



Annual Report 2022

Macquarie Group
Year ended 31 March 2022



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.

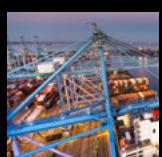
2022 Annual General Meeting

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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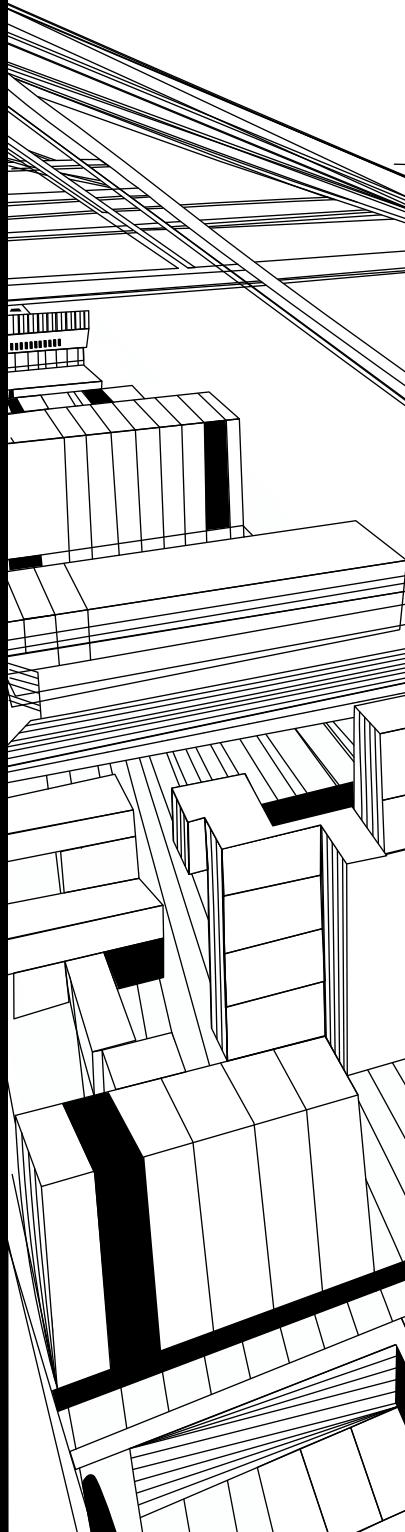
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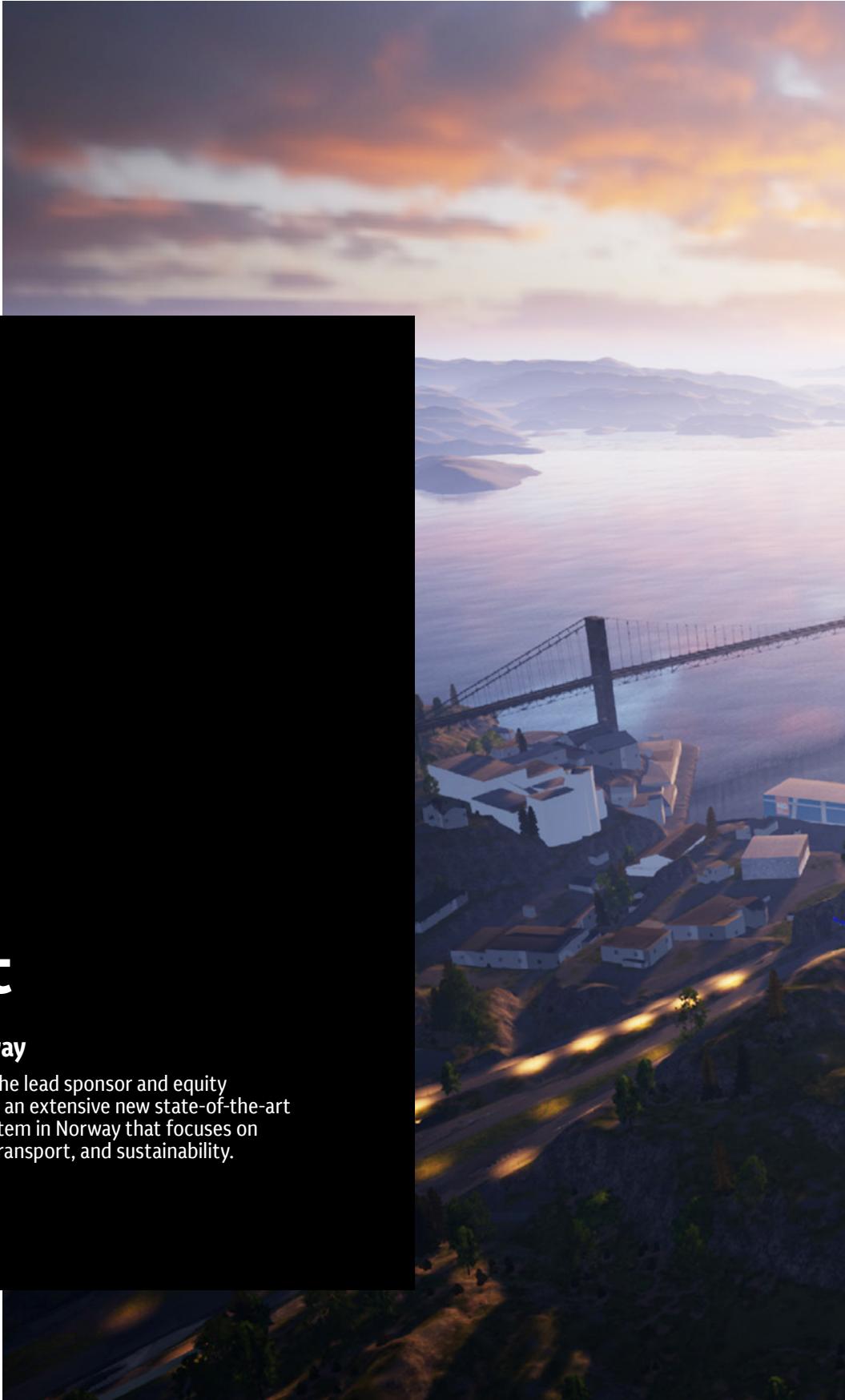


01

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

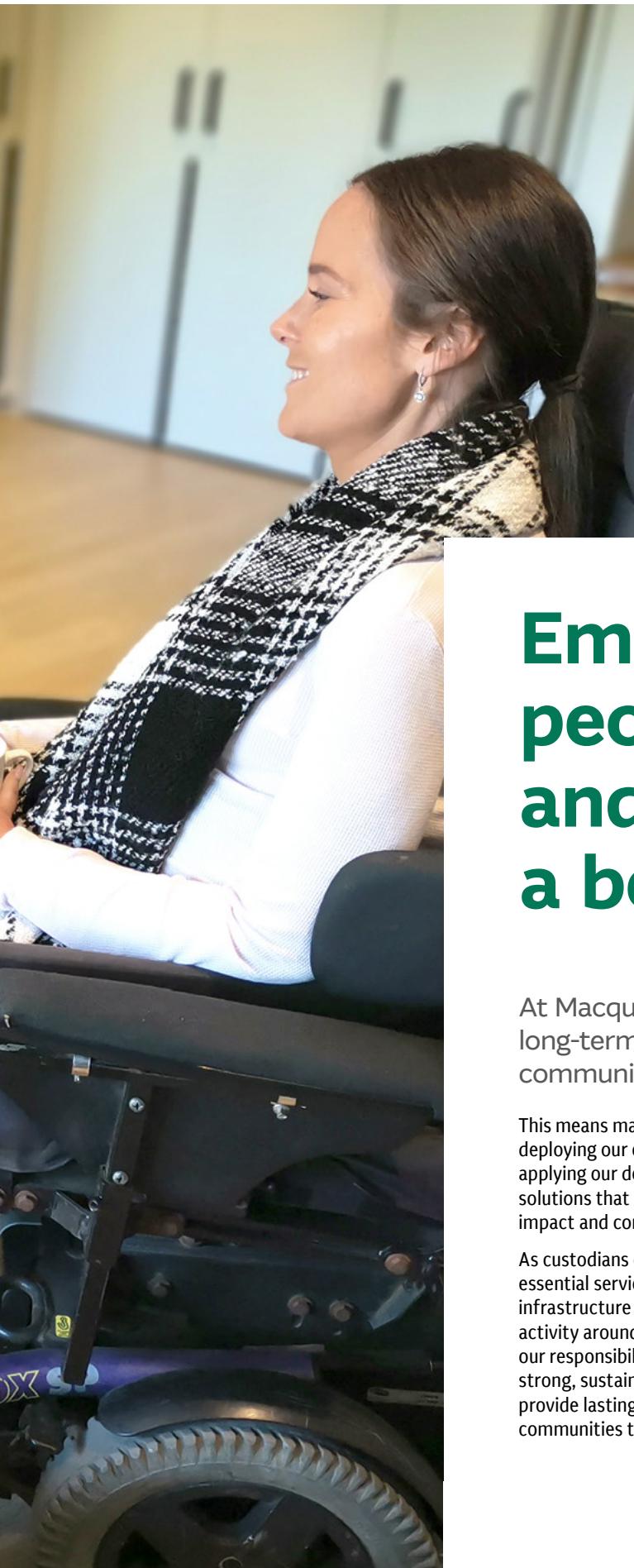
Sydney

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%

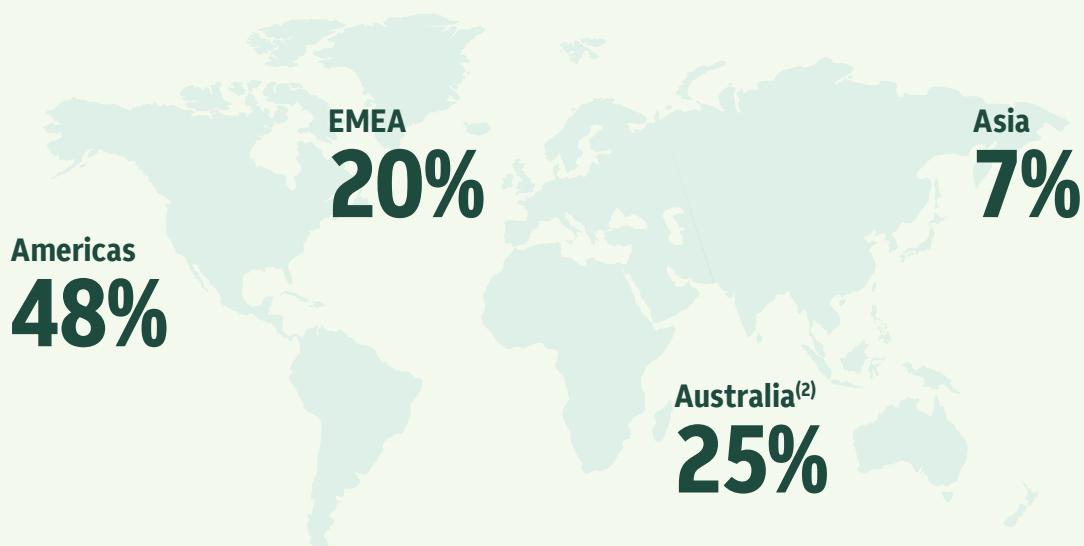
↑ from 23.0%
in prior year

Assets under management

\$A774.8b

↑ from \$A563.5b
as at 31 March 2021

FY2022 international income⁽¹⁾



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.

Operating and Financial Review

Our businesses

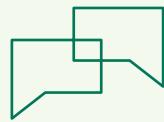
Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.



**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.

Operating and Financial Review

Our businesses continued

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.

Operating and Financial Review

Our strategy

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	Banking Group	Markets-facing businesses
	Annuity-style businesses	Macquarie Asset Management (MAM) \$A2,150m ↑ 4% on prior year	Macquarie Capital \$A2,400m ↑ significantly from \$A651m in prior year
		<ul style="list-style-type: none"> 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. <p>Partially offset by:</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. <p>Partially offset by:</p> <ul style="list-style-type: none"> 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.
		<h3>Banking and Financial Services (BFS)</h3> <h2>\$A1,001m</h2> <p>↑ 30% on prior year</p> <ul style="list-style-type: none"> 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. <p>Partially offset by:</p> <ul style="list-style-type: none"> higher employment, technology and other operating expenses, including increased headcount, to support business growth and to meet regulatory requirements. 	<h3>Commodities and Global Markets (CGM)⁽³⁾</h3> <h2>\$A3,911m</h2> <p>↑ 50% on prior year</p> <ul style="list-style-type: none"> 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. <p>Partially offset by:</p> <ul style="list-style-type: none"> 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.

Operating and Financial Review

Review of group performance and financial position continued

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.

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.

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.

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.

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.

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.

Operating and Financial Review

Review of group performance and financial position continued

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

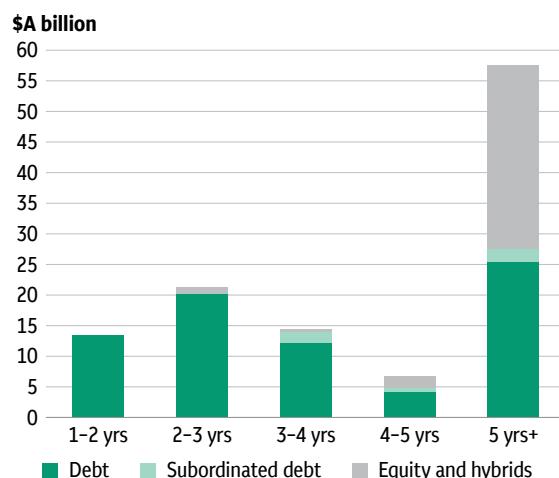
Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

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.

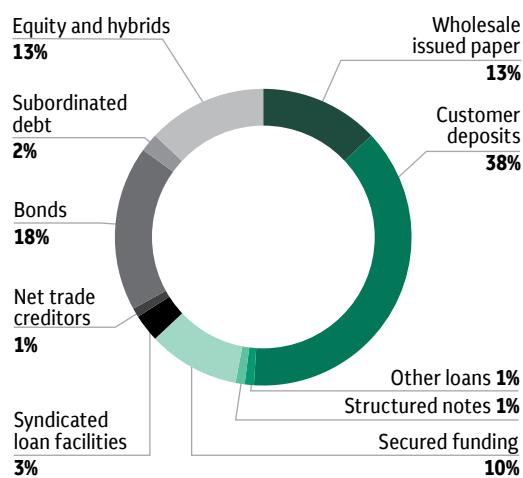
The weighted average term to maturity of term funding maturing beyond one year (excluding Term Funding Facility (TFF), equity and securitisations) was 5.1 years and the weighted average term to maturity of term funding maturing beyond one year including TFF (excluding equity and securitisations) was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

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.

5.1
years

Weighted
average
maturity

(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.

Operating and Financial Review

Review of group performance and financial position continued

\$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-mdm.



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
<i>What We Stand For: Opportunity, Accountability and Integrity</i>			
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		
<ul style="list-style-type: none">• 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		
<ul style="list-style-type: none">• 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):<ul style="list-style-type: none">– staff training– direct communications to staff– risk surveillance activity.		
Business strategy	Financial and non-financial risk management	Pay for performance
Assess ability of strategy to adapt to markets and deliver sound client and community outcomes within Board approved risk appetite and related limits.	Approve Macquarie's <i>Risk Management Strategy</i> and <i>Risk Appetite Statement</i> , monitor material risks faced by Macquarie and review how they are managed.	Approve remuneration policies that align the interests of staff and shareholders to deliver sustained results for our customers, clients and community.
Review budget and funding and capital management strategy to deliver on business strategy.	Monitor Macquarie's risk management framework, including its compliance framework.	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 <i>Code of Conduct</i> and <i>What We Stand For</i> .

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.

Corporate Governance

Continued

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

Corporate Governance

Continued

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 <i>Code of Conduct</i> 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 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

Diversity, Equity and Inclusion

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, Social and Governance

Continued

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.

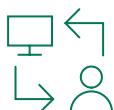
Under the *Code of Conduct* all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the ESR team.

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

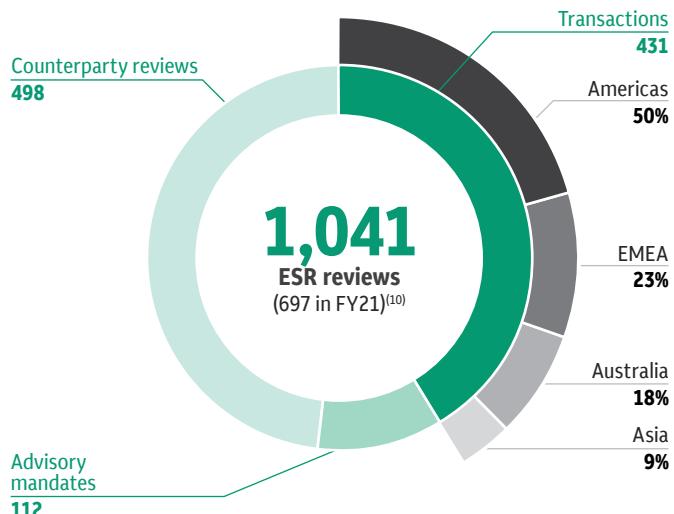
staff received ESR and WHS training in FY2022⁽⁹⁾



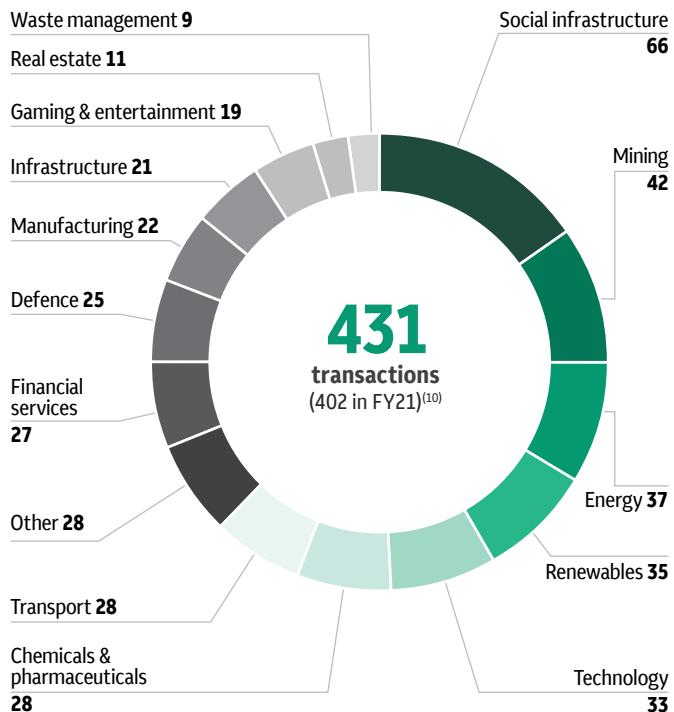
4,400

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⁽¹⁾

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.



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

Macquarie has a framework of policies 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.



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

⁽¹⁾ 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.

Environmental, Social and Governance

Continued

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.

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.

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.

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

Loan assets ⁽¹⁴⁾	FY21				FY22			
	Equity investments ⁽¹²⁾				Equity investments ⁽¹²⁾			
	\$Ab	Non-consolidated \$Ab	Consolidated \$Ab	Total \$Ab	\$Ab	Non-consolidated \$Ab	Consolidated \$Ab	Total \$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.

Environmental, Social and Governance

Continued

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



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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.

Environmental, Social and Governance

Continued

TCFD Implementation Summary

	Climate change governance	Strategy
Progress to end of FY2021	<ul style="list-style-type: none"> Board responsibility for approving ESG framework and key ESG policies. BGCC oversight and monitoring of effectiveness of ESG framework, including approach to climate change risk management. Governance structures to support relevant regulatory guidelines on climate-related risks. 	<ul style="list-style-type: none"> Engaged in activities related to climate change and the low carbon transition for over a decade. Announced a commitment for Macquarie to align our business operations and financing activities with the global goal of net zero emissions by 2050. MAM announced a plan to manage its portfolio in line with net zero emissions by 2040. GIG committed to achieving net zero emissions from financing activities associated with renewable energy generation projects by 2030. 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. 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. Issued £500 million and \$US150 million in accordance with the APLMA Green Loan Principles.
Progress during FY2022	<ul style="list-style-type: none"> Established Net Zero Program team to coordinate Macquarie-wide climate risk and net zero activity, reporting to CRO and Executive Committee. 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. Improved Board, executive and staff knowledge of net zero and climate-related risks through training. Enhancing and embedding climate considerations within existing risk management framework. 	<ul style="list-style-type: none"> 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. Established Global Carbon business to provide integrated carbon offsetting solutions across voluntary and compliance carbon markets. Established a Climate Intelligence Unit to support and inform Macquarie's engagement and growth in issues related to climate change and the energy transition. Macquarie senior leaders attended COP26, engaging with government, business and industry leaders. Hosted annual Green Energy Conference with participation from 2,795 stakeholders and clients. 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. 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	<ul style="list-style-type: none"> Continue to enhance and embed climate considerations within existing risk management framework. Continue to enrich Board and executive insight into and visibility of climate-related risks and opportunities. 	<ul style="list-style-type: none"> Align our business operations and financing activities with the global goal of net zero emissions by 2050. Deploy balance sheet and funds under management to develop and invest in projects that support the energy transition. Provide a range of products and services to support our clients to make progress towards their decarbonisation goals. Support our clients and portfolio companies to strengthen the climate resilience of infrastructure assets. Continue to build internal expertise and capacity to support the global energy transition into new markets and across new technologies. Continue to evolve integration into business strategy planning. 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.
- Established approaches to transition risk analysis in the oil, gas, coal and power generation sectors of our lending and equity portfolios.
- 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.
- 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.
- Conduct physical and transition climate scenario analysis as part of APRA Climate Vulnerability Assessment, in progress.
- 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.
- Over 30 GW of green energy assets in development or construction as at 31 March 2022.⁽¹⁶⁾
- 16 GW of green energy assets in operation or under management as at 31 March 2022.⁽¹⁶⁾
- Sourced 100% renewable energy for Macquarie premises.⁽¹⁷⁾
- FY2022 emissions per capita reduced by 91% from FY2010 baseline (43% reduction from FY2021).⁽¹⁸⁾
- 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.
- Refine climate scenario analysis and evolve approaches to integrate into broader stress testing.
- 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).
- Continue to source 100% renewable energy and work towards full RE100 compliance by FY2023 ahead of our FY2025 commitment.⁽¹⁷⁾
- 80% of employees in sustainably-rated premises by 2025.⁽¹⁹⁾
- Ongoing enhancement of TCFD disclosures to be consistent with all relevant Task Force recommendations and regulatory requirements.

Environmental, Social and Governance

Continued

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

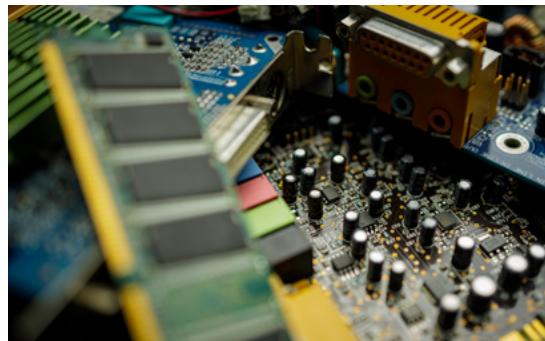
(21) Includes equity and debt investments.

Environmental, Social and Governance

Continued



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.

Environmental, Social and Governance

Continued

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.

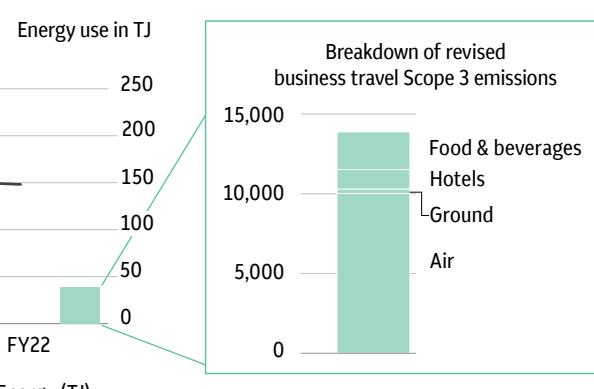
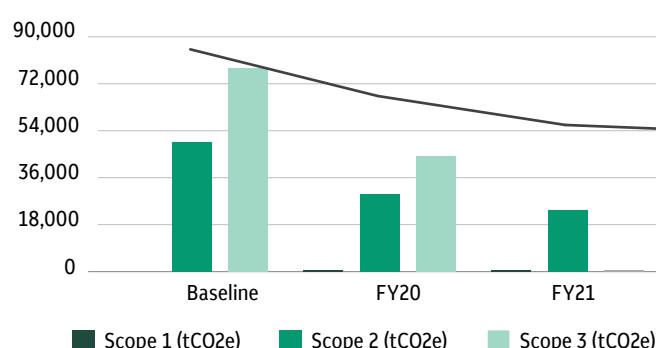
Scope 1 emissions are not considered to be material, comprising 2.5% of Macquarie's total operational emissions.

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⁾

Carbon emissions in tCO2e



(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.

Environmental, Social and Governance

Continued

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

Midst 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.

Environmental, Social and Governance

Continued

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

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.

FY2022 contribution amount

Total Macquarie spend
(including matching of staff contributions)

Staff contribution
(estimation based on Foundation match funding)

\$A31,629,000

\$A12,596,000

(3) Three organisations received more than one grant.

(4) Country total includes both project location and organisation headquarters location where applicable.

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.



Last Mile Health



Murdoch Children's Research Institute's World Scabies Program



Monash University's World Mosquito Program



Macquarie Group Foundation

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.



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.



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.

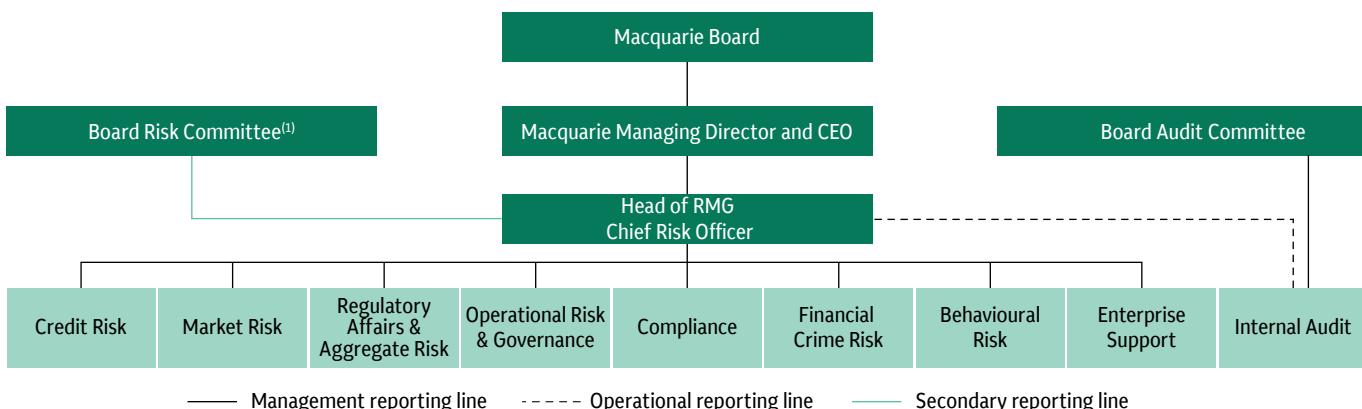
RMG's oversight of risk is based on the following five principles:

- **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.

Risk Management

Continued

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.

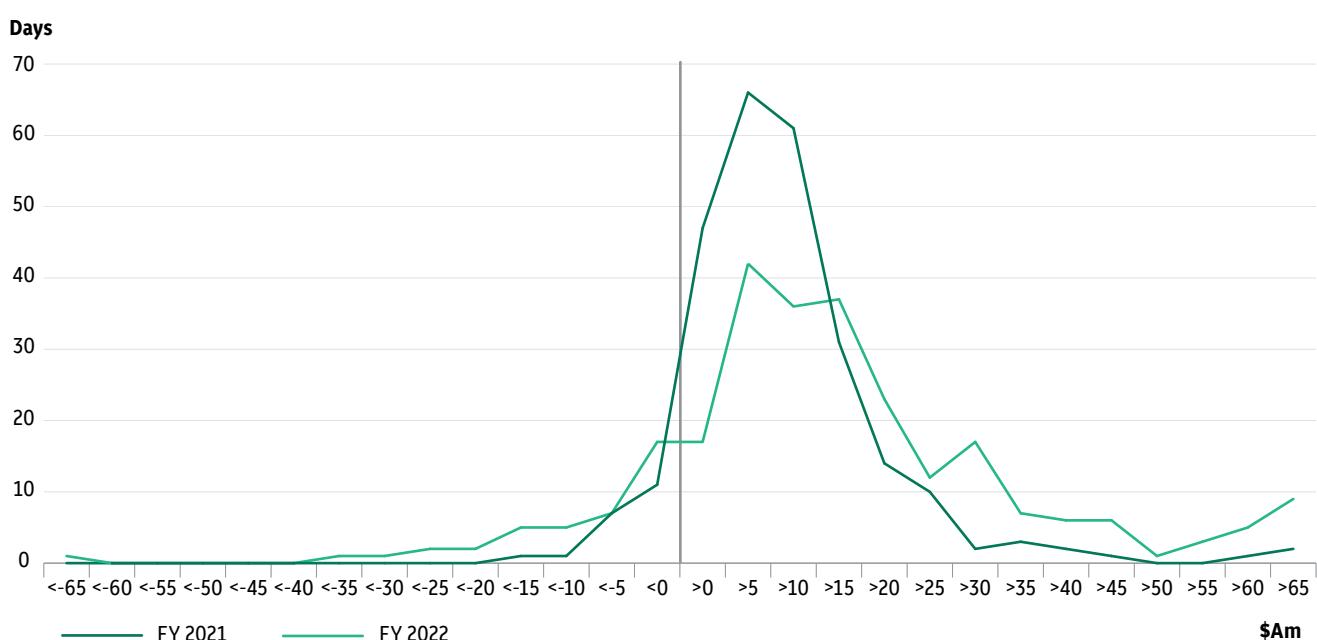
Trading revenue

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

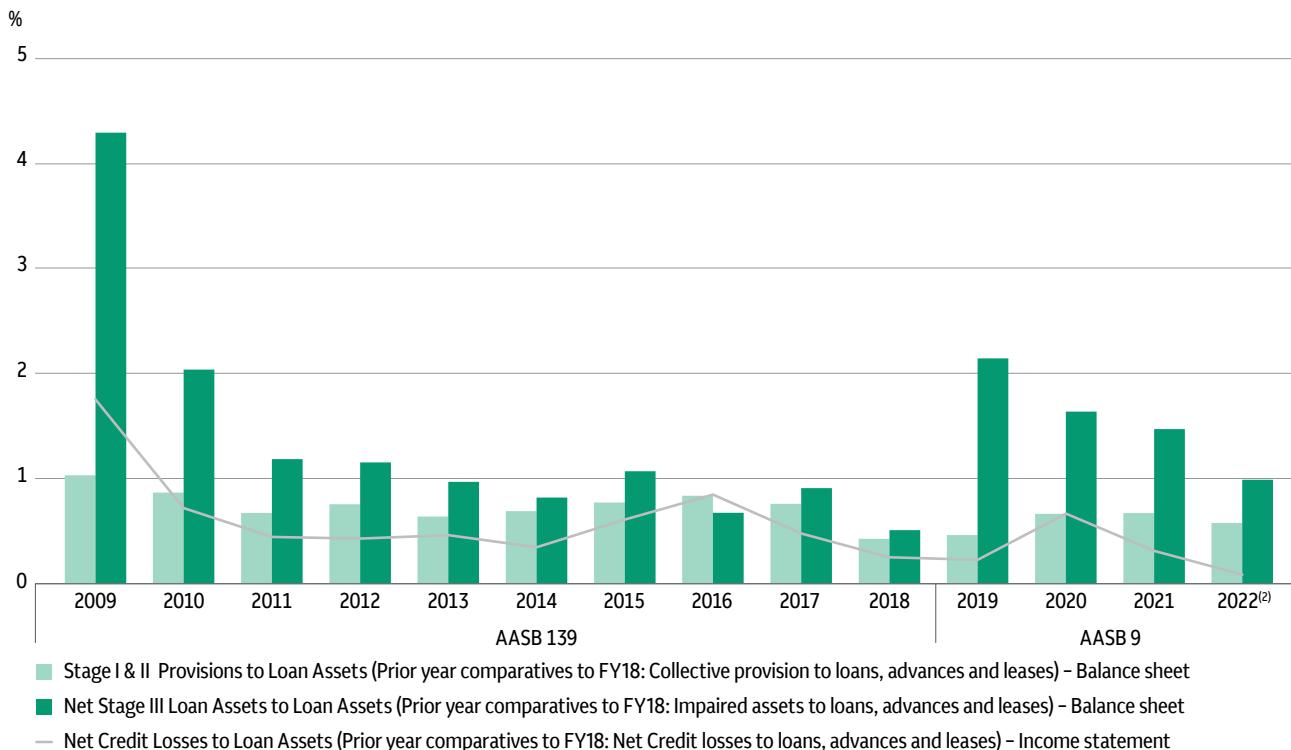
Loan impairment review

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.

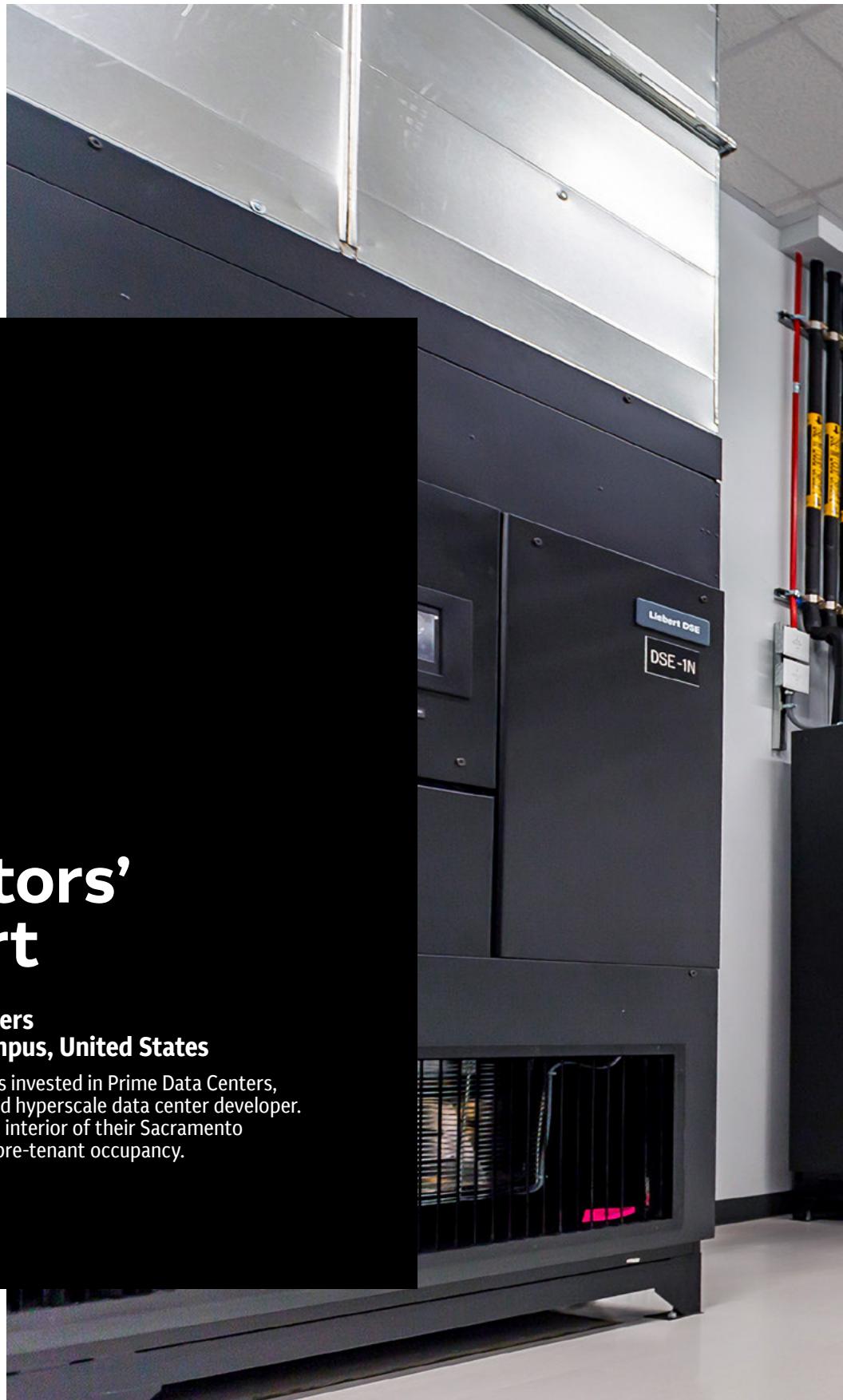
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03

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' Report

For the financial year ended 31 March 2022 continued

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:

Name and position	EQUITY PARTICIPATION			OTHER RELEVANT INTERESTS	
	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) Macquarie Group Capital Notes 4 (MCN4) Macquarie Bank Capital Notes 2 (BCN2)	7,177 4,000 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) Macquarie Bank Capital Notes 3 (BCN3)	2,000 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:

Number of meetings	Regular Board meetings ⁽²⁾ 10	BAC meetings ⁽²⁾ 6	BGCC meetings ⁽²⁾ 5	BNC meetings ⁽²⁾ 6	BRC meetings ⁽²⁾ 7	BRiC meetings ⁽²⁾ 6	Special Board meetings ⁽²⁾ 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' Report

For the financial year ended 31 March 2022 continued

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

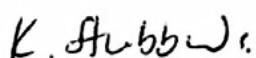
Sydney
6 May 2022

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,

GPO BOX 2650, SYDNEY NSW 2001

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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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



**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

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

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.

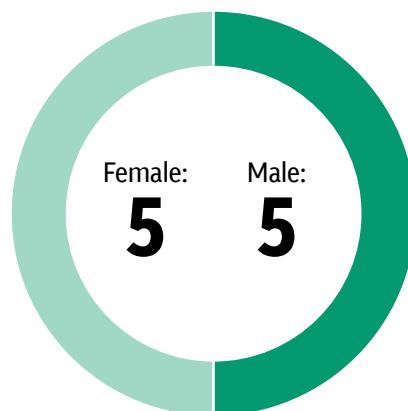
Listed company directorships (last three years)

- Director, Woolworths Group Limited
(January 2011–November 2020)

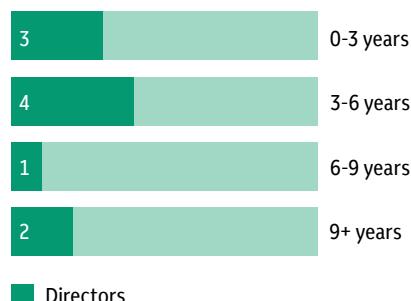
Other current directorships/appointments

- Director, National Portrait Gallery of Board Foundation
- Director, Sydney Dance Company

Gender diversity



Board tenure



Board independence



Directors' experience and special responsibilities

Continued

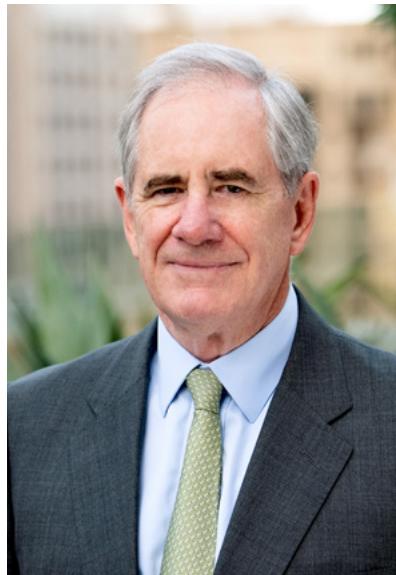


Philip M Coffey

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



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

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

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



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

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)

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



**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

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

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

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.

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

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

Remuneration Report

Continued

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.