205 | **–** | – |
| Debt securities | **38** | – | **–** | – |
| **Total trading liabilities** | **5,290** | 6,205 | **–** | – |

## Note 20
### Margin money and settlement liabilities

| | | | | |
|---|---|---|---|---|
| Margin money | **16,353** | 12,368 | **–** | – |
| Security settlements | **5,840** | 7,490 | **–** | – |
| Commodity settlements | **4,965** | 2,266 | **–** | – |
| **Total margin money and settlement liabilities** | **27,158** | 22,124 | **–** | – |

## Note 21
### Derivative liabilities

| | | | | |
|---|---|---|---|---|
| Held for trading | **82,683** | 16,804 | **6** | 1 |
| Designated in hedge relationships | **1,781** | 775 | **–** | – |
| **Total derivative liabilities** | **84,464** | 17,579 | **6** | 1 |

The Consolidated Entity's approach to financial risk management, as set out in Note 36 *Financial risk management*, remained unchanged during the year. This includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties, particularly in respect of derivatives and maintaining the risk within agreed risk limits as described in Note 36.3 *Market Risk*. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement. Refer Note 39 *Offsetting financial assets and financial liabilities* for net exposure of derivative trades after offsetting positions and collateral margin money received from counterparties.

## Note 22
## Deposits

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| Interest bearing deposits: | | | | |
| Call | **76,171** | 63,951 | **–** | – |
| Term | **8,566** | 9,289 | **31** | 42 |
| Non-interest bearing deposits – repayable on demand | **16,930** | 10,959 | **4** | 4 |
| **Total deposits** | **101,667** | 84,199 | **35** | 46 |

## Note 23
## Held for sale and other liabilities

| | | | | |
|---|---|---|---|---|
| **Held for sale liabilities** | | | | |
| Liabilities of disposal group classified as held for sale | **525** | 18 | **–** | – |
| **Other financial liabilities** | | | | |
| Creditors | **1,943** | 1,224 | **17** | 19 |
| Commodity-related payables | **1,230** | 604 | **–** | – |
| Lease liabilities | **586** | 784 | **–** | – |
| Unit holder liabilities | **505** | 12 | **–** | – |
| **Total other financial liabilities** | **4,264** | 2,624 | **17** | 19 |
| **Other non-financial liabilities** | | | | |
| Accrued charges, employment-related liabilities and provisions[1] | **5,228** | 4,002 | **96** | 90 |
| Income tax payable | **981** | 1,075 | **97** | 312 |
| Income received in advance | **259** | 251 | **1** | 2 |
| Indirect taxes and other payables | **435** | 259 | **–** | – |
| Total other non-financial liabilities | **6,903** | 5,587 | **194** | 404 |
| **Total other liabilities** | **11,167** | 8,211 | **211** | 423 |

(1) Includes provisions recognised for actual and potential claims and proceedings that arise in the ordinary course of business. The range of likely outcomes and change in provisions during the current year in these matters did not have and is not currently expected to have a material impact on the Consolidated Entity.

## Note 24
## Issued debt securities

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Bonds, negotiable certificate of deposits and commercial paper[1] | **97,024** | 58,258 | **24,720** | 12,625 |
| Structured notes[2] | **2,503** | 2,722 | **918** | 607 |
| **Total issued debt securities[3],[4]** | **99,527** | 60,980 | **25,638** | 13,232 |

The Consolidated Entity and the Company have not had any defaults of principal, interest or other breaches with respect to its issued debt securities during the financial years reported.

**Reconciliation of issued debt securities by major currency**
(In Australian dollar equivalent)

| | | | | |
|---|---|---|---|---|
| United States dollar | **61,203** | 33,903 | **18,568** | 8,715 |
| Australian dollar | **22,354** | 18,166 | **259** | 966 |
| Euro | **8,395** | 5,788 | **3,956** | 2,589 |
| Pound sterling | **4,068** | 580 | **806** | - |
| Swiss franc | **1,772** | 1,031 | **752** | - |
| Chinese renminbi | **489** | 491 | **421** | 424 |
| Canadian dollar | **447** | - | **481** | |
| Norwegian krone | **295** | 157 | **152** | - |
| Japanese yen | **212** | 587 | **74** | 418 |
| Hong Kong dollar | **139** | 83 | **94** | 34 |
| New Zealand dollar | **72** | - | **-** | |
| Korean won | **3** | 107 | **-** | - |
| Others | **78** | 87 | **75** | 86 |
| **Total issued debt securities** | **99,527** | 60,980 | **25,638** | 13,232 |

(1) The Consolidated Entity includes $13,380 million (2021: $9,994 million) payable to note holders and debt holders for which loan assets are held by consolidated Structured Entities (SEs) and are available as security. Refer Note 40 *Pledged assets and transfers of financial assets.*
(2) Includes debt instruments on which the interest is linked to commodities, equities, currencies, interest rates, or credit risk of a counterparty.
(3) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities measured at DFVTPL for the Consolidated Entity is $3,245 million (2021: $2,744 million) and for the Company is $1,531 million (2021: $606 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 37 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.
(4) Includes cumulative fair value gain of $11 million (2021: $34 million loss) due to changes in own credit risk on DFVTPL debt securities recognised in OCI.

## Note 25
### Capital management strategy

The Consolidated Entity's and the Company's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Consolidated Entity's capital management objectives are to:

- continue to support the Consolidated Entity's credit rating
- ensure sufficient capital resources to support the Consolidated Entity's business and operational requirements
- maintain sufficient capital to exceed externally imposed capital requirements
- safeguard the Consolidated Entity's ability to continue as a going concern.

The Consolidated Entity's capital management strategy uses both internal and external measures of capital. Internally, the Consolidated Entity has developed an Economic Capital Adequacy Model (ECAM) that is used to quantify the Consolidated Entity's aggregate level of risk. The economic capital framework complements the management of specific risk types such as equity, credit, market and operational risk by providing an aggregate view of the Consolidated Entity's risk profile. The economic capital model is used to support business decision-making and has three main applications:

- capital adequacy assessment
- risk appetite setting
- risk-adjusted performance measurement.

The Consolidated Entity is subject to minimum capital requirements externally imposed by Australian Prudential Regulation Authority (APRA).

A wholly owned subsidiary of the Company, MBL, is accredited by APRA to apply the Basel III Foundation Internal Ratings Based Approach for credit risk, the Advanced Measurement Approach for operational risk, the internal model approach for market risk and the internal model approach for interest rate risk in the banking book.

Regulatory capital requirements are measured at three levels of consolidation within the Consolidated Entity. MBL and certain subsidiaries which meet the APRA definition of Extended Licensed Entities are reported as Level 1. Level 2 consists of MBL, its subsidiaries and its immediate parent less certain subsidiaries of MBL which are deconsolidated for APRA reporting purposes. These include entities conducting insurance, funds management and non-financial operations. Level 3 consists of the Level 2 group, other bank entities excluded from Level 2 plus the Non-Bank Group. In determining the capital requirements, transactions internal to the Consolidated Entity are eliminated.

As an APRA authorised and regulated Non-Operating Holding Company (NOHC), the Company is required to maintain minimum regulatory capital calculated as the sum of:

- MBL's minimum Tier 1 capital requirement, based on a percentage of RWA plus Tier 1 deductions using prevailing APRA ADI Prudential Standards
- the Non-Bank Group capital requirement, using the Consolidated Entity's ECAM.

The Consolidated Entity's Level 3 eligible capital consists of ordinary equity, certain reserves and hybrid instruments. The overall Level 3 capital position is reported as an excess over the regulatory imposed minimum capital adequacy requirement.

The Consolidated Entity has satisfied all internally and externally imposed capital requirements at Level 1, Level 2 and Level 3 throughout the financial year.

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## Note 26
## Loan capital

### Subordinated debt

Subordinated debt comprises of agreements between the Consolidated Entity and its lenders that provide that, in the event of liquidation, entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Consolidated Entity.

The Consolidated Entity has also issued subordinated debt denominated in United States dollars and Australian dollars which are eligible Tier 2 capital under APRA's capital standards (including transitional Basel III rules).

The table below highlights key capital instruments with conditional repayment obligations (including Tier 1 loan capital) issued by the Consolidated Entity:

| Contract feature | Macquarie Group Capital Notes | Macquarie Group Capital Notes | Macquarie Group Capital Notes |
|---|---|---|---|
| **Code** | MCN3 | MCN4 | MCN5 |
| **Issuer** | Macquarie Group Limited | Macquarie Group Limited | Macquarie Group Limited |
| **Par value** | $100 | $100 | $100 |
| **Currency** | AUD | AUD | AUD |
| **Carrying value at the reporting date** | $1,000 million | $905 million | $725 million |
| **Accounting measurement basis** | Financial liability at amortised cost | Financial liability at amortised cost | Financial liability at amortised cost |
| **Issue date** | 7 June 2018 | 27 March 2019 | 17 March 2021 |
| **Interest rate** | 90-day BBSW plus a fixed margin of 4.00% per annum, adjusted for franking credits | 90-day BBSW plus a fixed margin of 4.15% per annum, adjusted for franking credits | 90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits |
| **Interest payment frequency** | Quarterly in arrears | Quarterly in arrears | Quarterly in arrears |
| **Interest payment** | Discretionary, non-cumulative | Discretionary, non-cumulative | Discretionary, non-cumulative |
| **Dividend stopper** | Yes | Yes | Yes |
| **Outstanding notes at reporting date** | 10 million | 9.05 million | 7.25 million |
| **Maturity** | Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument | Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument | Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument |
| **Convertible into ordinary shares** | Yes | Yes | Yes |
| **Convertible into issuer shares** | MGL | MGL | MGL |
| **Mandatory conversion date** | 15 December 2027 | 10 September 2029 | 18 September 2030 |
| **Maximum number of shares on conversion** | 43,798,178 | 35,439,961 | 24,641,304 |
| **Optional exchange dates** | • 16 December 2024<br>• 16 June 2025<br>• 15 December 2025<br>earlier in specified circumstances at the discretion of MGL subject to APRA approval | • 10 September 2026<br>• 10 March 2027<br>• 10 September 2027<br>earlier in specified circumstances at the discretion of MGL subject to APRA approval | • 18 September 2027<br>• 18 March 2028<br>• 18 September 2028<br>earlier in specified circumstances at the discretion of MGL subject to APRA approval |
| **Other exchange events** | • acquisition date (where a party acquires control of MGL)<br>• where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) | • acquisition date (where a party acquires control of MGL)<br>• where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) | • acquisition date (where a party acquires control of MGL)<br>• where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) |
| **EPS Dilution** | Dilutive | Dilutive | Dilutive |
| **Capital treatment** | Eligible hybrid capital | Eligible hybrid capital | Eligible hybrid capital |

(1) The MACS are held by a custodian on behalf of the security holders.

| Macquarie Additional Capital Securities | Macquarie Bank Capital Notes | Macquarie Bank Capital Notes |
|---|---|---|
| MACS | BCN2 | BCN3 |
| Macquarie Bank Limited | Macquarie Bank Limited | Macquarie Bank Limited |
| n/a | $100 | $100 |
| USD | AUD | AUD |
| US750 million/($A998 million) | $641 million | $655 million |
| Financial liability at amortised cost | Financial liability at amortised cost | Financial liability at amortised cost |
| 8 March 2017 | 2 June 2020 | 27 August 2021 |
| 6.125% per annum | 90-day BBSW plus a fixed margin of 4.70% per annum, adjusted for franking credits | 90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits |
| Semi-annually in arrears | Quarterly in arrears | Quarterly in arrears |
| Discretionary, non-cumulative | Discretionary, non-cumulative | Discretionary, non-cumulative |
| MBL only | MBL only | MBL only |
| –(a) | 6.41 million | 6.55 million |
| Perpetual, redeemed subject to APRA's written approval, and at the discretion of MBL in limited circumstances | Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument | Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument |
| Yes | Yes | Yes |
| MGL | MGL | MGL |
| n/a | 21 December 2028 | 8 September 2031 |
| 56,947,286 | 30,532,190 | 20,316,704 |
| n/a | • 21 December 2025<br>• 21 June 2026<br>• 21 December 2026<br>earlier in specified circumstances at the discretion of MBL subject to APRA approval | • 7 September 2028<br>• 7 March 2029<br>• 7 September 2029<br>earlier in specified circumstances at the discretion of MBL subject to APRA approval |
| • acquisition date (where a party acquires control of MBL or MGL)<br>• where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)<br>• where MBL's common equity Tier 1 capital ratio falls below 5.125% | • acquisition date (where a party acquires control of MBL or MGL)<br>• where APRA determines MBL would be non-viable without an exchange or conversion or write off, of other Relevant Tier 1 securities is necessary or a public sector injection of capital (or equivalent support)<br>• where MBL's common equity Tier 1 Capital ratio falls below 5.125% | • acquisition date (where a party acquires control of MBL or MGL)<br>• where APRA determines MBL would be non-viable without an exchange or conversion or write off, of other Relevant Tier 1 securities is necessary or a public sector injection of capital (or equivalent support)<br>• where MBL's common equity Tier 1 Capital ratio falls below 5.125% |
| n/a | Dilutive | Dilutive |
| Additional Tier 1 capital | Additional Tier 1 capital | Additional Tier 1 capital |

## Note 26
## Loan capital continued

In addition to the subordinated debts with conditional repayment obligations, the Consolidated Entity has also issued certain capital instruments with fixed repayment obligations, denominated in United States dollars and Australian dollars which are eligible Tier 2 capital under APRA's capital standards (including transitional Basel III rules).

The table below discloses the carrying value of Loan capital at the balance date. Where these instruments are designated in fair value hedge accounting relationships, the carrying value includes the fair value hedge adjustment, refer to Note 35 *Hedge accounting*. The contractual undiscounted cash flows are disclosed in Note 36.2 *Liquidity risk section of Financial risk management*.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Subordinated debt with fixed repayment obligations (Tier 2 loan capital) by contractual maturity dates: | | | | |
| 7 April 2021 | **-** | 1,086 | **-** | - |
| 10 June 2025 | **993** | 1,049 | **-** | - |
| 28 May 2030 | **750** | 750 | **-** | - |
| 3 June 2030 | **874** | 903 | **-** | - |
| 17 June 2031 | **750** | - | **-** | - |
| 3 March 2036 | **1,231** | 1,280 | **-** | - |
| Instruments with conditional repayment obligations (Tier 1 loan capital): | | | | |
| MCN3 | **1,000** | 1,000 | **1,000** | 1,000 |
| MCN4 | **905** | 905 | **905** | 905 |
| MCN5 | **725** | 725 | **725** | 725 |
| MAC5 | **998** | 1,055 | **-** | - |
| BCN2 | **641** | 641 | **-** | - |
| BCN3 | **655** | - | **-** | - |
| Accrued Interest payable as per terms of instruments: | | | | |
| Less than 12 months | **44** | 81 | **4** | 5 |
| | **9,566** | 9,475 | **2,634** | 2,635 |
| Less: directly attributable issue costs | **(53)** | (52) | **(22)** | (29) |
| **Total loan capital** | **9,513** | 9,423 | **2,612** | 2,606 |
| **Reconciliation of loan capital by major currency:** | | | | |
| (In Australian dollar equivalent) | | | | |
| Australian dollar | **5,436** | 4,029 | **2,634** | 2,635 |
| United States dollar | **4,130** | 5,439 | **-** | - |
| Others | **-** | 7 | **-** | - |
| | **9,566** | 9,475 | **2,634** | 2,635 |
| Less: directly attributable issue costs | **(53)** | (52) | **(22)** | (29) |
| **Total loan capital** | **9,513** | 9,423 | **2,612** | 2,606 |

The Consolidated Entity and the Company have not had any defaults of principal, interest or other breaches with respect to their loan capital during the financial years reported.

## Note 27
## Contributed equity

| | Notes | CONSOLIDATED 2022 $m | CONSOLIDATED 2021 $m | COMPANY 2022 $m | COMPANY 2021 $m |
|---|---|---|---|---|---|
| Ordinary share capital | | **14,156** | 10,164 | **16,639** | 12,696 |
| Treasury shares | | **(1,858)** | (1,633) | **(1,858)** | (1,633) |
| **Total contributed equity** | | **12,298** | 8,531 | **14,781** | 11,063 |

| | CONSOLIDATED Number of shares | CONSOLIDATED Total $m | COMPANY Number of shares | COMPANY Total $m |
|---|---|---|---|---|
| **(i) Ordinary share capital[1],[2]** | | | | |
| Balance as at 1 Apr 2020 | 354,381,396 | 9,297 | 354,381,396 | 11,826 |
| Issued fully paid shares pursuant to the MEREP on 9 August 2020 and 9 June 2020 @112.15 per share[3] | 5,163,874 | 579 | 5,163,874 | 579 |
| Issued fully paid shares pursuant to the DRP on: | 2,261,063 | 258 | 2,261,063 | 258 |
| 22 December 2020 @139.08 per share | | | | |
| 3 July 2020 @110.47 per share | | | | |
| Issued fully paid shares pursuant to the ESP scheme on 9 December 2020 @139.70 per share | 13,314 | 2 | 13,314 | 2 |
| Issued shares on retraction of exchangeable shares on 24 November 2020 @139.70 per share | 1,730 | – | 1,730 | – |
| For employee MEREP awards: | | | | |
| Transfer from share-based payments reserve on vesting of MEREP awards (28) | – | 419 | – | 419 |
| Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards (28) | – | 8 | – | 2 |
| Transfer from treasury shares for MEREP awards exercised | – | (392) | – | (392) |
| Others[4] | – | (7) | – | 2 |
| **Balance as at 31 Mar 2021** | 361,821,377 | 10,164 | 361,821,377 | 12,696 |
| Issued fully paid shares pursuant to the Institutional Private Placement (IPP) on 4 November 2021 @194.00 per share | **7,731,958** | **1,500** | **7,731,958** | **1,500** |
| Issued fully paid shares pursuant to the Share Purchase Plan (SPP) scheme on 3 December 2021 @191.28 per share | **6,677,074** | **1,277** | **6,677,074** | **1,277** |
| Issued fully paid shares pursuant to the MEREP on 9 June 2021 and 3 August 2021 @151.73 per share[3] | **4,108,915** | **623** | **4,108,915** | **623** |
| Issued fully paid shares pursuant to the DRP on: | **3,300,005** | **516** | **3,300,005** | **516** |
| 14 December 2021 @204.28 per share | | | | |
| 2 July 2021 @149.45 per share | | | | |
| Issued fully paid shares pursuant to the ESP Scheme on 1 December 2021 @202.00 per share | **7, 552** | **2** | **7,552** | **2** |
| Issued shares on retraction of exchangeable shares on 6 August 2021 @157.07 per share | **756** | – | **756** | – |
| For employee MEREP awards: | | | | |
| Transfer from share-based payments reserve on vesting of MEREP awards (28) | – | **448** | – | **448** |
| Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards (28) | – | **37** | – | – |
| Transfer from treasury shares for MEREP awards exercised | – | **(398)** | – | **(398)** |
| Others[4] | – | **(13)** | – | **(25)** |
| **Balance as at 31 Mar 2022** | **383,647,637** | **14,156** | **383,647,637** | **16,639** |

(1) Ordinary shares have no par value.
(2) Includes $7 million (2021: $7 million) of exchangeable shares (Number of shares 97,869 (2021: 98,669)). The exchangeable shares were issued by subsidiaries as consideration for the acquisitions of Tristone Capital Global Inc. and Orion Financial Inc. and are classified as equity.
(3) MGL issued fully paid ordinary shares, that were allocated to the MEREP trust under the MEREP plan and were accounted for as treasury.
(4) Includes transaction costs and related tax, where applicable.

## Note 27
**Contributed equity** continued

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | Number of shares | Total $m | Number of shares | Total $m |
| **(ii) Treasury shares[1]** | | | | |
| Balance as at 1 Apr 2020 | (14,391,059) | (1,446) | (14,391,059) | (1,446) |
| Acquisition of shares for employee MEREP awards | (5,163,874) | (579) | (5,163,874) | (579) |
| Transfer to ordinary share capital for MEREP awards exercised | 4,419,011 | 392 | 4,419,011 | 392 |
| Balance as at 31 Mar 2021 | (15,135,922) | (1,633) | (15,135,922) | (1,633) |
| Acquisition of shares for employee MEREP awards | **(4,108,915)** | **(623)** | **(4,108,915)** | **(623)** |
| Transfer to ordinary share capital for MEREP awards exercised | **4,009,854** | **398** | **4,009,854** | **398** |
| **Balance as at 31 Mar 2022** | **(15,234,983)** | **(1,858)** | **(15,234,983)** | **(1,858)** |

(1) Under MEREP, a portion of staff retained profit share is held in MGL ordinary shares by the MEREP Trust and is presented as Treasury shares. The Consolidated Entity has resolved to purchase additional Treasury shares to satisfy MEREP requirements of approximately $870 million, commencing on 16 May 2022. Ordinary shares will be issued if purchasing becomes impractical or inadvisable. For further information regarding terms and conditions of MEREP refer to Note 32 *Employee equity participation*.

## Note 28
## Reserves, retained earnings and non-controlling interests

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| **(i) Reserves** | | | | |
| **Foreign currency translation reserve** | | | | |
| Balance at the beginning of the financial year | **306** | 2,016 | **–** | – |
| Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax[1] | **6** | (1,710) | **–** | – |
| **Balance at the end of the financial year** | **312** | 306 | **–** | – |
| **FVOCI reserve** | | | | |
| Balance at the beginning of the financial year | **34** | (72) | **–** | – |
| Revaluation movement during the financial year, net of tax | **(25)** | 233 | **–** | – |
| Changes in ECL allowance, net of tax | **7** | (127) | **–** | – |
| **Balance at the end of the financial year** | **16** | 34 | **–** | – |
| **Share-based payments reserve** | | | | |
| Balance at the beginning of the financial year | **1,211** | 1,067 | **1,165** | 1,063 |
| MEREP share-based payment arrangements for the financial year | **622** | 529 | **–** | – |
| Deferred tax benefit on MEREP share-based payment arrangements | **83** | 50 | **–** | 2 |
| MEREP issued to employees of subsidiaries (Note 32) | **–** | – | **622** | 529 |
| Transfer to ordinary share capital on vesting of MEREP awards | **(448)** | (419) | **(448)** | (419) |
| Transfer of deferred tax benefit to ordinary share capital on vesting of MEREP awards | **(37)** | (8) | **–** | (2) |
| Transfer to retained earnings for unexercised awards | **(7)** | (8) | **(7)** | (8) |
| **Balance at the end of the financial year** | **1,424** | 1,211 | **1,332** | 1,165 |
| **Cash flow hedge reserve** | | | | |
| Balance at the beginning of the financial year | **(97)** | (90) | **–** | – |
| Net movement recognised in OCI during the financial year, net of tax | **(31)** | (13) | **–** | – |
| Transferred to income statement on realisation, net of tax | **25** | 6 | **–** | – |
| **Balance at the end of the financial year** | **(103)** | (97) | **–** | – |
| **Share of reserves in associates and joint ventures** | | | | |
| Balance at the beginning of the financial year | **(153)** | (131) | **–** | – |
| Share of other comprehensive income/(loss) of associates and joint ventures during the year, net of tax | **43** | (22) | **–** | – |
| **Balance at the end of the financial year** | **(110)** | (153) | **–** | – |
| **Other reserves** | | | | |
| Balance at the beginning of the financial year | **(15)** | (17) | **(7)** | (7) |
| Transferred to income statement on realisation, net of tax | **–** | 2 | **–** | – |
| Net movement recognised in OCI during the financial year, net of tax | **(8)** | – | **–** | – |
| Transfer of share-based payment capital reduction reserve to retained earnings | **7** | – | **7** | – |
| **Balance at the end of the financial year** | **(16)** | (15) | **–** | (7) |
| **Total reserves at the end of the financial year** | **1,523** | 1,286 | **1,332** | 1,158 |

(1) The current year movement represents the revaluation of the Consolidated Entity's unhedged investments in foreign operations primarily driven by the depreciation of the Australian dollar against the foreign currencies. It excludes foreign exchange movements of $6 million (2021: $51 million) attributable to non-controlling interest.

## Note 28
### Reserves, retained earnings and non-controlling interests continued

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| **(ii) Retained earnings** | | | | |
| Balance at the beginning of the financial year | **12,231** | 10,439 | **17,154** | 17,535 |
| Profit attributable to ordinary equity holders of MGL | **4,706** | 3,015 | **1,549** | 755 |
| Dividends paid on ordinary share capital and exchangeable shares (Note 5) | **(2,229)** | (1,123) | **(2,215)** | (1,116) |
| Loss on change in non-controlling ownership interest | **(9)** | (1) | **-** | - |
| Transferred from share-based payment reserve for unexercised MEREP awards | **7** | 8 | **7** | 8 |
| Transferred from other reserve | **(7)** | - | **(7)** | - |
| Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax | **41** | (107) | **33** | (28) |
| **Balance at the end of the financial year** | **14,740** | 12,231 | **16,521** | 17,154 |
| **(iii) Non-controlling interests[1]** | | | | |
| Share capital and partnership interests | **549** | 486 | **-** | - |
| Reserves | **(127)** | (59) | **-** | - |
| Accumulated losses | **(177)** | (124) | **-** | - |
| **Total non-controlling interests** | **245** | 303 | **-** | - |

## Note 29
### Notes to the statements of cash flows

#### (i) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year are reflected in the relevant items in the Statements of financial position as follows:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2022 $m | 2021 $m | 2022 $m | 2021 $m |
| Cash and bank balances[2][3] | **48,389** | 15,452 | **-** | - |
| Cash collateralised lending and reverse repurchase agreements | **34,039** | 17,606 | **-** | - |
| Financial investments | **1,780** | 430 | **-** | - |
| Held for sale assets | **115** | 5 | **-** | - |
| **Cash and cash equivalents at the end of the financial year** | **84,323** | 33,493 | **-** | - |

(1) Other non-controlling interests represents equity in subsidiaries that is not attributable, directly or indirectly, to the parent company. As such, it is ineligible to absorb losses arising elsewhere within the Consolidated Entity.
(2) Amounts excluded from cash and cash equivalents but presented in the Statements of financial position as cash and bank balances primarily relates to $3,354 million (2021: $2,451 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $1,011 million ($522 million), not readily available to meet the Consolidated Entity's short-term cash commitments.
(3) Includes $944 million (2021: $1,506 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.

## Note 29
## Notes to the statements of cash flows continued

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| **(ii) Reconciliation of profit after income tax to net cash flows generated from/(utilised in) operating activities** | | | | |
| Profit after income tax | **4,953** | 3,008 | **1,549** | 755 |
| Adjustments to profit after income tax: | | | | |
| Depreciation and amortisation | **819** | 925 | **–** | – |
| Expected credit losses and other impairment charges | **509** | 524 | **17** | (18) |
| Reversal of impairment on investment in subsidiary | **–** | – | **(1,896)** | – |
| Investment income and gain on sale of operating lease assets and other non-financial assets | **(3,257)** | (1,968) | **–** | (167) |
| Share-based payments expense | **618** | 529 | **–** | – |
| Share of net (profits)/losses of associates and joint ventures | **(240)** | 3 | **–** | – |
| Changes in assets and liabilities: | | | | |
| Issued debt securities | **38,526** | 4,138 | **12,542** | 2,288 |
| Deposits | **17,465** | 17,179 | **(11)** | (5) |
| Trading, trading-related and collateralised lending balances (net of liabilities)[1] | **7,757** | (7,200) | **–** | – |
| Borrowings and other funding | **14,834** | (668) | **489** | (2,821) |
| Debtors, prepayments, accrued charges and creditors | **1,054** | 778 | **–** | 3 |
| Carrying values of associates due to dividends received | **239** | 118 | **–** | – |
| Other assets and liabilities | **(302)** | 45 | **(2)** | (38) |
| Tax balances | **(156)** | 112 | **(748)** | (366) |
| Interest, fee and commission receivable and payable | **(376)** | (253) | **40** | (27) |
| Operating lease assets | **(1,070)** | (388) | **–** | – |
| Loan assets | **(30,922)** | (14,056) | **(13,935)** | 523 |
| **Net cash flows generated from/(utilised in) operating activities** | **50,451** | 2,826 | **(1,955)** | 127 |

### (iii) Non-cash financing activities

Non-cash transactions included the issue of ordinary shares of $623 million (2021: $579 million) relating to the issue of shares to the MEREP trust under the MEREP plan and $518 million (2021: $260 million) relating to issue of shares to shareholders under the DRP and ESP for settlement of the dividend liability. Refer to Note 27 *Contributed equity* for details.

### (iv) Reconciliation of loan capital

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of the financial year | **9,423** | 7,414 | **2,606** | 2,416 |
| Cash flows:[2][3] | | | | |
| Issuance | **1,405** | 4,419 | **–** | 725 |
| Redemption | **(1,101)** | (1,271) | **–** | (531) |
| Non-cash changes: | | | | |
| Foreign currency translation and other movements | **(214)** | (1,139) | **6** | (4) |
| **Balance at the end of the financial year** | **9,513** | 9,423 | **2,612** | 2,606 |

(1) Includes unrealised foreign exchange movements relating to derivatives which largely offsets the unrealised foreign exchange movements on financial assets and liabilities
(2) During the year ended 31 March 2022, the Consolidated Entity issued BCN3 for $655 million and during the year ended 31 March 2021, issued BCN2 for $641 million and MCN5 for $725 million and redeemed MCN2 for $531 million. These are perpetual securities which are eligible for conversion into a variable number of Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier. Refer to Note 26 *Loan capital* for details.
(3) During the year ended 31 March 2022, the Consolidated Entity raised $750 million (2021: $3,053 million) through the issue of Tier 2 loan capital and redeemed $1,101 million (2021: $740 million) of Tier 2 loan capital under fixed repayment obligations.

## Note 30
## Related party information

### Subsidiaries

Transactions between the Company and its subsidiaries principally arise from the granting of funding, deposit of funds, derivative transactions for managing and hedging market risks, the provision of management and administration services and the provision of guarantees. Amounts due from and due to subsidiaries are presented separately in the Statements of financial position of the Company except when the parties have the legal right and intention to offset.

A list of notable subsidiaries is set out in Note 17 *Investment in subsidiaries.*

The Master Loan Agreement (the MLA) governs the funding and netting arrangements between various subsidiaries which are under the common control of MGL and have acceded to the MLA.

The Tripartite Outsourcing Major Services Agreement (TOMSA) governs the provision of intra-group services between subsidiaries other than certain excluded entities.

The Company, as the ultimate parent entity of the Consolidated Entity, is the head entity of the Australian tax consolidated group and has entered into a tax funding agreement with its eligible Australian resident subsidiaries. The terms and conditions of this agreement are set out in Note 44(vi) *Taxation*. Due from subsidiaries in the Company's separate Statements of financial position includes the amount of current tax asset assumed by the Company as the head entity and amount receivable by the Company under the tax funding agreement of the tax consolidated group.

| | COMPANY | |
|---|---|---|
| | **2022 $'000** | 2021 $'000 |
| The following represents transaction balances with subsidiaries during the financial year: | | |
| Interest income | **626,403** | 552,497 |
| Interest expense | **(14,650)** | (2,882) |
| Fee and commission income | **12,224** | 13,846 |
| Investment income: | | |
| Gain on disposal of businesses and subsidiaries (Note 2)[1] | **–** | 167,370 |
| Dividend (Note 2) | **–** | 601,080 |
| Other charges[2] | **(249,991)** | (110,583) |
| Share based payments | **617,301** | 529,122 |
| The following represents outstanding balances with subsidiaries as at financial year end: | | |
| **On Balance Sheet:** | | |
| Due from subsidiaries[3] | **38,591,228** | 22,227,171 |
| Due to subsidiaries[3] | **(3,632,270)** | (2,204,221) |
| **Off Balance Sheet:** | | |
| Guarantees provided[4] | **(4,839,906)** | (4,401,614) |

(1) Represents gain on sale of Macquarie's service entities to MBL.
(2) Includes recovery of expense by a subsidiary for an asset development contract which the Company recovers from external parties.
(3) Due from and due to subsidiaries balance primarily represents loans, receivables and payables presented net as per the terms of the funding arrangements under the MLA, amounts in respect of MEREP awards offered to its subsidiaries' employees, bespoke funding agreements and trading-related balances including derivatives designated in hedge accounting relationships.
(4) Includes guarantees to counterparties with respect to their exposures from certain subsidiaries. These guarantees have a notional value of $7,003,574 thousand (2021: $6,269,892 thousand) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date. Guarantee exposures reported in table above are also included under Off balance sheet exposures in Note 13 *Expected credit losses* and Note 36.1 *Credit risk*.

## Note 30
## Related party information continued

### Associates and joint ventures

Transactions between the Consolidated Entity and its associates and joint ventures principally arise from the provision of corporate advisory services, the granting of loans and the provision of management services.

Balances may arise from lending and borrowing activities between the Consolidated Entity and its associates and joint ventures which are generally extended on a term basis and where appropriate may be either subordinated or collateralised.

During the financial year, the following amounts of income/(expense) resulted from transactions with associates and joint ventures:

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Interest income | **73,291** | 73,334 |
| Fee and commission income[1] | **1,737,779** | 1,602,235 |
| Brokerage, commission and trading-related expenses | **(1)** | (38) |
| Other income | **5,876** | 84,918 |

Dividends and distributions of $235,977 thousand (2021: $118,230 thousand) received from associates were recorded as a reduction from the carrying amount of the investment.

The following balances and off balance sheet arrangements with associates and joint ventures were outstanding as at financial year end (these exclude amounts which in substance form part of the Consolidated Entity's net investment in associates and joint ventures, disclosed in Note 14 *Interests in associates and joint ventures):*

| | | |
|---|---|---|
| **On Balance Sheet:** | | |
| Amounts receivable[2] | **1,537,047** | 455,130 |
| Amounts payable | **(552,485)** | (101,917) |
| **Off Balance Sheet:** | | |
| Undrawn commitments[3] | **(2,660,102)** | (1,866,230) |
| Guarantee provided | **(164,067)** | – |
| Other contingent liabilities | **(14,523)** | – |

(1) Includes $315,762 thousand (2021: $611,751 thousand) of performance fees.
(2) Includes $1,132,611 thousand (2021: $299,692 thousand) of fee and commission receivable and fee-related contract assets from Macquarie-managed funds.
(3) Includes $731,131 thousand (2021: $598,371 thousand) of debt and equity commitments to Macquarie-managed funds.

## Note 31
## Key management personnel disclosure

### Key management personnel (KMP)

The following persons were Directors of the Company during the financial years ended 31 March 2022 and 31 March 2021, unless indicated otherwise:

Executive Voting Directors

| | |
|---|---|
| S.R. Wikramanayake | CEO |

Non-Executive Directors

| | |
|---|---|
| P.H. Warne[1] | Chairman |
| J.R. Broadbent AC | |
| P.M. Coffey | |
| M.J. Coleman | |
| M.A. Hinchliffe | (appointed effective 1 March 2022) |
| R.J. McGrath | (appointed effective 20 January 2021) |
| M. Roche | (appointed effective 20 January 2021) |
| G.R. Stevens AC[2] | |
| N.M. Wakefield Evans | |

Former Non-Executive Directors

| | |
|---|---|
| G.R. Banks AO | (retired effective 30 July 2020) |
| G.M. Cairns | (retired effective 7 May 2021) |
| D.J. Grady AO | (retired effective 24 February 2022) |
| M.J. Hawker AM | (retired effective 30 September 2020) |

In addition to the Executive Voting Directors listed above, the following persons also had authority and responsibility for planning, directing and controlling the activities of MGL during the financial years ended 31 March 2022 and 31 March 2021, unless indicated otherwise.

Current Executives[3]

| | |
|---|---|
| G. Bruce | Incoming Head of LGG (appointed to be a member of the Executive Committee effective from 2 March 2022) |
| A. Cassidy | CRO, Head of RMG (appointed to be a member of the Executive Committee effective from 1 January 2022) |
| S.D. Green | Macquarie Bank CEO (appointed to be a member of the Executive Committee effective from 1 July 2021) |
| A.H. Harvey | CFO, Head of FMG |
| N. O'Kane | Head of CGM |
| M.J. Silverton[4] | Head of Macquarie Capital |
| N. Sorbara | COO, Head of COG |
| G.C. Ward | Deputy Managing Director and Head of BFS |
| B.I. Way | Head of MAM (appointed to the Executive Committee effective from 1 April 2021) |

Former Executives

| | |
|---|---|
| F. Herold | Head of Macquarie Capital Principal Finance (ceased to be a member of the Executive Committee effective from 7 May 2021) |
| M.J. Reemst | Former Macquarie Bank CEO (ceased to be a member of the Executive Committee effective from 1 July 2021) |
| M.S.W. Stanley | Former Head of MAM (ceased to be a member of the Executive Committee effective from 1 April 2021) |
| P.C. Upfold | Former CRO, Head of RMG (ceased to be a member of the Executive Committee effective from 31 December 2021) |
| D. Wong | Former Co-Head of Macquarie Capital (ceased to be a member of the Executive Committee effective from 29 October 2021) |

The remuneration arrangements for all the persons listed above are described on pages 94 to 143 of the Remuneration Report, contained in the Directors' Report.

(1) Mr Warne will retire as a Director and Chairman of the MGL and MBL Boards on 9 May 2022.
(2) Mr Stevens will become Chairman of the MGL and MBL Boards effective 10 May 2022.
(3) Except where indicated otherwise, all of the Executives as well as the CEO were members of the Executive Committee as at 6 May 2022.
(4) Mr Silverton was Co-Head of Macquarie Capital until 29 October 2021. Effective 30 October 2021, Mr Silverton became Head of Macquarie Capital.

## Note 31
## Key management personnel disclosure continued

### Key management personnel remuneration

The following tables detail the aggregate remuneration for KMP:

| | SHORT-TERM EMPLOYEE BENEFITS | | | | LONG-TERM EMPLOYEE BENEFITS | SHARE-BASED PAYMENTS | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees (including superannuation) $ | Performance-related remuneration[1] $ | Other benefits $ | Total short-term employee benefits $ | Restricted profit share including earnings on restricted profit share[2] $ | Equity awards[3] $ | PSUs[4] $ | Total remuneration[5] $ |
| **Executive Remuneration** | | | | | | | | |
| **2022** | **10,084,356** | **44,362,399** | **–** | **54,446,755** | **12,977,601** | **47,838,814** | **14,202,749** | **129,465,919** |
| 2021 | 12,327,119 | 37,062,968 | – | 49,390,087 | 9,721,688 | 54,612,705 | 8,632,799 | 122,357,279 |
| **Non-Executive Remuneration** | | | | | | | | |
| **2022** | **4,086,498** | **–** | **12,000** | **4,098,498** | **–** | **–** | **–** | **4,098,498** |
| 2021 | 3,999,048 | – | 10,000 | 4,009,048 | – | – | – | 4,009,048 |

### Equity holdings of KMP and their related parties

The following tables set out details of MGL ordinary shares held during the financial year by KMP including their related parties, on a Consolidated Entity basis.

| | Number of shares held by current KMP at 1 Apr | Number of shares held by new KMP at appointment date (after 1 Apr) | Shares received on withdrawal from MEREP | Other changes[6] | Number of shares held by KMP at date of resignation/ retirement (prior to 31 Mar) | Number of shares held as at 31 Mar |
|---|---|---|---|---|---|---|
| **2022** | **1,302,898** | **68** | **448,351** | **(348,323)** | **(237,704)** | **1,165,290** |
| 2021 | 1,275,470 | 2,349 | 391,505 | (315,072) | (51,354) | 1,302,898 |

### MEREP RSU Awards of KMP and their related parties

The following tables set out details of the MEREP RSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in Appendix 4 of the Remuneration Report, contained in the Directors' Report from pages 136 to 141. Further details in relation to the MEREP RSU awards are disclosed in Note 32 *Employee equity participation.*

| | Number of RSU awards held by current KMP at 1 Apr | Number of RSU awards held by new KMP at appointment date (after 1 Apr) | RSU awards granted during the financial year[7] | Vested RSU awards transferred to the KMP's shareholding during the financial year | Number of RSU awards held by KMP at the date of resignation/ retirement (prior to 31 Mar) | Number of RSU awards held as at 31 Mar |
|---|---|---|---|---|---|---|
| **2022** | **1,749,809** | **92,157** | **318,240** | **(287,660)** | **(318,336)** | **1,554,210** |
| 2021 | 1,415,064 | – | 603,497 | (268,752) | – | 1,749,809 |

(1) The cash portion of each KMP's profit share allocation for the reporting period when they were a KMP.
(2) The amount of retained profit share held via the DPS plan including earnings on notional investments from retained profit share in prior financial years.
(3) The current year amortisation for equity awards calculated as described in Note 44(xxiii) *Performance based remuneration.*
(4) The current year amortisation for PSUs calculated as described in Note 44(xxiii) *Performance based remuneration.* The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.
(5) For KMP residing in US, their remuneration is subject to US social security and Medicare taxes, payable by Macquarie. Tax amounts of $72 thousand and $138 thousand were paid during FY2021 and FY2022, respectively, and are not included in statutory remuneration.
(6) Includes on-market acquisitions and disposals.
(7) RSUs are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs disclosed as granted above for 2022 relate to the Consolidated Entity's performance in 2021.

## Note 31
## Key management personnel disclosure continued

### MEREP DSU Awards of KMP and their related parties

The following tables set out details of the MEREP DSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in Appendix 4 of the Remuneration Report, contained in the Directors' Report from pages 136 to 141. Further details in relation to the MEREP DSU awards are disclosed in Note 32 *Employee equity participation.*

| | Number of DSU awards held by current KMP at 1 Apr | Number of DSU awards held by new KMP at appointment date | DSU awards granted during the financial year[1] | Vested DSU awards transferred to the KMP's shareholding during the financial year | Number of DSU awards held by KMP at the date of resignation/ retirement | Number of DSU awards held as at 31 Mar |
|---|---|---|---|---|---|---|
| **2022** | **528,120** | **-** | **19,006** | **(101,612)** | **(445,514)** | **-** |
| 2021 | 447,479 | - | 130,711 | (50,070) | - | 528,120 |

### MEREP PSU Awards of KMP and their related parties

The following tables set out details of MEREP PSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in the Directors' Report on page 136 to 141. Further details in relation to the MEREP PSU awards are disclosed in Note 32 *Employee equity participation.*

| | Number of PSU awards held by current KMPs at 1 Apr | Number of PSU awards held by new KMP at appointment date | PSU awards granted during the financial year[2] | Vested PSU awards transferred to KMP shareholding during the financial year | PSU awards for which performance hurdles were not met | PSU awards cancelled on termination | Number of PSU awards held by KMP at date of resignation/ retirement | Number of PSU awards held as at 31 Mar[3] |
|---|---|---|---|---|---|---|---|---|
| **2022** | **639,996** | **-** | **119,643** | **(58,470)** | **(68,548)** | **-** | **(238,858)** | **393,763** |
| 2021 | 549,286 | - | 235,431 | (72,360) | (72,361) | - | - | 639,996 |

(1) DSUs are granted in the financial year following the year of the Consolidated Entity's performance to which the grant relates.
(2) PSUs are granted in the financial year following the year of the Consolidated Entity's performance to which the grant relates. PSUs disclosed as granted above for 2022 relate to the Consolidated Entity's performance in 2021.
(3) PSU awards vested and not exercised as at 31 March 2022: 14,278 (31 March 2021: Nil).

## Note 31
### Key management personnel disclosure continued

Details of share-based payment grant dates whose vesting periods affected compensation for the financial years ended 31 March 2022 and 31 March 2021.

| | | GRANT DATE | |
|---|---|---|---|
| Financial year grant relates to | Type of grant | Managing Director | All other KMP |
| 2013 | Retained DPS | 15 August 2013 | 25 June 2013 |
| 2014 | Retained DPS | 15 August 2014 | 25 June 2014 |
| 2015 | Retained DPS | 17 August 2015 | 6 July 2015 |
| 2016 | Retained DPS | 15 August 2016 | 17 June 2016 |
| | PSUs | 15 August 2016 | 15 August 2016 |
| 2017 | Retained DPS | 15 August 2017 | 22 June 2017 |
| | PSUs | 15 August 2017 | 15 August 2017 |
| 2018 | Retained DPS | 15 August 2018 | 21 June 2018 |
| | PSUs | 15 August 2018 | 15 August 2018 |
| 2019 | Retained DPS | 15 August 2019 | 24 June 2019 |
| | PSUs | 15 August 2019 | 15 August 2019 |
| 2020 | Retained DPS | 4 August 2020 | 9 June 2020 |
| | PSUs | 4 August 2020 | 4 August 2020 |
| 2021 | Retained DPS | 3 August 2021 | 9 June 2021 |
| | PSUs | 3 August 2021 | 3 August 2021 |

Loans to Key Management Personnel and their related parties

Details of loans provided by the Consolidated Entity to KMP and their related parties are disclosed in aggregate in the following tables:

| Total for Key Management Personnel and their related parties[1] | Opening balance as at 1 Apr $'000 | Additions during the year $'000[2] | Interest charged $'000 | Repayments during the year $'000[3] | Write-downs $'000 | Closing balance as at 31 Mar $'000[4] |
|---|---|---|---|---|---|---|
| **2022** | **11,938** | **11,196** | **145** | **(5,877)** | **–** | **17,402** |
| 2021 | 11,811 | 681 | 144 | (698) | – | 11,938 |

(1) All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.
(2) Or loan held as at date of appointment of new KMP.
(3) Or loan held as at date ceased to be a KMP.
(4) Number of persons included in the aggregate as at 31 March 2022: 7 (31 March 2021: 7).

## Note 32
## Employee equity participation

### MEREP

The Consolidated Entity continues to operate the MEREP in conjunction with other remuneration arrangements.

### Award Types under the MEREP

Restricted Share Units (RSUs)

An RSU is a beneficial interest in a MGL ordinary share held on behalf of a MEREP participant by the plan trustee (Trustee).

The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

| | NUMBER OF RSU AWARDS | |
|---|---|---|
| | 2022 | 2021 |
| RSUs on issue at the beginning of the financial year | **11,651,872** | 11,374,065 |
| Granted during the financial year | **3,443,210** | 4,218,981 |
| Vested RSUs withdrawn or sold from the MEREP during the financial year | **(3,207,336)** | (3,599,807) |
| Forfeited during the financial year | **(383,806)** | (341,367) |
| RSUs on issue at the end of the financial year | **11,503,940** | 11,651,872 |
| RSUs vested and not withdrawn from the MEREP at the end of the financial year | **25,130** | 72 |

The weighted average fair value of the RSU awards granted during the financial year was $152.31 (2021: $124.30).

Deferred Share Units (DSUs)

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by the Company in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. The Company may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs.

Generally, where permitted by law, DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of the Company in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of the Company's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical, or where PSUs are structured as DSUs (see PSUs). DSUs have been granted with an expiry period of up to nine years.

| | NUMBER OF DSU AWARDS | |
|---|---|---|
| | 2022 | 2021 |
| DSUs on issue at the beginning of the financial year | **3,512,371** | 3,177,680 |
| Granted during the financial year | **1,053,253** | 1,082,878 |
| Exercised during the financial year | **(878,592)** | (687,073) |
| Forfeited during the financial year | **(215,197)** | (61,114) |
| DSUs on issue at the end of the financial year | **3,471,835** | 3,512,371 |
| DSUs exercisable at the end of the financial year | **1,104,797** | 1,057,957 |

The weighted average fair value of the DSU awards granted during the financial year was $147.15 (2021: $117.53).

## Note 32
## Employee equity participation continued

### Award types under the MEREP continued

Performance Share Units (PSUs)

All PSUs currently on issue are structured as DSUs with performance hurdles that must be met before the underlying share or cash equivalent (as the case may be) will be delivered. PSU holders have no right to dividend equivalent payments before the PSUs vest.

| | NUMBER OF PSU AWARDS | |
|---|---|---|
| | 2022 | 2021 |
| PSUs on issue at the beginning of the financial year | **872,276** | 1,017,433 |
| Granted during the financial year | **133,838** | 235,431 |
| Exercised during the financial year | **(135,944)** | (190,293) |
| Expired during the year | **(150,230)** | (190,295) |
| Forfeited during the financial year | **(37,189)** | - |
| PSUs on issue at the end of the financial year | **682,751** | 872,276 |
| PSUs exercisable at the end of the financial year | **14,278** | - |

The weighted average fair value of the PSU awards granted during the financial year was $134.04 (2021: $105.09).

Restricted Shares

A Restricted Share is an MGL ordinary share transferred from the MEREP Trust and held by a MEREP participant subject to restrictions on disposal, vesting and forfeiture rules. The participant is entitled to receive dividends on, and to exercise the voting rights of, the Restricted Shares. Restricted Shares are only offered in jurisdictions where legal or tax rules make RSU/DSU awards impractical.

| | NUMBER OF RESTRICTED SHARE AWARDS | |
|---|---|---|
| | 2022 | 2021 |
| Restricted shares on issue at the beginning of the financial year | **360,187** | 547,874 |
| Transfer from MEREP Trust during the financial year | **101,792** | 113,222 |
| Forfeited during the financial year | **-** | (49,430) |
| Released during the financial year | **(249,977)** | (251,479) |
| Restricted shares on issue at the end of the financial year | **212,002** | 360,187 |

The weighted average fair value of the Restricted Shares granted during the financial year was $Nil (2021: $Nil).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Executive Directors with retained Directors' Profit Share (DPS) from 2013 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards)
- staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards)
- Macquarie staff with retained commission (Commission Awards)
- new Macquarie staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (New Hire Awards)
- members of the MGL and MBL Executive Committees who are eligible for PSUs (PSU awards)
- in limited circumstances, Macquarie staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of the Consolidated Entity upon the acquisition of their employer by a Macquarie entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

## Note 32
### Employee equity participation continued

#### Award types under the MEREP continued

Vesting periods are as follows:

| Award type | Level | Vesting |
|---|---|---|
| Retained Profit Share Awards and Promotion Awards | Below Executive Director | 1/3rd in the 2nd, 3rd and 4th year following the year of grant(1) |
| Retained DPS Awards | Executive Committee members and Designated Executive Directors | 1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant(2) |
| Retained DPS Awards | All other Executive Directors | 1/3rd in the 3rd, 4th and 5th year following the year of grant(2) |
| PSU Awards granted in relation to years 2016 to 2019 | Executive Committee members | 50% in the 3rd and 4th years following the year of grant(3) |
| PSU Awards granted in relation to 2020 and following years | Executive Committee members | 100% in the 4th year following the year of grant(3) |
| Commission Awards | Below Executive Director | 1/3rd in the 2nd, 3rd and 4th year following the year of grant(1) |
| New Hire Awards | All Director-level staff | 1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation |

In limited cases, the invitation or application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share awards representing 2021 retention, the allocation price was the weighted average price of the shares issued for the 2021 issue period, which was 24 May 2021 to 4 June 2021. That price was calculated to be $151.73 (2020 retention: $112.15).

(1) Vesting will occur during an eligible staff trading window.
(2) Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.
(3) Subject to achieving certain performance hurdles.

## Note 32
## Employee equity participation continued

### Performance Share Units (PSUs)

PSUs will only be released or become exercisable upon the achievement of certain performance hurdles. Only members of the MGL and MBL Executive Committees are eligible to receive PSUs. For the PSUs allocated to Executive Committee Members, two performance hurdles have been determined and each will apply individually to 50% of the total number of PSUs awarded. Hurdles are periodically reviewed by the Board Remuneration Committee (BRC) to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators as well as market practice. No change has been made to the hurdles for this financial year.

The hurdles are outlined below.

Performance hurdle 1

| Hurdle | Reference group |
|---|---|
| 50% of the PSUs based solely on the relative average annual return on ordinary equity (ROE) over the vesting period compared to a reference group of global financial institutions.<br>A sliding scale applies with 50% becoming exercisable above the 50th percentile and 100% vesting at the 75th percentile. | The current reference group comprises Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Limited, Morgan Stanley and UBS AG. |

Performance hurdle 2

| Hurdle | Required result |
|---|---|
| 50% of the PSUs based solely on the compound annual growth rate (CAGR) in earnings per share (EPS) over the vesting period. | A sliding scale applies with 50% becoming exercisable at EPS CAGR of 7.5% and 100% at EPS CAGR of 12%. For example, if EPS CAGR were 9.75%, 75% of the relevant awards would become exercisable. |

Under both performance hurdles, the objective is examined once only. Testing occurs annually on 30 June immediately before vesting on 1 July, based on the most recent financial year-end results available. To the extent that a condition is not met when examined, the PSUs due to vest will not be exercisable upon vesting, resulting in no benefit to Executive Committee members.

#### Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value[1] and for each PSU, the awards expected to vest are measured on the basis of the assumptions below. This amount is recognised as an expense evenly over the respective vesting periods.

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of the 2021 performance. The accounting fair value of each of these grants is estimated using the Company's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 0.5291% per annum
- expected vesting dates of PSUs: 1 July 2025
- dividend yield: 3.73% per annum.

While RSUs DSUs, and PSUs (for Executive Committee members) for FY2022 will be granted during the FY2023, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2021 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2022 and applying the amortisation profile to the retained amount.

For PSUs, the estimate also incorporates an interest rate to maturity of 2.91% per annum, expected vesting dates of PSUs of 1 July 2026, and a dividend yield of 3.63% per annum. In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this valuation for recognising the expense over the remaining vesting period. The Consolidated Entity annually reviews its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the income statement, with a corresponding adjustment to equity (for equity settled awards), or a corresponding adjustment to liabilities (for cash settled awards).

(1) For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

## Note 32
## Employee equity participation continued

### Performance Share Units (PSUs) continued

For the financial year ended 31 March 2022, compensation expense relating to the MEREP totalled $657,769 thousand (2021: $579,198 thousand).

For the equity settled awards, the estimated future withholding tax outflow is $529,960 thousand (2021: $391,480 thousand).

### Employee Share Plan

The Consolidated Entity continues to operate the Macquarie Group Employee Share Plan (ESP) whereby each financial year eligible employees are offered up to $1,000 worth of fully paid MGL ordinary shares for no cash consideration.

Shares allocated under the ESP cannot be sold until the earlier of three years after allocation or the time when the participant is no longer employed by the Consolidated Entity. In all other respects, shares allocated rank equally with all other fully paid ordinary shares then on issue.

The latest offer under the ESP was made during November 2021. A total of 1,888 (2021: 1,902) staff participated in this offer.

On 2 December 2021, the participants were each allocated 4 (2021: 7) fully paid ordinary shares based on the offer amount of $1,000 and the average market share price of $202.00 (2021: $139.70); resulting in a total of 7,552 (2021: 13,314) shares being allocated. The shares were allocated to staff for no cash consideration. The aggregate value of the shares allocated was deducted from staff profit share and commissions.

For the financial year ended 31 March 2022, compensation expense relating to the ESP totalled $1,526 thousand (2021: $1,860 thousand).

### Historical Share and Option Plans

Shares are no longer being issued under the Staff Share Acquisition Plan or the Non-Executive Director Share Acquisition plan. However, employees and Non-Executive Directors still hold shares issued in previous years.

Options over fully paid unissued ordinary shares are no longer granted under the Macquarie Group Employee Share Option Plan and no options are outstanding.

### Other plans

The Consolidated Entity operates other local share-based compensation plans, none of which, individually or in aggregate are material.

### Shares issued/purchased on-market for the purpose of an employee incentive scheme

During the financial year ended 31 March 2022, the Consolidated Entity issued 4,108,915 shares (2021: issued 5,163,874 shares) for MEREP. A further 7,552 shares were issued for the ESP (2021: 13,314 shares were issued). The average price of all shares issued during the financial year was $151.82 (2021: $112.22 for shares issued) and the average price of the purchases made on-market was $Nil (2021: $Nil)

## Note 33
## Contingent liabilities and commitments

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| **Contingent liabilities:** | | | | |
| Letters of credit | **1,318** | 1,085 | **–** | – |
| Indemnities | **430** | 391 | **–** | – |
| Performance-related contingencies | **459** | 297 | **–** | – |
| Guarantees | **88** | 651 | **4,840** | 4,402 |
| **Total contingent liabilities**[1] | **2,295** | 2,424 | **4,840** | 4,402 |
| **Commitments:** | | | | |
| Undrawn credit facilities and securities commitments[2],[3] | **15,647** | 13,695 | **–** | – |
| Other asset development and purchase commitments[4],[5] | **2,449** | 2,592 | **1,474** | 1,613 |
| **Total commitments** | **18,096** | 16,287 | **1,474** | 1,613 |
| **Total contingent liabilities and commitments** | **20,391** | 18,711 | **6,314** | 6,015 |

The Consolidated Entity and the Company operate in a number of regulated markets and are subject to regular regulatory reviews and inquiries. From time to time these may result in litigation, fines, or other regulatory enforcement actions. At the reporting date, there are no matters of this nature which are expected to result in a material economic outflow of resources that have not been provided for. The Consolidated Entity and the Company considers the probability of there being a material adverse effect in respect of litigation or claims that have not been provided for to be remote.

(1) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.
(2) Undrawn credit facilities are irrevocably extended to clients. These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Consolidated Entity. Securities commitments represent firm commitments to underwrite debt and equity securities issuances and private equity commitments.
(3) Includes $1,064 million (2021: $854 million) in undrawn facilities where the commitments will be assigned to a third-party for debt commitments.
(4) The Consolidated Entity includes asset development commitments to third parties of $502 million (2021: $515 million) which are funded with borrowings of $263 million (2021: $365 million).
(5) The Consolidated Entity and the Company includes asset development commitments to third parties of $1,474 million (2021: $1,613 million). During the previous year, the Consolidated Entity entered into a sales agreement to divest off several assets the derecognition of which is contingent upon completion of their development.

## Note 34
### Structured entities

A Structured Entity (SE) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well-defined objectives. SEs are classified as subsidiaries and are consolidated when control exists.

The Consolidated Entity engages with SEs for securitisation, asset backed financing and Structured Financing arrangements in order to diversify its sources of funding for asset origination and capital efficiency purposes. The Consolidated Entity's involvement with SEs is primarily of the following nature:

| Type | Details |
|---|---|
| **Securitisation** | Securitisations involve transferring assets into a vehicle that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.<br><br>These vehicles are created for securitising assets, including mortgages, and finance leases.<br><br>The Consolidated entity also establishes SEs on behalf of customers to securitise their loans or receivables and may manage these securitisation vehicles or provide liquidity or other support.<br><br>The Consolidated Entity may serve as a sponsor, servicer, underwriter, liquidity provider, derivative counterparty, purchaser of notes and/or purchaser of residual income units. The Consolidated Entity may also provide redraw facilities or loan commitments to securitisation vehicles. |
| **Asset-backed financing** | Asset-backed vehicles are used to provide tailored lending for the purchase or lease of assets transferred by the Consolidated Entity or its clients. The assets are normally pledged as collateral to the lenders. The Consolidated Entity engages in raising finance for assets such as vessels, electronic and IT equipment. |
| **Funds management and administration activities** | The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager of investment funds, trusts including superannuation and approved deposit fund, wholesale and retail trusts. Of these certain funds meets the definition of structured entities.<br><br>The Consolidated entity's interests in these funds includes holding units in funds, receiving fees for services, providing lending facilities and derivative. |
| **Structured Financing arrangements and others arrangements** | Includes structured entities established to raise financing and fulfil obligations for prepaid commodity delivery contracts. The Consolidated Entity has contractually guaranteed the performance obligation under these arrangements. |

## Note 34
### Structured entities continued

The following table presents the carrying value and maximum exposure to loss (before the benefit of collateral and credit enhancements) of the Consolidated Entity's interests in unconsolidated SEs

| | CONSOLIDATED 2022 | | | | CONSOLIDATED 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Securitisations $m** | **Asset-backed financing $m** | **Structured Financing and other arrangements[3] $m** | **Total $m** | Securitisations $m | Asset-backed financing $m | Structured Financing and other arrangements[3] $m | Total $m |
| **Carrying value of assets** | | | | | | | | |
| Loan assets | **1,832** | **1,788** | **3,617** | **7,237** | 689 | 2,034 | 1,136 | 3,859 |
| Financial investments | **1,976** | **8** | **–** | **1,984** | 2,089 | 33 | – | 2,122 |
| Margin Money and settlement assets | **593** | **–** | **–** | **593** | 9 | – | – | 9 |
| Derivative assets | **299** | **–** | **–** | **299** | 414 | – | – | 414 |
| Trading assets | **64** | **14** | **–** | **78** | 122 | – | – | 122 |
| Total carrying value of assets[1] | **4,764** | **1,810** | **3,617** | **10,191** | 3,323 | 2,067 | 1,136 | 6,526 |
| **Maximum exposure to loss[2]** | | | | | | | | |
| Carrying value of assets | **4,764** | **1,810** | **3,617** | **10,191** | 3,323 | 2,067 | 1,136 | 6,526 |
| Undrawn commitments[3] | **30** | **50** | **266** | **346** | 180 | – | 201 | 381 |
| Total maximum exposure to loss | **4,794** | **1,860** | **3,883** | **10,537** | 3,503 | 2,067 | 1,337 | 6,907 |

Additionally, as part of its funds management and administration activities the Consolidated Entity has interests in certain funds including investments, receivables, contract assets; and undrawn commitments which represent the Consolidated Entity's maximum exposure to loss. In certain cases the Consolidated Entity invests alongside its own managed funds to demonstrate further alignment with investors. The carrying value of the Consolidated Entity's investments in funds is disclosed in Note 14 *Interests in associates and joint ventures*. Interests in the nature of receivables, contract assets and undrawn commitments are disclosed in Note 30 *Related party information* and Note 11 *Held for sale and other assets*.

The Assets under Management (AUM) of $775 billion (2021: $563.5 billion) represent the indicative size of these funds and is measured as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises on.

In respect of the Consolidated Entity's loan assets' exposure in securitisation, asset backed financing entities and structured financing, the total size of the unconsolidated SEs is $54,951 million (2021: $34,241 million). Size represents either the total assets of the SE (measured either at amortised cost excluding impairments or fair values if readily available); outstanding notional of issued notes or the principal amount of liabilities if there is nominal equity. Size is based on the latest available information with the Consolidated Entity.

The Consolidated Entity's exposure to securitisation entities in the nature of trading assets, margin money, derivatives and financial investments are acquired for the purpose of trading and liquidity management. These exposures are typically managed under market risk limits described in Note 36.3 *Market risk*. For these reasons, information on the size and structure for these SEs is not considered meaningful for understanding the related risks, and have not been presented in the table above.

(1) Includes non-investment grade interests of $721 million (2021: $89 million) in securitisation activities, $1,250 million (2021: $1,211 million) in asset-backed financing activities and $450 million (2021: $50 million) in Structured Financing and other arrangements.
(2) Maximum exposure to loss is the carrying value of debt, equity and derivatives held and the undrawn amount for commitments.
(3) Excludes $2,835 million (2021: $2,905 million) of guarantees provided by the Company in respect of a subsidiary to fulfil its obligations for certain prepaid commodity contracts towards unconsolidated structured entities. On consolidation these guarantees are accounted for as part of borrowings that represent the subsidiary obligations in terms of these commodity contracts.

## Note 35
## Hedge accounting

### Hedging strategy

The use of derivative and non-derivative instruments to economically hedge non-traded positions potentially gives rise to income statement volatility as a result of mismatches in the accounting treatment between the derivative and non-derivative instruments and the related exposure. The Consolidated Entity's objective is to reduce the risk of volatility in earnings, within pre-defined thresholds. This volatility is managed through hedge accounting application and use of natural offsetting position of the hedges.

### Hedging instruments

Detail on hedging instruments, the nature of hedged risks, as well as the notional and the carrying amount of derivative financial instruments and, in the case of net investment hedges, the notional of foreign currency denominated debt issued, for each type of hedge relationship, is shown in the respective sections. The maturity profile for the hedging instruments' notional amounts are reported based on their contractual maturity. Where a cross currency swap has been dual designated in both a cash flow and a fair value hedge, the notional is shown more than once. Increases in notional profiles of hedging instruments are presented as negative figures, with decreases and maturities presented as positive figures.

### Hedging ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item for the hedged risk. In the case of a cash flow hedge, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item. In the case of net investment hedge relationships, hedge ineffectiveness is the extent to which the change in the carrying amount of foreign currency denominated debt and foreign exchange contracts attributable to the change in exchange rates exceeds, in absolute terms, that of the hedged item. Sources of hedge ineffectiveness primarily arise from basis and timing differences between the hedged items and hedging instruments, and designating existing derivatives with a non-zero fair value as hedging instruments. Hedge ineffectiveness is reported in net trading income in the income statement.

### IBOR reform

During the period, the Consolidated Entity completed the transition of all remaining hedging relationships subject to mandatory IBOR reform, and certain non-mandatory transition of hedge accounting relationships to alternate reference rates (ARRs) as described in Note 1 *Basis of preparation* and Note 36 *Financial risk management*. The Consolidated Entity has made use of the relief provided by AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* (Phase 2 relief) to amend the formal designation of these hedging relationships.

As all hedge relationships subject to mandatory IBOR reform have been transitioned, no uncertainty remains, and the Consolidated Entity is no longer utilising the relief provided under AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* (Phase 1 relief). Accordingly, the disclosure required under Phase 1 is no longer required.

## Note 35
## Hedge accounting continued

### Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 28(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's statements of comprehensive income. The cumulative gains and losses remaining in the cash flow hedge reserve for hedging relationships that have ceased, but for which the hedged cash flows are still expected to occur is $1 million gain (2021: $1 million loss). This amount will be transferred to the income statement when the hedged item affects the income statement.

Hedging instruments

| | | MATURITY ANALYSIS PER NOTIONAL | | | | |
|---|---|---|---|---|---|---|
| Instrument type | Risk category | Less than 3 months $m | 3 to 12 months $m | 1 to 5 years $m | Over 5 years $m | Total $m |
| | | | | | | CONSOLIDATED 2022 |
| **Derivative assets** | | | | | | |
| Cross currency swaps | Foreign exchange | **(14)** | **308** | **1,043** | **574** | **1,911** |
| Interest rate swaps and options | Interest rate | **211** | **1,231** | **2,055** | **452** | **3,949** |
| **Derivative liabilities** | | | | | | |
| Cross currency swaps | Foreign exchange | **–** | **–** | **152** | **885** | **1,037** |
| Interest rate swaps and options | Interest rate | **468** | **399** | **2,377** | **445** | **3,689** |
| Commodity forwards and futures | Commodity price | **3** | **19** | **274** | **338** | **634** |
| | | | | | | CONSOLIDATED 2021 |
| **Derivative assets** | | | | | | |
| Cross currency swaps | Foreign exchange | (20) | (48) | 477 | 1,079 | 1,488 |
| Foreign exchange forwards and swaps | Foreign exchange | 3 | – | – | – | 3 |
| Interest rate swaps and options | Interest rate | 76 | 369 | 1,482 | 48 | 1,975 |
| Commodity forwards and futures | Commodity price | 3 | – | – | – | 3 |
| **Derivative liabilities** | | | | | | |
| Cross currency swaps | Foreign exchange | – | 1,038 | 884 | – | 1,922 |
| Foreign exchange forwards and swaps | Foreign exchange | 2 | – | – | – | 2 |
| Interest rate swaps and options[1] | Interest rate | (94) | (102) | 1,454 | 938 | 2,196 |
| Commodity forwards and futures | Commodity price | 7 | 22 | 32 | 38 | 99 |

| | | CONSOLIDATED CARRYING AMOUNT | | | |
|---|---|---|---|---|---|
| | | 2022 | | 2021 | |
| Instrument type | Risk category | **Asset $m** | **Liability $m** | Asset $m | Liability $m |
| Cross currency swaps | Foreign exchange | **190** | **53** | 105 | 82 |
| Interest rate swaps and options | Interest rate | **96** | **114** | 68 | 111 |
| Commodity forwards and futures | Commodity price | **–** | **102** | – | 8 |

(1) Notional balance in 1-5 year bucket restated for prior year FY2021, that relates to forward starting swaps.

## Note 35
## Hedge accounting continued

### Hedge ineffectiveness

In the case of cash flow hedge relationships, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item.

| | | CONSOLIDATED | | | | | |
|---|---|---|---|---|---|---|---|
| | | (LOSS)/GAIN ON HEDGING INSTRUMENT | | GAIN/(LOSS) ON HEDGED ITEM | | HEDGE INEFFECTIVENESS GAIN/(LOSS) | |
| Hedging instrument | Risk category | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Cross currency swaps | Foreign exchange | **12** | (27) | **(12)** | 28 | **-** | 1 |
| Interest rate swaps and options | Interest rate | **24** | 15 | **(28)** | (24) | **(4)** | (9) |
| Commodity forwards and futures | Commodity price | **(88)** | (26) | **87** | 26 | **(1)** | - |
| **Total** | | **(52)** | (38) | **47** | 30 | **(5)** | (8) |

### Hedge accounting executed rates

The following table shows the executed rates for the most significant hedging instruments designated in cash flow hedges:

| | | CONSOLIDATED | |
|---|---|---|---|
| Hedging instruments | Currency/currency pair | **2022** | 2021 |
| Cross currency swaps | AUD/EUR | **0.68** | 0.62–0.68 |
| | USD/GBP | **0.66** | 0.66 |
| | AUD/CHF | **0.66–0.72** | 0.72 |
| | GBP/CHF | **1.46** | 1.46 |
| | USD/CHF | **0.93** | 0.93 |
| Interest rate swaps and options | GBP | **0.97%–2.49%** | 1.01–2.49% |
| | USD | **0.99%–2.42%** | 0.29–3.01% |
| | EUR | **(0.43%)–0.32%** | (0.43%)–0.32% |

## Note 35
## Hedge accounting continued

### Net investment in foreign operation hedges

The Consolidated Entity's net investment in foreign operations (NIFO) changes as a result of earnings, dividends, other capital-related events and changes in the Consolidated Entity's group structure as a result of internal restructures. The risk of changes in the NIFO for movements in foreign exchange rates is hedged by the Consolidated Entity through the use of a combination of derivatives and foreign denominated borrowings. Refer to Note 36 *Financial risk management* non-traded risk for further information on the Consolidated Entity's risk management strategy.

In order to reflect the Consolidated Entity's risk management strategy, hedge accounting is applied where changes in the derivatives and foreign denominated borrowings are recognised, together with the related foreign currency translation reserve, in the Consolidated Entity's other comprehensive income and is subsequently released to the income statement when the foreign operation is disposed of. Hedge ineffectiveness, if any is recognised in the income statement. Given that the Consolidated Entity's NIFO frequently changes, the hedge designations are reviewed on a monthly basis or more frequently where required.

| | | CONSOLIDATED CARRYING AMOUNT | | | |
|---|---|---|---|---|---|
| | | ASSET | | LIABILITY | |
| Hedging instrument | Risk category | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Foreign exchange contracts | Foreign exchange | **153** | 51 | **55** | 223 |
| Foreign currency denominated issued debt | Foreign exchange | **–** | – | **18,371** | 16,322 |

| | | CONSOLIDATED NOTIONAL | | | |
|---|---|---|---|---|---|
| | | ASSET | | LIABILITY | |
| Hedging instrument | Risk category | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Foreign exchange contracts[1] | Foreign exchange | **4,148** | 2,211 | **1,913** | 4,877 |
| Foreign currency denominated issued debt | Foreign exchange | **–** | – | **18,512** | 16,244 |

In order to hedge the currency exposure of certain net investments in foreign operations, the Consolidated Entity jointly designates both foreign exchange derivative contracts (from the currency of the underlying foreign operation to USD) and foreign denominated debt issued (from USD to AUD). As a result, the notional value of hedging instruments presented in the table above of $24,573 million (2021: $23,332 million) represents the notional of both the derivative hedging instrument and the foreign denominated debt issued and hence exceeds the $18,543 million (2021: $16,683 million) notional of the underlying hedged component of the Consolidated Entity's net investment in foreign operations.

Hedge ineffectiveness is the extent to which the absolute change in either the fair value of the derivative or the carrying amount of foreign currency denominated debt issued attributable to the change in exchange rates exceeds that of the hedged item. There was no ineffectiveness recognised in the income statement by the Consolidated Entity in the current year (2021: $Nil).

(1) Where the fair value of the derivative is positive/(negative), the notional of the derivative has been similarly included in the table as an asset/(liability).

## Note 35
## Hedge accounting continued

### Fair value hedges

The fair value attributable to the hedged risk is recognised as a fair value adjustment to the hedged item on the balance sheet. In an effective fair value hedge relationship, movements in this fair value adjustment are largely offset by movements in the fair value of the hedging instrument. Any residual is recognised as ineffectiveness in net trading income in the income statement. Executed rates for fair value hedges of interest rate risk and commodity price risk have not been shown as these would represent the market reference rates at the time of designation.

Hedging instruments

| | | MATURITY ANALYSIS PER NOTIONAL | | | | |
|---|---|---|---|---|---|---|
| Instrument type | Risk category | Less than 3 months $m | 3 to 12 months $m | 1 to 5 years $m | Over 5 years $m | Total $m |
| | | | | | | CONSOLIDATED 2022 |
| **Derivative assets** | | | | | | |
| Cross currency swaps | Interest rate | – | 326 | – | – | 326 |
| Interest rate swaps | Interest rate | 176 | 4,299 | 3,370 | 3,132 | 10,977 |
| Commodity forwards and futures | Commodity price | – | – | – | – | – |
| Foreign exchange forwards and swaps | Foreign exchange | – | – | 856 | – | 856 |
| **Derivative liabilities** | | | | | | |
| Cross currency swaps | Interest rate | – | – | 586 | 226 | 812 |
| Interest rate swaps | Interest rate | 646 | 1,508 | 13,285 | 13,261 | 28,700 |
| Commodity forwards and futures | Commodity price | – | – | 856 | – | 856 |
| | | | | | | CONSOLIDATED 2021 |
| **Derivative assets** | | | | | | |
| Cross currency swaps | Interest rate | – | – | 884 | 435 | 1,319 |
| Interest rate swaps | Interest rate | 1,204 | 1,401 | 11,751 | 4,852 | 19,208 |
| Commodity forwards and futures | Commodity price | 1 | 2 | – | – | 3 |
| **Derivative liabilities** | | | | | | |
| Interest rate swaps | Interest rate | 791 | 2,220 | 6,231 | 3,669 | 12,911 |

| | | CONSOLIDATED CARRYING AMOUNT | | | |
|---|---|---|---|---|---|
| | | 2022 | | 2021 | |
| Instrument type | Risk category | Asset $m | Liability $m | Asset $m | Liability $m |
| Cross currency swaps | Interest rate | 4 | 11 | 56 | – |
| Interest rate swaps | Interest rate | 227 | 1,363 | 883 | 351 |
| Commodity forwards and futures | Commodity price | – | 83 | – | – |
| Foreign exchange forwards and swaps | Foreign exchange | 4 | – | – | – |

## Note 35
## Hedge accounting continued

### Hedged item

As the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the following table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of the fair value hedge adjustments remaining in the Statements of financial positions for hedged items that have ceased to be adjusted for hedging gains and losses is $5 million gain (2021: $3 million gain) for the Consolidated Entity and have been included in the fair value hedge adjustment in the table below. These amounts will be amortised to the income statement on an effective interest rate basis.

| | CONSOLIDATED 2022 | | CONSOLIDATED 2021 | |
|---|---|---|---|---|
| | **Carrying amount[1] $m** | **Fair value hedge adjustment $m** | Carrying amount[1] $m | Fair value hedge adjustment $m |
| **Assets** | | | | |
| Financial investments[2] | **365** | **(1)** | 400 | – |
| Loan assets[2] | **3,154** | **(69)** | 7,940 | 50 |
| Property, plant and equipment | **712** | **54** | – | – |
| **Liabilities** | | | | |
| Issued debt securities | **31,690** | **1,067** | 19,874 | (628) |
| Loan capital | **4,097** | **243** | 5,372 | (10) |

### Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item.

| | | CONSOLIDATED | | | | | |
|---|---|---|---|---|---|---|---|
| | | **(LOSS)/GAIN ON HEDGING INSTRUMENT** | | **GAIN/(LOSS) ON HEDGED ITEM** | | **HEDGE INEFFECTIVENESS GAIN/(LOSS)** | |
| Hedging instrument | Risk Category | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m | **2022 $m** | 2021 $m |
| Cross currency swaps | Interest rate | **(25)** | (49) | **25** | 48 | **–** | (1) |
| Interest rate swaps | Interest rate | **(1,774)** | (890) | **1,802** | 936 | **28** | 46 |
| Commodity forwards and futures | Commodity price | **(48)** | (7) | **48** | (2) | **–** | (9) |
| Foreign exchange forwards and swaps | Foreign exchange | **(5)** | – | **5** | – | **–** | – |
| **Total** | | **(1,852)** | (946) | **1,880** | 982 | **28** | 36 |

(1) The carrying amounts in the table above exclude accrued interest and include fair value hedge adjustments.
(2) The carrying amount includes debt instruments classified at fair value through other comprehensive income. Where this applies the fair value hedge adjustment for interest rate risk is recognised in the income statement together with changes in the fair value of the hedging instrument.

## Note 36
## Financial risk management

### Risk Management Group (RMG)

Risk is an integral part of the Consolidated Entity's businesses. The material risks faced by the Consolidated Entity include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately.

RMG is independent of other areas of the Consolidated Entity. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee. Further details on the Risk Management Framework in the Consolidated Entity can be found in the Risk Management Report of this Annual Report.

### Note 36.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

#### Credit risk assessment and approval

Exercise of credit authority within Macquarie is undertaken under authority delegated by the MGL and MBL Boards directly. Credit risk assessment includes a comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required.

Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost. Derivative exposures are measured using high confidence potential future underlying asset prices.

To mitigate credit risk, where appropriate, the Consolidated Entity makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

#### Ratings and reviews

Refer to Note 13 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

For the purpose of presenting the credit risk associated with assets on the Consolidated Entity's Statements of financial position in accordance with the requirements of AASB 9, the following methodology has been adopted:

#### Wholesale rating

Macquarie wholesale ratings broadly correspond to Standard & Poor's credit ratings as follows:

| Credit Profile | Internal Rating | Standard & Poor's Equivalent |
|---|---|---|
| Investment grade | MQ1 to MQ8 | AAA to BBB- |
| Non-investment grade | MQ9 to MQ16 | BB+ to C |
| Default | MQ99 | Default |

#### Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall portfolio presentation and does not reflect the way that the retail portfolio is segmented for management purposes. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

#### Due from subsidiaries

Balances with subsidiaries are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

#### Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

The Consolidated Entity has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount[1] of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

| | Stage I[2] $m | Stage II[2] $m | Stage III[2] $m | Total $m |
|---|---|---|---|---|
| **Investment grade** | | | | CONSOLIDATED 2022 |
| Cash and bank balances | **52,594** | **-** | **-** | **52,594** |
| Cash collateralised lending and reverse repurchase agreements | **41,036** | **-** | **-** | **41,036** |
| Margin money and settlement assets | **20,228** | **-** | **-** | **20,228** |
| Financial investments | **9,741** | **-** | **-** | **9,741** |
| Held for sale and other assets | **3,173** | **-** | **-** | **3,173** |
| Loan assets | **62,612** | **1,855** | **-** | **64,467** |
| Off balance sheet exposures | **2,675** | **-** | **-** | **2,675** |
| **Total investment grade** | **192,059** | **1,855** | **-** | **193,914** |
| **Non-investment grade** | | | | |
| Cash and bank balances | **160** | **-** | **-** | **160** |
| Cash collateralised lending and reverse repurchase agreements | **5,991** | **-** | **-** | **5,991** |
| Margin money and settlement assets | **4,410** | **5** | **-** | **4,415** |
| Financial investments | **204** | **-** | **-** | **204** |
| Held for sale and other assets | **1,527** | **60** | **-** | **1,587** |
| Loan assets | **56,932** | **12,262** | **-** | **69,194** |
| Loans to associates and joint ventures | **160** | **412** | **-** | **572** |
| Off balance sheet exposures | **6,939** | **425** | **-** | **7,364** |
| **Total non-investment grade** | **76,323** | **13,164** | **-** | **89,487** |
| **Default** | | | | |
| Margin money and settlement assets | **-** | **-** | **38** | **38** |
| Held for sale and other assets | **-** | **-** | **157** | **157** |
| Loan assets | **-** | **-** | **1,644** | **1,644** |
| Loans to associates and joint ventures | **-** | **-** | **77** | **77** |
| Off balance sheet exposures | **-** | **-** | **43** | **43** |
| **Total default** | **-** | **-** | **1,959** | **1,959** |
| **Total gross credit risk** | **268,382** | **15,019** | **1,959** | **285,360** |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

(2) For definitions of stage I, II and III, refer to Note 13 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the stage III assets includes the benefit of collateral and other credit enhancements.

## Note 36
**Financial risk management** continued

**Note 36.1 Credit risk** continued

| | Stage I[1] $m | Stage II[1] $m | Stage III[1] $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2022 |
| **Total gross credit risk by ECL stage** | | | | |
| Cash and bank balances | **52,754** | **-** | **-** | **52,754** |
| Cash collateralised lending and reverse repurchase agreements | **47,027** | **-** | **-** | **47,027** |
| Margin money and settlement assets | **24,638** | **5** | **38** | **24,681** |
| Financial investments | **9,945** | **-** | **-** | **9,945** |
| Held for sale and other assets | **4,700** | **60** | **157** | **4,917** |
| Loan assets | **119,544** | **14,117** | **1,644** | **135,305** |
| Loans to associates and joint ventures | **160** | **412** | **77** | **649** |
| Off balance sheet exposures | **9,614** | **425** | **43** | **10,082** |
| **Total gross credit risk ECL by stage** | **268,382** | **15,019** | **1,959** | **285,360** |

Further analysis of credit risk for loan assets, being the Consolidated Entity's most material credit exposure category, is presented below:

| | | | | OF WHICH PAST DUE | | | | |
|---|---|---|---|---|---|---|---|---|
| | Investment grade $m | Non-investment grade $m | Total other than default $m | Up to 30 days $m | 31 to <90 days $m | Total past due but not default $m | Default $m | Total $m |
| | | | | | | | | CONSOLIDATED 2022 |
| Home loans[2] | **53,016** | **41,383** | **94,399** | **491** | **233** | **724** | **544** | **94,943** |
| Asset financing | **2,913** | **7,131** | **10,044** | **238** | **73** | **311** | **293** | **10,337** |
| Corporate, commercial and other lending | **8,538** | **20,680** | **29,218** | **29** | **7** | **36** | **807** | **30,025** |
| **Total[3]** | **64,467** | **69,194** | **133,661** | **758** | **313** | **1,071** | **1,644** | **135,305** |

(1) For definitions of stage I, II and III, refer to Note 13 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the stage III assets includes the benefit of collateral and other credit enhancements.
(2) Includes $9,350 million home loans for which insurance has been obtained from investment grade Lenders Mortgage Insurance (LMI) counterparties and another $32,016 million home loans where the Consolidated Entity has bought risk protection from a panel of investment grade companies via an excess of loss structure. Refer to Note 36.1 *Credit risk* section Collateral and credit enhancements for further details.
(3) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount[1] of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

| | Stage I[2] $m | Stage II[2] $m | Stage III[2] $m | Total $m |
|---|---|---|---|---|
| **Investment grade** | | | | CONSOLIDATED 2021 |
| Cash and bank balances | 18,232 | – | – | 18,232 |
| Cash collateralised lending and reverse repurchase agreements | 23,033 | – | – | 23,033 |
| Margin money and settlement assets | 11,850 | – | – | 11,850 |
| Financial investments | 7,579 | – | – | 7,579 |
| Held for sale and other assets | 1,391 | – | – | 1,391 |
| Loan assets | 47,222 | 1,272 | – | 48,494 |
| Off balance sheet exposures | 3,153 | – | – | 3,153 |
| **Total investment grade** | 112,460 | 1,272 | – | 113,732 |
| **Non-investment grade** | | | | |
| Cash and bank balances | 193 | – | – | 193 |
| Cash collateralised lending and reverse repurchase agreements | 5,739 | – | – | 5,739 |
| Margin money and settlement assets | 1,985 | 5 | – | 1,990 |
| Financial investments | 71 | – | – | 71 |
| Held for sale and other assets | 1,184 | 61 | – | 1,245 |
| Loan assets | 44,354 | 10,849 | – | 55,203 |
| Loans to associates and joint ventures | 264 | 318 | – | 582 |
| Off balance sheet exposures | 4,593 | 728 | – | 5,321 |
| **Total non-investment grade** | 58,383 | 11,961 | – | 70,344 |
| **Default** | | | | |
| Cash and bank balances | – | – | – | – |
| Cash collateralised lending and reverse repurchase agreements | – | – | – | – |
| Margin money and settlement assets | – | – | 296 | 296 |
| Financial investments | – | – | – | – |
| Held for sale and other assets | – | – | 156 | 156 |
| Loan assets | – | – | 2,024 | 2,024 |
| Loans to associates and joint ventures | – | – | 143 | 143 |
| Off balance sheet exposures | – | – | 221 | 221 |
| **Total default** | – | – | 2,840 | 2,840 |
| **Total gross credit risk** | 170,843 | 13,233 | 2,840 | 186,916 |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

(2) For definitions of stage I, II and III, refer to Note 13 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the stage III assets includes the benefit of collateral and other credit enhancements.

## Note 36
**Financial risk management** continued

**Note 36.1 Credit risk** continued

| | Stage I[1] $m | Stage II[1] $m | Stage III[1] $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2021 |
| **Total gross credit risk by ECL stage** | | | | |
| Cash and bank balances | 18,425 | – | – | 18,425 |
| Cash collateralised lending and reverse repurchase agreements | 28,772 | – | – | 28,772 |
| Margin money and settlement assets | 13,835 | 5 | 296 | 14,136 |
| Financial investments | 7,650 | – | – | 7,650 |
| Held for sale and other assets | 2,575 | 61 | 156 | 2,792 |
| Loan assets | 91,576 | 12,121 | 2,024 | 105,721 |
| Loans to associates and joint ventures | 264 | 318 | 143 | 725 |
| Off balance sheet exposures | 7,746 | 728 | 221 | 8,695 |
| Total gross credit risk by ECL stage | 170,843 | 13,233 | 2,840 | 186,916 |

Further analysis of credit risk for loan assets being the Consolidated Entity's most material credit exposure is presented below:

| | Investment grade $m | Non-investment grade $m | Total other than default $m | OF WHICH PAST DUE: Up to 30 days $m | 31 to <90 days $m | Total past due but not default $m | Default $m | Total $m |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | CONSOLIDATED 2021 |
| Home loans[2] | 38,372 | 32,906 | 71,278 | 447 | 166 | 613 | 790 | 72,068 |
| Asset financing | 3,756 | 9,546 | 13,302 | 304 | 60 | 364 | 395 | 13,697 |
| Corporate, commercial and other lending | 6,366 | 12,751 | 19,117 | 56 | 109 | 165 | 839 | 19,956 |
| Total[3] | 48,494 | 55,203 | 103,697 | 807 | 335 | 1,142 | 2,024 | 105,721 |

(1) For definitions of stage I, II and III, refer to Note 44(xxii) *Significant accounting policies*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the stage III assets includes the benefit of collateral and other credit enhancements.
(2) Includes $12,190 million home loans for which insurance has been obtained from investment grade Lenders Mortgage Insurance (LMI) counterparties and another $39,909 million home loans where the Consolidated Entity has bought risk protection from a panel of investment grade companies via an excess of loss structure. Refer to Note 36.1 *Credit risk* section Collateral and credit enhancements for further details.
(3) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

The following table below discloses, by credit rating grades, the gross carrying amount of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Company subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

| | COMPANY 2022 | | COMPANY 2021 | |
|---|---|---|---|---|
| | Stage I $m | Total $m | Stage I $m | Total $m |
| **Investment grade** | | | | |
| Due from subsidiaries | **35,650** | **35,650** | 19,260 | 19,260 |
| Off balance sheet exposures[1] | **4,840** | **4,840** | 4,402 | 4,402 |
| **Total investment grade** | **40,490** | **40,490** | 23,662 | 23,662 |
| **Financial assets by ECL stage** | | | | |
| Due from subsidiaries | **35,650** | **35,650** | 19,260 | 19,260 |
| Off balance sheet exposures[1] | **4,840** | **4,840** | 4,402 | 4,402 |
| **Financial assets by ECL stage** | **40,490** | **40,490** | 23,662 | 23,662 |

(1) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of $7,004 million (2021: $6,270 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

| | Governments $m | Financial Institutions $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2022 |
| **Australia** | | | | |
| Cash and bank balances | – | 40,865 | – | 40,865 |
| Cash collateralised lending and reverse repurchase agreements | – | 4,379 | – | 4,379 |
| Margin money and settlement assets | 39 | 1,778 | 1,054 | 2,871 |
| Financial Investments | – | 4,704 | 1,220 | 5,924 |
| Held for sale and other assets | 15 | 169 | 1,109 | 1,293 |
| Loan assets[1] | 35 | 3,469 | 113,505 | 117,009 |
| Loans to associates and joint ventures | – | – | 1 | 1 |
| Off balance sheet exposures | 28 | 463 | 4,132 | 4,623 |
| Total Australia | 117 | 55,827 | 121,021 | 176,965 |
| **Asia Pacific** | | | | |
| Cash and bank balances | – | 1,483 | 1 | 1,484 |
| Cash collateralised lending and reverse repurchase agreements | – | 3,232 | – | 3,232 |
| Margin money and settlement assets | 12 | 1,836 | 749 | 2,597 |
| Financial Investments | – | 229 | – | 229 |
| Held for sale and other assets | – | 34 | 211 | 245 |
| Loan assets | – | 179 | 289 | 468 |
| Off balance sheet exposures | 5 | 12 | – | 17 |
| Total Asia Pacific | 17 | 7,005 | 1,250 | 8,272 |
| **Europe, Middle East and Africa** | | | | |
| Cash and bank balances | – | 5,602 | – | 5,602 |
| Cash collateralised lending and reverse repurchase agreements | – | 26,814 | – | 26,814 |
| Margin money and settlement assets | 20 | 3,018 | 10,599 | 13,637 |
| Financial Investments | – | 3,571 | – | 3,571 |
| Held for sale and other assets | – | 605 | 1,576 | 2,181 |
| Loan assets | – | 1,563 | 5,169 | 6,732 |
| Loans to associates and joint ventures | – | – | 412 | 412 |
| Off balance sheet exposures | – | 75 | 872 | 947 |
| Total Europe, Middle East and Africa | 20 | 41,248 | 18,628 | 59,896 |

(1) Loan assets in the Australia region includes home loans of $94,447 million, Asset financing of $9,373 million and Corporate, commercial and other lending of $13,189 million.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

| | Governments $m | Financial Institutions $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2022 |
| **Americas** | | | | |
| Cash and bank balances | – | 4,803 | – | 4,803 |
| Cash collateralised lending and reverse repurchase agreements | – | 12,602 | – | 12,602 |
| Margin money and settlement assets | 45 | 2,244 | 3,287 | 5,576 |
| Financial Investments | – | 221 | – | 221 |
| Held for sale and other assets | 2 | 675 | 521 | 1,198 |
| Loan assets | 119 | 3,676 | 7,301 | 11,096 |
| Loans to associates and joint ventures | – | – | 236 | 236 |
| Off balance sheet exposures | 21 | 327 | 4,147 | 4,495 |
| Total Americas | 187 | 24,548 | 15,492 | 40,227 |
| **Total gross credit risk[1]** | 341 | 128,628 | 156,391 | 285,360 |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

## Note 36
**Financial risk management** continued

**Note 36.1 Credit risk** continued

| | Governments $m | Financial Institutions $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2021 |
| **Australia** | | | | |
| Cash and bank balances | – | 11,593 | – | 11,593 |
| Cash collateralised lending and reverse repurchase agreements | – | 2,372 | – | 2,372 |
| Margin money and settlement assets | 13 | 1,941 | 1,088 | 3,042 |
| Financial Investments | 16 | 5,114 | 583 | 5,713 |
| Held for sale and other assets | 15 | 161 | 327 | 503 |
| Loan assets[1] | 45 | 2,818 | 91,467 | 94,330 |
| Loans to associates and joint ventures | – | – | 4 | 4 |
| Off balance sheet exposures | 11 | 549 | 4,469 | 5,029 |
| Total Australia | 100 | 24,548 | 97,938 | 122,586 |
| **Asia Pacific** | | | | |
| Cash and bank balances | – | 2,157 | – | 2,157 |
| Cash collateralised lending and reverse repurchase agreements | – | 1,771 | – | 1,771 |
| Margin money and settlement assets | 136 | 1,011 | 1,591 | 2,738 |
| Financial Investments | – | 571 | – | 571 |
| Held for sale and other assets | – | 24 | 284 | 308 |
| Loan assets | – | – | 311 | 311 |
| Loans to associates and joint ventures | – | – | 14 | 14 |
| Off balance sheet exposures | 5 | 5 | 5 | 15 |
| Total Asia Pacific | 141 | 5,539 | 2,205 | 7,885 |
| **Europe, Middle East and Africa** | | | | |
| Cash and bank balances | – | 1,463 | – | 1,463 |
| Cash collateralised lending and reverse repurchase agreements | – | 15,404 | – | 15,404 |
| Margin money and settlement assets | 22 | 1,982 | 2,519 | 4,523 |
| Financial Investments | – | 900 | – | 900 |
| Held for sale and other assets | 88 | 426 | 675 | 1,189 |
| Loan assets | 4 | 759 | 3,980 | 4,743 |
| Loans to associates and joint ventures | – | 319 | 156 | 475 |
| Off balance sheet exposures | 1 | 84 | 344 | 429 |
| Total Europe, Middle East and Africa | 115 | 21,337 | 7,674 | 29,126 |

(1) Loan assets in the Australia region includes home loans of $71,751 million, Asset financing of $12,433 million and Corporate, commercial and other lending of $10,146 million.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

| | Governments $m | Financial Institutions $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2021 |
| **Americas** | | | | |
| Cash and bank balances | – | 3,212 | – | 3,212 |
| Cash collateralised lending and reverse repurchase agreements | – | 9,225 | – | 9,225 |
| Margin money and settlement assets | 23 | 1,959 | 1,851 | 3,833 |
| Financial Investments | – | 448 | 18 | 466 |
| Held for sale and other assets | 92 | 158 | 542 | 792 |
| Loan assets | 110 | 2,472 | 3,755 | 6,337 |
| Loans to associates and joint ventures | – | – | 232 | 232 |
| Off balance sheet exposures | 3 | 215 | 3,004 | 3,222 |
| Total Americas | 228 | 17,689 | 9,402 | 27,319 |
| **Total gross credit risk**[1] | 584 | 69,113 | 117,219 | 186,916 |

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

| | Due from subsidiaries[1] $m | Off balance sheet exposures[2] $m | Total $m |
|---|---|---|---|
| | | | COMPANY 2022 |
| **Australia** | | | |
| Financial institutions | **32,120** | **174** | **32,294** |
| Other | **3,527** | **133** | **3,660** |
| Total Australia | **35,647** | **307** | **35,954** |
| **Asia Pacific** | | | |
| Financial institutions | **-** | **168** | **168** |
| Other | **2** | **175** | **177** |
| Total Asia Pacific | **2** | **343** | **345** |
| **Europe, Middle East and Africa** | | | |
| Financial institutions | **-** | **332** | **332** |
| Other | **-** | **-** | **-** |
| Total Europe, Middle East and Africa | **-** | **332** | **332** |
| **Americas** | | | |
| Financial institutions | **1** | **3,819** | **3,820** |
| Other | **-** | **40** | **40** |
| Total Americas | **1** | **3,859** | **3,860** |
| **Total gross credit risk** | **35,650** | **4,841** | **40,491** |
| | | | COMPANY 2021 |
| **Australia** | | | |
| Financial institutions | 18,074 | - | 18,074 |
| Other | 1,173 | 232 | 1,405 |
| Total Australia | 19,247 | 232 | 19,479 |
| **Asia Pacific** | | | |
| Financial institutions | 2 | - | 2 |
| Other | 1 | 344 | 345 |
| Total Asia Pacific | 3 | 344 | 347 |
| **Europe, Middle East and Africa** | | | |
| Financial institutions | 2 | - | 2 |
| Other | - | 168 | 168 |
| Total Europe, Middle East and Africa | 2 | 168 | 170 |
| **Americas** | | | |
| Financial institutions | 6 | 488 | 494 |
| Other | 2 | 3,170 | 3,172 |
| Total Americas | 8 | 3,658 | 3,666 |
| **Total gross credit risk** | 19,260 | 4,402 | 23,662 |

(1) Due from subsidiaries have been presented as financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
(2) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of $7,004 million (2021: $6,270 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

| | Governments $m | Financial Institutions $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2022 |
| **Australia** | | | | |
| Trading assets | **2** | **390** | **948** | **1,340** |
| Derivative assets | **5** | **1,806** | **1,863** | **3,674** |
| Held for sale and other assets | **-** | **-** | **76** | **76** |
| Loan assets | **-** | **91** | **61** | **152** |
| Margin money and settlement assets | **-** | **-** | **1** | **1** |
| Loans to associates and joint ventures | **-** | **-** | **3** | **3** |
| Total Australia | **7** | **2,287** | **2,952** | **5,246** |
| **Asia Pacific** | | | | |
| Cash collateralised lending and reverse repurchase agreements | **-** | **1** | **-** | **1** |
| Trading assets | **124** | **366** | **4,091** | **4,581** |
| Margin money and settlement assets | **-** | **-** | **5** | **5** |
| Derivative assets | **86** | **5,212** | **3,033** | **8,331** |
| Financial Investments | **-** | **10** | **6** | **16** |
| Held for sale and other assets | **-** | **-** | **302** | **302** |
| Loan assets | **-** | **-** | **24** | **24** |
| Loans to associates and joint ventures | **-** | **-** | **61** | **61** |
| Total Asia Pacific | **210** | **5,589** | **7,522** | **13,321** |
| **Europe, Middle East and Africa** | | | | |
| Cash collateralised lending and reverse repurchase agreements | **-** | **2,805** | **-** | **2,805** |
| Trading assets | **11** | **102** | **2,849** | **2,962** |
| Derivative assets | **-** | **12,172** | **41,946** | **54,118** |
| Financial investments | **-** | **55** | **1** | **56** |
| Held for sale and other assets | **-** | **-** | **495** | **495** |
| Loan assets | **-** | **32** | **146** | **178** |
| Loans to associates and joint ventures | **-** | **145** | **98** | **243** |
| Total Europe, Middle East and Africa | **11** | **15,311** | **45,535** | **60,857** |
| **Americas** | | | | |
| Cash collateralised lending and reverse repurchase agreements | **-** | **1,364** | **-** | **1,364** |
| Trading assets | **299** | **591** | **581** | **1,471** |
| Margin money and settlement assets | **-** | **121** | **397** | **518** |
| Derivative assets | **93** | **12,529** | **6,146** | **18,768** |
| Financial Investments | **-** | **421** | **226** | **647** |
| Held for sale and other assets | **-** | **-** | **946** | **946** |
| Loan assets | **-** | **-** | **224** | **224** |
| Loans to associates and joint ventures | **-** | **-** | **10** | **10** |
| Total Americas | **392** | **15,026** | **8,530** | **23,948** |
| **Total gross credit risk** | **620** | **38,213** | **64,539** | **103,372** |

## Note 36
**Financial risk management** continued

### Note 36.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

| | Governments $m | Financial Institutions $m | Other $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2021 |
| **Australia** | | | | |
| Trading assets | 3,842 | 1,235 | 5 | 5,082 |
| Derivative assets | 10 | 1,581 | 1,473 | 3,064 |
| Held for sale and other assets | – | | 29 | 29 |
| Loan assets | – | 60 | 69 | 129 |
| Loans to associates and joint ventures | – | 9 | 7 | 16 |
| Total Australia | 3,852 | 2,885 | 1,583 | 8,320 |
| **Asia Pacific** | | | | |
| Cash collateralised lending and reverse repurchase agreements | – | 264 | – | 264 |
| Trading assets | 125 | 18 | 937 | 1,080 |
| Margin money and settlement assets | – | – | 6 | 6 |
| Derivative assets | 41 | 582 | 703 | 1,326 |
| Financial Investments | – | 104 | 3 | 107 |
| Held for sale and other assets | – | – | 335 | 335 |
| Loan assets | – | – | 6 | 6 |
| Total Asia Pacific | 166 | 968 | 1,990 | 3,124 |
| **Europe, Middle East and Africa** | | | | |
| Cash collateralised lending and reverse repurchase agreements | – | 2,203 | – | 2,203 |
| Trading assets | – | 15 | 969 | 984 |
| Derivative assets | 18 | 4,514 | 5,360 | 9,892 |
| Financial Investments | – | 52 | 6 | 58 |
| Held for sale and other assets | – | – | 417 | 417 |
| Loan assets | 38 | – | 208 | 246 |
| Loans to associates and joint ventures | – | – | 20 | 20 |
| Total Europe, Middle East and Africa | 56 | 6,784 | 6,980 | 13,820 |
| **Americas** | | | | |
| Cash collateralised lending and reverse repurchase agreements | – | 5,438 | 4 | 5,442 |
| Trading assets | 403 | 25 | 427 | 855 |
| Margin money and settlement assets | – | – | 326 | 326 |
| Derivative assets | 15 | 4,051 | 2,294 | 6,360 |
| Financial Investments | – | 200 | 67 | 267 |
| Held for sale and other assets | – | – | 532 | 532 |
| Loan assets | – | 1 | 102 | 103 |
| Total Americas | 418 | 9,715 | 3,752 | 13,885 |
| **Total gross credit risk** | 4,492 | 20,352 | 14,305 | 39,149 |

# Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

| | COMPANY 2022 | COMPANY 2021 |
|---|---|---|
| | Due from subsidiaries[1] $m | Due from subsidiaries[1] $m |
| **Australia** | | |
| Financial institutions | **2,347** | 2,424 |
| Other | **502** | 500 |
| Total Australia | **2,849** | 2,924 |
| **Total gross credit risk** | **2,849** | 2,924 |

#### Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (refer to Note 37 *Measurement categories of financial instruments*). For off balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount except for certain usage-based guarantees in which case the maximum exposure is determined with respect to the fair value of the underlying exposure and is disclosed in Note 13 *Expected credit losses*.

#### Collateral and credit enhancements held

**Cash collateralised lending and reverse repurchase agreements**

The Consolidated Entity enters into stock and commodity borrowing and reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements includes:

- securities and commodities borrowed in return for cash, for which the fair value of the securities and commodities borrowed is equal to or less than the cash deposited with the counterparty
- reverse repurchase agreements (collateralised financing arrangements), for which the fair value of the securities and commodities received as collateral is generally in excess of the principal amount
- securities received as collateral in return for the transfer of other securities; and
- securities borrowed on an unsecured basis in return for a fee.

(1) Due from subsidiaries have been presented as Financial Institution and Others based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

The non-cash collateral received is not recognised by the Consolidated Entity in the Statements of financial position, as the risks and rewards of ownership remain with the counterparty. The Consolidated Entity is permitted to sell or repledge the securities and commodities received. In the absence of default by the counterparty, the Consolidated Entity has an obligation to return the non-cash collateral received to the counterparty.

For securities and commodities borrowed in return for cash and reverse repurchase arrangements, the fair value of non-cash collateral received is $51,818 million (2021: $37,149 million) of which the fair value of non cash collateral re-pledged is $7,673 million (2021: $8,796 million).

For securities borrowed in return for other securities, the fair value of the securities received is $8,936 million (2021: $10,260 million).

For securities borrowed on an unsecured basis, the fair value of the securities received is $6,199 million (2021: $3,904 million) of which the fair value of securities repledged is $6,051 million (2021: $3,444 million).

The fair value attributed to non-cash collateral held is judgemental and measured with reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair value are estimated using pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.

Loan assets

Home loans

Macquarie purchases risk protection for its Home Loans portfolio. Prior to 2017 this was in the form of Lenders Mortgage Insurance from a well rated Australian LMI provider. Since then Macquarie has diversified its risk protection coverage to a global panel of reinsurers with diverse lines of business coverage and ratings ranging from AA to A- from external rating agencies. The length of risk protection cover is up to 10 years from the year of origination with the type of cover including excess of loss and quota share.

The following table provides information on the loan to collateral value ratio as determined using loan carrying values and the most recent valuation of the home loan collateral.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Australia $m | EMEA $m | Total $m | Australia $m | EMEA $m | Total $m |
| | | | | | | CONSOLIDATED |
| <=25% | **2,982** | **5** | **2,987** | 2,182 | 5 | 2,187 |
| >25% to 50% | **19,074** | **36** | **19,110** | 13,360 | 56 | 13,416 |
| >50% to 70% | **39,930** | **153** | **40,083** | 29,576 | 176 | 29,752 |
| >70% to 80% | **29,248** | **72** | **29,320** | 22,199 | 65 | 22,264 |
| >80% to 90% | **3,176** | **10** | **3,186** | 3,656 | 14 | 3,670 |
| >90% to 100% | **549** | **1** | **550** | 676 | 5 | 681 |
| Partly collateralised | **34** | **2** | **36** | 30 | 1 | 31 |
| Total home loans | **94,993** | **279** | **95,272** | 71,679 | 322 | 72,001 |

## Note 36
## Financial risk management continued

### Note 36.1 Credit risk continued

#### Asset financing

The Consolidated Entity leases assets and provides asset-related financing, to corporate and retail clients. Titles to the underlying assets are held by the Consolidated Entity as collateral. Of the asset finance portfolio of $10,046 million (2021: $13,354 million), the credit exposure after considering the depreciated value of collateral is $4,355 million (2021: $5,921 million).

#### Corporate, commercial and other lending

Collateral held against corporate, commercial and other lending consists of secured positions over assets of the counterparty, often in the form of corporate assets. Of the term lending of $29,426 million (2021: $19,670 million), the credit exposure after considering the estimated value of collateral and credit enhancements is $4,860 million (2021: $5,382 million).

#### Derivative instruments

Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are referred to as Over the Counter (OTC) derivatives. The Consolidated Entity's and Company's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties.

The Consolidated Entity's approach to financial risk management includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

Refer Note 39 *Offsetting financial assets and financial liabilities* for impact of master netting arrangements and margins and other financial collateral held against the positions as at balance date.

#### Financial investments

Debt securities held by the Consolidated Entity carrying a credit risk are primarily in the nature of bonds, NCDs, floating rate notes (FRN), commercial paper and other debt securities for liquidity management purposes and other securities for short-term gains.

The Consolidated Entity utilises Credit Default Swaps, guarantees, other forms of credit enhancements or collateral in order to minimise the exposure to this credit risk.

#### Settlement assets

Security and commodity settlements of $6,287 million (2021: $7,253 million) and $4,802 million (2021: $2,292 million) respectively presented under margin money and settlement assets, represent amounts owed by an exchange (or a client) for equities, commodities and other securities sold. These assets are collateralised with the underlying securities, commodities or cash held by the Consolidated Entity until the date of settlement. The period between trade and settlement date varies as per regional regulatory and business norms.

#### Other financial assets

Commodity related receivables under other financial assets are normally collateralised with underlying commodity held by the Consolidated Entity until the date of settlement.

#### Credit commitments

Undrawn facilities and lending securities commitments of $6,823 million (2021: $7,210 million) are secured through collateral and credit enhancement out of the total undrawn facilities and lending securities commitments of $15,647 million (2021: $13,695 million).

#### Additional collateral

Apart from collateral details disclosed above, the Consolidated Entity also holds other types of collateral, such as unsupported guarantees. While such mitigants have value as a credit risk mitigant often providing rights in insolvency, their assignable values are uncertain and therefore are assigned no value for disclosure purposes.

For all collaterals, in the event of default realised collateral values may be lower than the value of collateral as at the reporting date.

#### Repossessed collateral

In the event of a customer default, the Consolidated Entity may either take possession of the underlying collateral held as security and/or exercise its right to dispose of the customer's asset. At the reporting date the Consolidated Entity did not have any material amounts of such collateral recognised in its Statements of financial position.

## Note 36
## Financial risk management continued

### Note 36.2 Liquidity risk

#### Governance and oversight

Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee (ALCO) and RMG. Macquarie's liquidity policy is approved by the MGL and MBL Boards after endorsement by the ALCO and liquidity reporting is provided to the Boards on a regular basis. The ALCO includes the MGL CEO, MBL CEO, CFO, CRO, Co-Heads of Group Treasury and Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

#### Liquidity policy and risk appetite

The MGL and MBL liquidity policies are designed so that each of Macquarie, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet its obligations as they fall due. The *MBL Liquidity Policy* outlines the standalone framework for the Bank Group and its principles are consistent with the *MGL Liquidity Policy*. Macquarie's liquidity risk appetite is intended to ensure that Macquarie is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets for MBL, no access to funding markets for MGL and with only a limited reduction in Macquarie's franchise businesses.

Reflecting the longer-term nature of the Non-Bank Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. MBL is an authorised deposit-taking institution and is funded mainly with capital, long-term liabilities and deposits.

#### Liquidity contingency plan

Group Treasury maintains a *Liquidity Contingency Plan*, which outlines how a liquidity crisis would be managed. The plan defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details:

- factors that may constitute a crisis
- the officers responsible for enacting the plan
- a committee of senior executives responsible for managing a crisis
- the information required to effectively manage a crisis
- a communications strategy
- a high level checklist of possible actions to conserve or raise additional liquidity
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

In addition, Macquarie monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The *Liquidity Contingency Plan* is subject to regular review by both Group Treasury and RMG. It is submitted annually to the ALCO and the MGL and MBL Boards for approval.

Macquarie is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the *Liquidity Contingency Plan* contains either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

#### Funding strategy

Macquarie prepares a *Funding Strategy* for both MGL and MBL on an annual basis and monitors progress against the strategy throughout the year.

The *Funding Strategy* aims to maintain Macquarie's diversity of funding sources for MGL and MBL, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The *Funding Strategy* is reviewed by the ALCO and approved by the respective Boards.

#### Scenario analysis

Scenario analysis is central to Macquarie's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie name-specific crises.

These scenarios use a range of assumptions, which Macquarie intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

## Note 36
## Financial risk management continued

### Note 36.2 Liquidity risk continued

#### Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High Quality Liquid Assets, other external Reserve Bank of Australia (RBA) repo eligible securities or Australian assets internally securitised by Macquarie and held as contingent collateral in the RBA's facilities such as the Committed Liquidity Facility – so called 'Alternative Liquid Assets' (ALA). Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio. The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches.

#### Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank and Non-Bank Groups. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. Businesses that raise funding are compensated at a level that is appropriate for the liquidity benefit provided by the funding.

#### Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Consolidated Entity's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported in the Statements of financial position at the balance date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of the expected cash flows as indicated by the Consolidated Entity's deposit retention history since the Consolidated Entity expects that many customers will not request repayment on the earliest date the Consolidated Entity could be required to pay.

## Note 36
## Financial risk management continued

### Note 36.2 Liquidity risk continued

**Contractual undiscounted cash flows**

| | Statements of financial position carrying value $m | On demand $m | 0 to 3 months $m | 3 to 12 months $m | 1 to 5 years $m | More than 5 years $m | Total $m |
|---|---|---|---|---|---|---|---|
| | | | | | | | CONSOLIDATED 2022 |
| Cash collateralised borrowing and repurchase agreements[1] | **16,947** | **55** | **5,479** | **142** | **11,297** | **–** | **16,973** |
| Trading liabilities[2] | **5,290** | **–** | **5,290** | **–** | **–** | **–** | **5,290** |
| Margin money and settlement liabilities | **27,158** | **16,288** | **10,323** | **547** | **–** | **–** | **27,158** |
| Derivative liabilities (trading)[2] | **82,683** | **–** | **82,683** | **–** | **–** | **–** | **82,683** |
| Derivative liabilities (hedge accounting relationships)[3] | **1,781** | | | | | | |
| Contractual amount payable | | **–** | **504** | **543** | **2,487** | **1,432** | **4,966** |
| Contractual amount receivable | | **–** | **(480)** | **(392)** | **(1,110)** | **(1,033)** | **(3,015)** |
| Deposits | **101,667** | **93,082** | **5,220** | **3,116** | **311** | **20** | **101,749** |
| Held for sale and other liabilities[4] | **4,767** | **509** | **2,430** | **986** | **815** | **79** | **4,819** |
| Borrowings | **13,896** | **450** | **2,472** | **284** | **7,530** | **4,111** | **14,847** |
| Issued debt securities[5] | **99,527** | **–** | **19,282** | **25,716** | **28,053** | **36,784** | **109,835** |
| Loan capital[6] | **9,513** | **–** | **86** | **284** | **2,357** | **8,954** | **11,681** |
| Total | **363,229** | **110,384** | **133,289** | **31,226** | **51,740** | **50,347** | **376,986** |
| Contingent liabilities | | **–** | **2,295** | **–** | **–** | **–** | **2,295** |
| Commitments | | **8,309** | **1,468** | **1,440** | **4,066** | **2,813** | **18,096** |
| **Total undiscounted contingent liabilities and commitments[7]** | | **8,309** | **3,763** | **1,440** | **4,066** | **2,813** | **20,391** |

(1) Includes the Term Funding Facility (TFF) provided by the RBA.
(2) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(3) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.
(4) Excludes non-contractual accruals and provisions.
(5) Includes $13,380 million payables to SE note holders disclosed on a contractual maturity basis. The expected maturity of the notes is dependent on the repayment of the underlying loans included in the loan assets.
(6) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(7) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand, or the contractual terms specify a longer dated cash flow.

## Note 36
## Financial risk management continued

### Note 36.2 Liquidity risk continued

| | Statements of financial position carrying value $m | On demand $m | 0 to 3 months $m | 3 to 12 months $m | 1 to 5 years $m | More than 5 years $m | Total $m |
|---|---|---|---|---|---|---|---|
| | | | | | | | CONSOLIDATED 2021 |
| Cash collateralised borrowing and repurchase agreements[1] | 4,542 | 487 | 2,183 | 147 | 1,747 | – | 4,564 |
| Trading liabilities[2] | 6,205 | – | 6,205 | – | – | – | 6,205 |
| Margin money and settlement liabilities | 22,124 | 13,029 | 8,464 | 631 | – | – | 22,124 |
| Derivative liabilities (trading)[2] | 16,804 | – | 16,804 | – | – | – | 16,804 |
| Derivative liabilities (hedge accounting relationships)[3] | 775 | | | | | | – |
| Contractual amount payable | | – | 1,071 | 2,872 | 2,256 | 171 | 6,370 |
| Contractual amount receivable | | – | (999) | (2,630) | (1,951) | – | (5,580) |
| Deposits | 84,199 | 74,903 | 6,070 | 3,002 | 230 | 9 | 84,214 |
| Held for sale and other liabilities[4] | 2,641 | 522 | 1,021 | 499 | 566 | 108 | 2,716 |
| Borrowings | 9,817 | 410 | 1,267 | 562 | 7,702 | 451 | 10,392 |
| Issued debt securities[5] | 60,980 | 121 | 9,495 | 10,261 | 24,750 | 22,111 | 66,738 |
| Loan capital[6] | 9,423 | – | 1,197 | 242 | 4,557 | 5,393 | 11,389 |
| **Total** | 217,510 | 89,472 | 52,778 | 15,586 | 39,857 | 28,243 | 225,936 |
| Contingent liabilities | | – | 2,424 | – | – | – | 2,424 |
| Commitments | | 5,307 | 4,469 | 837 | 4,139 | 1,535 | 16,287 |
| **Total undiscounted contingent liabilities and commitments[7]** | | 5,307 | 6,893 | 837 | 4,139 | 1,535 | 18,711 |

(1) Includes the TFF provided by the RBA.
(2) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(3) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosures requirements.
(4) Excludes non-contractual accruals and provisions.
(5) Includes $9,994 million payables to SE note holders disclosed on a contractual maturity basis. The expected maturity of the notes is dependent on the repayment of the underlying loans included in the loan assets.
(6) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(7) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand or the contractual terms specify a longer dated cash flow.

## Note 36
**Financial risk management** continued

**Note 36.2 Liquidity risk** continued

| | Statements of financial position carrying value $m | On demand $m | 0 to 3 months $m | 3 to 12 months $m | 1 to 5 years $m | More than 5 years $m | Total $m |
|---|---|---|---|---|---|---|---|
| | | | | | | | COMPANY 2022 |
| Derivative liabilities (trading)[1] | 6 | – | 6 | – | – | – | 6 |
| Deposits | 35 | – | 9 | 27 | – | – | 36 |
| Other liabilities[2] | 17 | 17 | – | – | – | – | 17 |
| Borrowings | 6,280 | – | 25 | 73 | 3,084 | 3,640 | 6,822 |
| Due to subsidiaries | 3,084 | 2,006 | 1,078 | – | – | – | 3,084 |
| Issued debt securities | 25,638 | – | 460 | 490 | 10,841 | 17,787 | 29,578 |
| Loan capital[3] | 2,612 | – | 22 | 66 | 326 | 2,559 | 2,973 |
| **Total** | 37,672 | 2,023 | 1,600 | 656 | 14,251 | 23,986 | 42,516 |
| Contingent liabilities | | – | 4,840 | – | – | – | 4,840 |
| Commitments | | – | 186 | 657 | 631 | – | 1,474 |
| **Total undiscounted contingent liabilities and commitments[4]** | | – | 5,026 | 657 | 631 | – | 6,314 |
| | | | | | | | COMPANY 2021 |
| Derivative liabilities (trading)[1] | 1 | – | 1 | – | – | – | 1 |
| Deposits | 46 | – | 6 | 6 | 36 | – | 48 |
| Other liabilities[2] | 19 | 18 | 1 | – | – | – | 19 |
| Borrowings | 5,821 | – | 7 | 19 | 6,134 | – | 6,160 |
| Due to subsidiaries | 1,695 | 1,095 | 589 | – | 6 | 5 | 1,695 |
| Issued debt securities | 13,232 | 1 | 184 | 503 | 6,367 | 7,944 | 14,999 |
| Loan capital[3] | 2,606 | – | 22 | 63 | 1,297 | 1,675 | 3,057 |
| **Total** | 23,420 | 1,114 | 810 | 591 | 13,840 | 9,624 | 25,979 |
| Contingent liabilities | | – | 4,402 | – | – | – | 4,402 |
| Commitments | | – | 69 | 230 | 1,314 | – | 1,613 |
| **Total undiscounted contingent liabilities and commitments[4]** | | – | 4,471 | 230 | 1,314 | – | 6,015 |

(1) Derivative liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(2) Excludes items that are non-contractual accruals and provisions.
(3) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(4) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand or the contractual terms specify a longer dated cash flow.

## Note 36
## Financial risk management continued

### Note 36.3 Market risk

Traded market risk

Market risk is the risk of adverse changes in the value of the Consolidated Entity's trading positions as a result of changes in market conditions. The Consolidated Entity is exposed to the following risks:

- **price:** The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **volatility:** The risk of loss due to changes in the volatility of a risk factor
- **basis:** Risk of imperfect correlation between offsetting investments in a hedging strategy
- **correlation:** Risk that the actual correlation between two assets or variables is different from the assumed correlation
- **illiquid market:** Risk of inability to sell assets or close out positions in thinly-traded markets at close to the last market prices
- **concentration:** Risk of over concentration of trading exposures in certain markets and products
- **valuation adjustments:** Risk of actual valuation adjustments to derivative positions; specifically Credit Valuation Adjustment, Debit Valuation Adjustment and Funding Valuation Adjustment (FVA).

It is recognised that all trading activities contain calculated elements of risk taking. The Consolidated Entity is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis. RMG monitors positions within the Consolidated Entity according to a limit structure which sets limits for all exposures in all markets.

Limits are for both individual trading desks and divisions as well as in aggregate.

RMG sets three complementary limit structures:

- **contingent loss limits:** Worst case scenarios that shock prices and volatilities by more than that which has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlations between markets is applied
- **position limits:** Volume, maturity and open position limits are set on a large number of market instruments and securities in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions
- **Value-at-Risk (VaR) limits:** A statistical measure based on a 10-day holding period and a 99% confidence level, as stipulated by the APRA capital adequacy standard. The model is validated daily by back testing a one-day VaR against hypothetical and actual daily trading profit or loss.

## Note 36
## Financial risk management continued

### Note 36.3 Market risk continued

Value-at-Risk figures (1-day, 99% confidence level)

The table below shows the average, maximum and minimum VaR over the financial year for the major markets in which the Consolidated Entity operates. The VaR shown in the table is based on a one-day holding period being the mark-to-market loss that could be incurred over that period. The aggregated VaR is on a correlated basis.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Average $m | Maximum $m | Minimum $m | Average $m | Maximum $m | Minimum $m |
| Equities | **3.56** | **5.57** | **1.87** | 4.19 | 15.62 | 2.66 |
| Interest rates | **3.57** | **6.48** | **2.20** | 4.91 | 8.07 | 3.25 |
| Foreign exchange and bullion | **1.77** | **4.15** | **0.77** | 2.28 | 4.00 | 1.21 |
| Commodities[1] | **36.47** | **65.56** | **19.12** | 22.21 | 45.20 | 12.03 |
| Aggregate | **37.25** | **66.91** | **19.30** | 24.45 | 46.72 | 12.72 |

#### Value-at-Risk

The VaR model uses a Monte Carlo simulation to generate normally distributed price and volatility paths, based on three years of historical data. The following factors can limit the effectiveness of VaR in predicting future price moves:

- the use of historical data means that the current model parameters may not reflect future market conditions especially when entering a period of heightened volatility. The model utilises exponential weighting to place emphasis on the most recent market movements to more accurately reflect current conditions
- VaR focuses on unexceptional price moves so that it does not account for losses that could occur beyond the 99% level of confidence.

For capital adequacy purposes, debt-specific risk is measured using APRA's standard method, whilst all other exposures are captured by the VaR model. This combined approach has been approved by APRA and is subject to periodic review.

#### Non-traded market risk

The Consolidated Entity has exposure to non-traded market risks arising from transactions entered into during its normal course of business and as a result of its investments in foreign operations. These risks include:

- **interest rate:** Changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes
- **foreign exchange:** Changes in the spot exchange rates.

The Consolidated Entity has limited appetite for non-traded market risks. Where commercially feasible, these risks are transferred into the trading books of CGM and Group Treasury and governed within the traded market risk framework described above. Responsibility for managing exposures rests with individual businesses, with additional central monitoring from FMG for foreign exchange risks. Any residual non-traded market risks are subject to independent limits approved by RMG and reported regularly to Senior Management.

Where foreign exchange exposures arise as a result of investments in foreign operations, a key objective of the Consolidated Entity's *Non-traded market risk policy* is to reduce the sensitivity of regulatory capital ratios to foreign currency movements. This is achieved by leaving specific investments in core foreign operations exposed to foreign currency translation movements and captured in the foreign currency translation reserve, a component of regulatory capital. This aligns the currency of capital supply with capital requirements.

As a result of this policy, the Consolidated Entity is therefore partially exposed to currency risk in relation to the translation of its net investment in foreign operations to Australian dollars. Apart from this there is no material non-trading foreign exchange risk.

#### Accounting considerations arising from hedging activities

The use of derivative and other financial instruments to hedge non-traded positions potentially gives rise to income statement volatility due to difference in accounting treatments. The Consolidated Entity manages this through hedge accounting as set out in Note 44(x) *Derivative instruments and hedging activities* and Note 35 *Hedge accounting*.

(1) Includes commodity contracts.

## Note 36
## Financial risk management continued

### Note 36.3 Market risk continued

#### Interest rate risk- Interest Rate Benchmark Reform (IBOR)

During 2018, the Consolidated Entity initiated a group-wide project, sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARRs. A group-wide steering committee was established with its key responsibility being the governance of the project and comprised of senior executives from the Consolidated Entity's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance.

In addition to the project's progress outlined in Consolidated Entity's annual and interim financial statements for previous periods, the project achieved several important milestones for the period ended 31 March 2022 including that the Consolidated Entity:

- has successfully transitioned all contracts referencing LIBORs that ceased publication on 31 December 2021. Some so called 'tough legacy' contracts (retail mortgages) continue to reference synthetic GBP LIBOR. The use of synthetic LIBOR is expected to be temporary and transition efforts to cease using synthetic GBP LIBOR will continue in 2022
- is transacting across a broad range of ARR currencies and products, supported by changes to key systems and processes.
- ceased using USD LIBOR in new contracts after 31 December 2021 aside from exceptional use cases
- transitioned its internal USD LIBOR, EURIBOR and CDOR funding to Secured overnight financing rate (SOFR), Euro Short-Term Rate (ESTR) and Canadian Overnight Repo Rate Average (CORRA) respectively, and re-hedged external funding exposures to the relevant currency ARR, given sufficient liquidity in the relevant markets
- has transitioned all hedge accounting relationships impacted by IBOR cessation except for a small number of USD LIBOR positions which will mature prior to cessation.

Given progress in recent years, including the recent achievements outlined above, there has been a significant reduction in the remaining LIBOR transition effort and risks. The key remaining task is to work with clients and counterparties to transition legacy USD LIBOR contracts, or ensure these contracts contain robust fallbacks, to ARRs before USD LIBOR publication ceases on 30 June 2023. Whilst the transition of legacy USD LIBOR contracts exposes the Consolidated Entity to risks, including those outlined below, from 1 April 2022, the Consolidated Entity's IBOR transition governance model was decentralised, under which central oversight reduced and parameters were established for the operating groups to deliver appropriate outcomes for the remainder of the LIBOR transition effort and risks.

Macquarie has identified the following four inherent risks arising from transition of legacy USD LIBOR contracts:

- **financial risk:** This includes (i) value transfers during transition to ARRs, or triggering of fallback terms and default interest payment terms, (ii) basis risk from products and currencies moving at different times, (iii) change in accounting treatment impacts including hedge accounting, capital, tax and reported earnings, and (iv) loss in revenue/market share from not being ready to participate in ARR markets
- **conduct risk:** This includes (i) real or perceived benefit of information asymmetry between financial institutions and clients during transition, (ii) real or perceived unfair treatment of clients during transition, and (iii) market participants attempt to influence ARRs during transition or misconduct in markets where there is insufficient liquidity
- **legal risk:** This includes (i) client disputes over amendment terms, (ii) litigation from clients and counterparties (including potential class actions) due to inappropriate/unenforceable contractual terms or losses from transition
- **operational risk:** This includes (i) infrastructure and processes that result in errors upon transition, and (ii) reduced model accuracy due to lack of historical data.

Whilst IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity, they have not resulted in changes to the Consolidated Entity's risk management strategy and these risks are managed within the existing risk management framework.

**Exposure yet to be transitioned to ARRs:** Notional value information relating to the Consolidated Entity's financial instruments which are yet to transition to ARRs as at the reporting date includes:

- **derivatives:** Derivatives exposure of $71,853 million in USD LIBOR and $79 million in other currencies. The exposure at 31 March 2021 was in USD LIBOR ($51,057 million), GBP LIBOR ($25,857 million), JPY LIBOR ($728 million) and other currencies ($129 million)
- **non-derivative financial assets:** Non-Derivative financial assets exposure of $8,762 million in USD LIBOR and $432 million in other currencies. The exposure at 31 March 2021 was in USD LIBOR ($5,234 million), GBP LIBOR ($904 million) and other currencies ($48 million)
- **non-derivative financial liabilities:** Non-Derivative financial liabilities exposure of $11,277 million in USD LIBOR. The exposure at 31 March 2021 was in USD LIBOR, ($13,839 million) and GBP LIBOR ($1,882 million).

## Note 36
## Financial risk management continued

### Note 36.3 Market risk continued

The scope of the above-mentioned exposures has been determined as follows:

- the benchmark will be replaced, and the replacement date is known. Only exposures with contractual maturities extending beyond the replacement date have been included
- the gross notional values of both on-balance sheet and off-balance sheet exposures have been included
- for contracts that reference more than one benchmark, such as a cross currency swap, the exposure includes both benchmarks to reflect the absolute exposure to different reference rates
- exposures to benchmarks which are not subject to mandatory replacement such as BBSW (Australia), EURIBOR (Euro) and certain tenors of CDOR (Canada), will be considered in scope when the Consolidated Entity makes a determination that the client and counterparty exposures in such benchmarks are required to be transitioned to ARR as a consequence of IBOR reform. This determination is primarily impacted by market demand and the level of liquidity in respective benchmarks and products.
- derivative contracts of $13,419 million designated in hedge accounting relationships have synthetically transitioned from USD LIBOR to SOFR and have been excluded.

#### Foreign currency risk

The Consolidated Entity is active in various currencies globally. The net investment in foreign operations generates capital requirements in foreign currencies and results in sensitivity of the capital ratio to movements in the Australian dollar rate against various foreign currencies. The Consolidated Entity hedges this exposure by leaving specific investments in foreign operations exposed to foreign currency translation movements, which aligns the currency of capital supply with capital requirements. Refer to Note 44(x) *Derivative instruments and hedging activities* and Note 35 *Hedge accounting* for details regarding the application of hedge accounting to the Consolidated Entity's net investment in foreign operations.

The sensitivity of the Consolidated Entity net investment in foreign operations to the most material currencies after considering related hedges is presented in the table below.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Movement in exchange rates %** | **Sensitivity of other comprehensive income after tax $m** | Movement in exchange rates % | Sensitivity of other comprehensive income after tax $m |
| | | | | **CONSOLIDATED** |
| United States dollar | **+10** | **(877)** | +10 | (633) |
| Pound sterling | **+10** | **(125)** | +10 | (91) |
| Euro | **+10** | **(67)** | +10 | (49) |
| Canadian dollar | **+10** | **(15)** | +10 | (18) |
| **Total** | | **(1,084)** | | (791) |
| | | | | |
| United States dollar | **-10** | **1,071** | -10 | 773 |
| Pound sterling | **-10** | **154** | -10 | 112 |
| Euro | **-10** | **81** | -10 | 60 |
| Canadian dollar | **-10** | **18** | -10 | 22 |
| **Total** | | **1,324** | | 967 |

## Note 36
## Financial risk management continued

### Note 36.3 Market risk continued

Equity price risk

The table below indicates the equity markets to which the Consolidated Entity had significant exposure as at 31 March on its non-trading investment portfolio. This excludes interests in associates and joint ventures. The effect on the income statement due to a reasonably possible change in equity prices, with all other variables held constant, is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Geographic region** | **Movement in equity price %** | **Sensitivity of profit after tax $m** | Movement in equity price % | Sensitivity of profit after tax $m |
| | | | | CONSOLIDATED |
| **Listed** | **+10** | **15** | +10 | 15 |
| Americas | **+10** | **7** | +10 | 10 |
| Australia | **+10** | **6** | +10 | 3 |
| Europe, Middle East and Africa | **+10** | **1** | +10 | 1 |
| Asia Pacific | **+10** | **1** | +10 | 1 |
| | | | | |
| **Unlisted** | **+10** | **78** | +10 | 84 |
| Australia | **+10** | **50** | +10 | 54 |
| Americas | **+10** | **12** | +10 | 15 |
| Europe, Middle East and Africa | **+10** | **10** | +10 | 11 |
| Asia Pacific | **+10** | **6** | +10 | 4 |
| **Total** | | **93** | | 99 |
| | | | | |
| **Listed** | **-10** | **(15)** | -10 | (15) |
| Americas | **-10** | **(7)** | -10 | (10) |
| Australia | **-10** | **(6)** | -10 | (3) |
| Europe, Middle East and Africa | **-10** | **(1)** | -10 | (1) |
| Asia Pacific | **-10** | **(1)** | -10 | (1) |
| | | | | |
| **Unlisted** | **-10** | **(78)** | -10 | (84) |
| Australia | **-10** | **(50)** | -10 | (54) |
| Americas | **-10** | **(12)** | -10 | (15) |
| Europe, Middle East and Africa | **-10** | **(10)** | -10 | (11) |
| Asia Pacific | **-10** | **(6)** | -10 | (4) |
| **Total** | | **(93)** | | (99) |

## Note 37
### Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The descriptions of measurement categories are included in Note 44(vii) *Financial instruments.*

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 38 *Fair value of assets and liabilities.*

| | FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE | | | | | | | FAIR VALUE OF ITEMS CARRIED AT | |
|---|---|---|---|---|---|---|---|---|---|
| | HFT | DFVTPL | FVTPL | FVOCI | Amortised cost | Non-financial instruments | Statements of financial position total | Fair value | Amortised cost |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| | | | | | | | | | CONSOLIDATED 2022 |
| **Assets** | | | | | | | | | |
| Cash and bank balances | - | - | - | - | 52,754 | - | 52,754 | - | 52,754 |
| Cash collateralised lending and reverse repurchase agreements | - | - | 4,170 | 35,872 | 11,155 | - | 51,197 | 40,042 | 11,155 |
| Trading assets[1] | 10,354 | - | - | - | - | 3,224 | 13,578 | 13,578 | - |
| Margin money and settlement assets | - | - | 524 | - | 24,584 | - | 25,108 | 524 | 24,584 |
| Derivative assets[2] | 84,217 | - | 674 | - | - | - | 84,891 | 84,891 | - |
| Financial investments: | | | | | | | | | |
| Equity | - | - | 1,502 | - | - | - | 1,502 | 1,502 | - |
| Debt | - | - | 719 | 9,902 | 4 | - | 10,625 | 10,621 | 4 |
| Held for sale and other assets[1] | - | 1,665 | 154 | 9 | 4,180 | 3,921 | 9,929 | 2,631 | 4,180 |
| Loan assets[3] | - | 78 | 500 | 244 | 133,922 | - | 134,744 | 822 | 134,251 |
| Interests in associates and joint ventures: | | | | | | | | | |
| Equity interests | - | - | - | - | - | 3,504 | 3,504 | - | - |
| Loans to associates and joint ventures[3] | - | - | 317 | 42 | 510 | - | 869 | 359 | 569 |
| Property, plant and equipment and right-of-use assets[3] | - | - | - | - | - | 5,143 | 5,143 | - | - |
| Intangible assets | - | - | - | - | - | 3,780 | 3,780 | - | - |
| Deferred tax assets | - | - | - | - | - | 1,552 | 1,552 | - | - |
| **Total assets** | 94,571 | 1,743 | 8,560 | 46,069 | 227,109 | 21,124 | 399,176 | 154,970 | 227,497 |
| **Liabilities** | | | | | | | | | |
| Cash collateralised borrowing and repurchase agreements | - | 241 | - | - | 16,706 | - | 16,947 | 241 | 16,706 |
| Trading liabilities | 5,290 | - | - | - | - | - | 5,290 | 5,290 | |
| Margin money and settlement liabilities | - | - | - | - | 27,158 | - | 27,158 | - | 27,158 |
| Derivative liabilities[2] | 82,683 | - | 1,781 | - | - | - | 84,464 | 84,464 | - |
| Deposits | - | - | - | - | 101,667 | - | 101,667 | - | 101,683 |
| Held for sale and other liabilities[4] | - | 1,132 | 129 | - | 3,506 | 6,925 | 11,692 | 1,261 | 2,920 |
| Borrowings | - | - | - | - | 13,896 | - | 13,896 | - | 13,939 |
| Issued debt securities[3] | - | 2,503 | - | - | 97,024 | - | 99,527 | 2,503 | 96,839 |
| Deferred tax liabilities | - | - | - | - | - | 216 | 216 | - | - |
| Loan capital[3] | - | - | - | - | 9,513 | - | 9,513 | - | 9,767 |
| **Total liabilities** | 87,973 | 3,876 | 1,910 | - | 269,470 | 7,141 | 370,370 | 93,759 | 269,012 |

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell. Non-financial assets under 'Held for sale and other assets' represents fee-related contract assets, prepayments, tax receivables, inventory held for sale, investment properties along with equity interests in associates and joint ventures those have been classified as held for sale.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL. Further detail regarding the carrying amount of hedging instruments is included in Note 35 *Hedge accounting.*
(3) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risks.
(4) Non-financial liabilities primarily represent non-financial liabilities of disposal groups classified as held for sale and other liabilities that include accrued charges, employee related provisions, retained director profit share, tax payables and income received in advance. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

## Note 37
## Measurement categories of financial instruments continued

| | FINANCIAL INSTRUMENTS CARRIED AT | | | | | | Statements of financial position total | FAIR VALUE OF ITEMS CARRIED AT | |
|---|---|---|---|---|---|---|---|---|---|
| | FAIR VALUE | | | | Amortised cost | Non-financial instruments | | Fair value | Amortised cost |
| | HFT $m | DFVTPL $m | FVTPL $m | FVOCI $m | $m | $m | $m | $m | $m |
| CONSOLIDATED 2021 | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Cash and bank balances | – | – | – | – | 18,425 | – | 18,425 | – | 18,425 |
| Cash collateralised lending and reverse repurchase agreements | – | – | 7,909 | 19,488 | 9,284 | – | 36,681 | 27,397 | 9,284 |
| Trading assets[1] | 14,758 | – | – | – | – | 6,988 | 21,746 | 21,746 | – |
| Margin money and settlement assets | – | – | 332 | – | 14,065 | – | 14,397 | 332 | 14,065 |
| Derivative assets[2] | 19,479 | – | 1,163 | – | – | – | 20,642 | 20,642 | – |
| Financial investments: | | | | | | | | | |
| Equity | – | – | 1,442 | – | – | – | 1,442 | 1,442 | – |
| Debt | – | – | 432 | 7,674 | 18 | – | 8,124 | 8,106 | 18 |
| Held for sale and other assets[1] | – | 1,266 | 57 | 6 | 2,297 | 2,659 | 6,285 | 1,676 | 2,297 |
| Loan assets[3] | – | 64 | 420 | 269 | 104,273 | – | 105,026 | 753 | 105,024 |
| Interests in associates and joint ventures: | | | | | | | | | |
| Equity interests | – | – | – | – | – | 3,562 | 3,562 | – | – |
| Loans to associates and joint ventures[3] | – | – | 36 | 60 | 536 | – | 632 | 96 | 538 |
| Property, plant and equipment and right-of-use assets | – | – | – | – | – | 4,676 | 4,676 | – | – |
| Intangible assets | – | – | – | – | – | 2,543 | 2,543 | – | – |
| Deferred tax assets | – | – | – | – | – | 1,472 | 1,472 | – | – |
| **Total assets** | 34,237 | 1,330 | 11,791 | 27,497 | 148,898 | 21,900 | 245,653 | 82,190 | 149,651 |
| **Liabilities** | | | | | | | | | |
| Cash collateralised borrowing and repurchase agreements | – | 345 | – | – | 4,197 | – | 4,542 | 345 | 4,197 |
| Trading liabilities | 6,205 | – | – | – | – | – | 6,205 | 6,205 | – |
| Margin money and settlement liabilities | – | – | – | – | 22,124 | – | 22,124 | – | 22,124 |
| Derivative liabilities[2] | 16,804 | – | 775 | – | – | – | 17,579 | 17,579 | – |
| Deposits | – | – | – | – | 84,199 | – | 84,199 | – | 84,217 |
| Held for sale and other liabilities[4] | – | 605 | – | – | 2,036 | 5,588 | 8,229 | 605 | 1,230 |
| Borrowings | – | – | – | – | 9,817 | – | 9,817 | – | 9,867 |
| Issued debt securities[3] | – | 2,722 | – | – | 58,258 | – | 60,980 | 2,722 | 59,526 |
| Deferred tax liabilities | – | – | – | – | – | 204 | 204 | – | – |
| Loan capital[3] | – | – | – | – | 9,423 | – | 9,423 | – | 9,829 |
| **Total liabilities** | 23,009 | 3,672 | 775 | – | 190,054 | 5,792 | 223,302 | 27,456 | 190,990 |

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell. Non-financial asset under 'Held for sale and other assets' includes fee-related contract assets, prepayments, tax receivables, inventory held for sale, investment properties along with equity interests in associates and joint ventures those have been classified as held for sale.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL. Further detail regarding the carrying amount of hedging instruments is included in Note 35 *Hedge accounting*.
(3) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risks.
(4) Non-financial liabilities primarily represent non-financial liabilities of disposal groups classified as held for sale and other liabilities that include accrued charges, employee related provisions, retained director profit share, tax payables and income received in advance. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

## Note 37
### Measurement categories of financial instruments continued

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The descriptions of measurement categories are included in Note 44(vii) *Financial instruments.*

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 38 *Fair value of assets and liabilities.*

| | FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE | | | | | | | FAIR VALUE OF ITEMS CARRIED AT | |
|---|---|---|---|---|---|---|---|---|---|
| | HFT $m | DFVTPL $m | FVTPL $m | FVOCI $m | Amortised cost $m | Non-financial instruments $m | Statements of financial position total $m | Fair value $m | Amortised cost $m |
| | | | | | | | | | COMPANY 2022 |
| **Assets** | | | | | | | | | |
| Derivative assets | **1** | **–** | **–** | **–** | **–** | **–** | **1** | **1** | **–** |
| Other assets | **–** | **–** | **–** | **–** | **10** | **18** | **28** | **–** | **10** |
| Due from subsidiaries[1] | **212** | **–** | **2,637** | **–** | **35,620** | **122** | **38,591** | **2,849** | **35,620** |
| Investments in subsidiaries | **–** | **–** | **–** | **–** | **–** | **32,449** | **32,449** | **–** | **–** |
| **Total assets** | **213** | **–** | **2,637** | **–** | **35,630** | **32,589** | **71,069** | **2,850** | **35,630** |
| **Liabilities** | | | | | | | | | |
| Derivative liabilities | **6** | **–** | **–** | **–** | **–** | **–** | **6** | **6** | **–** |
| Deposits | **–** | **–** | **–** | **–** | **35** | **–** | **35** | **–** | **35** |
| Other liabilities[2] | **–** | **–** | **–** | **–** | **17** | **194** | **211** | **–** | **17** |
| Borrowings | **–** | **–** | **–** | **–** | **6,280** | **–** | **6,280** | **–** | **6,280** |
| Due to subsidiaries[3] | **564** | **–** | **–** | **–** | **2,520** | **548** | **3,632** | **564** | **2,520** |
| Issued debt securities | **–** | **918** | **–** | **–** | **24,720** | **–** | **25,638** | **918** | **24,720** |
| Deferred tax liabilities | **–** | **–** | **–** | **–** | **–** | **21** | **21** | **–** | **–** |
| Loan capital | **–** | **–** | **–** | **–** | **2,612** | **–** | **2,612** | **–** | **2,612** |
| **Total liabilities** | **570** | **918** | **–** | **–** | **36,184** | **763** | **38,435** | **1,488** | **36,184** |

(1) Due from subsidiaries includes derivatives and trading positions classified as HFT and subordinated loan to subsidiaries classified as FVTPL. All other intercompany receivables are carried at amortised cost. Non-financial receivables primarily represent internal tax balances.
(2) Non-financial liabilities primarily represents provisions for tax payable and MEREP related obligations.
(3) Due to subsidiaries includes derivatives and trading positions classified as held for trading; employee stock option related obligations and tax payables classified as non-financial liabilities. All other intercompany payables are carried at amortised cost.

## Note 37
## Measurement categories of financial instruments continued

| | FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE | | | | | | | FAIR VALUE OF ITEMS CARRIED AT | |
|---|---|---|---|---|---|---|---|---|---|
| | HFT $m | DFVTPL $m | FVTPL $m | FVOCI $m | Amortised cost $m | Non-financial instruments $m | Statements of financial position total $m | Fair value $m | Amortised cost $m |
| | | | | | | | | | COMPANY 2021 |
| **Assets** | | | | | | | | | |
| Derivative assets | 2 | – | – | – | – | – | 2 | 2 | – |
| Other assets | – | – | – | – | – | 54 | 54 | – | – |
| Due from subsidiaries[1] | 293 | – | 2,631 | – | 19,242 | 61 | 22,227 | 2,924 | 19,242 |
| Investments in subsidiaries | – | – | – | – | – | 31,429 | 31,429 | – | – |
| **Total assets** | 295 | – | 2,631 | – | 19,242 | 31,544 | 53,712 | 2,926 | 19,242 |
| **Liabilities** | | | | | | | | | |
| Derivative liabilities | 1 | – | – | – | – | – | 1 | 1 | – |
| Deposits | – | – | – | – | 46 | – | 46 | – | 46 |
| Other liabilities[2] | – | – | – | – | 19 | 404 | 423 | – | 19 |
| Borrowings | – | – | – | – | 5,821 | – | 5,821 | – | 5,821 |
| Due to subsidiaries[3] | 79 | – | – | – | 1,616 | 509 | 2,204 | 79 | 1,616 |
| Issued debt securities | – | 607 | – | – | 12,625 | – | 13,232 | 607 | 12,625 |
| Deferred tax liabilities | – | – | – | – | – | 4 | 4 | – | – |
| Loan capital | – | – | – | – | 2,606 | – | 2,606 | – | 2,606 |
| **Total liabilities** | 80 | 607 | – | – | 22,733 | 917 | 24,337 | 687 | 22,733 |

(1) Due from subsidiaries includes derivatives and trading positions classified as HFT and subordinated loan to subsidiaries classified as FVTPL. All other intercompany receivables are carried at amortised cost. Non-financial receivables primarily represent internal tax balances.
(2) Non-financial liabilities primarily represents provisions for tax payable and MEREP related obligations.
(3) Due to subsidiaries includes derivatives and trading positions classified as held for trading; employee stock option related obligations and tax payables classified as non-financial liabilities. All other intercompany payables are carried at amortised cost.

## Note 38
### Fair value of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Items measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

| | |
|---|---|
| Level 1 | unadjusted quoted prices in active markets for identical assets or liabilities |
| Level 2 | inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) |
| Level 3 | inputs for the asset or liability that are not based on observable market data (unobservable inputs). |

The appropriate fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement. AASB 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value.

Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis, using available hedging instruments.

The fair values calculated for financial instruments which are carried in the Statements of financial position at amortised cost (as disclosed in Note 37 *Measurement categories of financial instruments)* are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold for a liability repurchased in a market-based transaction:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities
- the fair value of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand
- the fair values of variable rate financial instruments, including cash collateral on lending and borrowing and repurchase agreements approximates their carrying amounts
- the fair values of all loan assets, term deposits and debt liabilities carried at amortised cost, is determined with reference to changes in interest rates and credit spreads
- the fair value of fixed rate loans and debt investments carried at amortised cost is estimated by reference to current market rates offered on similar loans and the creditworthiness of the borrower
- the fair value of issued debt securities and loan capital, where carried at amortised cost, is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread
- substantially all of the Consolidated Entity's commitments to extend credit are at variable rates. As such, there is no significant exposure to fair value fluctuations resulting from interest rate movements relating to these commitments.

The following methods and significant assumptions have been applied in determining the fair values of following items:

- trading assets including commodities and commodity contracts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of other recognised valuation techniques
- repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement
- financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs
- fair values of variable rate loans classified as FVOCI is equal to its carrying value on the basis that the interest rates are reflective of market rates offered on similar loans
- investment property are measured at fair value based on the discounted future cash flows unless market valuation is available based on recent transactions or current market prices

## Note 38
### Fair value of assets and liabilities continued

- fair values of fixed rate loans classified as FVTPL or FVOCI and issued debt securities classified as DFVTPL are estimated by reference to current market rates offered on similar loans and issued debt securities
- for financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis then the adjustment is calculated on a counterparty basis for those exposures
- for financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations
- the Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used. Models are calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

To the extent possible, models use only observable market data (for example OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument such as volatility and correlation

## Note 38
### Fair value of assets and liabilities continued

#### Assets and liabilities measured at amortised cost

The following table summarises the fair value of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value, including the level within the fair value hierarchy:

| | Level 1 $m | Level 2 $m | Level 3 $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2022 |
| **Assets** | | | | |
| Loan assets | - | 5,494 | 128,757 | 134,251 |
| Loans to associates and joint ventures | - | - | 569 | 569 |
| **Total assets** | - | 5,494 | 129,326 | 134,820 |
| **Liabilities** | | | | |
| Deposits | 81,213 | 20,470 | - | 101,683 |
| Borrowings | 446 | 12,425 | 1,068 | 13,939 |
| Issued debt securities | - | 84,216 | 12,623 | 96,839 |
| Loan capital | 4,091 | 5,676 | - | 9,767 |
| **Total liabilities** | 85,750 | 122,787 | 13,691 | 222,228 |
| | | | | CONSOLIDATED 2021 |
| **Assets** | | | | |
| Loan assets | - | 4,314 | 100,710 | 105,024 |
| Loans to associates and joint ventures | - | - | 538 | 538 |
| **Total assets** | - | 4,314 | 101,248 | 105,562 |
| **Liabilities** | | | | |
| Deposits | 68,613 | 15,604 | - | 84,217 |
| Borrowings | 405 | 8,188 | 1,274 | 9,867 |
| Issued debt securities | - | 50,578 | 8,948 | 59,526 |
| Loan capital | 3,447 | 6,382 | - | 9,829 |
| **Total liabilities** | 72,465 | 80,752 | 10,222 | 163,439 |

The financial assets and liabilities measured at amortised cost in the Company as at 31 March 2022 and 31 March 2021 are predominantly categorised as Level 2 in the fair value hierarchy except for Loan capital which is classified as Level 1.

## Note 38
## Fair value of assets and liabilities continued

### Assets and liabilities measured at fair value on a recurring basis

The following table summarises the levels of the fair value hierarchy for assets and liabilities that are recognised and measured at fair value in the financial statements on a recurring basis:

| | Level 1 $m | Level 2 $m | Level 3 $m | Total $m |
|---|---|---|---|---|
| | | | | CONSOLIDATED 2022 |
| **Assets** | | | | |
| Cash collateralised lending and reverse repurchase agreements | – | **40,042** | – | **40,042** |
| Trading assets | **4,426** | **8,617** | **535** | **13,578** |
| Margin money and settlement assets | – | **524** | – | **524** |
| Derivative assets | **2** | **84,315** | **574** | **84,891** |
| Financial investments | **4,423** | **5,653** | **2,047** | **12,123** |
| Held for sale and other assets[1] | – | **1,615** | **1,016** | **2,631** |
| Loan assets | – | **256** | **566** | **822** |
| Loans to associates and joint ventures | – | – | **359** | **359** |
| **Total assets** | **8,851** | **141,022** | **5,097** | **154,970** |
| **Liabilities** | | | | |
| Cash collateralised borrowing and repurchase agreements | – | **241** | – | **241** |
| Trading liabilities | **5,113** | **177** | – | **5,290** |
| Derivative liabilities | **10** | **83,111** | **1,343** | **84,464** |
| Held for sale and other liabilities | – | **1,261** | – | **1,261** |
| Issued debt securities | – | **2,503** | – | **2,503** |
| **Total liabilities** | **5,123** | **87,293** | **1,343** | **93,759** |
| | | | | CONSOLIDATED 2021 |
| **Assets** | | | | |
| Cash collateralised lending and reverse repurchase agreements | – | 27,397 | – | 27,397 |
| Trading assets | 10,269 | 10,978 | 499 | 21,746 |
| Margin money and settlement assets | – | 332 | – | 332 |
| Derivative assets | 235 | 20,137 | 270 | 20,642 |
| Financial investments | 711 | 7,283 | 1,554 | 9,548 |
| Held for sale and other assets[1] | – | 1,258 | 418 | 1,676 |
| Loan assets | 16 | 162 | 575 | 753 |
| Loans to associates and joint ventures | – | – | 96 | 96 |
| **Total assets** | 11,231 | 67,547 | 3,412 | 82,190 |
| **Liabilities** | | | | |
| Cash collateralised borrowing and repurchase agreements | – | 345 | – | 345 |
| Trading liabilities | 6,090 | 115 | – | 6,205 |
| Derivative liabilities | 224 | 17,053 | 302 | 17,579 |
| Held for sale and other liabilities | – | 605 | – | 605 |
| Issued debt securities | – | 2,722 | – | 2,722 |
| **Total liabilities** | 6,314 | 20,840 | 302 | 27,456 |

(1) Includes $804 million (2021: $347 million) of investment properties measured at fair value. Prior financial year has been represented in line with current financial year. The investment properties are categorised as Level 3 in the fair value hierarchy.

## Note 38
### Fair value of assets and liabilities continued

The Company does not hold financial instruments measured at fair value except for:

- $2,637 million (2021: $2,631 million) loan capital securities held in subsidiaries which are Level 3 financial instruments
- $212 million (2021: $293 million) derivative assets and $564 million (2021: $79 million) derivative liabilities due with subsidiaries and $918 million (2021: $607 million) structured notes issued which are Level 2 financial instruments.

Fair value sensitivity of these intercompany balances to alternate assumptions and valuation inputs is not significant and hence not covered under the sensitivity analysis disclosures.

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## Note 38
## Fair value of assets and liabilities continued

### Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for assets and liabilities, measured at fair value on a recurring basis by the Consolidated Entity.

| | Trading assets $m | Financial investments $m | Held for sale and other assets $m |
|---|---|---|---|
| Balance as at 1 Apr 2020 | 656 | 1,388 | 142 |
| Purchase, originations, issuances, and other additions | 526 | 552 | 237 |
| Sales, settlements and repayments | (240) | (318) | – |
| Transfers into Level 3[2] | 126 | 186 | 25 |
| Transfers out of Level 3[2] | (189) | (138) | – |
| Fair value movements recognised in the income statement: | | | |
| Net trading loss[3] | (380) | (209) | (2) |
| Other income/(loss) | – | 54 | 16 |
| Fair value movements recognised in OCI[3] | – | 39 | – |
| **Balance as at 31 Mar 2021** | 499 | 1,554 | 418 |
| Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[3] | 17 | (102) | 14 |
| Balance as at 1 Apr 2021 | **499** | **1,554** | **418** |
| Purchase, originations, issuances and other additions | **107** | **883** | **532** |
| Sales, settlements and repayments | **(75)** | **(604)** | **(61)** |
| Reclassification | **–** | **–** | **102** |
| Transfers into Level 3[2] | **59** | **399** | **–** |
| Transfers out of Level 3[2] | **(272)** | **(351)** | **(16)** |
| Fair value movements recognised in the income statement: | | | |
| Net trading income/(loss)[3] | **217** | **(4)** | **(5)** |
| Other income/(loss) | **–** | **160** | **46** |
| Fair value movements recognised in OCI[3] | **–** | **10** | **–** |
| **Balance as at 31 Mar 2022** | **535** | **2,047** | **1,016** |
| Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[3] | **226** | **23** | **25** |

(1) The derivative financial instruments in the table above are presented on a net basis. On a gross basis derivative assets are $574 million (2021: $270 million) and derivative liabilities are $1,343 million (2021: $302 million).
(2) Assets and liabilities transferred in or out of Level 3 are presented as if the assets or liabilities had been transferred at the beginning of the financial year.
(3) The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, that are not presented in the table above.

| Loan assets $m | Loans to associates and joint ventures $m | Derivative financial instruments (net replacement values)[1] $m | Total $m |
|---|---|---|---|
| 2,515 | 241 | 497 | 5,439 |
| 468 | 82 | 179 | 2,044 |
| (2,043) | (19) | (289) | (2,909) |
| – | 5 | 2 | 344 |
| (25) | (74) | (38) | (464) |
| (351) | (36) | (383) | (1,361) |
| (54) | (27) | – | (11) |
| 65 | (76) | – | 28 |
| 575 | 96 | (32) | 3,110 |
| (119) | (61) | (322) | (573) |
| **575** | **96** | **(32)** | **3,110** |
| **1,450** | **434** | **(25)** | **3,381** |
| **(1,317)** | **(12)** | **33** | **(2,036)** |
| **(17)** | **(85)** | **–** | **–** |
| **–** | **9** | **(16)** | **451** |
| **(120)** | **–** | **115** | **(644)** |
| **(27)** | **(10)** | **(844)** | **(673)** |
| **19** | **(73)** | **–** | **152** |
| **3** | **–** | **–** | **13** |
| **566** | **359** | **(769)** | **3,754** |
| **(13)** | **(76)** | **(796)** | **(611)** |

## Note 38
## Fair value of assets and liabilities continued

### Significant transfers between levels of the fair value hierarchy

During the financial year, the Consolidated Entity did not have significant transfers between Level 1 and Level 2.

Transfers into Level 3 were due to the lack of observable valuation inputs for certain investments and trading balances. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the financial year. Financial assets reclassified into/out of the fair value hierarchy disclosure due to recognition and measurement category changes, or where there have been changes in significant influence or control but some form of interests in the assets are still retained, are also presented as transfers into/out of Level 3.

### Unrecognised gains or losses

The best evidence of fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the asset or liability is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the income statement over the life of the transaction or when the inputs become observable.

The table below summarises the deferral and recognition of profit or loss where a valuation technique has been applied for which significant unobservable inputs are used:

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $m | 2021 $m |
| Balance at the beginning of the financial year | **87** | 179 |
| Deferred gains on new transactions and other adjustments | **51** | 6 |
| Foreign exchange movements | **1** | (23) |
| Recognised in net trading income during the year | **(63)** | (75) |
| **Balance at the end of the financial year** | **76** | 87 |

### Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions, for Level 3 assets and liabilities whose fair values are determined in whole or in part using unobservable inputs. The impact of the sensitivity of instruments which hedge the Level 3 positions but are classified as Level 1 or 2 is not included in the table below:

| | FAVOURABLE CHANGES | | UNFAVOURABLE CHANGES | |
|---|---|---|---|---|
| | Profit or loss $m | OCI $m | Profit or loss $m | OCI $m |
| | | | | CONSOLIDATED 2022 |
| **Product type** | | | | |
| Commodities | **134** | **-** | **(137)** | **-** |
| Interest rate and other products | **101** | **-** | **(96)** | **-** |
| Equity and equity-linked products | **94** | **-** | **(83)** | **-** |
| **Total** | **329** | **-** | **(316)** | **-** |
| | | | | CONSOLIDATED 2021 |
| **Product type** | | | | |
| Commodities | 113 | - | (73) | - |
| Interest rate and other products | 58 | 3 | (69) | (4) |
| Equity and equity-linked products | 108 | - | (116) | - |
| Total | 279 | 3 | (258) | (4) |

The favourable and unfavourable changes from using reasonable possible alternative assumptions for the valuation of above product types have been calculated by recalibrating the valuation model using stressed significant unobservable inputs of the Consolidated Entity's range of reasonably possible estimates.

## Note 38
### Fair value of assets and liabilities continued

#### Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair value. The range of values represent the highest and lowest input used in the valuation techniques. The range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

| | Assets $m | Liabilities $m | Valuation technique(s) | Significant unobservable inputs | RANGE OF INPUTS Minimum value | RANGE OF INPUTS Maximum value |
|---|---|---|---|---|---|---|
| | | | | | CONSOLIDATED 2022 | |
| Interest rate and other products | **3,049** | **18** | Discounted cash flows | Discount rates | **1.0%** | **10.0%** |
| | | | Pricing model | Bond yield | **2.7%** | **3.5%** |
| | | | Comparable transactions | Price in % | **0.0%** | **100.0%** |
| Commodities | **1,079** | **1,313** | Pricing model | Commodity margin curves | **(270.0)** | **1,665.0** |
| | | | Pricing model | Correlation | **40.0%** | **100.1%** |
| | | | Pricing model | Volatility and related variables | **(12.6%)** | **90.9%** |
| Equity and equity-linked products | **969** | **12** | Net Asset Value (NAV) | Fund's NAV[1] | | |
| | | | Pricing model | Earnings multiple | **1.0x** | **15.8x** |
| **Total** | **5,097** | **1,343** | | | | |
| | | | | | CONSOLIDATED 2021 | |
| Interest rate and other products | 1,880 | 7 | Discounted cash flows | Discount rates | 2.5% | 12.0% |
| | | | Pricing model | Correlation | 0.0% | 100.0% |
| | | | Pricing model | Bond yield | (2.3%) | 2.9% |
| | | | Comparable transactions | Prices in % | 44.0% | 97.0% |
| Commodities | 622 | 287 | Pricing model | Commodity margin curves | (121.4) | 1,458.0 |
| | | | Pricing model | Correlation | (43.0%) | 100.0% |
| | | | Pricing model | Volatility and related variables | 8.3% | 290.5% |
| Equity and equity-linked products | 910 | 8 | Net Asset Value (NAV) | Fund's NAV[1] | | |
| | | | Pricing model | Earnings multiple | 3.2x | 11.6x |
| Total | 3,412 | 302 | | | | |

##### Correlation

Correlation is a measure of the relationship between the movements of to variables (i.e. how the change in one variable influences a change in the other variable). Correlation is a key input into the valuation of derivatives with more than one underlying and is generally used to value hybrid and exotic instruments.

##### Volatility

Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of the amount a particular underlying instrument, parameter or index will change in value over time. Volatility is an input into the valuation of derivatives containing optionality. Volatility and skew are impacted by the underlying risk, term and strike price of a derivative.

Correlations and volatilities are derived through the extrapolation of observable volatilities, recent transaction prices, quotes from other market participants, data from consensus pricing services and historical data adjusted for current conditions.

##### Inputs for equity and equity-linked products

Unlisted equity securities are generally valued based on earnings or revenue multiples, referencing market transactions for comparable companies adjusted as appropriate for current economic conditions. Other significant unobservable inputs may include NAV and discount rates determined using inputs specific to the underlying investment and forecast cash flows and earnings/revenues of investee entities.

##### Inputs for interest rate products (discount rate)

Loans are generally valued using discount rates. Significant unobservable inputs may include interest rates and credit spreads of counterparties and original issue discounts on primary debt issuances.

(1) The range of inputs related to NAV is not disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

## Note 39
## Offsetting financial assets and financial liabilities

The Consolidated Entity and the Company present financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in Note 44(vii) *Financial instruments.* The following tables provide information on the impact of offsetting of financial instruments in the Statements of financial position, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore presented gross in the Statements of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity and the Company's financial position in that circumstance is to settle these contracts as one arrangement. The Consolidated Entity uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity, refer to Note 36.1 *Credit risk* for information on credit risk management.

| | AMOUNT SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SUBJECT TO OFFSETTING IN THE STATEMENTS OF FINANCIAL POSITION | | | RELATED AMOUNT NOT OFFSET[1] | | | | |
| | Gross amount $m | Amount offset $m | Net amount presented $m | Other recognised financial instruments[2] $m | Cash and other financial collateral[3] $m | Net amount $m | Amount not subject to enforceable netting arrangements $m | Statements of financial position total $m |
| | | | | | | | | CONSOLIDATED 2022 |
| Cash collateralised lending and reverse repurchase agreements[4] | **47,594** | **(1,346)** | **46,248** | **(28)** | **(46,057)** | **163** | **4,949** | **51,197** |
| Settlement assets[4,5] | **13,076** | **(8,903)** | **4,173** | **(43)** | **–** | **4,130** | **6,916** | **11,089** |
| Derivative assets | **102,670** | **(19,789)** | **82,881** | **(59,402)** | **(9,507)** | **13,972** | **2,010** | **84,891** |
| **Total assets** | **163,340** | **(30,038)** | **133,302** | **(59,473)** | **(55,564)** | **18,265** | **13,875** | **147,177** |
| Cash collateralised borrowing and repurchase agreements | **(18,293)** | **1,346** | **(16,947)** | **28** | **13,754** | **(3,165)** | **–** | **(16,947)** |
| Settlement liabilities[5] | **(13,105)** | **8,903** | **(4,202)** | **43** | **–** | **(4,159)** | **(6,603)** | **(10,805)** |
| Derivative liabilities | **(99,793)** | **19,789** | **(80,004)** | **59,402** | **8,992** | **(11,610)** | **(4,460)** | **(84,464)** |
| **Total liabilities** | **(131,191)** | **30,038** | **(101,153)** | **59,473** | **22,746** | **(18,934)** | **(11,063)** | **(112,216)** |
| | | | | | | | | CONSOLIDATED 2021 |
| Cash collateralised lending and reverse repurchase agreements[4] | 33,840 | (583) | 33,257 | (26) | (32,929) | 302 | 3,424 | 36,681 |
| Settlement assets[4,5] | 7,419 | (5,153) | 2,266 | (21) | – | 2,245 | 7,279 | 9,545 |
| Derivative assets | 26,472 | (6,461) | 20,011 | (11,048) | (4,433) | 4,530 | 631 | 20,642 |
| **Total assets** | 67,731 | (12,197) | 55,534 | (11,095) | (37,362) | 7,077 | 11,334 | 66,868 |
| Cash collateralised borrowing and repurchase agreements | (4,669) | 583 | (4,086) | 26 | 3,533 | (527) | (456) | (4,542) |
| Settlement liabilities[5] | (7,266) | 5,153 | (2,113) | 21 | – | (2,092) | (7,643) | (9,756) |
| Derivative liabilities | (22,747) | 6,461 | (16,286) | 11,048 | 2,766 | (2,472) | (1,293) | (17,579) |
| **Total liabilities** | (34,682) | 12,197 | (22,485) | 11,095 | 6,299 | (5,091) | (9,392) | (31,877) |

(1) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.
(2) Includes offsetting exposures the Consolidated Entity has with counterparties under master netting arrangements with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.
(3) Includes cash and non-cash collateral received or pledged in relation to the gross amount of assets and liabilities which are subject to enforceable netting arrangements.
(4) The Consolidated Entity holds sufficient collateral for the amounts not subject to enforceable netting arrangements. Refer Note 36.1 *Credit risk* for collateral and credit enhancements held.
(5) Excludes margin money assets of $14,019 million (2021: $4,852 million) and liabilities of $16,353 million (2021: $12,368 million) presented under Note 8 *Margin money and settlement assets* and Note 20 *Margin money and settlement liabilities* respectively on the Statements of financial position.

## Note 39
## Offsetting financial assets and financial liabilities continued

| | AMOUNT SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS[1] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SUBJECT TO OFFSETTING IN THE STATEMENTS OF FINANCIAL POSITION | | | RELATED AMOUNT NOT OFFSET[2] | | | | |
| | Gross Amount $m | Amount offset $m | Net amount presented $m | Other recognised financial instruments $m | Cash and other financial collateral $m | Net amount $m | Amount not subject to enforceable netting arrangement[3] $m | Statements of financial position total $m |
| | | | | | | | | COMPANY 2022 |
| Due from subsidiaries[4] | **42,231** | **(4,185)** | **38,046** | **(1,623)** | **(48)** | **36,375** | **27** | **38,073** |
| Due to subsidiaries[4] | **(7,203)** | **4,185** | **(3,018)** | **1,623** | **389** | **(1,006)** | **(14)** | **(3,032)** |
| | | | | | | | | COMPANY 2021 |
| Due from subsidiaries[4] | 27,820 | (5,650) | 22,170 | (689) | (209) | 21,272 | 14 | 22,184 |
| Due to subsidiaries[4] | (7,112) | 5,650 | (1,462) | 689 | – | (773) | (2) | (1,464) |

(1) Netting arrangements with respect to intercompany balances payable and receivable from subsidiaries are governed by MLA or other ISDA Master Agreements.
(2) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.
(3) Includes balances with subsidiaries which have not acceded to the MLA or other balances not governed by netting provisions of any Master Netting Arrangement.
(4) Excludes margin money and non-financial assets of $518 million (2021: $43 million) and liabilities of $600 million (2021: $740 million) presented under Due from subsidiaries and Due to subsidiaries respectively on the Statements of financial position.

## Note 40
## Pledged assets and transfers of financial assets

### Pledged assets

Items pledged as security for liabilities include the following:

- securities and commodities included under trading assets and off balance sheet collateral securities pledged for repurchase transactions, stock lending arrangements and trading liabilities. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against issued debt securities or repurchase transactions
- other types of financial and non-financial assets provided as collateral for borrowings and issued debt securities.

The table below represents items that have been pledged as security for liabilities:

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $m | 2021 $m |
| **On Balance Sheet items:** | | |
| Cash and bank balances | **115** | 116 |
| Trading assets[1] | **3,604** | 5,560 |
| Financial investments | **231** | 202 |
| Loan assets[2] | **29,937** | 14,157 |
| Margin money and settlement assets | **1** | 92 |
| Property, plant and equipment | **346** | 520 |
| Intangible assets | **814** | 434 |
| Other assets | **536** | 572 |
| **Total On Balance Sheet assets pledged for liabilities** | **35,584** | 21,653 |
| **Off Balance Sheet items:** | | |
| Securities and commodities[3] | **13,724** | 12,240 |
| **Total On and Off Balance Sheet assets pledged for liabilities** | **49,308** | 33,893 |

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position. For trading assets pledged by the Consolidated Entity, the transferee has the right to sell or re-pledge the entire value of securities received.
(2) Includes $15,013 million (2021: $11,344 million) held by Consolidated SEs, which are available as security to note holders and debt providers. Additionally, includes $14,819 million (2021: $2,605 million) held by consolidated SEs wherein internally held bonds have been pledged against repurchase agreement liabilities.
(3) Off balance sheet securities and commodities held by the Consolidated Entity include $51,818 million (2021: $37,149 million) of securities and commodities borrowed in return for cash and reverse repurchase arrangements and $6,199 million (2021: $3,904 million) of securities borrowed on an unsecured basis. Of these, the Consolidated Entity re-pledged $13,724 million (2021: $12,240 million) as collateral for repurchase agreement liabilities, as margin for trading purposes or as transfers in return for the loan of other securities. Refer Note 36.1 *Credit risk* for further details.

## Note 40
## Pledged assets and transfers of financial assets continued

### Transfer of financial assets

The Consolidated Entity may enter into transactions in the normal course of business that transfer risks and rewards of financial assets recognised in the Consolidated Entity's Statements of financial position to other entities. Depending on the criteria discussed in Note 44(vii) *Financial instruments,* the Consolidated Entity may be unable to derecognise the transferred asset, be able to derecognise the transferred assets in full or continue to recognise the asset to the extent of its continuing involvement.

### Transferred financial assets that are derecognised

When financial assets are derecognised, some continuing involvement may be retained in the assets in the form of liquidity support, financial guarantees, certain derivatives or retention of part of securitisation interests. For the financial years ended 31 March 2022 and 31 March 2021, there were no material transfers of financial assets where the Consolidated Entity has had continuing involvement.

### Transferred financial assets that are not derecognised

The Consolidated Entity did not derecognise any financial assets to the extent of continuing involvement in the years ended 31 March 2022 and 31 March 2021. The following transactions typically result in the transferred assets continuing to be recognised in full.

### Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the Statements of financial position and an associated liability is recognised for the consideration received.

Where securities are transferred in return for the loan of other securities or on an unsecured basis in return for a fee, the transferred asset continues to be recognised in full. There is no associated liability as the securities received are not recognised on the balance sheet. The Consolidated entity is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these assets.

In certain arrangements the transferee cannot otherwise sell or pledge the transferred securities, however, the assets may be substituted if the required collateral is maintained.

### Financial investment—Total return swap

Financial assets sold, while concurrently entering into a total return swap with the counterparty, continue to be recognised along with an associated liability for the consideration received. The Consolidated Entity does not have legal rights to these assets but has full economic exposure to them. The transferred assets cannot otherwise be pledged or sold by the transferee.

### Other financial transfers

Includes loans and leases sold or lent to an external funder but the Consolidated Entity still has full economic exposure to them. In such instances, the Consolidated Entity has a right to receive cash from the lessee and an obligations to pay those cash flows to the external funder.

## Note 40
## Pledged assets and transfers of financial assets continued

| | | | FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE TO THE TRANSFERRED ASSETS | | |
|---|---|---|---|---|---|
| | Carrying amount of transferred assets $m | Carrying amount of associated liabilities $m | Fair value of transferred assets $m | Fair value of associated liabilities $m | Net fair value $m |
| | | | | | CONSOLIDATED 2022 |
| Financial assets not derecognised due to repurchase and securities lending agreements: | | | | | |
| Trading assets[1] | **1,279** | **(269)** | **–** | **–** | **–** |
| Financial assets not derecognised due to total return/asset swaps: | | | | | |
| Financial investments | **231** | **(212)** | **–** | **–** | **–** |
| Other financial assets not derecognised: | | | | | |
| Trading assets[2] | **270** | **–** | **–** | **–** | **–** |
| Loan assets | **105** | **(105)** | **105** | **(105)** | **–** |
| **Total financial assets not derecognised** | **1,885** | **(586)** | **105** | **(105)** | **–** |
| | | | | | CONSOLIDATED 2021 |
| Financial assets not derecognised due to repurchase and securities lending agreements: | | | | | |
| Trading assets[1] | 3,200 | (1,454) | – | – | – |
| Financial assets not derecognised due to total return/asset swaps: | | | | | |
| Financial investments | 202 | (182) | – | – | – |
| Other financial assets not derecognised: | | | | | |
| Trading assets[2] | 988 | – | – | – | – |
| Loan assets | 208 | (198) | 209 | (199) | 10 |
| **Total financial assets not derecognised** | 4,598 | (1,834) | 209 | (199) | 10 |

There were no material transfers of financial assets for the Company where the financial assets were transferred but not derecognised during the financial years ended 31 March 2022 and 31 March 2021.

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.
(2) Includes bonds placed as initial margin for trading activities. Previous comparative period also includes gold placed as margin for future positions.

## Note 41
### Audit and other services provided by PricewaterhouseCoopers

During the financial year, PricewaterhouseCoopers (PwC) and its network firms, the auditor of the Consolidated Entity and the Company, earned the following remuneration:

| | CONSOLIDATED | |
|---|---|---|
| | 2022 $'000 | 2021[1] $'000 |
| **PwC – Australia** | | |
| Audit of the Group and controlled entities[2] | **25,837** | 25,729 |
| **Total audit services** | **25,837** | 25,729 |
| Other statutory assurance services[3] | **1,259** | 2,622 |
| Other assurance services[4] | **5,847** | 4,342 |
| Advisory services | **17** | 28 |
| Taxation | **601** | 415 |
| **Total non-audit services** | **7,724** | 7,407 |
| **Total remuneration paid to PwC Australia** | **33,561** | 33,136 |
| **Network firms of PwC Australia** | | |
| Audit of the controlled entities[2] | **18,869** | 15,995 |
| **Total audit services** | **18,869** | 15,995 |
| Other statutory assurance services[3] | **158** | 595 |
| Other assurance services[4] | **1,806** | 852 |
| Advisory services | **40** | 293 |
| Taxation | **2,979** | 2,759 |
| **Total non-audit services** | **4,983** | 4,499 |
| **Total remuneration paid to network firms of PwC Australia** | **23,852** | 20,494 |
| **Total audit services remuneration paid to PwC** | **44,706** | 41,724 |
| **Total non-audit services remuneration paid to PwC** | **12,707** | 11,906 |
| **Total remuneration paid to PwC[5]** | **57,413** | 53,630 |

Use of PwC's services for engagements other than audit and assurance is restricted in accordance with the Consolidated Entity's *Auditor Independence Policy*. It is the Consolidated Entity's policy to seek competitive tenders for all major advisory projects and all non-audit services provided by PwC have been approved in accordance with its *Auditor Independence Policy*.

(1) Comparative information has been restated to conform to the presentation in the current year.
(2) Prior period includes additional fees of $1,680 thousand (2020: $5,603 thousand) for PwC Australia and $4,497 thousand (2020: $2,049 thousand) for network firms of PwC Australia that related to the year ended 31 March 2021 but were incurred during the 2022 financial year.
(3) Other statutory assurance services include audit of Australian Financial Services license requirements and other due diligence activities including comfort letters on debt issuance programmes, generally performed by the auditor of the Consolidated Entity.
(4) Other assurance services consist of engagements in relation to an audit that are not the direct audit or review of financial reports. These services include engagements required under prudential standards, accounting advice, certifications, due diligence, and reviews of controls and other agreed upon procedures.
(5) An additional amount of $14,327 thousand in 2021 (2020: $13,612 thousand) was paid or payable to PricewaterhouseCoopers as fees for audit services for Macquarie managed funds that are not a part of the Consolidated Entity.

## Note 42
## Acquisitions and disposals of subsidiaries and businesses

### Acquisitions of subsidiaries and businesses

On 30 April 2021 the Consolidated Entity acquired control of Waddell & Reed Financial Inc. ("Waddell and Reed"), a publicly traded US asset manager providing wealth management and asset management services, for a consideration of $1,657 million (net of $356 million received on the sale of the wealth management business to LPL Financial Holdings Inc. and net of certain other liabilities acquired, which were settled immediately after the acquisition). On acquisition, goodwill and other intangible assets of $1,223 million were recognised net of the related deferred tax liability. Post-acquisition of Waddell and Reed, the Consolidated entity's net operating income for the year ended 31 March 2022 increased by $822 million and profit before income tax after acquisition-related costs, amortisation of intangible assets and integration costs, decreased by $44 million. Had the Consolidated Entity acquired control of Waddell and Reed on 1 April 2021, the Consolidated Entity's net operating income for the year ended 31 March 2022, excluding the sold wealth management business, would have increased by $79 million and profit before income tax by $25 million.

The subsidiaries and businesses where control was acquired during the current and previous financial year were not individually significant.

Subsidiaries and businesses acquired or consolidated during the current financial year due to the acquisition of control were: AMP Capital (GEFI), Central Park Group LLC, Gana Energy Ltd., Procentrix, Inc., Radzyn Clearn Energy Poland Sp. Z O.O. and Wavenet Group Holdings Limited.

Subsidiaries and businesses acquired or consolidated during the previous financial year due to the acquisition of control were: Alira Energy LLC, Aragorn Holdco 2 Pte Limited, Delaware Wilshire Private Markets Fund, Elwiatr Pruszynski Sp.Z.O.O, Future Energy Sp.Z.O.O, Macquarie Corporate Bond Fund, Macquarie Fund Solutions – Global Listed Real Assets Fund, Vantage Commodities Financial Services LLC and Woodway Holdings LLC.

The table below represents aggregated details of the businesses and subsidiaries held for investment purposes or otherwise, acquired during the current and previous year. The purchase price allocation for the current year's business acquisitions is provisional as at 31 March 2022

| | 2022 $m | 2021 $m |
|---|---|---|
| **Fair value of net assets acquired** | | |
| Cash and bank balances | **469** | 51 |
| Financial investments, loan assets and other assets | **592** | 103 |
| Property, plant and equipment and right-of-use assets | **174** | 176 |
| Intangible assets | **1,095** | 73 |
| Payables, provisions, borrowings and other liabilities | **(973)** | (60) |
| Non-controlling interests[1] | **46** | (58) |
| **Total fair value of net assets acquired** | **1,403** | 285 |
| **Consideration** | | |
| Cash consideration | **2,487** | 281 |
| Deferred consideration | **76** | 6 |
| **Total consideration** | **2,563** | 287 |
| **Goodwill recognised on acquisition[2]** | **1,160** | 2 |
| **Net cash flow** | | |
| Cash consideration | **(2,487)** | (281) |
| Less: cash and cash equivalents acquired | **469** | 51 |
| **Net cash outflow** | **(2,018)** | (230) |

(1) Non-controlling interest represents share of loss in current year and profit in previous year, which belong to external investors in the entities acquired.
(2) The goodwill recognised on acquisition is primarily attributable to future assets under management (AUM) which are expected to result in higher fees and synergies expected to be achieved from integrating the new businesses into the Consolidated Entity.

## Note 42
## Acquisitions and disposals of subsidiaries and businesses continued

### Disposal of subsidiaries and businesses

During the financial year, the Consolidated Entity disposed of certain subsidiaries and businesses resulting in aggregate gains of $2,758 million (2021: $456 million). Included within this amount are gains of $2,302 million (2021: $107 million) from the disposal of subsidiaries and businesses held for investment purposes. The subsidiaries and businesses where control was lost during the current and previous financial year were not individually significant.

Subsidiaries and businesses disposed of or deconsolidated during the current financial year due to the loss of control were:

Bernard Midco Limited, Business Keeper AG, Cortex Metering Solutions Limited, Dovel Holdings I LLC, Macquarie Investment Management Korea Company Limited and Savion LLC.

Subsidiaries and businesses disposed of or deconsolidated during the previous financial year due to the loss of control were:

Acacia Renewables K.K, Hamel Renewables HoldCo LLC, Hamel Renewables LLC, Macquarie Corporate Bond Fund, Macquarie European Rail, Macquarie Fund Solutions—Global Listed Real Assets Fund, IPM Global Macro 50 Fund, Showa Planning K.K, VeenIX BaHo B.V and Vestone Capital Pty Limited.

The table below represents aggregated details of the subsidiaries and businesses held for investment purposes or otherwise, disposed during the current and previous year.

| | 2022 $m | 2021 $m |
|---|---|---|
| **Carrying value of assets and liabilities** | | |
| Cash and bank balances | **33** | 39 |
| Financial investments, loan assets, held for sale and other assets[1] | **1,076** | 1,300 |
| Property, plant and equipment | **160** | – |
| Intangible assets | **591** | 5 |
| Borrowings, deferred tax, held for sale and other liabilities[1] | **(912)** | (307) |
| Non-controlling interests | **(46)** | (53) |
| **Total carrying value of net assets** | **902** | 984 |
| **Consideration** | | |
| Cash consideration | **3,498** | 940 |
| Consideration receivable | **53** | 41 |
| Fair value remeasurement of investment retained | **114** | 56 |
| Loan assets | **–** | 376 |
| Interest acquired through contribution to a joint venture | **–** | 32 |
| **Total consideration** | **3,665** | 1,445 |
| **Direct costs relating to disposal** | **(5)** | (5) |
| **Net cash flow** | | |
| Cash consideration | **3,498** | 940 |
| Less: cash and cash equivalents disposed of or deconsolidated[2] | **(111)** | (64) |
| **Net cash inflow** | **3,387** | 876 |

(1) Includes assets and liabilities of disposal groups held for sale, primarily in the nature of intangible assets, property, plant and equipment and borrowings.
(2) Includes $33 million (2021: $39 million) presented as cash and bank balance and $78 million (2021: $25 million) presented as held for sale in the table above.

## Note 43
### Events after the reporting date

There were no material events subsequent to 31 March 2022 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

## Note 44
### Significant accounting policies

#### (i) Principles of consolidation

Subsidiaries

The consolidated Financial Report reflects the financial performance and financial position of the Consolidated Entity. Subsidiaries are all those entities (including structured entities) which the Consolidated Entity controls. The Consolidated Entity controls an entity where it has:

- power to direct the relevant activities
- exposure, or rights, to variable returns, and
- the ability to utilise power to affect the entity's returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Consolidated Entity has power over an entity when it has existing substantive rights that provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. The Consolidated Entity also considers the entity's purpose and design. If the Consolidated Entity determines that it has power over an entity, the Consolidated Entity then evaluates its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts. In certain instances, the Consolidated Entity has determined that it controls entities that it has less than half of the voting rights on the basis of its ability to direct the relevant activities of those entities.

Structured entities

Structured Entities (SEs) are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities of the SE are directed by means of contractual arrangements. When assessing whether the Consolidated Entity controls (and therefore consolidates) a SE, judgement is required as to whether the Consolidated Entity has power over the relevant activities as well as exposure, or rights, to variable returns of the SE.

Where the Consolidated Entity has power over the SE's relevant activities, has assessed that its exposure to variable returns (through the residual risk associated with its involvement in SEs) is sufficient, and is able to affect its returns, the underlying assets, liabilities, revenues and expenses of these SEs are reported in the consolidated financial statements. Refer to Note 34 *Structured entities* for further information related to both consolidated and unconsolidated structured entities.

Consolidation

The effects of all transactions between subsidiaries in the Consolidated Entity are eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (NCI) in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income and consolidated Statements of financial position and are determined on the basis of the Consolidated Entity's present ownership interest in the entity.

Where control of an entity was obtained during the financial year, its results are included in the consolidated income statement from the date on which control was obtained. Where control of an entity ceased during the financial year, its results are included for that part of the financial year during which control existed.

The Consolidated Entity determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct the relevant activities and the extent of the Consolidated Entity's exposure to the entity's variable returns. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Subsidiaries held by the Company are carried in its financial statements at cost less accumulated impairment.

## Note 44
## Significant accounting policies continued

### (i) Principles of consolidation continued

#### Interests in associates and joint ventures

Associates and joint ventures are entities over which the Consolidated Entity has significant influence or joint control. Existing ownership interests (including in substance ownership interests) in associates and joint ventures are accounted for under the equity method. In-substance ownership interests are interests that are substantially similar to an investee's ordinary shares. Equity accounting of the ownership interests is applied from the date that the Consolidated Entity has significant influence or joint control and ceases when the Consolidated Entity no longer has significant influence or joint control.

The Consolidated Entity determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

The equity method of accounting is applied in the consolidated Financial Report and requires the recognition of the Consolidated Entity's share of its associates' and joint ventures' post acquisition profits or loss (including impairments of the associates' or joint ventures' assets) in the consolidated income statement, and the share of the post-acquisition movements in other comprehensive income in the consolidated statement of comprehensive income. Transactions reported directly in equity (besides those reflected in other comprehensive income) are accounted for by the Consolidated Entity in accordance with the substance of the transaction and whether the transaction is dilutive to the Consolidated Entity's ownership interest. Where the transaction is dilutive, the impact is recorded as part of the Consolidated Entity's share of profits or losses of associates and joint ventures.

Equity accounting of losses is restricted to the Consolidated Entity's interests in its associate or joint venture, unless the Consolidated Entity has an obligation or has made payment on behalf of the entity.

Long-term interests in an associate or joint venture, to which the equity method is not applied but in-substance form part of the net investment in the associate or joint venture, are accounted for in accordance with the Consolidated Entity's financial instruments' accounting policies, which includes accounting for expected credit losses, where applicable. Subsequently, the loss allocation and impairment requirements in AASB 128 *Investments in Associates and Joint Ventures* are applied to long-term interests.

At the end of each reporting period, management reviews the Consolidated Entity's investments in associates and joint ventures for indicators of impairment. Where there is an indicator of impairment, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Impairment losses are recognised in other impairment charges/reversal. A reversal of a previously recognised impairment loss is recognised only to the extent that the investment's carrying value does not exceed the carrying amount that would have been determined (including consideration of any equity accounted losses) if no impairment loss had been recognised.

Interests in associates and joint ventures are classified as held for sale when the Consolidated Entity determines that the interest will be recovered principally through a sale transaction rather than through continuing use. Equity accounting is suspended when the interest is classified as held for sale.

On disposal of an investment in an associate or a joint venture, the difference between the sales consideration, any retained interest and the carrying value is recognised as a gain or loss in investment income as part of other operating income and charges together with any gains and losses in OCI that related to the associate or joint venture.

#### Changes in ownership interests

When acquiring additional interests:

- of a financial asset (such that it becomes an associate, joint venture or subsidiary), or
- in an investment in an associate or joint venture (such that it becomes a subsidiary), where the underlying entity constitutes a business,

previously held interests are revalued to their fair value and any gain or loss is recognised in investment income as part other operating income and charges.

Similarly, when selling ownership interests of a subsidiary (such that control is lost), or an investment in an associate or joint venture (such that it becomes a financial asset), retained ownership interests are revalued to their fair value and any gain or loss is recognised in investment income as part of other operating income and charges. Retained ownership interests are not revalued where the sale represents a contribution to an associate or joint venture.

Increases and decreases in the Consolidated Entity's interest in a subsidiary (that do not result in the loss of control) are accounted for directly within equity. Increases in the Consolidated Entity's ownership interest in an associate or joint venture are accounted for as an increase in the carrying value of the interest in associate or joint venture. The difference between the reduction in the Consolidated Entity's interest in an associate or joint venture that remains an associate or joint venture and the fair value of consideration received is accounted for as a gain or loss within investment income as part of other operating income and charges. A proportionate amount of associated OCI is reclassified to profit or loss, or reclassified within equity, as would otherwise be required on disposal of the underlying position.

## Note 44
## Significant accounting policies continued

### (ii) Business combinations

Distinguishing between whether assets or a business is acquired involves judgement. The Consolidated Entity identifies a business where an acquired integrated set of activities and assets includes an economic resource (input) and a substantive process that together significantly contribute to the ability to provide goods or services to customers, generate investment income or other income from ordinary activities (outputs).

On a transaction-by-transaction basis, the Consolidated Entity may use a practical expedient to determine that an acquired set of activities is not a business. Under this assessment, the transaction is accounted for as an asset acquisition if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration exchanged is measured as the aggregate of the acquisition-date fair values of assets transferred, equity instruments issued, and liabilities incurred. Transaction costs of a business combination are recognised directly in the consolidated income statement as part of other operating expenses.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. The Consolidated Entity elects, on a transaction-by-transaction basis, to initially measure NCI either at fair value or at the NCI's proportionate share of the fair values of the identifiable assets and liabilities.

Goodwill is measured as the excess of the consideration exchanged, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired and is recognised as part of intangible assets in the Statements of financial position. Goodwill is subsequently measured at cost less accumulated impairment.

If the consideration is less than the Consolidated Entity's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised in investment income as part of other operating income and charges, but only after a reassessment of the identification and measurement of the net assets acquired.

Contingent consideration that is dependent on any subsequent event is measured at fair value with changes in its fair value recognised in investment income as part of other operating income and charges.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the acquisition date. The discount rate used is the Consolidated Entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (iii) Foreign currency translation

#### Functional and presentation currency

The functional currency of each entity (including branches) in the Consolidated Entity is determined as the currency of the primary economic environment in which the entity operates. The Consolidated Entity and the Company's financial statements are presented in Australian dollars (the presentation currency), which is also the Company's functional currency.

#### Transactions and balances

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction, and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in net trading income, with one exception. Where such monetary items are designated as hedging instruments in qualifying cash flow hedge or net investment hedge relationships, the foreign exchange gains and losses may be deferred in OCI to the extent the hedge is effective (refer to Note 35 *Hedge accounting* and Note 44(x) *Derivative instruments and hedging activities*).

#### Subsidiaries and other entities

The results and financial position of all entities that have a functional currency other than Australian dollars are translated into Australian dollars as follows:

- assets and liabilities for each Statements of financial position presented are translated at the closing exchange rate at the date of that Statements of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate
- income and expenses for each income statement are translated at actual or average exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in OCI within a separate component of reserves, being the foreign currency translation reserve (FCTR).

## Note 44
## Significant accounting policies continued

### (iii) Foreign currency translation continued

Foreign currency gains and losses on intragroup loans are recognised in the income statement except where the loan is in substance part of the Consolidated Entity's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Consolidated Entity's FCTR.

The exchange gains or losses recognised in FCTR are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income and charges
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

### (iv) Revenue and expense recognition

#### Net interest income

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset which is not measured at fair value) are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL. Fees and transaction costs that are integral to the lending arrangement are recognised in interest income or interest expense, as applicable, over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit-impaired (stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

#### Fee and commission income

Revenue earned by the Consolidated Entity from its contracts with customers primarily consists of the following categories of fee and commission income:

##### Base and other asset management fees, and performance fees

The Consolidated Entity earns base and other asset management and performance fees for providing asset management services for listed and unlisted funds, managed accounts and co-investments arrangements. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur. Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both the fund or managed account in which the asset(s) are held, as well as the underlying asset(s), such as:

- the extent to which performance fee liabilities have been accrued by the fund or managed account to date or consideration of the current valuation case of the assets in relation to the related performance fee hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund or managed account's assets and potential downside valuation risks on each
- time remaining until realisation of the assets and the fund's life or asset management services' timeline
- consideration of the ability to dispose of the asset, including any barriers to divest.

##### Mergers and acquisitions, advisory and underwriting fees

The Consolidated Entity earns revenue through its role as advisor on corporate transactions as well as through its role as manager and underwriter of equity and debt issuances. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied. For advisory services this is typically at the time of closing the transaction.

Where mandates contain rights to invoice upon reaching certain milestones, the Consolidated Entity assesses whether distinct services have been transferred at these milestones and accordingly recognises revenue. If not, the fee recognition will be deferred until such time as the performance obligation has been completed. Management of capital raisings and underwriting of debt or equity capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

## Note 44
## Significant accounting policies continued

### (iv) Revenue and expense recognition continued

#### Brokerage and other trading-related income

The Consolidated Entity enters into contracts with customers to act as an agent to buy and sell securities. The brokerage and commission income related to this service is recognised on trade date and is presented net of any rebates.

#### Other fee and commission income

Other fee and commission income includes fees earned on a range of banking products and services platforms, wealth services, credit cards, structuring fees, lending services, stock borrow and lending activities and income on structured products which is recognised when the performance obligation is satisfied.

#### Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term and is presented net of the related depreciation expense.

#### Other operating income and charges

Other operating income and charges includes investment income, and other income.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities that are classified as FVTPL and dividends or distributions on these securities which represent the return on such investments. Impairment losses/reversal of impairment losses on these financial assets are not reported separately.

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income. Refer to Note 44(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

#### Dividends

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and/or Consolidated Entity and the dividend can be measured reliably.

Dividends or distributions from HFT assets are recognised in net trading income, as investment income as part of other operating income and charges for other financial assets measured at FVTPL or FVOCI, or as a reduction to the carrying amount of the investment in associates and joint ventures in the Consolidated Entity's Statements of financial position. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income and charges.

Judgement is applied in determining whether distributions from subsidiaries, associates and joint ventures are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within investment income as part of other operating income and charges when the recognition criteria are met.

#### Expenses

Expenses are recognised in the income statement as and when the provision of services is received.

### (v) Segment reporting

Operating segments are identified on the basis of internal reports to Senior Management about components of the Consolidated Entity that are regularly reviewed by Senior Management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance. Information reported to Senior Management for the purposes of resource allocation and assessment of performance is specifically focused on core products and services offered, comprising five reportable segments as disclosed in Note 3 *Segment reporting*.

Information about products and services is based on the financial information used to produce the Consolidated Entity's financial statements. Information about geographical segments is based on the jurisdiction of the respective entities.

### (vi) Taxation

The balance sheet approach to tax effect accounting has been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Consolidated Entity exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

## Note 44
## Significant accounting policies continued

### (vi) Taxation continued

Factors considered include the ability to offset tax losses within the tax consolidated group in Australia or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Consolidated Entity undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Consolidated Entity estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities with reference to the nature of the underlying uncertainty.

#### Tax consolidation

The Consolidated Entity's Australian tax liabilities are determined according to tax consolidation legislation.

The Company, together with all eligible Australian resident wholly owned subsidiaries, comprise a tax consolidated group (TCG) with the Company as the head entity. As a consequence, the relevant subsidiaries are not liable to make income tax payments and do not recognise any current tax balances or any deferred tax assets arising from unused tax losses or credits.

The TCG recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB UIG Interpretation 1052 *Tax Consolidation Accounting*. Under the terms and conditions of a tax funding agreement, the Company charges each subsidiary for all current tax liabilities incurred in respect of their activities and reimburses each subsidiary for any tax assets arising from unused tax losses.

Should the Company be in default of its tax payment obligations, or a default is probable, the current tax balances of its subsidiaries will be determined in accordance with the terms and conditions of a tax sharing agreement between the Company and entities in the TCG.

#### Goods and Services tax (GST)

Where GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the Statements of financial position as part of the cost of the related asset or is recognised as part of other operating expenses. Where GST (or other value added tax) is recoverable from or payable to global tax authorities, the amount is recorded as a separate asset or liability in the Statements of financial position.

### (vii) Financial instruments

#### Recognition of financial instruments

Financial instruments are recognised when the Consolidated Entity becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value and is adjusted (in the case of instruments not classified at FVTPL) for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees paid or received relating to financial instruments carried at FVTPL are recorded in the income statement.

The best evidence of a financial instruments' fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only inputs from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in net trading income over the life of the transaction or when the inputs become observable.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction, or
- whether each of the financial instruments has its own terms and conditions and may be transferred or settled separately.

#### Financial assets

Financial assets are derecognised from the Statements of financial position when:

- the rights to cash flows have expired, or
- the Consolidated Entity has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Consolidated Entity i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Consolidated Entity is:

- not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset
- prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Consolidated Entity neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

**Note 44**
**Significant accounting policies** continued

**(vii) Financial instruments** continued

Derecognition of financial instruments

In transfers where control over the asset is retained, the Consolidated Entity continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

**Financial liabilities**

Financial liabilities are derecognised from the Statements of financial position when the Consolidated Entity's obligation has been discharged, cancelled or has expired.

**Gains and losses on the derecognition of debt financial assets and liabilities**

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost
- investment income within other operating income and charges in respect of financial investments and loans to associates, and
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

**Financial guarantee contracts issued**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9, or
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, a gain or loss is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

The gain or loss is measured as the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the instrument's original EIR.

Classification and subsequent measurement

**Financial assets**

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

**Business model assessment**

The Consolidated Entity uses judgement in determining the business model at the level that reflects how groups of financial assets are managed and its intention with respect to its financial assets. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- how the performance of the financial assets held within that business model is evaluated and reported to the Consolidated Entity's Senior Management personnel and senior executives
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed, and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

**Solely payment of principal and interest (SPPI)**

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding consistent with a basic lending arrangement. This includes an assessment of whether the cash flows primarily reflect consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

**Amortised cost**

A financial asset is subsequently measured at amortised cost using the EIR method where:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been classified as DFVTPL.

Interest income is determined in accordance with the EIR method and recognised as part of interest and similar income.

**Fair value through other comprehensive income**

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial asset
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been classified as DFVTPL.

## Note 44
## Significant accounting policies continued

### (vii) Financial instruments continued

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised in credit and other impairment charges/reversal) and foreign exchange gains and losses (which are recognised in net trading income) and is net of any related hedge accounting adjustments. When debt financial assets classified as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to investment income in respect of debt financial investments and loans to associates, or to other income and charges as part of other operating income and charges for all other financial assets.

#### Fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

For the purposes of the Consolidated Entity's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading (HFT)). This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows (FVTPL)
- financial assets that fail the SPPI test (FVTPL), and
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income and charges.

Subsequent changes in the fair value of debt financial assets measured at FVTPL are presented as follows:

- changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in net trading income
- changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges
- changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

Where applicable, the interest component of these financial assets is recognised as interest and similar income.

#### Reclassification of financial instruments

The Consolidated Entity reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Consolidated Entity does not reclassify financial liabilities after initial recognition.

#### Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 44(x) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes in fair value relating to changes in the Consolidated Entity's own credit risk that are presented separately in OCI and are not subsequently reclassified to profit or loss, are recognised in other income and charges as part of other operating income and charges.

Where applicable, the interest component of these financial liabilities is recognised as interest and similar expense.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of financial position, when there is a current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

## Note 44
## Significant accounting policies continued

### (viii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements

As part of its trading and financing activities, the Consolidated Entity borrows and lends securities, commodities and other assets ('underlying') on a collateralised basis. The underlying that is subject to the arrangement is not derecognised from the Statements of financial position of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

These transactions include:

- reverse repurchase transactions, where the Consolidated Entity purchases an underlying under an agreement to resell
- repurchase transactions, where the Consolidated Entity sells an underlying under an agreement to repurchase.

The Consolidated Entity continually reviews the fair values of the underlying on which the above transactions are based and where appropriate, requests or provides additional collateral to support the transactions, in accordance with the terms of the respective agreements.

Reverse repurchase agreements are measured as follows by the Consolidated Entity:

- agreements that are collateralised with commodities are measured at amortised cost when they are held in a business model to collect contractual cash flows and AASB 9's SPPI criteria are met
- agreements that are held within the Consolidated Entity's cash and liquid assets portfolio are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell
- all other reverse repurchase agreements are measured at FVTPL to reflect the Consolidated Entity's business model to realise fair value gains and losses as opposed to a business model in which the objective is to collect contractual cash flows.

Also refer to Note 37 *Measurement categories of financial instruments.*

Repurchase agreements are subsequently measured at amortised cost, except where they are DFVTPL to eliminate an accounting mismatch created by managing the agreements together with the associated reverse repurchase agreements that are measured at FVTPL.

### (ix) Trading assets and liabilities

The Consolidated Entity uses trade date accounting when recording regular way purchases and sales of financial assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into (trade date), the Consolidated Entity recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 44(vii) *Financial instruments.*

Trading assets (long positions) comprise financial instruments such as debt and equity securities, bank bills, treasury notes, and loans, commodity contracts and commodities purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Consolidated Entity intends to actively trade.

Commodity inventory is recognised when the Consolidated Entity controls the commodity, the determination of which includes consideration of price risk, and is measured at fair value less costs to sell in accordance with the broker-trader exemption, on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin.

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 44(vii) *Financial instruments)*, it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

### (x) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Consolidated Entity for the purposes of risk management of existing financial assets and liabilities and forecast transactions and are also entered into for client trading purposes.

Derivatives are recognised in the Statements of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before being derecognised from the Statements of financial position.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 44(vii) *Financial instruments.*

The Consolidated Entity applies trade date accounting to the recognition and derecognition of derivative financial instruments.

## Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of interest rate, foreign exchange rate and commodity price risk (collectively referred to as the hedged risk or exposure). The Consolidated Entity has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Consolidated Entity mitigates these risks through the use of derivative financial instruments, and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The Consolidated Entity applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument. Refer to details provided in the table on the following page.

## Note 44
**Significant accounting policies** continued

**(x) Derivative instruments and hedging activities** continued

| | Fair value hedge | Cash flow hedge | Net investment hedge |
|---|---|---|---|
| Nature of hedge | The hedge of the fair value risk of a financial asset or non-financial asset or liability. | The hedge of the change in cash flows of a financial liability or a highly probable forecast transaction. | The hedge of changes in the Consolidated Entity's foreign denominated net assets for changes in foreign currency rates. |
| Nature of material hedged risks | • Interest rate risk<br>• Foreign exchange risk<br>• Commodity price risk | • Interest rate risk<br>• Foreign exchange risk<br>• Commodity price risk | • Foreign exchange risk |
| Material hedged items | • Fixed interest rate financial assets and liabilities<br>• Commodity transportation contracts<br>• Property, Plant and Equipment | • Floating interest rate financial liabilities<br>• Highly probable forecast floating interest rate financial assets<br>• Highly probable forecast foreign currency payments<br>• Highly probable forecast commodity sales<br>• Foreign currency denominated interest bearing financial liabilities | • Net Investment in foreign operations |
| Material hedging instruments | • Interest rate swaps<br>• Cross currency swaps<br>• Commodity forwards and futures<br>• Foreign exchange forwards and swaps | • Interest rate swaps and options<br>• Cross currency swaps<br>• Foreign exchange forwards and swaps<br>• Commodity forwards and futures | • Foreign exchange contracts<br>• Foreign currency denominated issued debt |
| Designation and documentation | At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements. | | |
| Hedge effectiveness method | All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and following any significant change in circumstances affecting the hedge, by demonstrating that:<br>• an economic relationship exists between the hedged item and the hedging instrument<br>• credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and<br>• the hedge ratio is reflective of the Consolidated Entity's risk management approach<br><br>The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument. | | |
| Accounting treatment for the hedging instrument | Fair value through the income statement, aligned to the presentation of the hedged item. | Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. | Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI. |
| Accounting treatment for the hedged item | Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk. | Accounted for on an amortised cost basis or under other accounting standards as appropriate (such as executory contracts for the sale of commodities). | Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI. |

## Note 44
## Significant accounting policies continued

### (x) Derivative instruments and hedging activities continued

| | Fair value hedge | Cash flow hedge | Net investment hedge |
|---|---|---|---|
| Accounting treatment for hedge ineffectiveness | Recognised as part of net trading income in the income statement to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument. | Recognised as part of net trading income in the income statement to the extent to which changes in the fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item. | |
| Accounting treatment if the hedge relationship is discontinued | Where the hedged item still exists and is a financial instrument carried at amortised cost, adjustments to the hedged item are amortised to the income statement on an EIR basis. For non-financial items, the adjustment continues as part of the carrying value of the asset up until it is recovered through use or sale, or the item becomes impaired. | The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.<br><br>Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement. | The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows:<br>• if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within other operating income and charges<br>• if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income<br>• if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests |
| Other accounting policies | Certain components of the hedging instrument such as the forward element of a forward contract, the time value of an option and the foreign currency basis spread (being the liquidity charge for exchanging different currencies), may be excluded from the hedge designation. These elements are deferred in the cost of hedging reserve and released to the income statement either at the time at which the hedged exposure affects the income statement, or on a systematic basis over the life of the hedge. | | |

**Note 44**
**Significant accounting policies** continued

**(xi) Margin money and settlement assets and liabilities**

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial and variance margin which varies based on trading activities. The balance also includes client margin calls which are funded by the Consolidated Entity. Settlement balances represent outstanding trade timing balances as at the reporting date due to the timing difference between trade and settlement date. Balances are carried at amortised cost except for certain margin money balances that are held in money market funds and certain settlement balances which are carried at FVTPL.

**(xii) Financial investments**

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Consolidated Entity.

Debt investment securities in this category comprise bonds, negotiable certificates of deposits (NCD), floating rate notes (FRN), commercial paper and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 44(vii) *Financial instruments.*

**(xiii) Loan Assets**

This category includes loans that are not held for trading purposes and typically includes the Consolidated Entity's lending activities to its customers.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 44(vii) *Financial instruments.*

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 44(vii) *Financial instruments.*

**(xiv) Property, plant and equipment and right-of-use assets**

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less, accumulated depreciation and, where applicable, accumulated impairment losses.

Right-of-use (ROU) assets are initially measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for remeasurement of lease liabilities.

Property, plant and equipment and right-of-use assets includes assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on the following bases:

- diminishing balance method for aviation assets
- unit of production method for certain infrastructure assets
- straight-line basis for all other assets.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

| Property, plant and equipment | Depreciation rates |
|---|---|
| Buildings | 2 to 3.3% |
| Furniture, fittings and leasehold improvements[1] | 10 to 20% |
| Equipment | 33 to 50% |
| Infrastructure assets[2] | 1 to 33% |
| Aviation[3] | 2 to 8% |
| Meters | 5 to 15% |
| Telecommunications | 24.5 to 41.4% |
| Other operating lease assets | 2 to 25% |

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised in other income as part of other operating income and charges.

(1) Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.
(2) Includes infrastructure assets, for which depreciation is calculated on a unit of production basis.
(3) Includes aircraft, for which depreciation is calculated on a diminishing value basis.

## Note 44
## Significant accounting policies continued

### (xiv) Property, plant and equipment and right-of-use assets continued

The depreciation charge is recognised as part of:

- Net operating lease income for assets given on operating lease
- Occupancy expenses for corporate buildings
- Non-salary technology expenses for technology assets
- Net trading income for depreciation relating to leased assets held by trading-related businesses for the purpose of facilitating trading activities, and
- Other operating expenses for all other assets.

The Consolidated Entity does not recognise a ROU asset for short-term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses.

### (xv) Goodwill and other identifiable intangible assets

#### Goodwill

Goodwill is measured as the excess of consideration, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired. Goodwill arising from business combinations is included in intangible assets in the Statements of financial position.

#### Other acquired identifiable intangible assets

At the time at which the Consolidated Entity determines that it has acquired a business, the Consolidated Entity identifies intangible assets that are required to be initially recognised at fair value. An intangible asset is considered to have an indefinite useful life where it is expected to contribute to the Consolidated Entity's net cash inflows indefinitely.

The following intangible assets are typically identified and recognised by the Consolidated Entity:

- licences and trading rights: generally carried at cost less accumulated impairment loss. Where no contractual or legal limitation exists, these assets are not amortised because they are considered to have an indefinite useful life
- management rights: carried at cost less accumulated amortisation and accumulated impairment loss. Certain management right intangible assets, which have indefinite useful lives as the underlying income stream is related to the management of funds that have no defined end date and are expected to operate perpetually, are not amortised. For management rights that have a finite useful life, amortisation is calculated using the straight-line method to allocate the cost of management rights over the estimated useful life usually being a period not exceeding 20 years
- customer and servicing contracts acquired with a finite useful life: carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated over the period for which the customer relationship is expected to exist
- customer and servicing contracts with an indefinite useful life: carried at cost less accumulated impairment loss.

Certain other intangible assets held for trading, including emission certificates, are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin).

Amortisation of intangible assets held by trading related business is recorded in net trading income and for others is recognised in other operating expenses. Impairments (reversal of impairments) of intangible assets are recognised in other impairment charges/reversal.

#### Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life, usually a period of three to seven years on a straight-line basis. The capitalised software asset is subject to impairment testing on an annual basis.

Costs incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

### (xvi) Deposits

Deposits include customer deposits, business banking and home loan related deposits, deposits from financial institutions and other balances such as client monies. These deposits are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost.

### (xvii) Other assets and liabilities

#### Contract assets, contract liabilities and capitalised expenses

Where the Consolidated Entity provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than the passage of time, such as performance fees, these are recorded as contract assets. Both receivables and contract assets are assessed for impairment in accordance with AASB 9.

The Consolidated Entity, as permitted by AASB 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months. The Consolidated Entity also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Consolidated Entity is yet to satisfy its performance obligation.

## Note 44
## Significant accounting policies continued

### (xvii) Other assets and liabilities continued

#### Non-current assets and liabilities of disposal groups classified as held for sale

This category includes assets and disposal groups (groups of assets to be disposed in a single transaction and directly attributable liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. This includes assets and liabilities of businesses and subsidiaries, associates and joint ventures, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Consolidated Entity retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities is classified as held for sale.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation is suspended when the held for sale criteria are met.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in other impairment charges/reversal. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Consolidated Entity's financial instruments' policies.

#### Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingents and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote.

#### Employee benefit provisions

Employee benefit provisions are recognised by the Consolidated Entity as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded in the Statements of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on Government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled or is transferred to another entity and the Company and Consolidated Entity are legally released from the obligation and do not retain a constructive obligation.

#### Dividends

Where a dividend is determined or resolved by the Company's Board of Directors, consideration is given to the record date when determining the date on which the provision for the dividend is recognised in the Statements of financial position as a liability, with a corresponding reduction in retained earnings.

### (xviii) Borrowings

Borrowings include loans and other payables due to banks and financial institutions. These balances are subsequently measured at amortised cost.

### (xix) Due to/from subsidiaries

Transactions between the Company and its subsidiaries principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees, and are accounted for in accordance with Note 44(iv) *Revenue and expense recognition* and Note 44(vii) *Financial instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 44(vii)), such that the net amount is reported in the Statements of financial position.

## Note 44
## Significant accounting policies continued

### (xx) Debt issued

Debt issued includes debt securities issued by the Consolidated Entity. These balances are subsequently measured at either amortised cost or are DFVTPL and measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 44(vii) *Financial instruments*.

### (xxi) Loan capital

Loan capital represents issued debt with terms and conditions that qualify for inclusion as capital under Australian Prudential Regulatory Authority (APRA) Standards.

Capital instruments are first assessed to determine whether the Consolidated Entity is required to deliver cash or another financial asset on the occurrence of a contingent event that is considered genuine and is beyond the control of both the issuer and the holder (such as Common Equity Tier 1 Trigger Events or Non-Viability Trigger Events). Where such a contingent event exists, the Consolidated Entity does not have the unconditional right to avoid delivering cash or another financial asset and the capital instrument is classified as a financial liability. The financial liability is initially measured at fair value plus directly attributable transaction costs and is subsequently measured at amortised cost.

For compound instruments that have both equity and liability features, the liability component is initially measured at fair value plus directly attributable transaction costs (and is thereafter measured at amortised cost using the EIR method), with the residual being accounted for within the Consolidated Entity's equity.

### (xxii) Impairment

#### Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Consolidated Entity applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking information (FLI).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 13 *Expected credit losses* for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

#### (i) Stage I—12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the probability of default (PD) over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage I also includes financial assets where the credit risk has improved and has been reclassified from stage II.

#### (ii) Stage II—Not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Consolidated Entity exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Consolidated Entity's process to determine whether there has been a SICR is provided in Note 13 *Expected credit losses*.

Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Consolidated Entity exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage II may include financial assets where the credit risk has improved and has been reclassified from stage III.

#### (iii) Stage III—Credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively for portfolios of exposures, ECL is measured as the product of the lifetime PD, the loss given default (LGD) and the exposure at default (EAD), adjusted for FLI.

## Note 44
## Significant accounting policies continued

### (xxii) Impairment continued

**Presentation of ECL allowances**

The ECL allowances are presented in the Statements of financial position as follows:

- loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and debt financial investments measured at FVOCI – as a reduction in the FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is measured at fair value
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees (not measured at FVTPL) – as a provision included in other liabilities.

When the Consolidated Entity concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

*Impairment of interests in associates and joint ventures*

The Consolidated Entity performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Consolidated Entity evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value-in-use, with its carrying amount.

Impairment losses recognised in the income statement for investments in associates and joint ventures are subsequently reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised. The impairment losses (reversal of impairments) on investments in associates and joint ventures are recognised in the income statement as part of other impairment charges/reversal.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value-in-use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

*Impairment of investments in subsidiaries*

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in other impairment charges/reversal, for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value-in-use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

*Impairment of goodwill and other intangible assets; property, plant and equipment and right-of-use assets*

Intangible assets with indefinite lives (goodwill and certain intangible assets) are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

For intangible assets that have a finite useful life and property, plant and equipment and ROU assets, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

In relation to businesses acquired and held for disposal, the individual business is treated as a cash generating unit. Assets associated with strategic business acquisitions are allocated to each of the operating segments (refer to Note 3 *Segment reporting*) and assessed for impairment.

## Note 44
## Significant accounting policies continued

### (xxiii) Performance based remuneration

#### Share-based payments

The Consolidated Entity operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 32 *Employee equity participation.*

The Consolidated Entity accounts for its share-based payments as follows:

*Equity settled awards:* The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. On vesting, the amount recognised in the share-based payments reserve is transferred to contributed equity. For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award. To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees, a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in the share-based payments reserve. MEREP liabilities are recognised and disclosed in Note 30 *Related party information.* To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees', the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in the subsidiary with a corresponding increase in the share-based payments reserve. On vesting, amounts recognised in the share-based payments reserve are transferred to contributed equity.

*Cash settled awards:* The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognised in employment expenses.

#### Profit share remuneration

The Consolidated Entity recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

### (xxiv) Leases

At the inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non lease components as a single lease component.

#### (i) Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases corporate buildings, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods of 12 months to 33 years and may include extension options. Leases are recognised as an ROU asset (as explained in Note 44(xiv) *Property, plant and equipment and right-of-use assets*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Consolidated Entity.

#### Lease liability

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability are also recognised as net operating lease income in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, as net operating lease income, where the carrying value of the ROU asset has been reduced to zero.

#### Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 15) and lease liabilities in other liabilities (refer to Note 23) in the Statements of financial position.

## Note 44
## Significant accounting policies continued

### (xxiv) Leases continued

(ii) Accounting where the Consolidated Entity is a lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

**Finance lease**

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the income statement.

**Operating lease**

Where the Consolidated Entity is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 44(xiv) *Property, plant and equipment and right-of-use assets*. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in property, plant and equipment and right of-use assets.

When the Consolidated Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.

### (xxv) Contributed equity

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the issue proceeds.

### (xxvi) Fiduciary assets and client money

The Consolidated Entity engages in trust, fund or other fiduciary activities as well as certain brokerage and other trading-related activities that result in the holding or placing of assets on behalf of third parties. Where such assets are controlled, and future economic benefits are expected to be realised by the Consolidated Entity, such assets and the income thereon are reflected in the Statements of financial position and income statement respectively. Where this is not the case, these assets and the income thereon are excluded from the Consolidated Entity's financial statements as they are not the assets of the Consolidated Entity. Fee income earned by the Consolidated Entity relating to its responsibilities from fiduciary and brokerage and other trading-related activities is included as part of fee and commission income.

### (xxvii) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with Central and other banks including unallocated precious metal balances. These balances are subsequently measured at amortised cost except unallocated precious metals which are held at FVTPL.

### (xxviii) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances (except unallocated precious metal balances) as well as certain liquid financial investments and non trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Consolidated Entity's short-term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and certain client-related balances which are segregated from the Consolidated Entity's own funds and are thus restricted from use.

### (xxix) Investment property

Investment properties are initially recognised at cost and subsequently stated at fair value at each reporting date. Any change in fair value, in addition to any lease income generated, is recognised in other income as part of other operating income and charges.

### (xxx) Comparatives

Where necessary, comparative information has been re-presented to conform to changes in presentation in the current year.

### (xxxi) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, amounts in the Directors' Report and Financial Report have been rounded off to the nearest million Australian dollars unless otherwise indicated.

### (xxxii) New Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

(i) AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts*, amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The standard is mandatorily effective for the Consolidated Entity's annual reporting period beginning on 1 April 2023. The standard is not expected to have a material impact on the Consolidated Entity's financial statements.

(ii) Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2021 and have not been early adopted, are not likely to result in a material impact on the Consolidated Entity's financial statements.

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# Directors' declaration

Macquarie Group Limited

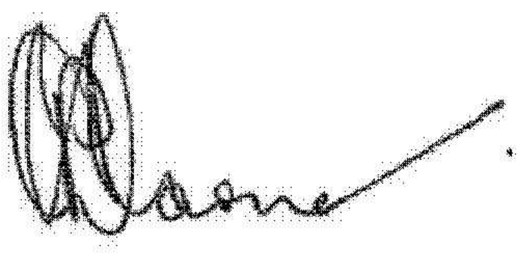
In the Directors' opinion:

(a) the financial statements and notes set out on pages 144 to 287 are in accordance with the *Corporations Act 2001* (Cth) including:
   (i) complying with Australian accounting standards, and
   (ii) giving a true and fair view of the Company's and the Consolidated Entity's financial positions as at 31 March 2022 and their performance for the financial year ended on that date, and

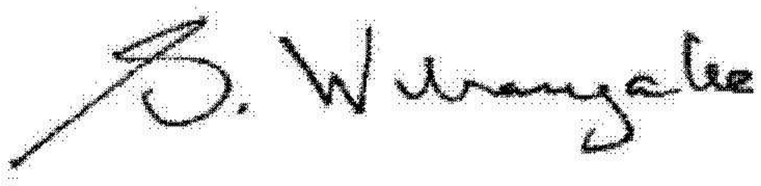
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(i) includes a statement that the Financial Report complies with International Financial Reporting Standards.

The Directors have been given the declarations by the CEO and CFO required by section 295A of the *Corporations Act 2001* (Cth). This declaration is made in accordance with a resolution of the Directors.



**Peter Warne**
Independent Director and Chairman



**Shemara Wikramanayake**
Managing Director and Chief Executive Officer

Sydney
6 May 2022

# Independent auditor's report

To the members of Macquarie Group Limited

## Report on the audit of the financial report

### Our opinion

In our opinion:

The accompanying financial report of Macquarie Group Limited (the Company) and its controlled entities (together the Consolidated Entity) is in accordance with the *Corporations Act 2001* (Cth), including:

(a) giving a true and fair view of the Company's and Consolidated Entity's financial positions as at 31 March 2022 and of their financial performance for the year then ended
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth).

### What we have audited

The Consolidated Entity and Company financial report comprises:

- the Consolidated and Company statements of financial position as at 31 March 2022
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company income statements for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

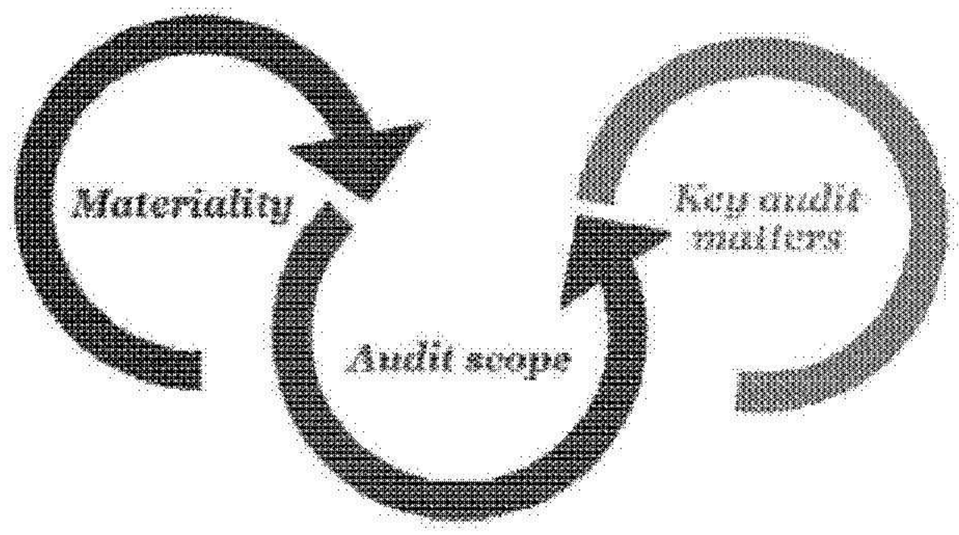
We are independent of the Company and the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* (Cth) and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Our audit approach for the Consolidated Entity

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Consolidated Entity, its accounting processes and controls and the industry in which it operates.

The Consolidated Entity is structured into four operating groups and a corporate segment. It undertakes operational activities that are important to the financial reporting process in multiple locations overseas, including sites in Gurugram in India, Jacksonville in the United States and Manila in the Philippines.




### Consolidated Entity materiality

- For the purpose of our audit we used overall Consolidated Entity materiality of $307 million, which represents approximately 5% of the Consolidated Entity's profit before tax
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole
- We chose Consolidated Entity profit before tax because, in our view, it is the benchmark against which the performance of the Consolidated Entity is most commonly measured
- We utilised a threshold of approximately 5% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## Consolidated Entity audit scope

- Our audit focused on where the Consolidated Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To identify these subjective judgements, we considered the inherent risks facing the Consolidated Entity, including those arising from its respective business operations, and how the Consolidated Entity manages these risks. We also considered a number of other factors including the design and implementation of the Consolidated Entity's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial report and the risk of management override of controls.
- We aligned our audit to the Consolidated Entity's structure by instructing a component audit team for each of the four operating groups and the corporate segment. These component audit teams, in consultation with the group audit team, established an audit strategy tailored for each operating group and the corporate segment.
- Given the extent of the overseas operations of the Consolidated Entity, the component audit teams instructed a number of other member firms of the PwC global network to perform audit procedures. The group audit team determined the level of supervision and direction it needed to have over the audit work performed by the component audit teams, including over the component audit teams' review and supervision of the overseas audit teams they, in turn, instructed.
- The work performed by the component audit teams and the overseas audit teams, together with additional audit procedures performed by the group audit team such as procedures over the Consolidated Entity's consolidation and the financial report disclosures, provided us with the information we needed for our opinion on the Consolidated Entity's financial report as a whole.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate only to the audit of the Consolidated Entity, unless otherwise noted. We communicated the key audit matters to the Board Audit Committee.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Provision for expected credit losses on loan assets (Refer to Note 13)** | |
| Under the credit impairment model required by AASB 9: *Financial Instruments* (AASB 9), losses are recognised on an Expected Credit Loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting the Consolidated Entity's view of potential future economic scenarios.<br><br>The global economic outlook remains uncertain given the current situation in Europe and the resulting market volatility, as well as the continued impact of COVID 19 on certain industries. As a result, significant judgement was required to be exercised by the Consolidated Entity in calculating the ECL. Specifically, this includes judgements around the determination and use of forward-looking information, including developing macroeconomic scenarios and their associated weightings and the use of post model adjustments in the calculation of the ECL. In order to meet the ECL requirements of AASB 9, the Consolidated Entity has developed models that involve judgement including determining assumptions such as defining a significant increase in credit risk (SICR). The ECL models of the Consolidated Entity rely on numerous data elements and certain post model adjustments are applied based on the Consolidated Entity's judgement.<br><br>Given the extent of judgement involved, we consider this to be a key audit matter. | Our procedures included assessing the design and testing the operating effectiveness of certain controls supporting the Consolidated Entity's estimate of the ECL including controls relating to:<br>• review, challenge and approval of certain forward-looking macroeconomic assumptions and scenario weightings<br>• monitoring the effectiveness of models used to support ECL estimates, and the validation and implementation of revised models<br>• assessment of the credit quality of counterparties<br>• accuracy of certain critical data elements used in key ECL models, and<br>• review and challenge forums to assess the ECL output and post model adjustments.<br><br>In addition to controls testing, we performed substantive procedures including:<br>• together with PwC credit modelling experts, assessing the appropriateness of conclusions reached by the Consolidated Entity from model monitoring performed on key models. This included assessing key model components such as SICR and reperformance of certain tests performed as part of the model monitoring<br>• together with PwC credit modelling experts, testing the appropriateness of a selection of changes to key models<br>• together with PwC credit modelling experts, assessing whether the list of critical data elements identified by the Consolidated Entity was appropriate for key models<br>• together with PwC economics experts, assessing the appropriateness of macroeconomic scenarios and certain forward-looking economic data developed by the Consolidated Entity<br>• testing the completeness and accuracy of certain critical data elements used in key ECL models<br>• assessing a selection of post model adjustments identified by the Consolidated Entity, including obtaining an understanding of the methodology used for overlay derivation and testing the underlying datasets used for the calculations<br>• considering the impacts on the ECL of events occurring subsequent to balance date.<br><br>For credit impaired (stage III) loan provisions, we examined a sample of individual loan exposures to consider the appropriateness of provisions adopted.<br><br>We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of interests in associates and joint ventures (Refer to Note 2, Note 14)** | |
| In accordance with AASB 136: Impairment of Assets (AASB 136), interests in associates and joint ventures need to be assessed by the Consolidated Entity for indicators of impairment or reversal of impairment at the reporting date. If indicators of impairment, or reversal of impairment exist, the recoverable amount for each asset needs to be estimated. These assessments involve significant judgements such as estimating future cash flows and the rate at which they are discounted and in evaluating fair value less costs to sell.<br><br>Given the extent of judgement involved in light of the continued impact and uncertainty surrounding the COVID-19 pandemic and the financial significance of impairments and impairment reversals recognised, we considered this to be a key audit matter. | We evaluated the Consolidated Entity's valuation methodologies used to estimate the recoverable amount of material interests in associates and joint ventures and the process by which they were developed. For selected interests in associates and joint ventures, our procedures, assisted in some aspects by PwC Valuation experts, included:<br>• evaluating the Consolidated Entity's assessments of whether there were any indicators of impairment or whether impairment losses recognised in prior periods should be reversed<br>• evaluating the appropriateness of the impairment assessment methodology and significant assumptions applied in calculating the recoverable amount<br>• comparing previous cashflow forecasts to actual results or comparing previous net asset values to underlying investment values to assess the ability of the Consolidated Entity to forecast accurately<br>• assessing the appropriateness of discount rates used in valuations<br>• assessing the competence, capability and objectivity of the external appraisers, where relevant<br>• assessing certain underlying data used in determining the carrying value and recoverable amount, and<br>• testing the mathematical accuracy of the Consolidated Entity's discounted cashflow models which were used to determine the recoverable amount of the asset.<br><br>We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards. |
| **Valuation of financial assets and liabilities held at fair value with significant unobservable inputs (Level 3 financial instruments) (Refer to Note 38)** | |
| The Consolidated Entity exercises judgement in valuing certain financial assets and liabilities at fair value where there are significant unobservable inputs for the valuation of these assets and liabilities. These assets and liabilities are known as Level 3 financial instruments.<br><br>For the Consolidated Entity, these Level 3 financial instruments predominantly consist of trading assets, financial investments, loan assets and derivative financial instruments. Judgement is required in determining the appropriate models and inputs to estimate the fair value of these financial instruments.<br><br>Given the extent of judgement involved in valuing these Level 3 financial instruments, we considered this to be a key audit matter. | Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to the valuation of Level 3 financial instruments, including controls over:<br>• approval and validation of the models adopted<br>• accuracy of inputs to models<br>• the price verification process performed by the Consolidated Entity using prices and model inputs sourced from third parties<br>• calculation and approval of key valuation adjustments, and<br>• governance, review and challenge forums.<br><br>Together with PwC valuation experts, we assessed the valuation of a sample of derivative financial instruments and trading assets, including level 3 instruments. We considered a sample of collateral disputes, gains and losses on disposals and other events to help assess the appropriateness of the valuations. We also evaluated the methodology and underlying assumptions used to determine valuation adjustments. We tested a sample of valuation adjustments as at the period-end.<br><br>For a sample of financial investments and loan assets, we assessed the appropriateness of the valuation methodologies applied, as well as the appropriateness of the inputs used.<br><br>We performed tests of the allocation of financial instruments to the appropriate level within the fair value hierarchy.<br><br>We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards. |

### IT systems and controls over financial reporting

The Consolidated Entity's operations and financial reporting systems are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Consolidated Entity's controls over IT systems include:

- the framework of governance over IT systems
- controls over program development and changes
- controls over access to programs, data and IT operations, and
- governance over generic and privileged user accounts.

We considered this a key audit matter given the:

- financial reporting processes of the Consolidated Entity are heavily reliant on IT systems,
- underlying IT controls over business processes are significant to the financial reporting process, and
- data migration activities which occurred during the year impacted the key IT processes, systems and controls relevant to the financial reporting process.

Our procedures included evaluating the design and testing the operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting.

We also carried out tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

We considered the key risks of the system implementation and data migration activities applicable to the financial reporting process and tested a sample of relevant controls, as well as testing the completeness and accuracy of the data migration.

Where we identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures. We also considered mitigating controls in order to respond to the impact on our overall audit approach.

### Valuation of tax payable and tax receivable relating to tax uncertainties (Refer to Note 11 and Note 23)

The Consolidated Entity is subject to taxation in a number of jurisdictions. The assessment of the amounts expected to be paid to and received from tax authorities is considered initially by the Consolidated Entity in each local territory and then reviewed centrally, with consideration given to particular tax positions in certain jurisdictions. In some cases, the treatment of tax positions requires judgement to estimate the ultimate amounts of tax that will be paid and received.

Given the extent of judgement involved, we consider this to be a key audit matter.

Our procedures included evaluating the analysis conducted by the Consolidated Entity which sets out the basis for judgements made in respect of the ultimate amounts expected to be paid to and received from tax authorities.

Assisted by PwC tax experts in the relevant jurisdictions, we read a risk focused selection of correspondence with tax authorities and external advice obtained by the Consolidated Entity and used our understanding of the business to assess the completeness and quantum of the provision for tax and tax receivable. We considered the likelihood of additional tax exposures occurring based on our knowledge of tax legislation, applicable precedent and industry developments, noting the level of judgement involved.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.

### Income recognition (Refer to Note 2)

In some cases, judgement is required by the Consolidated Entity in relation to the timing of recognition and measurement of fee income, income from disposal of assets and performance fees. Further, the determination of performance fees recognition involves judgements relating to the timing and amount of variable consideration to be recognised.

Given the extent of judgement involved, we considered this to be a key audit matter.

Our audit procedures included evaluating the design and testing the operating effectiveness of relevant controls relating to the recognition and measurement of fee income, income from disposal of assets and performance fees.

In assessing the appropriateness of the recognition of fee income and performance fees, we recalculated revenue for a sample of fees based on relevant information in supporting documents including contracts, fund constitutions and management agreements. Specifically for performance fees, we also considered the nature of the underlying fund assets, the proportion of assets already realised, the returns on the assets realised to date and the potential for volatility in the valuation of the remaining unrealised assets.

We performed testing over the timing of income recognition from the disposal of assets in respect of certain transactions where sale agreements were in place at year end but the transaction had not yet been fully completed to assess the appropriateness of the recognition of income from the disposal of assets.

We assessed the appropriateness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Carrying amount of investment in subsidiary (Company Only) (Refer to Note 17)** | |
| At year end, the Company considered whether there were any indicators of impairment or whether impairment losses recognised in prior periods on an investment in subsidiary should be reversed.<br><br>Given the impairment losses recognised in prior periods on an investment in subsidiary, an estimate of the investment's recoverable amount was calculated by determining the higher of the value-in-use and fair value less cost of disposal for the investment.<br><br>The Company's calculation of the recoverable amount of the subsidiary supported an impairment reversal. Given the quantum of the investment and the impairment reversal, and the judgement involved in determining the recoverable amount, we considered this to be a key audit matter. | Our procedures included:<br>• evaluating the Company's assessment of whether there were any indicators of impairment or whether impairment losses recognised in prior periods should be reversed<br>• evaluating the appropriateness of the impairment assessment methodology and significant assumptions applied in calculating the recoverable amount<br>• comparing previous cashflow forecasts to actual results to assess the ability of the Company to forecast accurately<br>• together with PwC valuation experts, assessing the appropriateness of key inputs in determining the recoverable amount including applicable valuation multiples<br>• assessing certain underlying data used in determining the carrying value and recoverable amount, and<br>• testing the mathematical accuracy of the Company's valuation model which was used to determine the recoverable amount of the subsidiary.<br><br>We assessed the reasonableness of the Company's disclosures in the financial report against the requirements of Australian Accounting Standards |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

# Report on the remuneration report

## Our opinion on the remuneration report

We have audited the remuneration report included in pages 94 to 143 of the Directors' Report for the year ended 31 March 2022.

In our opinion, the remuneration report of Macquarie Group Limited for the year ended 31 March 2022 complies with section 300A of the *Corporations Act 2001* (Cth).

## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001* (Cth). Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

**PricewaterhouseCoopers**

K. Stubbins

**Kristin Stubbins**
Partner

Sydney
6 May 2022

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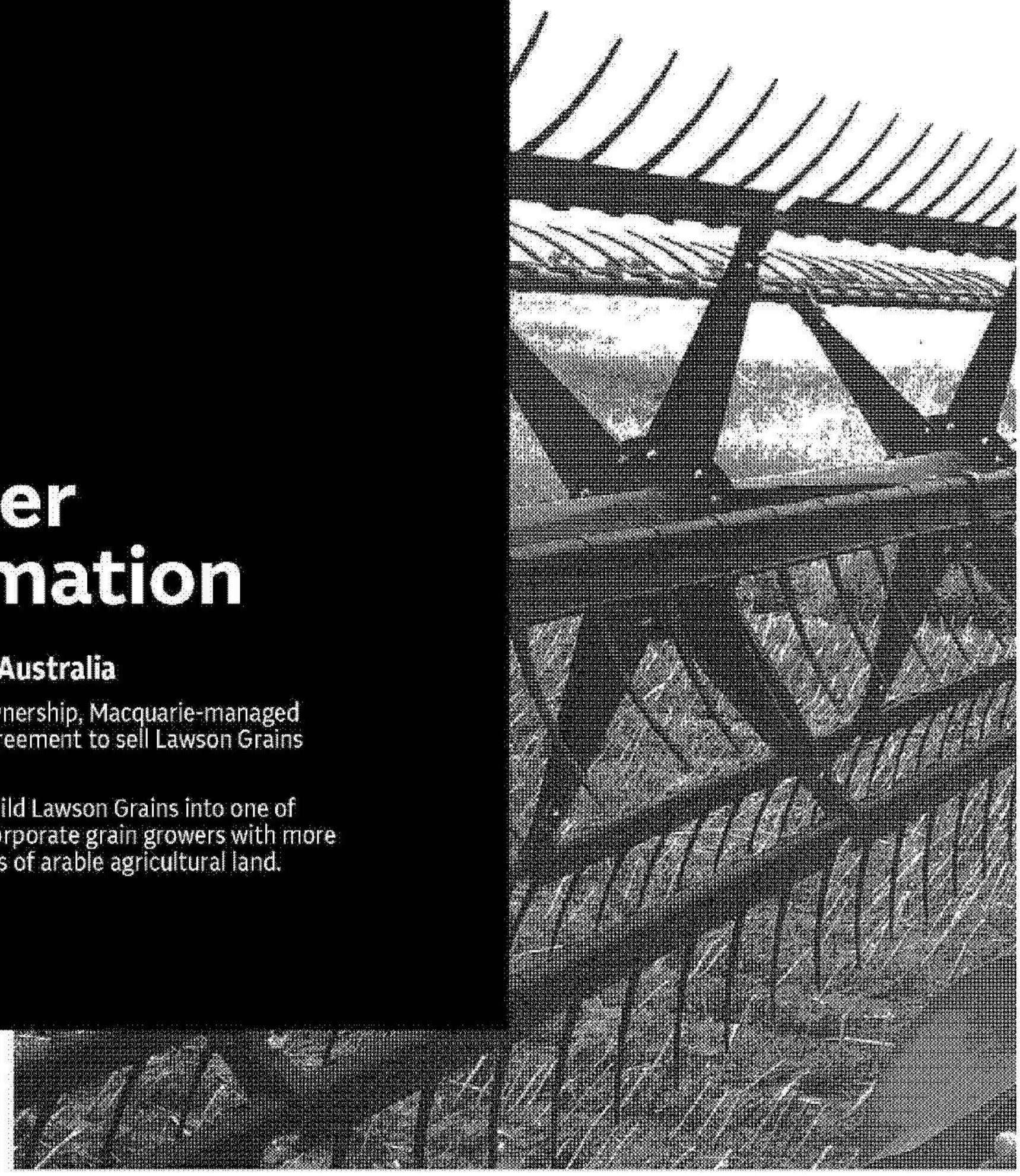
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# Further Information

## Lawson Grains, Australia

After a decade of ownership, Macquarie-managed funds reached an agreement to sell Lawson Grains in September 2021.

Macquarie helped build Lawson Grains into one of Australia's leading corporate grain growers with more than 90,000 hectares of arable agricultural land.





# Additional investor information

## Shareholder calendar

### 2022

| Date | Event |
|---|---|
| 6 May | Full-year result announcement |
| 16 May | Ex-dividend date for final ordinary dividend |
| 17 May | Record date for final ordinary dividend |
| 7 June | Payment date for BCN3 distribution |
| 10 June | Payment date for MCN4 distribution |
| 15 June | Payment date for MCN3 distribution |
| 20 June | Payment date for MCN5 distribution |
| 21 June | Payment date for BCN2 distribution |
| 4 July | Payment date for final ordinary dividend |
| 28 July | AGM |
| 7 September | Payment date for BCN3 distribution |
| 12 September | Payment date for MCN4 distribution |
| 15 September | Payment date for MCN3 distribution |
| 19 September | Payment date for MCN5 distribution |
| 21 September | Payment date for BCN2 distribution |
| 30 September | Financial half-year end |
| 28 October[1] | Half-year result announcement |
| 7 November[1] | Ex-dividend date for interim ordinary dividend |
| 8 November[1] | Record date for interim ordinary dividend |
| 7 December | Payment date for BCN3 distribution |
| 12 December | Payment date for MCN4 distribution |
| 13 December[1] | Payment date for interim ordinary dividend |
| 15 December | Payment date for MCN3 distribution |
| 19 December | Payment date for MCN5 distribution |
| 21 December | Payment date for BCN2 distribution |

### 2023

| Date | Event |
|---|---|
| 7 March | Payment date for BCN3 distribution |
| 10 March | Payment date for MCN4 distribution |
| 15 March | Payment date for MCN3 distribution |
| 20 March | Payment date for MCN5 distribution |
| 21 March | Payment date for BCN2 distribution |
| 31 March | Financial year end |

## 2022 Annual General Meeting

Macquarie Group Limited's 2022 AGM will be held at 10:30 am on Thursday, 28 July 2022. Details of the meeting will be sent to shareholders separately.

The closing date for the receipt of nominations from persons wishing to be considered for election as a director is Wednesday, 25 May 2022.

(1) These dates are subject to change.

## Dividend details

Macquarie generally pays a dividend on its fully paid ordinary shares twice a year following the interim and final results announcements. The proposed dates for the 2022 calendar year are in the calendar above.

## Dividend Reinvestment Plan (DRP)

The DRP allows shareholders to apply their dividends to acquire new Macquarie ordinary shares rather than receiving dividends in cash.

## Stock exchange listing

| Equity or hybrid security | Stock exchange listing | Trading code |
|---|---|---|
| **Macquarie Group Limited Securities** | | |
| Macquarie ordinary shares | ASX | MQG |
| Macquarie Group Capital Notes 3 (MCN3) | ASX | MQGPC |
| Macquarie Group Capital Notes 4 (MCN4) | ASX | MQGPD |
| Macquarie Group Capital Notes 5 (MCN5) | ASX | MQGPE |
| **Macquarie Bank Limited Convertible Securities** | | |
| Macquarie Bank Capital Notes 2 (BCN2) | ASX | MBLPC |
| Macquarie Bank Capital Notes 3 (BCN3) | ASX | MBLPD |
| Macquarie Additional Capital Securities (MACS) | SGX | 6F6B |

Macquarie also has debt securities quoted on the London Stock Exchange, SGX, SIX Swiss Exchange Ltd and Taipei Exchange.

## Equity and hybrid securities

The following information is correct as at 31 March 2022.

## Macquarie Group Limited securities

### Fully paid ordinary shares

#### Voting rights

At meetings of members or classes of members, each member holding ordinary shares may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands, every person present who is a member or a proxy, attorney or corporate representative of a member has one vote and on a poll every member present in person or by proxy, attorney or corporate representative has:

- one vote for each fully paid share held by the member, and
- that proportion of a vote for any partly paid ordinary share calculated in accordance with clause 8.18 of the MGL Constitution.

A copy of the Constitution is available at macquarie.com/corporate-governance

## 20 largest holders

| Registered holder | Number of ordinary shares held | % of ordinary shares |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 104,851,565 | 27.33 |
| J P Morgan Nominees Australia Pty Limited | 71,870,266 | 18.73 |
| Citicorp Nominees Pty Limited | 26,503,767 | 6.91 |
| National Nominees Limited | 12,234,615 | 3.19 |
| Bond Street Custodians Limited <MEREP Trustee – RSU Allocated> | 11,670,232 | 3.04 |
| BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 9,060,274 | 2.36 |
| BNP Paribas Noms Pty Ltd <DRP> | 6,852,157 | 1.79 |
| Bond Street Custodians Limited <MEREP Trustee – Unallocated> | 3,741,475 | 0.98 |
| Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 2,763,448 | 0.72 |
| Argo Investments Limited | 2,563,251 | 0.67 |
| HSBC Custody Nominees (Australia) Limited <NT-Commwlth Super Corp A/C> | 2,545,729 | 0.66 |
| Bond Street Custodians Limited <Solium Nominees Aus Pty Ltd> | 2,069,048 | 0.54 |
| Australian Foundation Investment Company Limited | 1,786,967 | 0.47 |
| Milton Corporation Limited | 1,625,990 | 0.42 |
| Netwealth Investments Limited <Wrap Services A/C> | 1,576,728 | 0.41 |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C> | 1,541,906 | 0.40 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 1,088,791 | 0.28 |
| BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C> | 835,350 | 0.22 |
| Nicholas Moore | 748,709 | 0.20 |
| Aljebra Pty Ltd <Aljebra Investment A/C> | 731,957 | 0.19 |
| **Total** | 266,662,225 | 69.51 |

## Substantial shareholders

**The following holders are registered by MGL as a substantial shareholder, having declared a relevant interest in accordance with the Act, in the voting shares below:**

| Registered holder | Number of ordinary shares held |
|---|---|
| Macquarie Group Limited | 22,142,064 |
| BlackRock Group | 22,929,594 |

## Spread of shareholdings

| Range | Number of shareholders | Number of shares | % of shares |
|---|---|---|---|
| 1–1,000 | 186,492 | 42,071,275 | 10.97 |
| 1,001–5,000 | 21,569 | 40,369,447 | 10.52 |
| 5,001–10,000 | 1,361 | 9,173,177 | 2.39 |
| 10,001–100,000 | 630 | 14,841,507 | 3.87 |
| 100,001 shares and over | 64 | 277,192,231 | 72.25 |
| **Total** | 210,116 | 383,647,637 | 100.00 |

There were 1,799 shareholders (representing 2,325 shares) who held less than a marketable parcel.

# Additional investor information

Continued

## Macquarie Group Capital Notes 3 (MCN3)

### Voting rights

MCN3 may convert into a variable number of MGL ordinary shares on 15 December 2027 or at other times, subject to various conditions. Holders of MCN3 have no voting rights in respect of meetings of members of MGL prior to conversion.

### 20 largest holders

| Registered holder | Number of MCN3 held | % of MCN3 |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 754,633 | 7.55 |
| Australian Executor Trustees Limited <IPS IOOF Employer Super A/C> | 210,547 | 2.11 |
| Citicorp Nominees Pty Limited | 175,481 | 1.75 |
| National Nominees Limited | 167,443 | 1.67 |
| Netwealth Investments Limited <Wrap Services A/C> | 158,916 | 1.59 |
| J P Morgan Nominees Australia Pty Limited | 133,193 | 1.33 |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C> | 133,105 | 1.33 |
| Diocese Development Fund - Catholic Diocese of Paramatta | 115,000 | 1.15 |
| Mutual Trust Pty Ltd | 99,666 | 1.00 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 86,967 | 0.87 |
| BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP> | 71,395 | 0.71 |
| Longhurst Management Services Pty Ltd | 60,000 | 0.60 |
| Navigator Australia Ltd <MLC Investment Sett A/C> | 57,748 | 0.58 |
| Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C> | 49,772 | 0.50 |
| Dimbulu Pty Ltd | 40,000 | 0.40 |
| Invia Custodian Pty Limited <Income Pool A/C> | 38,495 | 0.38 |
| Australian Executor Trustees Limited <IDPS A/C> | 38,490 | 0.38 |
| Netwealth Investments Limited <Super Services A/C> | 35,356 | 0.35 |
| Australian Executor Trustees Limited <No 1 Account> | 33,872 | 0.34 |
| Federation University Australia | 30,158 | 0.30 |
| **Total** | 2,490,237 | 24.90 |

### Spread of noteholdings

| Range | Number of MCN3 holders | Number of MCN3 | % of MCN3 |
|---|---|---|---|
| 1-1,000 | 11,373 | 3,791,520 | 37.92 |
| 1,001-5,000 | 1,242 | 2,574,628 | 25.75 |
| 5,001-10,000 | 78 | 598,370 | 5.98 |
| 10,001-100,000 | 47 | 1,187,164 | 11.87 |
| 100,001 notes and over | 8 | 1,848,318 | 18.48 |
| **Total** | 12,748 | 10,000,000 | 100.00 |

There were 4 noteholders (representing 10 notes) who held less than a marketable parcel.

## Macquarie Group Capital Notes 4 (MCN4)

### Voting rights

MCN4 may convert into a variable number of MGL ordinary shares on 10 September 2029 or at other times, subject to various conditions. Holders of MCN4 have no voting rights in respect of meetings of members of MGL prior to conversion.

### 20 largest holders

| Registered holder | Number of MCN4 held | % of MCN4 |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 564,120 | 6.23 |
| Citicorp Nominees Pty Limited | 198,005 | 2.19 |
| Netwealth Investments Limited <Wrap Services A/C> | 189,998 | 2.10 |
| J P Morgan Nominees Australia Pty Limited | 155,396 | 1.72 |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C> | 137,464 | 1.52 |
| Dimbulu Pty Ltd | 100,000 | 1.10 |
| National Nominees Limited | 97,600 | 1.08 |
| BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP> | 71,825 | 0.79 |
| John E Gill Trading Pty Ltd | 65,000 | 0.72 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 63,149 | 0.70 |
| Navigator Australia Ltd <MLC Investment Sett A/C> | 39,248 | 0.43 |
| Invia Custodian Pty Limited <Income Pool A/C> | 38,950 | 0.43 |
| Australian Executor Trustees Limited <IPS IOOF Employer Super A/C> | 37,199 | 0.41 |
| BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP> | 33,046 | 0.36 |
| JDB Services Pty Ltd <RAC & JD Brice Invest A/C> | 32,967 | 0.36 |
| Netwealth Investments Limited <Super Services A/C> | 29,355 | 0.32 |
| Qushan Pty Ltd <The Qu Family A/C> | 28,000 | 0.31 |
| Mutual Trust Pty Ltd | 26,730 | 0.30 |
| Pendant Realty Pty Ltd | 25,000 | 0.28 |
| Sneath & King Pty Ltd <Sneath & King S/F A/C> | 25,000 | 0.28 |
| **Total** | 1,958,052 | 21.62 |

### Spread of noteholdings

| Range | Number of MCN4 holders | Number of MCN4 | % of MCN4 |
|---|---|---|---|
| 1-1,000 | 10,770 | 3,656,482 | 40.38 |
| 1,001-5,000 | 1,137 | 2,335,507 | 25.79 |
| 5,001-10,000 | 95 | 692,485 | 7.65 |
| 10,001-100,000 | 43 | 1,125,453 | 12.43 |
| 100,001 notes and over | 5 | 1,244,983 | 13.75 |
| **Total** | 12,050 | 9,054,910 | 100.00 |

There were 28 noteholders (representing 107 notes) who held less than a marketable parcel.

# Additional investor information

Continued

## Macquarie Group Capital Notes 5 (MCN5)

### Voting rights

MCN5 may convert into a variable number of MGL ordinary shares on 18 September 2030 or at other times, subject to various conditions. Holders of MCN5 have no voting rights in respect of meetings of members of MGL prior to conversion.

### 20 largest holders

| Registered holder | Number of MCN5 held | % of MCN5 |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 558,087 | 7.69 |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C> | 258,245 | 3.56 |
| Netwealth Investments Limited <Wrap Services A/C> | 147,526 | 2.03 |
| National Nominees Limited | 146,121 | 2.01 |
| J P Morgan Nominees Australia Pty Limited | 134,803 | 1.86 |
| Citicorp Nominees Pty Limited | 91,371 | 1.26 |
| BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP> | 81,866 | 1.13 |
| Dimbulu Pty Ltd | 55,000 | 0.76 |
| Australian Executor Trustees Limited <IPS IOOF Employee Super A/C> | 51,678 | 0.71 |
| Diocese Development Fund - Catholic Diocese of Paramatta | 48,479 | 0.67 |
| BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP> | 44,765 | 0.62 |
| Mutual Trust Pty Ltd | 39,212 | 0.54 |
| BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 38,027 | 0.52 |
| Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C> | 37,423 | 0.52 |
| Federation University Australia | 37,276 | 0.51 |
| Netwealth Investments Limited <Super Services A/C> | 35,070 | 0.48 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 26,188 | 0.36 |
| Navigator Australia Ltd <MLC Investment Sett A/C> | 24,903 | 0.34 |
| Certane Ct Pty Ltd <Charitable Foundation> | 24,259 | 0.33 |
| Leda Holdings Pty Ltd | 24,000 | 0.33 |
| **Total** | 1,904,299 | 26.25 |

### Spread of noteholdings

| Range | Number of MCN5 holders | Number of MCN5 | % of MCN5 |
|---|---|---|---|
| 1-1,000 | 8,695 | 2,812,996 | 38.78 |
| 1,001-5,000 | 887 | 1,873,975 | 25.83 |
| 5,001-10,000 | 42 | 317,931 | 4.38 |
| 10,001-100,000 | 39 | 1,004,716 | 13.85 |
| 100,001 notes and over | 5 | 1,244,782 | 17.16 |
| **Total** | 9,668 | 7,254,400 | 100.00 |

There was 2 noteholders (representing 2 notes) who held less than a marketable parcel.

# Macquarie Bank Limited convertible securities

## Macquarie Additional Capital Securities (MACS)

MACS are unsecured subordinated notes issued by MBL, acting through its London Branch that may be exchanged for MGL ordinary shares in certain limited circumstances. MACS holders have no voting rights in respect of meetings of members of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

As at 31 March 2022, the $US750 million of MACS were held by one holder, Cede & Co, as authorised representative for the Depository Trust Company being the common depository for the MACS global security. The Bank of New York Mellon as Registrar keeps the register in respect of MACS.

## Macquarie Bank Capital Notes 2 (BCN2)

BCN2 are unsecured, subordinated notes issued by MBL. They are non-cumulative and mandatorily convertible into MGL ordinary shares in certain limited circumstances. BCN2 holders have no voting rights in respect of meetings of members of MBL, and have no voting rights in respect of meetings of members of MGL prior to conversion. As at 31 March 2022, there were 6,410,270 BCN2 on issue held by 10,655 registered holders.

## Macquarie Bank Capital Notes 3 (BCN3)

BCN3 are unsecured, subordinated notes issued by MBL. They are non-cumulative and mandatorily convertible into MGL ordinary shares in certain limited circumstances. BCN3 holders have no voting rights in respect of meetings of members of MBL, and have no voting rights in respect of meetings of members of MGL prior to conversion. As at 31 March 2022, there were 6,548,480 BCN3 on issue held by 9,404 registered holders.

# Unlisted securities

The following information is correct as at 31 March 2022.

## Exchangeable shares

59,787 exchangeable shares on issue are held by 9 former employees of Orion Financial Inc. The exchangeable shares were issued by a controlled entity and are eligible to be exchanged one for 0.9438 of an MGL ordinary share. They carry no voting rights in respect of meetings of members of MGL prior to exchange. The date for redemption of all remaining exchangeable shares on issue has been set for 31 May 2022, whereupon the exchangeable shares will be redeemed and each exchanged for 0.9438 of an MGL ordinary share. There will be no remaining holders of exchangeable shares following the redemption.

38,082 exchangeable shares on issue are held by 9 former employees of Tristone Capital Global Inc. The exchangeable shares were issued by a controlled entity and are eligible to be exchanged one for 0.9438 of an MGL ordinary share. They carry no voting rights in respect of meetings of members of MGL prior to exchange. The date for redemption of all remaining exchangeable shares on issue has been set for 31 May 2022, whereupon the exchangeable shares will be redeemed and each exchanged for 0.9438 of an MGL ordinary share. There will be no remaining holders of exchangeable shares following the redemption.

## MEREP

3,471,835 DSUs are held by 607 participants and 682,751 PSUs are held by 15 participants in the MEREP.

## American Depository Receipt (ADR) program

Macquarie ADRs are negotiable certificates issued by BNY Mellon, with one ADR representing one MGL ordinary share. They are traded under the symbol MQBKY and are classified as Level 1. They are not listed on any exchange and are only traded over-the-counter via brokers.

BNY Mellon:

BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516 USA

Toll-free telephone number for domestic callers:
1 888 BNY ADRs

Telephone number for international callers:
+1 201 680 6825

Further information can be found at:
**adrbnymellon.com/resources/individual-investors**

# Enquiries

Investors who wish to enquire about any administrative matter relating to their MGL shareholding, MCN3, MCN4, MCN5, BCN2 or BCN3 security holding are invited to contact the Share Registry at:

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000 Australia

Telephone: 1300 554 096 (within Australia)
+61 1300 554 096 (international)
Email: **macquarie@linkmarketservices.com.au**
Website: **linkmarketservices.com.au**

All other enquiries relating to an MGL share investment can be directed to:

## Investor relations

Macquarie Group Limited
Level 6, 50 Martin Place
Sydney NSW 2000 Australia

Telephone: +61 2 8232 3333
Email: **macquarie.shareholders@macquarie.com**
Website: **macquarie.com/investors**

Macquarie's Company Secretary, Dennis Leong, may be contacted on the above number and email address.

## Website

The Interim and Annual Reports, presentations, dividend information and other investor information is available **macquarie.com/investors**

# Ten Year History

The financial information for the full years ended 31 March 2013-2022 is based on the reported results using the Australian Accounting Standards that were effective and adopted by the Consolidated Entity at the reporting dates, which also comply with IFRS as issued by the IASB. Reporting periods have been restated only to the extent as required by the accounting standards. The financial reporting periods may hence not be fully comparable with one another as a result of changes in accounting standards' requirements.

| Financial years ended 31 March | **2022** | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement ($ million)** | | | | | | | | | | |
| Net operating income | **17,324** | 12,774 | 12,325 | 12,754 | 10,920 | 10,364 | 10,158 | 9,262 | 8,132 | 6,657 |
| Total operating expenses | **(10,785)** | (8,867) | (8,871) | (8,887) | (7,456) | (7,260) | (7,143) | (6,740) | (6,026) | (5,252) |
| Operating profit before income tax | **6,539** | 3,907 | 3,454 | 3,867 | 3,464 | 3,104 | 3,015 | 2,522 | 2,106 | 1,405 |
| Income tax expense | **(1,586)** | (899) | (728) | (879) | (883) | (868) | (927) | (899) | (827) | (533) |
| Profit after income tax | **4,953** | 3,008 | 2,726 | 2,988 | 2,581 | 2,236 | 2,088 | 1,623 | 1,279 | 872 |
| Macquarie income securities distributions | **–** | – | (12) | (15) | (14) | (15) | (16) | (18) | (18) | (21) |
| Macquarie income preferred securities distributions | **–** | – | – | – | – | – | (1) | (5) | (4) | (4) |
| Loss/(profit) attributable to other non-controlling interests | **(247)** | 7 | 17 | 9 | (10) | (4) | (8) | 4 | 8 | 4 |
| Profit attributable to ordinary equity holders | **4,706** | 3,015 | 2,731 | 2,982 | 2,557 | 2,217 | 2,063 | 1,604 | 1,265 | 851 |
| **Statement of financial position ($ million)** | | | | | | | | | | |
| Total assets | **399,176** | 245,653 | 255,802 | 197,757 | 191,325 | 182,877 | 196,755 | 187,976 | 153,904 | 144,748 |
| Total liabilities | **370,370** | 223,302 | 234,018 | 179,393 | 173,145 | 165,607 | 181,091 | 173,580 | 141,990 | 132,793 |
| Net assets | **28,806** | 22,351 | 21,784 | 18,364 | 18,180 | 17,270 | 15,664 | 14,396 | 11,914 | 11,955 |
| Loan assets | **134,744** | 105,026 | 94,117 | 77,811 | 73,509 | 69,288 | 72,393 | 67,663 | 49,965 | 47,449 |
| Shareholders' equity[1] | **28,561** | 22,048 | 21,063 | 17,761 | 16,357 | 15,563 | 15,116 | 13,909 | 11,418 | 11,403 |
| Impaired loan assets (net of provisions)[2] | **1,325** | 1,544 | 1,528 | 1,674 | 351 | 547 | 418 | 594 | 365 | 368 |
| **Share information** | | | | | | | | | | |
| Dividends per share (cents) | | | | | | | | | | |
| Interim | **272** | 135 | 250 | 215 | 205 | 190 | 160 | 130 | 100 | 75 |
| Final | **350** | 335 | 180 | 360 | 320 | 280 | 240 | 200 | 160 | 125 |
| Special[3] | **–** | – | – | – | – | – | – | – | 116 | – |
| Total | **622** | 470 | 430 | 575 | 525 | 470 | 400 | 330 | 376 | 200 |
| Basic EPS (cents per share) | **1,271.7** | 842.9 | 791.0 | 883.3 | 758.2 | 657.6 | 619.2 | 502.3 | 383.6 | 251.2 |
| Share price at reporting date ($) | **203.27** | 152.83 | 85.75 | 129.42 | 102.90 | 90.20 | 66.09 | 76.67 | 57.93 | 37.15 |
| Ordinary shares (million shares) | **383.6** | 361.8 | 354.4 | 340.4 | 340.4 | 340.4 | 340.3 | 333.5 | 321.1 | 339.5 |
| Market capitalisation at reporting date (fully paid ordinary shares) ($ million) | **77,984** | 55,297 | 30,388 | 44,052 | 35,024 | 30,700 | 22,491 | 25,569 | 18,601 | 12,613 |
| Net tangible assets per ordinary share ($) | **64.59** | 53.91 | 50.21 | 46.21 | 45.12 | 42.74 | 41.23 | 38.19 | 31.71 | 29.94 |
| **Ratios (%)** | | | | | | | | | | |
| Return on average ordinary shareholders' funds | **18.7** | 14.3 | 14.5 | 18.0 | 16.8 | 15.2 | 14.7 | 14.0 | 11.1 | 7.8 |
| Ordinary dividend payout ratio[4] | **50.2** | 56.4 | 55.8 | 65.6 | 69.8 | 72.0 | 65.7 | 67.6 | 66.8 | 79.0 |
| Expense/income ratio | **62.3** | 69.4 | 72.0 | 69.7 | 68.3 | 70.1 | 70.3 | 72.8 | 74.1 | 78.9 |
| Net loan losses as % of loan assets (excluding securitisation SPVs) | **0.1** | 0.4 | 0.8 | 0.4 | 0.3 | 0.5 | 1.0 | 0.7 | 0.4 | 0.4 |
| **Assets under management ($ billion)** | **774.8** | 563.5 | 598.9 | 551.3 | 496.7 | 481.7 | 478.6 | 486.3 | 426.9 | 347.4 |
| Staff numbers | **18,133** | 16,459 | 15,849 | 15,602 | 14,810 | 13,925 | 14,660 | 14,373 | 14,180 | 13,905 |

(1) Represents capital, reserves and retained earnings attributable to ordinary equity holders of Macquarie Group Limited.
(2) Represents net exposure in credit impaired loan assets as per Australian Accounting Standards since 31 March 2019. For financial years ended 31 March 2013-2018, represents net exposure in impaired loan assets disclosed as per Australian regulatory authority requirements.
(3) The special dividend for the year ended 31 March 2014 represented the special dividend component of the in-specie distribution of Sydney Airport stapled securities in January 2014. The total distribution including return of capital was 373 cents per share.
(4) The ordinary dividend payout ratio for the year ended 31 March 2022 is calculated based on the estimated number of eligible shares on the record date multiplied by the dividend per share, divided by the profit attributable to MGL shareholders.

# Glossary

| Defined term | Definition |
|---|---|
| **A** | |
| AASB | Australian Accounting Standards Board |
| the Act | *Corporations Act 2001* (Cth) |
| ADI | Authorised deposit-taking institution |
| ADR | American Depository Receipt |
| AEC | Australian Electoral Commission |
| AGM | Annual General Meeting |
| ALA | alternative liquid assets |
| All Ords Index | All Ordinaries Accumulation Index |
| ALCO | Asset and Liability Committee |
| Annual Report | MGL's 2022 Annual Report |
| ANZ | Australia and New Zealand |
| APRA | Australian Prudential Regulation Authority |
| ARR | alternative reference rates |
| ASIC | Australian Securities & Investments Commission |
| ASX | Australian Securities Exchange or ASX Limited ABN 98 008 624 691 and the market operated by ASX Limited |
| AUM | assets under management |
| **B** | |
| BAC | the joint MGL and MBL Board Audit Committee |
| Bank Group | MBL and its subsidiaries |
| Banking Group | the Banking Group comprises BFS and most business activities of CGM |
| BBSW | Australian Financial Markets Association's bank-bill rate published daily on AAP Reuters website. The Australian equivalent of LIBOR, SIBOR, etc. |
| BCBS | Basel Committee on Banking Supervision |
| BCN2 | Macquarie Bank Capital Notes 2 |
| BCN3 | Macquarie Bank Capital Notes 3 |
| BEAR | Banking Executive Accountability Regime |
| BFS | Banking and Financial Services Group |
| BGCC | Board Governance and Compliance Committee |
| BNC | Board Nominating Committee |
| the Board, Macquarie Board | the Board of Voting Directors of Macquarie Group Limited |
| BRC | Board Remuneration Committee |
| BRiC | the joint MGL and MBL Board Risk Committee |
| Businesses | the areas within the Operating Groups carrying out various operations |
| **C** | |
| CAF | Corporate and Asset Finance Group |
| CAGR | compound annual growth rate |
| Central Service Groups | the Central Service Groups consist of RMG, LGG, FMG and COG |
| CEO | Managing Director and Chief Executive Officer |
| CGM | Commodities and Global Markets Group |
| CFLI | Climate Finance Leadership Initiative |
| CFO | Chief Financial Officer |
| Clawback | the Board's ability to recover (in whole or in part) vested profit share |
| COG | Corporate Operations Group |
| the Collection | the Macquarie Group Collection |
| the Company, MGL | Macquarie Group Limited ABN 94 122 169 279 |
| Comparable Key Management Personnel (Comparable KMP) | Executive KMP who were members of the Executive Committee for the full year in both FY2022 and FY2021 |
| Conduct Risk | the risk of behaviour, action or omission by individuals employed by, or on behalf of, Macquarie or taken collectively in representing Macquarie that may have a negative outcome for our clients, counterparties, the communities and markets in which we operate, our staff, or Macquarie. |
| The Consolidated Entity, Macquarie | MGL and its subsidiaries |
| COP26 | 26th United Nations Climate Change Conference |
| Corporate | Head office and Central Service Groups including Group Treasury |
| CRD IV | Capital Requirements Directive IV |
| CRO | Chief Risk Officer |
| **D** | |
| Deed | Deed of Access, Indemnity, Insurance and Disclosure |
| Deed Poll | Indemnity and Insurance Deed Poll dated 12 September 2007 |
| DEI | Diversity, Equity & Inclusion |
| DFVTPL | designated as FVTPL |
| Directors | the Voting Directors of MGL (unless the context indicates otherwise) |
| Divisions | named divisions within Macquarie |
| DLP | Director Leadership Program |
| DPS Plan | Directors' Profit Share Plan |
| DRP | Dividend Reinvestment Plan |
| DSU | Deferred Share Unit issued under the MEREP |
| **E** | |
| EAD | exposure at default |
| ECAM | Economic Capital Adequacy Model |
| ECL | expected credit loss |
| EIR | effective interest rate |
| EMEA | Europe, Middle East and Africa |
| ENGs | Employee Network Groups |
| EPS | earnings per share |
| ESP | Macquarie Group Employee Share Plan |
| ESG | Environmental, Social and Governance |
| ESR | Environmental and Social Risk |

# Glossary

Continued

| Defined term | Definition |
|---|---|
| EU | the European Union |
| Executive Director EDs | Macquarie's most senior level of employee including Group Heads, Division Heads and senior business unit managers |
| Executive Key Management Personnel (Executive KMP) | members of the Executive Committee of MGL |
| Executive Voting Director | an executive Board member |
| **F** | |
| FAR | Financial Accountability Regime |
| FCETs | fuel cell electric trucks |
| FCTR | foreign currency translation reserve |
| FLI | forward looking information |
| FMG | Financial Management Group |
| the Foundation | Macquarie Group Foundation |
| FRN | floating rate notes |
| FVA | funding valuation adjustment |
| FVOCI | fair value through other comprehensive income |
| FVTPL | fair value through profit or loss |
| **G** | |
| GDP | gross domestic product |
| GFANZ | Glasgow Financial Alliance for Net Zero |
| GIG | Green Investment Group |
| GRI | Global Reporting Initiative |
| Group Head | the Head of a particular Operating or Central Service Group |
| GST | Goods and Services Tax |
| **H–J** | |
| HFT | held for trading |
| HyCC | Hydrogen Chemistry Company |
| IASB | International Accounting Standards Board |
| IBOR | Interbank offered rates |
| IFRS | International Financial Reporting Standards |
| ILO | International Labour Organization |
| Independent Directors | independent Voting Directors of the Board |
| ICE | internal combustion engine |
| **K** | |
| Key Management Personnel (KMP) | all Voting Directors and members of the Executive Committee of MGL |
| **L** | |
| LGBTQ+ | Lesbian Gay Bisexual Transgender and Queer |
| LGG | Legal and Governance Group |
| LMI | lenders mortgage insurance |
| Loss Given Default (LGD) Estimate | Macquarie's estimated economic loss should a counterparty default occur |
| LTI | Lost Time Injury |
| LTIFR | Lost Time Injury Frequency Rate |

| Defined term | Definition |
|---|---|
| **M** | |
| M&A | mergers and acquisitions |
| Macquarie Bank, MBL | Macquarie Bank Limited ABN 46 008 583 542 |
| Macquarie Board, the Board | the Board of Voting Directors of MGL |
| Macquarie, the Consolidated Entity | MGL and its subsidiaries |
| MACS | Macquarie Additional Capital Securities |
| MAF | Macquarie AirFinance |
| Malus | the ability of the Board or its delegate to reduce or eliminate unvested profit share for certain senior employees in certain circumstances |
| MAM | Macquarie Asset Management Group |
| Management | Division Directors and Executive Directors who have management or risk responsibility for a Division or business area |
| MCN2 | Macquarie Group Capital Notes 2 |
| MCN3 | Macquarie Group Capital Notes 3 |
| MCN4 | Macquarie Group Capital Notes 4 |
| MCN5 | Macquarie Group Capital Notes 5 |
| MEREP | Macquarie Group Employee Retained Equity Plan |
| MFHPL | Macquarie Financial Holdings Pty Limited |
| MGL ordinary shares, MQG | MGL fully paid ordinary shares |
| MGL, the Company | Macquarie Group Limited ABN 94 122 162 279 |
| MIC | Macquarie Infrastructure Corporation |
| MIRA | Macquarie Infrastructure and Real Assets |
| MIS | Macquarie Income Securities |
| MRTs | Material Risk Takers under UK or EU regulatory requirements |
| MSCI | Morgan Stanley Capital International |
| **N** | |
| NCD | negotiable certificates of deposit |
| NCI | non-controlling interests |
| NED | Non-Executive Director |
| NIFO | net investment in foreign operations |
| NJDEP | New Jersey Department of Environmental Protection |
| NOHC | Non-Operating Holding Company |
| Non-Bank Group | MGL, MFHPL and its subsidiaries, MAMHPL and its subsidiaries |
| Non-Banking Group | the Non-Banking Group comprises Macquarie Capital, MAM and some business activities of CGM |
| NPAT | net profit after tax |
| **O** | |
| OCI | other comprehensive income |

| Defined term | Definition |
|---|---|
| Operating Groups | the Operating Groups consist of MAM, BFS, CGM and Macquarie Capital |
| Operationally Segregated Subsidiaries, OSS | the operations of some controlled subsidiaries are "segregated" from the rest of Macquarie, and a tailored Risk Management Framework may be adopted |
| OTC | over-the-counter |
| **P** | |
| PD | probability of default |
| Probability of Default (PD) Estimate | an estimate of the likelihood of the rated entity defaulting on its financial obligations to Macquarie over the period of a year and should look 'through the cycle' – i.e. represent the probability of default in natural economic conditions |
| PSU | Performance Share Unit issued under the MEREP |
| PwC | PricewaterhouseCoopers |
| **Q–R** | |
| RAS | Risk Appetite Statement |
| RBA | Reserve Bank of Australia |
| REF | Racial Equity Fund |
| RMG | Risk Management Group |
| ROE | return on ordinary equity |
| ROU | right-of-use |
| RSU | Restricted Share Unit issued under the MEREP |
| **S** | |
| SASB | Sustainability Accounting Standards Board |
| S&P | Standard & Poor's |
| Senior Executive | Macquarie's combined Division Director and Executive Director population |
| Scope 1 | emissions released to the atmosphere as a direct result of an activity, or series of activities controlled by an organisation. For example, emissions from natural gas and diesel usage in corporate offices. |
| Scope 2 | indirect emissions released to the atmosphere associated with the generation of purchased or acquired electricity, heating and cooling consumed by the organisation. |
| Scope 3 | indirect emissions, other than Scope 2 emissions, that are a consequence of the activities of the company but occur from sources not owned or controlled by the company. For example, emissions associated with employee travel. |
| Senior Management | members of Macquarie's Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation |
| SEs | structured entities |
| SFE | Sydney Futures Exchange |
| SGX | Singapore Stock Exchange |
| SICR | significant increase in credit risk |
| SPPI | solely payment of principal and interest |
| **T** | |
| TCFD | Financial Stability Board's Task Force on Climate-related Financial Disclosures |
| tCO2-e (Carbon dioxide equivalent in tonnes) | metric measure used to compare the emissions from various greenhouse gases based upon their global warming potential(US Environment Protection Agency) |
| TFF | Term Funding Facility |
| TJ | terajoules |
| TSR | total shareholder return |
| **U–V** | |
| UN PRI | UN-supported Principles for Responsible Investment |
| the UK Code | the UK Remuneration Code |
| VaR | Value-at-Risk |
| Voting Directors | the Voting Directors of MGL as defined in the MGL Constitution |
| **W–Z** | |
| WHS | Work Health and Safety |

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## Contact details

**Macquarie Group Limited**
**Principal Administrative Office**

50 Martin Place
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