

# Annual Report

**Macquarie Group**  
Year ended 31 March 2023



# 2023

Macquarie is a global financial services group operating in 34 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.

### **2023 Annual General Meeting**

Macquarie Group Limited's 2023 AGM will be held at 10:30 am on Thursday, 27 July 2023.

Details of the meeting will be sent to shareholders separately.

### **Cover image**

Macquarie is investing across Europe's energy system, helping to meet the energy security and decarbonisation objectives of communities and industry through the production, transmission, distribution, and storage of electricity, natural gas, hydrogen, biogas, and biomethane.

During the period, Macquarie-managed funds invested in Thyssengas and National Gas, outlining plans to deliver secure, safe, and reliable energy in Germany and the UK while developing hydrogen's role in the energy mix. Macquarie continued to support the diversification and resilience of the region's energy supply, investing in and delivering Germany's first privately funded liquefied natural gas import terminal and developing green hydrogen and biomethane production facilities through HyCC and VORN Bioenergy.



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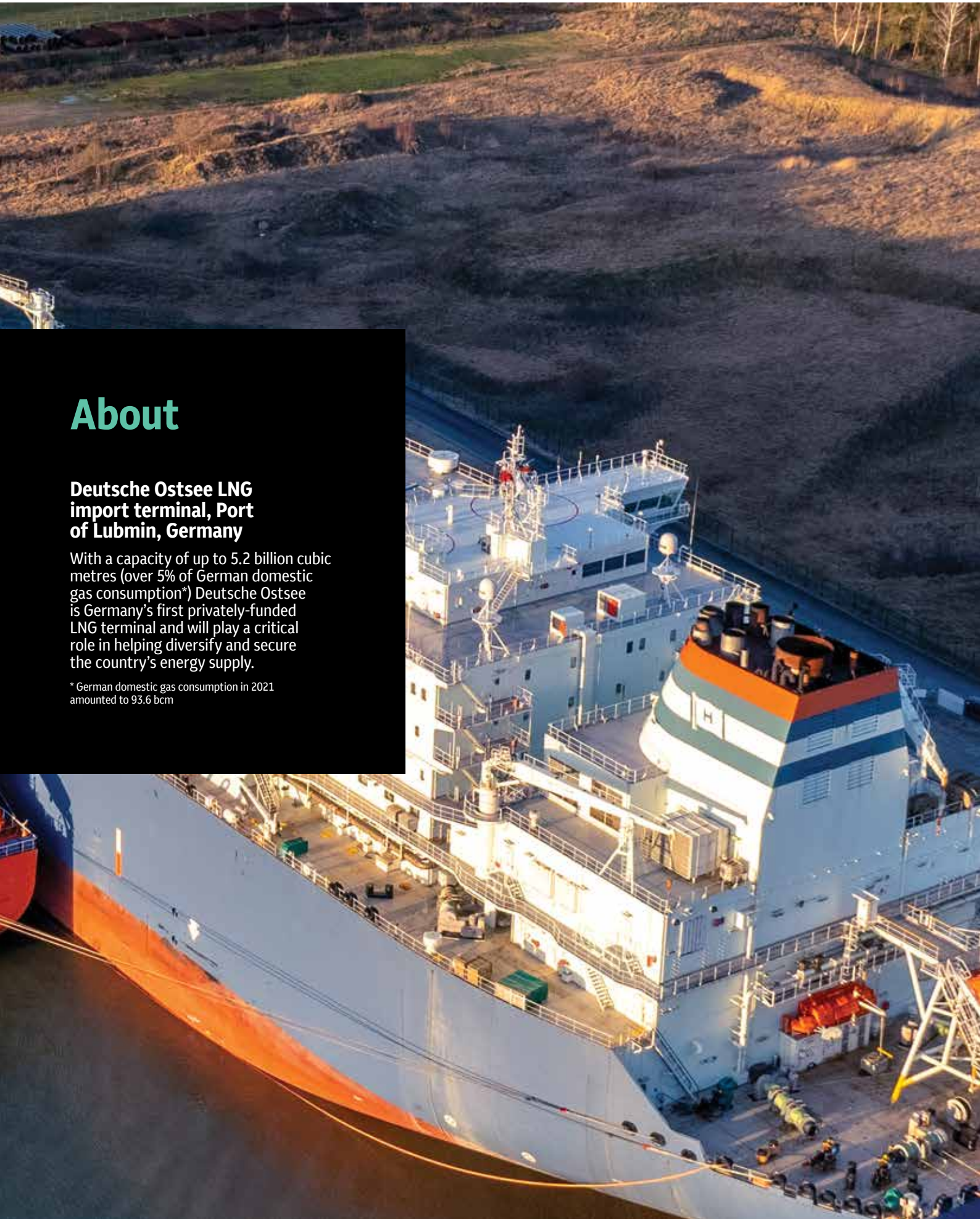


## About

### Deutsche Ostsee LNG import terminal, Port of Lubmin, Germany

With a capacity of up to 5.2 billion cubic metres (over 5% of German domestic gas consumption\*) Deutsche Ostsee is Germany's first privately-funded LNG terminal and will play a critical role in helping diversify and secure the country's energy supply.

\* German domestic gas consumption in 2021 amounted to 93.6 bcm





**Despite rapidly rising interest rates and episodes of financial instability in world markets, Macquarie has again delivered a record profit, thanks to the diversity of our businesses and strength of our risk management and controls.”**

## Letter from the Chair

Macquarie delivered a very successful outcome in FY2023, with a record profit of \$A5,182 million, up from a record the previous year, despite external conditions becoming more challenging. The diversity of our businesses and strength of our risk management and controls, developed by management over many years, was clearly on display – even as some business lines faced difficult trading conditions, others were able to expand profitably by servicing a growing client base. The commodities business, in particular, was able to help clients adjust to the largest shock to global energy prices since the oil price increases of the 1970s.

Macquarie earned a return on shareholders' equity of 16.9% and has achieved an average rate of return of 16.5% over the past five years, with less variability in earnings than most peer organisations. Macquarie ended the reporting year with very strong levels of capital and liquidity. Shemara's letter gives a more detailed account of performance during the year.

That this was achieved in an environment of rapidly rising interest rates and episodes of financial instability in world markets is a credit to the management and staff of Macquarie. The operating outcomes have been achieved, moreover, while making continued progress on a large volume of projects aimed at further strengthening risk management, improving customer experience and security, and responding to regulatory requirements. The Board joins me in commending the senior leadership and the entire staff for their achievements over the past year.

For the first time since the onset of the pandemic, all of Macquarie's offices are now open and fully operational. The hybrid working model, which was emerging prior to the pandemic, gives employees flexibility as they fulfil their responsibilities. Collaboration has been always central to the success of Macquarie however, and being able to meet in person is key both to fostering innovation and to preserving the company's culture.

The period ahead promises to be challenging, as persistently high inflation, alongside the still unfolding financial effects of rising interest rates, leaves policy-makers facing very difficult choices. Prospects for economies and financial markets, unavoidably, remain clouded. With its strong balance sheet and disciplined risk management, Macquarie is well placed to respond to the risks – and the opportunities – that may present themselves.



## Environmental, social and governance

The long-term global response to climate change will require enormous sums of investment, over an extended period, to re-tool economies for a zero carbon future. Even with that investment, some fossil fuels will be required over a transitional period, to preserve energy security.

The scale of this undertaking has few precedents, while the technology and policy environments are changing rapidly. Macquarie is exceptionally well-positioned to play a constructive role, as it has sought to do for nearly two decades. Macquarie released its first Net Zero and Climate Risk Report in December 2022. There will be a further instalment later this year, and all of these plans will need continual re-assessment and revision in light of new information, new technologies and policy developments. Just as important as our own plans, though, will be our efforts to help customers and clients achieve their climate goals.

The ESG section of this Annual Report provides further details on how Macquarie is supporting climate solutions, creating new social opportunities, and contributing to the formation of global policy through the varied roles Macquarie executives and the CEO undertake on supranational panels and commissions.

## Board changes

I pay tribute to my predecessor Peter Warne's many contributions as Director and Chair of the Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL) Boards over his 15-year tenure. With his remarkable grasp of the company's businesses, he steadfastly guided the organisation through a time of record growth and unprecedented challenges, including most recently the COVID-19 pandemic.

Effective 1 June 2023, subject to necessary approvals, Susan Lloyd-Hurwitz will join the MGL Board. Subject to election by MGL shareholders at the 2023 MGL AGM, it is proposed that Ms Lloyd-Hurwitz also be appointed to the MBL Board, effective 28 July 2023. Ms Lloyd-Hurwitz brings significant global investment and real estate sector expertise to the Boards, with over 30 years of global experience in the sector and most recently having served as Chief Executive Officer and Managing Director of Mirvac for more than a decade.

Nicola Wakefield Evans has confirmed that she will seek re-election as an independent director to the MGL Board at the 2023 AGM. Ms Wakefield Evans is Macquarie's longest-serving current director and will provide continuity through her remaining tenure, which is expected to conclude in 2024.

Ensuring that the Board is an effective shareholder steward for a business as diverse as Macquarie requires balancing experience and longevity with fresh perspectives, underpinned by diversity of expertise. I can say with absolute confidence that shareholders are well served by the Board, which is hard-working and diligent in fulfilling its responsibilities.

The past year has seen the appointment of bank-only non-executive directors (BONDs) to the Board of MBL, under changes to the governance structure in consultation with APRA to provide appropriate safeguards for the Bank's interests as an authorised deposit-taking institution. Ian Saines joined the MBL Board in June 2022, and Michael Coleman, on his retirement from the MGL Board last July, agreed to serve a two-year term as a BOND. A third BOND appointment is expected to be made in due course.

## Dividends

The Board resolved to pay a final ordinary dividend of \$A4.50 per share (40% franked). This means that the total dividend paid to shareholders from 2023 earnings is \$A7.50, from \$A6.22 per share in 2022. This outcome, amounting to 56% of profits after tax, is consistent with the Board's longstanding dividend policy. It provides an attractive cash return to shareholders, while keeping the company financially strong and well placed to pursue further profitable deployment of shareholders' funds, when opportunity arises.

I thank my colleagues on the Board for their dedication to the Board and the company.

Most important of all, the Board and I thank you, the owners of Macquarie, for your ongoing support.



**Glenn Stevens**  
Independent Director and Chair

Sydney  
5 May 2023



**Our teams around the world, guided by Macquarie’s purpose and backed by our proven risk culture and strong capital and funding position, continued to adapt to uncertain times and the ongoing needs of our clients and communities.”**

## Letter from the Managing Director and CEO

Against a less certain market and economic backdrop, the diversity of Macquarie’s activities and the expertise of our teams ensured we maintained strong performance in FY2023. Our teams around the world, guided by Macquarie’s purpose and backed by our proven risk culture and strong capital and funding position, continued to adapt to uncertain times and the ongoing needs of our clients and communities.

The Americas region contributed the largest share of our income and accounts for the greatest proportion of assets under management. Towards the end of the financial year, we hosted investors and analysts in Philadelphia, New York and Houston for our first investor tour, during which we sought to provide a deeper understanding of our businesses in the Americas region and the significant opportunities we see in the world’s largest capital market, in which we are well-positioned for further growth.

For the year ended 31 March 2023, Macquarie delivered a record profit of \$A5,182million, up 10% on the prior year, with all four of our Operating Groups delivering solid net profit contributions.

Banking and Financial Services (BFS) delivered a net profit contribution of \$A1,201 million, up 20 % from \$A1,001 million in FY2022. BFS benefitted from growth in the loan portfolio and BFS deposits, together with improved margins. This was partially offset by higher credit impairment charges due to deterioration in the

macroeconomic outlook and increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

Commodities and Global Markets (CGM) delivered an exceptionally strong net profit contribution of \$A6,007 million, up 54% from \$A3,911 million in FY2022. The result reflected an increased contribution across Commodities, primarily from inventory management and trading and risk management activities. Inventory management and trading increased substantially, driven by trading gains from regional supply and demand imbalances, primarily in North American Gas and Power markets. Risk management revenue increased across the platform, particularly in Gas and Power, Global Oil and Resources, driven by increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets. CGM saw increased contribution from Financial Markets with continued strong performance across major products and markets, particularly in foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity. Asset Finance’s contribution decreased due to the gain in the prior year from the partial sale of the UK Meters portfolio of assets.

Macquarie Asset Management (MAM) delivered a net profit contribution of \$A2,342 million, down 23 % from \$A3,029 million in FY2022. The decrease was driven by significant income from the disposition of assets in Macquarie Infrastructure Corporation (MIC) in the prior year, and lower gains on asset realisations in the green energy sector, partially offset by higher performance fees.



Macquarie Capital delivered a net profit contribution of \$A801 million, down 47% from \$A1,521 million in FY2022. Mergers and acquisitions fee income was down on a strong prior year and the capital markets fee income was lower due to weaker market activity. Additionally, Macquarie Capital saw slightly lower investment-related income driven by negative asset revaluations and fewer material asset realisations, partially offset by an increase in net interest income from the private credit portfolio.

All of these results were delivered by addressing important areas of unmet need in our communities to create value that is shared between our clients, community stakeholders, our employees and our shareholders. This report provides examples of key areas of activity in FY2023.

## Our longstanding commitment to driving practical climate solutions

Despite meaningful energy supply and energy security challenges over the past 12 months, decarbonisation remains a key priority for governments and businesses globally. The global energy transition withstood its greatest test to date in the face of a global energy crisis. Consistent with our longstanding view, there is general recognition that a managed glidepath is essential to delivering an orderly transition, while ongoing investment in clean energy capacity represents the best long-term solution to the energy trilemma of supply, affordability, and emissions.

At Macquarie, we have been driving practical climate solutions for more than two decades, with climate-related activities firmly embedded across our businesses. We believe that maximising our investment in green energy technology is the most meaningful climate action we can take, and we continue to play a key role in rapidly scaling proven green energy technologies such as wind and solar.

Further, we have stepped up our work in emerging areas of opportunity such as hydrogen, carbon capture, utilisation and storage, and energy storage, as well as addressing emissions beyond energy in agriculture, transportation, real estate, waste and industry. This is alongside our activity to support clients and portfolio companies in achieving their own decarbonisation ambitions, including those in traditionally hard to abate sectors, where finding meaningful solutions can be more complex.

## Diversity, Equity and Inclusion

As a services business and a global organisation, the diversity of our people and teams around the world is one of our greatest strengths. During FY2023, we continued our focus on achieving equitable outcomes by removing barriers to progression and valuing differences, enabling all colleagues to be included and to reach their full potential at Macquarie.

Racial equity continues to be a focus, and we made progress in each region, including launching our inaugural Reconciliation Action Plan in Australia, which is a public and formal commitment to reconciliation with First Nations people, and working with organisations in the US to grow the talent pipeline of Black and Latinx students. We know that change is incremental and requires commitment from all of us to drive meaningful outcomes. Our work to advance diversity, equity and inclusion across our organisation and across the many aspects of diversity is ongoing and enduring.

## A focus on social impact and shared value

Our people and the Macquarie Group Foundation (the Foundation) together contributed over \$A52 million in funding and thousands of hours of time to community organisations globally in FY2023. A total of over \$A570 million has now been contributed to philanthropic causes by our people and the Foundation since it was established in 1985.

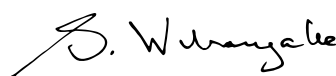
Driving social impact across our business and through our philanthropic efforts, during the year the Foundation continued to invest for social impact, making investments in organisations that look to catalyse ongoing access to funding and drive economic empowerment to communities.

As part of its shared value strategy, which aligns social impact and commercial value, the Foundation launched the Macquarie Social Impact Award in memory of our former Managing Director and Executive Chairman, David Clarke AO (1942 – 2011). The award will recognise a Macquarie team driving significant social impact through a business-led shared value project, with the winner to be announced later in May 2023.

## External outlook

We believe global growth is likely to be subdued over the course of the coming year, as the full impact of tighter monetary policy and financial conditions flows through. With this in mind, 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.

On behalf of Macquarie's management team, I would like to thank our people around the world for their dedication in delivering this result in uncertain times, and to thank our clients and shareholders for their ongoing support.



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

Sydney  
5 May 2023





## Empowering people to innovate and invest for a better future

At Macquarie, we believe that by empowering people – our colleagues, clients, communities, shareholders and partners – we will achieve our shared potential.

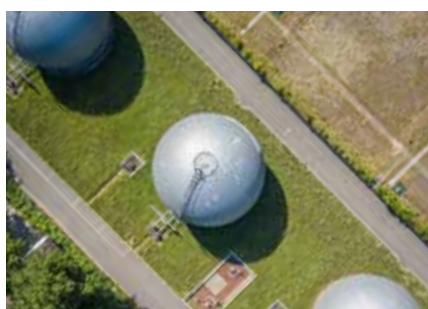
By investing in assets, deploying our capital and resources, and applying our deep expertise to develop solutions to global challenges, we are helping to build a better future. In every corner of the world, we are working with communities and governments to develop infrastructure and support energy security and transition, transportation and digitalisation projects that drive positive social impact.

Through our role as the world's largest infrastructure manager,<sup>(2)</sup> we are investing in the long-term resilience and capabilities of businesses that deliver essential services, creating better connected, more sustainable communities.

We are expanding regional digital connectivity by building and upgrading communications infrastructure, enabling businesses to capitalise on the rapidly evolving digital economy; helping meet growing demand for housing, education and healthcare by financing new construction projects; and supporting communities as they transition to net zero by investing in climate mitigation and adaptation solutions.

(2) The ranking was awarded to MAM in July 2022 and is the opinion of IPE Real Assets. The ranking is based on Assets Under Management (AUM) at 31 Dec 2021. There can be no assurance that other providers or surveys would reach the same conclusions.





## Climate solutions

Over the past year, Macquarie has increased the extent and breadth of our investment in both established and new climate technologies. We have investments in around 14GW of clean energy currently operating, while the planned capacity of new investments we have under development has increased more than three-fold in the past year, to 95GW.<sup>(3)</sup>

Most of this development pipeline is in wind and solar and is led by newly created companies owned by Macquarie. For example, we extended our reach into the US through the acquisition of Treaty Oak, a utility-scale solar plus storage developer, while global offshore wind platform Corio Generation has over 30GW capacity at various stages of development across Europe, Asia-Pacific and the Americas.

In fast moving nascent technologies, we have launched a suite of new platforms. For example, Eku Energy is a global battery storage business developing 4GWh of projects in markets including Australia, the UK, Japan and Taiwan. Fleete is a new global electric vehicle (EV) infrastructure platform, supporting operators of buses, trucks and vans to accelerate their transition to EVs. And VORN Bioenergy is a European biomethane platform supplying biomethane and power to energy and industrial companies. Our green hydrogen development platform, HyCC, has made progress, and we are also supporting the roll out of hydrogen trucks in California. Our investment in Storegga Geotechnologies continues to advance an ambitious carbon capture, usage and storage project in the UK.

We are pushing into new markets with the acquisition of Forlance, a leading nature-based carbon developer that focuses on projects utilising natural assets such as forests, wetlands, grasslands and agricultural lands to generate high-quality carbon credits.

As the leading Global Renewables Infrastructure Financial Adviser and Global Infrastructure Financial Adviser, we continue to help clients around the world navigate decarbonisation and the energy transition.<sup>(4)</sup>



## Energy security

As the world responds to the European energy crisis, countries are strengthening their energy security. Macquarie is supporting these efforts in a number of ways. The key medium-term solution will be increased reliance on clean energy, and over the past year we have stepped up our engagement in the development of new green energy capacity, storage and related infrastructure (see the Climate Solutions section of this feature for more detail).

In addition, we partnered with our portfolio company, Wavecrest, to help deliver Germany's first privately-financed liquefied natural gas (LNG) terminal, which is set to play a critical role in achieving Germany's ambition to increase its imports of natural gas and diversify its natural gas supplies. The project involved the development of a floating storage and regasification unit, small scale LNG shuttle vessels and related infrastructure on an accelerated timeline.

We also play an important role in energy markets around the world, working with power generators and upstream producers, refineries and processing plants, large industrial energy users, as well as suppliers and distributors. We offer capital and financing, risk management, market access, physical execution and logistics solutions to help clients navigate diverse markets, including carbon, gas, LNG, power, crude oil and fuels, and biomass.

Our support for established energy companies, as well as new entrants has remained consistent, and increasingly we are adding capabilities to our traditional risk management services that allow clients to better navigate working capital and liquidity, as well as credit constraints.

Through a period of market disruption and geopolitical uncertainty, we have also played an active role in helping clients manage energy price volatility, with the goal of maintaining energy supply to households and economies.



## Net zero

Macquarie is committed to aligning its business operations and financing activities with the objective of reaching the global goal of net zero by 2050, in line with the Paris Agreement. We will do this by targeting net zero for our own business operations across Scope 1 and 2 emissions by 2025 and aligning our financing activities with the global goal of net zero emissions by 2050. Macquarie Asset Management is working to manage its real assets portfolio in line with global net zero emissions by 2040.

This year, Macquarie published its first Net Zero and Climate Risk Report which summarised our climate strategy, set out how we are implementing that strategy and published new metrics and targets on financed emissions. These targets include running off our limited remaining lending and equity exposure to coal companies by the end of 2024 (noting this target does not include any emissions associated with potential projects that will significantly reduce greenhouse gas (GHG) emissions in line with science-based scenarios or are for the purpose of diversifying away from the coal sector in line with a credible transition plan). We are targeting a reduction in the Scope 1, 2 and 3 physical emissions intensity of our oil and gas portfolio by 10-15% from FY2020 levels by 2030; and, in motor vehicles we are targeting Scope 1 and 2 physical emissions intensity reductions of 34% from FY2020 levels by 2030.<sup>(5)</sup>

We are supporting businesses and infrastructure companies where Macquarie-managed funds exercise control or significant influence to help them set business plans that align with net zero emissions by 2040. Alongside this action, we are supporting clients and portfolio companies to help them achieve their own energy transition. One such example is a new joint venture with Hydro Rein to develop 586MW of renewable energy projects in Brazil that will provide the power for a number of Hydro's operations in the country.

Given the scale of the needed transition, we recognise that much of the world will depend on oil/gas for years to come. We will continue to support clients in these sectors to help them decarbonise and reduce the emissions intensity of their activities.

(3) As at March 2023. On our balance sheet or under Macquarie management. Excludes lending and private credit funds. GW of green energy assets reflects 100% of the generating capacity of each asset, not the proportion owned/managed by Macquarie.

(4) Macquarie Capital is the No. 1 renewable financial adviser globally based on information by Inspira for the 2022 calendar year by deal value. There can be no assurance that other providers would reach the same conclusions.

(5) These targets refer to on-balance sheet lending and equity investment activities, excluding on-balance sheet securities held for client facilitation and market-making purposes (as opposed to held for investment). Lending refers to loan assets held at amortised cost and excludes certain items such as leasing, asset finance, trading assets and short-term financing (e.g. inventory finance). For motor vehicles, we have also included novated leases, given availability of both methodology and data.



## Social infrastructure

Demand for capital, innovative financing solutions and support for new technologies continues to increase across multiple areas of social infrastructure - including transport and mobility, housing, education and healthcare.

To help meet growing demand for affordable, community-based accommodation in Australia, we supported the launch of a new build-to-rent housing investment platform. We are tailoring long-term finance for non-profit housebuilders and providers in the UK to deliver affordable, social, and shared-ownership housing. In Ireland, we are creating high-quality learning environments by leading a consortium to finance, design, build and maintain six new higher education buildings for over 5,000 students across multiple campuses.

A joint venture consortium co-led by Macquarie will finance, build and maintain six interstate bridges across the US state of Pennsylvania. The project includes commitments to subcontract the majority of the work to local firms, using minority and disadvantaged businesses, and establishing extensive workforce development programs. As well as connecting communities and generating local economic activity, the program creates sustainable career paths for participants and helps train a workforce to support future infrastructure projects in the area.

We have also continued to build the capability of our people and systems to protect customers from data breaches and fraudulent activity, while also maintaining exceptional support to customers during periods of hardship.

“ In every corner of the world, we are working with communities and governments to develop infrastructure, energy security and transition, transportation and digitalisation projects that drive positive social impact.”



## Digital inclusion

By investing in digital infrastructure and new software and technologies, we continue to support the growth in digital infrastructure, technologies and software that act as a catalyst for social inclusion, providing access to learning, employment and opportunities emerging from the digital economy.

Macquarie Capital's investment in employee management platform BetterPlace, for example, will help deliver a positive social impact for workers in Southeast Asia by increasing access to enhanced earnings potential, greater payroll transparency and access to social security benefits.

Our investment in shared digital infrastructure provider PhilTower has allowed it to respond to the growing infrastructure and connectivity needs of the Philippines by expanding mobile network access, ensuring that businesses and individuals can access the latest technologies that are a key economic driver for the country.

In the UK, our investment in KCOM helped accelerate the rollout of fibre networks to provide ultra-fast broadband to poorly connected communities across the North of England. In Poland, we have invested in telecommunications infrastructure owner INEA, supporting the development of its network infrastructure and connectivity expansion in rural areas.

By combining advice and capital, we are supporting expanded access to education around the world, including the deployment of primary and secondary education curriculum software solutions into more than 13,800 school districts in the US, helping combat learning loss resulting from the COVID-19 pandemic.



## Giving back to the community

For almost 40 years, the Macquarie Group Foundation (the Foundation) has underpinned our social impact activity, supporting our people to give back to the communities in which they live and work by contributing time, expertise and financial support to the causes and areas of need that they feel passionate about.

The Foundation recognises that many people around the world face barriers to employment and supports community organisations working to break down these barriers and build effective pathways to employment. In FY2023 the Foundation provided White Box Enterprises with a philanthropic grant and a social impact investment in support of the Payment By Outcomes trial, a three-year trial which aims to support up to 170 people living with a disability who will be supported into employment with one of 15 jobs-focused social enterprises participating in the trial.

As well as supporting community organisations, the Foundation supports our four Operating Groups to increase investment in projects that solve social problems through their core business activities. Combining social impact and commercial returns to deliver this shared value is consistent with Macquarie's purpose of empowering people to innovate and invest for a better future.

In the UK, our first-of-its-kind Green Jobs program, created in partnership with the Green Investment Group (GIG) and Generation UK, equips people with the skills needed for sustainability-focused roles. Supported with catalytic funding provided by the Foundation, it provides those facing barriers to employment with profession-specific training, increasing social mobility and developing the scarce skillsets needed to deliver the energy transition.

Our non-profit and philanthropic banking service empowers Australian non-profit organisations to invest in a way that is aligned to their mission, positively impacts an area of unmet social need, and delivers the commercial returns needed for their long-term sustainability.

## Financial highlights

### FY2023 net profit

# \$A5,182m

↑ 10% on prior year

### FY2023 net operating income

# \$A19,122m

↑ 10% on prior year

### FY2023 operating expenses

# \$A12,130m

↑ 12% on prior year

### FY2023 earnings per share

# \$A13.54

↑ 6% on prior year

### FY2023 return on equity

# 16.9%

↓ from 18.7% in the prior year

### FY2023 dividends per share

# \$A7.50

(40% franked)  
↑ 21% on prior year

### FY2023 effective tax rate

# 26.0%

↑ from 25.2%  
in prior year

### Assets under management

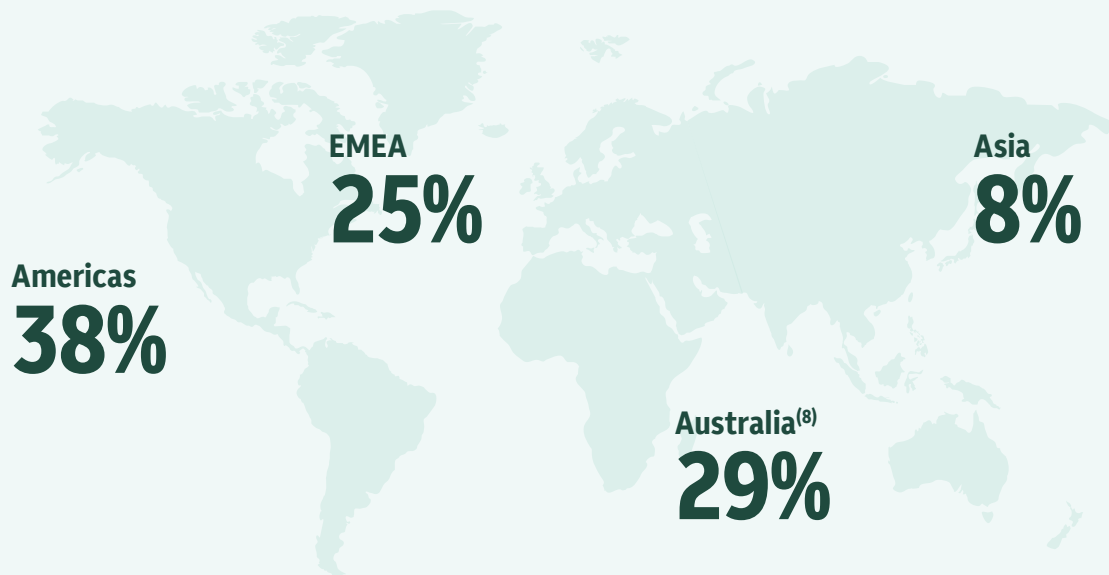
# \$A870.8b

↑ from \$A793.0b<sup>(6)</sup>  
as at 31 March 2022

(6) MAM Private Markets AUM includes equity yet to deploy. This is a change from prior periods, when equity yet to deploy was excluded, and has been implemented to bring MAM in line with peers. Prior periods have been restated to reflect the change.



### FY2023 international income<sup>(7)</sup>



### FY2023 net profit contribution<sup>(9)</sup> by activity

#### Annuity-style activities

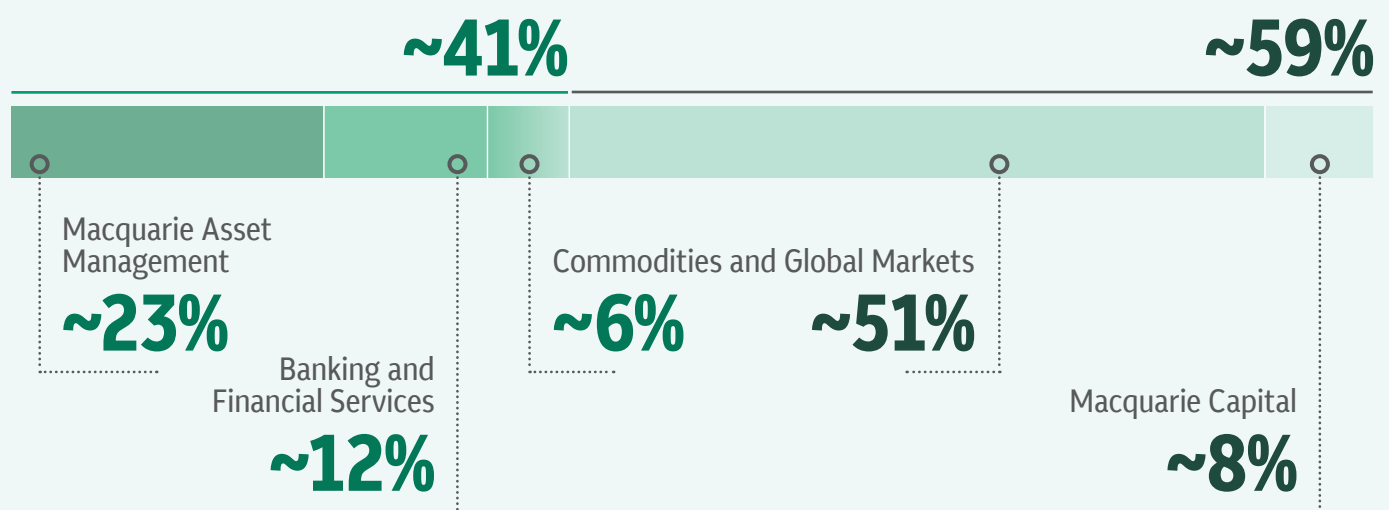
**\$4,143m**

↓ 17% on prior year

#### Markets-facing activities

**\$6,208m**

↑ 38% on prior year



(7) International income is net operating income excluding earnings on capital and other corporate items.

(8) Includes New Zealand.

(9) 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.



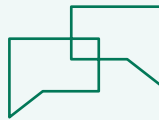
**Asset  
management**

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**Banking**

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**Advisory**

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**Capital  
solutions**

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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) 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, 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.

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### 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.

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### Financial Management Group (FMG)

Responsible for capital, funding, liquidity, tax and strategic analysis and advice to support the growth of the Macquarie business. It ensures Macquarie meets its financial, regulatory and tax reporting compliance obligations, as well as maintaining relationships with a range of significant external stakeholders.

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### Corporate Operations Group (COG)

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

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# Operating and financial review

Our businesses continued

## Annuity-style businesses

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### Macquarie Asset Management

# \$A2,342m

↓ 23% on prior year

MAM has the aim of 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, secondaries, equities, fixed income and multi-asset solutions.

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### FY2023 Highlights

MAM AUM increased 10% to \$A870.8 billion as at 31 March 2023, due to investments made by Private Markets-managed funds and foreign exchange movements, partially offset by market movements in Public Investments.

During the year, MAM raised a record of \$A38.2 billion in new equity from clients for a diverse range of Private Markets strategies. MAM invested \$A27.2 billion of equity, across 56 new investments, including: 20 real assets, 19 real estate, and 17 private credit investments.

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

### Banking and Financial Services

# \$A1,201m

↑ 20% 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.
- **Business Banking:** provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients, across a range of key industry segments.
- **Wealth Management:** provides clients with a wide range of wrap platform and cash management services, investment and superannuation products, financial advice and private banking.

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### FY2023 Highlights

For the year ended 31 March 2023, the loan portfolio increased 16% to \$A127.7 billion and BFS deposits increased 32% to \$A129.4 billion. Funds on platform increased 4% to \$A123.1 billion as continued strong net flows of \$A5.7 billion were partially offset by market movements.

The home loan portfolio increased 21% to \$A108.1 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 \$A13.0 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 \$A10.5 billion, up from \$A7.9 billion at 31 March 2022.

## Markets-facing businesses

### Commodities and Global Markets

# \$A6,007m

↑ 54% 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 across a variety of industries and asset classes.

### FY2023 Highlights

CGM generated an exceptionally strong net profit contribution, up 54% on the prior corresponding period. The result reflected an increased contribution across Commodities, primarily from inventory management and trading and risk management activities. Inventory management and trading increased substantially, driven by trading gains from regional supply and demand imbalances, primarily in North American Gas and Power markets. Risk management revenue increased across the platform, particularly in Gas and Power, Global Oil and Resources, driven by increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets. CGM saw increased contribution from Financial Markets with continued strong performance across major products and markets, particularly in foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity. Asset Finance's contribution decreased due to the gain in the prior year from the partial sale of the UK Meters portfolio of assets.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including House of the year for Oil and Products, Derivatives and Natural Gas/LNG at the Energy Risk Awards 2022 and House of Year for Oil and Products, Derivatives, Emissions and Commodity Trade Finance at the Energy Risk Asia Awards 2022. CGM is ranked as No.1 Futures Broker on the ASX.

### Macquarie Capital

# \$A801m

↓ 47% on 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.

### FY2023 Highlights

Macquarie Capital maintained No.1 in ANZ for Mergers and Acquisitions (M&A) in 2022.

As the global No.1 renewable financial adviser, Macquarie Capital advised Fiera Infrastructure and Palisade Infrastructure on their joint acquisition of Amp US Primary Holding Inc., a US-based distributed renewable energy and battery storage business.

Macquarie Capital delivered combined solutions for clients, providing multi-product capabilities in areas of deep expertise. Acting as equity sponsor and financial advisor on a €250 million public private partnership, Macquarie Capital supported the construction of six higher education buildings across multiple campuses in Ireland, delivering for over 5,000 student places.

As at 31 March 2023, over \$A18.0 billion committed private credit portfolio, with more than \$A7.0 billion deployed in the period through focused investment in credit markets and bespoke financing solutions. Macquarie Capital completed more than 60 credit transactions in the period across a diverse range of industries, including to support the recapitalisation of and growth investment in Orro, an Australian-based enhanced connectivity provider.

Macquarie Capital also invested in Australian-based start-up, Sapia.ai to support the global expansion of its inclusive and efficient recruitment technology platform.

## 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.

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. All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework
- 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.



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

## Macroeconomic factors

The key macroeconomic risks to Macquarie's short and medium term financial outlook noted on page 30 are:

### Market conditions

The general condition of markets, driven by macroeconomic, climate 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.

### Technology

Macquarie recognises that with the use of systems, technology, and platforms to support its business activities, it is exposed to risk of loss resulting from failure, inadequacy or misuse of technology and technology resources.

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, country, credit, environmental and social, 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.



## Operating and financial review

Review of group performance and financial position

### Group performance

#### Overview

Profit attributable to ordinary equity holders of \$A5,182 million for the year ended 31 March 2023 increased 10% from \$A4,706 million in the prior year.

	FULL YEAR TO		
	31 Mar 23 \$Am	31 Mar 22 \$Am	Movement %
Net operating income	19,122	17,324	10
Operating expenses	(12,130)	(10,785)	12
Income tax expense	(1,824)	(1,586)	15
Loss/(profit) attributable to non-controlling interests	14	(247)	*
Profit attributable to ordinary equity holders	5,182	4,706	10

\* Indicates that the result was a gain in one period and a loss in another, or vice versa.

# Operating and financial review

Review of group performance and financial position continued

## FY2023 net profit contribution by Operating Group

Summary of the Operating Groups' performance for the year ended 31 March 2023.

### Annuity-style businesses

#### Macquarie Asset Management (MAM)<sup>(10)</sup>

## \$A2,342m

↓ 23% on prior year due to

- significant income<sup>(11)</sup> from the disposition of assets in MIC<sup>(12)</sup> in the prior year
- decreased net income on equity, debt and other investments driven by lower gains on asset realisations in the green energy sector.

Partially offset by:

- higher performance fees from Private Markets-managed funds
- lower credit and other impairment charges primarily driven by impairment of underperforming equity investments in the green energy sector in the prior year.

Non-Banking Activities

### Markets-facing businesses

#### Macquarie Capital<sup>(10)</sup>

## \$A801m

↓ 47% on prior year due to

- lower fee and commission income driven by lower mergers and acquisitions fee income on a strong prior year, lower capital markets fee income and lower brokerage income due to weaker market activity
- lower net income on equity, debt and other investments driven by negative revaluations on equity investments reflecting market movements and fewer material asset realisations compared to the prior year
- higher mark-to-market losses on certain debt underwriting positions related to a deterioration in macroeconomic conditions experienced in the first half
- higher operating expenses predominantly driven by higher employment costs, increased compliance and regulatory spend and higher expenditure on technology platform and infrastructure.

Partially offset by:

- higher net interest income from the private credit portfolio benefitting from \$A5.1 billion of growth in average drawn loan assets
- lower non-controlling interests due to the non-recurrence of gains attributable on disposal.

### Banking and Financial Services (BFS)

## \$A1,201m

↑ 20% on prior year due to

- higher net interest and trading income mainly driven by growth in the loan portfolio and BFS deposits, and improved margins from the rising interest rate environment.

Partially offset by:

- higher credit impairment charges driven by deterioration in the macroeconomic outlook compared to the prior year and release of COVID-19 overlays in the prior year
- higher expenses driven by increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

Banking Activities

### Commodities and Global Markets (CGM)<sup>(13)</sup>

## \$A6,007m

↑ 54% on prior year due to

- inventory management and trading income increased substantially driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets
- increased foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity.

Partially offset by:

- lower net income on equity, debt and other investments due to the gain on the partial sale of the UK Meters portfolio of assets in the prior year
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend and higher employment costs.

(10) The Green Investment Group was transferred from Macquarie Capital to MAM effective 1 April 2022. Comparatives have been reclassified to reflect this reorganisation.

(11) Income includes disposition fee, equity accounted income and impairment reversal.

(12) On 22 September 2021, MIC completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continued to trade under the New York Stock Exchange symbol of 'MIC' until it was delisted on 21 July 2022.

(13) 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 as part of the Non-Banking Activities.

# Operating and financial review

For the financial year ended 31 March 2023 continued

## Net operating income

Net operating income of \$A19,122 million for the year ended 31 March 2023 increased 10% from \$A17,324 million in the prior year. The increase was primarily driven by higher Net interest and trading income, partially offset by a decrease in Net other operating income.

### Net interest and trading income

FULL YEAR TO		↑ <b>53%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>10,523</b>	6,856	

This result was largely driven by:

- increased inventory management and trading income driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets in CGM
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources in CGM
- growth in the average loan portfolio and deposit volumes, and improved margins from the rising interest rate environment in BFS.

### Fee and commission income

FULL YEAR TO		↓ <b>5%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>6,558</b>	6,887	

This result was largely driven by:

- lower mergers and acquisitions fee income on a strong prior year and lower capital markets fee income due to weaker market activity in Macquarie Capital
- significant disposition fee income relating to MIC in the prior year in MAM
- lower base fees in Public Investments driven by negative market movements and outflows in equity funds, partially offset by acquisitions in the prior year and foreign exchange movements in MAM.

Partially offset by:

- higher performance fees in MAM
- higher base fees in Private Markets due to fund raising and investments made by Private Markets-managed funds and mandates in MAM
- higher fee income from the Futures business in CGM.

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

FULL YEAR TO		↓ <b>significantly</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>(113)</b>	240	

This result was largely driven by:

- significant equity accounted income from MIC and higher revaluation gains on underlying assets in the prior year in MAM
- changes in the composition and performance of Macquarie Capital's investment portfolio.

### Credit and other impairment charges

FULL YEAR TO		↓ <b>11%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>(454)</b>	(509)	

This result was largely driven by:

- lower other impairment charges recognised on a small number of underperforming equity investments in the current year in MAM and Macquarie Capital.

Partially offset by:

- higher net credit impairment charges due to deterioration in the macroeconomic outlook
- release of COVID-19 overlays in the prior year
- an impairment reversal related to MAM's investment in MIC in the prior year.

### Net other operating income

FULL YEAR TO		↓ <b>32%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>2,608</b>	3,850	

This result was largely driven by:

- lower gains on asset realisations in the green energy sector in MAM
- non-recurrence of a gain on the partial sale of the UK Meters portfolio of assets in the prior year in CGM
- negative revaluation on equity investments and fewer material asset realisations in the current year in Macquarie Capital.



## Operating and financial review

Review of group performance and financial position continued

### Operating expenses

Total operating expenses of \$A12,130 million for the year ended 31 March 2023 increased 12% from \$A10,785 million in the prior year with increases across most expense categories.

#### Employment expenses

FULL YEAR TO		↑ <b>15%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>7,703</b>	6,725	

This result was largely driven by:

- higher salary and related expenses from higher average headcount and wage inflation
- higher profit share and share-based payments expense mainly as a result of the performance of the Consolidated Entity.

Partially offset by:

- one-off acquisition expenses incurred in the prior year, in MAM.

#### Non-salary technology expenses

FULL YEAR TO		↑ <b>18%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>1,092</b>	926	

This result was largely driven by:

- increased investment in technology initiatives, with focus on data and digitalisation to support business growth and compliance.

#### Brokerage, commission and fee expenses

FULL YEAR TO		<b>in line</b> with prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>1,028</b>	1,029	

- Brokerage, commission and fee expenses were broadly in line with the prior year.

#### Other operating expenses

FULL YEAR TO		↑ <b>10%</b> on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
<b>2,307</b>	2,105	

This result was largely driven by:

- higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions
- higher amortisation of intangible assets following the Waddell & Reed Financial (Waddell & Reed) acquisition in MAM.

### Income tax expense

Income tax expense of \$A1,824 million for the year ended 31 March 2023 increased 15% from \$A1,586 million in the prior year. The effective tax rate for the year ended 31 March 2023 was 26.0%, up from 25.2% 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

For the financial year ended 31 March 2023 continued

## Statement of Financial Position

The Consolidated Entity's Statement of Financial Position was impacted by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility, demand and price movements in commodity markets.

Total assets	
AS AT	
31 Mar 23 \$Am	31 Mar 22 \$Am
<b>387,872</b>	399,176

↓ **3%**  
on 31 Mar 22

Total assets of \$A387.9 billion as at 31 March 2023 decreased 3% from \$A399.2 billion as at 31 March 2022.

The principal drivers for the decrease were as follows:

- derivative assets of \$A36.1 billion as at 31 March 2023 decreased 57% from \$A84.9 billion as at 31 March 2022, driven by movements in gas and power commodity prices due to market volatility. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was \$A9.7 billion (31 March 2022: \$A14.5 billion). The majority of the residual derivative exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash and bank balances of \$A45.7 billion as at 31 March 2023 decreased 13% from \$A52.8 billion as at 31 March 2022, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Treasury's liquidity portfolio.

These decreases were partially offset by:

- loan assets of \$A158.6 billion as at 31 March 2023 increased 18% from \$A134.7 billion as at 31 March 2022, driven by volume growth in BFS home loan portfolio and Macquarie Capital's private credit portfolio
- financial investments of \$A21.9 billion as at 31 March 2023 increased 80% from \$A12.1 billion as at 31 March 2022, driven by growth in the portfolio of high quality liquid assets held in Treasury's liquidity portfolio
- trading assets of \$A16.9 billion as at 31 March 2023 increased 24% from \$A13.6 billion as at 31 March 2022, driven by an increase in holdings of listed equity and government securities in CGM
- cash collateralised lending and reverse repurchase agreements of \$A54.3 billion as at 31 March 2023 increased 6% from \$A51.2 billion as at 31 March 2022, driven by stock borrowing activities in CGM.

Total liabilities	
AS AT	
31 Mar 23 \$Am	31 Mar 22 \$Am
<b>353,766</b>	370,370

↓ **4%**  
on 31 Mar 22

Total liabilities of \$A353.8 billion as at 31 March 2023 decreased 4% from \$A370.4 billion as at 31 March 2022.

The principal drivers for the decrease were as follows:

- derivative liabilities of \$A32.8 billion as at 31 March 2023 decreased 61% from \$A84.5 billion as at 31 March 2022 commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was \$A7.1 billion (31 March 2022: \$A15.2 billion)
- issued debt securities of \$A90.5 billion as at 31 March 2023 decreased 9% from \$A99.5 billion as at 31 March 2022, driven by net maturity of issued debt securities, partially offset by foreign exchange movements.

These decreases were partially offset by:

- deposits of \$A134.7 billion as at 31 March 2023 increased 33% from \$A101.7 billion as at 31 March 2022, driven by volume growth in retail and business banking deposits in BFS
- borrowings of \$A18.9 billion as at 31 March 2023 increased 36% from \$A13.9 billion as at 31 March 2022, driven by additional funding requirements and foreign exchange movements
- loan capital of \$A12.9 billion as at 31 March 2023 increased 36% from \$A9.5 billion as at 31 March 2022, driven by the issuance of Tier 1 and Tier 2 loan capital and foreign exchange movements.

Total equity	
AS AT	
31 Mar 23 \$Am	31 Mar 22 \$Am
<b>34,106</b>	28,806

↑ **18%**  
on 31 Mar 22

Total equity of \$A34.1 billion as at 31 March 2023 increased 18% from \$A28.8 billion as at 31 March 2022.

The increase in the Consolidated Entity's equity is on account of \$A5.2 billion earnings generated during the current period, \$A1.3 billion increase in foreign currency translation largely driven by appreciation of the United States dollar to the Australian dollar and \$A0.7 billion increase in non-controlling interest, offset by \$A2.5 billion dividend payment.

# Operating and financial review

Review of group performance and financial position continued

## Funding

Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its obligations 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 2023, 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 equity and securitisations) was 4.9 years excluding the Term Funding Facility (TFF) and 4.4 years inclusive of TFF as at 31 March 2023.

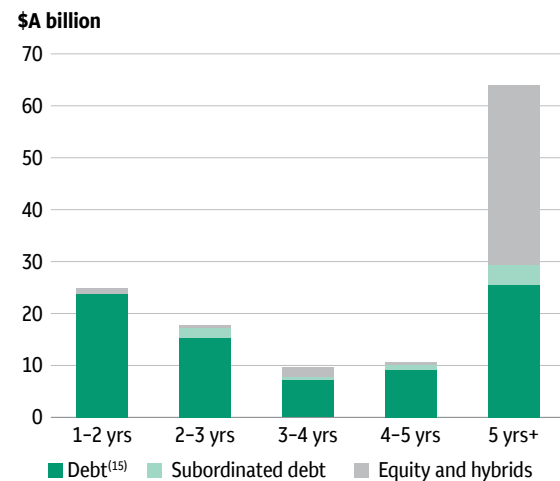
# 4.9

years

Weighted average maturity<sup>(14)</sup>

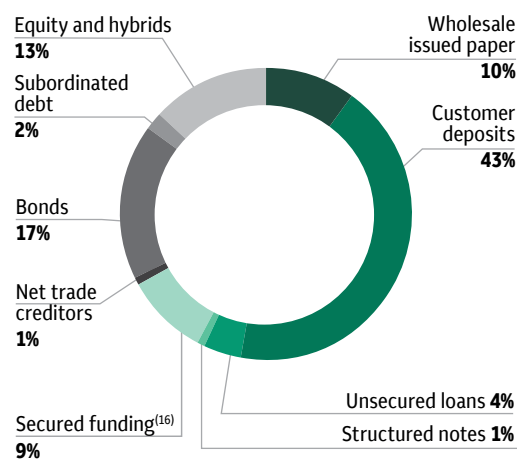
## Term funding profile

### Detail of drawn funding maturing beyond one year



## Diversity of funding source

### Detail of drawn funding sources maturing across all tenors



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 2022, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2022 and 31 March 2023:

		Bank Group \$Ab	Non-Bank Group \$Ab	Total \$Ab
Issued paper	– Senior and subordinated	4.7	7.8	12.5
Secured funding	– Term securitisation, covered bond and other secured finance	5.6	3.3	8.9
Loan facilities	– Unsecured loan facilities	1.1	–	1.1
Hybrids	– Hybrid instruments	–	0.8	0.8
<b>Total<sup>(17)</sup></b>		<b>11.4</b>	<b>11.9</b>	<b>23.3</b>

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2023.

(14) Excluding TFF. Including TFF, the weighted average term to maturity of term funding maturing beyond one year was 4.4 years as at 31 March 2023.

(15) Includes RBA Term Funding Facility (TFF) of \$A9.5 billion.

(16) Includes RBA Term Funding Facility (TFF) of \$A9.5 billion.

(17) 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

For the financial year ended 31 March 2023 continued

## \$A12.6b

Group capital surplus

### Capital

As an APRA authorised and regulated 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 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.

Under APRA's new "Unquestionably Strong" bank capital framework which came into effect from 1 January 2023, the minimum requirement for the Tier 1 capital ratio is 10.25% inclusive of the capital conservation buffer (CCB) of 3.75% and a countercyclical buffer (CCyB)<sup>(18)</sup> of 0.50% calculated in accordance with Prudential Standard APS 110 Capital Adequacy. The APRA minimum Common Equity Tier 1 capital ratio requirement is 8.75% inclusive of the CCB and CCyB.<sup>(18)</sup> APRA also requires ADIs to maintain a minimum leverage ratio of 3.5% effective 1 January 2023. In addition, APRA may impose ADI-specific minimum ratios which may be higher than these levels.

Macquarie is well capitalised, with the following capital adequacy ratios as at 31 March 2023:

Bank Group Level 2 Basel III ratios	APRA Basel III	Harmonised Basel III <sup>(19)</sup>
Common Equity Tier 1 Capital Ratio	13.7%	18.4%
Tier 1 Capital Ratio	15.6%	20.6%
Leverage Ratio	5.2%	5.9%



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

(18) The CCyB of the Bank Group as at 31 March 2023 is 0.61%, which is rounded to 0.5% for presentation purposes. The individual CCyB varies by jurisdiction and the Bank Group CCyB is calculated as a weighted average based on exposures in different jurisdictions at that time.

(19) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS therefore the ratios are indicative only.

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# Governance

## Pacific Canbriam Energy, Canada

Macquarie facilitated the purchase and sale, transportation, and delivery of responsibly sourced gas (RSG) between Pacific Canbriam Energy and Quebec's leading natural gas distributor. Macquarie additionally arranged the delivery and retirement of the RSG certificates held by a digital registry that issues, tracks and retires RSG certificates using distributed-ledger technologies.





## Corporate governance

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

MGL's corporate governance practices have followed the recommendations set by 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 34 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 will 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 shareholders, clients, employees and communities	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 employees' and shareholders' interests			
Responsibility to clients, funders and communities			

## 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 FY2023 there were 42 formal Board and Board Committee meetings. At these meetings a total of approximately 520 items of business<sup>(1)</sup> were presented by over 400 presenters who were not members of the Board or MGL's Executive Committee.<sup>(2)</sup> 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 FY2023 included presentations on cybersecurity, technology and enterprise digitalisation and design, managing projects, and anti-money laundering and counter-terrorism financing awareness.

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

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 international trips to Macquarie offices each year. In FY2023, the Board visited Macquarie offices in the US and EMEA. Key highlights from these visits included visits to certain Macquarie fund assets in London and California and presentations from regional staff and external speakers about topical issues in the region; regional business updates; and Macquarie's people, culture, and purpose statement in practice. Each visit brought together staff from various locations within the regions, increasing and enhancing the Board's opportunity for engagement with staff. During the US Board visit, Board members engaged with approximately 350 staff members across all levels of seniority in three key regional hubs: Houston, Philadelphia and New York. During the EMEA Board visit, over 1,000 staff were invited to engage with Board members at various events, including during a hybrid format staff town hall meeting and staff dinner.

## 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.

(1) Includes ad hoc and regular items of business, excludes administrative items.

(2) Aggregate number of unique presenters on a per meeting basis.

# 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"> <li>Commitment to achieving the highest standards of professional conduct across all Macquarie operations</li> <li>Regularly reinforce company-wide expectations and enhance Board reporting</li> <li>Diligently take action as part of its responsibility to shareholders, funders, clients, employees and communities in which Macquarie operates</li> <li>Review and monitor operations and challenge management.</li> </ul>		
Conduct and culture		
<ul style="list-style-type: none"> <li>Set high behavioural standards and act in accordance with these standards</li> <li>Take a dynamic approach to oversight of risk culture and conduct risk management in response to business outcomes and expectations of communities and regulators</li> <li>Monitor the actions management take to embed behavioural standards in operations (including a sound risk culture):               <ul style="list-style-type: none"> <li>staff training</li> <li>direct communications to staff</li> <li>risk surveillance activity.</li> </ul> </li> </ul>		
Business strategy	Financial and non-financial risk management	Pay for performance
<p>Assess ability of strategy to adapt to markets and deliver sound client and community outcomes within Board approved risk appetite and related limits.</p> <p>Approve budget and funding and capital management strategy to deliver on business strategy.</p>	<p>Approve Macquarie's <i>Risk Appetite Statement</i> and <i>Risk Management Strategy</i>, monitor material risks faced by Macquarie and review how they are managed.</p> <p>Monitor Macquarie's risk management framework, including its compliance framework.</p>	<p>Approve a remuneration policy that aligns the interests of staff and shareholders to deliver sustained results for our customers, clients and communities.</p> <p>Remuneration outcomes reflect an assessment against a range of financial and non-financial factors including risk management and compliance.</p>

## FY2023 Governance activities

During FY2023, the Board's governance activities included:

- the appointment of Mr Glenn Stevens as Chair of MGL and MBL, effective 10 May 2022, following the retirement of Mr Peter Warne, who retired effective 9 May 2022 after six years as the Chair, and almost 15 years as a NED of the MGL and MBL Boards
- the retirement of Mr Michael Coleman from the Board, effective 28 July 2022. Mr Coleman remains a NED of MBL
- the appointment of Ms Michelle Hinchliffe as Chair of the Board Audit Committee (BAC), effective 28 July 2022
- changes in Committee membership, establishment of stand-alone MGL and MBL Board Committees, and appointment of two bank-only non-executive directors (BONDs) to the MBL Board, supporting the enhanced governance of MBL (see page 37 for more information)
- continuing oversight of 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 with APRA, which has been established to define and deliver detailed programs of work that enhance MBL's governance, risk culture, group structure, and remuneration to ensure full and ongoing compliance with prudential standards
- continuing Board renewal and succession planning
- 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
- conducting its annual Board performance review
- 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 Board Risk Committee (BRiC)
- the Internal Audit Division (IAD) facilitating meetings with BAC members and other risk committee Chairs to discuss Internal Audit Report findings relevant to their respective committees
- convening a joint annual meeting of the Board Remuneration Committee (BRC), BGCC, BRiC and BAC to discuss significant incidents, issues, regulatory and enforcement matters, litigation outcomes, internal audit outcomes and other financial and non-financial risk matters as presented in independent reports provided to the BRC by the CRO and the Head of Internal Audit for consideration in the determination of remuneration outcomes for FY2023
- 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.

## MBL Board Governance

During FY2023, Macquarie and MBL implemented a number of governance changes forming part of a remediation plan with APRA covering detailed programs of work across governance, risk culture, remuneration and group structure.

The MBL Board and Board Committee governance changes included:

- establishing separate Board Audit, Governance and Compliance, Risk and Remuneration Committees for each of MGL and MBL, and a Board Conflicts Committee for MBL
- appointing two BONDS who joined the MGL NEDs and the MGL and MBL CEOs on the MBL Board. A third BOND is expected to be appointed in due course
- BOND representation on MBL Board Committees.

These governance changes were operationalised through supporting Board and Board Committee processes and enhance MBL's governance by introducing additional safeguards to better protect the interests of MBL within Macquarie.

## 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 the main requirements of Macquarie's key policies.

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.

## Risk governance

Macquarie's approach to risk management is based on stable, robust and long-held core risk management principles.



Supported by an appropriate risk culture

 Details of Macquarie's approach to risk management is contained in the [Risk Management](#) section

The Board annually approves Macquarie's *Risk Appetite Statement* and *Risk Management Strategy*. 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 constructively challenges management's proposals and decisions on risk management arising from Macquarie's activities. The Board is also assisted by the BAC, BRC and BGCC in its oversight of financial and non-financial risk.

Each year, including in FY2023, the Board oversees the operation of Macquarie's risk management framework by management 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 IAD independently and objectively reviews the compliance with, and effectiveness of, Macquarie's risk management framework at least annually, 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 that is applied appropriately throughout Macquarie (including MBL and its subsidiaries (together, the Bank Group)). The Bank Group maintains its own governance structure, which includes the MBL Board and Board Committees, MBL CEO, MBL Executive Committee and other senior management committees.



# 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 BRC assists the Board 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

On behalf of the Board, the BAC reviews:

- **the external auditor engagement:** At least annually, the BAC 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 Board approves the interim and year-end financial reports, the BAC reviews the independence of the external auditor, PricewaterhouseCoopers (PwC).

### Auditor independence

Macquarie's *Audit and Assurance 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.

In FY2023, the BAC recommended to the Board, and the Board approved, a replacement lead auditor who is expected to commence their term following the conclusion of the FY2024 audit, in line with the lead auditor rotation requirements of the *Corporations Act 2001* (Cth) (the Act).

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 Act 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.

### 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 five 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 external 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 2023 the BAC recommended to the Board that PwC continue in its role as Macquarie's external auditor.

### Board evaluation and consideration

In FY2023, the Board exercised its continuing oversight of the performance of the external auditor. 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 2023 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 12.

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 Appetite Statement* and *Risk Management Strategy*, monitoring material risks faced by Macquarie and how they are managed, appointing the 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 Macquarie, taking into account Macquarie's specific and broader responsibilities to its shareholders, funders, clients, employees and the communities in which it operates.

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

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.

# 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
<b>Board Risk Committee (BRiC)</b>	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. Except to the extent another Board Committee is responsible, the BRiC receives information on material risks and reviews the impact of developments in markets in which Macquarie operates on its risk position and 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 Macquarie to operate consistently within its risk appetite. The CRO reports directly to the CEO and has a secondary reporting line to the BRiC.
<b>Board Governance and Compliance Committee (BGCC)</b>	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.
<b>Board Remuneration Committee (BRC)</b>	The BRC makes recommendations to the Board that promote appropriate remuneration policies and practices for Macquarie that drive behaviours that support remuneration outcomes which align with Macquarie's financial and non-financial risk outcomes, promote Macquarie's <i>Code of Conduct</i> and accountability of staff for the business and customer outcomes they deliver by encouraging a long-term perspective. The BRC reviews HR-related reports and consults with the BRiC, BGCC and BAC to ensure risk outcomes are appropriately reflected in remuneration outcomes. The BRC is also responsible for remuneration related disclosures in the Remuneration Report.
<b>Board Audit Committee (BAC)</b>	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 and independence of the external auditor, and other matters relating to the prior year's audit and reports to the Board on the annual performance review 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.
<b>Board Nominating Committee (BNC)</b>	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 and 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 and 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 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.

Periodic corporate reports are verified internally by management prior to release to ASX and subject to external audit or review by PwC as required. 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.

## 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 to ensure that the meeting is conducted in an orderly and timely fashion.

MGL's 2022 AGM was held as a hybrid meeting with shareholders able to attend in person or online. 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.



## Diversity, equity and inclusion

As a services business, the diversity of our people is one of Macquarie's greatest strengths. An inclusive, equitable workplace enables us to deliver more innovative and sustainable solutions for our people, clients, customers, shareholders and communities.



## Our commitment

Macquarie's inclusive culture supports our purpose of empowering people to innovate and invest for a better future. Our commitment to Diversity, Equity and Inclusion (DEI) is both 'top down and bottom up'. Every Macquarie employee shares accountability for creating an inclusive environment where diverse perspectives and authenticity are valued, and everyone can reach their full potential.

Our refreshed Global DEI Strategy was launched by the MGL CEO and Managing Director in October 2022, following extensive consultation with diverse employees around the world. The three pillars: our diverse people, our equity commitment and our inclusive culture are consistent focus areas in the four aligned regional DEI Action Plans and eight operating group and central services group DEI Action Plans. We launched our inaugural Reconciliation Action Plan (RAP) in Operating Group and Central Services Group DEI Australia and formed a working group to design a global Accessibility Action Plan (AAP).

In close collaboration with Human Resources, our leadership teams in each Operating and Central Services Group have linked the actions in these plans to tangible results outlined in our *Workforce Diversity Policy*. Progress towards achieving Macquarie's FY2023 DEI objectives is disclosed in this report.

## Diversity, Equity and Inclusion objectives

Accountability and transparency are critical to DEI progress. The MGL Executive Committee and Board Remuneration Committee (BRC) monitor the diversity, equity and inclusion objectives and the progress of each group and region. The *Workforce Diversity Policy* requires 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.

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 encourage continuous improvement.

Macquarie's BRC has endorsed the FY2023-26 DEI objectives as set out in the global strategy.

## Global DEI Strategy FY2023-2026

In FY2023, we used Human Centred Design methodology to refresh our Global DEI Strategy.

### Our diverse people

Building a workforce that harnesses a range of perspectives, ideas, and insights in everything we do.

Diversity objectives:

- support Leader accountability for DEI outcomes
- increase the diversity in talent pipelines
- increase availability and completeness of candidate and employee data.

Success measures:

- diverse employee representation
- leader DEI objectives
- leader visibility and actions based on diversity metrics
- meet regulatory and stakeholder commitments
- employee self-identification completion rates.

### Our equity commitment

Achieving equitable outcomes by removing barriers and valuing differences, enabling everyone to be included and to reach their full potential.

Equity objectives:

- align principles of equity in all people-related policies, processes and programs
- champion and elevate equity for people from under-represented groups
- encourage an equitable approach when engaging with our clients, community and suppliers.

Success measures:

- diverse representation across the talent lifecycle
- organisational spend with diverse suppliers
- employee support to advance equity in our community
- pay equity.

### Our inclusive culture

Creating an environment where people are respected for their uniqueness, valued for their contributions and celebrated for being their authentic selves.

Inclusion objectives:

- continue education and maintain awareness
- enable inclusive leaders, teams and employees
- elevate inclusive networks and strong allyship.

Success measures:

- employee and candidate feedback
- employee DEI objectives
- employee of people from underrepresented groups
- training completion.

# Diversity, equity and inclusion

Continued

## Progress in 2023

We have made progress against the objectives and success measures in all three pillars of diversity, equity and inclusion.

## Progress – Our diverse people

We recognise that our people have multiple, intersecting dimensions to their identities. Since FY2022 we have encouraged our people 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.

## Gender Equity

The outcome of our ongoing commitment to gender equity is demonstrated in Table 1. Female representation on the MGL Board of Directors has increased to 62.5%.

Female representation has increased year-on-year across Macquarie's total workforce, director and senior executive populations. There was a slight decrease at Division Head level.

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

As of 31 March	2020 %	2021 %	2022 %	2023 %
Board of Directors	36.4	45.5	50.0	<b>62.5</b>
Executive Committee	25.0	27.3	30.0	<b>30.0</b>
Division Head <sup>(1)</sup>	23.9	23.0	26.5	<b>25.5</b>
Senior Executive <sup>(2)</sup>	19.1	20.5	21.8	<b>23.3</b>
Macquarie Workforce	40.1	42.0	43.0	<b>44.1</b>

Over 87% of permanent roles filled globally during the year had one or more female Macquarie staff on the interview panel. Macquarie maintained gender balanced Intern and Graduate programs and female candidates continue to be hired in greater proportion than the underlying application rate.

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. We sponsor women-focused university societies and promote financial services careers to school students to support girls to consider the broad range of career paths available to them. Programs include the Diversity Academy partnered with the Bright Network in EMEA, Girls who Invest in the US and continuing partnerships in Asia with The Women's Foundation, Girls Go Tech and Your Future in Finance and NavGurukul.

In Australia, we ran events for secondary and tertiary students such as Life After School and Discover Her Career, we continued to support Women in Banking and Finance and helped provide female entrepreneurs with access to strategic networks via Heads Over Heels.

## Families and Carers

Macquarie continues to provide support to working parents and carers of all genders through flexibility, paid leave and initiatives such as coaching. In FY2023 we enhanced our benefits, increasing paid parental leave and introducing transition leave, which allows employees to take up to 12 paid transition days in the first 12 weeks of returning to work, regardless of returning on a full-time or part-time basis.

In ANZ, Macquarie was accredited as a Family Friendly Workplace and received a National Level 3 carer accreditation from Carers+Employers, recognition for our deep commitment to supporting the careers of carers.

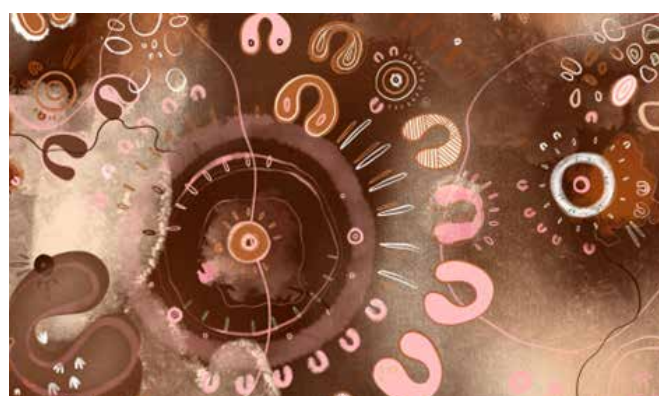
Macquarie's global return to work rate was 95% in FY2023 and high retention rates continue to be achieved for staff who have taken parental leave.

## 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.

Racial equity continues to be a priority for Macquarie, and we made progress in each region. In Australia, Macquarie launched its inaugural RAP which is a public and formal commitment to reconciliation with First Nations people. Staff completed secondments with Indigenous organisations through our partnership with Jawun. Our First Nations employee network group supports the Clontarf Foundation, and the Melbourne Indigenous Transition School.

The CareerTrackers and CareerSeekers programs placed 35 students who had Aboriginal and Torres Strait Islander, asylum seeker and refugee backgrounds in paid internships during FY2023.



Macquarie's RAP Artwork: Lakkari Pitt.  
Gamilaroi Ularoi yinarr artist Lakkari Pitt was commissioned to create this bespoke piece for Macquarie's Reflect RAP.

(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.



We continue to invest in internship and recruitment channels that expand our reach and better connect with talent from under-represented racial groups around the world. In the US, Macquarie continued to partner with Jopwell, Seizing Every Opportunity (SEO), and BLK Capital Management, growing the talent pipeline of Black and Latinx students.

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 FY2023, Macquarie held focus groups to understand the unique experiences of our colleagues of colour and ran sponsorship programs around the world to support the careers of employees from groups under-represented in our leadership ranks. The \$US5 million multi-year Racial Equity Fund continued to support community groups working to promote racial equity in the US. Each region has Employee Network Groups (ENGs) focused on race, religion and culture who hold events and initiatives including Black History Month, East and Southeast Asian Month and Hispanic Latinx Heritage Month. We continue to learn from and adapt with their feedback.

## 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 for 2022, 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 awarded the Silver Award by the Pride Circle Index in 2022 and the Bronze LGBTQ+ Award in Hong Kong by Community Business in 2021. Such awards recognise our focus on LGBTQ+ inclusion at every stage for employees, including through policies, benefits, training and leadership engagement.

In ANZ, Macquarie continue to sponsor and partner with multiple organisations such as Rainbow Families and Pinnacle Foundation. This year, we further expanded our support for LGBTQ+ by establishing a multi-year Pinnacle Scholarship for an aspiring LGBTQ+ student aged between 18 and 26 to pursue full-time study at a higher education institution. We also entered a two-year partnership with Out For Australia (OFA), an organisation providing role models, mentors and support to aspiring LGBTQ+ professionals.

World Pride was hosted, for the first time since its inception, in the Southern Hemisphere in Sydney, Australia between 17 February and 5 March 2023 and our Pride network organised several activities to celebrate including an Intersectionality Panel with guests from our Pride, Spark and First Nations ENGs and queer film screenings. Along with several other financial institutions, we raised funds to support the young LGBTQ+ community to attend Sydney World Pride events and bought over 150 tickets for disadvantaged LGBTQ+ youth.

Macquarie's regional 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 and beyond. Globally, our staff have raised a substantial amount, which is matched by the Macquarie Group Foundation (the Foundation), for charities including Iraqueer and GiveOut. They have hosted events on coming out, trans awareness week, allyship and more.

(3) Digital communication channels include the internal Macquarie intranet hub and group collaboration softwares such as Zoom, Microsoft Teams and Slack.

## Accessibility

Macquarie is a member of The Valuable 500, a global collective focused on disability inclusion. We continue to design for accessibility and provide flexible working arrangements to meet the unique needs of candidates and employees who are living with disabilities. To formalise this commitment, we have commenced work on a global AAP. This involves the establishment of an AAP steering committee, and a working group who are partnering with external experts who advise on global standards. Elements of the plan include embedding principles of inclusive design in Learning Standards, and event guidelines and inclusive design resources being available to all staff.

Accessibility is a strategic imperative across our digital communication channels.<sup>(3)</sup> 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.

## Progress – Our equity commitment

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.

Macquarie has long been committed to flexibility in all its forms. We have continued to embed hybrid working as part of the evolving culture of work. Our people are empowered to make choices aligned to both career and personal goals. Overall, 89% of staff say they have the technology and tools they need to do their job well in a remote working environment.

## Pay equity

Macquarie conducts annual pay equity reviews and provides comprehensive data to the Workplace Gender Equality Agency (WGEA) in Australia and is also required to adhere to further regulatory requirements where we operate.

Macquarie has continually ensured that we have pay equity across the organisation for men and women performing the same roles, similar roles or work of equal or comparable value. This is reviewed on an annual basis in which we work with all of our businesses and functions as part of our commitment to ensure that there is no bias in how we pay our people and to maintain pay equity for like roles and performance.



# Diversity, equity and inclusion

Continued

## Equitable career development

Workforce data is regularly analysed and provided to senior managers to empower them to assess the equity of people decisions and the inclusiveness of practices in their teams, and to identify where additional action is needed. We regularly review all our policies with an intersectional lens to ensure they are equitable.

In the Americas, Macquarie is 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. Macquarie has developed targeted development programming, investing in the engagement, retention, and progression of talent from groups that are under-represented in our leadership, recognising that as we strive for equity, we need to level the playing field and remove barriers to growth so that everyone can reach their full potential. Programs introduced include the Power of Choice and McKinsey Connected Leaders Academy, offered to Black, Latinx and Asian talent.

In FY2023 globally:

- 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
- further guidance was provided to all employees on setting personal DEI objectives
- the principles of DEI were further embedded in all people-related policies, processes and programs to ensure the highest and fairest standards: provide equal access to opportunities and future skilling and maintain equality for people of all genders and ethnicities in promotion decisions.

## Sustainable Procurement and the work of our Foundation

As part of our Sustainable Procurement Strategy, Macquarie includes sustainability and supplier diversity requirements within tender documents. In FY2023, Macquarie spent over \$A17.2 million with minority-owned businesses in our tier one and tier two supply chain.<sup>(4)</sup>

The Foundation drives social impact work for Macquarie, supporting its people, businesses, and communities to build a better future. Recognising that many people around the world face systemic barriers to employment, the Foundation grants and social impact investments focus on breaking down these barriers and building effective pathways to economic security. Across all regions, in FY2023 the Foundation provided funding and non-financial support to non-profits working in this area, including its first global employment focused grant to Generation You Employed, an organisation enabling underrepresented people to achieve economic mobility through a career.

For many years, the Foundation has been collaborating with Human Resources to increase the diversity of Macquarie's talent pipeline by partnering with organisations such as Breakthrough New York (Americas), CareerSeekers (ANZ), Asha Mentorship Programme & A Better Chance Foundation (Asia) and Social Mobility Foundation (EMEA). By creating opportunities for young people from groups that are underrepresented in our leadership to experience the world of work, these programs help provide pathways to employment and a better future.

The Foundation acknowledges inequities in the philanthropic and community sector and has taken steps to strengthen the diversity, equity, and inclusivity of its grantmaking processes and practices globally. The Foundation is also funding organisations that promote a more equitable and just society for all people including Centre for Social Impact (ANZ), Asia Pacific Mission for Migrants (Asia), Baobab Foundation (EMEA) and through the Racial Equity Fund in the Americas, which has now supported 12 organisations including the YWCA of Houston, Equal Justice Initiative and Stop AAPI Hate to name a few.

## Progress – 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 has continued to elevate the inclusivity of its culture through improving employee and candidate data collection and sharing data-driven insights. We have gleaned new insights into the experiences of our underrepresented employees through our staff survey.



(4) 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.



### Inclusive Leadership

Across Macquarie, Inclusive Leadership Director Masterclass series were designed to promote a stronger sense of belonging for all our people. The series focuses on upskilling directors to identify inclusion moments that matter, workplace covering and allyship. Macquarie will make customised online and virtual modules available to more staff globally in FY2024.

In EMEA, we were recognised as a Top 25 Outstanding Employer at the UK Ethnicity awards for our actions taken to drive the ethnicity agenda, our regional CEO was recognised as the Ethnicity Champion Ally of the year at the Ethnicity Awards 2022 and 50% of our 2022 graduates and interns were from ethnic minority backgrounds. In Asia, the second phase of the Male Allies program launched, with over 150 male leaders from across the region participating in a 9-month programme. Macquarie was ranked in the Best 100 Companies for women in India.

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

### Networks and Committees

Macquarie has a range of ENGs and DEI committees in each region. Their focus spans culture and heritage, First Nations, gender, LGBTQ+, race and ethnicity, families and carers, neurodiversity and military veterans. We also have additional employee groups focused on wellbeing, giving and environmental sustainability. 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.

In FY2023, Macquarie's global ENGs continued to expand across all regions; our newest network, Spark, is focused on neurodiversity and has rapidly gained global momentum.



### Diversity, Equity & Inclusion awards

In FY2023 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

## ESG approach

The Board and Management recognise the importance of sound Environmental, Social and Governance (ESG) practices as part of their responsibility to our clients, shareholders, employees and the communities in which Macquarie operates. Macquarie's ESG approach is structured around eight focus areas considered to be material to our business and stakeholders.

### ESG governance:

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

### ESG focus areas



#### Environmental and social risk management Page 52

**1,094**  
reviews

completed under the *Environmental and Social Risk (ESR) Policy* in FY2023<sup>(1)</sup>

Macquarie Asset Management (MAM) became a signatory to the **UK Stewardship Code 2020** in September 2022



#### Climate change Page 54

Commitment to align Macquarie's financing activity with the global goal of **net zero emissions by 2050**

**Science-based targets** set for three carbon-intensive sectors: oil/gas, motor vehicles and coal

Commitment to invest and manage MAM's portfolio in line with **net zero emissions by 2040**



#### Environmental and social financing Page 58

**97 GW**

of green energy assets in development or construction as at 31 March 2023 measured using 100% of generating capacity for assets managed/owned (including partially) by Macquarie<sup>(1),(2)</sup>

**14 GW**

of green energy assets in operation as at 31 March 2023 measured using 100% of generating capacity for assets managed/owned (including partially) by Macquarie<sup>(1),(2)</sup>

**\$A2.2 billion**

invested, committed or arranged in green energy assets in FY2023<sup>(1),(3)</sup>



#### Sustainability in our own business operations Page 62

Commitment to reach **net zero in Scope 1 and Scope 2 emissions by FY2025**, while developing emissions reduction strategies for Scope 3<sup>(4)</sup>

Sourced the equivalent of

**100%**

of our global electricity consumption from renewable sources in FY2023<sup>(1),(5)</sup>

Energy intensity per capita reduced by

**57%**

from FY2014 (14% reduction from FY2022)<sup>(6)</sup>

- (1) PwC has provided limited assurance over this metric as detailed in the PwC independent assurance report available within Macquarie's FY2023 Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics.
- (2) On our balance sheet or under Macquarie management. Excludes lending and private credit funds. GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.
- (3) On our balance sheet or under Macquarie management.
- (4) Covers Categories 1-8 Scope 3 operational value chain emissions as defined by the Greenhouse Gas Protocol. It excludes financed emissions (Scope 3, Category 15).
- (5) The equivalent of 100% of our FY2023 electricity consumption was sourced from renewable sources through a combination of purchased green energy from landlords or utilities (46.5%) and energy attribute certificates (53.5%) which will be retired by 30 June 2023. Based on RE100 boundary criteria, the equivalent of our FY2023 electricity consumption sourced from renewable sources is 99.6% due to insufficient renewable energy certificates in the South Korean market to meet our requirements. However, renewable energy certificates were purchased from other international markets to account for the 100% renewable electricity.
- (6) FY2023 energy intensity per capita is calculated as 40.5 GWh total electricity used across our premises and data centres divided by the total headcount of 20,144 (based on total global workforce as at 31 March 2023, excluding employees in operationally segregated subsidiaries and investments where Macquarie does not have a controlling interest).

## 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.



### Client and customer experience Page 66

**#1**

infrastructure investment manager globally<sup>(7)</sup>

2022 MFAA Excellence Awards for **Major Lender of the Year** for the third year in a row

**Emissions House of Year** at the 2022 Asia Energy Risk Awards

#1 Global Renewables Infrastructure Financial Adviser and Global Infrastructure Financial Adviser<sup>(8)</sup>

**Top rating** for Australian ESG research by institutional investors in 2022 Peter Lee survey



### People and workplace Page 68

**62.5%**

of MGL Board directors are women

**30.0%**

of Macquarie's Executive Committee members are women

### Reconciliation Action Plan



### Business conduct and ethics Page 70

**61**

disclosures received and managed by the Integrity Office in FY2023<sup>(9)</sup>

**11,800**

attendances at tailored training, workshops and leadership sessions<sup>(10)</sup>



### Community Page 72

**Over \$A52m**

contributed by Macquarie employees and the Foundation in FY2023 (\$A570m since inception)

Further information can be found on pages 72 to 75 of this Annual Report

(7) The ranking was awarded to MAM in July 2022 and is the opinion of IPE Real Assets. The ranking is based on Assets Under Management (AUM) at 31 Dec 2021. There can be no assurance that other providers or surveys would reach the same conclusions.

(8) Macquarie Capital is the #1 renewables infrastructure financial adviser globally and #1 infrastructure financial adviser globally based on information by inspiratia for the 2022 calendar year by deal value. There can be no assurance that other providers would reach the same conclusions.

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

(10) Tailored content focused on conduct, supervision in a hybrid working environment, integrity, speaking up and psychological safety. Macquarie also requires all employees globally to undertake mandatory online *Code of Conduct* training. Some employees may have attended more than one training session, in which case their attendance was counted for each session.

# Environmental, social and governance

Continued

## Process for determining our ESG focus areas

Macquarie's ESG approach is structured around eight focus areas considered to be material to our business and stakeholders. On an ongoing basis, we identify the ESG focus areas most material to our business and stakeholders by assessing the environmental, social (including human rights) and economic impacts of our activities and business relationships. Our process for determining our material topics is outlined below in accordance with the key concepts of the Global Reporting Initiative (GRI) Standard.

## Stakeholder engagement

Clear dialogue with stakeholders is important for 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, customers, shareholders, investors, analysts, governments, regulators, employees, suppliers and the wider community.

Our engagement with stakeholders helps identify and validate our ESG focus areas.

## Materiality process

This year, we adopted the approach of the Global Reporting Initiative (GRI 3: Material Topics 2021) to determine our ESG focus areas. This involved:

- **understanding the organisation's context:** gathering and analysing data and information from a broad range of external and internal sources to better understand the context in which we operate
- **identifying negative and positive, actual and potential impacts and assessing their significance:** analysing direct external stakeholder feedback and engaging across our Operating and Central Service Groups to identify impacts, generate a real-world perspective of stakeholder priorities and evaluate the relative importance of material ESG topics across our activities
- **prioritising the most significant impacts for reporting:** utilising the inputs from our research and engagement to determine the most material impacts based on their significance
- **validating our ESG focus areas and material ESG topics:** testing our prioritised material ESG topics with internal stakeholders and against external standards and market expectations.

## ESG focus areas

The ESG topics identified during the FY2023 materiality process were similar to the ESG topics that were identified in FY2022. As a result, our eight overarching ESG focus areas remain unchanged.

In FY2023, there was a heightened emphasis on financial crime, biodiversity, net zero and innovation and digitalisation. As a result, those topics were added into our ESG focus areas this year.

ESG focus areas	ESG topics <sup>(11)</sup>
<b>Environmental and social risk management</b>	<ul style="list-style-type: none"> <li>• Biodiversity*</li> <li>• Climate change</li> <li>• Human rights</li> <li>• Integration of environmental and social risk factors in decision-making</li> <li>• Work health and safety (WHS) and wellbeing</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Net zero*</li> </ul>
<b>Environmental and social financing</b>	<ul style="list-style-type: none"> <li>• Biodiversity*</li> <li>• Pursuing investments, markets and products with an ESG focus</li> </ul>
<b>Sustainability in our own business operations</b>	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Management of environmental and social issues in our own business operations</li> </ul>
<b>Client and customer experience</b>	<ul style="list-style-type: none"> <li>• Client and customer satisfaction</li> <li>• Financial crime*</li> <li>• Innovation and digitalisation*</li> <li>• Transparent information and fair advice and dealing</li> </ul>
<b>People and workplace</b>	<ul style="list-style-type: none"> <li>• Diversity, equity and inclusion</li> <li>• Talent attraction and development</li> <li>• Remuneration</li> <li>• WHS and wellbeing</li> </ul>
<b>Business conduct and ethics</b>	<ul style="list-style-type: none"> <li>• Financial crime*</li> <li>• Information security and data privacy</li> <li>• Management of legal and regulatory environment</li> <li>• Political contribution and engagement</li> <li>• Risk culture and conduct</li> <li>• Taxation</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Social impact - refer to the Macquarie Group Foundation section of this Annual Report (pages 72-75)</li> </ul>

\*Indicates a new ESG topic for FY2023.

(11) Listed in alphabetical order. Some ESG topics are relevant across more than one ESG focus area and have therefore been repeated.



## About these disclosures

Macquarie's FY2023 ESG disclosures comprise relevant sections of Macquarie's FY2023 Annual Report.

### Relevant sections of Macquarie's FY2023 Annual Report

- About (pages 6-30)
- Corporate Governance (pages 34-41)
- Diversity, Equity and Inclusion (pages 42-47)
- Macquarie Group Foundation (pages 72-75)

## Reporting standards

Macquarie's FY2023 ESG disclosures have been prepared in accordance with the GRI Standards and are complemented by selected Sustainability Accounting Standards Board (SASB) Standards and accounting metrics.

Given the growing range of standards and best practices, Macquarie has welcomed moves by regulators and governments to support increased guidance to enable consistent reporting and approaches across the industry. This includes the work of the International Sustainability Standards Board (ISSB) under the IFRS Foundation.

## Independent assurance

PwC has provided limited assurance over selected ESG metrics for the FY2023 reporting period as detailed in the PwC independent assurance report.

This also sets out the basis of preparation and assurance, including reporting boundaries, metric definitions and measurement methodologies.

# Environmental, social and governance

Continued

## Environmental and social risk management

Macquarie recognises that failure to manage environmental and social 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 environmental and social 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 our people share responsibility for identifying and managing environmental and social risks as part of normal business practice. They are supported by the Environmental and Social Risk (ESR) team.

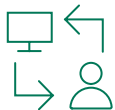
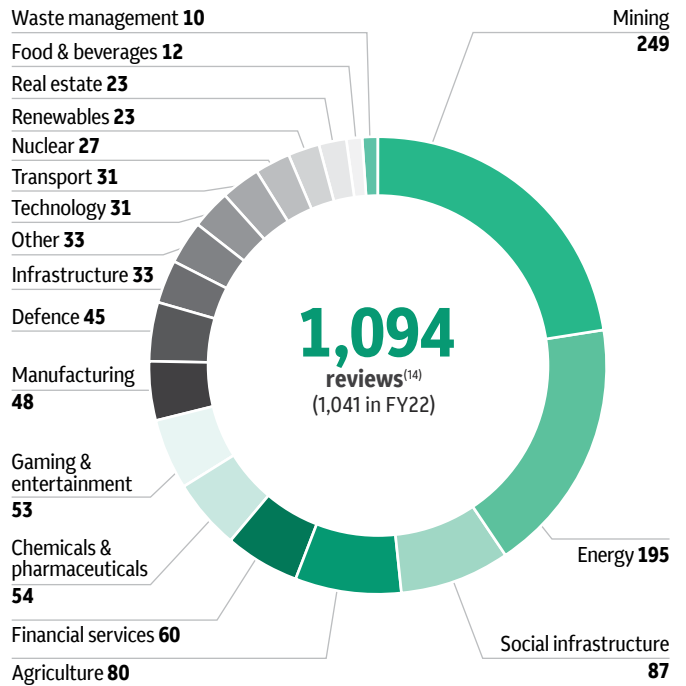
The ESR team coordinates a diverse range of ESG activities across our Operating Groups and regions, including developing and implementing Macquarie-wide and business-specific policies, reviewing transactions, providing advice on environmental and social risks and opportunities and facilitating training. The ESR team 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 *WHS* policies. 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 Macquarie Board.

### Reviews completed under the ESR Policy in FY2023



# 1,078

attendances at ESR and WHS training sessions in FY2023<sup>(12)</sup>



# 3,455

attendances at Human Rights training in FY2023<sup>(13)</sup>

### Human rights

Macquarie respects fundamental human rights as set out in the Universal Declaration of Human Rights and codified in the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and core International Labour Organization (ILO) Conventions.

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

(12) Includes risk managers and those in specific business groups with greatest potential exposure to environmental, social and WHS risks. Excludes global online WHS training completions. Some employees may have attended more than one training session, in which case their attendance was counted for each session.

(13) Some employees may have attended more than one training session, in which case their attendance was counted for each session.

(14) PwC has provided limited assurance over the total reviews completed under the *ESR Policy* for the FY2023 reporting period as detailed in the PwC independent assurance report available within Macquarie's FY2023 Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics. PwC did not assure the split by sector.

# Work Health and Safety



At Macquarie we are committed to providing safe workplaces where our employees, contractors and visitors can work and collaborate without risk of harm.

Our WHS vision, 'Safe workplaces that enable and empower people to do their best work', is designed in connection with our purpose of 'Empowering people to innovate and invest 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 employees, contractors, visitors and business partners
- incorporation of WHS into our investment and business decision-making processes
- 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.

## Health and safety of our people

The wellbeing of all our people is at the centre of Macquarie's vision in creating a healthy and safe environment by identifying, preventing, and managing physical and psychosocial risks.

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

To maintain a safety-positive culture and manage our WHS risks effectively, Macquarie has implemented:

- resources supporting the identification of health and wellbeing risks, trends and insights used to proactively work on preventative measures to improve psychosocial safety, WHS, and broader organisational performance, productivity, and culture
- ongoing access to education, assessment, and equipment for the prevention of workplace injuries and incidents while working flexibly

- enhanced employee support relating to family and domestic violence along with ongoing access to a wellbeing day to proactively support overall wellbeing
- access to mental health awareness training for people leaders to identify psychological risks and opportunities in the workplace.

Macquarie's Lost Time Injury Frequency Rate (LTIFR) in the year ended 31 March 2023 was 0.1.<sup>(15)</sup> 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.

Complementing the existing annual program offerings are targeted initiatives and key areas of focus within the four dimensions of wellbeing: physical, psychological, social and financial. In FY2023 98% of our people completed global online WHS training.

## Health and safety in our investments

Macquarie integrates 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's Operating Groups have tailored Safety Alignment Frameworks that are regularly reviewed and enhanced to drive consistent WHS governing principles and expectations for equity and fund management portfolio companies, seeking to eliminate fatalities and serious injuries. Macquarie Nominee Directors receive regular WHS governance training.

WHS is the responsibility of management within each portfolio company. The portfolio company board oversees the management of WHS and regularly monitors and reports on WHS performance and risk management to Macquarie, including high potential near miss reporting and outcomes of incident investigations where there was a fatality or serious injury.

During FY2023, there has been continued focus on implementing WHS best practices, improvement initiatives and sharing lessons learnt across our regions and Operating Groups. This also includes Macquarie regularly promoting intra-industry WHS forums to share lessons between organisations. 37 safety alerts and lessons were shared across our business in FY2023.

(15) 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. Data is based on total global workforce as of 31 March 2023, excluding employees in operationally segregated subsidiaries and investments where Macquarie does not have a controlling interest.

# Environmental, social and governance

Continued

## Climate change

In its latest report, the UN’s Intergovernmental Panel on Climate Change noted that the world is already seeing widespread climate disruption, affecting the lives of billions of people, and that we can expect additional severe climate impacts. Human induced climate change, and the global response to it, is an intergenerational issue that has for some time shaped the focus and ongoing development of our business.

Macquarie has been driving practical climate solutions for almost 20 years, with our first investments in renewables dating back to 2005. Since then, we have evolved our approach year by year, building capabilities to support the global transition to net zero. We published our first combined Group Net Zero and Climate Risk Report in December 2022.

### Macquarie’s climate strategy areas of action

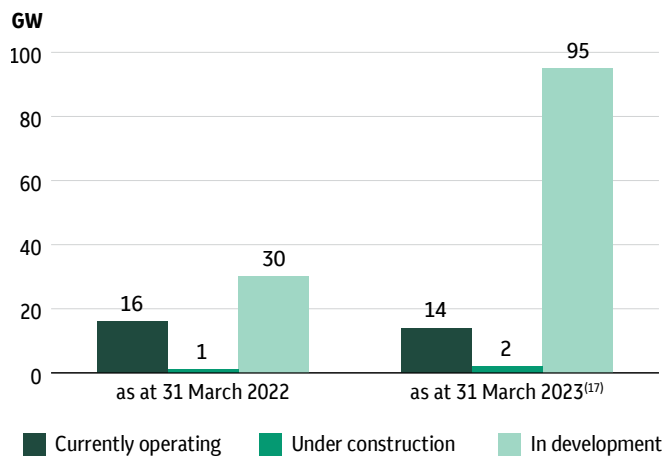
The climate strategy set out in our 2022 Net Zero and Climate Risk Report has four central areas of action:

<p style="font-size: 2em; font-weight: bold; text-align: center;">1</p> <p>Increase our investment in climate mitigation and adaptation solutions.</p>	<p style="font-size: 2em; font-weight: bold; text-align: center;">2</p> <p>Strengthen our support for clients and portfolio companies to help achieve their decarbonisation ambitions.</p>
<p style="font-size: 2em; font-weight: bold; text-align: center;">3</p> <p>Continue to reduce the emissions of our own business operations.</p>	<p style="font-size: 2em; font-weight: bold; text-align: center;">4</p> <p>Align our financing activity with the global goal of net zero emissions by 2050.</p>

### 1. Increase our investment in climate mitigation and adaptation solutions

Building on our history of developing and managing essential infrastructure, we have long recognised that investing in green energy technology is the most meaningful climate action we can take. Our ambition is to maintain and grow our role as a leading supporter of green energy and other climate solutions around the globe.

**GW of green energy assets as at 31 March 2023 measured using 100% of generating capacity for assets managed/owned (including partially) by Macquarie<sup>(16)</sup>**



Overall, Macquarie has invested, committed or arranged \$A34 billion into green energy assets in the six years to 31 March 2023.<sup>(18)</sup>

Having played a key role in scaling the deployment of green energy technologies such as utility-scale wind and solar as an investible asset class, we continue to innovate in emerging areas of opportunity such as hydrogen, carbon capture, utilisation and storage (CCUS), and energy storage. We are also investing in electric vehicles (EVs), infrastructure, voluntary carbon markets, and feed supplements for livestock.

As the world’s largest infrastructure manager, we are working to improve the resilience of our assets to the impacts of climate change and to ensure continuity of essential community services.<sup>(19)</sup> We also play an active role in helping clients manage energy price volatility, with the goal of maintaining energy supply to households and economies.

(16) On our balance sheet or under Macquarie management. Excludes lending and private credit funds. Gigawatts (GW) of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.  
 (17) PwC has provided limited assurance over this metric as detailed in the PwC independent assurance report available within Macquarie’s FY2023 Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics.  
 (18) On our balance sheet or under Macquarie management.  
 (19) The ranking was awarded to MAM in July 2022 and is the opinion of IPE Real Assets. The ranking is based on Assets Under Management (AUM) at 31 Dec 2021. There can be no assurance that other providers or surveys would reach the same conclusions.



## 2. Strengthen our support for clients and portfolio companies to help achieve their decarbonisation ambitions

As part of their broader activities which are described on pages 18-21 of this Annual Report, each Macquarie Operating Group is also engaging in a range of activities aligned to our climate strategy and net zero commitments and is partnering with clients and portfolio companies to support them on their decarbonisation journey.

In December 2020, our MAM business committed to manage and invest its global portfolio in line with net zero emissions by 2040. Today, practical climate solutions are being driven across MAM's global portfolio where we exercise control or significant influence.<sup>(20)</sup> As at the end of 2022, almost 85% of MAM's in-scope infrastructure and agriculture portfolio companies had established net zero plans approved by the portfolio boards, and around 400 properties had net zero plans within MAM's Core-Core Plus real estate business.<sup>(21)</sup> For the remaining assets, MAM is working towards establishing net zero plans over the next 12 months, or within 24 months of acquisition.<sup>(22)</sup>

In 2022, the Green Investment Group (GIG) was moved from Macquarie Capital to MAM with the explicit intent of utilising GIG's asset creation capabilities for the benefit of MAM clients. Our ambition is to maintain and grow our role as a leading supporter of green energy and other climate solutions around the globe.

Our Commodities and Global Markets (CGM) business is utilising its deep expertise and capabilities across the energy spectrum and its commodities and financial markets platform to support some of its clients with their decarbonisation pathways.

Our Banking and Financial Services (BFS) business supports customers' efforts to achieve their decarbonisation goals by offering a specialised EV buying service and including ESG ratings in its investment platform.

Finally, Macquarie Capital combines specialist expertise, innovative advice and flexible capital solutions as an adviser, partner, developer and investor. As the leading Global Renewables Infrastructure Financial Adviser and Global Infrastructure Financial Adviser, the business continues to help clients around the world navigate the evolving demands of decarbonisation and the energy transition.<sup>(23)</sup>

## 3. Continue to reduce the emissions of our own business operations

We have committed to net zero emissions in our own business operations across Scope 1 and 2 emissions by 2025 and have made significant progress by continuing to source the equivalent of 100% of our global electricity consumption from renewable sources in FY2023.<sup>(24)</sup> We are also developing emissions reduction strategies for our Scope 3 operational value chain emissions. More details can be found on pages 62-64.

## 4. Align our financing activity with the global goal of net zero emissions by 2050

In 2021, Macquarie committed to aligning our financing activity with the global goal of net zero emissions by 2050. In line with the Net Zero Banking Alliance (NZBA) Guidelines, these commitments – which complement the commitments made by MAM to invest and manage its portfolio in line with the global goal of net zero by 2040 – relate to our on-balance sheet lending and equity investment activities. This refers to on-balance sheet lending and equity investment activities, excluding on-balance sheet securities held for client facilitation and market making purposes (as opposed to held for investment). Lending refers to loan assets held at amortised cost and excludes certain items such as leasing, asset finance, trading assets and short term financing (e.g. inventory finance). For motor vehicles, we have also included novated leases, given availability of both methodology and data.

In our 2022 Net Zero and Climate Risk Report we set science-based targets for three carbon-intensive sectors:

- for oil/gas we target reducing Scopes 1, 2 and 3 physical emissions intensity by 10-15% from FY2020 levels by 2030
- for motor vehicles we target reducing Scope 1 and 2 physical emissions intensity by 34% from FY2020 levels by 2030
- for coal, in line with our pre-existing commitment to run-off our limited remaining on-balance sheet lending and equity exposure to coal companies, we target reducing Scopes 1, 2 and 3 absolute financed emissions to zero by the end of 2024.<sup>(25)</sup> This target does not include any emissions associated with potential projects that will significantly reduce greenhouse gas emissions in line with science based scenarios or are for the purpose of diversifying away from the coal sector in line with a credible transition plan.

Given the scale of the needed transition, we recognise that much of the world will depend on oil/gas for years to come. As such, we will continue to support clients in these sectors to help them decarbonise and reduce the emissions intensity of their activities.

(20) In our managed portfolios of public securities, and alternative investments where MAM does not have significant influence, including certain listed equity, fixed income, multi-asset, and private credit portfolios, we will support the goals of the Paris Agreement in a manner consistent with our client-guided fiduciary and regulatory responsibilities.

(21) The percentage of MAM's in-scope infrastructure and agriculture portfolio companies with Board-approved net zero plans is calculated based on the number of portfolio companies (a) that were in MAM's portfolio at the time of its net zero commitment in December 2020 and (b) where MAM exercises control or significant influence.

(22) This includes (a) the remaining ~15% of MAM's in-scope infrastructure and agriculture portfolio companies where MAM exercises control or significant influence, and (b) properties in our real estate Opportunistic business (where we partner with specialist operating partners) and those in our Core-Core Plus business where we have control or influence with the aim to establish decarbonisation pathways.

(23) Macquarie Capital is the #1 renewables infrastructure financial adviser globally and #1 infrastructure financial adviser globally based on information by inspiratia for the 2022 calendar year by deal value. There can be no assurance that other providers would reach the same conclusions.

(24) The equivalent of 100% of our FY2023 electricity consumption was sourced from renewable sources through a combination of purchased green energy from landlords or utilities (46.5%) and energy attribute certificates (53.5%) respectively which will be retired by 30 June 2023. Based on RE100 boundary criteria, the equivalent of our FY2023 electricity consumption sourced from renewable sources is 99.6% due to insufficient renewable energy certificates in the South Korean market to meet our requirements. However, renewable energy certificates were purchased from other international markets to account for the 100% renewable electricity.

(25) Given computational challenges associated with revenue shares (particularly in a world of high and volatile coal prices), we define a coal company as one that derives the majority (i.e., more than 50%) of its revenue from coal (both thermal and metallurgical) production, mine ownership or operation, or coal-fired power station ownership or operation. We acknowledge that the 50% threshold is not in line with the Net Zero Banking Alliance (NZBA) Guidelines, which define a coal company as one that derives more than 5% of revenues directly from thermal coal. However, Macquarie has committed not to enter into new business activity with *any counterparty* where the underlying purpose is to fund the purchase, development or expansion of a coal mine or coal-fired power station.

# Environmental, social and governance

Continued

Detailed analysis is now underway to assess the emissions associated with the residential mortgage and power generation sectors and, data allowing, these sectors will be included in our 2023 Net Zero and Climate Risk Report to be released by the end of this year.

## Working in partnership

We work in close partnership with stakeholders in the public and private sectors to find solutions to some of the major transition challenges of the financial sector and the real economy.

For example, we are working on several industry led initiatives aimed at supporting the financial sector to better enable the transition to a net zero economy and at overcoming the climate financing gap in emerging markets and developing economies.

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 (CFLI) India country pilot with the Tata Group, our participation in the CFLI Colombia country pilot and involvement alongside other private sector partners in the Just Energy Transition Partnerships for Indonesia and Vietnam. We are signatories of the Net Zero Asset Managers initiative and Net Zero Banking Alliance (NZBA). Macquarie is also a member of His Royal Highness The King's Sustainable Markets Initiative.

## TCFD implementation summary

	Governance	Strategy	Risk management
Progress during FY2023	<ul style="list-style-type: none"> <li>MAM appointed a Chief Sustainability Officer to lead the delivery of its ESG commitments</li> <li>In addition to the Financed Emissions Working Group (established in FY2022), we formed a Climate Risk Working Group with representatives from all Risk Management Group divisions</li> <li>Further leveraged the Group's Climate Solutions Taskforce and CGM's Energy Transition Steering Committee to coordinate and facilitate the growth of energy transition opportunities in the business.</li> </ul>	<ul style="list-style-type: none"> <li>Published our first combined 2022 Net Zero and Climate Risk Report which provides detail on the four areas of action and our broader net zero strategy</li> <li>Made a series of new investments in climate mitigation and adaptation spanning established and new technologies.</li> <li>Grew our internal employee network on sustainability issues, Green@Macquarie, which now has over 2,600 members.</li> </ul>	<ul style="list-style-type: none"> <li>Updated Macquarie's risk management framework documentation to include a definition of climate risk</li> <li>Completed physical and transition climate scenario analysis as part of the Australian Prudential Regulation Authority (APRA)'s Climate Vulnerability Assessment</li> <li>Completed screening level climate scenario analysis of commodity trading for Macquarie's European regulated entity.</li> </ul>
Focus beyond FY2023	<ul style="list-style-type: none"> <li>Continue to enrich Board and executive insight and visibility of climate related risks and opportunities</li> <li>Macquarie's Climate Solutions Taskforce will bring together business leaders and climate expertise to strengthen coordination and drive action to deliver the best climate solutions for our businesses and those of our clients and partners.</li> </ul>	<ul style="list-style-type: none"> <li>Develop and report emissions baselines, targets, and transition plans for the remaining carbon intensive sectors, in accordance with the NZBA Guidelines</li> <li>Support greater collaboration between diverse stakeholders, regulators, clients, and portfolio companies to facilitate a low carbon transition</li> <li>Develop methods to measure and track emissions reductions strategies across our Scope 3 operational value chain emissions. This includes a continued focus on evolving our carbon offsetting strategy in line with industry guidance.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate climate risk further into our broader risk management framework, policies and procedures</li> <li>Continue to develop climate risk scenario analysis and stress testing capabilities and ensure that analysis undertaken is useful</li> <li>Continue to assess and adopt regulatory needs and expectations in relation to climate risk.</li> </ul>

(26) PwC has provided limited assurance over this metric as detailed in the PwC independent assurance report available within Macquarie's FY2023 Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics.

(27) On our balance sheet or under Macquarie management.

(28) On our balance sheet or under Macquarie management. Excludes lending and private credit funds. GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.

(29) The equivalent of 100% of our FY2023 electricity consumption was sourced from renewable sources through a combination of purchased green energy from landlords or utilities (46.5%) and energy attribute certificates (53.5%) which will be retired by 30 June 2023. Based on RE100 boundary criteria, the equivalent of our FY2023 electricity consumption sourced from renewable sources is 99.6% due to insufficient renewable energy certificates in the South Korean market to meet our requirements. However, renewable energy certificates were purchased from other international markets to account for the 100% renewable electricity.

(30) FY2023 energy intensity per capita is calculated as 40.5 GWh total electricity used across our premises and data centres divided by the total headcount of 20,144 (based on total global workforce as at 31 March 2023, excluding employees in operationally segregated subsidiaries and investments where Macquarie does not have a controlling interest).

## Climate-related financial disclosures

Macquarie continues to support the important work of the Task Force on Climate-Related Financial Disclosures (TCFD) and is implementing its recommendations based on the four key pillars: governance; strategy; risk management; and metrics and targets as outlined in the TCFD Implementation Summary.

Over the past five years, Macquarie has conducted detailed physical and transition risk scenario analysis for different sectors.

### Metrics & Targets

- Developed science-based targets for three carbon-intensive sectors: oil/gas, motor vehicles and coal
- Invested, committed or arranged \$A2.2 billion in green energy projects in FY2023<sup>(26),(27)</sup>
- GW of green energy assets as at 31 March 2023 measured using 100% of generating capacity for assets managed / owned (including partially) by Macquarie:<sup>(26),(28)</sup>
  - 95 GW in development
  - 2 GW under construction
  - 14 GW currently operating
- Continued to source the equivalent of 100% renewable electricity for Macquarie premises and data centres<sup>(26),(29)</sup>
- Reduced FY2023 electricity use by 37% from the FY2014 baseline
- Reduced energy intensity per capita by 57% from FY2014 baseline (14% reduction from FY2022)<sup>(30)</sup>
- FY2023 absolute operational emissions are 216,429 tCO<sub>2</sub>e.<sup>(26),(31)</sup>

- Assess the financed emissions associated with residential mortgage and power generation sectors.

#### Operational targets

- Work towards developing a longer term Scope 3 operational value chain emissions reduction target aligned to science
- We have exceeded the 20% reduction in electricity use target (from a FY2014 baseline), and we will re baseline at the end of FY2025 upon the completion of the construction of our new global headquarters in Sydney
- Continue to source the equivalent of 100% renewable electricity and work towards full RE100 compliance by FY2025
- 80% of employees in sustainably-rated premises by FY2025.<sup>(32)</sup>

#### Lending and equity financed emissions targets<sup>(33)</sup>

- **Oil/gas:** target reducing Scopes 1, 2 and 3 physical emissions intensity by 10–15% (56.3–59.6 gCO<sub>2</sub>e/MJ) from FY2020 levels by 2030
- **Motor vehicles:** target reducing Scope 1 and 2 physical emissions intensity by 34% (147 gCO<sub>2</sub>e/km) from FY2020 levels by 2030
- **Coal:** target reducing Scopes 1, 2 and 3 absolute financed emissions to zero by the end of 2024.<sup>(34)</sup> This target does not include any emissions associated with potential projects that will significantly reduce greenhouse gas emissions in line with science based scenarios or are for the purpose of diversifying away from the coal sector in line with a credible transition plan.

(31) Covers Scope 1 and Scope 2 emissions, and Categories 1-6 and 8 Scope 3 operational value chain emissions as defined by the Greenhouse Gas Protocol. It excludes Category 7 employee commuting as the required data is still being sourced, and it excludes financed emissions (Scope 3, Category 15).

(32) Minimum LEED Gold, BREEAM Good or 5 Star Green Star.

(33) This refers to on-balance sheet lending and equity investment activities, excluding on-balance sheet securities held for client facilitation and market making purposes (as opposed to held for investment). Lending refers to loan assets held at amortised cost and excludes certain items such as leasing, asset finance, trading assets and short term financing (e.g., inventory finance). Note, for motor vehicles, we have also included novated leases, given availability of both methodology and data.

(34) Given computational challenges associated with revenue shares (particularly in a world of high and volatile coal prices), we define a coal company as one that derives the majority (i.e., more than 50%) of its revenue from coal (both thermal and metallurgical) production, mine ownership or operation, or coal-fired power station ownership or operation. We acknowledge that the 50% threshold is not in line with the NZBA Guidelines, which define a coal company as one that derives more than 5% of revenues directly from thermal coal. However, Macquarie has committed not to enter into new business activity with *any counterparty* where the underlying purpose is to fund the purchase, development or expansion of a coal mine or coal-fired power station.

# Environmental, social and governance

Continued

## Environmental and social financing

Rising temperatures, pollution, biodiversity loss, extreme weather events and social challenges are intrinsically linked, with social challenges further exacerbated by rising costs of living and international food and energy security concerns. To achieve practical environmental and social solutions, increasing volumes of finance are required.

This section describes Macquarie's environmental and social financing, advisory and research activities, which are a subset of our broader activities as set out on pages 18-21 of this Annual Report.

Macquarie is increasingly seeing client demands for capital, innovative financing solutions and support for new technologies in the areas of global energy transition, energy security, transport and mobility, digital infrastructure, housing, education and healthcare.

Macquarie continues to support clients seeking to manage and respond to these environmental and social 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 outcome 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 EVs.



### 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 and developing

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. MAM's GIG is working with portfolio companies and partners to drive global scale in mature renewable energy solutions - including by creating one of the largest offshore wind development portfolios in the world through Corio Generation, expanding its European solar development business Cero to span over 180 projects, and working to accelerate the US solar market through its development businesses Galehead and Treaty Oak. GIG and MAM's portfolio companies are increasingly focused on accelerating deployment in emerging markets, with onshore renewables development platform, Blueleaf Energy, driving deployment in Thailand, Vietnam, Malaysia and India.

Macquarie is also working to accelerate the deployment of technologies and solutions required for the next phase of the energy transition - to drive electrification and CCUS as well as the use of low-carbon hydrogen, hydrogen-derived fuels and bioenergy.

In November 2022, GIG launched a global battery storage business, Eku Energy, to increase the flexibility of energy systems and enable more renewable energy capacity to connect into the grid. In October 2022, via a MAM-managed fund, GIG acquired BayWa r.e.'s specialist biogas platform. Now operating as VORN Bioenergy, the business develops, constructs, and operates biogas projects that provide biomethane and power to local energy companies, industrials and energy traders.

In September 2022, GIG launched Fleete, a new EV infrastructure business for operators of electric commercial vehicles aimed at accelerating the EV transition. Prior to this, GIG launched a joint venture, HyCC which uses water electrolysis to produce green hydrogen from renewable power on an industrial scale.

At the same time, BFS is helping customers navigate the fast-changing industry landscape on EV ownership. BFS has undertaken an advocacy campaign to educate and inform Australians on the benefits of transitioning to an EV. The business also maintains Macquarie Vehicle Select, which helps our customers to find the right EV, arranges test drives, organises the trade in of their old car and negotiates on their behalf.

Macquarie Capital is investing in renewable natural gas (RNG) projects, including Adapt Biogas in the UK and the establishment of the Aerogy platform in the US. Aerogy and Adapt Biogas develop, operate, and invest in innovative RNG projects across the US and Europe, respectively. RNG diverts methane released from cow manure and other sources, converting it into energy.

Our CGM business invests in and finances a variety of decarbonisation and sustainability projects globally as well as a trading platform for ESG linked commodities such as carbon, renewable energy, water and natural gas. It provides emission inventory financing and derivative financing for renewable energy companies and offers a range of specialist asset finance solutions from zero emission transport fleets to smart meters, peaking and flexible power, critical minerals, and sustainable waste solutions.

In addition, CGM invested in a leading US-based carbon offset project consultancy, Ecological Carbon Offset Partners LLC. It also supported a third funding round for Storegga Limited, a UK-based independent, international developer of carbon capture and storage, hydrogen and direct air capture projects.

Macquarie also supports our communities by investing into companies that drive positive social impact. Macquarie Capital's investment in BetterPlace, for example, will help the expansion of this lifecycle management platform for companies with blue collar workers into Southeast Asia and other emerging markets. The platform helps create a positive social impact for the workers through access to enhanced earnings potential, greater transparency around payroll and access to social security benefits.

With a history of investing in the HR and Recruitment space across Australia and Asia, Macquarie Capital has also invested in Sapia.ai (Sapia), an Australian-based start-up focused on giving diverse candidates an equal chance and promoting fair, merit-based hiring decisions. This investment will support Sapia's global expansion of its inclusive and efficient recruitment technology platform.

Macquarie Capital has also acted as 100% equity sponsor and financial adviser to the Enbarr Partnership on the €250 million public-private partnership to construct six higher education buildings across multiple campuses in the east, south and midlands of Ireland. These new buildings will cater for over 5,000 student places and will have a strong focus on supporting practice-based learning, including laboratories, workshops and studios.

# Environmental, social and governance

Continued

## Advising

Macquarie continues to support energy, housing, education and healthcare sectors by advising, sponsoring and investing in environmental and social infrastructure, and assisting public and private entities to deliver essential services.

Macquarie is helping clients expand access to education around the world. For example, Macquarie Capital has advised Luxempart and other selling shareholders on the sale of eduPRO Group GmbH to Invision. eduPRO Group GmbH is a European education group focusing on adult education and vocational qualification, helping individuals integrate (and reintegrate) into the labour market to help reduce unemployment and skill shortages.

In the Americas, Macquarie Capital acted as exclusive financial adviser to Really Great Reading, a majority founder-owned business and VSS Capital Partners portfolio company, on its strategic partnership with the Vistria Group. Really Great Reading aims to tackle the national reading crisis in the US by providing comprehensive phonics and vocabulary literacy solutions for grades PreK-12 and using scientifically aligned methods to help educators provide reading instructions. The transaction further supports Really Great Reading in its efforts to serve 600,000+ students and 40,000+ teachers in all 50 states.

Also in the Americas, Macquarie Capital acted as exclusive financial adviser to mphrX on its merger with agilon health, a healthcare company that partners with primary care physicians. mphrX is a healthcare data platform-as-a-service provider that unifies patient data, makes it accessible to patients and physicians and generates insights to deliver better care to patients. The merger is expected to help agilon deliver more personalised, holistic and faster care to patients.

Macquarie Capital is also the #1 renewables infrastructure financial adviser globally, having advised clients on over \$US22.5 billion of renewable transactions over the 2022 calendar year and was named Outstanding Financial Adviser in the Energy and Sustainability Awards 2022 by inspiratia.<sup>(35)</sup>

The business acted as financial adviser to Global Infrastructure Partners on the sale of its interest in Hornsea One, a 1.2 GW offshore wind farm located in the UK North Sea. At the time of the transaction, Hornsea One was the largest operating offshore wind farm in the world.

Macquarie Capital has also acted as exclusive sell-side mergers and acquisitions (M&A) adviser to Schaltbau, a portfolio company of Carlyle, on its sale of SBRS Charging Solutions – a German provider of end-to-end engineered solutions for fully integrated EV charging infrastructure – to Shell. This transaction will enable Shell to offer more end-to-end charging solutions to business customers to electrify and decarbonise their fleets.

## Managing

Macquarie is committed to evaluating ESG factors in investment decision-making and engaging with its clients on ESG issues as part of our asset management activities. As a signatory to the UN-supported Principles for Responsible Investment (PRI), 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.

In addition to progressing on its net zero 2040 commitment, MAM supported a growing number of its Private Markets portfolio companies to participate in the GRESB sustainability assessment process. Participating portfolio companies continue to see an improvement in their GRESB performance, underlining the progress in ESG management across MAM's portfolio and the increasing quantity and quality of ESG information made available to clients.

**\$A25b**

private market green energy assets under management (AUM) as at 31 March 2023<sup>(36)</sup>

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 third party 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 and by MAM becoming a signatory to the UK Stewardship Code 2020 in September 2022. MAM's proxy voting policy and guidelines and pro-active ESG proxy alert system support more favourable ESG resolutions, in conjunction with enhancing shareholder value. MAM has also established a centralised ESG engagement tracker and increased its participation in collaborative engagements to collectively raise concerns across its Public Investments portfolio.

The global sustainable finance regulatory environment continues to evolve rapidly. As regulators develop their positions we have seen and expect to continue to see public debate on what those regulatory standards should be. Macquarie welcomes moves by regulators and governments to reduce uncertainties over the labelling of ESG funds and to support increased guidance to enable consistent reporting and approaches across the industry. In the meantime, we will continue to monitor external developments and regularly reassess how we categorise ESG funds and will share further information on this in the year ahead.

(35) Macquarie Capital is the #1 renewables infrastructure financial adviser globally and #1 infrastructure financial adviser globally based on information by inspiratia for the 2022 calendar year by deal value. Macquarie Capital was named Outstanding Financial Adviser in the Energy and Sustainability Awards 2022 by inspiratia, based on inspiratia's criteria. There can be no assurance that other providers would reach the same conclusions.

(36) Excludes private credit funds. AUM is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and to reflect Macquarie's proportional ownership interest of the fund manager. Private Markets AUM includes equity to deploy. PwC has provided limited assurance over this metric as detailed in the PwC independent assurance report available within Macquarie's FY2023 Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics.

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. For all Australian stock initiations, Macquarie includes a section discussing relevant ESG considerations. We have issued specialist ESG reports this year covering topics such as government emissions reductions policy, human capital management, company ESG ratings, financed emissions and COP27.

We also hosted virtual investor calls focused on supply chain traceability, private equity and ESG, carbon offsets, board diversity as well as other sustainability themed events.



## Top rating

for Australian ESG research by institutional investors in 2022 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. Since 2021, we have run 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, including labour rights, fossil fuel divestment and EV supply chains in Indonesia, and the impact of geopolitics on the energy transition across Asia.

## Trading

As the leading full-service equities platform for Australian institutional investors, Macquarie Capital's ANZ equities team is ranked first in ESG research and portfolio trading<sup>(37)</sup> This enables Macquarie Capital to continue to support asset owners in meeting their ESG commitments and reducing the carbon intensity of their portfolios.

CGM provides risk management and trading solutions to support clients' varying energy transition needs. It provides 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. Further information about how we manage risks within our markets-facing businesses is provided in the Risk Management section of this Annual Report.

It also provides 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. CGM's 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 brings capital and expertise to carbon offset generating projects as well as wider decarbonisation initiatives including nature-based solutions, CCUS, and other forms of innovative environmental and low-carbon technology.

(37) The ranking was awarded in the 2022 Peter Lee survey. There can be no assurance that other providers or surveys would reach the same conclusions.

# Environmental, social and governance

Continued

## Sustainability in our own business operations

The environmental and social impacts of Macquarie’s own business operations 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 our operational emissions, being efficient with resource use, improving the sustainability and diversity of our supply chain and maintaining innovative and sustainable workplaces.

In 2021, we restated our commitment to climate action with a broader net zero commitment. We have since refined the commitment for our own business operations emissions to reach net zero in Scope 1 and Scope 2 by FY2025, while developing emissions reduction strategies for Scope 3 in line with industry guidance as outlined in our 2022 Net Zero and Climate Risk Report.

Macquarie’s 2025 Sustainability Plan articulates our corporate sustainability commitments with specific and measurable targets across environmental and social pillars.

### Scope 1 and 2 operational emissions

This year, Macquarie has sourced the equivalent of 100% of our electricity consumption from renewable sources through a combination of green energy from landlords or utilities (46.5%) and energy attribute certificates (53.5%).<sup>(38)</sup> Based on RE100 boundary criteria, the equivalent of our FY2023 electricity consumption sourced from renewable sources is 99.6% due to insufficient renewable energy certificates in the South Korean market.

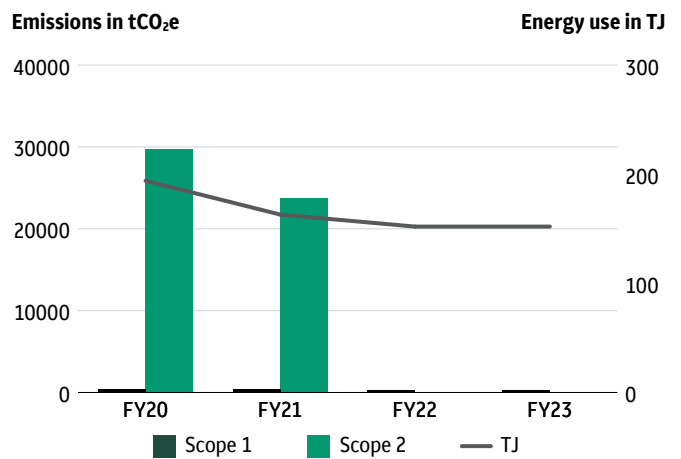
However, renewable energy certificates were purchased from other international markets to account for the 100% renewable electricity.

We will continue to work towards full RE100 compliance by FY2025.

Our FY2023 electricity consumption was 40.5 GWh, which is a decrease of 1% from the previous year (37% reduction from the FY2014 baseline) due to premises upgrades and our cloud transformation strategy that enables rationalisation of servers.

Scope 1 emissions are not considered to be material at 411 tCO<sub>2</sub>e.

Scope 1 and 2 emissions (tCO<sub>2</sub>e) and total energy use (TJ)<sup>(39)</sup>



### Scope 3 operational value chain emissions

In FY2023, we performed a materiality assessment and developed a baseline of the emissions for the Scope 3 categories in our upstream operational value chain (refer to Table on next page).

For purchased goods and services (Category 1 and 2), we have set a new target: by 2030, suppliers representing 75% of our total supplier related emissions (estimated based on spend) to have set a science-based emissions reduction target.<sup>(40)</sup> We have commenced engagement with our suppliers to understand their net zero commitments.

For business travel (Category 6) including air (by class of ticket flown), hotels, ground transportation and food and beverages, we are offsetting our emissions through the purchase of carbon credits and developing emissions reduction strategies. This includes exploring the purchase of additional sustainable aviation fuel (SAF), travel reduction opportunities and enhancing data visibility to support lower emissions travel choices.<sup>(41)</sup>

Since COVID-19 travel restrictions have lifted, business related travel has steadily increased. However, our FY2023 travel emissions remained 17% below the FY2020 baseline.

(38) Energy Attribute Certificates will be retired by 30 June 2023.

(39) Unless otherwise stated, all scope 2 emissions in this report have been calculated using the market-based method. PwC has provided limited assurance over this metric as detailed in the PwC independent assurance report available within Macquarie’s Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics.

(40) Scope 3 categories 1 and 2 are calculated using the spend-based methodology as set out in the Greenhouse Gas Protocol and are directly correlated to our total spend with suppliers. This methodology does not take into account any supplier specific emission reduction initiatives.

(41) Macquarie will continue to purchase voluntary carbon credits certified by credible external bodies for quality, permanence, and verifiable emissions reductions and will evolve our offset strategy in line with industry guidance.



In FY2023, we joined the Qantas SAF Coalition as one of the founding members of Australia's first coalition program to help decarbonise aviation using sustainable fuel. As the industry finalises the SAF certification and claim process, we will apply and report on the attributable emissions reductions.

We are developing methods to measure and track emissions reductions strategies across our Scope 3 operational value chain emissions and developing a longer term Scope 3 operational value chain emissions reduction target aligned to science.

### Scope 3 operational value chain categories (tCO<sub>2</sub>e)<sup>(42)</sup>

Category	FY20 Baseline	FY23
<b>Category 1: Purchased goods &amp; services</b>	149,454	155,097
<b>Category 2: Capital goods</b>	Included in Category 1	
<b>Category 3: Fuel &amp; energy related activities</b>	4,054	3,862
<b>Category 4: Upstream transportation and distribution</b>	Included in Category 1	
<b>Category 5: Waste generated in operations</b>	112	187
<b>Category 6: Business travel</b>	68,744	56,872
<b>Category 7: Employee commuting</b>	Materiality and treatment subject to further analysis as baseline data is collected.	
<b>Category 8: Upstream leased assets</b>	Included in Category 1	

## Carbon offsetting

We continue to evolve our carbon offsetting strategy. Where residual or hard to abate emissions exist, we may seek to utilise credible offsets to achieve targets, consistent with emerging industry guidance, whereby banks are able to use offsets for the attainment of interim and end state operational net zero targets.<sup>(43)</sup>

In FY2023, to meet the existing carbon offsetting commitment within our 2025 Sustainability Plan, which covers Scope 1, Scope 2 and Scope 3 Category 6 (business travel) emissions, Macquarie will purchase and retire a portfolio of Australian Carbon Credit Units and other voluntary carbon offsets that meet the Verified Carbon Standard by 30 June 2023. The projects were selected based on quality and verifiable emissions reductions and we engaged an independent third party to assist with the evaluation and selection of the projects.

## Sustainably-rated 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 our people's comfort. Macquarie's new global headquarters, currently being developed in Sydney, achieved a 6-Star Green Star Design rating and have been designed to be 100% electric. The design of the public spaces in the development is informed by community consultation and will integrate public amenities, First Nations design principles, native plants and public art. Similarly, our New York office will be relocated to a recently refurbished sustainably-rated building and will utilise many of the design principles of our Sydney headquarters including a 100% electric design. At the end of FY2023, 72% of Macquarie people occupied a sustainably-rated office.<sup>(44)</sup>

## Resource efficiency

We continue to raise awareness and improve waste recycling rates across our regional headquarters. In all major Sydney offices and our London headquarters, we reached an average recycling rate of 51% in FY2023 (compared to our 50% target by FY2025). We are also actively looking to eliminate single use plastic in our cafés and operations including the elimination of single use cups, cutlery, and plastic packaging.

We have diverted 78% of construction and demolition waste from landfill in the year exceeding the 65% target for FY2023.

In FY2023, we achieved a 77% paper use reduction from our FY2019 baseline (exceeding our 60% reduction target by FY2025) despite a 47% paper use increase due to the return to office. Paper use data is collected across most of Macquarie's offices, representing approximately 95% of our people. The environmental impacts of paper use are also being addressed through targeted communications to our people. We have an ongoing commitment to use certified sustainable or recycled paper stock for 100% of office paper needs.

We have committed to managing all our electronic waste through sustainably-certified suppliers to ensure it is managed in a responsible manner. The first phase of this scope of work involves disposal of laptops, desktops, and communications room e-waste. This is managed through sustainably-certified suppliers globally. Reporting enhancements are in progress.

(42) PwC has provided limited assurance over this metric as detailed in the PwC independent assurance report available within Macquarie's FY2023 Basis of Preparation for ESG Reporting. This also sets out the reporting boundaries, definitions and measurement methodologies for the assured metrics.

(43) For example, as appropriate and relevant: Net Zero Banking Alliance Offsets Position Paper and Oxford Principles for Net Zero Aligned Carbon Offsetting.

(44) Minimum LEED Gold, BREEAM Good or 5 Star Green Star.

# Environmental, social and governance

Continued

## Sustainable procurement

In FY2023, a new sustainable procurement framework was developed. The framework outlines how Macquarie can understand our environmental, social and economic impacts across the corporate supply chain, integrating sustainability throughout the procurement life cycle.

We continue to work towards our FY2025 commitment to increase our spend on environmentally and socially sustainable products to 80% of our global purchasing needs for prioritised goods. Clear and consistent sustainability definitions for prioritised goods (such as stationery, pantry consumables, and office furniture) have been developed in partnership with our suppliers and other relevant stakeholders. Adoption of these new standards is underway, and we are in the process of calculating our baseline consumption of sustainable goods using these new definitions.

Macquarie continues to be committed to spending 1% of our annual global spend (in our tier one and tier two supply chains) with diverse suppliers and 10% of our annual global spend with small businesses by FY2025.<sup>(45)</sup> In FY2023, Macquarie spent over \$A17.2 million (or 0.5% of global spend) with diverse suppliers and over \$A269 million (or 7.2% of global spend) with small businesses. Our supplier diversity commitment is now available to support our conversations with our external stakeholders and our commitment to the diverse supplier community.

As part of the launch of our Reconciliation Action Plan (RAP) in Australia in February 2023, Macquarie has engaged with First Nations suppliers, partnering with Supply Nation as the peak body that aims to grow the Aboriginal and Torres Strait Islander business sector through the promotion of supplier diversity in Australia.

In FY2023, we continued to achieve 100% compliance with Macquarie's *Supplier Governance Policy's* environmental and social risk requirements. We have also continued to engage an independent auditor to complete ESR audits that, this year, focused on suppliers across Indonesia, Mexico, Philippines, China, Australia and the UK. The ESR audits follow the Sedex Members Ethical Trade Audit (SMETA) social auditing methodology enabling us to assess our sites and suppliers to understand working conditions in the supply chain. We are exploring other methodologies to continue to expand the scope of this assurance program.

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 52.

(45) Supplier diversity is the process of procuring from businesses owned and operated by an individual or group that is part of a traditionally underrepresented group in society such as companies owned and operated by minorities, women, First Nations peoples, and small business.

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# Environmental, social and governance

Continued

## Client and customer experience

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

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

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 vulnerable and disadvantaged customers

We continue to see our retail customers impacted by the rising cost of living, exacerbated by the after-effects of COVID-19, the conflict in Ukraine, rising inflation, and economic uncertainty. As part of our ongoing program, Macquarie has continued to build the capability of our people to support vulnerable and disadvantaged customers and help those impacted by financial difficulty.

BFS continues to equip our client-facing teams to support customers who may be facing heightened vulnerability by tailoring resources and specialist training programs. We also continue to partner with an external specialist holistic community services provider to support BFS customers and also support BFS with resource development and delivery of specialist training.

In addition, BFS has continued to offer financial support to customers impacted by natural disaster events. The business has recently streamlined and enhanced its natural disaster response processes and, in recognition that every situation is different, offers a range of solutions that can be tailored to meet our customers' needs.

Beyond the commitments made in Macquarie's RAP, BFS has continued an online First Nations cultural competency training program for relevant BFS customer-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 peoples more effectively.

### Protecting clients from scams and fraud

As consumers shift to digital channels, new opportunities have arisen for sophisticated scam and fraud attempts. BFS took additional steps to help our customers stay ahead of the curve with scam prevention knowledge amid a heightened environment relating to data breaches and fraudulent activity.

BFS initiated a proactive scams campaign to create awareness of how scams have evolved and the measures our customers can take to protect themselves. A range of informative content and resources was launched and shared with BFS customers and advisers through the newly established Macquarie Scams Hub as part of our ongoing education around scams awareness.

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 customers' information safe.

### Providing innovative digital solutions

We have a strong focus on digital innovation. While digital security enhancements make it safer and easier to manage risks to our clients and customers, innovation also allows us to enhance how our clients and customers manage their money.

In June 2022, BFS increased the variable interest rates on its everyday transaction account to be the same as its high interest savings account to help more Australians meet their savings goals.

This account builds on BFS' digital account opening experience, which allows customers to apply for a Transaction and Savings Account, have their identity fully verified and start banking in as little as minutes. Customers can instantly load their new debit card into their Apple or Google wallet so they can start using their account straight away.

More recently, BFS launched its new digital high interest savings account for small businesses – Macquarie's Business Savings Account – one of the first business accounts in Australia to have a completely digital application process.



Macquarie Bank Limited is running its core banking platform on the public cloud, which unlocks far greater speed and processing power for its customers. Our customers' security is a key priority and we leverage both the security benefits of our cloud providers, and build on our own additional security measures, including through the Macquarie Authenticator App.

CGM and MAM have an investment in Veridapt Pty Ltd, a company that uses digital technology to capture and monitor commodity inventories. The platform helps commodities clients increase operational efficiencies, mitigate the risk of theft and fraud, and track emissions to help clients reach their net zero emissions targets. The system currently monitors over \$A10 billion of hydrocarbons annually and 16 million tonnes of CO<sub>2</sub>.

### Fair and efficient resolution of issues

Reflecting our commitment to our customers, 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 resolve customer complaints 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 FY2023, 24% of BFS complaints were resolved within the same business day and 61% within five business days. For the third year running BFS external complaints with the Australian Financial Complaints Authority were lowest in the sector relative to loan and deposit funds under management.<sup>(46)</sup>

Macquarie's Customer Advocate is separate to the operating, risk and support groups including our internal dispute resolution teams. 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.

The Customer Advocate reports directly to the CEO and provides regular reporting to the BGCC.

### Responsible and transparent communications

There are longstanding legislative and regulatory requirements in relation to treating customers fairly and prohibiting misleading statements. Recently, attention on greenwashing as a regulatory, litigation and reputational risk is increasing in importance. While the regulatory regimes that govern greenwashing vary between jurisdictions, and good practice continues to evolve, we recognise the importance of mitigating this risk for our stakeholders. As such, we established a greenwashing working group in FY2023 to seek to coordinate training and guidance efforts across the group and review our controls around greenwashing risk. Given the regulatory focus on asset managers, a greenwashing risk briefing was held for our MAM business in mid FY2023.

(46) For the most recent period from 1 July 2021 - 30 June 2022.

# Environmental, social and governance

Continued

## People and workplace

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 Programs

The Director Leadership Program (DLP) is a multi-month developmental experience for Macquarie Directors globally, designed to develop capability for leading self, leading people, leading teams, and leading business growth. Since scaled delivery of the program commenced in FY2023, approximately 185 Associate and Division Directors participated in ANZ (seven cohorts to date) and Asia (two cohorts to date), and the first cohorts were launched in EMEA and the Americas. Overall, the DLP has received favourable feedback, with the program delivering on its objectives and resonating strongly with participants from across Macquarie. Global delivery will continue in 2023 to further develop Macquarie's Director population, with the ambition of establishing a strong leadership pipeline to enable sustainable success as an organisation.

A new 3-day Executive Director Leadership Program (EDLP) workshop, *Leading a Purpose Driven Culture*, was piloted during FY2023. One of the key impacts of this program is to equip participants with the knowledge and tools to embed a purpose-driven culture across Macquarie. The workshop received positive feedback and will be offered to the global Executive Director population in FY2024. The foundational EDLP workshops continued to be delivered to newly promoted Executive Directors. These workshops build a shared understanding of leadership at Macquarie and facilitate strong connections across the organisation.

### Future-skilling

The talent market remains tight for certain skillsets and Macquarie remains committed to giving employees the opportunity to develop skills that build their careers and that remain in demand in the changing world of work. Building on last year's research and experiential approach to future skilling, Macquarie scaled up future skilling opportunities for in demand transformation skills such as Agile ways of working, human centred design, data skills and process improvements to increase organisational efficiencies, with more than 3,400 people participating globally.

### Training

During FY2023, over 3,000 instructor-led courses were delivered globally; 94% of these were non-mandatory, covering topics including Management & Leadership, Personal Effectiveness and Wellbeing. In addition, over 1,750 web-based training sessions were completed of which 92% were non-mandatory. The 33% increase in non-mandatory web-based training sessions from last year represents our commitment to increase the accessibility and scalability of development opportunities across the globe and in a hybrid work environment.

### Talent and performance management

Macquarie has always had a strong focus on developing talent and enabling career mobility within the organisation. This approach to talent management has evolved group wide with more focus on dedicated talent conversations by leadership teams, ensuring our top talent stays engaged, continues to develop and is matched with internal opportunities to build their career further. Across Macquarie globally, employee engagement is strong and remains consistently above industry benchmarks.<sup>(47)</sup> International mobility has been invigorated this year with close to 450 international career moves facilitated and supported.

Macquarie's company-wide performance management approach promotes ongoing performance and development check-ins and at least one annual career development conversation, in addition to an annual performance appraisal.

With significant workforce growth this year, onboarding and integration was a key focus. Across parts of Macquarie, teams scaled up business-specific orientation and integration efforts to ensure new people are highly engaged and productive as soon as possible. Senior leader onboarding was also strengthened with dedicated programs and coaching offerings to ensure new hires succeed in the organisation, particularly in MAM and Macquarie Capital.

FY2023 also saw an increased focus on early career programs in response to a very competitive talent market and the desire to build a strong internal talent pipeline to fuel the continued growth of the organisation. Graduate programs were expanded significantly this year, with over 500 graduates in FY2023 compared to around 250 in FY2022. These programs were complemented by innovative programs such as the EMEA CGM 'Rise to it' program that provides opportunities for socially disadvantaged young people to gain employment with Macquarie, as well as the ANZ Tech Select program which allowed 200 career changers and talent re-entering the workforce to be trained for a career in technology.

(47) Macquarie 2022 Voice Survey; participation rate is consistently over 80% which compares to Qualtrics Global Financials benchmark of 75%.

## Diversity, Equity and Inclusion

As a services business, the diversity of our people is one of Macquarie's greatest strengths. An inclusive, equitable workplace enables us to deliver more innovative and sustainable solutions for our people, clients, customers, shareholders and communities.

Our inclusive culture and equity commitment support our purpose of 'Empowering people to innovate and invest for a better future'.

### Our diverse people

Building a workforce that harnesses a range of perspectives, ideas, and insights in everything we do.

### Our equity commitment

Achieving equitable outcomes by removing barriers and valuing differences, enabling everyone to be included and to reach their full potential

### Our inclusive culture

Creating an environment where people are respected for their uniqueness, valued for their contributions and celebrated for being their authentic selves.

An 'Introduction to DEI' eLearning module was launched alongside the strategy, to raise awareness and drive accountability for equity and inclusion to all employees.

Macquarie-wide, we increased the focus on equitable access to progression and development for all by scrutinising our talent processes for opportunities to address and mitigate unconscious bias and provide better transparency of criteria for advancement for all our employees.



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

Macquarie's refreshed three-year Global Diversity, Equity and Inclusion (DEI) Strategy was launched by the CEO and Managing Director in October 2022, following extensive consultation with diverse employees around the world. The three pillars (our diverse people, our equity commitment and our inclusive culture) are consistently reflected in the four aligned Regional DEI Action Plans and eight Operating and Central Services Group DEI Action Plans.

Along with launching our inaugural RAP in Australia, we formed a working group to design a global Accessibility Action Plan, which will ensure a more equitable future for employees and candidates who are neurodivergent or living with disabilities.



Macquarie's RAP Artwork: Lakkari Pitt.  
Gamilaroi Ularoi yinarr artist Lakkari Pitt was commissioned to create this bespoke piece for Macquarie's Reflect RAP.

# Environmental, social and governance

Continued

## Business conduct and ethics

Macquarie's organisational culture drives the way we do business, and our expectations of our people 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 employees, clients, communities, shareholders and partners – we will achieve our shared potential. Macquarie's principles explain *how* we do business.

Macquarie's Risk Culture team is responsible for developing and maintaining the framework for risk culture, and monitoring and reporting on the implementation of the framework 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.

Macquarie's Conduct Risk team is responsible for managing Conduct Risk globally through establishing and maintaining the Conduct Risk Management Framework and associated policies, processes, guidelines, controls and reporting mechanisms. The team also provides Conduct Risk training and awareness activities for Macquarie employees, and provides regular reports to the BGCC.

Macquarie's Integrity Office provides an internally independent and confidential point of contact for Macquarie employees 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 Hotline, an externally managed anonymous channel. The Integrity Office reports to the CEO and provides regular reports to the BGCC.

**61** disclosures received and managed by the Integrity Office in FY2023<sup>(48)</sup>

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



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.

## 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.

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



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.

In the year ended 30 June 2022, Macquarie's political contributions in Australia totalled \$A222,764 comprising: \$A104,764 to the Liberal Party of Australia; \$A96,000 to the Australian Labor Party; and \$A22,000 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 and hosting of events. Macquarie did not make any direct donations.

Macquarie does not generally make political donations in other jurisdictions.

## Cybersecurity

Macquarie acknowledges the inherent cyber risks associated with employing technology platforms to support our business activities.

Macquarie manages cyber and information security risk through Macquarie's operational risk management framework. The Board Risk Committee receives regular technology and cyber reporting updates and oversees material risks. Macquarie complies with cybersecurity regulations and laws in the countries in which it operates.

Throughout FY2023, Macquarie observed the evolving threat landscape, the adoption of hybrid working technologies, increasing instances of data breaches across the world, and high-profile ransomware attacks against supply chains, companies and individuals.

The cyber threat landscape includes financially motivated entities, nation states and hacktivists who attempt to gain access directly to systems or data from anywhere in the world. We continuously monitor for changes in this threat landscape, assess the potential impact on Macquarie, implement controls to mitigate the risks identified and manage residual risks appropriately.

## 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. 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.

In FY2023, Macquarie had one data protection incident that was required to be reported under a data protection regime in which Macquarie operates.<sup>(49)</sup>

## Financial crime prevention

Financial crime can have a significant, adverse impact on our clients, counterparties, and the communities in which we operate. Macquarie plays an important role in the monitoring and reporting of suspicious activities and complying with anti-bribery and corruption, economic and trade sanctions, and anti-money laundering / counter-terrorism financing regulations globally.

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

# Macquarie Group Foundation

The Macquarie Group Foundation (Foundation) drives social impact work for Macquarie Group, supporting its people, businesses, and communities to build a better future. Macquarie Sports and the Macquarie Group Collection (Collection) are an important part of the Foundation's commitment to the community.

**\$A52m+**

contributed in FY2023<sup>(1)</sup>

**2,500+**

non-profit organisations supported in FY2023

**\$A570m+**

contributed since inception in 1985<sup>(2)</sup>

Together with Macquarie employees, the Foundation has contributed over \$A570 million to thousands of non-profit organisations since its inception in 1985. In FY2023, the contribution from the Foundation, together with charitable donations and fundraising efforts by Macquarie employees, totalled over \$A52 million and was donated to over 2,500 non-profits around the world.

## Our people

Macquarie employees are at the heart of the Foundation's work. The Foundation encourages employees to support the causes that matter to them by providing a range of support measures. Benefits include matching employees' donations and fundraising efforts up to \$A50,000 per person per year, and rewarding non-profit board service and time spent volunteering. In FY2023, Macquarie introduced two days per year of paid volunteer leave to further encourage employees to volunteer their time and skills.

Macquarie's ninth annual Foundation Week, when employees access additional donations for their fundraising and volunteering efforts, saw a total of \$A3.2 million contributed to more than 240 non-profits globally. Over 250 initiatives took place across 43 Macquarie offices in 25 countries, with a 9% increase in volunteering events and a \$A500,000 increase in funds raised from FY2022 levels.

Each year, the Foundation runs regional initiatives designed to educate employees on the Foundation's grantmaking focus and increase engagement with non-profits doing impactful work in this area. These comprise Mentoring Week in the Americas, Better Migration Week in Asia, and Social Mobility Week in EMEA.

## Our businesses

The Foundation launched the Macquarie Social Impact Award as part of its shared value strategy to partner more closely with Macquarie businesses on projects that provide both social impact and commercial returns. In memory of Macquarie's former Managing Director and Executive Chairman David Clarke AO (1942-2011), the Award will recognise a Macquarie team driving significant social impact through a business-led project. The inaugural winner will be announced in May 2023.

The Foundation, in partnership with the Green Investment Group (GIG) and non-profit Generation UK, has established a first-of-its-kind 'green jobs' program, yielding compelling results in its first year. Designed to provide people facing barriers to employment with profession-specific training to enter the green sector, the program has enrolled 86 people across five cohorts of learners, with 53 people graduating and 33 being placed into green jobs.<sup>(3)</sup>

## Our communities

The Foundation's community support spans our global focus on breaking down barriers to employment, our commitment to diversity, equity and inclusion, and our special grants programs.

## Breaking down barriers to employment

Recognising that many people around the world face systemic barriers to employment, the Foundation uses a range of tools, including grants and social impact investments, to break down these barriers and build effective pathways to employment.

The Foundation's grantmaking efforts in each region focus on issues of local relevance, and garner additional support from employees through mentoring, training, knowledge sharing and employability programs. In FY2023, the Foundation made new grants totalling over \$A8.9 million, adding to a multi-year grant portfolio that now consists of over 40 organisations in total.<sup>(4)</sup> The Foundation also made its first global employment focused grant to Generation You Employed, which will support people in Australia, the UK, France, Brazil and India.

To expand the scope and scale of the Foundation's impact, \$A20 million was allocated to the Foundation for social impact investing. This allocation represents an additional funding source for organisations working to break down barriers to employment - funds are primarily being used for investments, with a smaller portion being used to support and grow the sector.

(1) In the 12 months to 31 March 2023.

(2) Contribution figures comprise Macquarie employees' donations and fundraising; Foundation matching support for employees' donations and fundraising; Foundation donations to commemorate employees 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 since inception in 1985 to 31 March 2023.

(3) As at 31 March 2023.

(4) Figure includes Foundation grants, Macquarie Sports grants and India CSR grants.

In FY2023, the Foundation invested in Good Return and White Box Enterprises (WBE). WBE's landmark Payment By Outcomes trial will support up to 170 Australians living with a disability into award wage employment with jobs-focused social enterprises. Good Return's impact investment fund supports women-led small and medium size enterprises (SME) businesses in emerging economies, driving economic growth, and supporting women, families, and communities.



For more information about the Foundation's grantmaking and social impact investing, see pages 74 and 75.

## Diversity, equity and inclusion

Inherent to the Foundation's work is a focus on equity, ensuring people who face systemic barriers are supported to overcome these challenges and thrive. The Foundation acknowledges current and historic inequities in the philanthropic and community sector, and has taken steps to strengthen the diversity, equity, and inclusivity of its grantmaking processes and practices globally.

The Foundation is also funding organisations that promote a more equitable and just society including Centre for Social Impact (ANZ), Asia Pacific Mission for Migrants (Asia), Baobab Foundation (EMEA) and through the Racial Equity Fund in the Americas, which has now supported 12 organisations including the YWCA of Houston, Equal Justice Initiative and Stop AAPI Hate.

The Foundation continues to partner with organisations like Breakthrough New York (Americas), CareerSeekers (ANZ), Asha Community Health and Development Society (Asia) and Social Mobility Foundation (EMEA) that create opportunities for underrepresented young people to experience the world of work and help provide pathways to employment and a better future.

## Macquarie 50th Anniversary Award

Throughout FY2023 the five organisations awarded \$A10 million each as part of the Macquarie 50th Anniversary Award in 2019 continued to make progress against each of the project milestones. An example is Monash University's World Mosquito Program which scaled mosquito releases in Colombia and expanded operations into Laos and El Salvador. The Wolbachia-carrying mosquitos will protect millions of people from deadly mosquito-borne diseases including dengue fever, Zika virus and yellow fever.

The five organisations were supported by employees who volunteered their time to participate on the Macquarie 50th Anniversary Award Ambassador Networks, helping to raise awareness and contribute to each cause.

## COVID-19 donation fund fully deployed

During FY2023, recipients of the COVID-19 donation fund continued to focus on long-term economic recovery initiatives. edX awarded over 8,000 online learning scholarships for the Macquarie Group Scholarship Program and Investing in Women seeded and scaled two impact investing partners, deploying funds to sixteen women's SME in the Philippines. In addition, two organisations funded by COVID-19 grants, Generation UK and White Box, have led to ongoing partnerships supporting underrepresented people facing barriers to employment.

## Our broader community

### Macquarie Sports

In 2022, Macquarie Sports launched a new Australian grantmaking program, supporting sports-focused organisations delivering education, training, and employment programs for young people facing barriers to opportunity. Clontarf Foundation and Surfing Australia were chosen as the inaugural grant partners. Macquarie Sports also funded 22 community sporting events in FY2023, across 10 sports, reaching 2,500 children.

### Macquarie Group Collection

In a unique corporate collecting model, the Collection features art in all media, around the theme The Land and Its Psyche, reflecting the diversity of the country as seen through the eyes of its artists. Now comprising more than 920 works, the Collection is on display in around 43 Macquarie offices worldwide.

Following another year of quality submissions, 10 finalists were selected for the 2022 Macquarie Group Emerging Artist Prize. The finalists' work featured in the exhibition held at 50 Martin Place and the Prize was awarded to Billy Bain, a contemporary Indigenous Australian artist of Darug descent. This was the first in-person opening night and exhibition for the Collection since 2019.

## \$A52 million contributed in total during FY2023

Total Macquarie spend  
(including matching of staff contributions)

Staff contribution  
(estimation based on Foundation match funding)

**\$A37,536,000**

**\$A14,618,000**



Generation UK



White Box Enterprises



United Negro College Fund



Social Ventures Australia

## Macquarie Group Foundation

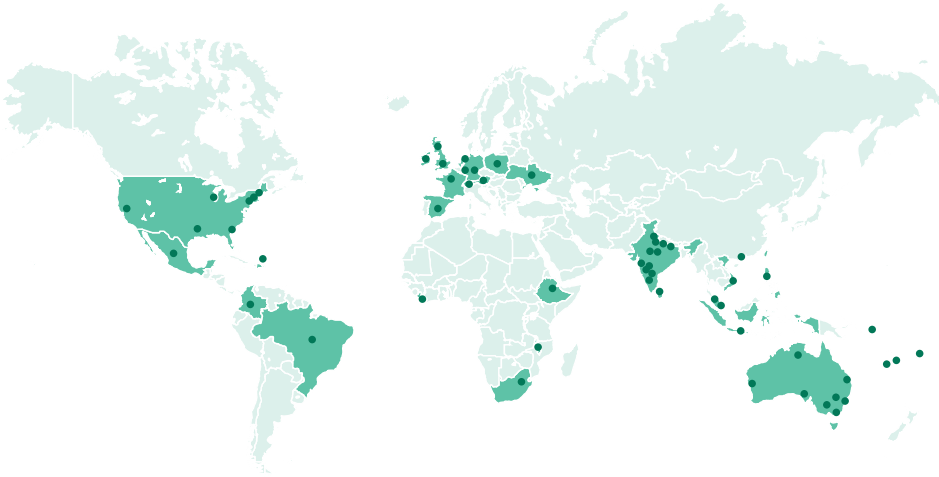
# Spotlight on breaking down barriers to employment

With the aim of having a greater social impact and by commissioning evidence-based research to inform decision making, the Foundation has continued to narrow its grantmaking into one thematic area, which has also been applied to the Foundation's social impact investments. Recognising that many people around the world face systemic barriers to employment, the Foundation focuses on breaking down these barriers and building effective pathways to employment.

The Foundation team works with experts around the world to inform its understanding of the barriers to employment and to make evidence-based funding decisions that will have the highest likelihood of impacting future social and economic mobility. The team works closely with grant partners to track the progress of the goals and objectives agreed at the outset of each grant and adapt these as required to ensure the strongest outcomes for the community. Related to grants focused on reducing barriers to employment, the Foundation measures how many participants are engaging with programs and corresponding various outcomes including education and training completion, job placement and retention rates, and wage growth.



## Our global focus on breaking down barriers to employment



### Generation

Generation's mission is to transform education-to-employment systems to support adults to achieve economic opportunity and mobility through a career. In FY2023, building on the Foundation's existing partnerships supporting the establishment and scale of Generation Australia, and the creation of the Generation UK green jobs program, the work with Generation is expanding globally to support people into employment in the green, technology and health sectors in Australia, the UK and France. In Brazil and India, Foundation funding will support Generation to develop and test the effectiveness of a digital mentorship platform designed to improve learner outcomes globally.

### Social Ventures Australia (SVA)

In Australia, the Foundation focuses on supporting better employment outcomes for young people. Foundation funding supports the core operating expenses of the SVA Employment team, who work to drive change by empowering employers to create more and better career opportunities for young people at risk of exclusion in Australia. The SVA Employment team also work with a range of stakeholders, including government officials and peak industry bodies, to promote quality employment outcomes for young people.

### White Box Enterprises (WBE)

As well as being a grant recipient, one of the Foundation's first social impact investments was made to WBE for the Payment By Outcomes (PBO) trial. Delivered in partnership between the Department of Social Services and WBE, the PBO trial is measuring the effectiveness of jobs-focused social enterprises in creating long-term employment outcomes for people living with a disability. In the first eight months of the trial 70 people who have previously been out of work for nine months are now employed and earning a full award wage at one of 15 participating social enterprises (as at February 2023).

### United Negro College Fund (UNCF)

In the Americas, the Foundation supports organisations promoting college access, success, and career attainment for underrepresented youth. The UNCF is a minority education organisation driving educational achievement. The Foundation's funding is supporting UNCF's work partnering with eight Historically Black Colleges and Universities (HBCUs) and Predominantly Black Institutions to engage 3,600 Black students in re-enrolment coaching. The goal is to re-enrol students who dropped out during the pandemic and build capacity with HBCUs around enrolment through training and resources.

### Aidha

In Asia, the Foundation focuses on supporting better migration outcomes for migrant domestic workers. Aidha helps migrant domestic workers and low-income women achieve economic independence through a holistic approach to financial education including skills building in money management, communication, digital literacy, and entrepreneurship. In FY2023, the Foundation renewed the partnership with Aidha and will support the organisation to significantly scale operations, with the aim of engaging 10,000 people by the end of the three-year grant.

### Social Mobility Foundation (SMF)

In EMEA, the Foundation supports people (16-80yrs+) to achieve their social mobility aspirations through employment, with an emphasis on enduring jobs and meaningful work. The SMF supports high-achieving young people from low-socio economic backgrounds into top universities and professions. Following a previous three-year partnership supporting SMF's work in Birmingham, the Foundation's latest grant funds SMF's Cardiff office and the Aspiring Professionals Programme, providing over 100 students per year with an insight into a variety of professions.

# 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. All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework
- 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, country, credit, environmental and social, 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 is applied appropriately throughout Macquarie.



Details on Environmental and Social risks, and Work Health and Safety risks, are set out in the [ESG section](#) of this Annual Report.

## 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, evaluation, monitoring, control and mitigation of these risks. Before making decisions, clear analysis of the risks is sought to ensure those decisions 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 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 industries, 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.

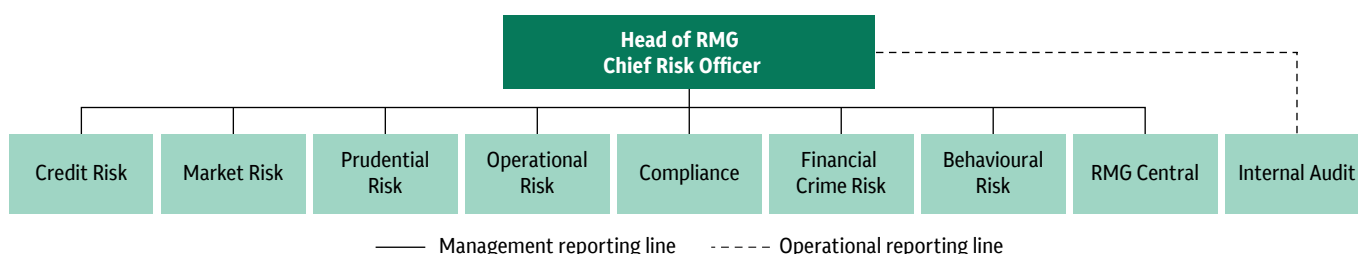
## Risk Management Group

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 Groups and other Central Service Groups. The Head of RMG, as the 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 risks 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.

## RMG Structure



## Internal audit

The Internal Audit Division, as the third line, provides independent and objective risk-based assurance to the Board Audit Committee (BAC), Board, other relevant 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 or relevant Board Committees, 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 at least annually. The BAC monitors and reviews the performance, objectives, rating, remuneration and degree of independence 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 is substituted by the CEO.

# Risk management

Continued

## Risk appetite

Macquarie's risk appetite, being the nature and amount of risk that Macquarie is willing to accept in pursuit of its strategy is detailed in the Board-approved *Risk Appetite Statement (RAS)*.

Macquarie's business strategy is consistent and integrated with the *Risk Management Strategy* and RAS, which enables Macquarie to pursue growth opportunities within the boundaries set by our risk appetite.

Macquarie's risk appetite and risk tolerance reflects our appetite to accept risks that are consistent with our strategic intent and with achieving the following outcomes:

- resilience of earnings
- financial strength across market cycles
- maintaining our reputation.

Macquarie sets a Global Risk Limit for our aggregate risk. The Global Risk Limit is set 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 ensure continued operations. 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 monitors and reports on a range of limits and metrics for financial and non-financial risks. Macquarie operates under a strict principle of 'no limits, no dealing'. Compliance with limits is monitored by the business and RMG.

## 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 scenarios are designed using a set of scenario objectives, which are reviewed annually by the Board. The objectives ensure that the stress test scenarios are appropriately severe for Macquarie's entire risk profile, and incorporate non-financial risks.

Stress testing is used to verify 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. 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.

## 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.

## 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 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, and monitoring the identification of, and actions taken to address, any desirable changes to the risk culture.

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 its effectiveness while promoting continuous improvement. Mechanisms include:

- reports incorporating behavioural elements (such as policy, limit and training breaches) prepared by all Operating and Central Service Groups, including reports prepared by RMG, HR and Macquarie's Integrity Office, and escalated where relevant, in accordance with our governance framework. These include regular reports relating to risk culture that are provided to senior management, the Board and relevant Board Committees
- 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 improvement 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

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to Macquarie's remuneration approach. Risk considerations are embedded throughout the remuneration process including through the determination of individual profit share allocations, business group and company-wide profit share pools as well as through the way in which remuneration is structured and delivered. 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
- inadequate product design and distribution.

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* and 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 requires businesses to identify and assess their key conduct risks
- supporting the efficient operation of markets through appropriate controls and monitoring
- 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*, and protects those who raise concerns under Macquarie's *Whistleblower Policy*
- a global Staff Hotline for staff who wish to speak up anonymously
- a Customer Advocate Office (ANZ only) 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

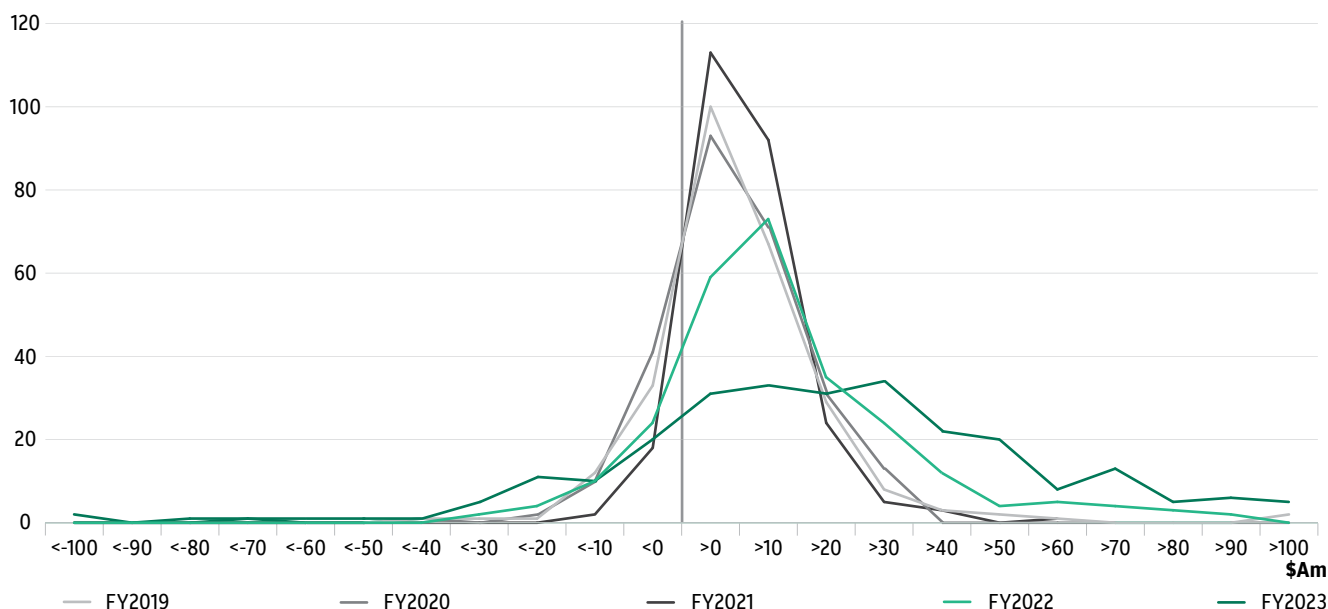
The effectiveness of Macquarie's market risk management framework can be partially measured by Macquarie's daily trading results. These are daily profit and loss results that are directly attributable to market-based activity from Macquarie's trading desks.

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. In FY2023, Macquarie made a net trading profit on 208 out of 261 trading days (FY2022 results: 221 out of 261 trading days).

### Daily trading profit and loss

Days

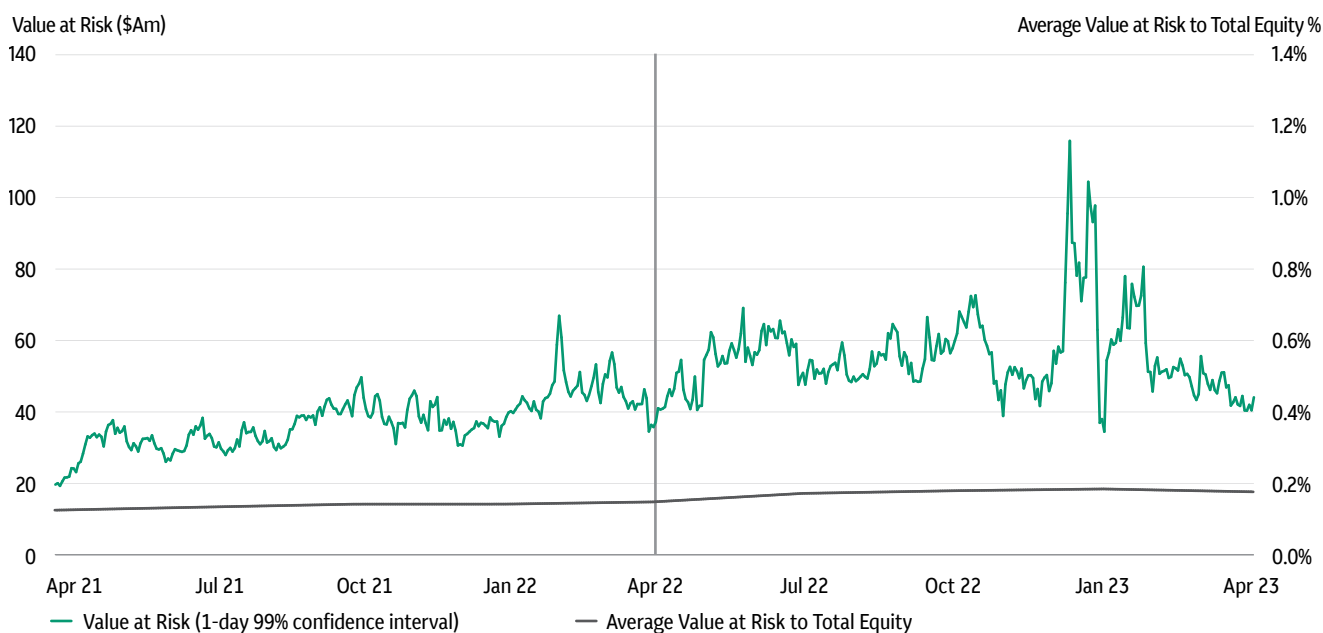


### Value at Risk (VaR)

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

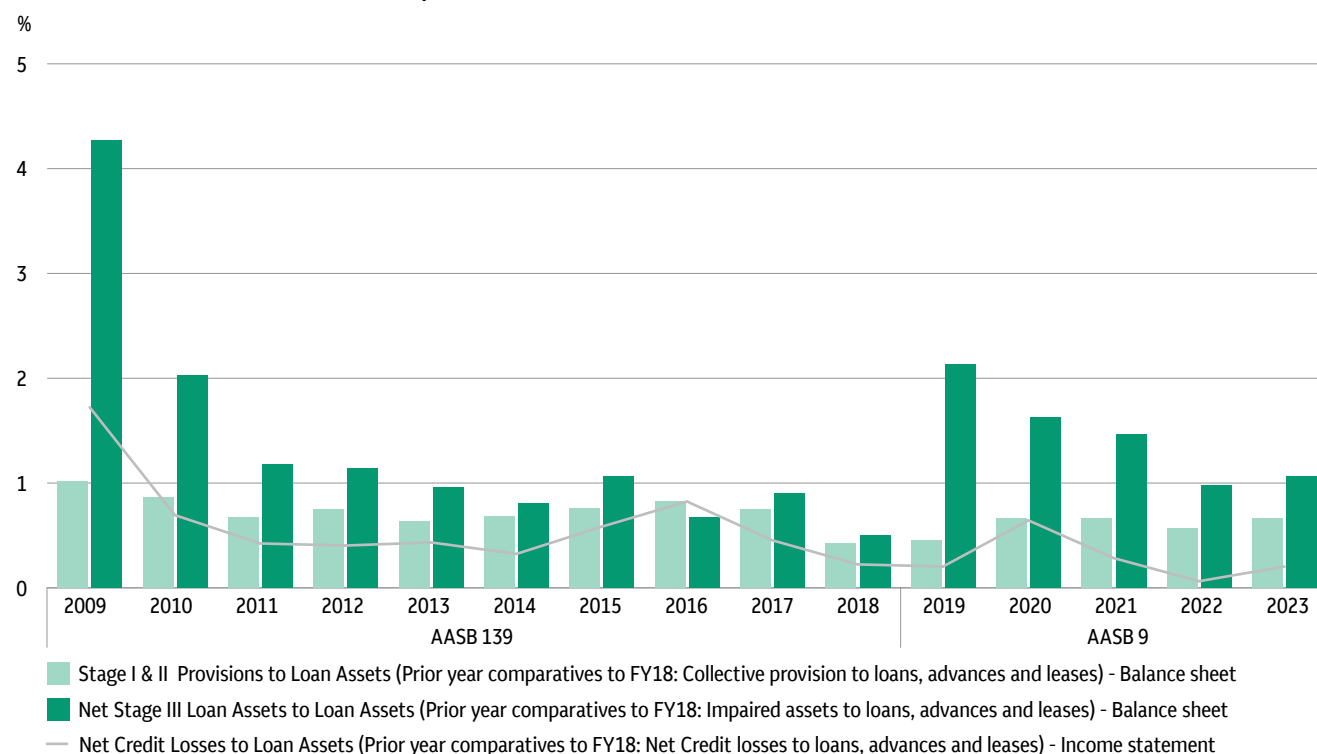
## Loan impairment review

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 FY2023 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 FY2023, as indicated by the increase in level of Stage I & II Provisions, Stage III Loan Assets, and Credit Losses, has slightly weakened compared to FY2022. The level of Stage I & II Provisions to Loan Assets, Net Stage III Loan Assets to Loan Assets and Net Credit Losses to Loan Assets are primarily caused by portfolio growth and a less certain economic outlook (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<sup>(1)</sup>

- 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.

(1) The information for the financial years ended 31 March 2009-2023 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

### **Cyrq Energy, United States**

Geothermal energy can play an important role in the energy transition. Macquarie Asset Management's investment will see its clean energy expertise employed to support Cyrq's growth and help meet increasing demand for reliable baseload renewable energy.

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# Directors' Report

For the financial year ended 31 March 2023

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 2023.

## Directors

At the date of this report, the Directors of MGL are:

### Independent Directors

G.R. Stevens AC, Chair

J.R. Broadbent AC

P.M. Coffey

M.A. Hinchliffe

R.J. McGrath

M. Roche

N.M. Wakefield Evans AM

### Executive Voting Director

S.R. Wikramanayake, Managing Director and Chief Executive Officer (CEO)

The Directors listed above each held office as a Director of MGL throughout the financial year ended 31 March 2023.

Mr P.H. Warne retired from his role as Chair and as an Independent Director on 9 May 2022. Mr Stevens became Chair on 10 May 2022. Mr M.J. Coleman retired as an Independent Director on 28 July 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 92 to 96 of this report

## Principal activities

The principal activity of MGL during the financial year ended 31 March 2023 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 2023 and 31 March 2022, 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 2023 was \$A5,182 million (2022: \$A4,706 million).

## Dividends and distributions

Subsequent to the year ended 31 March 2023, the Directors have resolved to pay a final ordinary dividend of \$A4.5 per share, 40% franked based on tax paid at 30% (\$A1,739 million in aggregate). The final ordinary dividend is payable on 4 July 2023.

On 13 December 2022, the Company paid an interim ordinary dividend of \$A3.00 per share, 40% franked (\$A1,156 million in aggregate) for the financial year ended 31 March 2023.

On 4 July 2022, the Company paid a final ordinary dividend of \$A3.50 per share, 40% franked (\$A1,339 million in aggregate) for the financial year ended 31 March 2022.

No other ordinary share dividends 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 2023 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 <sup>(1)</sup>	PSUs held in MEREP <sup>(1)</sup>	Direct and Indirect Interests	Number held
<b>Executive Voting Director</b>					
S.R. Wikramanayake	1,088,094	452,095	92,315	MAFCA Investments Pty Ltd ordinary shares	2,000,000
<b>Independent Directors</b>					
J.R. Broadbent AC	16,062	-	-	Macquarie Group Capital Notes 3 (MCN3)	7,177
				Macquarie Group Capital Notes 4 (MCN4)	4,000
				Macquarie Bank Capital Notes 2 (BCN2)	1,500
P.M. Coffey	8,895	-	-	Walter Scott Global Equity Fund units	408,699.89
M.A. Hinchliffe	2,127	-	-	-	-
R.J. McGrath	2,750	-	-	-	-
M. Roche	3,504	-	-	-	-
G.R. Stevens AC	5,847	-	-	-	-
N.M. Wakefield Evans AM	7,267	-	-	-	-

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 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 as members, during the financial year, is summarised in the table below. The table excludes the attendance of those Directors who attended the Board Committee meetings of which they were not a member:

Number of meetings	Regular Board meetings <sup>(2),(3)</sup>	BAC meetings <sup>(2),(4)</sup>	BGCC meetings <sup>(2),(4)</sup>	BNC meetings <sup>(2)</sup>	BRC meetings <sup>(2),(4)</sup>	BRiC meetings <sup>(2),(4)</sup>	Special Board meetings <sup>(2)</sup>
G.R. Stevens AC <sup>(5)</sup>	9/9	2/2	n/a	3/3	n/a	1/1	3/3
S.R. Wikramanayake	9/9	n/a	n/a	n/a	n/a	n/a	3/3
J.R. Broadbent AC <sup>(6)</sup>	9/9	n/a	n/a	3/3	9/9	1/1	3/3
P.M. Coffey <sup>(7)</sup>	9/9	2/2	5/5	3/3	3/3	6/6	3/3
M.J. Coleman <sup>(8)</sup>	4/4	3/3	2/2	1/1	n/a	2/2	1/1
M.A. Hinchliffe <sup>(9)</sup>	9/9	7/7	4/4	3/3	n/a	1/1	3/3
R.J. McGrath <sup>(10)</sup>	9/9	n/a	6/6	3/3	6/6	6/6	3/3
M. Roche <sup>(11)</sup>	9/9	5/5	n/a	3/3	9/9	6/6	3/3
N.M. Wakefield Evans AM <sup>(12)</sup>	9/9	6/7	5/6	3/3	n/a	5/6	3/3
P.H. Warne <sup>(13)</sup>	2/2	n/a	n/a	n/a	3/3	1/1	n/a

The Chair of the Board and the CEO receive a standing invitation to all Board Committee meetings and attend as they consider appropriate. All Board members are sent Board Committee meeting agendas and may attend any meeting.

There was one Board sub-committee convened during the period, with two meetings held. The meetings were attended by all eligible sub-committee members, being Ms Wikramanayake, and the Chief Financial Officer (CFO), Mr Harvey for both meetings and by Mr Stevens, Mr Warne, Mr Coleman and Ms Hinchliffe for one meeting each.

(2) Number of meetings attended by the member/total number of meetings eligible to attend as a member.

(3) One meeting was convened in the previous financial year and concluded in the current financial year.

(4) There was one meeting of the relevant committee that was a joint meeting during the year.

(5) Mr Stevens became Chair of the MGL and MBL Boards on 10 May 2022. He ceased to be a member of the Board Audit Committee and Board Risk Committee on 1 June 2022.

(6) Ms Broadbent ceased to be a member of the Board Risk Committee on 1 June 2022.

(7) Mr Coffey ceased to be a member of the Board Audit Committee and Board Remuneration Committee and became a member of the Board Governance and Compliance Committee on 1 June 2022.

(8) Mr Coleman ceased to be a member of the MGL Board on 28 July 2022.

(9) Ms Hinchliffe ceased to be a member of the Board Risk Committee on 1 June 2022. She became a member of the Board Governance and Compliance Committee and Chair of the Board Audit Committee on 28 July 2022.

(10) Ms McGrath became a member of the Board Remuneration Committee on 1 June 2022.

(11) Mr Roche became a member of the Board Audit Committee on 1 June 2022.

(12) Ms Wakefield Evans was an apology for a joint meeting of the BAC, BGCC and BRiC.

(13) Mr Warne retired from his roles as Chair and Independent Voting Director of the MGL and MBL Boards on 9 May 2022.

# Directors' Report

For the financial year ended 31 March 2023 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 23 June 2022.

## 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 2023 total \$A27.3 million (2022: \$A11.6 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 *Audit and Assurance 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 Chair, 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.

## Remuneration Report

The Remuneration Report is set out on pages 102 to 149 of this report.

## 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.


## 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 2023.

This report is made in accordance with a resolution of the Directors.



**Glenn Stevens AC**  
Independent Director and Chair



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

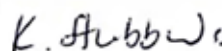
Sydney  
5 May 2023

## Auditor's independence declaration

As lead auditor for the audit of Macquarie Group Limited for the year ended 31 March 2023, I declare that to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the audit, and
- (ii) 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  
5 May 2023

## Directors' experience and special responsibilities



### Glenn R Stevens AC

BEd (Hons) (Sydney),  
MA (Econ) (UWO)

**Age:** 65

**Resides:** New South Wales  
Independent Chair of MGL  
and MBL since May 2022  
Independent Voting Director  
of MGL and MBL since  
November 2017  
Mr Stevens is Chair  
of the BNC

### 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



### Shemara R Wikramanayake

BCom, LLB (UNSW)

**Age:** 61

**Resides:** New South Wales  
Managing Director and Chief  
Executive Officer of MGL  
since December 2018  
Executive Voting Director  
of MGL and MBL since  
August 2018

### Experience

Shemara Wikramanayake has been Macquarie Group's Managing Director and CEO since late 2018.

Shemara joined Macquarie in 1987 in Macquarie Capital in Sydney. In her time at Macquarie, Shemara has worked in six countries and across several business lines, establishing and leading Macquarie's corporate advisory offices in New Zealand, Hong Kong and Malaysia, and the infrastructure funds management business in the US and Canada. Shemara has also served as Chair of the Macquarie Group Foundation.

As Head of Macquarie Asset Management for 10 years before her appointment as CEO, Shemara led a team of 1,600 staff in 24 markets. Macquarie Asset Management grew to become a world-leading manager of infrastructure and real assets and a top 50 global public securities manager.

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, UK Investment Council
- Member, Global Investors for Sustainable Development Alliance
- Member, Australian Universities Accord Panel of Eminent Australians, Australian Universities Accord Review



**Jillian R Broadbent AC**

BA (Maths & Economics) (Sydney)

**Age:** 75  
**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

**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 (CEFC), 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 Board Foundation
- Director, Sydney Dance Company
- Director, Seaborn, Broughton & Walford Pty. Limited
- Director, Lowy Institute

**Gender diversity**



Female: **5** Male: **3**

**Board tenure**



**Board independence**

**88%** of Board members are independent directors





# Directors' experience and special responsibilities

Continued



## Philip M Coffey

BEC (Hons) (Adelaide),  
GAICD, SF Finsia

**Age:** 65

**Resides:** New South Wales  
Independent Voting Director  
of MGL and MBL since  
August 2018

Mr Coffey is Chair of the  
BRiC and a member of the  
BGCC and BNC

## 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 the AIDC Limited and Citigroup. Mr Coffey previously served as a director of Clean Energy Finance Corporation.

### Listed company directorships (last three years)

- Director, Lendlease Corporation Limited (since January 2017)

### Other current directorships/appointments

- Director, Goodstart Early Learning Ltd



## Michelle A Hinchliffe

BCom (UQ), FCA, ACA

**Age:** 58

**Resides:** United Kingdom  
Independent Voting Director  
of MGL and MBL since  
March 2022

Ms Hinchliffe is Chair of the  
BAC and a member of the  
BGCC and BNC

## Experience

Michelle Hinchliffe has more than 35 years' professional experience within the financial services sector in the United Kingdom and Australia, with extensive experience in leading large global teams in the provision of external audit, internal audit and advisory services to clients across financial services. Michelle was the Global Lead Audit Partner for a number of global banking institutions as well as the Head of Audit, KPMG UK from September 2017 to April 2019 and then Chair of Audit, KPMG UK from May 2019 to September 2021. During the period from May 2019 to February 2022 she was a board member of KPMG UK. Prior to this she was the Head of Financial Services for KPMG Australia, where she was also a member of the board.

### Listed company directorships (last three years)

- Director, BHP Group Limited (since March 2022)



### Rebecca J McGrath

BTP (Hons) (UNSW), MAppSc (ProjMgt) (RMIT), FAICD

**Age:** 58

**Resides:** Victoria

Independent Voting Director of MGL and MBL since January 2021

Ms McGrath is a member of the BGCC, BNC, BRC and BRIC

### Experience

Rebecca McGrath is an experienced professional company director and chairman, 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 Goodman Group, CSR Limited, Big Sky Credit Union and Incitec Pivot Ltd, and as Chairman of Scania Australia Pty Limited and 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 (April 2012–February 2023)
- Director, Incitec Pivot Limited (September 2011–December 2020)

#### Other current directorships/appointments

- Chairman, Investa Wholesale Funds Management Limited
- Chairman, Investa Office Management Holdings Pty Limited
- President, Victorian Council, Australian Institute of Company Directors
- Director, Melbourne Business School Limited
- Member, National Board, Australian Institute of Company Directors
- Member, The Australian British Chamber of Commerce Advisory Council
- Member, ASIC Corporate Governance Consultative Panel



### Mike Roche

BSc (UQ), GAICD, FIA (London), FIAA

**Age:** 70

**Resides:** New South Wales

Independent Voting Director of MGL and MBL since January 2021

Mr Roche is a member of the BAC, BNC, BRC and BRIC

### Experience

Mike Roche has over 40 years' experience in the finance sector as a highly skilled and experienced provider of strategic, financial, mergers and acquisitions, and capital advice to major corporate, private equity and government clients. He held senior positions with AXA Australia as a qualified actuary and Capel Court/ANZ Capel Court.

Mr Roche spent more than 20 years at Deutsche Bank and was Head of Mergers and Acquisitions (Australia and New Zealand) for 10 years where he advised on major takeovers, acquisitions, privatisations, and divestments. He stepped down as Deutsche Bank's Chairman of Mergers and Acquisitions (Australia and New Zealand) in 2016. He was a member of the Takeovers Panel for two terms from 2008 to 2014.

#### Listed company directorships (last three years)

- Director, Wesfarmers Limited (since February 2019)

#### Other current directorships/appointments

- Director, MaxCap Group Pty Ltd
- Director, Te Pahau Management Ltd
- Managing Director, M R Advisory Pty Ltd
- Co-founder and Director, Sally Foundation

# Directors' experience and special responsibilities

Continued



## Nicola M Wakefield Evans AM

BJuris/BLaw (UNSW), FAICD

**Age:** 62

**Resides:** New South Wales  
Independent Voting Director of MGL and MBL since February 2014

Ms Wakefield Evans is Chair of the BGCC and a member of the BAC, BNC and BRIC

### Experience

Nicola Wakefield Evans is an experienced non-executive director and corporate finance lawyer. As a lawyer, Nicola 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 and Chair of the Board Audit and Risk Committee, Clean Energy Finance Corporation
- Chair, 30% Club Australia
- Member, Takeovers Panel
- Director, GO Foundation
- Director, UNSW Foundation Limited

## Company secretaries' qualifications and experience

### Simone Kovacic

BBus LLB (Hons) (UTS), LLM (Sydney), FGIA

Company Secretary since December 2022

### Experience

Simone Kovacic is a Division Director of Macquarie, having joined in 2009. Simone has responsibility for Macquarie's company secretarial requirements and provides advice on governance and certain corporate matters, including aspects of Macquarie's employee equity plans. She has over 20 years' experience as a corporate lawyer with Macquarie and in private practice at Skadden, Arps, Slate, Meagher & Flom LLP in the US and Freehills, now Herbert Smith Freehills.

### Olivia Shepherd

BCM (UoW), BCom (UoW), MSc (LSBU), FGIA

Assistant Company Secretary since December 2022

### Experience

Olivia Shepherd is a Division Director of Macquarie. Olivia has company secretarial responsibilities and provides corporate governance advice. She has over 15 years' company secretarial and governance experience with Macquarie and Investec Bank plc in the UK.

Dennis Leong ceased to be a Company Secretary of MGL on 30 November 2022.

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# Executive Committee



## Shemara Wikramanayake

Managing Director  
Chief Executive Officer of MGL

Chief Executive Officer of MGL  
since August 2018

Member of Executive Committee since  
1 August 2008

### Experience

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).



## Greg Ward

Deputy Managing Director  
Head of Banking and Financial Services Group

Member of Executive Committee since  
3 March 2005

### Experience

Greg has been Head of Banking and Financial Services Group since July 2013 and Deputy Managing Director of Macquarie Group Limited since 2011. Greg joined Macquarie in 1996, the year the organisation became publicly listed, and during his tenure has driven the growth of Macquarie's retail financial services business. He has over 30 years' experience in finance and financial services.

Chief Financial Officer for 14 years before being appointed Deputy Managing Director of Macquarie Group, Greg was also Chief Executive Officer of the Group's banking subsidiary, Macquarie Bank, from 2011 to 2013.



## Evie Bruce

Group General Counsel  
Head of Legal and Governance Group

Member of Executive Committee since  
2 March 2022

### Experience

Evie has been the Group General Counsel and Head of the Legal and Governance Group since March 2022.

Evie is a lawyer with nearly 30 years' practice and management experience, across ANZ, Asia and the US, specialising in mergers and acquisitions, capital markets, and the financial services sector.

Prior to joining Macquarie, Evie worked for King & Wood Mallesons where she led the law firm's extensive global engagement with Macquarie's businesses for a number of years.

Evie is a member of Corporations Committee of the Law Council of Australia, Law Society of New South Wales, and State Bar of New York. Evie is also a member of the Macquarie Group Foundation Committee.





**Andrew Cassidy**

Chief Risk Officer  
Head of Risk Management Group

Member of Executive Committee since 1 January 2022

**Experience**

Andrew was appointed Chief Risk Officer in early 2022.

After joining Macquarie in 2004, Andrew spent over 15 years working in Macquarie Capital, across various roles including leadership of Macquarie's principal investment activity in Asia Pacific. He joined the Risk Management Group in 2019 and has overseen the continued strengthening of Macquarie's risk framework.

Andrew also manages the Internal Audit function jointly with the Board Audit Committee.



**Stuart Green**

Managing Director  
Chief Executive Officer of MBL

Chief Executive Officer of MBL since July 2021  
Member of Executive Committee since 1 July 2021

**Experience**

Stuart has been Managing Director and CEO of Macquarie Bank Ltd since July 2021.

Stuart joined Macquarie in 2001 and worked in the Corporate & Asset Finance group, responsible for originating asset financing transactions for Macquarie. In 2002, he assumed responsibility for investor relations for Macquarie's listed airport fund, Macquarie Airports, before moving to become Global Head of Investor Relations for Macquarie's portfolio of listed funds. In 2008, he was appointed Macquarie Group's Head of Corporate Communications and Investor Relations, responsible for managing Macquarie Group's relationships with investors and analysts, government and media.

Stuart was appointed Group Treasurer in August 2013, a role he held until July 2021, when he became Managing Director and CEO of Macquarie Bank Limited.

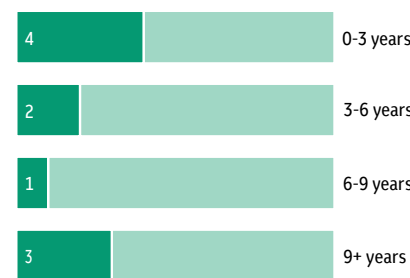
Prior to joining Macquarie Group, Stuart worked in the UK as a Chartered Accountant in public practice for BDO Binder, where he obtained his professional qualifications, and later in a number of corporate roles as head of finance and corporate strategy.

From 2010 to 2020, Stuart served on the Board of the Juvenile Diabetes Research Foundation where he was Treasurer and Chair of the Finance & Audit Committee.

**Gender diversity**



**Committee tenure**



# Executive Committee

Continued



## Alex Harvey

Chief Financial Officer  
Head of Financial Management Group

Chairman of the Macquarie Group Foundation  
Executive Chairman of Macquarie Group in Asia  
Member of Executive Committee since 1 January 2018

### Experience

Alex has been Head of Financial Management Group and the Chief Financial Officer of Macquarie Group since 2018. Alex joined Macquarie in 1998 and was the CEO of Macquarie Group Asia from 2011 to 2014; he retains the role of Executive Chairman of the region today. Before being appointed CFO, Alex was the Global Head of the Principal Transaction Group in Macquarie Capital and a member of Macquarie Capital's Management Committee. Alex has more than 30 years' experience in the financial services industry across Australia, Asia, Europe and the US. In January 2022, Alex became Chairman of Macquarie Group Foundation is also a Board member of Loreto Kirribilli.



## Nick O'Kane

Head of Commodities and Global Markets Group

Member of Executive Committee since 15 June 2017

### Experience

Nick was appointed Head of Commodities and Global Markets in April 2019 and is responsible for its global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance. Nick is also Head of the Commodity Markets and Finance division within Commodities and Global Markets, which offers these services across the energy, metals and agricultural sectors globally. Prior to this, Nick was appointed Head of the Energy Markets Division in 2007 and under his leadership, Macquarie's energy markets business grew to become a significant market participant. Nick joined Macquarie in 1995 and has more than 25 years' experience in global commodity and financial markets. Nick is a founding member and director of the Nick van Gelder Dreamers Foundation.



## Michael Silverton

Head of Macquarie Capital Group

Member of Executive Committee since 1 June 2019

### Experience

Michael is Head of Macquarie Capital, a position he has held since 2019. Michael leads a global team that provides advisory, capital markets, investing, development and equities capabilities to clients, with a focus on infrastructure and real assets; technology, software and services; and resources, energy and materials. Since joining Macquarie Group in 1997, Michael has built and led businesses across the globe, with roles in Sydney, London and Chicago before moving to New York in 2010. Prior to Macquarie Capital, Michael held positions in Macquarie Group's Central Executive Strategy unit and Risk Management Division. In 2013, he became Head of Macquarie Capital in the Americas, adding oversight of Europe and Asia shortly after.



### Nicole Sorbara

Chief Operating Officer  
Head of Corporate Operations Group

Member of Executive Committee since  
1 January 2013

### Experience

Nicole is Head of Corporate Operations Group and has been Global Chief Operating Officer since 2013.

Nicole leads a global team across 25 countries covering Digital Transformation & Data, Technology, Operations, Human Resources, Business Services, Corporate Strategy & Solutions, and the Macquarie Group Foundation.

During her time at Macquarie, she has worked across various roles in finance, Macquarie Capital and was previously the Head of Human Resources.

Nicole is a Chartered Accountant with more than 30 years' experience in accounting and financial services. She joined Macquarie in 1996.

Nicole is Chair of the Board of PCYC NSW.



### Ben Way

Head of Macquarie Asset  
Management Group

Member of Executive Committee since  
1 April 2021

### Experience

Ben has been Head of Macquarie Asset Management since 2021.

Ben joined Macquarie in 2006 and has held several senior positions in the Group, including CEO of Macquarie Group in Asia. He has more than 20 years' experience in asset management across Australia, Asia, Europe, and the US. Prior to joining Macquarie, he was Chairman and CEO of Taiwan Broadband Communications and a management consultant with Bain & Company.

Ben is a member of the Board of Directors of Mothers Choice, a Hong Kong charity.

Ben is a Fellow of the 2017 class of the Finance Leaders Fellowship and a member of the Aspen Global Leadership Network. He holds a Bachelor of Law and a Bachelor of Arts from Macquarie University.



**Significant oversight and judgement are applied to ensure remuneration outcomes are aligned with both individual and company-wide financial and non-financial performance and with outcomes delivered to our shareholders, clients and the communities in which we operate.”**

**Letter from the**

# Chair of the Board Remuneration Committee

On behalf of the Board, I am pleased to present the 2023 Remuneration Report as Chair of the Board Remuneration Committee (BRC).

The 2023 financial year (FY2023) was one of continued global economic and political uncertainty, resulting in a challenging macroeconomic environment. Against this backdrop, Macquarie's businesses have performed well, reflecting the strength of our strategy, the diversity of our activities and an ongoing focus on prudent risk management. Guided by our core purpose of 'empowering people to innovate and invest for a better future' and our *What We Stand For* principles, Macquarie teams have delivered positive outcomes for all stakeholders.

To ensure we can continue to deliver for our clients, grow our businesses and identify new opportunities, the attraction and retention of exceptional people is a key part of our strategy. The last 12 months has continued to be a period of increased recruitment and hybrid working, requiring an ongoing focus on maintaining and developing our culture and innovation. Our approach to remuneration plays an important role in doing this. Our framework supports our purpose by motivating staff to be innovative and build businesses but also be accountable for their decisions, behaviours and associated risk management, customer, economic and reputational consequences.

## **Performance and remuneration outcomes for FY2023**

The Board remains focussed on ensuring there is a robust and rigorous process in place to determine individual and company-wide remuneration outcomes. Significant oversight and judgement are applied to ensure remuneration outcomes are aligned with both individual and company-wide financial and non-financial performance and with outcomes delivered to our shareholders, clients and the communities in which we operate.

The Board has spent considerable time assessing performance and determining remuneration outcomes for the CEO and Executive Key Management Personnel (Executive KMP). The Board has considered a range of factors critical to Macquarie's ongoing success. This includes considering the financial results of Macquarie overall and each Operating Group, as well as key non-financial considerations, some of which are set out below.

### **Financial performance**

Macquarie delivered record financial results and strong returns to shareholders in FY2023. This resulted in:

- net profit after tax (NPAT) is up 10% compared to FY2022
- return on equity (ROE) of 16.9% is down compared to FY2022's 18.7%
- earnings per share (EPS) of 1,353.7 cents per share is up 6% compared to FY2022
- the FY2023 full-year dividend is up 21% compared to FY2022.

## Non-financial performance

The Board's determination of remuneration outcomes for FY2023 for the CEO and other Executive KMP also reflects the following non-financial factors:

- the diversification of the four Operating Groups and the strength of the underlying franchises, which have seen the successful navigation through COVID-19 and an uncertain external environment
- the strong leadership of the Executive Committee, led by the CEO, to effectively role model our purpose and principles and to embed a strong risk culture
- the delivery of strong outcomes for our communities addressing areas of unmet community need including progress on ESG measures that are critical to maintaining our social licence to operate
- the investment in our operating platform and reinforcement of the importance of long-term solutions to support our growth
- an ongoing focus on Macquarie's Diversity, Equity and Inclusion (DEI) strategy including the launch of our inaugural Reconciliation Action Plan (RAP) in Australia
- an ongoing focus to enhance financial and non-financial risk capabilities and frameworks to ensure they are fit for purpose and support changes in the internal and external environment, including emerging risks in areas such as climate, sustainability and technology
- significant progress and continued investment in regulatory engagements, prudential compliance, regulatory reporting, and governance including progress against the remediation program with APRA to ensure there is appropriate focus on Macquarie Bank Limited (MBL).

## Remuneration outcomes

Through a challenging economic and market environment, we have given careful consideration of both financial and non-financial factors and we believe the following outcomes for the year are appropriate:

- MGL CEO awarded profit share has increased 28% on the prior year to \$A32.0 million, which considers her sustained strong performance and the aggregate growth that she has led over multiple years as the MGL CEO
- MBL CEO awarded profit share of \$A3.5 million, reflecting his first full year in the role
- total Executive KMP awarded profit share of \$A151.6 million (up 22% on the prior year)
- Performance Share Unit (PSU) allocations of \$A4.0 million for the MGL CEO and \$A2.8 million for each Executive KMP.

## Link between risk, culture and remuneration

Our purpose and core principles of Opportunity, Accountability and Integrity 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 Board recognises the importance of continually assessing Macquarie's culture both formally through Board reporting as well as through direct interactions with staff.

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 FY2023, there were 129 (FY2022: 82) matters involving conduct or policy breaches that resulted in formal consequences. Consistent with prior years, further details regarding these matters are disclosed on page 117.

## Changes to the FY2024 remuneration framework

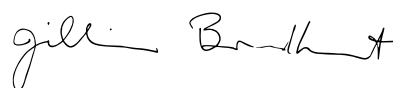
As set out in the 2022 Remuneration Report, the Board reviewed all structural components of the remuneration framework, taking into account a range of perspectives including those of shareholders and regulators, as well as global peer group benchmarking and the ongoing global competition for talent in many of Macquarie's areas of activity. The Board approved several changes to fine-tune our remuneration framework, which are being implemented in a phased approach. The revised remuneration arrangements remain consistent with our remuneration principles and objectives, while responding to a broad range of stakeholder expectations, including APRA's new Prudential Standard CPS 511 *Remuneration* (CPS 511), which came into effect on 1 January 2023. The key structural changes for FY2024 are set out in the relevant sections of the report.

## Regulatory environment

Macquarie has continued to engage proactively with APRA on the implementation of CPS 511, to ensure our remuneration framework meets both the spirit and intent of the new prudential standard and remains fit for purpose. As set out above, the changes to our remuneration framework will ensure compliance with CPS 511 for FY2024. We have also engaged with APRA in respect of the proposed new disclosure and reporting requirements.

Macquarie continues to ensure there is appropriate focus on MBL. As part of this we have ensured that the MBL remuneration framework, consistent with the objectives of the framework applied across Macquarie, supports the best interests of MBL in the oversight, design and determination of remuneration outcomes for MBL. This has resulted in changes to MBL's remuneration governance arrangements including the establishment of an MBL BRC in June 2022. For more details, see the MBL Remuneration Report in the MBL Annual Report.

I look forward to receiving your views and support at the 2023 Annual General Meeting.



**Jillian Broadbent**  
Chair  
Board Remuneration Committee

Sydney  
5 May 2023



# Remuneration report

## 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.

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 outcomes.

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 and retain world-class people in 34 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.

<p>Our purpose:</p> <h3>Empowering people to innovate and invest for a better future</h3>		
 <p><b>Opportunity</b></p>	 <p><b>Accountability</b></p>	 <p><b>Integrity</b></p>
 <p>Remuneration objectives</p>	 <p>Remuneration principles</p>	
<p>Macquarie's remuneration framework is designed to:</p> <ul style="list-style-type: none"> <li>attract, motivate and retain exceptional people with deep industry expertise</li> <li>deliver strong company performance over the short and long-term whilst prudently managing risk</li> <li>promote effective management of financial and non-financial risks, and Macquarie's long-term soundness</li> <li>align the interests of staff and shareholders to deliver sustained results for our customers, clients and community</li> <li>promote innovation and the building of sustainable businesses</li> <li>drive behaviours that reflect Macquarie's culture and the principles of <i>What We Stand For</i> and support the prevention and mitigation of conduct risk</li> <li>foster a diverse, equitable and inclusive work environment.</li> </ul>	<p>These objectives are achieved by:</p> <ul style="list-style-type: none"> <li>emphasising performance-based remuneration</li> <li>determining an individual's variable remuneration based on a range of financial and non-financial factors</li> <li>retaining a significant proportion of performance-based remuneration to enable risk outcomes to be considered over a longer period</li> <li>delivering retained profit share in equity to ensure the interests of staff and shareholders are aligned over the long-term</li> <li>remunerating high-performing staff appropriately, relative to global peers</li> <li>providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives.</li> </ul>	

## Remuneration framework for FY2023

The remuneration framework operates as an integrated whole. As summarised below, an individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units (PSUs).

The table below summarises the framework for FY2023.

FY2023 remuneration framework		
Fixed remuneration		
	<ul style="list-style-type: none"> <li>primarily comprises base salary, as well as superannuation contributions and standard country-specific benefits in line with local market practice</li> <li>for Executive KMP, is set at a comparatively low level, relative to the industry, and is a low proportion of total remuneration but sufficient to avoid inappropriate risk-taking</li> <li>is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements</li> <li>for risk and financial control staff, is generally a higher proportion of total remuneration than for revenue-generating staff.</li> </ul>	
Performance-based remuneration		
Criteria	Profit share	Performance Share Units
 <b>Eligibility</b>	<ul style="list-style-type: none"> <li>all permanent employees</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee members</li> </ul>
 <b>Determination</b>	<ul style="list-style-type: none"> <li>allocations reflect an individual's performance, which is assessed against a range of financial and non-financial factors including:               <ul style="list-style-type: none"> <li>contribution to financial/business performance</li> <li>approach to risk management and compliance</li> <li>business leadership including outcomes for customers and the community</li> <li>people leadership and professional conduct</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>individual allocations reflect their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie</li> <li>allocations are based on the face value of shares on the grant date</li> <li>allocations are subject to Board discretion</li> </ul>
 <b>Structure</b>	<ul style="list-style-type: none"> <li>significant proportion is retained (up to 80% for the CEO and other Executive KMP)</li> <li>long deferral periods (up to seven years for the CEO and other Executive KMP)</li> <li>retained profit share is delivered in a combination of Macquarie equity and Macquarie-managed fund equity</li> </ul>	<ul style="list-style-type: none"> <li>PSUs vest after four years, subject to the achievement of two financial performance hurdles (no retesting of hurdles)</li> <li>PSUs are structured as Deferred Share Units (DSUs) with no exercise price<sup>(1)</sup></li> <li>PSU holders have no right to dividend equivalent payments</li> </ul>
 <b>Malus</b>	<ul style="list-style-type: none"> <li>applies for senior employees, including all Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>applies to all awards</li> </ul>
 <b>Forfeiture</b>	<ul style="list-style-type: none"> <li>retained profit share is subject to forfeiture upon leaving Macquarie except in certain circumstances</li> </ul>	<ul style="list-style-type: none"> <li>unvested PSUs are subject to forfeiture upon leaving Macquarie except in certain circumstances</li> </ul>

(1) A DSU is a Deferred Share Unit and is an award type under the Macquarie Group Employee Retained Equity Plan (MEREPE). For further details, refer to Note 32 *Employee equity participation* to the financial statements in the Financial Report.

# Remuneration Report

Continued

## Remuneration framework for FY2024

The Board periodically reviews and fine-tunes the remuneration framework to ensure it is consistent with changing market conditions and complies with regulatory expectations and corporate governance developments. As set out in the 2022 Remuneration Report, the Board undertook a holistic review of all structural components of the remuneration framework to address both regulatory requirements under APRA's Prudential Standard CPS 511 *Remuneration* (CPS 511) and the evolving expectations of our stakeholders.

As part of this review, the Board considered diverse perspectives, including those of shareholders and regulators, as well as global peer group benchmarking and increased global competition for talent in many of Macquarie's areas of activity. The Board believes that the revised arrangements are consistent with our longstanding remuneration principles and allow for ongoing attraction, motivation, retention and accountability of talent, respecting and recognising the expectations of all stakeholders.

A detailed summary of the Board-approved changes to the remuneration framework was set out on pages 99 to 100 of the 2022 Annual Report. These changes are being implemented in a phased approach for FY2023 and FY2024 and are referenced where relevant throughout the following sections.

## Profit share

This section describes the way in which profit share is determined, structured and delivered.

### Annual process to determine profit share outcomes

Profit share allocations are based on realised outcomes and are determined through a principles-based approach, which considers individual, business group and company-wide performance. At all levels, profit share determinations take into account risk management, compliance and conduct.

### Individual profit share allocations

Individual profit share allocations reflect an employee's performance against their objectives, which are formally assessed annually. Permanent employees are required to have at least one formal Year in Review with their manager each year. The Year in Review comprises two core components:

- **What** was achieved over the past 12 months, including any Operating or Central Service Group specific goals and objectives
- **How** the objectives were achieved, demonstrating the cultural/behavioural expectations as set out in Macquarie's *Code of Conduct*.

An individual's performance is assessed against a range of financial and non-financial considerations, which fall under four factors and link to the 'what' and 'how' components of the Year in Review.

The below table outlines the definition of each factor and considerations for assessing performance and determining remuneration outcomes.

Areas considered	
<b>Financial/ business results</b>	<ul style="list-style-type: none"> <li>• for revenue-generating staff, based on individual contribution to business profitability (including consideration of capital and risk-adjusted returns)</li> <li>• for risk and financial control roles, primarily based on delivery of or contribution to high quality risk and control functions</li> <li>• for other staff, based on their delivery of or contribution to high quality services to support the businesses, while managing costs and investing in people and technology to ensure the ongoing robustness of the risk management framework.</li> </ul>
<b>Risk management and compliance</b>	<ul style="list-style-type: none"> <li>• the active identification, escalation, ownership and management of financial and non-financial risks</li> <li>• motivating a culture of disciplined risk management, and regulatory, policy and business compliance</li> <li>• fostering an environment where staff feel comfortable to raise issues or concerns</li> <li>• performance against a risk management objective, which is mandatory for all employees and consistent across Macquarie.</li> </ul>
<b>Business leadership</b>	<ul style="list-style-type: none"> <li>• sustainable business growth and innovation</li> <li>• delivering appropriate solutions and services to our customers and the communities in which we operate</li> <li>• relationship with external and internal stakeholders, including regulators, customers and clients</li> <li>• seeking out and valuing collaboration and diverse perspectives (internally and externally).</li> </ul>
<b>People leadership and professional conduct</b>	<ul style="list-style-type: none"> <li>• conduct and behaviour consistent with the <i>Code of Conduct</i> and <i>What We Stand For</i></li> <li>• talent development and succession planning</li> <li>• fostering a diverse, equitable and inclusive work environment, including performance against a mandatory objective on Diversity, Equity and Inclusion (DEI) aligned to Macquarie's DEI strategy</li> <li>• for all people managers, performance against a people management objective aligned to our purpose and culture.</li> </ul>

Three of these four factors are non-financial, with considerations given to each in varying proportions to reflect an individual's role and responsibilities. Individual profit share allocations also consider relativities in the market in which each business competes for talent.

When determining individual profit share allocations, consideration is given to any matters raised in the independent reports provided to the BRC by the Chief Risk Officer (CRO) and the Head of Internal Audit, or matters raised through the consequence management process, which may result in downward adjustments to profit share allocations for relevant individuals (see page 117). Significant judgement is applied in determining remuneration outcomes to ensure all factors that may potentially impact the quantum of profit share allocations are considered.

# Remuneration report

Continued

## Profit share pools

The initial business group profit share pools are determined through a combination of a top-down and bottom-up approach. The company-wide profit share pool is an aggregate of the assessments conducted at both the business group and individual level.

The profit share pools reflect consideration of the factors below.

Operating/Central Service Group Level			
<p><b>Financial performance</b></p> <p>For Operating Groups:</p> <ul style="list-style-type: none"> <li>• contribution to company-wide profits</li> <li>• returns on economic and regulatory capital</li> <li>• funding requirements and usage.</li> </ul> <p>For Central Service Groups:</p> <ul style="list-style-type: none"> <li>• based on the quality and integrity of control functions and support services</li> <li>• are not primarily determined with reference to profitability.</li> </ul>	<p><b>Risk management</b></p> <ul style="list-style-type: none"> <li>• risk profile of the business (e.g. capital usage)</li> <li>• extent and nature of financial and non-financial risks including any significant reputational, cultural or compliance matters</li> <li>• regulatory environment and regulatory risk considerations.</li> </ul>	<p><b>Business-specific considerations</b></p> <ul style="list-style-type: none"> <li>• innovation, new business development (including acquisitions) and maturity of the business</li> <li>• reliance on intellectual versus financial capital</li> <li>• customer/client and community outcomes</li> <li>• impact of one-time gains/losses.</li> </ul>	<p><b>Market position and trends</b></p> <ul style="list-style-type: none"> <li>• overall remuneration levels in the market in which each business operates</li> <li>• staff retention considerations.</li> </ul>
Macquarie Group/Macquarie Bank level			
<p>Additional considerations at a Macquarie Group and Macquarie Bank level include:</p> <ul style="list-style-type: none"> <li>• profitability, including the balance of profit distribution between employees and shareholders</li> <li>• capital metrics (including prudential ratios) and liquidity considerations</li> <li>• impact of the profit share pool on Macquarie's capital position and the ability to strengthen its capital base, as confirmed by the Chief Financial Officer (CFO)</li> <li>• reasonableness of the resultant estimated compensation expense to income ratio and how it compares to that of peers</li> <li>• regulatory considerations, including any company-wide risk and conduct matters</li> <li>• factors that impact the macro environment in which Macquarie operates, including those that may affect its ability to attract and retain high-performing staff</li> <li>• CRO and Head of Internal Audit confirmation as to whether there have been any matters of systemic concern during the year.</li> </ul>			

The Board retains discretion to amend the profit share pool as determined in accordance with the above process to ensure all relevant factors, including risk and conduct matters, have been appropriately taken into consideration.



## Retained profit share: retention and vesting

A percentage of each individual's annual profit share allocation is retained (retained profit share) above certain thresholds. While they are employed, an individual's retained profit share vests and is released over a period that reflects the scope and nature of their role and responsibilities.<sup>(2)</sup> These arrangements ensure that Macquarie continues to retain high-performing staff, provide significant long-term alignment to shareholders and customers, as well as enabling risk outcomes to be considered over a longer period.

Retention and vesting arrangements are determined by the BRC according to prevailing market conditions, remuneration trends, and compliance with regulatory requirements (including under the Banking Executive Accountability Regime (BEAR) and, from FY2024, CPS 511). For each year's allocation, once the vesting period has been determined it remains fixed for that allocation.

As explained in the 2022 Remuneration Report, to address both regulatory requirements under CPS 511 and the evolving expectations of our stakeholders, the Board undertook a holistic review of all structural components of the remuneration framework. One of the key changes was that retention rates and vesting periods will be reduced for certain senior employees (including the CEO, Executive KMP and Designated Executive Directors) for profit share allocations made in respect of FY2024 onwards. These changes reflect that under CPS 511, Macquarie will no longer be able to release unvested awards on retirement or redundancy for such employees over a two-year period (see page 111). Awards will instead be kept on their original vesting schedule (up to five years). The new retention rates and vesting periods remain long enough to appropriately consider the time horizons of risk, and will meet or exceed both the minimum requirement under CPS 511 and the deferral arrangements of many of Macquarie's global comparators.

The table below summarises the standard retention and vesting arrangements applicable for FY2023 and FY2024. These vesting periods do not include the performance year but begin following the date remuneration is awarded.

### Standard profit share retention and vesting arrangements for FY2023 and FY2024

Role	FY2023		FY2024	
	Profit share retention (%)	Vesting and release of profit share <sup>(3)</sup>	Profit share retention (%)	Vesting and release of profit share <sup>(3)</sup>
CEO	80		70	
MBL CEO	60	One-fifth in each of years 3-7	60	One-third in each of years 3-5
Executive Committee members	60		50	
Designated Executive Directors <sup>(4)</sup>	50		40	
Executive Directors	40	One-third in each of years 3-5	40	
Staff other than Executive Directors <sup>(5)</sup>	25-60	One-third in each of years 2-4	25-60	One-third in each of years 2-4

The Board's discretion to change remuneration arrangements, as noted above, includes changes to profit share retention levels provided that at least 30% of profit share is retained for all Executive Directors. For FY2023, the Board exercised such discretion to increase the Head of CGM's retention rate to 70%.

(2) Profit share that is not retained ("available profit share") is delivered in cash except for certain staff subject to requirements under European remuneration regulations, where 50% of available profit share is delivered in Macquarie equity and is subject to either a 6-month or 12-month hold period, as applicable.

(3) For certain staff subject to European remuneration regulations, retained profit share invested in Macquarie equity is subject to a further 6-month or 12-month hold post the vesting period.

(4) Executive Directors who have significant management or risk responsibility in the organisation (equivalent to "Material Risk Takers" under CPS 511).

(5) Above certain monetary thresholds.

# Remuneration report

Continued

## Investment of retained profit share

An individual's retained profit share is invested in a combination of MGL ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP) and Macquarie-managed fund equity notionally invested under the Directors' Profit Share (DPS) Plan.<sup>(6)</sup> The allocation reflects the nature of their role and responsibilities as set out in the table below.

### Standard investment of retained profit share for FY2023

Role	Retained profit share investment	
	MEREP (MGL ordinary shares) %	DPS Plan (Macquarie-managed fund equity) %
MGL CEO and MBL CEO	90	10
Executive Committee members	80-90	10-20
Executive Committee members with funds responsibilities	50	50
Executive Directors <sup>(7)</sup>	80-100	0-20
Executive Directors with funds responsibilities <sup>(8)</sup>	25	75
Staff other than Executive Directors <sup>(9)</sup>	100	0

In addition to the arrangements set out in the tables above, different arrangements may apply in certain circumstances:

- retention rates and vesting and release schedules may vary for certain groups of staff who have become employees as a result of an acquisition, or for staff in certain jurisdictions, for example in the UK or European Union (EU), to ensure compliance with local regulatory requirements
- in limited circumstances, and only with the approval of the BRC, retained profit share may be allocated under arrangements other than the MEREP or the DPS Plan. For example, this may include investment in funds or products of a specific business group where there is a need to directly align the interests of staff with those of their clients.

## Forfeiture of retained profit share - malus and clawback

The Board has the ability to reduce or eliminate unvested retained profit share for certain senior employees (including all Executive Directors) in certain circumstances (malus), as set out on page 116. For certain employees identified under European remuneration regulations, the Board also has the ability to recover (in whole or in part) vested profit share in certain circumstances (clawback). For changes to Macquarie's malus and clawback framework from FY2024, see page 116.

## Vesting and release of retained profit share upon departure from Macquarie

The standard policy is that staff who cease employment with Macquarie will forfeit their unvested retained profit share. The Board may exercise discretion for the vesting and release of a departing employee's retained profit share after their employment has ended including, for example, retirement from Macquarie, redundancy, death, serious incapacitation, disability, or serious ill health. For Executive Directors, the Board's discretion for the vesting and release of retained profit share under these circumstances is subject to the conditions of release as set out below.

Discretion may be exercised in certain other limited exceptional circumstances on the grounds of business efficacy, in relation to strategic business objectives, including in connection with the divestment or internalisation of Macquarie businesses, or when an employee resigns to fulfil a public service role in a governmental organisation or agency. Where such discretion is exercised, the Board may impose such other conditions as it considers appropriate. This year, such discretion has been exercised and retained profit share was approved to be released for four executives due to the transfer of their employment during FY2023 to an operationally segregated subsidiary or to a portfolio company of a Macquarie-managed fund.

(6) Both the MEREP and DPS Plan are fundamental tools in Macquarie's retention, alignment and risk management strategies, encompassing both long-term retention arrangements and equity holding requirements. The MEREP has a flexible plan structure that offers different types of equity grants depending on the jurisdiction in which the participating employees are based. In most cases, the equity grants are in the form of units comprising a beneficial interest in MGL ordinary shares held in a trust for the staff member (Restricted Share Units or RSUs). For further details on the MEREP, refer to Note 32 *Employee equity participation* to the financial statements in the Financial Report. The DPS Plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment.

(7) For certain Executive Directors subject to European remuneration regulations, retained profit share is invested 60% in Macquarie equity and 40% in the DPS Plan.

(8) For certain Executive Directors with funds responsibilities subject to European remuneration regulations, retained profit share is invested 50% in Macquarie equity and 50% in the DPS Plan.

(9) For staff other than Executive Directors, retained profit share is generally 100% invested in Macquarie equity with the exception of those staff with funds responsibilities where retained profit share is invested in a combination of Macquarie equity and Macquarie-managed fund equity.

## Conditions of release to departing Executive Directors – Post Employment Events

Where discretion has been exercised for the vesting and release of retained profit share to a departing Executive Director, the Board may reduce or eliminate their retained profit share if it is determined that, at any time during their employment or the relevant release periods after their employment, a Malus Event has occurred (as set out on page 116) or they have:

- (a) taken staff to a competitor of Macquarie or been instrumental in causing staff to go to a competitor, or
- (b) joined a competitor of Macquarie or otherwise participated in a business that competes with Macquarie.

Each of the above is a Post Employment Event.

For retained profit share awarded in respect of FY2023 and subsequent years, where the release relates to relevant circumstances other than death or serious disability, the release will occur over the period from 12 months to 24 months after the Executive Director leaves, in accordance with the table below.<sup>(10)</sup> Awards in respect of FY2022 and earlier will remain subject to their original conditions of release to a departing Executive Director, as previously disclosed.

As disclosed in the 2022 Remuneration Report, for profit share allocations made to Executive KMP, Designated Executive Directors and Executive Directors in risk and financial control functions in respect of FY2024 onwards, unvested retained profit share will no longer be released over a 24-month period and will instead be kept on its original vesting schedule (other than in cases of death or serious disability). This may result in final vesting being up to five years from the end of employment. There will be no change in the timeframe for application of the Post Employment Events set out below.

	First Period	Second Period
<b>Time post-departure</b>	12 months	12 months to 24 months
<b>Unvested retained profit share released</b>	From all but the last 24 months of employment	From the last 24 months of employment
<b>Subject to malus</b>	No Malus Event	No Malus Event
<b>Subject to Post Employment Events</b>	No Post Employment Event during employment or during the period expiring 6 months following the end of employment, and No Post Employment Event (a) during the period from 6 months to 12 months following the end of employment	No Post Employment Event during employment or during the period expiring 6 months following the end of employment, and No Post Employment Event (a) during the period from 6 months to 12 months following the end of employment
<b>Where the release is by reason of retirement from Macquarie</b>	As above and in addition, the release is subject to no Post Employment Event (b) during the First Period	As above and in addition, the release is subject to no Post Employment Event (b) during the First or Second period

In addition to the above, for Accountable Persons under the BEAR (Accountable Persons), the exercise of discretion for any release of retained profit share following the end of employment will be subject to Macquarie meeting the minimum deferral periods required under the BEAR.

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the Board has discretion to release unvested retained profit share up to an amount equal to the Executive Director's tax liability at an earlier time than noted above.

(10) In the case of death or serious incapacitation, the Board will typically accelerate the vesting of retained profit share and immediately release it.

# Remuneration report

Continued

## Performance Share Units

This section describes the way in which PSUs are determined, structured and delivered.

### Allocation and structure

Executive Committee members are the only group of staff eligible to receive PSUs, which are subject to the achievement of two financial performance hurdles. PSU allocations are determined with reference to Macquarie's performance as a whole, and as such they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term and beyond their Operating and Central Service Group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

PSU allocations are based on their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie (taking into consideration both financial and non-financial factors), including their collaboration across businesses.

PSUs are granted in August each year, after Macquarie's Annual General Meeting (AGM), in respect of the previous financial year. The number of PSUs to be allocated is calculated by dividing the face value of the award by the price of MGL ordinary shares on or around the date of grant.

Since their introduction, PSUs have been structured as DSUs with performance hurdles. Holders have no right to dividend equivalent payments. There is no exercise price for PSUs.

### Performance hurdles

The following table summarises the key terms of PSUs and the performance hurdles for allocations in respect of FY2023.

	EPS CAGR hurdle	ROE hurdle
<b>Application</b>	50% of PSU award	50% of PSU award
<b>Performance measure</b>	Compound annual growth rate (CAGR) in EPS over the vesting period (four years) <sup>(11)</sup>	Relative average annual ROE over the vesting period (four years) compared to a reference group of international financial institutions <sup>(11)</sup>  The reference group comprises Bank of America Corporation, Barclays PLC, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG <sup>(12)</sup>
<b>Hurdle</b>	Sliding scale applies: <ul style="list-style-type: none"><li>• 50% becoming exercisable at EPS CAGR of 7.5%</li><li>• 100% at EPS CAGR of 12%.</li></ul> For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable	Sliding scale applies: <ul style="list-style-type: none"><li>• 50% becoming exercisable above the 50th percentile</li><li>• 100% at the 75th percentile.</li></ul> For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable
<b>Forfeiture</b>	<ul style="list-style-type: none"><li>• Malus provisions apply</li><li>• The standard policy is that unvested PSUs will be forfeited upon termination</li><li>• In the case of retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances, the Board or the BRC has the authority to either accelerate the vesting of PSUs or to permit the PSUs to continue to vest in accordance with the original award schedule and remain subject to the same performance hurdles</li><li>• Should a change of control occur the Board or the BRC has discretion to determine how unvested PSUs should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change in control.<sup>(13)</sup></li></ul>	

(11) PSUs awarded prior to FY2020 vested in two equal tranches after three and four years.

(12) For FY2023 PSU allocations, Credit Suisse Group has been removed from the international reference group for the ROE hurdle, following its government-supported acquisition by UBS AG, and has been replaced with Citigroup Inc. Comparator company information is presented in the same order throughout the Remuneration Report.

(13) Under the MEREP Plan Rules, a change in control occurs where a person acquires or ceases to hold a relevant interest in more than 30% of MGL ordinary shares or where the Board resolves that a person is in a position to remove one-half or more of the Non-Executive Directors.

### Changes from FY2024

The Board has approved changes to PSU allocations made in respect of FY2024 onwards. As set out in the 2022 Remuneration Report, from FY2024, the vesting period for PSUs granted to the CEO and the MBL CEO will be extended by a year, to five years. This change reflects regulatory expectations and increases the alignment of the interests of the CEOs and shareholders over the long-term.

Prior to the vesting of PSUs, the Board will conduct a holistic assessment of the Executive Committee's collective contribution to driving the performance of Macquarie over the full vesting period. The framework for the pre-vest assessment primarily consists of non-financial factors to ensure there is appropriate consideration of non-financial measures prior to vesting. Where the Board forms a negative overall assessment of the Executive Committee's collective contribution, it may consider whether an adjustment is appropriate, taking into account events subsequent to PSUs being allocated and any mitigating and aggravating factors.

### Rationale for hurdles

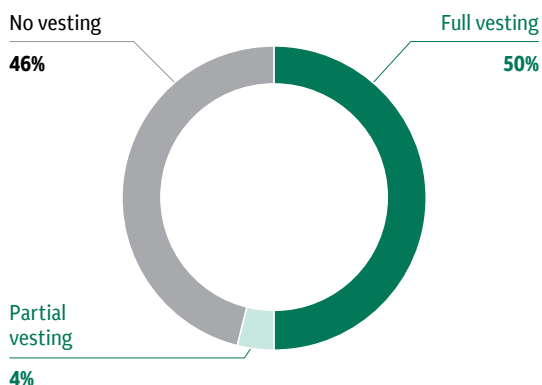
The PSU hurdles are periodically reviewed by the BRC to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC's review includes consideration of the most relevant performance metrics to be used as hurdles as well as the levels at which the hurdles are achieved. The international reference group used for the ROE hurdle is also reviewed to determine whether our comparators remain suitable for Macquarie's diversified business interests and global footprint. The BRC also considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators, as well as market practice.

In the FY2023 annual review, both the relative ROE and absolute EPS hurdles were considered to still be appropriate for the following reasons:

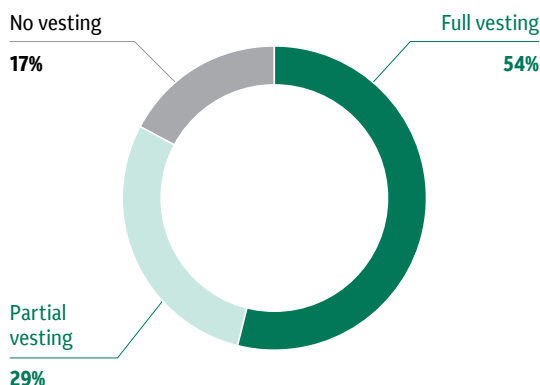
- ROE and EPS growth drive long-term shareholder value and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- ROE and EPS can be substantiated using information that is disclosed in Macquarie's annual reports
- a sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test, which some have argued could promote excessive risk-taking
- the hurdles are designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations
- the EPS targets are confirmed as rigorous when market performance is considered, with the EPS threshold hurdle exceeding the performance of most of the ASX20, the global reference group and relevant indices over time
- for the EPS element to fully vest, Macquarie needs to achieve at least 12% CAGR over the vesting period. Supporting the rigour of the hurdle, cumulative EPS growth of 57% over four years is required to achieve full vesting
- the ROE vesting thresholds and sliding scale are in line with the domestic market and are particularly challenging when compared to international practice.

The charts below display Macquarie's historical EPS and ROE PSU outcomes, highlighting that since their introduction in 2009, 50% of the EPS tranches and 46% of the ROE tranches have resulted in either no vesting or partial vesting.

### Historical EPS tranche outcomes



### Historical ROE tranche outcomes





# Remuneration report

Continued

## Use of an international reference group

An international reference group recognises the extent of Macquarie's diversification and internationalisation. As at 31 March 2023, total international income represented approximately 71% of Macquarie's total income, with approximately 51% of Macquarie's staff located outside Australia.<sup>(14)</sup> The BRC considers an international reference group to be appropriate on the basis that:

- the international reference group is currently most representative of Macquarie's business operations and talent pool. These firms broadly operate in the same markets and in similar business segments, and compete for the same people as Macquarie
- Macquarie has no directly comparable Australian-listed peers.

The BRC considers it important to not intervene reactively to remove under-performers or over-performers in any given period. However, given the recent government-supported acquisition of Credit Suisse Group by UBS AG, Credit Suisse Group has been removed from the international reference group for awards in respect of FY2023 onwards. The BRC have approved Citigroup Inc. as a replacement, taking into account the markets in which it operates and the diversification of its business segments.

(14) Headcount includes staff employed in certain operationally segregated subsidiaries (OSS).

## Culture, accountability and remuneration

This section describes how risk and conduct are considered throughout Macquarie's remuneration approach.

### Risk culture

Our purpose of 'empowering people to innovate and invest for a better future' and *What We Stand For* principles of Opportunity, Accountability and Integrity remain pivotal to our culture. Our purpose and principles effectively guide our staff in balancing risk and reward and making decisions that realise opportunity for the benefit of our clients, shareholders, partners, and the communities in which we operate. Staff are continually made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are outlined in the Board approved *Code of Conduct*, which is actively promoted by management and cascaded through the organisation through multiple mechanisms. We invest significant time and effort in communicating and reinforcing our culture through communications from senior management, policy reminders, training, and learning and development activities. The Board is able to assess Macquarie's culture in a number of ways including through staff survey results, human capital reporting, strategy presentations, risk culture reports, consequence management reports as well as through personal observation of management, and staff behaviour and actions.

Prudent risk management is a fundamental part of everyone's role at Macquarie. Staff understand they are rewarded not just for their contribution to financial results, but also for how those results are achieved. This includes an assessment of an individual's approach to managing risk, and adherence with the *What We Stand For* principles. Staff are aware of the consequences for non-compliance with the risk management framework and Macquarie's *Code of Conduct*. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

### Alignment of remuneration with risk outcomes

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to Macquarie's remuneration approach. Risk considerations are embedded throughout the remuneration process including through the determination of individual profit share allocations, business group and company-wide profit share pools as well as through the way in which remuneration is structured and delivered.

The Board is aware of the increasing focus of regulators and shareholders on ensuring risk-related matters that come to light subsequent to remuneration being awarded are appropriately factored into remuneration decisions. Macquarie's retention and vesting arrangements provide a mechanism for the Board to consider risk outcomes over a longer period. Furthermore, where an investigation has commenced into a risk or conduct-related matter that may result in forfeiture or, for senior employees, the application of malus, Macquarie may further defer the payment, vesting and/or release of profit share to allow for the investigation to be completed.

# Remuneration report

Continued

## Culture, accountability and remuneration continued

The following mechanisms exist to risk adjust remuneration outcomes.

<b>In-year profit share adjustments</b>	<b>Applies to all staff</b>
<ul style="list-style-type: none"><li>• determined as part of assessing an individual's performance each year</li><li>• the annual assessment includes consideration of compliance with the risk management framework and with the behavioural expectations outlined in the <i>Code of Conduct</i></li><li>• in addition, any outcomes from the consequence management process (such as a formal warning) or the independent reporting from the CRO, Head of Internal Audit, and Group General Counsel (GGC) are also considered.</li></ul>	
<b>Forfeiture</b>	<b>Applies to all staff with retained profit share</b>
<ul style="list-style-type: none"><li>• where an individual's employment is terminated due to a compliance or conduct concern (or they resign), unvested remuneration is forfeited, as per our standard policy.</li></ul>	
<b>Malus Events</b>	<b>Applies to senior employees (all staff from FY2024)</b>
<p>The malus provisions provide the Board with the ability to reduce or eliminate in full the retained profit share for senior employees, and for Executive Committee members, unvested PSUs, where it is determined:</p> <ul style="list-style-type: none"><li>• there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based; or</li><li>• the employee has at any time:<ul style="list-style-type: none"><li>– engaged in misconduct leading to significant adverse outcomes</li><li>– acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction)</li><li>– significantly failed in or breached their compliance, accountability or fitness and propriety requirements or</li><li>– acted or failed to act in a way that contributed to, and/or by virtue of their role or seniority is accountable for:<ul style="list-style-type: none"><li>– a breach of a significant legal or significant regulatory requirement relevant to Macquarie</li><li>– MGL or MBL making a material financial restatement</li><li>– MGL, MBL or any Group within Macquarie incurring significant reputational harm<sup>(15)</sup></li><li>– MGL, MBL or any Group within Macquarie incurring a significant unexpected financial loss, impairment charge, cost or provision</li><li>– a significant failure of financial or non-financial risk management or</li><li>– a significant adverse outcome for customers, beneficiaries or other stakeholders.</li></ul></li></ul></li></ul>	

Additional provisions may apply to staff in certain jurisdictions to ensure compliance with local regulations. This includes staff in the UK and EU who are subject to additional malus and clawback provisions under local regulatory requirements.

The BRC considers whether, and the extent to which, to apply malus, taking into account local employment laws, the nature and circumstances of the event and any other redress that has been or may be applied.

As disclosed in the 2022 Remuneration Report, from FY2024 the malus framework will apply to all employees with retained profit share, and clawback will also apply to certain senior employees in line with CPS 511 requirements. These clawback provisions will allow Macquarie to recover paid or vested remuneration for up to two years from the point of payment or vesting, in exceptional circumstances and where all other adjustment tools have been exhausted.

Clawback events will include where it is determined that:

- (a) there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based;
- (b) the employee has at any time engaged in misconduct leading to significant adverse outcomes;
- (c) the employee has at any time significantly failed in or breached their compliance, accountability or fitness and propriety requirements; or
- (d) the employee has at any time acted or failed to act in a way that contributed to:
  - (i) a significant failure of financial or non-financial risk management; or
  - (ii) a significant adverse outcome for customers, beneficiaries or other stakeholders.

(15) A "Group within Macquarie" is a reference to any Operating Group or Central Service Group within MGL or MBL.

## Risk adjustment processes

There are robust processes in place to ensure that all risk, reputation, and conduct-related matters are specifically considered when determining remuneration outcomes. These processes may result in a downward adjustment to group and/or individual profit share allocations where appropriate. A wide range of risks that could have a financial or non-financial impact on Macquarie are considered, including any detriment to customers or impact on prudential standing.

To assist the Board and BRC when determining remuneration outcomes, independent control functions provide input as it applies to the BRC as follows.

### Independent control function input when determining remuneration outcomes

Risk Management Group	Internal Audit	Legal
The CRO provides the BRC with an independent report detailing significant risk matters (financial and non-financial) including those relating to incidents, issues, and regulatory and litigation matters.	The Head of Internal Audit provides the BRC with an independent report detailing notable internal audit issues and any trends at company-wide or business group level.	The GGC provides a further source of independent input and, in conjunction with HR, considers whether there are any incidents (including any breach of the BEAR obligations) that should be reviewed which might lead to a malus determination.

### Human Resources

The Global Head of HR discusses the reports from RMG and Internal Audit with the Group Heads to ensure any matters listed in the reports are appropriately reflected in remuneration outcomes for relevant staff and provides a report to the joint committee meeting of the BRC, Board Risk Committee (BRiC), Board Audit Committee (BAC) and Board Governance and Compliance Committee (BGCC) on how this has been achieved.

The Global Head of HR also annually reports to the BRC on the outcomes from the consequence management process and confirms that these matters have been considered in determining remuneration and promotion outcomes where appropriate.

### Consequence management process

Incidents, breaches of policy and misconduct issues are regularly reported to senior management. There are a number of processes in place to ensure consistency (across business groups and staff levels) in the application of consequences and the determination of remuneration outcomes, including the review and challenge by senior management of consequence management outcomes for consistency at year end.

Where an investigation has commenced into a risk or conduct-related matter, vesting, payment and/or release of profit share (including available and/or retained amounts) to an employee may be deferred to allow for the investigation to be completed.

## Consequence management outcomes

Macquarie's Consequence Management Guideline applies wherever a breach of internal policy or regulatory requirement is identified, including where there has been a breach of BEAR accountability obligations. Consequences may include further training, removal of delegated authorities or permissions, adjustments to performance-based remuneration, impact on promotion, formal warnings or termination.

Where an employee has received a formal warning, their performance-based remuneration will likely be impacted and in some cases, reduced to zero. Promotion decisions may also be impacted. Impacts may also be applied where a formal warning has not been issued. In each case, judgement is exercised as to the appropriate consequence(s) based on all the relevant circumstances.

In FY2023, there were 129 (FY2022: 82) matters involving conduct or policy breaches that resulted in formal consequences.

These included 71 (FY2022: 38) *Code of Conduct* or appropriate workplace behaviour related matters and 58 (FY2022: 44) other policy matters including risk management and technology breaches. Of the 129:

- for 49 matters, termination of employment was the outcome (FY2022: 29)
- for 80 matters, a formal warning was issued (FY2022: 53). Additional consequences were applied as appropriate including additional training, adjustments to profit share and/or proposed fixed remuneration increases, and/or impact to promotion (18 have resulted in individuals subsequently leaving Macquarie before year-end outcomes were applied and 61 individuals had their profit share reduced by an average of 37%).

The 129 matters were considered isolated incidents and there was no evidence of broader systemic conduct issues.

# Remuneration report

Continued

## Further details on the remuneration framework

This section describes other key features of the remuneration framework and of the employment contracts for Executive Committee members.

### Other features of Macquarie's remuneration framework

<b>Role-based allowances</b>	<ul style="list-style-type: none"><li>Role-based allowances are a component of fixed remuneration that may be awarded to certain employees, including those identified as Material Risk Takers under European regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.</li></ul>
<b>Minimum shareholding requirement</b>	<ul style="list-style-type: none"><li>Executive Directors are required to hold a relevant interest in MGL ordinary shares that have a value equal to 5% of an Executive Director's aggregate profit share allocations for each of the past five years (10 years for Executive Committee members), which can be satisfied by the requirements of the profit share retention policy</li><li>For Executive Committee members with a minimum of 10 years of service at the Executive Director level, compliance with this policy equates to a minimum shareholding requirement of between 100% to 1,170% of fixed remuneration based on share values unadjusted for market price changes.</li></ul>
<b>Promotion and New Hire Awards</b>	<ul style="list-style-type: none"><li>Staff who are promoted to or hired at Associate Director, Division Director or Executive Director level receive an allocation of MEREP awards set with reference to an Australian dollar value. Currently these awards range from the equivalent of \$A25,000 to \$A175,000 depending on the Director level.</li></ul>
<b>Performance fees (carried interest)</b>	<ul style="list-style-type: none"><li>Under Macquarie Asset Management's carried interest arrangements, certain individuals with funds responsibilities may receive a portion of their deferred performance-based remuneration as a share of performance fees paid by Macquarie-managed funds</li><li>The profit share pool is adjusted downwards to reflect these deferred remuneration arrangements, which are also taken into account in determining the individual's profit share allocation</li><li>Consistent with market practice, these individuals are allocated an entitlement to a share of performance fees paid by a particular fund. This allocation is based on performance (including consideration of non-financial factors), seniority and the extent of the individual's involvement with the particular fund</li><li>An individual will not receive their entitlement until Macquarie has received performance fees towards the end of the fund's life, which is typically upwards of 10 years. For funds in place prior to September 2022, the entitlement will be forfeited if their employment ceases before five years from the date of allocation. For funds with a final close in September 2022 or later, vesting generally starts from 3 years from fund final close. Entitlements are subject to similar forfeiture conditions as profit share</li><li>Prior to joining the Executive Committee, Mr Way (who joined the Executive Committee on 1 April 2021) participated in these arrangements for certain funds in his former role. Upon joining the Executive Committee, he maintained his participation in these existing funds, but he has not been allocated any additional entitlements. No other Executive Committee members currently participate in these arrangements.</li></ul>
<b>Hedging</b>	<ul style="list-style-type: none"><li>Macquarie prohibits staff from hedging shares held to meet the minimum shareholding requirement and unvested equity held in the MEREP.</li></ul>

### Employment contracts

The following table summarises key features of the employment contracts for Executive Committee members including the CEO.

<b>Length of contract</b>	Permanent open-ended.
<b>Remuneration review period</b>	1 April to 31 March annually.
<b>Profit share participation</b>	Executive Committee members are eligible to be considered for a profit share allocation that ensures a large part of their remuneration is 'at risk'. Refer to pages 107 to 111 for details.
<b>PSU participation</b>	Executive Committee members are eligible to receive PSUs. Refer to pages 112 to 114 for details.
<b>Termination of employment</b>	Requires no more than three months' notice by Macquarie or the Executive Committee member (Post employment restrictions apply).
<b>Post employment restrictions</b>	Restrictions include non-solicitation provisions applicable for six months, and paid non-competition provisions applicable, at Macquarie's election, for up to three months post-termination.



## Pay for performance

This section details Macquarie's results and demonstrates the link between pay and performance.

### Macquarie's results

Macquarie delivered record financial results for shareholders in FY2023. NPAT has increased by 10% compared to the prior year and EPS has increased by 6%. In addition, returns to shareholders have been strong with an increase in ordinary dividends of 21% compared to the prior year.

Total compensation expense has increased by 14%, largely reflecting the increase in average headcount over the past year as well as wage inflation, with the compensation expense to income ratio (compensation ratio) of 38.1% remaining in line with historical levels. CEO awarded profit share has increased by 28% and total Executive KMP awarded profit share by 22%. These increases are explained in both the Chair letter and the awarded pay tables in the following section.

### Comparison of performance measures and executive remuneration measures: FY2022–2023

	Expressed as	FY2023	FY2022	Increase/(Decrease) %
<b>Performance measures</b>				
NPAT	\$Am	<b>5,182</b>	4,706	10
Basic EPS	Cents per share	<b>1,353.7</b>	1,271.7	6
Ordinary dividends	Cents per share	<b>750.0</b>	622.0	21
Return on equity	Percent	<b>16.9</b>	18.7	
<b>Executive remuneration measures</b>				
Total compensation expense	\$Am	<b>7,278</b>	6,364	14
Compensation expense to income ratio	Percent	<b>38.1</b>	36.7	
Average staff headcount <sup>(16)</sup>		<b>19,480</b>	17,002	15
Actual staff headcount <sup>(16)</sup>		<b>20,509</b>	18,133	13
CEO awarded profit share	\$Am	<b>32.00</b>	25.00	28
Total Executive KMP awarded profit share	\$Am	<b>151.59</b>	123.82	22
CEO statutory remuneration	\$Am	<b>30.40</b>	23.72	28
Total Executive KMP statutory remuneration	\$Am	<b>150.47</b>	129.47	16

### Performance over past 10 years: FY2014–2023

Year ended 31 March	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Income statement</b>										
NPAT (\$Am)	1,265	1,604	2,063	2,217	2,557	2,982	2,731	3,015	4,706	<b>5,182</b>
Basic EPS (cents per share)	383.6	502.3	619.2	657.6	758.2	883.3	791.0	842.9	1,271.7	<b>1,353.7</b>
<b>Shareholder returns</b>										
Return on equity (%)	11.1	14.0	14.7	15.2	16.8	18.0	14.5	14.3	18.7	<b>16.9</b>
Ordinary dividends (cents per share)	260	330	400	470	525	575	430	470	622	<b>750</b>
Special dividends (cents per share) <sup>(17)</sup>	116	-	-	-	-	-	-	-	-	-
Share price as at 31 March (\$A)	57.93	76.67	66.09	90.20	102.90	129.42	85.75	152.83	203.27	<b>175.66</b>
Annual TSR (%) to 31 March <sup>(18),(19)</sup>	67.2	40.0	(9.2)	46.0	21.3	32.8	(29.9)	83.9	38.6	<b>(9.8)</b>
10 year TSR (%) to 31 March <sup>(18),(19)</sup>	189.6	187.7	83.5	99.0	257.7	723.6	220.7	628.6	1,101.9	706.5

(16) Headcount for both FY2023 and FY2022 includes staff employed in certain operationally segregated subsidiaries (OSS).

(17) The special dividend for the year ended 31 March 2014 represented the special dividend component of the SYD Distribution in January 2014. The total distribution including return on capital was 373 cents per share.

(18) TSR data reflects the reinvestment of gross dividends.

(19) Source: Bloomberg.

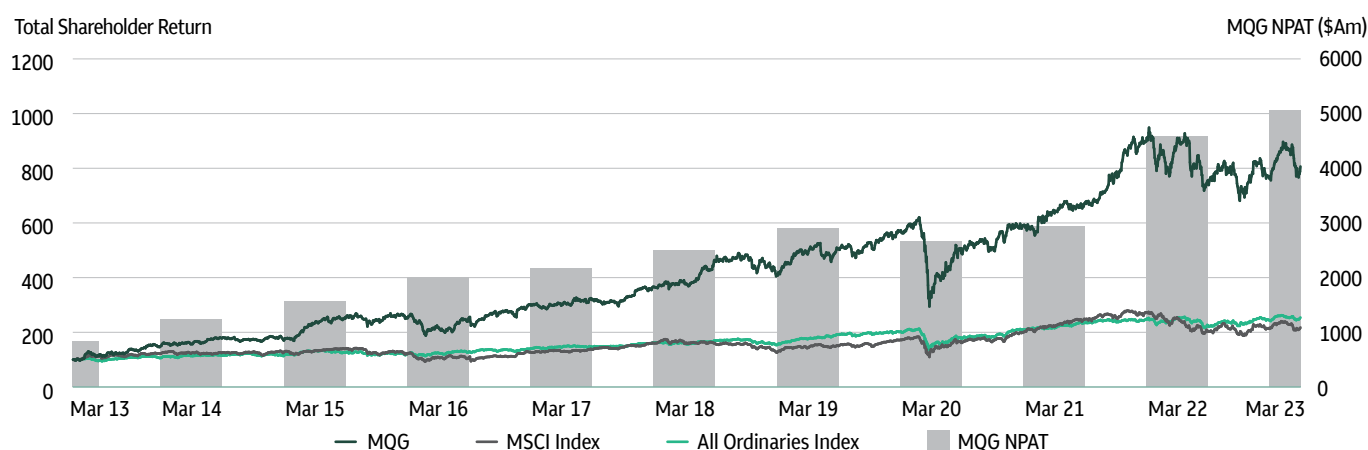
# Remuneration report

Continued

## Total shareholder return

Macquarie's TSR over the long-term has been strong and continues to outperform both the MSCI World Capital Markets Index (MSCI Index) and the All Ordinaries Accumulation Index (All Ords Index), as shown in the chart and table below.<sup>(20),(21)</sup> Macquarie's NPAT over the same period has been shown for reference.

### Macquarie TSR versus the MSCI Index and All Ords Index: 31 Mar 2013 to 31 Mar 2023<sup>(22)</sup>



TSR Performance	MQG	ALL ORDINARIES INDEX	MSCI WORLD CAPITAL MARKETS INDEX
Since listing <sup>(23)</sup>	11,679%	1,133%	148%
10 years <sup>(24)</sup>	707%	154%	118%

Source: Bloomberg.

## Macquarie's ROE performance compared with an international reference group

Macquarie's ROE for FY2023 of 16.9% has decreased from 18.7% in the prior year but remains higher than the average of the international reference group. In addition, Macquarie's three, five and ten-year average annual ROE exceeds the majority of the reference group.

### Reference group ROE over ten years FY2014-2023

	1-year average % p.a.	3-year average % p.a.	5-year average % p.a.	10-year average % p.a.
Macquarie	16.9	16.1	15.8	14.3
Average of reference group	14.5	15.1	13.9	11.8
Company	10.6	9.9	10.3	7.8
Company	9.0	7.6	6.1	3.0
Company	7.5	8.2	8.8	6.5
Company	8.4	4.0	0.5	(0.9)
Company	10.5	14.8	13.5	11.2
Company	13.7	14.4	14.3	12.0
Company	46.7	51.8	48.6	48.7
Company	11.1	13.0	12.5	9.7
Company	13.0	12.3	10.7	8.6

Source: Bloomberg where available, otherwise company reported.

(20) The MSCI World Capital Markets Index comprises a basket of companies that provide capital markets activities (defined by MSCI as asset management, investment banking and brokerage, and diversified capital markets activities).

(21) The All Ords Index comprises the 500 largest ASX listed companies by market capitalisation.

(22) All indexed to 100 on 31 March 2013.

(23) "Since listing" for MQG and All Ords Index refers to MQG listing date 29 July 1996. For MSCI, this refers to the date the MSCI World Capital Markets Index was first calculated, being 30 April 2003. Macquarie TSR calculations assume continuous listing. Therefore, they are based on Macquarie Bank Limited (ASX Code: MBL) data up to and including 2 November 2007 (the last day of trading of MBL shares), and MGL (ASX Code: MQG) data from the commencement of trading of MGL ordinary shares on 5 November 2007 onwards.

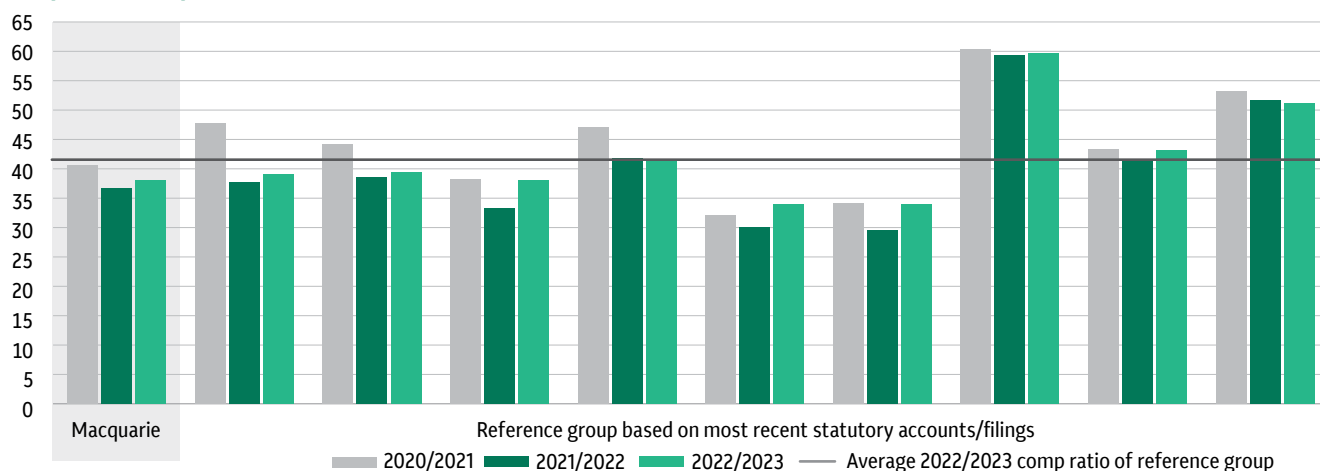
(24) For the period 31 March 2013 to 31 March 2023.

## Compensation expense to income ratio

In determining the reasonableness of the company-wide profit share pool, the Board considers Macquarie's compensation ratio compared with that of the international reference group as a broad guide to assess whether the share of profits distributed to staff and shareholders is reasonable. The compensation ratio effectively adjusts for differences in size between organisations; however, some companies are or have become part of larger organisations, often with large retail operations that can distort comparisons.

In the following chart, Macquarie's compensation ratio is compared with that of the international reference group.<sup>(25)</sup> Macquarie's FY2023 compensation ratio of 38.1% is below the average of our international reference group.

### Compensation expense to income ratio: FY2021-2023 (%)

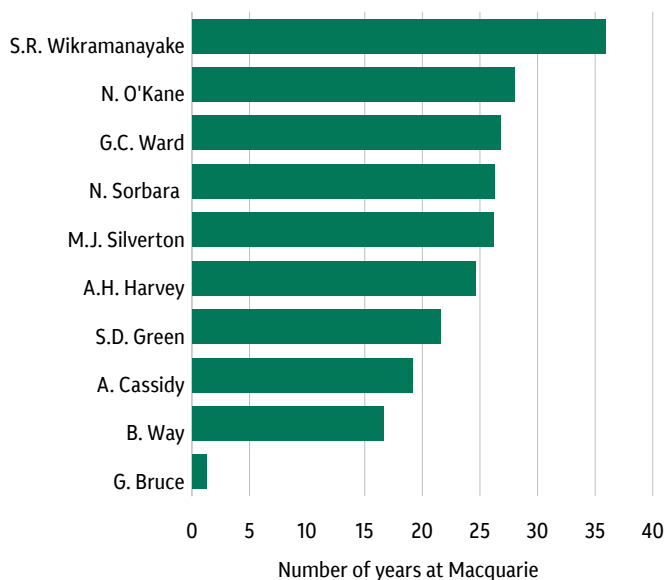


Source: Data has been calculated by Macquarie. The information is based on publicly available information for the reference group. In order to show more comparable compensation ratios, impairments have been consistently netted against net revenue in the revised calculations for some organisations.

## Tenure of Executive KMP<sup>(26)</sup>

One of the primary goals of our remuneration framework is to attract, motivate and retain high-performing staff. The Board's view is that we continue to achieve this goal as demonstrated by the following:

- Macquarie's Executive KMP had an average tenure of 23 years with Macquarie as at 31 March 2023. Their strong leadership and deep expertise have been integral to driving company and business performance in FY2023
- as at 31 March 2023, 49% of Director-level staff had more than ten years' experience with Macquarie, while a further 22% had between five and ten years' experience with Macquarie<sup>(27)</sup>
- the 5% Director-level voluntary turnover rate in FY2023 is lower than the prior year's rate of 6% and well below the voluntary turnover rate across Macquarie overall.<sup>(28)</sup>



(25) The reference group comprises Bank of America Corporation, Barclays PLC, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

(26) This includes accumulated service at acquired companies, for example, Bankers Trust Investment Bank Australia.

(27) Data is based on active permanent staff only.

(28) Data is based on permanent regular staff only.

# Remuneration report

Continued

## Executive KMP remuneration outcomes for FY2023

This section details the process for determining Executive KMP remuneration outcomes for FY2023 and demonstrates the link between pay and performance.

### Process to determine Executive KMP remuneration outcomes

There is a consistent and comprehensive process for the Board and the BRC to assess the performance of the CEO and each Executive KMP during the year to enable them to determine remuneration outcomes at the end of the year. The Board is always mindful of the external focus on overall remuneration levels and has spent considerable time determining remuneration outcomes. The BRC recognises the range of expectations and has made decisions that take into consideration the perspectives of all stakeholders. Significant judgement is applied to ensure that remuneration outcomes are aligned both with individual and company-wide performance and with outcomes delivered to our shareholders, our clients and the communities in which we operate.

As part of the Board's annual review of the Macquarie CEO's performance, the CEO meets with the Board towards the end of the financial year to consider formal documentation that outlines her views of Macquarie's and her own performance. The presentation includes a broad range of Macquarie's activities covering the following main areas:

- financial/business performance
- risk management and compliance
- business leadership including customer and community outcomes
- people leadership and professional conduct consistent with the *Code of Conduct* and the principles of *What We Stand For*.

Over the course of the year the Board receives regular reports and updates on many of these areas. These are summarised in the CEO's presentation, together with additional information on matters of interest the Board has identified for further discussion as a part of the review process. The Board then considers the CEO's performance and progress against all of these topics in determining the CEO's remuneration for the year. A similar process is followed for the CEO of Macquarie Bank focussed on MBL-specific measures.

The Board and the BRC review formal documentation for each Executive KMP, which includes consideration of the same factors as the CEO as set out above.

The BRC also considers risk-related matters raised in the independent reports from the CRO and the Head of Internal Audit. To ensure all matters are appropriately brought to the BRC's attention and to achieve an integrated approach to remuneration that reflects prudent and appropriate risk management, there is a joint meeting of the BRC, BRIC, BAC and the BGCC.

Finally, the BRC considers remuneration levels for organisations that broadly operate in the same markets and compete for the same people as Macquarie.

FY2023 remuneration outcomes reflect:

- this year's achievements against a range of financial and non-financial factors, some of which are discussed below
- the recognition that our people are our greatest asset, and the importance of retaining key people to encourage innovation and pursue growth opportunities
- an alignment to the outcomes delivered to shareholders
- risk management, compliance and conduct outcomes.

### Executive KMP fixed remuneration outcomes

In line with our pay for performance approach to remuneration, fixed remuneration for our Executive KMP in FY2023 comprised approximately 5% of total awarded remuneration, with the balance at risk and explicitly linked to performance.

There were no fixed remuneration increases for Executive KMP for FY2023, other than to reflect the appointment of Mr Cassidy and Mr Green to the Executive Committee. As noted in the 2022 Remuneration Report, fixed remuneration levels have been increased from 1 April 2023, as follows:

Role	FY2023 (\$Am)	FY2024 (\$Am)
CEO	0.8	1.5
MBL CEO	0.7	1.3
Executive KMP	0.7-0.75	1.1 <sup>(29)</sup>

This is the first fixed remuneration increase for Executive KMP since 2010, other than adjustments made when they were first appointed to the Executive Committee. The increases to fixed remuneration for FY2024 were made following the Board's holistic review of the remuneration framework last year, that considered a range of perspectives including those of shareholders and regulators, as well as global peer group benchmarking and the ongoing global competition for talent. Fixed remuneration remains set at a comparatively low level, relative to the industry, and at a lower proportion of total remuneration, but sufficient to avoid inappropriate risk-taking.

(29) For US-based Executive KMP, this is equivalent to \$US750,000.

### FY2023 Executive KMP profit share outcomes

The Board's determination of remuneration outcomes for FY2023 for the CEO and Executive KMP reflect the following factors:

- record profits and strong financial performance
- the diversification of the four Operating Groups and the strength of the underlying franchises which has seen the successful navigation through COVID-19 and an uncertain external environment
- the strong leadership of the Executive Committee, led by the CEO, to effectively role model our purpose and principles and to embed a strong risk culture
- the delivery of strong outcomes for our communities addressing areas of unmet community need including progress on ESG measures critical to maintaining our social licence to operate
- investment in our operating platform and reinforcement of the importance of long-term solutions to support our growth
- an ongoing focus on Macquarie's DEI strategy including the launch of our inaugural RAP in Australia
- an ongoing focus to enhance financial and non-financial risk capabilities and frameworks to ensure they are fit for purpose and support changes in the internal and external environment, including emerging risks in areas such as climate, sustainability and technology
- significant progress and continued investment in regulatory engagements, prudential compliance, regulatory reporting, and governance including progress against the remediation program with APRA to ensure there is appropriate focus on Macquarie Bank.

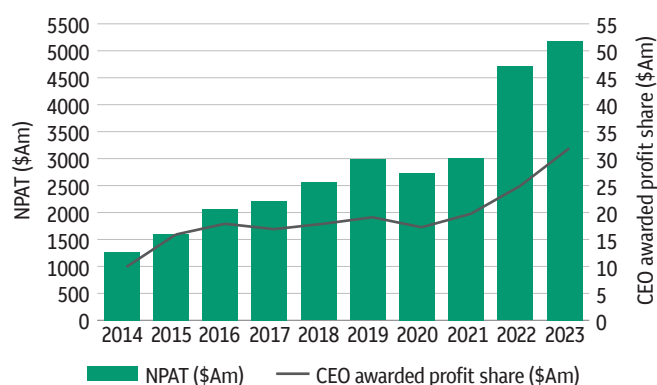
Executive KMP remuneration outcomes have been considered in the context of the wider workforce. The BRC receives extensive reporting on remuneration outcomes and individually reviews and approves the remuneration of Accountable Persons, staff who hold regulated roles, Designated Executive Directors (generally direct reports of Executive KMP) and other senior staff, and has reviewed overall total remuneration levels across each business to ensure appropriate distribution of remuneration across the organisation. The BRC has also considered the compensation expense to income ratio as a guide as to whether the share of profits distributed to staff and shareholders is reasonable.

Through a challenging economic and market environment, we have given careful consideration of all these factors and we believe the following outcomes for the year are appropriate:

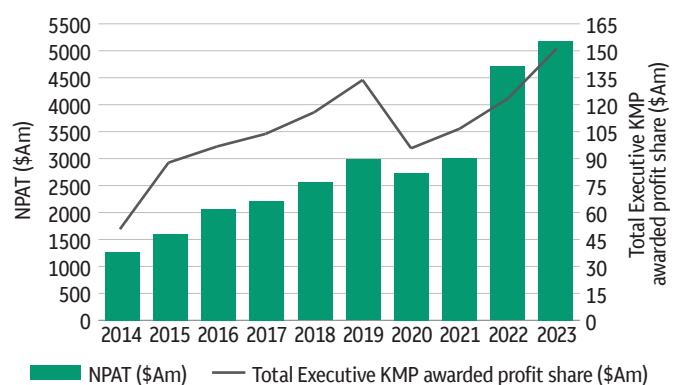
- CEO awarded profit share has increased 28% on the prior year to \$A32.0 million, which considers her sustained strong performance and the aggregate growth that she has led over multiple years as the MGL CEO
- total Executive KMP awarded profit share of \$A151.59 million (up 22% on the prior year)
- PSU allocations of \$A4.0 million for the CEO and \$A2.8 million for other Executive KMP.

To demonstrate the alignment between pay and performance, the following graphs show the multi-year alignment between CEO and total Executive KMP awarded profit share and Macquarie NPAT over a ten-year period.

CEO awarded profit share<sup>(30)</sup>



Total Executive KMP awarded profit share



(30) For 2019, the graph reflects awarded profit share for the CEO role for FY2019. This equates to the sum of awarded profit share for Mr Moore for the period 1 April 2018 to 30 November 2018 and awarded profit share for Ms Wikramanayake for the period 1 December 2018 to 31 March 2019.



# Remuneration report

Continued

## Executive KMP awarded pay

To clearly demonstrate the link between pay and performance, we have included awarded remuneration disclosures for fixed remuneration and profit share as well as highlights of each Executive KMP's performance for the year. Details of PSUs awarded and vested in the year are set out in the following sections. The tables on the following pages are additional disclosures that are prepared on a different basis to those included in the statutory disclosures in Appendix 2 and are not additive. Remuneration relating to the portion of the relevant periods that each person was an Executive KMP is disclosed.

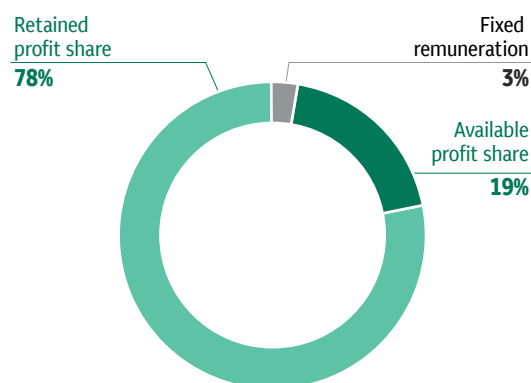
## Macquarie Group

### S.R. Wikramanayake

Macquarie CEO

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	821,081	820,887
Available profit share	6,400,000	5,000,000
Retained profit share	25,600,000	20,000,000
<b>Total</b>	<b>32,821,081</b>	<b>25,820,887</b>

#### FY2023 Awarded remuneration



#### Financial/business results

- Delivered a record NPAT of \$A5,182m, up 10% on the prior year despite the challenging macroeconomic environment
- Completed four full years as CEO, delivering a 24% CAGR on NPAT over this period
- Maintained a strong funded balance sheet and credit ratings and raised funding from diversified sources to support business growth.

#### Risk management and compliance

- Continued to invest in our risk management framework and capabilities
- Focussed on ongoing engagement with staff to improve our risk culture messaging and encourage people to identify and escalate issues
- Continued to invest in regulatory engagements, making significant progress across prudential compliance, regulatory reporting, and governance.

#### Business leadership (including customer and community outcomes)

- Strengthened the diverse franchises of the four Operating Groups, materially uplifted investment across our operational platform and reinforced the importance of long-term solutions to support our growth
- Empowered teams to address areas of unmet need and make meaningful progress on ESG measures that are critical to maintaining our social licence to operate
- Participated actively in external forums including the UK Investment Council, the Australian Federal Government's Investors' Roundtable series and its Southeast Asia Economic Strategy reference group
- Devoted significant time to leadership of global climate initiatives, including participation in the Glasgow Financial Alliance for Net Zero and Climate Finance Leadership Initiative, supporting policy development and strengthening government relationships.

#### People leadership and professional conduct

- Provided strong people leadership, reflected in consistently high Macquarie Voice Survey results
- Continued focus on maintaining and developing our culture and innovation during a period of increased recruitment and hybrid working, including through direct engagement with staff in different forums
- Launched our inaugural RAP in Australia and our refreshed FY2023-2026 Global DEI Strategy
- Invested time as a DEI advocate within Macquarie and the wider community through internal and external speaking engagements.

## Macquarie Bank

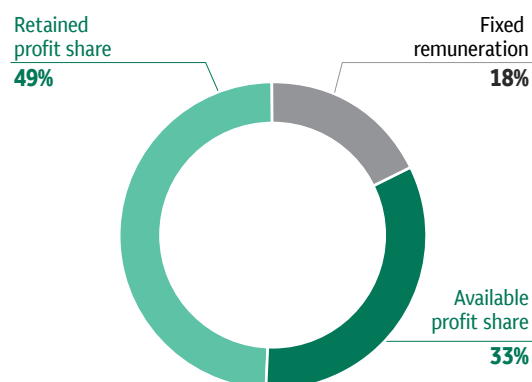
### S.D. Green

Macquarie Bank CEO

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	771,741	536,496
Available profit share	1,400,000	750,000
Retained profit share	2,100,000	1,125,000
<b>Total</b>	<b>4,271,741</b>	<b>2,411,496</b>

Mr Green was appointed to the Executive Committee effective 1 July 2021. Awarded remuneration disclosed for FY2022 reflects his time as Executive KMP from the period 1 July 2021 to 31 March 2022.

### FY2023 Awarded remuneration



### Financial/business results

- Strong management of Macquarie Bank's balance sheet including strong growth in capital utilisation
- Maintained MBL's ratings and outlooks across all three agencies and obtained a second rating for Macquarie Bank Europe DAC
- Fitch upgrade of Macquarie International Finance Limited from A- to A Stable and short-term rating from F-2 to F-1.

### Risk management and compliance

- Continued to develop positive engagement with regulators, including through progress of key regulatory initiatives
- Evolved our risk management framework to ensure continued management of strategic objectives within a challenging macroeconomic and geopolitical environment
- Monitored and strengthened risk culture to protect the interests of MBL and deposit holders, including leading initiatives encouraging people to speak-up.

### Business leadership (including customer and community outcomes)

- Continued to uplift the role of the MBL CEO and the governance structure across the MBL Board, senior management and Central Service Groups
- Protected MBL's interests by putting clients first, ensuring structural independence and clear accountabilities between Bank and non-Bank, proactively managing potential conflicts and representing MBL on prominent industry bodies
- Engaged with investors, peers and external counterparties to optimally support our businesses from a funding and capital perspective, as well as ensure we are compliant with regulatory requirements
- Contributed as a member of the Social Impact Investment Advisory Committee and the Macquarie Group Foundation (the Foundation) Committee.

### People leadership and professional conduct

- Established the MBL CEO office to increase the level of review and challenge that Macquarie Bank provides on a range of matters
- Provided effective 'tone from the top' through cross-group forums promoting the importance of key projects and messages focusing on MBL
- Progressed DEI efforts as a sponsor of the global Accessibility Action Plan and inaugural mentor for Generation Valuable.

# Remuneration report

Continued

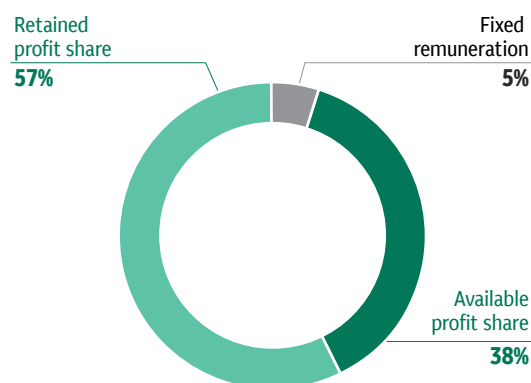
## Macquarie Asset Management (MAM)

**B.I. Way**

Head of MAM

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration <sup>(31)</sup>	907,110	725,135
Available profit share	6,400,000	5,800,000
Retained profit share	9,600,000	8,700,000
<b>Total</b>	<b>16,907,110</b>	<b>15,225,135</b>

### FY2023 Awarded remuneration



(31) The movement in Mr Way's fixed remuneration between FY2022 and FY2023 reflects exchange rate movements and benefits provided to him as part of his relocation from Hong Kong to the US.

### Financial/business results

- Delivered a net profit contribution of \$A2,342 million, down 23% on the prior year mainly due to markets impact on Public Investments and non-repeat disposition fees and investment income
- Increased total funding usage during FY2023 to support medium and long-term growth activities
- Raised a record of \$A38.2 billion in new equity from clients for a diverse range of strategies across the private markets platform.

### Risk management and compliance

- Continued to evolve MAM's risk management framework, driven by business and regulatory change and stakeholder requirements
- Continued to prioritise Work Health and Safety (WHS), which will remain a key focus area during FY2024.

### Business leadership (including customer and community outcomes)

- Continued delivery of MAM's 2030 Strategy with all divisions making good progress
- Focussed on growing core businesses, such as Real Assets Infrastructure strategies and delivering momentum on new investment strategies, such as green investment capabilities
- Focussed on Green Investment Group (GIG) integration including developing a strong portfolio of seed assets
- Completed the integration activities for the acquisition of Waddell & Reed and AMP Capital's Global Equities and Fixed Income businesses
- Continued progress on MAM's 2040 net zero commitment, with net zero targets set for most in-scope portfolio companies.

### People leadership and professional conduct

- Maintained strong staff engagement, and progressed initiatives to foster culture and evolve hybrid working
- Updated MAM's DEI strategy, extending impact to portfolio companies
- Invested in leadership and culture, with senior appointments to strengthen MAM's leadership and optimise the workforce based on business growth needs and market environment.

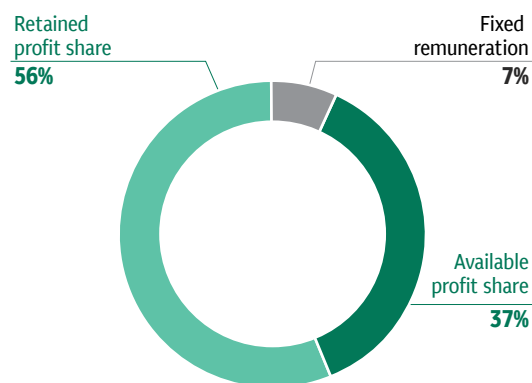
## Banking and Financial Services (BFS)

### G.C. Ward

Deputy Managing Director and Head of BFS

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	771,741	771,594
Available profit share	4,000,000	3,600,000
Retained profit share	6,000,000	5,400,000
<b>Total</b>	<b>10,771,741</b>	<b>9,771,594</b>

#### FY2023 Awarded remuneration



#### Financial/business results

- Delivered a net profit contribution of \$A1,201 million, up 20% on the prior year, with strong underlying portfolio growth despite market challenges
- Strong organic growth with total BFS deposits up 32% to \$A129.4 billion, and funds on platform up 4% to \$A123.1 billion
- Home loan portfolio increased 21% to \$A108.1 billion, and Business Banking loan portfolio increased 13% to \$A13.0 billion
- Car loans portfolio decreased 31% to \$A6.1 billion.

#### Risk management and compliance

- Continued commitment to investing in and refining risk management approach to ensure it remains sustainable, efficient and fit for purpose
- Enhanced fraud prevention and detection capabilities through machine learning and behavioural biometrics
- Continued focus on the delivery of the remediation program with APRA.

#### Business leadership (including customer and community outcomes)

- Continued investment in digitisation and enhancements to products and service offerings to uplift the customer experience
- Continued to develop our specialised electric vehicle buying service to help our clients transition to an electric car
- Received multiple industry awards from Canstar (Savings Bank of the Year), Mozo (Everyday and Savings Bank of the Year), Money Magazine (Best Savings Account & Best Term Deposits), RFI Global (Most outstanding Private Bank), and MFAA (Major Home Lender National Winner).

#### People leadership and professional conduct

- Maintained strong staff engagement, with continued focus on sustaining a high performing and inclusive culture and delivering outstanding people experiences
- Sustained focus on DEI initiatives with ongoing focus on recruitment and development of critical diverse talent.

# Remuneration report

Continued

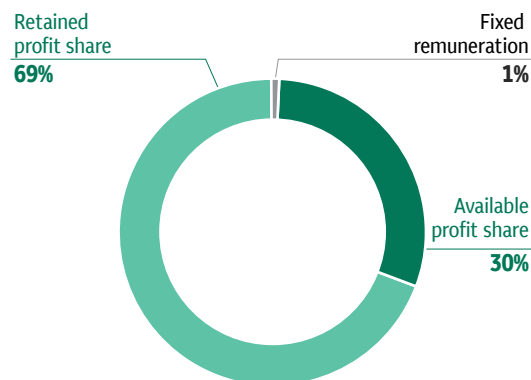
## Commodities and Global Markets (CGM)

**N. O’Kane**  
Head of CGM

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	723,419	723,321
Available profit share	17,067,000	14,200,000
Retained profit share	39,823,000	21,300,000
<b>Total</b>	<b>57,613,419</b>	<b>36,223,321</b>

The BRC exercised its discretion to increase the FY2023 retention rate for Mr O’Kane from 60% to 70%.

### FY2023 Awarded remuneration



### Financial/business results

- Delivered a record net profit contribution of \$A6,007 million, up 54% on a strong prior year
- Profit driven by increased contributions from Commodities and Financial Markets. The Gas, Power and Oil businesses’ profit increased significantly from the prior year reflecting the ongoing strength of the platform and our continued support to clients by providing risk management and financing solutions as well as physical execution and logistics support.

### Risk management and compliance

- Maintained focus on prudent risk management, including with respect to strategic management of non-financial risks
- Continued to evolve a non-financial risk framework, bringing together already established teams and implementing best in class processes
- Continued delivery of the remediation program with APRA including proactive engagement to meet regulatory expectations, and work to uplift the risk management framework.

### Business leadership (including customer and community outcomes)

- Maintained strong market recognition including ranked No. 1 Futures Broker on the ASX,<sup>(32)</sup> and awarded House of Year for Oil and Products,<sup>(33)</sup> Derivatives,<sup>(33)</sup> Natural Gas/LNG,<sup>(34)</sup> Emissions<sup>(35)</sup> and Commodity Trade Finance<sup>(35)</sup>
- Continued effort to uplift external stakeholders’ understanding of the business by telling the CGM story in a simplified way, including the Americas Investor Tour and a recent Americas: Know Your Business session
- Continued investment in large scale initiatives that provide scalability and agility to support ongoing growth, including investment in the technology platform, and the review of end-to-end capital and liquidity programs
- Supported clients by focusing on cross-divisional and cross-group initiatives to help better understand their perspectives.

### People leadership and professional conduct

- Maintained strong staff engagement, notwithstanding broader macro challenges
- Launched a refreshed DEI Action Plan and focused on hiring, retaining and developing diverse and engaged people.

(32) Based on overall market share on ASX24 Futures volumes as at March 2023.

(33) 2022 Energy Risk Awards and 2022 Asia Energy Risk Awards.

(34) 2022 Energy Risk Awards.

(35) 2022 Asia Energy Risk Awards.



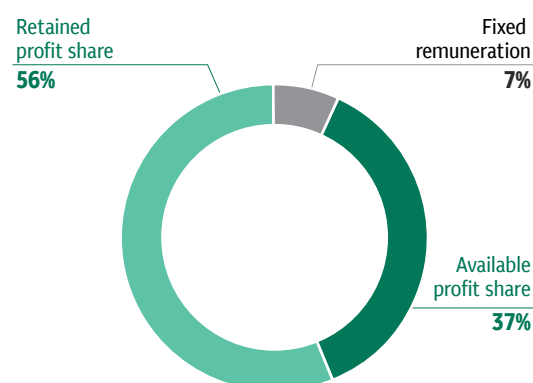
## Macquarie Capital

### M.J. Silvertown

Head of Macquarie Capital

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	784,865	705,436
Available profit share	3,920,000	6,456,000
Retained profit share	5,880,000	9,684,000
<b>Total</b>	<b>10,584,865</b>	<b>16,845,436</b>

#### FY2023 Awarded remuneration



#### Financial/business results

- Delivered a net profit contribution of \$A801 million, down 47% on exceptionally strong FY2022 financial results
- Principal revenue increased significantly from FY2022, offset by higher funding costs
- Total fee revenue decreased from a record prior year because of weakening market conditions.

#### Risk management and compliance

- Maintained focus on embedding a robust risk culture with increased recognition of positive risk behaviours across all roles
- Continued investment in non-financial risk management, including through enhancing training and reporting and uplifting capabilities.

#### Business leadership (including customer and community outcomes)

- Continued progress in strategic priority areas, including:
  - deployment of private credit, with a focus on capital preservation
  - positive equity realisations despite more challenging markets
  - significant traction in client and sector coverage with progress in sell-side M&A mandates and benefits from targeted expansion in areas such as Continental Europe, healthcare and software.
- Delivered positive outcomes for communities through using principal investment and development capabilities to address areas of unmet need such as education, transportation, digital infrastructure and the energy transition
- Maintained the No. 1 rankings in ANZ for M&A in 2022, Global Renewable Financial Adviser, Global Infrastructure Financial Adviser and Education M&A deals by volume. Equities ANZ: No. 1 rankings in research strength, research quality sector research, Trading Strength Index and Important Trading Firm.

#### People leadership and professional conduct

- Increased staff engagement as a result of continued efforts to drive a collaborative, innovative culture through embedding Macquarie's purpose and investing in staff
- Enabled continued growth by attracting talent in strategic sectors and succession planning for long term business resilience
- Role-modelled advocacy for an equitable and inclusive culture and sponsorship of our diverse talent.

# Remuneration report

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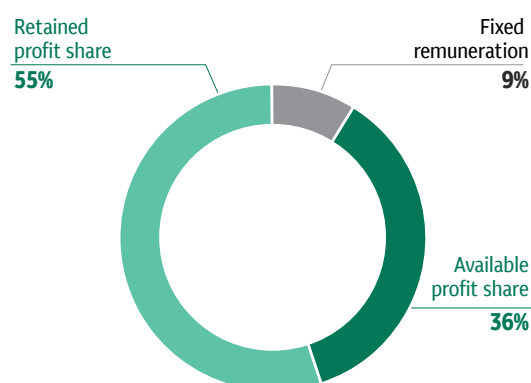
## Corporate Operations Group (COG)

N. Sorbara

COO and Head of COG

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	771,741	771,594
Available profit share	3,200,000	2,900,000
Retained profit share	4,800,000	4,350,000
<b>Total</b>	<b>8,771,741</b>	<b>8,021,594</b>

### FY2023 Awarded remuneration



### Financial/business results

- Provides specialist services in technology, operations, human resources, workplace, data and transformation, strategy, operational risk management, business resilience and global security, and the Foundation
- Material increase in technology investment
- Delivered \$A32 million in cost savings resulting from operating model changes and initiatives focused on technology and operational excellence
- Realised \$A80 million in savings to Macquarie from direct costs influenced by COG.

### Risk management and compliance

- Maintained a strong risk culture and sets a strong 'tone from the top'.
- Continued to meet regulatory obligations through the effective management of group-wide risk frameworks
- Continued to protect Macquarie through investing in preventative cyber security technology and increasing our cyber resilience
- Led the engagement with APRA regarding remuneration-related remediation activities and CPS 511.

### Business leadership (including customer and community outcomes)

- Executed on each Operating and Central Service Group's digitalisation programs with significant progress moving BFS, CGM and MAM onto the public cloud
- Supported CGM's increased trading volumes, products and clients.
- Evolved our workplaces globally, including strong delivery on Metro Martin Place, opening new offices in Milan and Paris and well progressed on new offices in Tokyo and New York
- Delivered the refreshed 2025 Sustainability Plan, including driving sustainability in direct operations to deliver net zero by 2025
- Supported 2,500 non-profit organisations with over \$A52 million contributed by Macquarie employees and the Foundation in FY2023.

### People leadership and professional conduct

- Provided leadership in areas of internal mobility and succession, achieved high staff engagement levels, built a diverse and inclusive work environment, managed record levels of recruitment, reviewed leave benefits and leadership programmes and refreshed our leadership standards
- Continued investment in staff capability through tailored skills programs and partnerships with thought-leaders in innovation, technology, digitalisation and leadership
- Continued focus on the development and promotion of diverse talent, including strengthening the way we attract diverse technology talent.
- Launched our inaugural RAP in Australia.

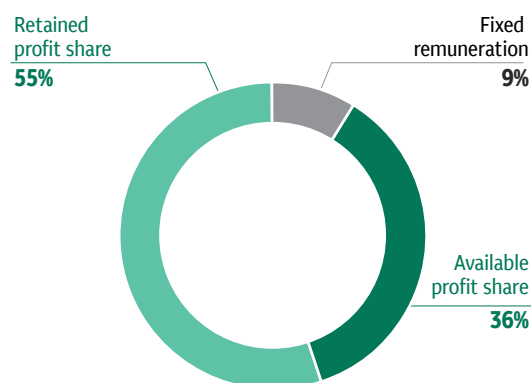
## Financial Management Group (FMG)

A.H. Harvey

CFO and Head of FMG

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	771,741	771,594
Available profit share	3,200,000	2,900,000
Retained profit share	4,800,000	4,350,000
<b>Total</b>	<b>8,771,741</b>	<b>8,021,594</b>

### FY2023 Awarded remuneration



### Financial/business results

- Responsible for providing strategic analysis and advice related to capital, funding, liquidity, tax and financial performance, ensuring Macquarie meets financial, regulatory and tax reporting compliance obligations, and maintaining relationships with external stakeholders
- Played a key role in supporting the strong financial performance of Macquarie, with FMG teams key to analysing and realising organic and inorganic growth opportunities and providing a group-wide perspective on optimising the allocation of capital
- Maintained strong balance sheet, raising \$A3.6 billion of equity capital and \$A23.3 billion of term funding, across a diversified range of products and currencies.

### Risk management and compliance

- Continued to foster a strong risk culture, evolving FMG's internal risk capability with the establishment of a Non-Financial Risk Division
- Progressed initiatives on the remediation program with APRA, including reiterating the risk culture narrative across FMG.

### Business leadership (including customer and community outcomes)

- Continued as Chair of the Foundation, evolving its strategic pillars, long-term strategy and impact. Over \$A52 million contributed to 2,500 non-profit organisations by Macquarie employees and the Foundation in FY2023
- Strengthened relationships and global engagement with governments, regulators, debt and equity investors, banking partners and corporate governance groups
- Led continued multi-year transformation of FMG, realising further key technology uplift initiatives to reduce manual effort through automation and evolving FMG's operating model
- Consolidated and progressed the Capital and Liquidity end-to-end transformations.

### People leadership and professional conduct

- Delivered on people strategy, including uplifting leadership capability to support people in a changing environment
- Launched action plan outlining FMG's commitment to the refreshed global Macquarie DEI strategy, including ongoing focus on inclusion and various aspects of diversity at all levels.

# Remuneration report

Continued

## Risk Management Group (RMG)

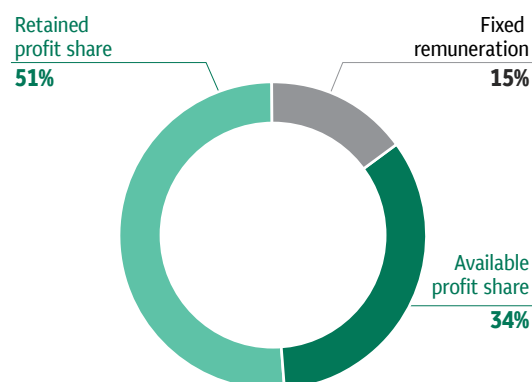
A. Cassidy

CRO and Head of RMG

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	771,741	142,738
Available profit share	1,800,000	280,000
Retained profit share	2,700,000	420,000
<b>Total</b>	<b>5,271,741</b>	<b>842,738</b>

Mr Cassidy was appointed to the Executive Committee effective 1 January 2022. For FY2022, awarded remuneration disclosed reflects his time as Executive KMP from 1 January 2022 to 31 March 2022.

### FY2023 Awarded remuneration



### Financial/business results

- Responsible for providing independent review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks
- Continued strategic work to uplift specific aspects of the risk management framework to ensure it remains fit for purpose and supports changes in the operating environment.

### Risk management and compliance

- Reviewed, challenged and provided strategic direction to support the delivery of the remediation program with APRA to ensure it continues to meet expectations
- Maintained a strong focus on improving non-financial risk management through increased resourcing and training
- Implemented Regulatory Engagement training to ensure continued open and transparent engagement with our regulators.

### Business leadership (including customer and community outcomes)

- Continued to assess and enhance group-wide risk frameworks and capabilities to ensure they are fit for purpose and support changes in the internal and external environment, including emerging risks in areas like climate, sustainability and cyber
- Led the group net zero program and directed development of the 2022 Net Zero and Climate Risk Report.

### People leadership and professional conduct

- Focussed on the people aspects of RMG's strategy, including building capability and recruiting in areas of business growth and innovation
- Delivered Global Conduct Week – a global campaign to promote employee understanding of accountability for risk
- Supported Macquarie's DEI Strategy through progressing RMG initiatives regionally.

## Legal and Governance Group (LGG)

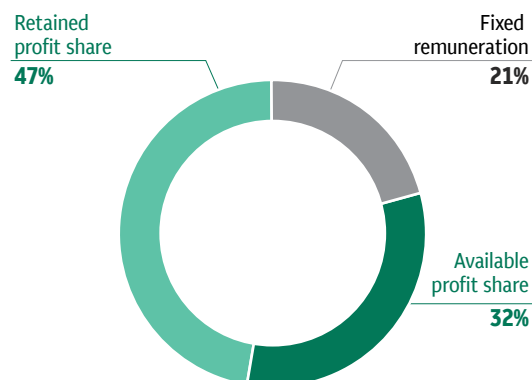
G.N. Bruce

GGC and Head of LGG

Awarded remuneration (\$A)	FY2023	FY2022
Fixed remuneration	771,741	190,267
Available profit share	1,160,000	261,900
Retained profit share	1,740,000	392,850
<b>Total</b>	<b>3,671,741</b>	<b>845,017</b>

Ms Bruce was appointed to the Executive Committee effective 2 March 2022. Awarded remuneration disclosed for FY2022 is from her date of hire, 1 January 2022, to 31 March 2022.

### FY2023 Awarded remuneration



### Financial/business results

- Responsible for providing 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.

### Risk management and compliance

- Played a central role in managing regulatory expectations, including advising on compliance with legislation (both current and upcoming), regulatory requirements and prudential standards.

### Business leadership (including customer and community outcomes)

- Joined as incoming Head of LGG on 1 January 2022, appointed to Executive Committee on 2 March 2022 and appointed as GGC on 7 May 2022
- Set a clear strategy for LGG as one community of legal and governance professionals who protect and represent Macquarie's interests
- Embedded an emphasis on anticipating and supporting emerging risk and growth areas (for example ESG initiatives, including green law, in FY2023)
- Joined the Foundation Committee.

### People leadership and professional conduct

- Focussed on strategic succession planning and diverse representation at senior levels in LGG
- Developed a learning pathways program to provide staff with professional and future skills
- Focussed on attracting and retaining top talent through several sourcing and recruitment initiatives.



# Remuneration report

Continued

## Executive KMP – Allocation of PSUs for FY2023

As set out on page 112, individual PSU allocations were determined based on their role as members of the Executive Committee and contribution to driving the collective performance of Macquarie (taking into consideration both financial and non-financial factors), including their collaboration across businesses.

The number of PSUs to be allocated will be calculated by dividing the face value of the PSU award by the price of MGL ordinary shares on or around the date of grant.

Approval will be sought at Macquarie's 2023 AGM to allocate PSU awards to the Macquarie CEO, who is also an Executive Voting Director.

The table below sets out PSU awards to current Executive KMP but does not include former Executive KMP who received PSU awards in the prior year.

Executive KMP	Value of the FY2023 PSU award (\$A)	Value of the FY2022 PSU award (\$A)
S.R. Wikramanayake	4,000,000	4,000,000
G.N. Bruce <sup>(36)</sup>	2,800,000	1,400,000
A. Cassidy	2,800,000	2,800,000
S.D. Green	2,800,000	2,800,000
A.H. Harvey	2,800,000	2,800,000
N. O'Kane	2,800,000	2,800,000
M.J. Silvertown	2,800,000	2,800,000
N. Sorbara	2,800,000	2,800,000
G.C. Ward	2,800,000	2,800,000
B.I. Way	2,800,000	2,800,000

Page 112 sets out details of the performance hurdles and vesting period applicable to these awards.

## Executive KMP – PSUs vesting during FY2023

The PSUs that completed their performance period on 30 June 2022 comprised the second tranche of those awards granted in 2018 and the first tranche of those granted in 2019. The performance hurdle tests were performed using data sourced from Bloomberg for all companies in the international reference group (as well as Macquarie) and the calculations were reviewed independently. The results showed that the performance hurdles:

- based on Macquarie's relative average annual ROE compared to the international reference group were fully met for both tranches; and
- based on the EPS CAGR in Macquarie's reported financial year were fully met for both tranches.

As a result, 100% of the awards became exercisable on 1 July 2022, as shown below.

PSU tranche	EPS CAGR Hurdle			ROE Hurdle		
	Macquarie result (for vesting period)	Hurdle	Outcome	Macquarie result (for vesting period)	Hurdle	Outcome
2018 Tranche 2	13.81%	50% at 7.5% CAGR	100% exercisable	15.48% (88th percentile)	50% above the 50th percentile <sup>(37)</sup>	100% exercisable
		100% at 12% CAGR			100% at the 75th percentile <sup>(37)</sup>	
2019 Tranche 1	12.93%	50% at 7.5% CAGR	100% exercisable	15.04% (88th percentile)	50% above the 50th percentile <sup>(38)</sup>	100% exercisable
		100% at 12% CAGR			100% at the 75th percentile <sup>(38)</sup>	

(36) As disclosed in the 2022 Remuneration Report, the arrangements to secure Ms Bruce's appointment included a minimum PSU allocation of face value \$A2.0 million for FY2023.

(37) International reference group ROE at 50th percentile 12.86% and international reference group ROE at 75th percentile 14.47%.

(38) International reference group ROE at 50th percentile 13.25% and international reference group ROE at 75th percentile 14.84%.

## Remuneration governance

Effective governance is central to Macquarie's remuneration strategy and approach. The key elements of Macquarie's remuneration governance framework are described below.

BOARD	
<b>Board Remuneration Committee</b>	<b>Board Risk Committee, Board Audit Committee and Board Governance and Compliance Committee</b>
Oversees remuneration policies and practices, and makes recommendations to the Board	Discusses any relevant matters that may impact remuneration in a joint meeting with the Board Remuneration Committee

### Strong Board oversight

The Board oversees Macquarie's remuneration framework and its effective application. The Board has a BRC whose objective is to assist the Board with Macquarie's remuneration policies and practices. The BRC currently comprises three independent Non-Executive Directors (NEDs) as set out in the Directors' Report.

The BRC members have the required experience and expertise in human resources, remuneration and risk to enable them to achieve effective governance of the remuneration framework. The BRC has a regular meeting cycle and met nine times during FY2023. Attendance at meetings by the BRC members is set out in the Directors' Report. Strict processes are in place to ensure conflicts of interest are appropriately managed.

On 1 June 2022, the Board of MBL established the MBL Board Remuneration Committee (MBL BRC). The MBL BRC works closely with the BRC to assist the MBL Board with its oversight of remuneration policies and practices applying to staff of Macquarie Bank.

### BRC responsibilities

The BRC pays close attention to the design and operation of remuneration practices for all Macquarie staff, not just for the most senior executives. The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the Board.

Some of the responsibilities include:

- overseeing the process for the annual review by the Board of the CEOs' and other Executive KMPs' performance
- recommending to the Board the remuneration outcomes for all Executive KMP, Designated Executive Directors and other senior executives
- assessing the effectiveness of the *Remuneration Policy* to ensure compliance with legal and regulatory requirements, as well as to support the alignment of remuneration with prudent risk-taking and professional conduct across the organisation
- recommending the *Remuneration Policy* to the Board for approval.

### Alignment to risk

The BRC liaises with the BRiC, BAC and BGCC to ensure there is effective co-ordination between the Committees to assist in producing an integrated approach to remuneration that reflects prudent and appropriate risk management.

As set out on page 117, the CRO and the Head of Internal Audit provide the BRC with independent reports detailing significant risk matters (financial and non-financial) including those relating to incidents, issues, and regulatory and litigation matters. A joint meeting of the BRC, BRiC, BAC and BGCC is held to discuss these matters, with the CRO and the Head of Internal Audit in attendance. The GGC attends as required to provide a further source of independent input, including on matters that might lead to a malus determination.

### Engagement with external stakeholders

The Chair of the Board and the BRC Chair undertook a series of meetings with investors and proxy advisors during the year to communicate our remuneration approach and to hear any concerns raised by the investor community.

They also engaged with APRA during the year regarding Macquarie's implementation plan for the requirements of CPS 511.

# Remuneration report

Continued

## Independent remuneration review

The BRC has retained Pay Governance as its independent remuneration consultant, for the use of the Board to obtain advice on the appropriateness of Macquarie's remuneration framework.

The only service that Pay Governance provides to Macquarie is executive compensation consulting to the BRC. Pay Governance has not made any remuneration recommendations, as defined by the *Corporations Act 2001* (Cth) (the Act). The BRC is responsible for making decisions within the terms of its Charter. Pay Governance's terms of engagement set out their independence from members of Macquarie's management. This year, Pay Governance:

- provided information on global remuneration and regulatory trends
- considered alignment with shareholder interests
- compared individual remuneration for Executive KMP where relevant comparator company information was available
- considered Macquarie's overall remuneration approach compared to comparator company organisations.

Pay Governance's findings included that:

- the objectives of Macquarie's remuneration framework are similar to those cited by other leading global investment banks
- Macquarie's remuneration components support its remuneration objectives and principles and are largely consistent with practices at other leading global investment banks, including that performance-based remuneration takes risk management into account.

## Non-Executive Director remuneration

The Board seeks to appoint and appropriately remunerate high calibre NEDs. Reflecting the Board's role, the remuneration arrangements applicable to NEDs, as outlined in this section, differ significantly from the arrangements applicable to executives.

### Non-Executive Director remuneration

Non-Executive Director fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board.

The NED remuneration framework seeks to remunerate high calibre directors by:

- setting an overall fee that reflects the scale and complexity of Macquarie including additional risk management and regulatory responsibilities and the global financial nature of Macquarie's activities
- setting Board and Committee fees to reflect the time commitment required to meet the responsibilities involved in the annual scheduled calendar, taking into account market rates for relevant organisations and market trends
- paying separate fees for additional responsibilities that may arise on an ad hoc basis
- delivering these fees in a form that is not contingent on Macquarie's performance
- setting a minimum shareholding requirement to align the interest of NEDs with MGL shareholders.

The Board ensures that NED remuneration for MGL NEDs, including any fees for being a member of the MBL Board, does not exceed the maximum aggregate amount approved by shareholders for this purpose. Shareholders approved the current limit (\$A5.0 million per annum) at MGL's 2019 AGM.

Board and Board Committee fees are reviewed annually.<sup>(39)</sup> An internal review of NED fees was completed during the year. The Boards determined, following this review, that Board and Board Committee fees would remain unchanged. In a separate review relating to the governance initiatives approved by the MBL Board in FY2022, including the appointment of bank-only non-executive directors (BONDs) to the MBL Board, the MGL Board Nominating Committee (BNC) fee was increased from \$A8,500 per annum to \$A18,500 per annum effective from 1 June 2022 to reflect the expected increased workload of that Committee.

The CEO is not remunerated separately for acting as an Executive Voting Director.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive profit share payments. There are no termination payments to NEDs on their retirement from office other than payments relating to their accrued superannuation contributions comprising part of their remuneration, if any.

NEDs may elect to receive their remuneration, in part, in the form of superannuation contributions over and above the minimum level of contribution required under applicable legislation.

(39) MGL has five standing Board Committees.

(40) Annual director fees include all fees payable by MGL to a NED for acting as a director of MGL and MBL, including attending and participating in any board committee meetings.

(41) The Chair of the Board does not receive Board Committee membership fees.

(42) The BNC fee was increased from \$A8,500 to \$A18,500 effective from 1 June 2022.

### Minimum shareholding requirement for Non-Executive Directors

To align the interests of the Board with shareholders, the Board has a minimum shareholding requirement for NEDs, who are required to have a meaningful direct shareholding in Macquarie.

The Board minimum shareholding requirement:

- for NEDs other than the Chair, is an investment equivalent to one times the average annual NED fee for the financial year ending prior to their appointment
- for the Chair, is an investment equivalent to one times the annual Chair fee. Where the Chair is also the MBL Chair, this calculation will reflect the aggregate fee for the role of MBL Chair and MGL Chair, with the minimum number of shares to be determined using the share price as at the date of their appointment.

The above requirements are to be met within three years from appointment with one third of the requirement to be held after one year, two thirds after two years and in full after three years.

Under Macquarie's *Trading Policy*, NEDs may only trade Macquarie securities during designated trading windows and are prohibited from hedging shares held to meet this minimum shareholding requirement. Each NED's current holding of MGL ordinary shares is included on page 88 of the Directors' Report.

Annual Director Fees <sup>(40)</sup>	Chair \$A <sup>(41)</sup>	Member \$A
Board	935,000	275,000
Board Audit Committee (BAC)	80,000	37,000
Board Governance and Compliance Committee (BGCC)	80,000	37,000
Board Remuneration Committee (BRC)	80,000	37,000
Board Risk Committee (BRiC)	80,000	37,000
Board Nominating Committee (BNC) <sup>(42)</sup>	n/a	18,500

# Remuneration report

Continued

## Appendix 1: Key Management Personnel (KMP) for FY2023

All the individuals listed below have been determined to be KMP for FY2023 for the purposes of the Act and as defined by AASB 124 *Related Party Disclosures*. KMP include Executive Voting Directors and Executives with authority and responsibility for planning, directing and controlling the activities of MGL and its controlled entities (together making Executive KMP) and NEDs. MGL's NEDs are required by the Act to be included as KMP for the purposes of disclosures in the Remuneration Report. However, the NEDs do not consider themselves part of management.

Name	Position	Term as KMP for FY2023
<b>Executive Voting Director</b>		
S.R. Wikramanayake	CEO	Full year
<b>Non-Executive Directors</b>		
J.R. Broadbent AC	Independent Director	Full year
P.M. Coffey	Independent Director	Full year
M.J. Coleman	Independent Director	Ceased to be a member of the Board on 28 July 2022 <sup>(43)</sup>
M.A. Hinchliffe	Independent Director	Full year
R.J. McGrath	Independent Director	Full year
M. Roche	Independent Director	Full year
G.R. Stevens AC	Independent Chair	Full year <sup>(44)</sup>
N.M. Wakefield Evans AM	Independent Director	Full year
P.H. Warne	Former Independent Chair	Ceased to be a member of the Board on 9 May 2022 <sup>(45)</sup>
<b>Executives<sup>(46)</sup></b>		
G.N. Bruce	GGC, Head of LGG	Full year
A. Cassidy	CRO, Head of RMG	Full year
S. D. Green	Macquarie Bank CEO	Full year
A.H. Harvey	CFO, Head of FMG	Full year
N. O'Kane	Head of CGM	Full year
M.J. Silverton	Head of Macquarie Capital	Full year
N. Sorbara	COO, Head of COG	Full year
G.C. Ward	Deputy Managing Director and Head of BFS	Full year
B. I. Way	Head of MAM	Full year

(43) Mr Coleman ceased to be a member of the MGL Board on 28 July 2022 and became a BOND on 29 July 2022.

(44) Mr Stevens became Chair of the MGL and MBL Boards on 10 May 2022.

(45) Mr Warne retired from his roles as Chair and Independent Director of the MGL and MBL Boards on 9 May 2022.

(46) All Executives as well as the CEO were members of the Executive Committee as at 5 May 2023.



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# Remuneration report

Continued

## Appendix 2: Executive KMP remuneration disclosure (in accordance with Australian Accounting Standards)

Name	Position	Year	SHORT-TERM EMPLOYEE BENEFITS		
			Salary (including superannuation) \$A	Performance related remuneration \$A	Total short-term employee benefits \$A
<b>Executive Voting Director</b>					
S.R. Wikramanayake	Macquarie Group CEO	2023	821,081	6,400,000	7,221,081
		2022	820,887	5,000,000	5,820,887
<b>Executives</b>					
A.H. Harvey	CFO, Head of FMG	2023	771,741	3,200,000	3,971,741
		2022	771,594	2,900,000	3,671,594
N. O'Kane	Head of CGM	2023	723,419	17,067,000	17,790,419
		2022	723,321	14,200,000	14,923,321
M.J. Silvertown <sup>(47)</sup>	Head of Macquarie Capital	2023	784,865	3,920,000	4,704,865
		2022	705,436	6,456,000	7,161,436
N. Sorbara	COO, Head of COG	2023	771,741	3,200,000	3,971,741
		2022	771,594	2,900,000	3,671,594
G.C. Ward	Deputy Managing Director, Head of BFS	2023	771,741	4,000,000	4,771,741
		2022	771,594	3,600,000	4,371,594
B.I. Way <sup>(48),(49)</sup>	Head of MAM	2023	907,110	6,400,000	7,307,110
		2022	725,135	5,800,000	6,525,135
<b>Total Remuneration - Comparable Executive KMP<sup>(50)</sup></b>		2023	5,551,698	44,187,000	49,738,698
		2022	5,289,561	40,856,000	46,145,561
<b>New and former Executives</b>					
G.N. Bruce <sup>(51)</sup>	GGC, Head of LGG	2023	771,741	1,160,000	1,931,741
		2022	190,267	261,900	452,167
A. Cassidy <sup>(49)</sup>	CRO, Head of RMG	2023	771,741	1,800,000	2,571,741
		2022	142,738	280,000	422,738
S.D. Green <sup>(49)</sup>	Macquarie Bank CEO	2023	771,741	1,400,000	2,171,741
		2022	536,496	750,000	1,286,496
F. Herold	Former Head of Macquarie Capital Principal Finance	2023	-	-	-
		2022	396,183	254,499	650,682
M.J. Reemst	Former Macquarie Bank CEO	2023	-	-	-
		2022	192,337	-	192,337
P.C. Upfold <sup>(52)</sup>	Former CRO, Head of RMG	2023	-	-	-
		2022	581,327	1,960,000	2,541,327
D. Wong	Former Co-Head of Macquarie Capital	2023	-	-	-
		2022	2,755,447	-	2,755,447
<b>Total Remuneration - Executive KMP (including new and former Executives)</b>		2023	7,866,921	48,547,000	56,413,921
		2022	10,084,356	44,362,399	54,446,755

(47) Mr Silvertown is paid in US dollars. His base salary for FY2023 differs to FY2022 due to exchange rate movements. As a US tax resident, Mr Silvertown's remuneration is subject to US social security and Medicare taxes, payable by Macquarie. Amounts of \$A138,000 and \$A218,000 were paid during FY2022 and FY2023, respectively, and are not included in Mr Silvertown's statutory remuneration.

(48) The movement in Mr Way's fixed remuneration reflects exchange rate movements and benefits provided to him as part of his relocation from Hong Kong to the US. As a US tax resident, Mr Way's remuneration is subject to US social security and Medicare taxes, payable by Macquarie. An amount of \$A19,000 was paid during FY2023 and is not included in Mr Way's statutory remuneration.

(49) Mr Cassidy, Mr Green and Mr Way were appointed to the Executive Committee on 1 January 2022, 1 July 2021 and 1 April 2021, respectively.

(50) Comparable KMP are Executive KMP who are members of the Executive Committee for the full year in both FY2023 and FY2022.

(51) Ms Bruce was hired by Macquarie on 1 January 2022 and appointed to the Executive Committee on 2 March 2022. To secure Ms Bruce's appointment, the Board determined it was necessary and appropriate to provide competitive remuneration arrangements. This included awarding minimum profit share allocations of \$A654,750 and \$A2.619 million for the performance years ending 31 March 2022 and 2023, respectively (subject to Macquarie's standard remuneration arrangements) and a minimum PSU allocation of face value \$A2.0 million for FY2023 (subject to the performance hurdles and other conditions applicable to the PSU allocations awarded to other Executive Committee members).

(52) Mr Upfold ceased to be a member of the Executive Committee on 31 December 2021 and retired on 16 July 2022. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A4.8 million in FY2023.

LONG-TERM EMPLOYEE BENEFITS			SHARE BASED PAYMENTS				Total Remuneration \$A	Percentage of remuneration that consists of PSUs %
Restricted profit share \$A	Earnings on prior years' restricted profit share \$A	Total long-term employee benefits \$A	Equity awards \$A	PSUs \$A	Total share-based payments \$A			
<b>2,560,000</b>	<b>2,642,127</b>	<b>5,202,127</b>	<b>15,000,954</b>	<b>2,980,078</b>	<b>17,981,032</b>	<b>30,404,240</b>		
2,000,000	1,401,253	3,401,253	11,654,512	2,841,726	14,496,238	23,718,378	12%	
<b>480,000</b>	<b>343,104</b>	<b>823,104</b>	<b>3,846,002</b>	<b>1,870,796</b>	<b>5,716,798</b>	<b>10,511,643</b>	<b>18%</b>	
435,000	136,239	571,239	3,597,080	1,693,434	5,290,514	9,533,347	18%	
<b>3,982,300</b>	<b>1,220,197</b>	<b>5,202,497</b>	<b>17,593,725</b>	<b>2,109,455</b>	<b>19,703,180</b>	<b>42,696,096</b>	<b>5%</b>	
2,130,000	422,132	2,552,132	12,857,404	2,057,261	14,914,665	32,390,118	6%	
<b>588,000</b>	<b>393,301</b>	<b>981,301</b>	<b>4,770,628</b>	<b>1,758,795</b>	<b>6,529,423</b>	<b>12,215,589</b>	<b>14%</b>	
968,400	131,612	1,100,012	4,404,025	1,281,464	5,685,489	13,946,937	9%	
<b>480,000</b>	<b>344,233</b>	<b>824,233</b>	<b>3,856,298</b>	<b>1,870,796</b>	<b>5,727,094</b>	<b>10,523,068</b>	<b>18%</b>	
435,000	136,432	571,432	3,599,870	1,713,380	5,313,250	9,556,276	18%	
<b>1,200,000</b>	<b>946,218</b>	<b>2,146,218</b>	<b>4,606,203</b>	<b>2,109,455</b>	<b>6,715,658</b>	<b>13,633,617</b>	<b>15%</b>	
1,080,000	381,019	1,461,019	4,408,060	2,084,601	6,492,661	12,325,274	17%	
<b>4,800,000</b>	<b>2,669,933</b>	<b>7,469,933</b>	<b>2,456,941</b>	<b>936,669</b>	<b>3,393,610</b>	<b>18,170,653</b>	<b>5%</b>	
4,350,000	994,118	5,344,118	1,771,893	460,353	2,232,246	14,101,499	3%	
<b>14,090,300</b>	<b>8,559,113</b>	<b>22,649,413</b>	<b>52,130,751</b>	<b>13,636,044</b>	<b>65,766,795</b>	<b>138,154,906</b>		
11,398,400	3,602,805	15,001,205	42,292,844	12,132,219	54,425,063	115,571,829		
<b>174,000</b>	<b>5,132</b>	<b>179,132</b>	<b>407,908</b>	<b>737,125</b>	<b>1,145,033</b>	<b>3,255,906</b>	<b>23%</b>	
39,285	-	39,285	25,831	66,261	92,092	583,544	11%	
<b>270,000</b>	<b>42,610</b>	<b>312,610</b>	<b>870,592</b>	<b>936,669</b>	<b>1,807,261</b>	<b>4,691,612</b>	<b>20%</b>	
42,000	3,174	45,174	139,954	113,512	253,466	721,378	16%	
<b>210,000</b>	<b>71,782</b>	<b>281,782</b>	<b>981,118</b>	<b>936,669</b>	<b>1,917,787</b>	<b>4,371,310</b>	<b>21%</b>	
112,500	19,704	132,204	581,267	345,580	926,847	2,345,547	15%	
-	-	-	-	-	-	-	-%	
62,743	24,721	87,464	547,784	134,915	682,699	1,420,845	10%	
-	-	-	-	-	-	-	-%	
-	27,423	27,423	4,118,505	1,259,090	5,377,595	5,597,355	22%	
-	-	-	-	-	-	-	-%	
294,000	107,757	401,757	4,662,483	1,435,423	6,097,906	9,040,990	16%	
-	-	-	-	-	-	-	-%	
(2,913,498)	156,587	(2,756,911)	(4,529,854)	(1,284,251)	(5,814,105)	(5,815,569)	22%	
<b>14,744,300</b>	<b>8,678,637</b>	<b>23,422,937</b>	<b>54,390,369</b>	<b>16,246,507</b>	<b>70,636,876</b>	<b>150,473,734</b>		
9,035,430	3,942,171	12,977,601	47,838,814	14,202,749	62,041,563	129,465,919		

# Remuneration report

Continued

## Additional information regarding the statutory remuneration disclosures set out in this Appendix

The remuneration disclosures set out in this Appendix have been prepared in accordance with Australian Accounting Standards and differ to the additional disclosures set out on pages 124 to 133.

Under the requirements of AASB 124 *Related Party Disclosures*, the remuneration disclosures for the years ended 31 March 2023 and 31 March 2022 only include remuneration relating to the portion of the relevant periods that each person was an Executive KMP.

The following information provides more detail regarding some of the column headings in this Appendix:

1. *Short-term employee benefits:*
  - (a) *Salary:* includes salary, superannuation, any accrual for long service leave and other benefits
  - (b) *Performance-related remuneration:* this represents the cash portion of each person's profit share allocation for the reporting period as an Executive KMP.
2. *Long-term employee benefits:*
  - (a) *Restricted profit share:* this represents the amount of retained profit share awarded for the current period that is deferred to future periods and held as a notional investment in Macquarie-managed fund equity (DPS Plan)
  - (b) *Earnings on prior years' restricted profit share:* Profit share amounts retained under the DPS Plan are notionally invested in Macquarie-managed funds, providing Executive Directors with an economic exposure to the underlying investments. Executive Directors are each entitled to amounts equivalent to the investment earnings (dividends/distributions and security price appreciation) on the underlying securities. The notional returns are calculated based on Total Shareholder Return. Where these amounts are positive, they may be paid to Executive Directors and are included in these remuneration disclosures as part of 'Earnings on prior years' restricted profit share'. If there is a notional loss, this loss will be offset against any future notional income until the loss is completely offset and is reported as a negative amount in the same column. These earnings reflect the investment performance of the assets in which prior years' retained amounts have been notionally invested. Their inclusion in the individual remuneration disclosures on the previous pages may, therefore, cause distortions when year-on-year remuneration trends are examined. They do not reflect remuneration review decisions made about the individual's current year performance.
3. *Share-based payments:*
  - (a) *Equity awards including shares:* This represents the current year expense for retained profit share that is invested in MGL ordinary shares under the MEREP as described on page 110. This is recognised as an expense over the respective vesting periods, or service period if shorter, as described on page 109 and includes amounts relating to prior years equity awards that have been previously disclosed. Equity awards in respect of FY2023 performance will be granted during FY2024; however, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022. The expense is estimated using the price of MGL ordinary shares as at 31 March 2023 and the number of equity awards expected to vest. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of the accounting fair value for each equity award when granted and will use this validation for recognising the expense over the remaining vesting period.
  - (b) *PSUs:* This represents the current year expense for PSUs that is recognised over the vesting period as described on page 112. This includes amounts relating to prior years' PSU awards. PSU awards in respect of FY2023 will be granted during FY2024; however, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022. The expense is estimated using the price of MGL ordinary shares as at 31 March 2023 and the number of PSUs expected to vest. The estimate also incorporates an interest rate to maturity of 4.24% per annum, expected vesting date of 1 July 2027, and a dividend yield of 3.28% per annum. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of the accounting fair value for each PSU when granted and will use this validation for recognising the expense over the remaining vesting period. Performance hurdles attached to the PSUs allow for PSUs to become exercisable upon vesting only when the relevant performance hurdles are met. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.

## Appendix 3: Non-Executive Director remuneration

The remuneration arrangements for all the persons listed below as NEDs are described on page 137 of the Remuneration Report. The fees shown include fees paid as members of both the MGL and MBL Boards.

	Year	Fees \$A	Other benefits <sup>(53)</sup> \$A	Total Compensation \$A
J.R. Broadbent AC <sup>(54)</sup>	2023	378,000	-	378,000
	2022	394,875	-	394,875
G.M. Cairns <sup>(55)</sup>	2023	-	-	-
	2022	34,527	-	34,527
P.M. Coffey <sup>(56)</sup>	2023	415,000	-	415,000
	2022	392,708	-	392,708
M.J. Coleman <sup>(57)</sup>	2023	143,891	6,300	150,191
	2022	431,375	12,000	443,375
D.J. Grady AO <sup>(58)</sup>	2023	-	-	-
	2022	351,554	-	351,554
M.A. Hinchliffe <sup>(59)</sup>	2023	388,979	6,300	395,279
	2022	29,792	-	29,792
R.J. McGrath <sup>(60)</sup>	2023	396,667	-	396,667
	2022	352,625	-	352,625
M. Roche <sup>(61)</sup>	2023	396,667	-	396,667
	2022	352,625	-	352,625
G.R. Stevens AC <sup>(62)</sup>	2023	872,903	-	872,903
	2022	391,292	-	391,292
N.M. Wakefield Evans AM	2023	445,833	-	445,833
	2022	431,375	-	431,375
P.H. Warne <sup>(63)</sup>	2023	100,538	-	100,538
	2022	923,750	-	923,750
<b>Total Remuneration - Non-Executive KMP</b>	2023	<b>3,538,478</b>	<b>12,600</b>	<b>3,551,078</b>
	2022	4,086,498	12,000	4,098,498

(53) Other benefits for NEDs include due diligence fees paid to Mr Coleman and Ms Hinchliffe of \$A6,300 each in FY2023 (FY2022: \$A12,000 due diligence fees paid to Mr Coleman).

(54) Ms Broadbent ceased to be a member of the BRIC on 1 June 2022.

(55) Mr Cairns ceased to be a member of the MGL and MBL Boards on 7 May 2021.

(56) Mr Coffey ceased to be a member of the BAC and BRC and became a member of the BGCC on 1 June 2022.

(57) Mr Coleman ceased to be a member of the MGL Board on 28 July 2022, at which point he became a BOND. BOND fees are received from MBL and are set out in the 2023 MBL Annual Report.

(58) Ms Grady ceased to be a member of the MGL and MBL Boards on 24 February 2022.

(59) Ms Hinchliffe was appointed to the MGL and MBL Boards as an Independent Voting Director and became a member of the BAC, the BRIC and the BNC on 1 March 2022.

Ms Hinchliffe ceased to be a member of the BRIC on 1 June 2022. She became a member of the BGCC and Chair of the BAC on 28 July 2022.

(60) Ms McGrath became a member of the BRC on 1 June 2022.

(61) Mr Roche became a member of the BAC on 1 June 2022.

(62) Mr Stevens became Chair of the MGL and MBL Boards on 10 May 2022. He ceased to be a member of the BAC and BRIC on 1 June 2022.

(63) Mr Warne retired from his roles as Chair and Independent Voting Director of the MGL and MBL Boards on 9 May 2022.



# Remuneration report

Continued

## Appendix 4: Share disclosures

### Shareholdings of KMP and their related parties

The following table sets out details of MGL ordinary shares held during the financial year by KMP including their related parties.

Name and position	Number of shares held at 1 April 2022 <sup>(64)</sup>	Shares received on withdrawal from the MEREP <sup>(65)</sup>	Other changes <sup>(66)</sup>	Number of shares held at 31 March 2023 <sup>(67),(68)</sup>
<b>Executive Voting Director</b>				
S.R. Wikramanayake	1,007,159	80,935	-	<b>1,088,094</b>
<b>Non-Executive Directors</b>				
J.R. Broadbent AC	16,062	-	-	<b>16,062</b>
P.M. Coffey	8,895	-	-	<b>8,895</b>
M.J. Coleman <sup>(69)</sup>	9,655	1,118	(463)	<b>10,310</b>
M.A. Hinchliffe	-	-	2,127	<b>2,127</b>
R.J. McGrath	2,210	-	540	<b>2,750</b>
M. Roche	2,156	-	1,348	<b>3,504</b>
G.R. Stevens AC	4,847	-	1,000	<b>5,847</b>
N.M. Wakefield Evans AM	7,267	-	-	<b>7,267</b>
P.H. Warne	14,933	-	-	<b>14,933</b>
<b>Executives</b>				
G.N. Bruce	-	-	69	<b>69</b>
A. Cassidy	18	3,097	(3,097)	<b>18</b>
S.D. Green	232	6,150	(6,150)	<b>232</b>
A.H. Harvey	28,843	42,633	(71,476)	<b>-</b>
N. O'Kane	6,386	97,126	(96,672)	<b>6,840</b>
M.J. Silvertown	19,802	28,150	(43,290)	<b>4,662</b>
N. Sorbara	9,384	41,524	(41,524)	<b>9,384</b>
G.C. Ward	-	56,754	(56,754)	<b>-</b>
B.I. Way	4,175	10,312	(14,487)	<b>-</b>

(64) Or date of appointment if later.

(65) For RSUs, this represents RSUs vesting during the current financial year. For DSUs, this represents vested DSUs exercised during the current financial year.

(66) Includes on market acquisitions and disposals.

(67) Or date of ceasing to be a KMP if earlier.

(68) In addition to the MGL ordinary shares set out in this table, Executive KMP also hold an interest in MGL ordinary shares through the MEREP, as set out in the table on page 148.

(69) A related party of Mr Coleman holds RSU awards, some of which vested during the year. Mr Coleman does not influence any investment decisions over, nor does he benefit from, this holding.

## RSU awards to KMP

The following table sets out details of the RSU awards associated with Macquarie equity granted to Executive KMP. Grants made to Executive KMP prior to their joining the Executive Committee are not disclosed. PSUs are disclosed in a separate table.

A significant portion of an Executive KMP's retained profit share is invested in Macquarie equity, delivered as RSUs. RSUs are units comprising a beneficial interest in MGL ordinary shares held in a trust for the staff member. For further details, refer to Note 32 *Employee equity participation* to the financial statements in the Financial Report. There have been no alterations to the terms or conditions of the grants set out below since the grant date.

RSU awards are subject to forfeiture as set out on page 110.

The maximum potential value of unvested awards could vary significantly and is dependent on the MGL ordinary share price at the time of vesting. Retention rates, the vesting profiles and service and performance criteria for the current year are set out on pages 109 to 110. RSUs are granted in the financial year following the year of Macquarie's performance to which the grant relates. For example, RSUs granted to KMP in June 2022 relate to their performance in FY2022. All awards that were eligible to vest, vested during the year. No awards were forfeited during the year.

Name and position	RSU awards granted to date	Grant date	Number vested during the year <sup>(70)</sup>
<b>Executive Voting Director</b>			
S.R. Wikramanayake	<b>106,628</b>	<b>02-Aug-22</b>	-
	94,193	03-Aug-21	-
	139,266	04-Aug-20	-
	65,003	15-Aug-19	13,000
	49,162	21-Jun-18	9,832
	49,025	22-Jun-17	9,805
	54,473	17-Jun-16	10,894
	42,608	06-Jul-15	8,524
<b>Executives</b>			
G.N. Bruce	<b>2,094</b>	<b>21-Jun-22</b>	-
A. Cassidy	<b>7,997</b>	<b>21-Jun-22</b>	-
S.D. Green	<b>7,837</b>	<b>21-Jun-22</b>	-
A.H. Harvey	<b>23,191</b>	<b>21-Jun-22</b>	-
	21,709	09-Jun-21	-
	45,661	09-Jun-20	-
	25,945	24-Jun-19	5,189
	27,009	21-Jun-18	5,401
N. O'Kane	<b>113,559</b>	<b>21-Jun-22</b>	-
	89,324	09-Jun-21	-
	148,994	09-Jun-20	-
	91,106	24-Jun-19	18,221
	61,902	21-Jun-18	12,380
M.J. Silverton	<b>54,263</b>	<b>21-Jun-22</b>	-
	21,836	09-Jun-21	-
	37,375	09-Jun-20	-
	37,138	24-Jun-19	7,427
N. Sorbara	<b>23,191</b>	<b>21-Jun-22</b>	-
	21,709	09-Jun-21	-
	45,661	09-Jun-20	-
	25,945	24-Jun-19	5,189
	27,009	21-Jun-18	5,401
	26,967	22-Jun-17	5,393
	25,049	17-Jun-16	5,009
	18,512	06-Jul-15	3,704

(70) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

# Remuneration report

Continued

Name and position	RSU awards granted to date	Grant date	Number vested during the year <sup>(70)</sup>
G.C. Ward	<b>25,590</b>	<b>21-Jun-22</b>	-
	25,466	09-Jun-21	-
	57,499	09-Jun-20	-
	31,618	24-Jun-19	6,323
	33,211	21-Jun-18	6,642
	40,801	22-Jun-17	8,160
	32,445	17-Jun-16	6,489
	26,446	06-Jul-15	5,290
B.I. Way	<b>26,863</b>	<b>21-Jun-22</b>	-
	8,877	09-Jun-21	-

(70) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

## PSU awards to KMP

The following table sets out details of PSU awards granted to Executive KMP.

Name and position	GRANTED TO DATE				FORFEITED/LAPSED DURING THE FINANCIAL YEAR			EXERCISED DURING THE FINANCIAL YEAR	
	Number	Date	Accounting Fair Value \$A <sup>(71)</sup>	Face Value \$A <sup>(72)</sup>	Number	%	Value \$A	Number exercised	Value \$A <sup>(73)</sup>
<b>Executive Voting Director</b>									
S.R. Wikramanayake	<b>22,363</b>	<b>02-Aug-22</b>	<b>3,500,704</b>	<b>3,999,846</b>	-	-	-	-	-
	20,278	03-Aug-21	2,718,063	3,164,585	-	-	-	-	-
	32,575	04-Aug-20	3,423,307	4,079,693	-	-	-	-	-
	34,198	15-Aug-19	3,385,267	4,035,364	-	-	-	17,099	3,058,327
	23,561	15-Aug-18	2,466,207	2,956,906	-	-	-	11,781	2,107,150
<b>Executives</b>									
G.N. Bruce	<b>7,827</b>	<b>02-Aug-22</b>	<b>1,225,239</b>	<b>1,399,937</b>	-	-	-	-	-
A. Cassidy	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
S.D. Green	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
A.H. Harvey	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
	14,195	03-Aug-21	1,902,698	2,215,272	-	-	-	-	-
	16,223	04-Aug-20	1,704,875	2,031,769	-	-	-	-	-
	17,032	15-Aug-19	1,686,001	2,009,776	-	-	-	8,516	1,540,191
	16,624	15-Aug-18	1,740,089	2,086,312	-	-	-	8,312	1,488,347
N. O'Kane	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
	14,195	03-Aug-21	1,902,698	2,215,272	-	-	-	-	-
	22,994	04-Aug-20	2,416,439	2,879,769	-	-	-	-	-
	24,139	15-Aug-19	2,389,524	2,848,402	-	-	-	12,069	2,159,023
	23,561	15-Aug-18	2,466,207	2,956,906	-	-	-	11,781	2,104,204
M.J. Silverton	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
	14,195	03-Aug-21	1,902,698	2,215,272	-	-	-	-	-
	22,994	04-Aug-20	2,416,439	2,879,769	-	-	-	-	-
N. Sorbara	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
	14,195	03-Aug-21	1,902,698	2,215,272	-	-	-	-	-
	16,223	04-Aug-20	1,704,875	2,031,769	-	-	-	-	-
	17,032	15-Aug-19	1,686,001	2,009,776	-	-	-	8,516	1,524,875
	16,624	15-Aug-18	1,740,089	2,086,312	-	-	-	8,312	1,488,347
G.C. Ward	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-
	14,195	03-Aug-21	1,902,698	2,215,272	-	-	-	-	-
	22,994	04-Aug-20	2,416,439	2,879,769	-	-	-	-	-
	24,139	15-Aug-19	2,389,524	2,848,402	-	-	-	12,069	2,178,408
	23,561	15-Aug-18	2,466,207	2,956,906	-	-	-	11,781	2,126,422
B.I. Way	<b>15,654</b>	<b>02-Aug-22</b>	<b>2,450,477</b>	<b>2,799,874</b>	-	-	-	-	-

(71) Based on the accounting fair value on the date of grant.

(72) Face value is calculated by multiplying the number of PSUs granted by the closing market price of MGL ordinary shares on the date of grant.

(73) Based on the share price at the time of exercise.

# Remuneration report

Continued

As required under the Act, Macquarie has adopted the fair value measurement provisions of AASB 2 *Share-Based Payment* for all PSUs granted to KMP. The accounting fair value of such grants is being amortised and disclosed as part of each KMP's remuneration on a straight-line basis over the vesting period. The accounting fair value of \$A156.54 at this date has been estimated using a discounted cash flow method.

The following key assumptions were adopted in determining the value of the PSUs granted.

Interest rate to maturity	3.13% per annum
Expected vesting dates	1 July 2026
Dividend yield	3.30% per annum

PSUs have a nil exercise price. PSUs awarded from FY2020 vest in four years as set out on page 112 while PSUs awarded prior to FY2020 vest on a pro-rata basis as set out on page 112, footnote 11. For the 2022 grant, it will vest on 1 July 2026. The PSUs expire on 2 August 2031.

## MEREP awards of KMP and their related parties

The following tables set out details of the MEREP RSU and PSU awards held during the year for the KMP including their related parties.

Name and position	Type of Award	Number of Awards held at 1 April 2022	Awards granted during the financial year <sup>(74)</sup>	Awards vested/exercised during the financial year <sup>(75),(76)</sup>	Awards forfeited or not able to be exercised during the financial year	Number of Awards held as at 31 March 2023
<b>Executive Voting Director</b>						
S.R. Wikramanayake	RSU	397,522	106,628	(52,055)	-	<b>452,095</b>
	PSU	98,832	22,363	(28,880)	-	<b>92,315</b>
<b>Executives</b>						
G.N. Bruce	RSU	947	2,094	-	-	<b>3,041</b>
	PSU	-	7,827	-	-	<b>7,827</b>
A. Cassidy	RSU	11,782	7,997	(3,097)	-	<b>16,682</b>
	PSU	-	15,654	-	-	<b>15,654</b>
S.D. Green	RSU	27,951	7,837	(6,150)	-	<b>29,638</b>
	PSU	-	15,654	-	-	<b>15,654</b>
A.H. Harvey	RSU	145,428	23,191	(25,805)	-	<b>142,814</b>
	PSU	55,762	15,654	(16,828)	-	<b>54,588</b>
N. O'Kane	RSU	461,022	113,559	(73,276)	-	<b>501,305</b>
	PSU	73,109	15,654	(23,850)	-	<b>64,913</b>
M.J. Silverton	RSU	129,035	54,263	(28,150)	-	<b>155,148</b>
	PSU	37,189	15,654	-	-	<b>52,843</b>
N. Sorbara	RSU	144,830	23,191	(24,696)	-	<b>143,325</b>
	PSU	55,762	15,654	(16,828)	-	<b>54,588</b>
G.C. Ward	RSU	183,901	25,590	(32,904)	-	<b>176,587</b>
	PSU	73,109	15,654	(23,850)	-	<b>64,913</b>
B.I. Way	RSU	51,792	26,863	(10,312)	-	<b>68,343</b>
	PSU	-	15,654	-	-	<b>15,654</b>



Further details in relation to the MEREP RSU and PSU awards are disclosed in Note 32 *Employee equity participation* to the financial statements in the Financial Report

(74) RSU awards are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs disclosed as granted above relate to FY2022. PSUs are granted annually in August. RSU and PSU awards granted to the CEO, who is an Executive Voting Director, were approved by shareholders at the 2022 AGM as required under ASX Listing Rule 10.14.

(75) For RSUs, this represents vested RSUs transferred to the Executive KMP's shareholding and includes RSUs vesting during the current year in respect of all grants, including those made prior to Executives becoming an Executive KMP.

(76) There were no PSUs that vested during the year that were not exercised.



## Appendix 5: Loan disclosures

### Loans to Key Management Personnel and their related parties

Details of loans provided by Macquarie to KMP and their related parties are disclosed in the following table.

Name and Position	Balance as at 1 April 2022 <sup>(77)</sup> \$A'000	Interest charged \$A'000	Write downs \$A'000	Balance as at 31 March 2023 <sup>(78)</sup> \$A'000	Highest balance during the year \$A'000
<b>Non-Executive Directors</b>					
N.M. Wakefield Evans AM (related party)	4,638	89	-	4,489	4,638
P.H. Warne (related party)	441	1	-	440	441
<b>Executives</b>					
A. Cassidy	3,671	141	-	3,568	3,671
A.H. Harvey	8,000	106	-	8,000	8,000
M.J. Silverton	192	7	-	172	192
Aggregate of KMP and related party loans <sup>(79)</sup>	16,944	344	-	16,731	17,005

This Remuneration Report has been prepared in accordance with the Act. The Remuneration Report contains disclosures as required by AASB 124 *Related Party Disclosures* as permitted by Corporations Regulation 2M.3.03 *Prescribed details*.

Throughout this Remuneration Report financial information for Macquarie relating to the years ended 31 March 2014 through to 31 March 2023 has been presented in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(77) Or date of appointment if later.

(78) Or date of ceasing to be a KMP if earlier.

(79) The aggregate of KMP and related party loans includes all loans to KMP (including their related parties) and the table above details KMP (including their related parties) with loans above \$A100,000 during FY2023. All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.

# 04





# Financial Report

## Macquarie Bank launches Business Savings Account

Macquarie Bank's Business Savings Account is a high interest online savings account for Australian small businesses.

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The Financial Report was authorised for issue by the Board of Directors on 5 May 2023.  
The Board of Directors has the power to amend and reissue the Financial Report.

## Income statements

For the financial year ended 31 March 2023

	Notes	CONSOLIDATED		COMPANY	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m
Interest and similar income:					
Effective interest rate method	2	9,335	4,150	1,217	529
Other	2	804	175	186	100
Interest and similar expense	2	(7,111)	(1,465)	(1,366)	(637)
<b>Net interest income/(expense)</b>		<b>3,028</b>	<b>2,860</b>	<b>37</b>	<b>(8)</b>
Fee and commission income	2	6,558	6,887	13	12
Net trading income/(loss)	2	7,495	3,996	(223)	(457)
Share of net (losses)/profits from associates and joint ventures	2	(113)	240	-	-
Net credit impairment charges	2	(388)	(250)	(15)	(16)
Net other impairment (charges)/reversals	2	(66)	(259)	-	1,896
Net other operating income	2	2,608	3,850	2,749	-
<b>Net operating income</b>		<b>19,122</b>	<b>17,324</b>	<b>2,561</b>	<b>1,427</b>
Employment expenses	2	(7,703)	(6,725)	(4)	(4)
Brokerage, commission and fee expenses	2	(1,028)	(1,029)	-	-
Non-salary technology expenses	2	(1,092)	(926)	-	-
Other operating expenses	2	(2,307)	(2,105)	(24)	(6)
<b>Total operating expenses</b>		<b>(12,130)</b>	<b>(10,785)</b>	<b>(28)</b>	<b>(10)</b>
<b>Operating profit before income tax</b>		<b>6,992</b>	<b>6,539</b>	<b>2,533</b>	<b>1,417</b>
Income tax (expense)/benefit	4	(1,824)	(1,586)	91	132
<b>Profit after income tax</b>		<b>5,168</b>	<b>4,953</b>	<b>2,624</b>	<b>1,549</b>
Loss/(profit) attributable to non-controlling interests		14	(247)	-	-
<b>Profit attributable to ordinary equity holders of Macquarie Group Limited</b>		<b>5,182</b>	<b>4,706</b>	<b>2,624</b>	<b>1,549</b>
		<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
<b>Basic earnings per share</b>	6	<b>1,353.7</b>	1,271.7		
<b>Diluted earnings per share</b>	6	<b>1,316.3</b>	1,230.6		

The above income statements should be read in conjunction with the accompanying notes.

# Statements of comprehensive income

For the financial year ended 31 March 2023

	Notes	CONSOLIDATED		COMPANY	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Profit after income tax</b>		<b>5,168</b>	4,953	<b>2,624</b>	1,549
Other comprehensive income/(loss): <sup>(1)</sup>					
Movements in items that may be subsequently reclassified to the income statement:					
Fair value through other comprehensive income (FVOCI) reserve:					
Revaluation movement	28	(15)	(25)	-	-
Changes in expected credit losses (ECL) allowance	28	29	7	-	-
Cash flow hedges and cost of hedging reserves:					
Revaluation movement		(14)	(39)	(13)	-
Transferred to income statement on realisation		124	25	-	-
Share of other comprehensive income from associates and joint ventures	28	138	43	-	-
Foreign exchange movement on translation and hedge accounting of foreign operations		1,338	-	-	-
Movements in item that will not be subsequently reclassified to the income statement:					
Fair value changes attributable to own credit risk on debt designated at fair value through profit or loss (DFVTPL)	28	11	41	10	33
Others		12	-	-	-
<b>Total other comprehensive income</b>		<b>1,623</b>	52	<b>(3)</b>	33
<b>Total comprehensive income</b>		<b>6,791</b>	5,005	<b>2,621</b>	1,582
Total comprehensive income attributable to non-controlling interests		(4)	(241)	-	-
<b>Total comprehensive income attributable to ordinary equity holders of Macquarie Group Limited</b>		<b>6,787</b>	4,764	<b>2,621</b>	1,582

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

(1) All items are net of tax, where applicable.



# Statements of financial position

As at 31 March 2023

	Notes	CONSOLIDATED		COMPANY	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Assets</b>					
Cash and bank balances		45,656	52,754	-	-
Cash collateralised lending and reverse repurchase agreements		54,323	51,197	-	-
Trading assets	7	16,881	13,578	-	-
Margin money and settlement assets	8	25,256	25,108	-	-
Derivative assets	9	36,114	84,891	3	1
Financial investments	10	21,874	12,127	-	-
Held for sale assets	11	921	1,297	-	-
Other assets	11	10,438	8,632	30	28
Loan assets	12	158,572	134,744	-	-
Due from subsidiaries	30	-	-	48,817	38,591
Interests in associates and joint ventures	14	5,574	4,373	-	-
Property, plant and equipment and right-of-use assets	15	6,639	5,143	-	-
Intangible assets	16	3,827	3,780	-	-
Investments in subsidiaries	17	-	-	32,604	32,449
Deferred tax assets	18	1,797	1,552	3	-
<b>Total assets</b>		<b>387,872</b>	<b>399,176</b>	<b>81,457</b>	<b>71,069</b>
<b>Liabilities</b>					
Cash collateralised borrowing and repurchase agreements		18,737	16,947	-	-
Trading liabilities	19	4,810	5,290	-	-
Margin money and settlement liabilities	20	27,482	27,158	-	-
Derivative liabilities	21	32,790	84,464	5	6
Deposits	22	134,714	101,667	-	35
Held for sale liabilities	23	173	525	-	-
Other liabilities	23	12,512	11,167	241	211
Borrowings		18,912	13,896	6,942	6,280
Due to subsidiaries	30	-	-	5,686	3,632
Issued debt securities	24	90,549	99,527	32,113	25,638
Deferred tax liabilities	18	196	216	-	21
<b>Total liabilities excluding loan capital</b>		<b>340,875</b>	<b>360,857</b>	<b>44,987</b>	<b>35,823</b>
Loan capital	26	12,891	9,513	3,362	2,612
<b>Total liabilities</b>		<b>353,766</b>	<b>370,370</b>	<b>48,349</b>	<b>38,435</b>
<b>Net assets</b>		<b>34,106</b>	<b>28,806</b>	<b>33,108</b>	<b>32,634</b>
<b>Equity</b>					
Contributed equity	27	12,407	12,298	14,872	14,781
Reserves	28	3,302	1,523	1,559	1,332
Retained earnings	28	17,446	14,740	16,677	16,521
<b>Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited</b>		<b>33,155</b>	<b>28,561</b>	<b>33,108</b>	<b>32,634</b>
Non-controlling interests	28	951	245	-	-
<b>Total equity</b>		<b>34,106</b>	<b>28,806</b>	<b>33,108</b>	<b>32,634</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

# Statements of changes in equity

For the financial year ended 31 March 2023

	Notes	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
<b>CONSOLIDATED</b>							
Balance as at 1 Apr 2021		8,531	1,286	12,231	22,048	303	22,351
Profit after income tax		-	-	4,706	4,706	247	4,953
Other comprehensive income/(loss), net of tax		-	17	41	58	(6)	52
<b>Total comprehensive income</b>		-	17	4,747	4,764	241	5,005
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	27	3,282	-	-	3,282	-	3,282
Dividends paid	5, 28	-	-	(2,229)	(2,229)	-	(2,229)
Movement in non-controlling interests		-	-	(9)	(9)	(299)	(308)
Other equity movements:							
MEREP share-based payment arrangements	27, 28	448	167	7	622	-	622
Deferred tax benefit on MEREP share-based payment arrangements	27, 28	37	46	-	83	-	83
Other movements		-	7	(7)	-	-	-
		3,767	220	(2,238)	1,749	(299)	1,450
<b>Balance as at 31 Mar 2022</b>		12,298	1,523	14,740	28,561	245	28,806
Profit/(loss) after income tax		-	-	5,182	5,182	(14)	5,168
Other comprehensive income, net of tax		-	1,582	23	1,605	18	1,623
<b>Total comprehensive income</b>		-	1,582	5,205	6,787	4	6,791
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	27	485	-	-	485	-	485
Dividends paid	5, 28	-	-	(2,495)	(2,495)	-	(2,495)
Purchase of shares by MEREP Trust	27	(923)	-	-	(923)	-	(923)
Movement in non-controlling interests		-	-	(4)	(4)	702	698
Other equity movements:							
MEREP share-based payment arrangements	27, 28	512	239	-	751	-	751
Deferred tax benefit on MEREP share-based payment arrangements	27, 28	35	(42)	-	(7)	-	(7)
		109	197	(2,499)	(2,193)	702	(1,491)
<b>Balance as at 31 Mar 2023</b>		12,407	3,302	17,446	33,155	951	34,106

	Notes	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
<b>COMPANY</b>					
Balance as at 1 Apr 2021		11,063	1,158	17,154	29,375
Profit after income tax		-	-	1,549	1,549
Other comprehensive income, net of tax		-	-	33	33
<b>Total comprehensive income</b>		-	-	1,582	1,582
Transactions with equity holders in their capacity as ordinary equity holders:					
Issue of shares	27	3,270	-	-	3,270
Dividends paid	5, 28	-	-	(2,215)	(2,215)
Other equity movements:					
MEREP share-based payment arrangements	27, 28	448	167	7	622
Other movements	27, 28	-	7	(7)	-
		3,718	174	(2,215)	1,677
<b>Balance as at 31 Mar 2022</b>		14,781	1,332	16,521	32,634
Profit after income tax		-	-	2,624	2,624
Other comprehensive (loss)/income, net of tax		-	(13)	10	(3)
<b>Total comprehensive (loss)/income</b>		-	(13)	2,634	2,621
Transactions with equity holders in their capacity as ordinary equity holders:					
Issue of shares	27	502	-	-	502
Dividends paid	5, 28	-	-	(2,478)	(2,478)
Purchase of shares by MEREP Trust		(923)	-	-	(923)
Other equity movements:					
MEREP share-based payment arrangements	27, 28	512	239	-	751
Deferred tax benefit on MEREP share-based payment arrangements	28	-	1	-	1
		91	240	(2,478)	(2,147)
<b>Balance as at 31 Mar 2023</b>		14,872	1,559	16,677	33,108

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# Statements of cash flows

For the financial year ended 31 March 2023

	Notes	CONSOLIDATED		COMPANY	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Cash flows (utilised in)/generated from operating activities</b>					
Interest income and expense:					
Received		9,807	4,363	1,403	630
Paid		(6,279)	(1,429)	(1,220)	(584)
Fees, commissions and other income and charges:					
Received		6,498	6,539	13	1
Paid		(1,091)	(896)	-	(3)
Operating lease income received		883	1,000	-	-
Dividends and distributions received		632	304	2,749	-
Operating expenses paid:					
Employment expenses		(6,532)	(5,260)	(4)	(4)
Other operating expenses including brokerage, commission and fee expenses		(3,267)	(2,774)	(6)	(5)
Income tax paid		(2,035)	(1,743)	(414)	(616)
Changes in operating assets:					
Loan assets and balances with subsidiaries		(21,856)	(30,922)	(3,517)	(14,392)
Assets under operating lease		(1,042)	(1,070)	-	-
Other assets		(55)	(253)	(7)	(2)
Trading, trading-related, liquid investment and collateralised lending balances (net of liabilities)		(7,960)	11,817	-	-
Changes in operating liabilities:					
Issued debt securities		(15,888)	38,525	3,323	12,542
Deposits		33,032	17,465	(31)	(11)
Borrowings and other funding		3,750	14,834	22	489
Other liabilities		23	(49)	-	-
<b>Net cash flows (utilised in)/generated from operating activities</b>	29	<b>(11,380)</b>	50,451	<b>2,311</b>	(1,955)
<b>Cash flows (utilised in)/generated from investing activities</b>					
Net payments for financial investments					
		(1,828)	(643)	-	-
Associates, joint ventures, subsidiaries and businesses:					
Proceeds from distribution or disposal, net of cash deconsolidated		4,105	5,686	1,000	1,899
Payments for additional contribution or acquisitions, net of cash acquired		(2,753)	(4,139)	(1,136)	(1,000)
Property, plant and equipment and right-of-use assets, investment property and intangible assets:					
Payments for acquisitions		(824)	(977)	-	-
Proceeds from disposals		70	85	-	-
<b>Net cash flows (utilised in)/generated from investing activities</b>		<b>(1,230)</b>	12	<b>(136)</b>	899
<b>Cash flows generated from/(utilised in) financing activities</b>					
Proceeds from the issue of ordinary shares					
		-	2,777	-	2,752
Loan capital:					
Issuance		3,078	1,405	739	-
Redemption		-	(1,101)	-	-
Dividends and distributions paid		(2,010)	(1,711)	(1,991)	(1,696)
Payments for acquisition of treasury shares		(923)	-	(923)	-
Receipts from/(Payments to) non-controlling interests		305	(222)	-	-
<b>Net cash flows generated from/(utilised in) financing activities</b>		<b>450</b>	1,148	<b>(2,175)</b>	1,056
<b>Net increase in cash and cash equivalents</b>					
		<b>(12,160)</b>	51,611	-	-
Cash and cash equivalents at the beginning of the financial year					
		84,323	33,493	-	-
Effect of exchange rate movements on cash and cash equivalents					
		5,051	(781)	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	29	<b>77,214</b>	84,323	-	-

The above statements of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the financial year ended 31 March 2023

## Note 1

### Basis of preparation

This Financial Report is a General Purpose Financial Report which has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth). Macquarie Group Limited is a for-profit company for the purposes of preparing this Financial Report.

The principal accounting policies adopted in the preparation of this Financial Report are set out in Note 44 *Significant accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (Macquarie Group Limited and its subsidiaries) as well as the Company (Macquarie Group Limited), unless otherwise stated.

#### (i) Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that this Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this Financial Report is compliant with IFRS.

#### (ii) Basis of measurement

This Financial Report has been prepared under the historical cost convention except for the following items, as disclosed in the respective accounting policy:

- financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL); financial assets classified as fair value through other comprehensive income (FVOCI) and financial instruments that have been designated as FVTPL (DFVTPL)
- financial assets and liabilities that are otherwise measured on an amortised cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships
- non-current assets and disposal groups that have been classified as held for sale and where a disposal group has been impaired to its fair value less costs to sell
- commodity inventories that are measured at fair value less costs to sell in accordance with the broker-trader exemption
- certain other non-financial assets and liabilities that are measured at fair value, such as investment property.

#### (iii) Critical accounting estimates and significant judgements

The preparation of this Financial Report in compliance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated Financial Report such as:

- determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (Note 44(vii))

- assessing whether the cash flows generated by a financial asset constitute solely payments of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non-recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable (Note 44(viii))
- choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss, including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (Note 44(xxii) and Note 13)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof (Note 44(i), Note 44(xxii), Note 14 and Note 17)
- timing and amount of impairment of goodwill and other identifiable intangible assets and, where applicable, the reversal thereof (Note 44(xxii) and Note 16)
- fair value of assets and liabilities including the determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 44(vii), Note 44(x) and Note 38)
- distinguishing between whether assets or a business is acquired under a business combination, particularly the determination of whether a substantive process exists that, together with an integrated set of activities and assets, significantly contributes to the ability to create an output (Note 44(ii))
- determination of significant influence over associates, joint control over arrangements and control over subsidiaries, including the assessment of whether certain rights are protective or substantive in nature, whether these rights are held in the capacity as agent or principal, and whether the level of involvement in an investee's relevant activities is sufficient to significantly affect the returns generated (Note 44(i))
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 44(vi), Note 4 and Note 18)
- recognition and measurement of certain revenue streams including performance fees from Macquarie-managed funds and other capital market investments and transactions (Note 44(iv))
- recognition and measurement of provisions related to actual and potential claims, and determination of contingent liabilities (Note 44(iv), Note 44(xvii) and Note 33)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 44(x) and Note 35)
- timing of derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss (Note 44(i)).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 1

### Basis of preparation continued

#### (iii) Critical accounting estimates and significant judgements continued

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes that the estimates used in preparing this Financial Report are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

#### (iv) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are either effective in the current financial year or have been early adopted

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2022 did not result in a material impact on this Financial Report. There were no new Australian Accounting Standards that were mandatorily effective or have been early adopted for this Financial Report.

#### (v) Other developments

##### IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs)

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include the London Inter-bank Offered Rate (LIBOR), the Euro Inter-bank Offered Rate (EURIBOR), the Canadian Dollar Offered Rate (CDOR) and the Australian Bank Bill Swap Rate (BBSW). The nature of the reforms varies across different jurisdictions. For example, in Australia the existing IBOR benchmark (BBSW) has undergone reform and is expected to continue for the foreseeable future alongside the nominated ARR for AUD which is AUD Overnight Index Average (AONIA).

IBOR including the GBP, JPY, EUR and CHF London Inter-bank Offered Rate (LIBOR), and the 1-week and 2-month tenors for USD LIBOR ceased publication on 31 December 2021. The remaining USD LIBOR tenors and some IBOR's for minor currencies, other than CDOR will cease publication on 30 June 2023. CDOR will cease publication on 28 June 2024.

Industry working groups have worked with authorities and consulted with market participants to develop market practices that may be used to transition existing LIBOR-linked contracts for derivatives, loans, bonds and other financial instruments that mature beyond their respective LIBOR cessation dates, to ARR's. Amongst the issues considered were the key differences between LIBOR and ARR's.

LIBOR are term rates which are quoted at the beginning of that period (for example, one-, three-, six- or twelve-month periods) and include a component of bank credit risk. ARR's on the other hand are overnight rates with little or no credit risk. To facilitate the transition of contracts from LIBOR to ARR's on an economically equivalent basis, adjustments for term and credit differences needs to be applied.

As a diversified financial services group with a variety of global products and services, IBOR reforms, including the transition from LIBOR to ARR's, are important changes for the Consolidated Entity.

##### Impacts on financial reporting

AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform* amended AASB 7 *Financial Instruments: Disclosures* (AASB 7) and AASB 9 *Financial Instruments* (AASB 9) to provide certain relief from applying specific accounting requirements to hedge accounting relationships directly affected by IBOR reform. The relief enables the continuation of hedge accounting for impacted hedge relationships during the period of uncertainty prior to IBOR transition. The Consolidated Entity early adopted these amendments for the year ended 31 March 2020.

In August 2020, AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2* amended standards including AASB 7, AASB 9 and AASB 16 *Leases* (AASB 16) to address accounting issues following the transition to ARR. The amendments require additional quantitative and qualitative disclosures, and provide certain reliefs from applying specific requirements related to hedge accounting and the modification of financial instruments if certain criteria are met.

Where modifications to a contract, or changes in the basis for determining the contractual cash flows under a contract, are necessitated as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the relief allows an entity to reset the yield applied to such an exposure on a prospective basis. Thus, at the time of modification, where the relief applies, there is no impact to the income statement. The relief requires continuation of hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform.

The Consolidated Entity early adopted these amendments for the year ended 31 March 2021.



## Note 2

### Operating profit before income tax

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Net interest income/(expense)</b>				
Interest and similar income:				
Effective interest rate method – Amortised cost	8,349	4,063	1,217	529
Effective interest rate method – FVOCI	986	87	-	-
Other	804	175	186	100
Interest and similar expense:				
Effective interest rate method – Amortised cost	(7,075)	(1,403)	(1,366)	(637)
Other	(36)	(62)	-	-
<b>Net interest income/(expense)</b>	<b>3,028</b>	<b>2,860</b>	<b>37</b>	<b>(8)</b>
<b>Fee and commission income</b>				
Base and other asset management fees:				
Base fees	2,804	2,796	-	-
Other asset management fees	469	458	-	-
Mergers and acquisitions, advisory and underwriting fees	991	1,373	-	-
Brokerage and other trading-related fees	715	801	-	-
Performance fees	692	395	-	-
Other fee and commission income	887	1,064	13	12
<b>Total fee and commission income</b>	<b>6,558</b>	<b>6,887</b>	<b>13</b>	<b>12</b>
<b>Net trading income/(loss)<sup>(1)</sup></b>				
Commodities trading <sup>(2)</sup>	6,365	3,371	-	-
Credit, interest rate, foreign exchange and other products	666	248	(223)	(457)
Equities	464	377	-	-
<b>Net trading income/(loss)</b>	<b>7,495</b>	<b>3,996</b>	<b>(223)</b>	<b>(457)</b>
<b>Share of net (losses)/profits from associates and joint ventures</b>	<b>(113)</b>	<b>240</b>	<b>-</b>	<b>-</b>

(1) Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships, fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign currency-denominated monetary assets and liabilities. Refer to Note 44(x) *Derivative instruments and hedging activities*.

(2) Includes \$684 million (2022: \$508 million) of transportation, storage and certain other trading-related costs and \$20 million (2022: \$49 million) depreciation on right-of-use (ROU) assets held for trading-related business.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 2

### Operating profit before income tax continued

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Credit and other impairment (charges)/reversals</b>				
<b>Credit impairment (charges)/reversals</b>				
Loan assets	(343)	(103)	-	-
Off balance sheet exposures	(72)	1	(4)	(5)
Held for sale and other assets <sup>(1)</sup>	(25)	(83)	(11)	(11)
Margin money and settlement assets	42	(26)	-	-
Loans to associates and joint ventures	5	(39)	-	-
Financial investments, cash and bank balances	-	(2)	-	-
Gross credit impairment charges	(393)	(252)	(15)	(16)
Recovery of amounts previously written off	5	2	-	-
<b>Net credit impairment charges</b>	<b>(388)</b>	<b>(250)</b>	<b>(15)</b>	<b>(16)</b>
<b>Other impairment (charges)/reversals</b>				
Interests in associates and joint ventures	(47)	(180)	-	-
Intangible and other non-financial assets	(19)	(79)	-	-
Investment in subsidiaries	-	-	-	1,896
<b>Net other impairment (charges)/reversals</b>	<b>(66)</b>	<b>(259)</b>	<b>-</b>	<b>1,896</b>
<b>Total credit and other impairment (charges)/reversals</b>	<b>(454)</b>	<b>(509)</b>	<b>(15)</b>	<b>1,880</b>
<b>Net other operating income</b>				
<b>Investment income</b>				
Net gain from:				
Interests in associates and joint ventures	1,806	190	-	-
Disposal of subsidiaries and businesses	407	2,789	-	-
Non-financial assets	8	64	-	-
Financial investments	(84)	248	-	-
Dividends from subsidiaries (Note 30)	-	-	2,749	-
<b>Net investment income</b>	<b>2,137</b>	<b>3,291</b>	<b>2,749</b>	<b>-</b>
<b>Net operating lease income</b>				
Rental income	860	754	-	-
Depreciation	(395)	(352)	-	-
<b>Net operating lease income</b>	<b>465</b>	<b>402</b>	<b>-</b>	<b>-</b>
<b>Businesses and subsidiaries held for investment purposes<sup>(2)</sup></b>				
Net operating revenue <sup>(3)</sup>	421	447	-	-
Expenses <sup>(4)</sup>	(608)	(473)	-	-
<b>Net loss from businesses and subsidiaries held for investment purposes</b>	<b>(187)</b>	<b>(26)</b>	<b>-</b>	<b>-</b>
Other income	193	183	-	-
<b>Total net other operating income</b>	<b>2,608</b>	<b>3,850</b>	<b>2,749</b>	<b>-</b>
<b>Net operating income</b>	<b>19,122</b>	<b>17,324</b>	<b>2,561</b>	<b>1,427</b>

(1) Balance under Company represents ECL on amounts due from subsidiaries.

(2) Businesses and subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.

(3) Includes revenue of \$628 million (2022: \$1,176 million) before deduction of \$207 million (2022: \$729 million) related to cost of goods sold and other direct costs.

(4) Includes employment expenses, depreciation and amortisation expense and other operating expenses.

## Note 2

### Operating profit before income tax continued

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Employment expenses</b>				
Salary and related costs including commissions, superannuation and performance-related profit share	(6,456)	(5,627)	(4)	(4)
Share-based payments <sup>(1)</sup>	(762)	(659)	-	-
Provision for long service leave and annual leave	(60)	(78)	-	-
<b>Total compensation expenses</b>	<b>(7,278)</b>	<b>(6,364)</b>	<b>(4)</b>	<b>(4)</b>
Other employment expenses including on-costs, staff procurement and staff training	(425)	(361)	-	-
<b>Total employment expenses</b>	<b>(7,703)</b>	<b>(6,725)</b>	<b>(4)</b>	<b>(4)</b>
<b>Brokerage, commission and fee expenses</b>				
Brokerage and other trading-related fee expenses	(740)	(748)	-	-
Other fee and commission expenses	(288)	(281)	-	-
<b>Total brokerage, commission and fee expenses</b>	<b>(1,028)</b>	<b>(1,029)</b>	<b>-</b>	<b>-</b>
<b>Non-salary technology expenses</b>				
Information services	(256)	(210)	-	-
Depreciation on own use assets: equipment (Note 15)	(25)	(31)	-	-
Service provider and other non-salary technology expenses	(811)	(685)	-	-
<b>Total non-salary technology expenses</b>	<b>(1,092)</b>	<b>(926)</b>	<b>-</b>	<b>-</b>
<b>Other operating expenses</b>				
<b>Occupancy expenses</b>				
Lease expenses	(151)	(155)	-	-
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements (Note 15)	(57)	(63)	-	-
Other occupancy expenses	(164)	(139)	-	-
<b>Total occupancy expenses</b>	<b>(372)</b>	<b>(357)</b>	<b>-</b>	<b>-</b>
<b>Other expenses</b>				
Professional fees	(537)	(576)	-	-
Advertising and promotional expenses	(196)	(178)	-	-
Amortisation of intangible assets	(181)	(134)	-	-
Travel and entertainment expenses	(171)	(43)	-	-
Indirect and other taxes	(155)	(170)	-	-
Fees for audit and other services	(83)	(64)	-	-
Other	(612)	(583)	(24)	(6)
<b>Total other expenses</b>	<b>(1,935)</b>	<b>(1,748)</b>	<b>(24)</b>	<b>(6)</b>
<b>Total other operating expenses</b>	<b>(2,307)</b>	<b>(2,105)</b>	<b>(24)</b>	<b>(6)</b>
<b>Total operating expenses</b>	<b>(12,130)</b>	<b>(10,785)</b>	<b>(28)</b>	<b>(10)</b>
<b>Operating profit before income tax</b>	<b>6,992</b>	<b>6,539</b>	<b>2,533</b>	<b>1,417</b>

(1) Includes share-based payment related expenses of \$11 million (2022: \$41 million) for cash settled awards.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 3 Segment reporting

### (i) Operating Segments

AASB 8 *Operating Segments* requires the 'management approach' to disclosing information about the Consolidated Entity's reportable segments. The financial information is reported on the same basis as used internally by Senior Management for evaluating Operating Segment performance and for deciding how to allocate resources to Operating Segments. Such information may be produced using different measures to that used in preparing the statutory income statement.

For internal reporting, performance measurement and risk management purposes, the Consolidated Entity is divided into Operating Groups and a Corporate segment (reportable segments).

During the current year, and as previously announced, the Green Investment Group was transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with expanded green investments and energy transition capabilities.

Comparatives have been reclassified to reflect this reorganisation.

The financial information disclosed relates to the Consolidated Entity's ordinary activities.

These segments have been set up based on the different core products and services offered. The Operating Groups comprise:

- **MAM** which 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, secondaries, equities, fixed income and multi-asset solutions
- **BFS** which provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance
- **Macquarie Capital** which 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.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups.

Items of income and expense within the Corporate segment include the net result of managing Macquarie's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable.

Other items of income and expense within the Corporate segment include earnings from investments, changes in central overlays to impairments or valuation of assets, provisions for legacy matters, unallocated head office costs and costs of Central Service Groups, the Consolidated Entity's performance-related profit share and share-based payments expense, and income tax expense.

Below is a selection of key policies applied in determining the Operating Segment results.

### Internal funding arrangements

Group Treasury has the responsibility for managing funding for the Consolidated Entity, and Operating Groups obtain the majority of their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

Generally, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases the Operating Group bears the funding costs directly and Group Treasury may levy additional charges where appropriate.

Deposits are a funding source for the Bank Group. The value of deposits that the Bank Group generates is recognised within Net interest and trading income for segment reporting purposes.

### Transactions between Operating Segments

Operating Segments that enter into arrangements with other Operating Segments must do so on commercial terms or as agreed by the Consolidated Entity's Chief Executive Officer or Chief Financial Officer.

Internal transactions are recognised in each of the relevant categories of income and expense and eliminated on consolidation as appropriate.

## Note 3 Segment reporting continued

### (i) Operating Segments continued

#### Accounting for derivatives that economically hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are required to be measured at fair value through profit or loss (FVTPL). Changes in fair value are presented in net trading income and gives rise to income statement volatility unless designated in a hedge accounting relationship, in which case the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk to reduce volatility in the income statement. If designated in a cash flow hedge accounting relationship, the effective portion of the derivative's fair value gains or losses is deferred in the cash flow hedge reserve as part of Other comprehensive income (OCI), and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. For segment reporting purposes, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

#### Central Service Groups

The Central Service Groups provide a range of functions supporting 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, legal and risk management requirements.

Central Service Groups recover their costs from Operating Groups generally on either a time and effort allocation basis or a fee for service basis. Central Service Groups include the Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance Group (LGG) and Central Executive.

#### Performance-related profit share and share-based payments expense

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREP) are recognised in the Corporate segment and are not allocated to Operating Groups.

#### Income tax

Income tax expense and benefits is recognised in the Corporate segment and is not allocated to the Operating Groups. However, to recognise an Operating Group's contribution to permanent income tax differences, the internal management revenue/charge category is used.

This internal management revenue/charge category, which is primarily used for permanent income tax differences generated by the Operating Groups, are offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on consolidation.

#### Presentation of segment income statements

The income statements on the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with information relevant to the understanding of the Consolidated Entity's financial performance. The financial information disclosed relates to the Consolidated Entity's ordinary activities.

#### Reportable segment assets

Segment assets are the external operating assets that are employed by a segment in its operating activities.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 3

### Segment reporting continued

#### (i) Operating Segments continued

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment.

	Macquarie Asset Management \$m	Banking and Financial Services \$m
<b>Full year ended 31 March 2023</b>		
Net interest and trading (expense)/income	(396)	2,520
Fee and commission income/(expense)	4,108	505
Share of net (losses)/profits from associates and joint ventures	(1)	(7)
Other operating income and charges:		
Net credit and other impairment charges	(14)	(34)
Net other operating income and charges	1,162	(13)
Internal management revenue/(charge)	92	(10)
Net operating income	4,951	2,961
Total operating expenses	(2,595)	(1,760)
Operating profit/(loss) before income tax	2,356	1,201
Income tax expense	-	-
(Profit)/loss attributable to non-controlling interests	(14)	-
<b>Net profit/(loss) contribution</b>	<b>2,342</b>	<b>1,201</b>
<b>Reportable segment assets</b>	<b>14,328</b>	<b>129,046</b>
<b>Full year ended 31 March 2022</b>		
Net interest and trading (expense)/income	(328)	1,972
Fee and commission income/(expense)	4,088	457
Share of net profits/(losses) from associates and joint ventures	256	(2)
Other operating income and charges:		
Net credit and other impairment (charges)/reversals	(99)	22
Net other operating income	1,722	11
Internal management revenue/(charge)	18	1
Net operating income	5,657	2,461
Total operating expenses	(2,631)	(1,460)
Operating profit/(loss) before income tax	3,026	1,001
Income tax expense	-	-
Loss/(profit) attributable to non-controlling interests	3	-
<b>Net profit/(loss) contribution</b>	<b>3,029</b>	<b>1,001</b>
<b>Reportable segment assets</b>	<b>11,866</b>	<b>111,103</b>



Commodities and Global Markets \$m	Macquarie Capital \$m	Corporate \$m	Total \$m
7,561	410	428	10,523
617	1,356	(28)	6,558
32	(137)	-	(113)
(57)	(294)	(55)	(454)
535	903	21	2,608
29	(11)	(100)	-
8,717	2,227	266	19,122
(2,710)	(1,456)	(3,609)	(12,130)
6,007	771	(3,343)	6,992
-	-	(1,824)	(1,824)
-	30	(2)	14
6,007	801	(5,169)	5,182
141,453	28,481	74,564	387,872
4,732	414	66	6,856
507	1,868	(33)	6,887
40	(55)	1	240
(65)	(362)	(5)	(509)
960	1,146	11	3,850
5	29	(53)	-
6,179	3,040	(13)	17,324
(2,268)	(1,270)	(3,156)	(10,785)
3,911	1,770	(3,169)	6,539
-	-	(1,586)	(1,586)
-	(249)	(1)	(247)
3,911	1,521	(4,756)	4,706
172,698	23,255	80,254	399,176

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 3

### Segment reporting continued

#### (ii) Fee and commission income/(expense) relating to contracts with customers

The following is an analysis of the Consolidated Entity's fee and commission income/(expense) by reportable segment.

	Macquarie Asset Management \$m	Banking and Financial Services \$m	Commodities and Global Markets \$m	Macquarie Capital \$m	Corporate \$m	Total \$m
CONSOLIDATED 2023						
<b>Fee and commission income/(expense)</b>						
Base and other asset management fees	2,981	290	2	-	-	3,273
Mergers and acquisitions, advisory and underwriting fees	75	-	6	912	(2)	991
Brokerage and other trading-related fees	3	39	252	421	-	715
Performance fees	692	-	-	-	-	692
Other fee and commission income/(expense)	357	176	357	23	(26)	887
<b>Total fee and commission income/(expense)</b>	<b>4,108</b>	<b>505</b>	<b>617</b>	<b>1,356</b>	<b>(28)</b>	<b>6,558</b>
CONSOLIDATED 2022						
<b>Fee and commission income/(expense)</b>						
Base and other asset management fees	3,007	245	2	-	-	3,254
Mergers and acquisitions, advisory and underwriting fees	26	1	(4)	1,362	(12)	1,373
Brokerage and other trading-related fees	44	45	239	473	-	801
Performance fees	394	-	-	1	-	395
Other fee and commission income/(expense)	617	166	270	32	(21)	1,064
<b>Total fee and commission income/(expense)</b>	<b>4,088</b>	<b>457</b>	<b>507</b>	<b>1,868</b>	<b>(33)</b>	<b>6,887</b>

## Note 3

### Segment reporting continued

#### (iii) Products and services

The Consolidated Entity's Operating Segments reflect different core products and services offered by the Group. Refer to Note 3(i) *Operating Segments* for net operating income contribution by various Operating Segments.

#### (iv) Geographical areas

Geographical segments have been determined based on the tax domicile of the entity where the transactions have been recorded. The operations of the Consolidated Entity are headquartered in Australia.

	CONSOLIDATED 2023		CONSOLIDATED 2022	
	Revenue from external customers <sup>(1)</sup> \$m	Non-current assets <sup>(2)</sup> \$m	Revenue from external customers <sup>(1)</sup> \$m	Non-current assets <sup>(2)</sup> \$m
Americas <sup>(3)</sup>	9,774	4,447	10,054	4,220
Australia	10,109	2,329	5,011	2,345
Europe, Middle East and Africa <sup>(4)</sup>	7,165	9,156	4,940	6,831
Asia Pacific	1,544	893	1,404	527
<b>Total</b>	<b>28,592</b>	<b>16,825</b>	<b>21,409</b>	<b>13,923</b>

#### (v) Major customers

The Consolidated Entity does not rely on any major customers.

(1) Revenue from external customers includes operating income in the nature of fee and commission income, interest and similar income, net trading income, operating lease income, share of net profits/(losses) of associates and joint ventures, operating and investment income from subsidiaries held for investment purposes, gain on disposal of businesses, subsidiaries, associates and other financial/non-financial assets.

(2) Non-current assets consist of intangible assets, interests in associates and joint ventures, property, plant and equipment and right-of-use assets and investment properties.

(3) Includes external revenue from the United States of \$9,336 million (2022: \$9,980 million).

(4) Includes external revenue from the United Kingdom of \$5,773 million (2022: \$7,765 million).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 4 Income tax expense

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>(i) Income tax (expense)/benefit</b>				
Current tax (expense)/benefit	(2,110)	(1,742)	68	137
Deferred tax benefit/(expense)	286	156	23	(5)
<b>Total income tax (expense)/benefit</b>	<b>(1,824)</b>	<b>(1,586)</b>	<b>91</b>	<b>132</b>
<b>(ii) Reconciliation of income tax expense to prima facie income tax expense</b>				
Prima facie income tax expense on operating profit @30% (2022: 30%)	(2,098)	(1,962)	(760)	(425)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:				
Rate differential on offshore income	346	422	28	14
Intra-group dividends	-	-	825	-
Impairment reversal on subsidiaries	-	-	-	569
Other items	(72)	(46)	(2)	(26)
<b>Total income tax (expense)/benefit</b>	<b>(1,824)</b>	<b>(1,586)</b>	<b>91</b>	<b>132</b>
<b>(iii) Tax benefit/(expense) relating to OCI</b>				
FVOCI reserve	(8)	11	-	-
Own credit risk	(10)	(18)	(4)	(14)
Cash flow hedges and cost of hedging	(4)	33	6	-
Foreign currency translation reserve	-	12	-	-
Share of other comprehensive benefit/(expense) of associates and joint ventures	(33)	4	-	-
<b>Total tax (expense)/benefit relating to OCI</b>	<b>(55)</b>	<b>42</b>	<b>2</b>	<b>(14)</b>
<b>(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities</b>				
Property, plant and equipment	(16)	(4)	-	-
Intangible assets	67	39	-	-
Financial investments and interests in associates and joint ventures	(108)	52	15	-
Tax losses	147	27	-	-
Operating and finance leases	(22)	(8)	-	-
Loan assets and derivatives	42	(33)	(6)	1
Other assets and liabilities	176	83	14	(6)
<b>Total deferred tax benefit/(expense) represents movements in deferred tax assets/(liabilities)</b>	<b>286</b>	<b>156</b>	<b>23</b>	<b>(5)</b>

Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking external advice where appropriate, and considers that it holds appropriate provisions.

## Note 5 Dividends

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>(i) Dividends paid</b>				
Ordinary share capital				
Final dividend paid (2022: \$3.50 (2021: \$3.35) per share)	1,339	1,208	1,331	1,201
Interim dividend paid (2023: \$3.00 (2022: \$2.72) per share)	1,156	1,021	1,147	1,014
<b>Total dividends paid (Note 28)<sup>(1)</sup></b>	<b>2,495</b>	<b>2,229</b>	<b>2,478</b>	<b>2,215</b>

The 2023 interim and 2022 final dividends paid during the year were franked at 40%, based on tax paid at 30% (2022 interim dividend and 2021 final dividends were franked at 40%, based on tax paid at 30%).

The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Ordinary shares purchased on the market or issued by the Consolidated Entity under the DRP in the current year and prior year were allocated as fully paid ordinary shares pursuant to the DRP, details of which are included in Note 27 *Contributed equity*.

### (ii) Dividends not recognised at the end of the financial year

Since the end of the financial year, the Directors have resolved to pay a final dividend of \$4.50 per fully paid ordinary share, 40% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 July 2023 from retained profits, but not recognised as a liability at the end of the financial year is \$1,739 million. This amount has been estimated based on the number of shares and MEREP awards eligible to participate as at 31 March 2023.

	CONSOLIDATED		COMPANY	
	2023	2022	2023	2022
Cash dividend (distribution of current year profits) (\$ per share)	7.50	6.22	7.50	6.22
Franking credits available for the subsequent financial year at a corporate tax rate of 30% (2022: 30%) (\$m) <sup>(2)</sup>	462	457	462	457

(1) The Consolidated Entity additionally includes \$17 million (2022: \$14 million) of dividend equivalent amount paid to Deferred Share Unit (DSU) holders as described in Note 32 *Employee equity participation*.

(2) Amount represents balances for franking accounts adjusted for franking credits/debits that will arise from the payment/receipt of income tax payables/receivables as at the end of the financial year respectively.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 6 Earnings per share

Basic earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to participating unvested MEREP awards) by the weighted average number of ordinary shares outstanding during the financial year (adjusted for vested MEREP awards).

Diluted earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to all the dilutive potential ordinary shares) by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

	CONSOLIDATED	
	2023	2022
		CENTS
<b>Basic earnings per share</b>	<b>1,353.7</b>	1,271.7
<b>Diluted earnings per share</b>	<b>1,316.3</b>	1,230.6
	\$m	\$m
<b>Reconciliation of earnings used in the calculation of basic and diluted earnings per share</b>		
Profit after income tax	5,168	4,953
Loss/(profit) attributable to non-controlling interests	14	(247)
<b>Profit attributable to the ordinary equity holders of MGL</b>	<b>5,182</b>	4,706
Less: profit attributable to participating unvested MEREP awards	(167)	(147)
<b>Earnings used in the calculation of basic earnings per share</b>	<b>5,015</b>	4,559
Add back:		
Interest on convertible subordinated debt	233	126
Profit attributable to dilutive participating unvested MEREP awards	104	100
<b>Earnings used in the calculation of diluted earnings per share</b>	<b>5,352</b>	4,785
		NUMBER OF SHARES
<b>Reconciliation of weighted average number of equity shares used in the calculation of basic and diluted earnings per share</b>		
Weighted average number of equity shares (net of treasury shares) adjusted for vested MEREP awards used in the calculation of basic earnings per share	370,473,587	358,496,006
Add: weighted average number of dilutive potential ordinary shares:		
Convertible subordinated debt <sup>(1)</sup>	25,333,746	19,425,680
Unvested MEREP awards	10,784,377	10,904,311
<b>Weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share</b>	<b>406,591,710</b>	388,825,997

(1) For details of convertible subordinated debt included in potential dilutive equity shares, refer to Note 26 *Loan capital*.



## Note 7

### Trading assets

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Listed equity securities	7,830	4,920	-	-
Commodity contracts	3,612	4,621	-	-
Debt securities	3,033	813	-	-
Commodities	2,406	3,224	-	-
<b>Total trading assets</b>	<b>16,881</b>	<b>13,578</b>	<b>-</b>	<b>-</b>

The majority of the above amounts are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity.

## Note 8

### Margin money and settlement assets

Margin money	14,397	14,457	-	-
Security settlements	6,476	5,849	-	-
Commodity settlements	4,383	4,802	-	-
<b>Total margin money and settlement assets</b>	<b>25,256</b>	<b>25,108</b>	<b>-</b>	<b>-</b>

The majority of above amounts are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity.

## Note 9

### Derivative assets

Held for trading	34,906	84,217	3	1
Designated in hedge relationships	1,208	674	-	-
<b>Total derivative assets</b>	<b>36,114</b>	<b>84,891</b>	<b>3</b>	<b>1</b>

The above amounts under held for trading category are expected to be materially recovered within 12 months of the balance date by the Consolidated Entity.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 10 Financial investments

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Equity securities:				
Listed	135	184	-	-
Unlisted	2,035	1,318	-	-
Debt securities:				
Liquid asset holdings	16,421	8,870	-	-
Bonds, money market and other securities	3,283	1,755	-	-
<b>Total financial investments</b>	<b>21,874</b>	<b>12,127</b>	<b>-</b>	<b>-</b>

Of the above amounts, \$4,417 million (2022: \$2,404 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity.

## Note 11 Held for sale and other assets

<b>Held for sale assets</b>				
Assets of disposal groups and interests in associates and joint venture classified as held for sale	921	1,297	-	-
<b>Other financial assets</b>				
Commodity-related receivables	3,264	2,519	-	-
Trade debtors and other receivables	2,495	2,172	7	10
Fee and commission receivables	1,051	1,026	-	-
<b>Total other financial assets</b>	<b>6,810</b>	<b>5,717</b>	<b>7</b>	<b>10</b>
<b>Other non-financial assets</b>				
Contract assets	960	551	-	-
Investment properties	917	748	-	-
Income tax receivables	631	625	8	14
Prepayments	420	448	-	-
Indirect tax receivables	271	205	15	4
Other	429	338	-	-
<b>Total other non-financial assets</b>	<b>3,628</b>	<b>2,915</b>	<b>23</b>	<b>18</b>
<b>Total other assets</b>	<b>10,438</b>	<b>8,632</b>	<b>30</b>	<b>28</b>

Of the above amounts, \$2,901 million (2022: \$2,769 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity and \$1 million (2022: \$nil) by the Company.

## Note 12

### Loan assets

	CONSOLIDATED 2023			CONSOLIDATED 2022		
	Gross \$m	ECL allowance <sup>(1)</sup> \$m	Net \$m	Gross \$m	ECL allowance <sup>(1)</sup> \$m	Net \$m
Home loans	114,889	(163)	114,726	95,348	(76)	95,272
Corporate, commercial and other lending	37,725	(998)	36,727	30,157	(731)	29,426
Asset financing	7,274	(155)	7,119	10,270	(224)	10,046
<b>Total loan assets</b>	<b>159,888</b>	<b>(1,316)</b>	<b>158,572</b>	<b>135,775</b>	<b>(1,031)</b>	<b>134,744</b>

Of the above amounts, \$107,950 million (2022: \$100,797 million) is expected to be recovered after 12 months of the balance date by the Consolidated Entity.

### Finance lease receivables

Finance lease receivables are included within loan assets. The Consolidated Entity provides finance leases to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles, small plant and equipment, electronic and IT equipment. The following table represents the maturity profile of the contractual undiscounted cashflows of the Consolidated Entity.

	CONSOLIDATED 2023			CONSOLIDATED 2022		
	Gross investment in finance lease receivables \$m	Unearned income \$m	Present value of minimum lease payments receivable \$m	Gross investment in finance lease receivables \$m	Unearned income \$m	Present value of minimum lease payments receivable \$m
Within one year	999	(84)	915	1,088	(71)	1,017
Between one to two years	656	(59)	597	799	(50)	749
Between two to three years	422	(39)	383	510	(32)	478
Between three to four years	237	(24)	213	281	(18)	263
Between four to five years	182	(11)	171	147	(8)	139
Later than five years	22	(1)	21	39	(1)	38
<b>Total</b>	<b>2,518</b>	<b>(218)</b>	<b>2,300</b>	<b>2,864</b>	<b>(180)</b>	<b>2,684</b>

(1) The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in reserves. Refer to Note 13 *Expected credit losses*.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 13 Expected credit losses

The Consolidated Entity models the Expected Credit Losses (ECL) for on-balance sheet financial assets measured at amortised cost or FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantee contracts and letters of credit.

### Model inputs

The Consolidated Entity segments its credit portfolio between retail and wholesale exposures, and further splits these portfolios into representative groupings which are typically based on shared risk characteristics.

The Consolidated Entity has developed several models to predict the ECL. These models incorporate a range of components notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward-Looking Information (FLI).

For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling.

The key model inputs used in measuring the ECL include:

- **Exposure at Default (EAD):** The EAD represents the estimated exposure in the event of a default
- **Probability of Default (PD):** The calculation of PDs for retail and wholesale exposures is generally performed at a facility level. Retail exposures are segmented based on product type and shared characteristics that are highly correlated to credit risk such as region, product, counterparty groupings, loan-to-value ratio and other similar criteria. Wholesale portfolio PDs are a function of industry type, internal credit ratings and transition matrices used to determine a point in time PD estimate. PD estimates for both retail and wholesale portfolios are also adjusted for FLI
- **Loss Given Default (LGD):** The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios.

### Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to material change in internal credit rating or whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by the credit watch management committee to closely monitor exposures showing signs of stress. All exposures on CreditWatch are classified as Stage II or, if defaulted, as Stage III.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on a relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in Stage II that are of a higher credit quality than other similar exposures that are classified as Stage I. Accordingly, while similar increases in the quantum of Stage II exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

### Retail exposures

Exposures are assigned a behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour. SICR movement thresholds between origination and reporting date of behavioural score movements have been established that, where exceeded, result in the exposure being categorised as Stage II.

### Wholesale exposures

The Consolidated Entity assigns an internal credit rating to each exposure at origination based on information available at that date. These internal ratings are broadly aligned to external credit rating agencies such as Standard & Poor's and Moody's.

Where an exposures' assigned credit rating deteriorates beyond pre-defined thresholds per credit rating at origination, the exposure is categorised as Stage II. The methodology has been calibrated so that a larger change in rating is required for higher quality credit rated exposures than for lower quality credit rated exposures to be classified as Stage II.

For both retail and wholesale portfolios:

- the AASB 9 'low credit risk' exemption is not applied by the Consolidated Entity to material portfolios
- for material retail portfolios, the credit risk for an exposure or portfolio is generally deemed to have increased significantly if the exposure is more than 30 days past due, unless there are product specific characteristics that indicate that this threshold should be rebutted.

### Definition of default

The Consolidated Entity's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Consolidated Entity to actions such as realisation of available security; or the borrower is 90 days or more past due on an obligation to the Consolidated Entity.

## Note 13

### Expected credit losses continued

The Consolidated Entity periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower including breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

#### Forward-looking information (FLI)

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR in retail portfolios as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between these key indicators and the key model components (EAD, PD and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and the calibration and validation process.

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately \$475 million (2022: \$450 million). These judgements are reviewed by FMG and RMG at each reporting date.

RMG is responsible for the FLI including the development of scenarios and recommending the range of probability weights to apply to those scenarios. For this purpose, four possible economic scenarios have been developed for this period, being an upside, downside, severe downside and baseline scenario. In calculating the ECL, each of the scenarios is probability weighted and then applied to the exposures' PDs and LGDs.

The scenarios have been developed using a combination of publicly available data, internal forecasts and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the alternate scenarios. For the current reporting period, the Consolidated Entity has generated three alternate scenarios in addition to the baseline scenario, where the alternate scenarios are anchored on a relative basis.

Refinement of the scenarios includes benchmarking to external data from reputable sources. These sources include, forecasts published from a range of market economists and official data sources, including major central banks, where available.

Where there are limited official data sources against which to benchmark key economic indicators on a forward-looking basis, management exercises judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Consolidated Entity.

Assigning probabilities to these scenarios requires professional judgement. This judgement draws on internal risk and economics specialist input, comparison to general market outlooks and publicly available market commentary.

The scenarios and the associated probabilities are ultimately approved by senior risk and finance executives.

The scenarios for each of the key regions where the Consolidated Entity's ECL is derived have been set out on the following pages. Noting the diversity of possible scenarios and macroeconomic outcomes, and the continuing uncertainty regarding the implications of geopolitical events, broader inflationary pressures and the path of monetary policy, these scenarios represent plausible forward-looking views as at the reporting date.

These scenarios impact the modelled ECL provisioning levels through determination of probabilities of default and determination of losses that may be incurred should a default occur. The ability of borrowers to service their obligations through personal or business income is generally estimated using unemployment rates, GDP, commodity prices and interest rates. The losses that the Consolidated Entity may incur should a default occur, and the collateral utilised is generally estimated through property price and share price index outlooks.

Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 13

### Expected credit losses continued

#### Forward-looking information (FLI) Continued

Scenario	Weighting	Expectation
<p><b>Baseline</b></p> <p>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,550 million<sup>(1)</sup></p>	Probable	<p><b>Global:</b> The baseline scenario assumes 2023 global GDP growth of around 2.01% year-on-year, slowing from 2.9% in 2022 in the face of inflationary pressures and tighter monetary policy. Interest rates are expected to peak in mid-2023, with rate cuts anticipated in 2024 as inflation eases and growth slows.</p> <p><b>Australia:</b> Growth is expected to slow materially in 2023 to 1.9%, with unemployment increasing by 1 percentage point by Q2 2024, though baseline assumptions are for a recession to be avoided. Policy rate hikes from the Reserve Bank of Australia (RBA) are expected to stop in mid-2023.</p> <p>House prices fell ~8% during 2022 from their peak, and a further ~10% decline is anticipated in 2023 due to pressure on household budgets from high interest rates. Equity prices have been more resilient but are assumed to remain relatively constrained over the next 12-18 months.</p> <p><b>United States:</b> Annual GDP growth is projected to slow in 2023, and contract in late 2023 and early 2024 resulting in an overall peak-to-trough fall in GDP of 1.6% over 12 months. As a result, the unemployment rate is projected to increase by 2 percentage points to 5.5% by the end of 2024, with rate cuts to provide support to the economy in early 2024.</p> <p><b>Europe:</b> The Eurozone economy outperformed expectations in 2022, despite the impact of the Russia-Ukraine war, but 2023 is expected to bring growth of just 0.1% as tighter monetary policy and high inflation put pressure on the economy.</p>
<p><b>Downside</b></p> <p>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,950 million<sup>(1)</sup></p>	Possible	<p><b>Global:</b> The downside scenario projects annual growth in global GDP that is approximately 1 percentage point lower than the baseline until late 2024.</p> <p><b>Australia:</b> The scenario projects stagnation over the 18 months to September 2024 due to continued inflationary pressure and further monetary tightening. Unemployment rises in the scenario to 5.5% by mid-2024 and recedes slowly in low growth environment. House prices are projected to be impacted by higher interest rates, falling ~23% from 2022 highs.</p> <p><b>United States:</b> The scenario projects five quarters of negative or zero growth beginning in mid-2023, resulting in a 3% fall in real GDP. Inflation remains sticky, however, and the US Fed delays rate cuts and the possible boost to the economy until disinflationary trends are clear. Unemployment is projected to increase 3 percentage points to 6.6% by mid-2024.</p> <p><b>Europe:</b> The scenario projects a 2% fall in real GDP over the next 12 months, driving unemployment to around 8%. Equity markets are projected to fall around 7% and fail to recover to prior peaks in the forecast period to 2027.</p>

(1) This number provides ECL provision information as at the reporting date assuming the scenarios outlined, but does not reflect changes in the credit rating of the counterparties that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.



## Note 13

### Expected credit losses continued

#### Forward-looking information (FLI) Continued

Scenario	Weighting	Expectation
<p><b>Severe Downside</b></p> <p>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$2,600 million<sup>(1)</sup></p>	Possible	<p><b>Global:</b> The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline. The global economy is projected to contract by ~2.5% in the next 12 months and stagnates for the subsequent 12 months.</p> <p><b>Australia:</b> The scenario projects five consecutive quarters of contraction in real GDP, resulting in a 2.5% decline in GDP by mid-2024. Unemployment peaks at 7.5% in late 2024, and house prices fall by 30% from their early 2022 peak.</p> <p><b>United States:</b> The scenario projects a ~6% fall in GDP to the end of 2024, contracting for seven straight quarters and failing to recover prior output levels by the end of 2027. Unemployment reaches 8.8% by the end of 2024, and house prices fall by over 20%.</p> <p><b>Europe:</b> The scenario projects a recession that extends until mid-2024, and output falls by 4% from current levels. Unemployment rates are projected to peak at ~9% and recede slowly.</p>
<p><b>Upside</b></p> <p>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,450 million<sup>(1)</sup></p>	Unlikely	<p><b>Global:</b> The upside scenario projects annual growth in global GDP that is approximately 1 percentage point higher than the baseline scenario until late 2024.</p> <p><b>Australia:</b> The scenario projects a slight slowdown in GDP growth to under 2% annually, but growth remains positive throughout. Unemployment rates increase only modestly, remaining below 4.5%. Interest rate rises are sufficient to calm inflation without sharply impacting growth.</p> <p><b>United States:</b> The scenario projects slowing GDP growth to 1% annually and the economy avoids any quarterly contractions. The Fed pauses monetary tightening as inflation recedes, engineering a 'soft landing' scenario.</p> <p><b>Europe:</b> The scenario projects GDP to grow only 0.4% in 2023, including one quarterly contraction. Thereafter growth remains around 2% annually through to 2027 and unemployment stays broadly flat at 6.5-7%.</p>

(1) This number provides ECL provision information as at the reporting date assuming the scenarios outlined, but does not reflect changes in the credit rating of the counterparties that may occur if these scenarios were to occur. Changes in credit ratings may have a material impact on these ECL provisions.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 13

### Expected credit losses continued

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*.

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT			Gross exposure \$m	ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			Total ECL allowance \$m
	Amortised cost \$m	FVOCI \$m	Other \$m		Amortised cost \$m	FVOCI \$m	Other \$m	
CONSOLIDATED 2023								
Cash and bank balances	45,659	-	-	45,659	3	-	-	3
Cash collateralised lending and reverse repurchase agreements	15,903	33,463	-	49,366	6	2	-	8
Margin money and settlement assets	24,738	-	-	24,738	58	-	-	58
Financial investments	1,721	17,269	-	18,990	-	4	-	4
Held for sale and other assets <sup>(1)</sup>	4,613	4	960	5,577	120	-	-	120
Loan assets	158,295	643	-	158,938	1,316	128	-	1,444
Loans to associates and joint ventures	480	-	-	480	60	-	-	60
Off balance sheet exposures	-	-	28,760	28,760	-	-	134	134
<b>Total</b>	<b>251,409</b>	<b>51,379</b>	<b>29,720</b>	<b>332,508</b>	<b>1,563</b>	<b>134</b>	<b>134</b>	<b>1,831</b>
CONSOLIDATED 2022								
Cash and bank balances	52,754	-	-	52,754	4	-	-	4
Cash collateralised lending and reverse repurchase agreements	11,155	35,872	-	47,027	8	-	-	8
Margin money and settlement assets	24,681	-	-	24,681	97	-	-	97
Financial investments	4	9,941	-	9,945	-	3	-	3
Held for sale and other assets <sup>(1)</sup>	4,355	9	553	4,917	159	-	-	159
Loan assets	135,024	281	-	135,305	1,031	59	-	1,090
Loans to associates and joint ventures	573	76	-	649	63	33	-	96
Off balance sheet exposures	-	-	29,486	29,486	-	-	56	56
<b>Total</b>	<b>228,546</b>	<b>46,179</b>	<b>30,039</b>	<b>304,764</b>	<b>1,362</b>	<b>95</b>	<b>56</b>	<b>1,513</b>

Loan assets continue to represent the Consolidated Entity's most significant component of credit exposures on which ECL allowances are carried. The credit quality of the Consolidated Entity's loan assets, is monitored through its credit policies, as set out in Note 36.1 *Credit risk*.

The Company's ECL provision of \$50 million (2022: \$36 million) primarily relates to related party loans of \$44,993 million (2022: \$35,650 million) that are presented as Due from subsidiaries in the Statements of financial position and certain off balance sheet exposures of \$5,239 million (2022: \$4,840 million). Change in the ECL allowance is primarily due to the increase in underlying exposures during the year.

(1) Other exposures included in other assets represent fee-related contract assets.

## Note 13

### Expected credit losses continued

The table below provides a reconciliation between the opening and closing balance of the ECL allowance.

	Cash and bank balances \$m	Cash collateralised lending and reverse repurchase agreements \$m	Margin money and settlement assets \$m	Financial investments \$m	Held for sale and other assets \$m	Loan assets \$m	Loans to associates and joint ventures \$m	Off balance sheet exposures \$m	Total \$m
Balance as at 1 Apr 2021	-	-	71	6	158	1,181	130	57	1,603
Credit impairment charges/ (reversals) (Note 2)	-	-	26	2	83	103	39	(1)	252
Amount written off, previously provided for	-	-	-	-	(64)	(163)	(73)	-	(300)
Reclassifications, foreign exchange and other movements	4	8	-	(5)	(18)	(31)	-	-	(42)
<b>Balance as at 31 Mar 2022</b>	<b>4</b>	<b>8</b>	<b>97</b>	<b>3</b>	<b>159</b>	<b>1,090</b>	<b>96</b>	<b>56</b>	<b>1,513</b>
Credit impairment charges/ (reversals) (Note 2)	<b>(1)</b>	<b>-</b>	<b>(42)</b>	<b>1</b>	<b>25</b>	<b>343</b>	<b>(5)</b>	<b>72</b>	<b>393</b>
Amount written off, previously provided for	-	-	-	-	(64)	(74)	-	-	(138)
Reclassifications, foreign exchange and other movements	-	-	3	-	-	85	(31)	6	63
<b>Balance as at 31 Mar 2023</b>	<b>3</b>	<b>8</b>	<b>58</b>	<b>4</b>	<b>120</b>	<b>1,444</b>	<b>60</b>	<b>134</b>	<b>1,831</b>

The table below provides a reconciliation of the ECL allowance on loan assets to which the impairment requirements under AASB 9 *Financial Instruments* are applied.

	LIFETIME ECL			Total \$m
	Stage I 12 month ECL \$m	Stage II Not credit impaired \$m	Stage III Credit impaired \$m	
Balance as at 1 Apr 2021	421	280	480	1,181
Transfers during the year	42	(41)	(1)	-
Credit impairment charges (Note 2)	54	48	1	103
Amount written off, previously provided for	-	-	(163)	(163)
Reclassifications, foreign exchange and other movements	(31)	(2)	2	(31)
<b>Balance as at 31 Mar 2022</b>	<b>486</b>	<b>285</b>	<b>319</b>	<b>1,090</b>
Transfers during the year	<b>(5)</b>	<b>8</b>	<b>(3)</b>	<b>-</b>
Credit impairment charges (Note 2)	<b>93</b>	<b>145</b>	<b>105</b>	<b>343</b>
Amount written off, previously provided for	-	-	(74)	(74)
Reclassifications, foreign exchange and other movements	<b>51</b>	<b>(13)</b>	<b>47</b>	<b>85</b>
<b>Balance as at 31 Mar 2023</b>	<b>625</b>	<b>425</b>	<b>394</b>	<b>1,444</b>

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 14 Interests in associates and joint ventures

	CONSOLIDATED	
	2023 \$m	2022 \$m
Equity investments with no provisions for impairment	3,877	3,000
Equity investments with provisions for impairment:		
Gross carrying value <sup>(1)</sup>	1,304	993
Less: provisions for impairment	(571)	(489)
Equity investments with provisions for impairment	733	504
<b>Total equity investments in associates and joint ventures<sup>(2)</sup></b>	<b>4,610</b>	<b>3,504</b>
Loans to associates and joint ventures	1,024	932
Less: credit impairment charges <sup>(3)</sup>	(60)	(63)
<b>Total loans to associates and joint ventures</b>	<b>964</b>	<b>869</b>
<b>Total interests in associates and joint ventures<sup>(4),(5)</sup></b>	<b>5,574</b>	<b>4,373</b>

The majority of the above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

### Principal associates

The Consolidated Entity's principal associates at the balance date are:

Associates	Carrying value 2023 \$m	Carrying value 2022 \$m	Ownership interest	Nature of activities	Financial reporting date
Macquarie AirFinance Limited	868	583	50%	Aircraft leasing	31 March

### Macquarie AirFinance Limited

The Consolidated Entity holds 50% interest in Macquarie AirFinance Limited (MAF) under the MAM operating group and accounts for it as an equity-accounted associate due to having significant influence.

During the current year, MAF committed to acquire a portfolio of aircraft which will be funded through debt and equity. As at balance date, the Consolidated Entity has an undrawn equity commitment of \$374 million to MAF to fund the acquisition of the aircraft portfolio.

An assessment of impairment indicators on an aircraft-by-aircraft basis was undertaken by MAF. For aircraft with impairment indicators, recoverable value was compared to the carrying value. The recoverable value of the Consolidated Entity's investment in MAF was also considered with no adjustment made to carrying value as at balance date.

(1) Represents the carrying value after equity-accounted gains and losses, if any.

(2) Includes investments in Macquarie-managed funds of \$1,597 million (2022: \$1,497 million). The Consolidated Entity classifies its investments in these funds as equity-accounted associates where it has a less than 20% ownership interest on the basis of its ability to participate in the financial and operating policy decisions through its role as general partner or manager.

(3) Prior period excludes credit losses of \$33 million which have been recognised in FVOCI reserve on loans to associates measured at FVOCI.

(4) Comprises \$3,596 million (2022: \$2,796 million) relating to interests in associates and \$1,978 million (2022: \$1,577 million) relating to interests in joint ventures.

(5) Financial statements of associates and joint ventures have been adjusted to align with the Consolidated Entity's reporting date, where the reporting date differs.

## Note 15

### Property, plant and equipment and right-of-use assets

	CONSOLIDATED 2023			CONSOLIDATED 2022		
	Cost \$m	Accumulated depreciation and impairment \$m	Carrying value \$m	Cost \$m	Accumulated depreciation and impairment \$m	Carrying value \$m
<b>Assets for own use</b>						
Land and buildings	879	(44)	835	652	(38)	614
Furniture, fittings and leasehold improvements	843	(614)	229	899	(606)	293
Infrastructure assets and equipment	760	(182)	578	317	(114)	203
<b>Total assets for own use</b>	<b>2,482</b>	<b>(840)</b>	<b>1,642</b>	<b>1,868</b>	<b>(758)</b>	<b>1,110</b>
<b>Assets under operating lease</b>						
Meters	2,558	(1,082)	1,476	2,268	(904)	1,364
Aviation	1,274	(217)	1,057	1,024	(159)	865
Telecommunications	1,699	(666)	1,033	1,441	(632)	809
Equipment and other	1,073	(239)	834	666	(129)	537
<b>Total assets under operating lease</b>	<b>6,604</b>	<b>(2,204)</b>	<b>4,400</b>	<b>5,399</b>	<b>(1,824)</b>	<b>3,575</b>
<b>Right-of-use assets</b>						
Office premises	1,050	(554)	496	832	(428)	404
Commodity storage	106	(59)	47	102	(76)	26
Other	70	(16)	54	41	(13)	28
<b>Total right-of-use assets</b>	<b>1,226</b>	<b>(629)</b>	<b>597</b>	<b>975</b>	<b>(517)</b>	<b>458</b>
<b>Total property, plant and equipment and right-of-use assets<sup>(1)</sup></b>	<b>10,312</b>	<b>(3,673)</b>	<b>6,639</b>	<b>8,242</b>	<b>(3,099)</b>	<b>5,143</b>

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

(1) Includes \$5,943 million (2022: \$4,683 million) related to the Consolidated Entity's integrated consolidated businesses and \$696 million (2022: \$460 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 15

### Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Consolidated Entity's property, plant and equipment was as follows.

	Land and buildings \$m	Furniture, fittings and leasehold improvements \$m	Infrastructure assets and equipment \$m	Total \$m
<b>CONSOLIDATED</b>				
<b>Assets for own use</b>				
Balance as at 1 Apr 2021	488	387	394	1,269
Acquisitions and additions	179	116	399	694
Disposals	(23)	(20)	(71)	(114)
Depreciation expense <sup>(1)</sup>	(7)	(81)	(45)	(133)
Impairments	-	(27)	(3)	(30)
Reclassification and other adjustments	(21)	(79)	(445)	(545)
Foreign exchange movements	(2)	(3)	(26)	(31)
<b>Balance as at 31 Mar 2022<sup>(2)</sup></b>	<b>614</b>	<b>293</b>	<b>203</b>	<b>1,110</b>
Acquisitions and additions	<b>233</b>	<b>137</b>	<b>360</b>	<b>730</b>
Disposals	-	<b>(2)</b>	<b>(79)</b>	<b>(81)</b>
Depreciation expense <sup>(1)</sup>	<b>(5)</b>	<b>(53)</b>	<b>(55)</b>	<b>(113)</b>
Impairments	-	-	<b>(1)</b>	<b>(1)</b>
Reclassification and other adjustments	<b>(9)</b>	<b>(156)</b>	<b>125</b>	<b>(40)</b>
Foreign exchange movements	<b>2</b>	<b>10</b>	<b>25</b>	<b>37</b>
<b>Balance as at 31 Mar 2023<sup>(2)</sup></b>	<b>835</b>	<b>229</b>	<b>578</b>	<b>1,642</b>

	Meters \$m	Aviation \$m	Telecommunications \$m	Equipment and other \$m	Total \$m
<b>CONSOLIDATED</b>					
<b>Assets under operating lease</b>					
Balance as at 1 Apr 2021	1,370	843	132	441	2,786
Acquisitions and additions	270	55	683	213	1,221
Disposals	-	(7)	(1)	(15)	(23)
Depreciation expense	(190)	(34)	(35)	(96)	(355)
Reclassifications and other adjustments <sup>(3)</sup>	(40)	(4)	54	(4)	6
Foreign exchange movements	(46)	12	(24)	(2)	(60)
<b>Balance as at 31 Mar 2022</b>	<b>1,364</b>	<b>865</b>	<b>809</b>	<b>537</b>	<b>3,575</b>
Acquisitions and additions	<b>262</b>	<b>146</b>	<b>265</b>	<b>462</b>	<b>1,135</b>
Disposals	-	<b>(21)</b>	-	<b>(55)</b>	<b>(76)</b>
Depreciation expense	<b>(190)</b>	<b>(34)</b>	<b>(35)</b>	<b>(141)</b>	<b>(400)</b>
Impairments	-	<b>(4)</b>	-	-	<b>(4)</b>
Reclassifications and other adjustments <sup>(3)</sup>	<b>(33)</b>	-	<b>(51)</b>	<b>(10)</b>	<b>(94)</b>
Foreign exchange movements	<b>73</b>	<b>105</b>	<b>45</b>	<b>41</b>	<b>264</b>
<b>Balance as at 31 Mar 2023</b>	<b>1,476</b>	<b>1,057</b>	<b>1,033</b>	<b>834</b>	<b>4,400</b>

(1) Includes depreciation expense of \$29 million (2022: \$32 million) on infrastructure assets and equipment, and \$1 million (2022: \$2 million) on buildings, furniture, fittings and leasehold improvements relating to subsidiaries held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit before income tax*.

(2) Includes \$670 million (2022: \$371 million) capital work in progress related to building construction and improvements for Martin Place Metro Project and \$299 million (2022: \$107 million) related to infrastructure projects.

(3) Includes \$51 million loss (2022: \$54 million gain) fair value hedge adjustment. Refer to Note 35 *Hedge accounting*.



## Note 15

### Property, plant and equipment and right-of-use assets continued

The movement in the carrying value of the Consolidated Entity's ROU assets was as follows.

	Office premises \$m	Commodity storage \$m	Other \$m	Total \$m
<b>CONSOLIDATED</b>				
<b>Right-of-use assets</b>				
Balance as at 1 Apr 2021	530	51	40	621
Acquisitions and additions	62	27	75	164
Reclassifications and disposals	(31)	-	(68)	(99)
Depreciation expense <sup>(1)</sup>	(145)	(49)	(11)	(205)
Impairments	(10)	-	-	(10)
Foreign exchange movements	-	2	2	4
Others	(2)	(5)	(10)	(17)
<b>Balance as at 31 Mar 2022</b>	<b>404</b>	<b>26</b>	<b>28</b>	<b>458</b>
Acquisitions and additions	<b>216</b>	<b>38</b>	<b>31</b>	<b>285</b>
Reclassifications and disposals	<b>(12)</b>	<b>-</b>	<b>(6)</b>	<b>(18)</b>
Depreciation expense <sup>(1)</sup>	<b>(145)</b>	<b>(20)</b>	<b>(6)</b>	<b>(171)</b>
Impairments	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>
Foreign exchange movements	<b>29</b>	<b>3</b>	<b>2</b>	<b>34</b>
Others	<b>7</b>	<b>-</b>	<b>5</b>	<b>12</b>
<b>Balance as at 31 Mar 2023</b>	<b>496</b>	<b>47</b>	<b>54</b>	<b>597</b>

The future minimum lease payments expected to be received under non-cancellable operating leases are as follows.

	<b>CONSOLIDATED</b>	
	2023 \$m	2022 \$m
<b>Assets under operating lease</b>		
Within one year	<b>438</b>	276
Between one to two years	<b>333</b>	240
Between two to three years	<b>170</b>	155
Between three to four years	<b>103</b>	59
Between four to five years	<b>82</b>	41
Later than five years	<b>243</b>	134
<b>Total future minimum lease payments receivable</b>	<b>1,369</b>	905

(1) Includes depreciation expense of \$140 million (2022: \$145 million) on office premise leases presented under other operating expenses, \$20 million (2022: \$49 million) on assets held for trading-related business presented under net trading income and \$4 million (2022: \$7 million) on technology leases presented under non-salary technology expenses in Note 2 *Operating profit before income tax*.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 16 Intangible assets

	CONSOLIDATED 2023			CONSOLIDATED 2022		
	Cost \$m	Accumulated amortisation and impairment \$m	Carrying value \$m	Cost \$m	Accumulated amortisation and impairment \$m	Carrying value \$m
<b>Intangible assets with indefinite lives</b>						
Goodwill	2,037	(33)	2,004	1,900	(37)	1,863
Management rights	308	-	308	276	-	276
<b>Intangible assets with definite lives</b>						
Management rights and licenses	1,313	(393)	920	1,422	(255)	1,167
Customer and servicing contracts	729	(308)	421	626	(239)	387
Software and other intangibles	391	(217)	174	273	(186)	87
<b>Total intangible assets<sup>(1)</sup></b>	<b>4,778</b>	<b>(951)</b>	<b>3,827</b>	<b>4,497</b>	<b>(717)</b>	<b>3,780</b>

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity.

In accordance with the Consolidated Entity's accounting policies, assets with an indefinite useful life are tested on an annual basis for impairment, and additionally, along with assets with a definite useful life, whenever an indication of impairment exists. An impairment loss is recognised for the amount by which the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value-in-use. Where required, the recoverable amount is determined either with reference to external valuations or estimated using discounted cash flow techniques. In this case, estimates specific to the asset or CGU are required to be determined, including forecast cash flows, long-term growth rates and discount rates, which ranged from 10.5%–13.0%. There was no significant impairment recognised during the year.

The movement in the carrying value of the Consolidated Entity's intangible assets is as follows.

	INTANGIBLE ASSETS WITH INDEFINITE LIVES		INTANGIBLE ASSETS WITH DEFINITE LIVES			Total \$m
	Goodwill \$m	Management rights \$m	Management rights and licenses \$m	Customer and servicing contracts \$m	Software and other intangibles \$m	
Balance as at 1 Apr 2021	1,321	272	353	341	256	2,543
Acquisitions <sup>(2)</sup>	1,160	-	923	172	33	2,288
Impairments	(12)	-	(19)	(6)	(10)	(47)
Amortisation <sup>(3)</sup>	-	-	(97)	(32)	(31)	(160)
Disposals and reclassifications	(628)	-	(12)	(87)	(164)	(891)
Foreign exchange movements and other adjustments	22	4	19	(1)	3	47
<b>Balance as at 31 Mar 2022</b>	<b>1,863</b>	<b>276</b>	<b>1,167</b>	<b>387</b>	<b>87</b>	<b>3,780</b>
Acquisitions <sup>(2)</sup>	161	-	2	21	146	330
Impairments	(12)	-	-	-	-	(12)
Amortisation <sup>(3)</sup>	-	-	(153)	(44)	(31)	(228)
Disposals and reclassifications	(111)	(2)	(196)	(6)	(118)	(433)
Foreign exchange movements and other adjustments	103	34	100	63	90	390
<b>Balance as at 31 Mar 2023</b>	<b>2,004</b>	<b>308</b>	<b>920</b>	<b>421</b>	<b>174</b>	<b>3,827</b>

(1) Includes \$2,959 million (2022: \$2,863 million) related to the Consolidated Entity's core business operations and \$868 million (2022: \$917 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.

(2) Includes intangible assets acquired as part of business combinations and otherwise. Refer to Note 42 *Acquisitions and disposals of subsidiaries and businesses* for intangible assets acquired as part of business combinations.

(3) Includes amortisation of \$47 million (2022: \$26 million) related to the Consolidated Entity's subsidiaries held for investment purposes, presented under other operating income and charges and \$181 million (2022: \$134 million) under other operating expenses in Note 2 *Operating profit before income tax*.

## Note 17

### Investment in subsidiaries

	COMPANY	
	2023 \$m	2022 \$m
Investment at cost with no provisions for impairment <sup>(1)</sup>	32,604	32,449
<b>Total investment in subsidiaries</b>	<b>32,604</b>	<b>32,449</b>

The above amounts are expected to be recovered after 12 months of the balance date by the Company.

The following are the Company's notable subsidiaries.

BANK GROUP	NON-BANK GROUP	
<b>Macquarie B.H. Pty Ltd (MBHPL)</b>	<b>Macquarie Financial Holdings Pty Limited (MFHPL)</b>	<b>Macquarie Asset Management Holdings Pty Limited (MAMH)</b>
<b>Australia</b>	<ul style="list-style-type: none"> <li>Macquarie Financial Holdings Pty Limited</li> <li>Macquarie Corporate Holdings Pty Limited</li> <li>Macquarie Group (US) Holdings No.1 Pty Ltd</li> <li>Macquarie Securities (Australia) Limited</li> <li>Macquarie Capital (Australia) Limited</li> </ul>	<ul style="list-style-type: none"> <li>Macquarie Asset Management Holdings Pty Limited</li> <li>Macquarie Investment Management Global Limited</li> <li>Macquarie Investment Management Australia Limited</li> <li>Macquarie Infrastructure Management (Asia) Pty Limited</li> <li>Macquarie Specialised Asset Management Ltd</li> </ul>
<b>Asia Pacific</b>	<ul style="list-style-type: none"> <li>Macquarie Capital Limited (Hong Kong)</li> </ul>	
<b>Europe, Middle East and Africa</b>	<ul style="list-style-type: none"> <li>Macquarie Investment Management Europe Limited (United Kingdom)</li> <li>Macquarie Asset Management Europe S.à r.l. (Luxembourg)</li> <li>Macquarie Capital France Société Anonyme (Reporting date 31 December) (France)</li> <li>Macquarie Capital (Europe) Limited (United Kingdom)</li> <li>Infinity UK Borrower 1 Limited (United Kingdom)</li> </ul>	<ul style="list-style-type: none"> <li>Macquarie Infrastructure and Real Assets Investments Limited (United Kingdom)</li> <li>Macquarie Infrastructure and Real Assets (Europe) Limited (United Kingdom)</li> </ul>

(1) In accordance with its accounting policies, the Company reviewed its investments in subsidiaries for indicators of impairment and, where applicable, reversal of impairment. Where its investments had indicators of reversal of impairment, the investments' carrying value was compared to its recoverable value which was determined as the higher of value-in-use and fair value less cost to sell (valuation). The valuations, which are classified as Level 3 in the fair value hierarchy (as defined in Note 38 *Fair value of assets and liabilities*), have been calculated using a valuation technique with significant inputs including the subsidiary's maintainable earnings, growth rates and relevant earnings' multiples. A range of valuations of the investments in the subsidiaries, under different scenarios, were used that demonstrated that the recoverable value was either equivalent to or exceed the investments' current carrying value.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 17

### Investment in subsidiaries continued

BANK GROUP	NON-BANK GROUP	
Macquarie B.H. Pty Ltd (MBHPL)	Macquarie Financial Holdings Pty Limited (MFHPL)	Macquarie Asset Management Holdings Pty Limited (MAMH)
<b>Americas</b>		
<ul style="list-style-type: none"><li>• Macquarie Energy LLC (United States)</li><li>• Macquarie America Holdings Inc. (United States)</li><li>• Macquarie Global Services (USA) LLC (United States)</li><li>• Macquarie Futures USA LLC (United States)</li></ul>	<ul style="list-style-type: none"><li>• Macquarie Capital (USA) Inc. (United States)</li><li>• Macquarie Infrastructure Management (USA) Inc (United States)</li><li>• Macquarie Holdings (U.S.A.) Inc. (United States)</li><li>• Macquarie PF Inc. (United States)</li><li>• Macquarie Capital Markets Canada Ltd. (Canada)</li><li>• Infinity US Borrower 1 LLC (United States)</li><li>• Macquarie PF LLC (United States)</li><li>• MIP III (ECI) GP LLC (United States)</li></ul>	<ul style="list-style-type: none"><li>• Delaware Management Company (United States)</li><li>• Delaware Investments Management Company, LLC (United States)</li><li>• Delaware Distributors, L.P. (United States)</li><li>• Macquarie Management Holdings, Inc. (United States)</li></ul>

The subsidiaries included in the notable subsidiaries list above are identified on the basis of their ongoing contribution to the Consolidated Entity's external assets and operating profit. Additionally, these include the major employing entities, entities that are key providers of funding to other subsidiaries and other operating entities considered key for each Operating Group and region.

The list of notable subsidiaries has been categorised based on the geographic region of their incorporation. The country of incorporation has been stated in brackets. For entities in the Australia region, the country of incorporation is Australia. Overseas subsidiaries conduct business predominantly in their place of incorporation. Notable subsidiaries may conduct business in other geographic regions through branches, the branches have not been separately included in the list of notable subsidiaries.

All notable subsidiaries have a 31 March reporting date, except for specific cases covered above.

#### Significant restrictions

During the year, the Company's subsidiaries did not experience any significant restrictions on paying dividends, accessing or using assets and settling liabilities of the Group. There are no foreseen restrictions envisaged with regard to planned dividends or payments. However, the ability of subsidiaries to pay dividends or advance monies to the Group depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

#### Non-controlling interest

Details of non-controlling interest are covered in Note 28 *Reserves, retained earnings and non-controlling interests*.

## Note 18

### Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Other assets and liabilities	1,800	1,444	3	-
Financial investments and interests in associates and joint ventures	475	300	-	-
Tax losses	358	211	-	-
Intangible assets	283	123	-	-
Property, plant and equipment	112	89	-	-
Loan assets and derivatives	268	65	-	-
Operating and finance leases	43	18	-	-
Set-off of deferred tax liabilities	(1,542)	(698)	-	-
<b>Net deferred tax assets</b>	<b>1,797</b>	<b>1,552</b>	<b>3</b>	<b>-</b>
Intangible assets	(419)	(316)	-	-
Operating and finance lease assets	(359)	(311)	-	-
Financial investments and interests in associates and joint ventures	(444)	(132)	-	-
Loan assets and derivatives	(274)	(91)	-	(6)
Other assets and liabilities	(205)	(56)	-	(15)
Property, plant and equipment	(37)	(8)	-	-
Set-off of deferred tax assets	1,542	698	-	-
<b>Net deferred tax liabilities</b>	<b>(196)</b>	<b>(216)</b>	<b>-</b>	<b>(21)</b>

The above amounts are expected to be recovered after 12 months of the balance date by the Consolidated Entity and the Company.

Potential tax assets of approximately \$533 million (2022: \$488 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as Management do not believe that the realisation of the tax assets is probable. Included in this amount are gross losses of \$57 million (2022: \$68 million) that will expire within two years, \$207 million (2022: \$181 million) that will expire in 2-5 years, \$280 million (2022: \$310 million) that will expire in 5-10 years and \$543 million (2022: \$354 million) that will expire in 10-20 years. \$1,260 million (2022: \$1,180 million) of gross losses do not expire and can be carried forward indefinitely.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 19 Trading liabilities

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Listed equity securities	4,770	5,252	-	-
Debt securities	40	38	-	-
<b>Total trading liabilities</b>	<b>4,810</b>	<b>5,290</b>	<b>-</b>	<b>-</b>

## Note 20 Margin money and settlement liabilities

Margin money	17,109	16,353	-	-
Security settlements	6,408	5,840	-	-
Commodity settlements	3,965	4,965	-	-
<b>Total margin money and settlement liabilities</b>	<b>27,482</b>	<b>27,158</b>	<b>-</b>	<b>-</b>

## Note 21 Derivative liabilities

Held for trading	29,055	82,683	5	6
Designated in hedge relationships	3,735	1,781	-	-
<b>Total derivative liabilities</b>	<b>32,790</b>	<b>84,464</b>	<b>5</b>	<b>6</b>

## Note 22 Deposits

Interest bearing deposits:				
Call	89,917	76,171	-	-
Term	23,367	8,566	-	31
Non-interest bearing deposits - repayable on demand	21,430	16,930	-	4
<b>Total deposits</b>	<b>134,714</b>	<b>101,667</b>	<b>-</b>	<b>35</b>



## Note 23

### Held for sale and other liabilities

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Held for sale liabilities</b>				
Liabilities of disposal groups classified as held for sale	173	525	-	-
<b>Other financial liabilities</b>				
Creditors	1,929	1,943	20	17
Commodity-related payables	1,371	1,230	-	-
Lease liabilities	702	586	-	-
Unitholder liabilities	-	505	-	-
<b>Total other financial liabilities</b>	<b>4,002</b>	<b>4,264</b>	<b>20</b>	<b>17</b>
<b>Other non-financial liabilities</b>				
Employment-related liabilities	4,065	3,496	83	94
Provisions <sup>(1)</sup>	1,620	1,339	20	-
Income tax provision <sup>(2)</sup>	1,087	981	112	97
Accrued charges and other payables	841	393	2	2
Income received in advance	369	259	-	1
Indirect taxes payables	138	112	4	-
Other	390	323	-	-
<b>Total other non-financial liabilities</b>	<b>8,510</b>	<b>6,903</b>	<b>221</b>	<b>194</b>
<b>Total other liabilities</b>	<b>12,512</b>	<b>11,167</b>	<b>241</b>	<b>211</b>

(1) In the ordinary course of its business, the Consolidated Entity and the Company may be subject to actual and potential civil claims and regulatory enforcement actions. During the current year, these include matters in the Commonwealth of Australia, the United States of America, the United Kingdom, and the Federal Republic of Germany. The civil claims may result in settlements or damages awards. The regulatory enforcement actions may result in outcomes such as penalties, fines, disgorgement of profits and non-monetary sanctions. This amount includes provisions for such outcomes. The amount and timing of the outcomes are uncertain and may differ from the provisions recognised. Based on existing information, the range of likely outcomes, and any change in provisions during the current year, did not have and are not currently expected to have a material impact on the Consolidated Entity. The Consolidated Entity and the Company consider the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.

(2) Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking external advice where appropriate, and considers that it holds appropriate provisions.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 24 Issued debt securities

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Bonds	50,972	47,843	31,050	24,720
Commercial paper	23,466	35,060	-	-
Securitised notes <sup>(1)</sup>	11,424	13,380	-	-
Structured notes <sup>(2),(3)</sup>	2,413	2,503	1,063	918
Certificates of deposits	2,274	741	-	-
<b>Total issued debt securities</b>	<b>90,549</b>	<b>99,527</b>	<b>32,113</b>	<b>25,638</b>

The Consolidated Entity and the Company have not had any defaults of principal, interest or other breaches with respect to its issued debt securities during the financial years reported.

### Reconciliation of issued debt securities by major currency (In Australian dollar equivalent)

United States dollar	54,396	61,203	21,020	18,568
Australian dollar	19,781	22,354	252	259
Euro	7,318	8,395	4,493	3,956
Pound sterling	2,983	4,068	1,478	806
Japanese yen	2,161	212	2,181	74
Swiss franc	1,580	1,772	852	752
Singapore dollar	609	30	598	30
Chinese yuan renminbi	509	489	437	421
Others	1,212	1,004	802	772
<b>Total issued debt securities</b>	<b>90,549</b>	<b>99,527</b>	<b>32,113</b>	<b>25,638</b>

(1) Represents payable to note holders and debt holders for which loan assets are held by consolidated Structured Entities (SEs) and are available as security. Refer to Note 40 *Pledged assets and transfers of financial assets* for the details of assets pledged for the liabilities of the Consolidated Entity.

(2) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities measured at DFVTPL for the Consolidated Entity is \$3,140 million (2022: \$3,245 million) and for the Company is \$973 million (2022: \$1,531 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 37 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

(3) Consolidated Entity includes a cumulative fair value gain recognised in OCI of \$49 million (2022: \$16 million) and the Company includes a cumulative fair value gain recognised in OCI of \$34 million (2022: \$22 million) due to changes in own credit risk on issued debt securities measured at DFVTPL.

## Note 25

### Capital management

#### Capital management strategy

The Consolidated Entity's and the Company's capital management strategy is to maximise shareholder value through optimising the mix, level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Consolidated Entity's capital management objectives are to maintain sufficient capital resources to:

- support the Consolidated Entity's business and operational requirements
- safeguard interest of depositors' and the Consolidated Entity's ability to continue as a going concern
- exceed regulatory capital requirements
- support the Consolidated Entity's credit rating.

The Consolidated Entity's capital management strategy uses both internal and external measures of capital. Internally, the Consolidated Entity has developed an Economic Capital Adequacy Model (ECAM) that complements the management of specific risk types such as equity, credit, market and operational risk by providing an aggregate view of the Consolidated Entity's risk profile. Externally, the Consolidated Entity is subject to minimum capital requirements imposed by the Australian Prudential Regulation Authority (APRA).

Measures of capital used to support business decision-making include:

- capital adequacy assessment
- risk appetite setting
- risk-adjusted performance measurement.

#### Regulatory capital framework

Regulatory capital requirements are imposed and measured at three levels of consolidation within the Consolidated Entity:

- **Level 1:** MBL and certain subsidiaries which meet the APRA definition of Extended Licensed Entities
- **Level 2:** MBL, its subsidiaries and its immediate parent less certain subsidiaries of MBL which are deconsolidated for APRA reporting purposes. These include entities conducting insurance, funds management and non-financial operations
- **Level 3:** The Level 2 group, other bank entities excluded from Level 2 plus the Non-Bank Group. In determining the capital requirements, transactions internal to the Consolidated Entity are eliminated.

MBL, a wholly owned subsidiary of the Company, is an APRA regulated Authorised Deposit-taking Institution (ADI) and is subject to the prevailing APRA ADI Prudential Standard requirements. MBL is accredited by APRA to apply the Basel III Foundation Internal Ratings Based Approach for credit risk and the Internal Model Approach for market risk and interest rate risk in the banking book.

The Company and Consolidated Entity, as an APRA authorised and regulated Non-Operating Holding Company (NOHC), is regulated on a Level 3 basis and is required to maintain minimum regulatory capital calculated as the sum of:

- MBL's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets (RWA) plus Tier 1 deductions per the prevailing APRA ADI Prudential Standards
- the Non-Bank Group capital requirement, per the Consolidated Entity's ECAM.

The Consolidated Entity's Level 3 eligible capital consists of ordinary equity, retained earnings, certain reserves and hybrid instruments. The overall Level 3 capital position is reported as an excess over the regulatory minimum capital adequacy requirement.

The Consolidated Entity has complied with minimum capital requirements at Level 1, Level 2 and Level 3 throughout the financial year.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 26 Loan capital

### Subordinated debt

Subordinated debt comprises of agreements between the Consolidated Entity and its lenders that provide that, in the event of liquidation, entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of the Consolidated Entity.

The table below highlights key capital instruments with conditional repayment obligations (Tier 1 loan capital) issued by the Consolidated Entity.

Contract feature	Macquarie Group Capital Notes	Macquarie Group Capital Notes	Macquarie Group Capital Notes
<b>Code</b>	MCN3	MCN4	MCN5
<b>Issuer</b>	Macquarie Group Limited	Macquarie Group Limited	Macquarie Group Limited
<b>Par value</b>	\$100	\$100	\$100
<b>Currency</b>	AUD	AUD	AUD
<b>Carrying value at reporting date</b>	\$1,000 million	\$905 million	\$725 million
<b>Accounting measurement basis</b>	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
<b>Issue date</b>	7 June 2018	27 March 2019	17 March 2021
<b>Interest rate</b>	90-day BBSW plus a fixed margin of 4.00% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 4.15% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits
<b>Interest payment frequency</b>	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
<b>Interest payment</b>	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
<b>Dividend stopper</b>	Yes	Yes	Yes
<b>Outstanding notes at reporting date</b>	10 million	9.05 million	7.25 million
<b>Maturity</b>	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument
<b>Convertible into ordinary shares</b>	Yes	Yes	Yes
<b>Convertible into issuer shares</b>	MGL	MGL	MGL
<b>Mandatory conversion date</b>	15 December 2027	10 September 2029	18 September 2030
<b>Maximum number of shares on conversion</b>	43,798,178	35,439,961	24,641,304
<b>Optional exchange dates</b>	<ul style="list-style-type: none"> <li>16 December 2024</li> <li>16 June 2025</li> <li>15 December 2025</li> </ul> earlier in specified circumstances at the discretion of MGL subject to APRA approval	<ul style="list-style-type: none"> <li>10 September 2026</li> <li>10 March 2027</li> <li>10 September 2027</li> </ul> earlier in specified circumstances at the discretion of MGL subject to APRA approval	<ul style="list-style-type: none"> <li>18 September 2027</li> <li>18 March 2028</li> <li>18 September 2028</li> </ul> earlier in specified circumstances at the discretion of MGL subject to APRA approval
<b>Other exchange events</b>	<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MGL)</li> <li>where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)</li> </ul>	<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MGL)</li> <li>where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)</li> </ul>	<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MGL)</li> <li>where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)</li> </ul>
<b>EPS Dilution</b>	Dilutive	Dilutive	Dilutive
<b>Capital treatment</b>	Eligible hybrid capital	Eligible hybrid capital	Eligible hybrid capital

(1) As at 31 March 2023, the US\$750 million of MACS were held by an authorised representative for the Depository Trust Company being the common depository for the MACS global security.

Macquarie Group Capital Notes	Macquarie Additional Capital Securities	Macquarie Bank Capital Notes 2	Macquarie Bank Capital Notes 3
MCN6	MACS	BCN2	BCN3
Macquarie Group Limited	Macquarie Bank Limited	Macquarie Bank Limited	Macquarie Bank Limited
\$100	n/a	\$100	\$100
AUD	USD	AUD	AUD
\$750 million	US\$750 million/(\$A1,064 million)	\$641 million	\$655 million
Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
15 July 2022	8 March 2017	2 June 2020	27 August 2021
90-day BBSW plus a fixed margin of 3.70% per annum, adjusted for franking credits	6.125% per annum	90-day BBSW plus a fixed margin of 4.70% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits
Quarterly in arrears	Semi-annually in arrears	Quarterly in arrears	Quarterly in arrears
Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
Yes	MBL only	MBL only	MBL only
7.5 million	— <sup>(1)</sup>	6.41 million	6.55 million
Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual, redeemed subject to APRA's written approval, and at the discretion of MBL in limited circumstances	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument
Yes	Yes	Yes	Yes
MGL	MGL	MGL	MGL
12 September 2032	n/a	21 December 2028	8 September 2031
22,525,190	56,947,286	30,532,190	20,316,704
<ul style="list-style-type: none"> <li>12 September 2029</li> <li>12 March 2030</li> <li>12 September 2030</li> </ul> earlier in specified circumstances at the discretion of MGL subject to APRA approval	No optional exchange dates	<ul style="list-style-type: none"> <li>21 December 2025</li> <li>21 June 2026</li> <li>21 December 2026</li> </ul> earlier in specified circumstances at the discretion of MBL subject to APRA approval	<ul style="list-style-type: none"> <li>7 September 2028</li> <li>7 March 2029</li> <li>7 September 2029</li> </ul> earlier in specified circumstances at the discretion of MBL subject to APRA approval
<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MGL)</li> <li>where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)</li> </ul>	<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MBL or MGL)</li> <li>where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)</li> <li>where MBL's common equity Tier 1 capital ratio falls below 5.125%</li> </ul>	<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MBL or MGL)</li> <li>where APRA determines MBL would be non-viable without an exchange or conversion or write off, of other Relevant Tier 1 securities is necessary or a public sector injection of capital (or equivalent support)</li> <li>where MBL's common equity Tier 1 Capital ratio falls below 5.125%</li> </ul>	<ul style="list-style-type: none"> <li>acquisition date (where a party acquires control of MBL or MGL)</li> <li>where APRA determines MBL would be non-viable without an exchange or conversion or write off, of other Relevant Tier 1 securities is necessary or a public sector injection of capital (or equivalent support)</li> <li>where MBL's common equity Tier 1 Capital ratio falls below 5.125%</li> </ul>
Dilutive	n/a	Dilutive	Dilutive
Eligible hybrid capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 26

### Loan capital continued

In addition to the subordinated debt with conditional repayment obligations, the Consolidated Entity has also issued certain capital instruments with fixed repayment obligations, denominated in United States dollars and Australian dollars which are eligible Tier 2 capital under APRA's capital standards.

The table below discloses the carrying value of loan capital at the balance date. These instruments are designated in fair value hedge accounting relationships, the carrying value includes the fair value hedge adjustment (refer to Note 35 *Hedge accounting*). The contractual undiscounted cash flows are disclosed in Note 36.2 *Liquidity risk*.

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Subordinated debt with fixed repayment obligations (Tier 2 loan capital) by contractual maturity dates:				
10 June 2025	1,075	993	-	-
28 May 2030	750	750	-	-
3 June 2030	921	874	-	-
17 June 2031	750	750	-	-
7 June 2032	849	-	-	-
18 January 2033	1,497	-	-	-
3 March 2036	1,282	1,231	-	-
Instruments with conditional repayment obligations (Tier 1 loan capital):				
MCN3	1,000	1,000	1,000	1,000
MCN4	905	905	905	905
MCN5	725	725	725	725
MCN6	750	-	750	-
MACS	1,064	998	-	-
BCN2	641	641	-	-
BCN3	655	655	-	-
Accrued interest payable as per terms of instruments:				
Less than 12 months	89	44	10	4
	12,953	9,566	3,391	2,634
Less: directly attributable issue costs	(62)	(53)	(29)	(22)
<b>Total loan capital</b>	<b>12,891</b>	<b>9,513</b>	<b>3,362</b>	<b>2,612</b>
<b>Reconciliation of loan capital by major currency</b> <i>(In Australian dollar equivalent)</i>				
Australian dollar	7,057	5,436	3,391	2,634
United States dollar	5,896	4,130	-	-
	12,953	9,566	3,391	2,634
Less: directly attributable issue costs	(62)	(53)	(29)	(22)
<b>Total loan capital</b>	<b>12,891</b>	<b>9,513</b>	<b>3,362</b>	<b>2,612</b>

The Consolidated Entity and the Company have not had any defaults of principal, interest or other breaches with respect to their loan capital during the financial years reported.



## Note 27

### Contributed equity

	Notes	CONSOLIDATED		COMPANY	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m
Ordinary share capital		14,735	14,156	17,200	16,639
Treasury shares		(2,328)	(1,858)	(2,328)	(1,858)
<b>Total contributed equity</b>		<b>12,407</b>	<b>12,298</b>	<b>14,872</b>	<b>14,781</b>

	CONSOLIDATED		COMPANY	
	Number of shares	Total \$m	Number of shares	Total \$m

#### (i) Ordinary share capital<sup>(1)</sup>

Balance as at 1 Apr 2021		361,821,377	10,164	361,821,377	12,696
Issued fully paid shares pursuant to:					
Institutional Private Placement (IPP) on 4 November 2021 @194.00 per share		7,731,958	1,500	7,731,958	1,500
Share Purchase Plan (SPP) scheme on 3 December 2021 @191.28 per share		6,677,074	1,277	6,677,074	1,277
MEREP on 9 June 2021 and 3 August 2021 @151.73 per share		4,108,915	623	4,108,915	623
DRP on 2 July 2021 @149.45 per share and 14 December 2021 @204.28 per share		3,300,005	516	3,300,005	516
Employee Share Plan (ESP) Scheme on 1 December 2021 @202.00 per share		7,552	2	7,552	2
Issued shares on retraction of exchangeable shares on 6 August 2021		756	-	756	-
For employee MEREP awards:					
Transfer from share-based payments reserve on vesting of MEREP awards	28	-	448	-	448
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	28	-	37	-	-
Transfer from treasury shares for MEREP awards exercised		-	(398)	-	(398)
Others <sup>(2)</sup>		-	(13)	-	(25)
<b>Balance as at 31 Mar 2022</b>		<b>383,647,637</b>	<b>14,156</b>	<b>383,647,637</b>	<b>16,639</b>
Issued fully paid shares pursuant to the DRP on 4 July 2022 @177.11 per share		2,736,737	485	2,736,737	485
Issued shares on retraction of exchangeable shares on 27 May 2022 and 1 June 2022		92,380	-	92,380	17
For employee MEREP awards:					
Transfer from share-based payments reserve on vesting of MEREP awards	28	-	512	-	512
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	28	-	35	-	-
Transfer from treasury shares for MEREP awards exercised		-	(453)	-	(453)
<b>Balance as at 31 Mar 2023</b>		<b>386,476,754</b>	<b>14,735</b>	<b>386,476,754</b>	<b>17,200</b>

(1) Ordinary shares have no par value.

(2) Includes transaction costs and related tax, where applicable.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 27

### Contributed equity continued

	CONSOLIDATED		COMPANY	
	Number of shares	Total \$m	Number of shares	Total \$m
<b>(ii) Treasury shares<sup>(1)</sup></b>				
Balance as at 1 Apr 2021	(15,135,922)	(1,633)	(15,135,922)	(1,633)
Acquisition of shares for employee MEREP awards	(4,108,915)	(623)	(4,108,915)	(623)
Transfer to ordinary share capital for MEREP awards exercised	4,009,854	398	4,009,854	398
<b>Balance as at 31 Mar 2022</b>	<b>(15,234,983)</b>	<b>(1,858)</b>	<b>(15,234,983)</b>	<b>(1,858)</b>
Acquisition of shares for employee MEREP awards	<b>(5,470,493)</b>	<b>(923)</b>	<b>(5,470,493)</b>	<b>(923)</b>
Transfer to ordinary share capital for MEREP awards exercised	<b>3,981,423</b>	<b>453</b>	<b>3,981,423</b>	<b>453</b>
Acquisition of shares for allocation under DRP scheme	<b>(571,655)</b>	<b>(102)</b>	-	-
Allocation of shares under DRP scheme	<b>571,655</b>	<b>102</b>	-	-
Acquisition of shares for allocation under ESP scheme	<b>(10,975)</b>	<b>(2)</b>	-	-
Allocation of shares under ESP scheme	<b>10,975</b>	<b>2</b>	-	-
<b>Balance as at 31 Mar 2023</b>	<b>(16,724,053)</b>	<b>(2,328)</b>	<b>(16,724,053)</b>	<b>(2,328)</b>

(1) Under MEREP, a portion of staff retained profit share is held in MGL ordinary shares by the MEREP Trust and is presented as Treasury shares. The Consolidated Entity has resolved to purchase additional Treasury shares to satisfy MEREP requirements of approximately \$1,033 million, commencing on 15 May 2023. Ordinary shares will be issued if purchasing becomes impractical or inadvisable. For further information regarding terms and conditions of MEREP refer to Note 32 *Employee equity participation*.

## Note 28

### Reserves, retained earnings and non-controlling interests

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>(i) Reserves</b>				
<b>Foreign currency translation reserve</b>				
Balance at the beginning of the financial year	312	306	-	-
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	1,320	6	-	-
<b>Balance at the end of the financial year</b>	<b>1,632</b>	<b>312</b>	<b>-</b>	<b>-</b>
<b>FVOCI reserve</b>				
Balance at the beginning of the financial year	16	34	-	-
Revaluation movement, net of tax	(15)	(25)	-	-
Changes in ECL allowance, net of tax	29	7	-	-
<b>Balance at the end of the financial year</b>	<b>30</b>	<b>16</b>	<b>-</b>	<b>-</b>
<b>Share-based payments reserve</b>				
Balance at the beginning of the financial year	1,424	1,211	1,332	1,165
MEREP share-based payment arrangements <sup>(1)</sup>	751	622	751	622
Deferred tax on MEREP share-based payment arrangements	(7)	83	1	-
Transfer to ordinary share capital on vesting of MEREP awards	(512)	(448)	(512)	(448)
Transfer of deferred tax benefit to ordinary share capital on vesting of MEREP awards	(35)	(37)	-	-
Transfer to retained earnings for unexercised awards	-	(7)	-	(7)
<b>Balance at the end of the financial year</b>	<b>1,621</b>	<b>1,424</b>	<b>1,572</b>	<b>1,332</b>
<b>Cash flow hedge reserve</b>				
Balance at the beginning of the financial year	(103)	(97)	-	-
Revaluation movement, net of tax	14	(31)	(13)	-
Transferred to income statement on realisation, net of tax	110	25	-	-
<b>Balance at the end of the financial year</b>	<b>21</b>	<b>(103)</b>	<b>(13)</b>	<b>-</b>
<b>Share of reserves in associates and joint ventures</b>				
Balance at the beginning of the financial year	(110)	(153)	-	-
Share of other comprehensive income of associates and joint ventures, net of tax	138	43	-	-
<b>Balance at the end of the financial year</b>	<b>28</b>	<b>(110)</b>	<b>-</b>	<b>-</b>
<b>Cost of hedging and other reserves</b>				
Balance at the beginning of the financial year	(16)	(15)	-	(7)
Revaluation movement, net of tax	(28)	(8)	-	-
Transferred to income statement on realisation, net of tax	14	-	-	-
Transfer of capital reduction reserve to retained earnings	-	7	-	7
<b>Balance at the end of the financial year</b>	<b>(30)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>
<b>Total reserves at the end of the financial year</b>	<b>3,302</b>	<b>1,523</b>	<b>1,559</b>	<b>1,332</b>

(1) Represents MEREP issued to employees of the Company's subsidiaries (Note 32 *Employee equity participation*).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 28

### Reserves, retained earnings and non-controlling interests continued

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>(ii) Retained earnings</b>				
Balance at the beginning of the financial year	14,740	12,231	16,521	17,154
Profit attributable to the ordinary equity holders of MGL	5,182	4,706	2,624	1,549
Dividends paid on ordinary share capital (Note 5)	(2,495)	(2,229)	(2,478)	(2,215)
Movement due to change in non-controlling ownership interest	(4)	(9)	-	-
Transferred from share-based payment reserve for unexercised MEREP awards	-	7	-	7
Transferred from other reserve	-	(7)	-	(7)
Remeasurement of defined benefit plans	12	-	-	-
Fair value changes attributable to own credit risk on debt classified as DFVTPL, net of tax	11	41	10	33
<b>Balance at the end of the financial year</b>	<b>17,446</b>	<b>14,740</b>	<b>16,677</b>	<b>16,521</b>
<b>(iii) Non-controlling interests</b>				
Share capital	1,161	549	-	-
Reserves	(51)	(127)	-	-
Accumulated losses	(159)	(177)	-	-
<b>Total non-controlling interests</b>	<b>951</b>	<b>245</b>	<b>-</b>	<b>-</b>

## Note 29

### Notes to the statements of cash flows

#### (i) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year are reflected in the relevant items in the Statements of financial position as follows.

Cash and bank balances <sup>(1),(2)</sup>	39,379	48,389	-	-
Cash collateralised lending and reverse repurchase agreements	31,149	34,039	-	-
Financial investments	6,651	1,780	-	-
Held for sale assets	35	115	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>77,214</b>	<b>84,323</b>	<b>-</b>	<b>-</b>

(1) Amounts excluded from cash and cash equivalents but presented in the Statements of financial position as Cash and bank balances primarily relates to \$5,317 million (2022: \$3,354 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of \$960 million (2022: \$1,011 million), not readily available to meet the Consolidated Entity's short-term cash commitments.

(2) Includes \$1,461 million (2022: \$944 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.

## Note 29

### Notes to the statements of cash flows continued

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>(ii) Reconciliation of profit after income tax to net cash flows (utilised in)/ generated from operating activities</b>				
Profit after income tax	5,168	4,953	2,624	1,549
Adjustments to profit after income tax:				
Depreciation and amortisation	899	819	-	-
Expected credit losses and other impairment charges	459	509	15	17
Reversal of impairment on investment in subsidiary	-	-	-	(1,896)
Investment income and gain on sale of operating lease assets and other non-financial assets	(2,102)	(3,257)	-	-
Share-based payments expense	751	618	-	-
Share of net profits of associates and joint ventures	113	(240)	-	-
Changes in assets and liabilities:				
Issued debt securities	(15,888)	38,526	3,323	12,542
Deposits	33,032	17,465	(31)	(11)
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)	(15,484)	7,757	-	-
Borrowings and other funding	3,750	14,834	22	489
Debtors, prepayments, accrued charges and creditors	228	1,054	18	-
Carrying values of associates due to dividends received	569	239	-	-
Other assets and liabilities	(32)	(302)	(7)	(2)
Tax balances	(210)	(156)	(505)	(748)
Interest, fee and commission receivable and payable	265	(376)	141	40
Assets under operating lease	(1,042)	(1,070)	-	-
Loan assets and balances with subsidiaries	(21,856)	(30,922)	(3,289)	(13,935)
<b>Net cash flows (utilised in)/generated from operating activities</b>	<b>(11,380)</b>	<b>50,451</b>	<b>2,311</b>	<b>(1,955)</b>

### (iii) Non-cash financing activities

Non-cash transactions included the issue of ordinary shares of \$nil (2022: \$623 million) relating to the issue of shares to the MEREP trust under the MEREP plan and \$485 million (2022: \$518 million) relating to issue of shares to shareholders under the DRP and ESP for settlement of the dividend liability. Refer to Note 27 *Contributed equity* for details.

### (iv) Reconciliation of loan capital

Balance at the beginning of the financial year	9,513	9,423	2,612	2,606
Cash flows: <sup>(1),(2)</sup>				
Issuance	3,078	1,405	739	-
Redemption	-	(1,101)	-	-
Non-cash changes <sup>†</sup>				
Foreign currency translation and other movements	300	(214)	11	6
<b>Balance at the end of the financial year</b>	<b>12,891</b>	<b>9,513</b>	<b>3,362</b>	<b>2,612</b>

(1) During the year ended 31 March 2023, the Consolidated Entity issued MCN6 for \$740 million and during the year ended 31 March 2022, issued BCN3 for \$655 million. These are perpetual securities which are eligible for conversion into a variable number of Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier. Refer to Note 26 *Loan capital* for details.

(2) During the year ended 31 March 2023, the Consolidated Entity raised \$2,338 million (2022: \$750 million) through the issue of Tier 2 loan capital and redeemed \$nil (2022: \$1,101 million) of Tier 2 loan capital under fixed repayment obligations.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 30 Related party information

### Subsidiaries

Transactions between the Company and its subsidiaries principally arise from the provision and deposit of funding, derivative transactions for managing and hedging market risks, the provision of management and administration services, capital management (receipt of dividends, injections or return of capital) and the provision of guarantees. Amounts Due from and Due to subsidiaries are presented separately in the Statements of financial position of the Company except when the parties have a legally enforceable right and the intention to offset.

A list of notable subsidiaries is set out in Note 17 *Investment in subsidiaries*.

The Master Loan Agreement (the MLA) governs the funding and netting arrangements between various subsidiaries which are under the common control of MGL and have acceded to the MLA.

The Tripartite Outsourcing Major Services Agreement (TOMSA) governs the provision of intra-group services between subsidiaries other than certain excluded entities.

The Company, as the ultimate parent entity of the Consolidated Entity, is the head entity of the Australian tax consolidated group and has entered into a tax funding agreement with its eligible Australian resident subsidiaries. The terms and conditions of this agreement are set out in Note 44(vi) *Taxation*. Due from subsidiaries in the Company's separate Statements of financial position includes the amount of current tax asset assumed by the Company as the head entity and the receivable amount assumed by the Company under the tax funding agreement of the tax consolidated group.

	<b>COMPANY</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
The following represents transaction balances with subsidiaries during the financial year:		
Interest income	1,403,250	626,403
Interest expense	(59,700)	(14,650)
Fee and commission income	12,587	12,224
Investment income:		
Dividend (Note 2)	2,749,000	-
Other income <sup>(1)</sup>	(137,670)	(249,991)
Share based payments	750,659	617,301
The following represents outstanding balances and off balance sheet arrangements with subsidiaries as at the reporting date:		
<b>On Balance Sheet</b>		
Due from subsidiaries <sup>(2)</sup>	48,817,719	38,591,228
Due to subsidiaries <sup>(2)</sup>	(5,686,232)	(3,632,270)
<b>Off Balance Sheet</b>		
Guarantees provided <sup>(3)</sup>	(5,239,240)	(4,839,906)

(1) Includes expense charged by a subsidiary for an asset development contract which the Company recovers from external parties.

(2) Due from and due to subsidiaries balance primarily represents loans, receivables and payables presented net as per the terms of the funding arrangements under the MLA, amounts in respect of MEREP awards offered to its subsidiaries' employees, bespoke funding agreements and trading-related balances including derivatives designated in hedge accounting relationships.

(3) Includes guarantees to counterparties with respect to their exposures from certain trading subsidiaries having a notional value of \$10,070,095 thousand (2022: \$7,003,574 thousand) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date. Guarantee exposures reported in table above are also included under Off balance sheet exposures in Note 13 *Expected credit losses* and Note 36.1 *Credit risk*.



## Note 30

### Related party information continued

#### Associates and joint ventures

The Consolidated Entity provides a range of services to its associates and joint ventures, including the provision of corporate advisory and management services. Other dealings include lending and borrowing activities. Loans are generally extended on a term basis and, where appropriate, are either subordinated or collateralised.

Other transactions with associates and joint ventures may involve the sale of financial investments or the Consolidated Entity's interest in subsidiaries, associates or joint ventures.

Balances may arise between the Consolidated Entity and its associates and joint ventures from lending and borrowing activities, with loans generally extended on a term basis and, where appropriate, are either subordinated or collateralised.

During the financial year, the following amounts of income/(expense) resulted from transactions with associates and joint ventures.

	CONSOLIDATED	
	2023 \$'000	2022 \$'000
Interest income	92,810	73,291
Net fee and commission income <sup>(1)</sup>	1,997,604	1,737,778
Other income	7,193	5,876

Dividends and distributions of \$576,194 thousand (2022: \$235,977 thousand) received from associates and joint ventures were recorded as a reduction from the carrying amount of the investment.

The following balances and off balance sheet arrangements with associates and joint ventures were outstanding as at financial year end (these exclude amounts which in substance form part of the Consolidated Entity's net investment in associates and joint ventures, disclosed in Note 14 *Interests in associates and joint ventures*).

<b>On Balance Sheet</b>		
Amounts receivable <sup>(2)</sup>	1,476,983	1,537,047
Amounts payable	(327,738)	(127,685)
<b>Off Balance Sheet</b>		
Undrawn commitments	(2,191,749)	(2,660,102)
Guarantees provided	(41,931)	(164,067)
Other contingent liabilities	-	(14,523)
Letters of credit	(49)	-

(1) Includes \$682,863 thousand (2022: \$315,762 thousand) of performance fees.

(2) Includes \$903,328 thousand (2022: \$1,132,611 thousand) of fee and commission receivable and fee-related contract assets from Macquarie-managed funds.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 31

### Key management personnel disclosure

#### Key management personnel (KMP)

The following persons were Directors of the Company during the financial years ended 31 March 2023 and 31 March 2022, unless indicated otherwise:

#### Executive Voting Directors

S.R. Wikramanayake CEO

#### Non-Executive Directors

G. R. Stevens AC Chairman (became chairman effective 10 May 2022)

J.R. Broadbent AC

P.M. Coffey

M.A. Hinchliffe (appointed effective 1 March 2022)

R.J. McGrath

M. Roche

N.M. Wakefield Evans AM

#### Former Non-Executive Directors

G.M. Cairns (retired effective 7 May 2021)

M.J. Coleman<sup>(1)</sup> (retired from the MGL Board effective 28 July 2022)

D.J. Grady AO (retired effective 24 February 2022)

P.H. Warne<sup>(2)</sup> (retired effective 9 May 2022)

In addition to the Executive Voting Directors listed above, the following persons also had authority and responsibility for planning, directing and controlling the activities of MGL during the financial years ended 31 March 2023 and 31 March 2022, unless indicated otherwise.

#### Current Executives<sup>(3)</sup>

G.N. Bruce GGC, Head of LGG (appointed to the Executive Committee effective from 2 March 2022)

A. Cassidy CRO, Head of RMG (appointed to the Executive Committee effective from 1 January 2022)

S.D. Green Macquarie Bank CEO (appointed to the Executive Committee effective from 1 July 2021)

A.H. Harvey CFO, Head of FMG

N. O'Kane Head of CGM

M.J. Silverton<sup>(4)</sup> Head of Macquarie Capital

N. Sorbara COO, Head of COG

G.C. Ward Deputy Managing Director and Head of BFS

B.I. Way Head of MAM (appointed to the Executive Committee effective from 1 April 2021)

#### Former Executives

F. Herold Former Head of Macquarie Capital Principal Finance (ceased to be a member of the Executive Committee effective from 7 May 2021)

M.J. Reemst Former Macquarie Bank CEO (ceased to be a member of the Executive Committee effective from 1 July 2021)

P.C. Upfold Former CRO, Head of RMG (ceased to be a member of the Executive Committee effective from 31 December 2021)

D. Wong Former Co-Head of Macquarie Capital (ceased to be a member of the Executive Committee effective from 29 October 2021)

The remuneration arrangements for all of the persons listed above are described on pages 102 to 149 of the Remuneration Report, contained in the Directors' Report.

(1) Mr Coleman retired as a Non-Executive Director of the MGL Board effective 28 July 2022. Mr Coleman remains on the MBL Board as a MBL Bank Only Non-Executive Director (BOND).

(2) Mr Warne retired as a Director and Chairman of the MGL and MBL Boards on 9 May 2022.

(3) Except where indicated otherwise, all of the Executives as well as the CEO were members of the Executive Committee as at 5 May 2023.

(4) Mr Silverton was Co-Head of Macquarie Capital until 29 October 2021. Effective 30 October 2021, Mr Silverton became Head of Macquarie Capital.

## Note 31

### Key management personnel disclosure continued

#### Key management personnel remuneration

The following tables details the aggregate remuneration for KMP:

	SHORT-TERM EMPLOYEE BENEFITS			LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS			Total remuneration <sup>(5)</sup> \$
	Salary and fees (including superannuation) \$	Performance-related remuneration <sup>(1)</sup> \$	Other benefits \$	Total short-term employee benefits \$	Restricted profit share including earnings on restricted profit share <sup>(2)</sup> \$	Equity awards <sup>(3)</sup> \$	PSUs <sup>(4)</sup> \$	
<b>Executive Remuneration</b>								
2023	7,866,921	48,547,000	-	56,413,921	23,422,937	54,390,369	16,246,507	150,473,734
2022	10,084,356	44,362,399	-	54,446,755	12,977,601	47,838,814	14,202,749	129,465,919
<b>Non-Executive Remuneration</b>								
2023	3,538,478	-	12,600	3,551,078	-	-	-	3,551,078
2022	4,086,498	-	12,000	4,098,498	-	-	-	4,098,498

#### Equity holdings of KMP and their related parties

The following table sets out details of MGL ordinary shares held during the financial year by KMP including their related parties, on a Consolidated Entity basis.

	Number of shares held by current KMP as at 1 Apr	Number of shares held by new KMP at appointment date (after 1 Apr)	Shares received on withdrawal from MEREP	Other changes <sup>(6)</sup>	Number of shares held by KMP at date of resignation/retirement (prior to 31 Mar)	Number of shares held as at 31 Mar
2023	1,165,290	-	367,799	(328,829)	(48,509)	1,155,751
2022	1,302,898	68	448,351	(348,323)	(237,704)	1,165,290

#### MEREP RSU Awards of KMP and their related parties

The following table sets out details of the MEREP RSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in Appendix 4 of the Remuneration Report, contained in the Directors' Report from pages 144 to 148. Further details in relation to the MEREP RSU awards are disclosed in Note 32 *Employee equity participation*.

	Number of RSU awards held by current KMP as at 1 Apr	Number of RSU awards held by new KMP at appointment date (after 1 Apr)	RSU awards granted during the financial year <sup>(7)</sup>	Vested RSU awards transferred to the KMP's shareholding during the financial year	Number of RSU awards held by KMP at the date of resignation/retirement (prior to 31 Mar)	Number of RSU awards held as at 31 Mar
2023	1,554,210	-	391,213	(256,445)	-	1,688,978
2022	1,749,809	92,157	318,240	(287,660)	(318,336)	1,554,210

(1) The cash portion of each KMP's profit share allocation for the reporting period when they were a KMP.

(2) The amount of the retained profit share held via the DPS plan including earnings on notional investments from retained profit share in prior financial years.

(3) The current year amortisation for equity awards calculated as described in Note 44(xxiii) *Performance based remuneration*.

(4) The current year amortisation for PSUs calculated as described in Note 44(xxiii) *Performance based remuneration*. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.

(5) For KMP residing in US, their remuneration is subject to US social security and Medicare taxes, payable by Macquarie. Tax amounts of \$138 thousand and \$237 thousand were paid during FY2022 and FY2023, respectively, and are not included in statutory remuneration.

(6) Includes on-market acquisitions and disposals.

(7) RSUs are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs disclosed as granted above for 2023 relate to the Consolidated Entity's performance in 2022.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 31

### Key management personnel disclosure continued

#### MEREP DSU Awards of KMP and their related parties

The following table sets out details of the MEREP DSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in Appendix 4 of the Remuneration Report, contained in the Directors' Report from pages 144 to 148. Further details in relation to the MEREP DSU awards are disclosed in Note 32 *Employee equity participation*.

	Number of DSU awards held by current KMP as at 1 Apr	Number of DSU awards held by new KMP at appointment date	DSU awards granted during the financial year <sup>(1)</sup>	Vested DSU awards transferred to the KMP's shareholding during the financial year	Number of DSU awards held by KMP at the date of resignation/retirement	Number of DSU awards held as at 31 Mar
2023	-	-	-	-	-	-
2022	528,120	-	19,006	(101,612)	(445,514)	-

#### MEREP PSU Awards of KMP and their related parties

The following table sets out details of MEREP PSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in the Directors' Report on page 144 to 148. Further details in relation to the MEREP PSU awards are disclosed in Note 32 *Employee equity participation*.

	Number of PSU awards held by current KMP at 1 Apr	Number of PSU awards held by new KMP at appointment date	PSU awards granted during the financial year <sup>(2)</sup>	Vested PSU awards transferred to the KMP's shareholding during the financial year	PSU awards for which performance hurdles were not met	PSU awards cancelled on termination	Number of PSU awards held by KMP at date of resignation/retirement	Number of PSU awards held as at 31 Mar <sup>(3)</sup>
2023	393,763	-	155,422	(110,236)	-	-	-	438,949
2022	639,996	-	119,643	(58,470)	(68,548)	-	(238,858)	393,763

(1) DSUs are granted in the financial year following the year of the Consolidated Entity's performance to which the grant relates.

(2) PSUs are granted in the financial year following the year of the Consolidated Entity's performance to which the grant relates. PSUs disclosed as granted above for 2023 relate to the Consolidated Entity's performance in 2022.

(3) PSU awards vested and not exercised as at 31 March 2023: nil (31 March 2022: 14,278).

## Note 31

### Key management personnel disclosure continued

Details of share-based payment grant dates whose vesting periods affected compensation for the financial years ended 31 March 2023 and 31 March 2022.

Financial year grant relates to	Type of grant	GRANT DATE	
		Managing Director	All other KMP
2015	Retained DPS	17 August 2015	6 July 2015
2016	Retained DPS	15 August 2016	17 June 2016
	PSUs	15 August 2016	15 August 2016
2017	Retained DPS	15 August 2017	22 June 2017
	PSUs	15 August 2017	15 August 2017
2018	Retained DPS	15 August 2018	21 June 2018
	PSUs	15 August 2018	15 August 2018
2019	Retained DPS	15 August 2019	24 June 2019
	PSUs	15 August 2019	15 August 2019
2020	Retained DPS	4 August 2020	9 June 2020
	PSUs	4 August 2020	4 August 2020
2021	Retained DPS	3 August 2021	9 June 2021
	PSUs	3 August 2021	3 August 2021
2022	Retained DPS	2 August 2022	21 June 2022
	PSUs	2 August 2022	2 August 2022

### Loans to KMP and their related parties

Details of loans provided by the Consolidated Entity to KMP and their related parties are disclosed in aggregate in the following tables.

Total for KMP and their related parties <sup>(1)</sup>	Opening balance as at 1 Apr \$'000	Additions during the year <sup>(2)</sup> \$'000	Interest charged \$'000	Repayments during the year <sup>(3)</sup> \$'000	Write-downs \$'000	Closing balance as at 31 Mar <sup>(4)</sup> \$'000
2023	17,402	61	344	(1,577)	-	16,230
2022	11,938	11,196	145	(5,877)	-	17,402

(1) All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.

(2) Or loan held as at date of appointment of new KMP.

(3) Or loan held as at date ceased to be a KMP.

(4) Number of persons included in the aggregate as at 31 March 2023: 5 (31 March 2022: 7).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 32 Employee equity participation

### MEREP

The Consolidated Entity continues to operate the MEREP in conjunction with other remuneration arrangements.

### Award types under the MEREP

#### Restricted Share Units (RSUs)

An RSU is a beneficial interest in a MGL ordinary share held on behalf of a MEREP participant by the plan trustee (Trustee).

The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

	NUMBER OF RSU AWARDS	
	2023	2022
RSUs on issue at the beginning of the financial year	11,503,940	11,651,872
Granted during the financial year	4,731,329	3,443,210
Vested RSUs withdrawn or sold from the MEREP during the financial year	(3,252,760)	(3,207,336)
Forfeited during the financial year	(260,615)	(383,806)
<b>RSUs on issue at the end of the financial year</b>	<b>12,721,894</b>	<b>11,503,940</b>
<b>RSUs vested and not withdrawn from the MEREP at the end of the financial year</b>	<b>1,262</b>	<b>25,130</b>

The weighted average fair value of the RSU awards granted during the financial year was \$165.57 (2022: \$152.31).

#### Deferred Share Units (DSUs)

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by the Company in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. The Company may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs.

Generally, where permitted by law, DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of the Company in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of the Company's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical, or where PSUs are structured as DSUs (see PSUs). DSUs have been granted with an expiry period of up to nine years.

	NUMBER OF DSU AWARDS	
	2023	2022
DSUs on issue at the beginning of the financial year	3,471,835	3,512,371
Granted during the financial year	1,379,684	1,053,253
Exercised during the financial year	(609,485)	(878,592)
Forfeited during the financial year	(63,568)	(215,197)
<b>DSUs on issue at the end of the financial year</b>	<b>4,178,466</b>	<b>3,471,835</b>
<b>DSUs exercisable at the end of the financial year</b>	<b>1,373,742</b>	<b>1,104,797</b>

The weighted average fair value of the DSU awards granted during the financial year was \$159.14 (2022: \$147.15).



## Note 32

### Employee equity participation continued

#### Award types under the MEREP continued

##### Performance Share Units (PSUs)

All PSUs currently on issue are structured as DSUs with performance hurdles that must be met before the underlying share or cash equivalent (as the case may be) will be delivered. PSU holders have no right to dividend equivalent payments before the PSUs vest.

	NUMBER OF PSU AWARDS	
	2023	2022
PSUs on issue at the beginning of the financial year	682,751	872,276
Granted during the financial year	155,422	133,838
Exercised during the financial year	(234,130)	(135,944)
Expired during the year	-	(150,230)
Forfeited during the financial year	-	(37,189)
<b>PSUs on issue at the end of the financial year</b>	<b>604,043</b>	<b>682,751</b>
<b>PSUs exercisable at the end of the financial year</b>	<b>12,069</b>	<b>14,278</b>

The weighted average fair value of the PSU awards granted during the financial year was \$156.54 (2022: \$134.04).

##### Restricted Shares

A Restricted Share is an MGL ordinary share transferred from the MEREP Trust and held by a MEREP participant subject to restrictions on disposal, vesting and forfeiture rules. The participant is entitled to receive dividends on, and to exercise the voting rights of, the Restricted Shares. Restricted Shares are only offered in jurisdictions where legal or tax rules make RSU/DSU awards impractical.

	NUMBER OF RESTRICTED SHARE AWARDS	
	2023	2022
Restricted shares on issue at the beginning of the financial year	212,002	360,187
Transfer from MEREP Trust during the financial year	340,606	101,792
Released during the financial year	(301,400)	(249,977)
<b>Restricted shares on issue at the end of the financial year</b>	<b>251,208</b>	<b>212,002</b>

The weighted average fair value of the Restricted Shares granted during the financial year was \$nil (2022: \$nil).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Executive Directors with retained Directors' Profit Share (DPS) from 2013 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards)
- staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards)
- Macquarie staff with retained commission (Commission Awards)
- new Macquarie staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (New Hire Awards)
- members of the MGL and MBL Executive Committees who are eligible for PSUs (PSU awards)
- in limited circumstances, Macquarie staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of the Consolidated Entity upon the acquisition of their employer by a Macquarie entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 32

### Employee equity participation continued

#### Award types under the MEREP continued

Vesting periods are as follows:

Award type	Level	Vesting
<b>Retained Profit Share Awards and Promotion Awards</b>	Below Executive Director	1/3 <sup>rd</sup> in the 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> year following the year of grant <sup>(1)</sup>
<b>Retained DPS Awards</b>	Executive Committee members and Designated Executive Directors	1/5 <sup>th</sup> in the 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> year following the year of grant <sup>(2)</sup>
<b>Retained DPS Awards</b>	All other Executive Directors	1/3 <sup>rd</sup> in the 3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> year following the year of grant <sup>(2)</sup>
<b>PSU Awards granted in relation to years 2016 to 2019</b>	Executive Committee members	50% in the 3 <sup>rd</sup> and 4 <sup>th</sup> years following the year of grant <sup>(3)</sup>
<b>PSU Awards granted in relation to 2020 and following years</b>	Executive Committee members	100% in the 4 <sup>th</sup> year following the year of grant <sup>(3)</sup>
<b>Commission Awards</b>	Below Executive Director	1/3 <sup>rd</sup> in the 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> year following the year of grant <sup>(1)</sup>
<b>New Hire Awards</b>	All Director-level staff	1/3 <sup>rd</sup> in the 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> anniversaries of the date of allocation <sup>(1)</sup>

In limited cases, the invitation or application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share awards representing 2022 retention, the allocation price was the weighted average price of the shares acquired for the 2022 purchase period, which was 16 May 2022 to 21 June 2022. That price was calculated to be \$168.81 (2021 retention: \$151.73).

(1) Vesting will occur during an eligible staff trading window.

(2) Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.

(3) Subject to achieving certain performance hurdles.

## Note 32

### Employee equity participation continued

#### Performance Share Units (PSUs)

PSUs will only be released or become exercisable upon the achievement of certain performance hurdles. Only members of the MGL and MBL Executive Committees are eligible to receive PSUs. For the PSUs allocated to Executive Committee Members, two performance hurdles have been determined and each will apply individually to 50% of the total number of PSUs awarded. Hurdles are periodically reviewed by the Board Remuneration Committee (BRC) to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators as well as market practice. No change has been made to the hurdles for this financial year.

The hurdles are outlined below.

#### Performance hurdle 1

Hurdle	Reference group
50% of the PSUs based solely on the relative average annual return on ordinary equity (ROE) over the vesting period compared to a reference group of global financial institutions.	The current reference group comprises Bank of America Corporation, Barclays PLC, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Limited, Morgan Stanley and UBS AG. <sup>(1)</sup>
A sliding scale applies with 50% becoming exercisable above the 50 <sup>th</sup> percentile and 100% vesting at the 75 <sup>th</sup> percentile.	

#### Performance hurdle 2

Hurdle	Required result
50% of the PSUs based solely on the compound annual growth rate (CAGR) in earnings per share (EPS) over the vesting period.	A sliding scale applies with 50% becoming exercisable at EPS CAGR of 7.5% and 100% at EPS CAGR of 12%. For example, if EPS CAGR were 9.75%, 75% of the relevant awards would become exercisable.

Under both performance hurdles, the objective is examined once only. Testing occurs annually on 30 June immediately before vesting on 1 July, based on the most recent financial year-end results available. To the extent that a condition is not met when examined, the PSUs due to vest will not be exercisable upon vesting, resulting in no benefit to Executive Committee members.

(1) Given the recent government-supported acquisition of Credit Suisse Group by UBS AG, Credit Suisse Group has been removed from the international reference group for PSU allocations in respect of FY2023 onwards. The BRC have approved Citigroup Inc. as a replacement, taking into account the markets in which it operates and the diversification of its business segments.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value<sup>(1)</sup> and for each PSU, the awards expected to vest are measured on the basis of the assumptions below. This amount is recognised as an expense evenly over the respective vesting periods.

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of the 2022 performance. The accounting fair value of each of these grants is estimated using the Company's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 3.13% per annum
- expected vesting dates of PSUs: 1 July 2026
- dividend yield: 3.30% per annum.

While RSUs, DSUs and PSUs (for Executive Committee members) for FY2023 will be granted during the FY2024, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2022 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2023 and applying the amortisation profile to the retained amount.

For PSUs, the estimate also incorporates an interest rate to maturity of 4.24% per annum, expected vesting dates of PSUs of 1 July 2027, and a dividend yield of 3.28% per annum. In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this valuation for recognising the expense over the remaining vesting period. The Consolidated Entity annually reviews its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the income statement, with a corresponding adjustment to equity (for equity settled awards), or a corresponding adjustment to liabilities (for cash settled awards).

For the financial year ended 31 March 2023, compensation expense relating to the MEREP totalled \$760,289 thousand (2022: \$657,769 thousand).

For the equity settled awards, the estimated future withholding tax outflow is \$534,218 thousand (2022: \$529,960 thousand).

## Employee Share Plan

The Consolidated Entity continues to operate the Macquarie Group Employee Share Plan (ESP) whereby each financial year eligible employees are offered up to \$1,000 worth of fully paid MGL ordinary shares for no cash consideration.

Shares allocated under the ESP cannot be sold until the earlier of three years after allocation or the time when the participant is no longer employed by the Consolidated Entity. In all other respects, shares allocated rank equally with all other fully paid ordinary shares then on issue.

The latest offer under the ESP was made during November 2022. A total of 2,195 (2022: 1,888) staff participated in this offer.

On 30 November 2022, the participants were each allocated 5 (2022: 4) fully paid ordinary shares based on the offer amount of \$1,000 and the average market share price of \$178.23 (2022: \$202.00); resulting in a total of 10,975 (2022: 7,552) shares being allocated. The shares were allocated to staff for no cash consideration. The aggregate value of the shares allocated was deducted from staff profit share and commissions.

For the financial year ended 31 March 2023, compensation expense relating to the ESP totalled \$1,968 thousand (2022: \$1,526 thousand).

## Historical Share and Option Plans

Shares are no longer being issued under the Staff Share Acquisition Plan or the Non-Executive Director Share Acquisition Plan. However, employees and Non-Executive Directors still hold shares issued in previous years.

Options over fully paid unissued ordinary shares are no longer granted under the Macquarie Group Employee Share Option Plan and no options are outstanding.

## Other plans

The Consolidated Entity operates other local share-based compensation plans, none of which, individually or in aggregate are material.

## Shares purchased on-market/issued for the purpose of an employee incentive scheme

During the financial year ended 31 March 2023, the Consolidated Entity purchased 3,600,455 shares on-market and 1,870,038 shares via off-market transfer from its employees during the Staff Trading window (2022: issued 4,108,915 shares) for MEREP. A further 10,975 shares were purchased on-market for the ESP (2022: 7,552 shares were issued). The average price of all shares purchased during the financial year was \$168.83 (2022: \$151.82 for shares issued) and the average price of the purchases made on-market was \$162.70 (2022: \$nil).

(1) For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV and CRD V remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

## Note 33

### Contingent liabilities and commitments

	CONSOLIDATED		COMPANY	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>Credit commitments</b>				
Letters of credit and guarantees <sup>(1)</sup>	2,057	1,836	5,239	4,840
Undrawn credit facilities and debt commitments <sup>(2),(3)</sup>	26,703	27,650	-	-
<b>Total credit commitments</b>	<b>28,760</b>	<b>29,486</b>	<b>5,239</b>	<b>4,840</b>
<b>Other contingencies and commitments</b>				
Equity investment commitments	2,531	2,640	-	-
Asset development and purchase commitments <sup>(4)</sup>	2,358	2,449	1,225	1,474
Performance-related contingencies	469	459	-	-
<b>Total other contingencies and commitments</b>	<b>5,358</b>	<b>5,548</b>	<b>1,225</b>	<b>1,474</b>
<b>Total contingent liabilities and commitments</b>	<b>34,118</b>	<b>35,034</b>	<b>6,464</b>	<b>6,314</b>

(1) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.

(2) Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions. During the financial year, the Consolidated Entity has updated its accounting policy regarding its undrawn commitments for certain retail banking products which despite being revocable are considered to be exposed to credit risk. The gross exposure of these undrawn commitments is \$13,723 million (2022: 14,643 million) and is disclosed under undrawn credit facilities and debt commitments in the current period and comparative information has been represented.

(3) Includes \$1,066 million (2022: \$1,064 million) in undrawn facilities wherein loan positions will be sold to a third-party once drawn.

(4) Includes asset development commitments to third parties of \$1,225 million (2022: \$1,474 million) for which the Consolidated Entity and the Company have entered into sales agreement to divest off certain assets upon completion of their development.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 34 Structured entities

A Structured Entity (SE) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well-defined objectives. SEs are classified as subsidiaries and are consolidated when control exists.

The Consolidated Entity engages with SEs for securitisation, asset-backed financing and structured financing arrangements in order to diversify its sources of funding for asset origination and capital efficiency purposes. The Consolidated Entity also engages with SEs when providing investment management and other fiduciary activities. The Consolidated Entity's involvement with SEs is primarily of the following nature.

Type	Details
<b>Securitisations</b>	<p>Securitisations involve transferring assets into a vehicle that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.</p> <p>These vehicles are created for securitising assets, including mortgages, and finance leases.</p> <p>The Consolidated Entity also establishes SEs on behalf of customers to securitise their loans or receivables and may manage these securitisation vehicles or provide liquidity or other support.</p> <p>The Consolidated Entity may serve as a sponsor, servicer, underwriter, liquidity provider, derivative counterparty, purchaser of notes and/or purchaser of residual income units. The Consolidated Entity may also provide redraw facilities or loan commitments to securitisation vehicles.</p>
<b>Asset-backed financing</b>	<p>Asset-backed vehicles are used to provide tailored lending for the purchase or lease of assets transferred by the Consolidated Entity or its clients. The assets are normally pledged as collateral to the lenders. The Consolidated Entity engages in raising finance for assets such as vessels, electronic and IT equipment.</p>
<b>Funds management and administration activities</b>	<p>The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager of investment funds or trusts, including superannuation and approved deposit fund, wholesale and retail trusts. Certain funds meet the definition of a structured entity.</p> <p>The Consolidated Entity's interests in these funds includes holding units in funds, receiving fees for services, providing lending facilities and derivative.</p>
<b>Structured financing and other arrangements</b>	<p>Includes structured entities established to raise financing and fulfil obligations for prepaid commodity delivery contracts. The Consolidated Entity has contractually guaranteed the performance obligation under these arrangements.</p>



## Note 34

### Structured entities continued

The following table presents the carrying value and maximum exposure to loss (before the benefit of collateral and credit enhancements) of the Consolidated Entity's interests in unconsolidated SEs.

	CONSOLIDATED 2023				CONSOLIDATED 2022			
	Securitisations \$m	Asset-backed financing \$m	Structured Financing and other arrangements <sup>(2)</sup> \$m	Total \$m	Securitisations \$m	Asset-backed financing \$m	Structured Financing and other arrangements <sup>(2)</sup> \$m	Total \$m
<b>Maximum exposure to loss</b>								
Carrying value of assets:								
Loan assets	1,145	1,895	3,869	6,909	1,832	1,788	3,617	7,237
Financial investments	2,904	-	-	2,904	1,976	8	-	1,984
Margin money and settlement assets	251	-	-	251	593	-	-	593
Derivative assets	229	-	-	229	299	-	-	299
Trading assets	132	4	-	136	64	14	-	78
<b>Total carrying value of assets<sup>(1)</sup></b>	<b>4,661</b>	<b>1,899</b>	<b>3,869</b>	<b>10,429</b>	<b>4,764</b>	<b>1,810</b>	<b>3,617</b>	<b>10,191</b>
Undrawn commitments <sup>(2)</sup>	12	193	276	481	30	50	266	346
<b>Total maximum exposure to loss</b>	<b>4,673</b>	<b>2,092</b>	<b>4,145</b>	<b>10,910</b>	<b>4,794</b>	<b>1,860</b>	<b>3,883</b>	<b>10,537</b>

Additionally, as part of its funds management and administration activities the Consolidated Entity has interests in certain funds including investments, receivables, contract assets; and undrawn commitments which represent the Consolidated Entity's maximum exposure to loss. In certain cases the Consolidated Entity invests alongside its own managed funds to demonstrate further alignment with investors. The carrying value of the Consolidated Entity's investments in funds is disclosed in Note 14 *Interests in associates and joint ventures*. Interests in the nature of receivables, contract assets and undrawn commitments are disclosed in Note 30 *Related party information* and Note 11 *Held for sale and other assets*.

The Assets Under Management (AUM) of \$871 billion (2022: \$793 billion) represent the indicative size of these funds and is measured as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises on. Private Markets AUM includes equity yet to deploy.

In respect of the Consolidated Entity's loan assets' exposure in securitisation, asset-backed financing entities and structured financing, the total size of the unconsolidated SEs is \$44,114 million (2022: \$54,951 million). Size represents either the total assets of the SE (measured either at amortised cost excluding impairments or fair values if readily available); outstanding notional of issued notes or the principal amount of liabilities if there is nominal equity. Size is based on the latest available information with the Consolidated Entity.

The Consolidated Entity's exposure to securitisation entities in the nature of trading assets, margin money, derivatives and financial investments are acquired for the purpose of trading and liquidity management. These exposures are typically managed under market risk limits described in Note 36.3 *Market risk*. For these reasons, information on the size and structure for these SEs is not considered meaningful for understanding the related risks, and have not been presented in the table above.

(1) Includes non-investment grade interests of \$544 million (2022: \$721 million) in securitisation activities, \$1,267 million (2022: \$1,250 million) in asset-backed financing activities and \$474 million (2022: \$450 million) in Structured Financing and other arrangements.

(2) Excludes \$3,074 million (2022: \$2,835 million) of guarantees provided by the Company in respect of a subsidiary to fulfil its obligations for certain prepaid commodity contracts towards unconsolidated structured entities. On consolidation these guarantees are accounted for as part of borrowings that represent the subsidiary obligations in terms of these commodity contracts.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Hedge accounting

#### Hedging strategy

The use of derivative and non-derivative instruments to economically hedge non-traded positions potentially gives rise to income statement volatility as a result of mismatches in the accounting treatment between the derivative and non-derivative instruments and the related exposure. The Consolidated Entity's objective is to reduce the risk of volatility in earnings, within pre-defined thresholds. This volatility is managed through hedge accounting application and use of natural offsetting position of the hedges.

#### Hedging instruments

Detail on hedging instruments, the nature of hedged risks, as well as the notional and the carrying amount of derivative financial instruments and, in the case of net investment hedges, the notional of foreign currency denominated debt issued, for each type of hedge relationship, is shown in the respective sections. The maturity profile for the hedging instruments' notional amounts are reported based on their contractual maturity. Where a cross currency swap has been dual designated in both a cash flow and a fair value hedge, the notional is shown more than once. Increases in notional profiles of hedging instruments are presented as negative figures, with decreases and maturities presented as positive figures.

#### Hedging ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item for the hedged risk. In the case of a cash flow hedge, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item. In the case of net investment hedge relationships, hedge ineffectiveness is the extent to which the change in the carrying amount of foreign currency denominated debt and foreign exchange contracts attributable to the change in exchange rates exceeds, in absolute terms, that of the hedged item. Sources of hedge ineffectiveness primarily arise from basis and timing differences between the hedged items and hedging instruments, and designating existing derivatives with a non-zero fair value as hedging instruments. Hedge ineffectiveness is reported in net trading income in the income statement.

## Note 35

### Hedge accounting continued

#### Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 28(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's statements of comprehensive income. The cumulative gains and losses remaining in the cash flow hedge reserve for hedging relationships that have ceased, but for which the hedged cash flows are still expected to occur is \$2 million gain (2022: \$1 million gain) for the Consolidated Entity and \$nil (2022: \$nil) for the Company. This amount will be transferred to the income statement when the hedged item affects the income statement.

#### Hedging instruments

Instrument type	Risk category	MATURITY ANALYSIS PER NOTIONAL				Total \$m
		Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	
<b>CONSOLIDATED 2023</b>						
<b>Derivative assets</b>						
Cross currency swaps	Foreign exchange	(8)	832	1,828	2,811	5,463
Interest rate swaps and options	Interest rate	145	544	1,771	1,037	3,497
<b>Derivative liabilities</b>						
Cross currency swaps	Foreign exchange	-	-	143	143	286
Interest rate swaps and options	Interest rate	123	1,026	3,292	354	4,795
Commodity forwards and futures	Commodity price	8	20	142	114	284
<b>Borrowings</b>						
Foreign currency denominated borrowings	Foreign exchange	-	-	254	-	254
<b>CONSOLIDATED 2022</b>						
<b>Derivative assets</b>						
Cross currency swaps	Foreign exchange	(14)	308	1,043	574	1,911
Interest rate swaps and options	Interest rate	211	1,231	2,055	452	3,949
<b>Derivative liabilities</b>						
Cross currency swaps	Foreign exchange	-	-	152	885	1,037
Interest rate swaps and options	Interest rate	468	399	2,377	445	3,689
Commodity forwards and futures	Commodity price	3	19	274	338	634
<b>CONSOLIDATED CARRYING AMOUNT</b>						
Instrument type	Risk category	2023		2022		
		Asset \$m	Liability \$m	Asset \$m	Liability \$m	
Cross currency swaps	Foreign exchange	612	49	190	53	
Interest rate swaps and options	Interest rate	204	191	96	114	
Commodity forwards and futures	Commodity price	-	15	-	102	
Foreign currency denominated borrowings	Foreign exchange	-	188	-	-	

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Hedge accounting continued

		MATURITY ANALYSIS PER NOTIONAL				
Instrument type	Risk category	Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Total \$m
<b>COMPANY 2023</b>						
<b>Derivative liabilities</b>						
Interest rate swaps	Interest rate	52	157	716	-	925

		COMPANY CARRYING AMOUNT			
		2023		2022	
Instrument type	Risk category	Asset \$m	Liability \$m	Asset \$m	Liability \$m
Interest rate swaps	Interest rate	-	19	-	-

## Note 35

### Hedge accounting continued

#### Hedge ineffectiveness

In the case of cash flow hedge relationships, hedge ineffectiveness is the extent to which the change in the fair value of the hedging instrument exceeds, in absolute terms, that of the hedged item.

Hedging instrument	Risk category	GAIN/(LOSS) ON HEDGING INSTRUMENT		GAIN/(LOSS) ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
<b>CONSOLIDATED</b>							
Cross currency swaps	Foreign exchange	19	12	(16)	(12)	3	-
Foreign currency denominated borrowings	Foreign exchange	(9)	-	9	-	-	-
Interest rate swaps and options	Interest rate	44	24	(49)	(28)	(5)	(4)
Commodity forwards and futures	Commodity price	88	(88)	(88)	87	-	(1)
<b>Total</b>		<b>142</b>	<b>(52)</b>	<b>(144)</b>	<b>47</b>	<b>(2)</b>	<b>(5)</b>
<b>COMPANY</b>							
Interest rate swaps	Interest rate	(19)	-	19	-	-	-
<b>Total</b>		<b>(19)</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Hedge accounting executed rates

The following table shows the executed rates for the most significant hedging instruments designated in cash flow hedges, which represent the contractual rates when the hedging instruments were traded.

Hedging instruments	Currency pair/currency	CONSOLIDATED		COMPANY	
		2023	2022	2023	2022
Cross currency swaps	AUD/EUR	0.68	0.68	-	-
	USD/GBP	0.66	0.66	-	-
	AUD/CHF	0.66-0.72	0.66-0.72	-	-
	GBP/CHF	1.46	1.46	-	-
	AUD/NOK	5.88-6.31	-	-	-
	AUD/JPY	92.93-94.21	-	-	-
Interest rate swaps	GBP	0.97%-3.48%	0.97%-2.49%	-	-
	USD	0.99%-3.57%	0.99%-2.42%	2.90%	-
	AUD	3.64%-4.07%	-	-	-

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Hedge accounting continued

#### Net investment in foreign operation hedges

The Consolidated Entity's net investment in foreign operations (NIFO) changes as a result of earnings, dividends, other capital-related events and changes in the Consolidated Entity's group structure as a result of internal restructures. The risk of changes in the NIFO for movements in foreign exchange rates is hedged by the Consolidated Entity through the use of a combination of derivatives, foreign denominated borrowings and other balance sheet items. Refer to Note 36 *Financial risk management* non-traded risk for further information on the Consolidated Entity's risk management strategy.

In order to reflect the Consolidated Entity's risk management strategy, hedge accounting is applied where changes in the derivatives and foreign denominated borrowings are recognised, together with the related foreign currency translation reserve, in the Consolidated Entity's other comprehensive income and is subsequently released to the income statement when the foreign operation is disposed of. Hedge ineffectiveness, if any is recognised in the income statement. Given that the Consolidated Entity's NIFO frequently changes, the hedge designations are reviewed on a monthly basis or more frequently where required.

		CONSOLIDATED CARRYING AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Foreign exchange contracts and other foreign currency denominated balance sheet items <sup>(1)</sup>	Foreign exchange	989	153	128	55
Foreign currency denominated borrowings	Foreign exchange	-	-	22,282	18,371

		CONSOLIDATED NOTIONAL			
		ASSET		LIABILITY	
Hedging instrument	Risk category	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Foreign exchange contracts and other foreign currency denominated balance sheet items <sup>(1)</sup>	Foreign exchange	4,437	4,148	2,966	1,913
Foreign currency denominated borrowings	Foreign exchange	-	-	22,155	18,512

In order to hedge the currency exposure of certain net investments in foreign operations, the Consolidated Entity jointly designates both foreign exchange derivative contracts (from the currency of the underlying foreign operation to USD) and foreign denominated debt issued (from USD to AUD). As a result, the notional value of hedging instruments presented in the table above of \$29,558 million (2022: \$24,573 million) represents the notional of both the derivative hedging instrument and the foreign denominated issued debt and hence exceeds the \$23,001 million (2022: \$18,543 million) notional of the underlying hedged component of the Consolidated Entity's net investment in foreign operations.

Hedge ineffectiveness is the extent to which the absolute change in either the fair value of the derivative or the carrying amount of foreign currency denominated debt issued attributable to the change in exchange rates exceeds that of the hedged item. There was no ineffectiveness recognised in the income statement by the Consolidated Entity in the current year (2022: \$nil).

(1) Where the fair value of the derivative is positive/(negative), the notional of the derivative has been similarly included in the table as an asset/(liability).



## Note 35

### Hedge accounting continued

#### Fair value hedges

The fair value attributable to the hedged risk is recognised as a fair value adjustment to the hedged item on the balance sheet. In an effective fair value hedge relationship, movements in this fair value adjustment are largely offset by movements in the fair value of the hedging instrument. Any residual is recognised as ineffectiveness in net trading income in the income statement. Executed rates for fair value hedges of interest rate risk and commodity price risk have not been shown as these would represent the market reference rates at the time of designation.

#### Hedging instruments

Instrument type	Risk category	MATURITY ANALYSIS PER NOTIONAL				Total \$m
		Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	
<b>CONSOLIDATED 2023</b>						
<b>Derivative assets</b>						
Interest rate swaps	Interest rate	244	1,790	2,147	2,300	6,481
Commodity forwards and futures	Commodity price	-	35	688	-	723
Foreign exchange forwards and swaps	Foreign exchange	27	41	369	-	437
<b>Derivative liabilities</b>						
Cross currency swaps	Interest rate	-	491	143	330	964
Interest rate swaps	Interest rate	26	2,506	22,694	16,802	42,028
Commodity forwards and futures	Commodity price	27	42	605	-	674
Foreign exchange forwards and swaps	Foreign exchange	-	36	929	-	965
<b>CONSOLIDATED 2022</b>						
<b>Derivative assets</b>						
Cross currency swaps	Interest rate	-	326	-	-	326
Interest rate swaps	Interest rate	176	4,299	3,370	3,132	10,977
Foreign exchange forwards and swaps	Foreign exchange	-	-	856	-	856
<b>Derivative liabilities</b>						
Cross currency swaps	Interest rate	-	-	586	226	812
Interest rate swaps	Interest rate	646	1,508	13,285	13,261	28,700
Commodity forwards and futures	Commodity price	-	-	856	-	856
<b>CONSOLIDATED CARRYING AMOUNT</b>						
Instrument type	Risk category	2023		2022		
		Asset \$m	Liability \$m	Asset \$m	Liability \$m	
Cross currency swaps	Interest rate	-	26	4	11	
Interest rate swaps	Interest rate	158	3,219	227	1,363	
Commodity forwards and futures	Commodity price	17	41	-	83	
Foreign exchange forwards and swaps	Foreign exchange	10	67	4	-	

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 35

### Hedge accounting continued

#### Hedged item

As the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the following table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of the fair value hedge adjustments remaining in the Statements of financial positions for hedged items that have ceased to be adjusted for hedging gains and losses is \$8 million gain (2022: \$5 million gain) for the Consolidated Entity and have been included in the fair value hedge adjustment in the table below. These amounts will be amortised to the income statement on an effective interest rate basis.

	CONSOLIDATED 2023		CONSOLIDATED 2022	
	Carrying amount <sup>(1)</sup>	Fair value hedge adjustment	Carrying amount <sup>(1)</sup>	Fair value hedge adjustment
	\$m	\$m	\$m	\$m
<b>Assets</b>				
Financial investments <sup>(2)</sup>	1,996	-	365	(1)
Loan assets	227	(67)	3,154	(69)
Property, plant and equipment	970	3	712	54
<b>Liabilities</b>				
Issued debt securities	38,921	2,881	31,690	1,067
Loan capital	4,841	523	4,097	243

#### Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item.

Hedging instrument	Risk category	(LOSS)/GAIN ON HEDGING INSTRUMENT		GAIN/(LOSS) ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
		2023	2022	2023	2022	2023	2022
		\$m	\$m	\$m	\$m	\$m	\$m
						<b>CONSOLIDATED</b>	
Cross currency swaps	Interest rate	(47)	(25)	47	25	-	-
Interest rate swaps	Interest rate	(2,052)	(1,774)	2,061	1,802	9	28
Commodity forwards and futures	Commodity price	101	(48)	(101)	48	-	-
Foreign exchange forwards and swaps	Foreign exchange	(50)	(5)	50	5	-	-
<b>Total</b>		<b>(2,048)</b>	<b>(1,852)</b>	<b>2,057</b>	<b>1,880</b>	<b>9</b>	<b>28</b>

(1) The carrying amounts in the table above exclude accrued interest and include fair value hedge adjustments.

(2) The carrying amount includes debt instruments classified at fair value through other comprehensive income. Where this applies the fair value hedge adjustment for interest rate risk is recognised in the income statement together with changes in the fair value of the hedging instrument.

## Note 36 Financial risk management

### Risk Management Group (RMG)

Risk is an integral part of the Consolidated Entity's businesses. The material risks faced by the Consolidated Entity include aggregate, asset, conduct, credit, environmental and social, equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately.

RMG is independent of other areas of the Consolidated Entity. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee. Further details on the Risk Management Framework in the Consolidated Entity can be found in the Risk Management Report of this Annual Report.

### Note 36.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

#### Credit risk assessment and approval

Exercise of credit authority within Macquarie is undertaken under authority delegated by the MGL and MBL Boards directly.

Credit risk assessment includes a comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required.

Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost. Derivative exposures are measured using high confidence potential future underlying asset prices.

To mitigate credit risk, where appropriate, the Consolidated Entity makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

### Ratings and reviews

Refer to Note 13 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

For the purpose of presenting the credit risk associated with assets on the Consolidated Entity's Statements of financial position in accordance with the requirements of AASB 9, the following methodology has been adopted.

### Wholesale rating

Macquarie wholesale ratings broadly correspond to Standard & Poor's credit ratings as follows.

Credit Profile	Internal Rating	Standard & Poor's Equivalent
Investment grade	MQ1 to MQ8	AAA to BBB-
Non-investment grade	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

### Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall portfolio presentation and does not reflect the way that the retail portfolio is segmented for management purposes. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

### Due from subsidiaries

Balances with subsidiaries are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

### Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

The Consolidated Entity has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

During the financial year, the Consolidated Entity has made changes to the presentation of certain balances under credit quality of financial assets and credit risk concentration sections of Note 36.1 *Credit risk* and has restated comparative information to conform to changes in the current year. Refer to Note 44(xxx) *Comparatives* for the details on these changes.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

##### Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount<sup>(1)</sup> of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I <sup>(2)</sup> \$m	Stage II <sup>(2)</sup> \$m	Stage III <sup>(2)</sup> \$m	Total \$m
<b>CONSOLIDATED 2023</b>				
<b>Investment grade</b>				
Cash and bank balances	45,402	-	-	45,402
Cash collateralised lending and reverse repurchase agreements	41,189	-	-	41,189
Margin money and settlement assets	20,705	-	-	20,705
Financial investments	18,941	-	-	18,941
Held for sale and other assets	4,030	-	-	4,030
Loan assets	60,538	1,655	-	62,193
Off balance sheet exposures	10,395	75	-	10,470
<b>Total investment grade</b>	<b>201,200</b>	<b>1,730</b>	<b>-</b>	<b>202,930</b>
<b>Non-investment grade</b>				
Cash and bank balances	257	-	-	257
Cash collateralised lending and reverse repurchase agreements	8,090	-	-	8,090
Margin money and settlement assets	3,991	1	-	3,992
Financial investments	49	-	-	49
Held for sale and other assets	1,474	10	-	1,484
Loan assets	76,450	18,270	-	94,720
Loans to associates and joint ventures	21	459	-	480
Off balance sheet exposures	17,644	492	-	18,136
<b>Total non-investment grade</b>	<b>107,976</b>	<b>19,232</b>	<b>-</b>	<b>127,208</b>
<b>Default</b>				
Cash collateralised lending and reverse repurchase agreements	-	-	87	87
Margin money and settlement assets	-	-	41	41
Held for sale and other assets	-	-	63	63
Loan assets	-	-	2,025	2,025
Off balance sheet exposures	-	-	154	154
<b>Total default</b>	<b>-</b>	<b>-</b>	<b>2,370</b>	<b>2,370</b>
<b>Total gross credit risk</b>	<b>309,176</b>	<b>20,962</b>	<b>2,370</b>	<b>332,508</b>

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

(2) For definitions of Stage I, II and III, refer to Note 13 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

	Stage I <sup>(1)</sup> \$m	Stage II <sup>(1)</sup> \$m	Stage III <sup>(1)</sup> \$m	Total \$m
<b>CONSOLIDATED 2023</b>				
<b>Total gross credit risk by ECL stage</b>				
Cash and bank balances	45,659	-	-	45,659
Cash collateralised lending and reverse repurchase agreements	49,279	-	87	49,366
Margin money and settlement assets	24,696	1	41	24,738
Financial investments	18,990	-	-	18,990
Held for sale and other assets	5,504	10	63	5,577
Loan assets	136,988	19,925	2,025	158,938
Loans to associates and joint ventures	21	459	-	480
Off balance sheet exposures	28,039	567	154	28,760
<b>Total gross credit risk ECL by stage</b>	<b>309,176</b>	<b>20,962</b>	<b>2,370</b>	<b>332,508</b>

Further analysis of credit risk for loan assets, being the Consolidated Entity's most material credit exposure category, is presented below.

	Investment grade \$m	Non-investment grade \$m	Total other than default \$m	OF WHICH PAST DUE			Default \$m	Total \$m
				Up to 30 days \$m	31 to <90 days \$m	Total past due but not default \$m		
<b>CONSOLIDATED 2023</b>								
Home loans <sup>(2)</sup>	54,633	59,831	114,464	826	273	1,099	734	115,198
Asset financing	658	6,175	6,833	256	47	303	238	7,071
Corporate, commercial and other lending	6,902	28,714	35,616	42	22	64	1,053	36,669
<b>Total<sup>(3)</sup></b>	<b>62,193</b>	<b>94,720</b>	<b>156,913</b>	<b>1,124</b>	<b>342</b>	<b>1,466</b>	<b>2,025</b>	<b>158,938</b>

(1) For definitions of Stage I, II and III, refer to Note 13 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.

(2) Includes \$7,111 million home loans for which insurance has been obtained from Lenders Mortgage Insurance (LMI) counterparties and another \$24,400 million home loans where the Consolidated Entity has bought risk protection from a panel of companies via an excess of loss structure. Refer to collateral and credit enhancements section of Note 36.1 *Credit risk* for further details.

(3) The credit quality is based on the counterparties credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

##### Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount<sup>(1)</sup> of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I <sup>(2)</sup> \$m	Stage II <sup>(2)</sup> \$m	Stage III <sup>(2)</sup> \$m	Total \$m
CONSOLIDATED 2022				
<b>Investment grade</b>				
Cash and bank balances	52,594	-	-	52,594
Cash collateralised lending and reverse repurchase agreements	41,036	-	-	41,036
Margin money and settlement assets	20,228	-	-	20,228
Financial investments	9,741	-	-	9,741
Held for sale and other assets	3,173	-	-	3,173
Loan assets	50,852	1,148	-	52,000
Off balance sheet exposures	11,873	4	-	11,877
<b>Total investment grade</b>	<b>189,497</b>	<b>1,152</b>	<b>-</b>	<b>190,649</b>
<b>Non-investment grade</b>				
Cash and bank balances	160	-	-	160
Cash collateralised lending and reverse repurchase agreements	5,991	-	-	5,991
Margin money and settlement assets	4,410	5	-	4,415
Financial investments	204	-	-	204
Held for sale and other assets	1,527	60	-	1,587
Loan assets	68,029	13,607	-	81,636
Loans to associates and joint ventures	160	412	-	572
Off balance sheet exposures	17,139	427	-	17,566
<b>Total non-investment grade</b>	<b>97,620</b>	<b>14,511</b>	<b>-</b>	<b>122,131</b>
<b>Default</b>				
Margin money and settlement assets	-	-	38	38
Held for sale and other assets	-	-	157	157
Loan assets	-	-	1,669	1,669
Loans to associates and joint ventures	-	-	77	77
Off balance sheet exposures	-	-	43	43
<b>Total default</b>	<b>-</b>	<b>-</b>	<b>1,984</b>	<b>1,984</b>
<b>Total gross credit risk</b>	<b>287,117</b>	<b>15,663</b>	<b>1,984</b>	<b>304,764</b>

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

(2) For definitions of Stage I, II and III, refer to Note 13 *Expected credit losses*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.



## Note 36 Financial risk management continued

### Note 36.1 Credit risk continued

	Stage I <sup>(1)</sup> \$m	Stage II <sup>(1)</sup> \$m	Stage III <sup>(1)</sup> \$m	Total \$m
CONSOLIDATED 2022				
<b>Total gross credit risk by ECL stage</b>				
Cash and bank balances	52,754	-	-	52,754
Cash collateralised lending and reverse repurchase agreements	47,027	-	-	47,027
Margin money and settlement assets	24,638	5	38	24,681
Financial investments	9,945	-	-	9,945
Held for sale and other assets	4,700	60	157	4,917
Loan assets	118,881	14,755	1,669	135,305
Loans to associates and joint ventures	160	412	77	649
Off balance sheet exposures	29,012	431	43	29,486
<b>Total gross credit risk ECL by stage</b>	<b>287,117</b>	<b>15,663</b>	<b>1,984</b>	<b>304,764</b>

Further analysis of credit risk for loan assets being the Consolidated Entity's most material credit exposure is presented below.

	Investment grade \$m	Non-investment grade \$m	Total other than default \$m	OF WHICH PAST DUE			Default \$m	Total \$m
				Up to 30 days \$m	31 to <90 days \$m	Total past due but not default \$m		
CONSOLIDATED 2022								
Home loans <sup>(2)</sup>	44,440	49,934	94,374	491	233	724	569	94,943
Asset financing	911	9,115	10,026	238	73	311	311	10,337
Corporate, commercial and other lending	6,649	22,587	29,236	29	7	36	789	30,025
<b>Total<sup>(3)</sup></b>	<b>52,000</b>	<b>81,636</b>	<b>133,636</b>	<b>758</b>	<b>313</b>	<b>1,071</b>	<b>1,669</b>	<b>135,305</b>

(1) For definitions of Stage I, II and III, refer to Note 44(xxii) *Significant accounting policies*. Whilst exposures may have migrated to Stage II it should not be inferred that such exposures are of a lower credit quality. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.

(2) Includes \$9,350 million home loans for which insurance has been obtained from Lenders Mortgage Insurance (LMI) counterparties and another \$32,016 million home loans where the Consolidated Entity has bought risk protection from a panel of companies via an excess of loss structure. Refer to collateral and credit enhancements section of Note 36.1 *Credit risk* for further details.

(3) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

## Notes to the financial statements

For the financial year ended 31 March 2023 continued

The following table below discloses, by credit rating grades, the gross carrying amount of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Company subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

	COMPANY 2023		COMPANY 2022	
	Stage I \$m	Total \$m	Stage I \$m	Total \$m
<b>Investment grade</b>				
Due from subsidiaries	44,993	44,993	35,650	35,650
Off balance sheet exposures <sup>(1)</sup>	5,239	5,239	4,840	4,840
<b>Total investment grade</b>	<b>50,232</b>	<b>50,232</b>	40,490	40,490
<b>Financial assets by ECL stage</b>				
Due from subsidiaries	44,993	44,993	35,650	35,650
Off balance sheet exposures <sup>(1)</sup>	5,239	5,239	4,840	4,840
<b>Financial assets by ECL stage</b>	<b>50,232</b>	<b>50,232</b>	40,490	40,490

(1) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of \$10,071 million (2022: \$7,004 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

##### Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

	Governments \$m	Financial Institutions \$m	Other \$m	Total \$m
<b>CONSOLIDATED 2023</b>				
<b>Australia</b>				
Cash and bank balances	-	33,049	2	33,051
Cash collateralised lending and reverse repurchase agreements	-	7,719	-	7,719
Margin money and settlement assets	329	2,634	1,260	4,223
Financial investments	5,296	9,512	-	14,808
Held for sale and other assets	25	264	881	1,170
Loan assets <sup>(1)</sup>	36	2,992	131,842	134,870
Loans to associates and joint ventures	-	-	2	2
Off balance sheet exposures	28	313	20,273	20,614
<b>Total Australia</b>	<b>5,714</b>	<b>56,483</b>	<b>154,260</b>	<b>216,457</b>
<b>Asia Pacific</b>				
Cash and bank balances	-	2,081	1	2,082
Cash collateralised lending and reverse repurchase agreements	-	3,774	-	3,774
Margin money and settlement assets	133	2,954	424	3,511
Financial investments	-	220	5	225
Held for sale and other assets	2	94	257	353
Loan assets	-	111	370	481
Off balance sheet exposures	-	-	46	46
<b>Total Asia Pacific</b>	<b>135</b>	<b>9,234</b>	<b>1,103</b>	<b>10,472</b>
<b>Europe, Middle East and Africa</b>				
Cash and bank balances	-	6,048	-	6,048
Cash collateralised lending and reverse repurchase agreements	-	20,743	-	20,743
Margin money and settlement assets	41	1,833	10,088	11,962
Financial investments	2,315	318	-	2,633
Held for sale and other assets	163	394	1,631	2,188
Loan assets	-	1,227	8,361	9,588
Loans to associates and joint ventures	-	406	72	478
Off balance sheet exposures	30	62	2,340	2,432
<b>Total Europe, Middle East and Africa</b>	<b>2,549</b>	<b>31,031</b>	<b>22,492</b>	<b>56,072</b>

(1) Loan assets in the Australia region includes home loans of \$114,020 million, asset financing of \$6,427 million and corporate, commercial and other lending of \$14,423 million.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

	Governments \$m	Financial Institutions \$m	Other \$m	Total \$m
CONSOLIDATED 2023				
<b>Americas</b>				
Cash and bank balances	-	4,478	-	4,478
Cash collateralised lending and reverse repurchase agreements	-	17,130	-	17,130
Margin money and settlement assets	37	1,617	3,388	5,042
Financial investments	1,118	206	-	1,324
Held for sale and other assets	3	1,457	406	1,866
Loan assets	136	4,195	9,668	13,999
Off balance sheet exposures	-	397	5,271	5,668
<b>Total Americas</b>	<b>1,294</b>	<b>29,480</b>	<b>18,733</b>	<b>49,507</b>
<b>Total gross credit risk<sup>(1)</sup></b>	<b>9,692</b>	<b>126,228</b>	<b>196,588</b>	<b>332,508</b>

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

	Governments \$m	Financial Institutions \$m	Other \$m	Total \$m
CONSOLIDATED 2022				
<b>Australia</b>				
Cash and bank balances	-	40,865	-	40,865
Cash collateralised lending and reverse repurchase agreements	-	4,379	-	4,379
Margin money and settlement assets	39	1,778	1,054	2,871
Financial investments	2,323	4,457	-	6,780
Held for sale and other assets	15	169	1,109	1,293
Loan assets <sup>(1)</sup>	35	3,469	113,505	117,009
Loans to associates and joint ventures	-	-	1	1
Off balance sheet exposures	29	463	19,351	19,843
<b>Total Australia</b>	<b>2,441</b>	<b>55,580</b>	<b>135,020</b>	<b>193,041</b>
<b>Asia Pacific</b>				
Cash and bank balances	-	1,483	1	1,484
Cash collateralised lending and reverse repurchase agreements	-	3,232	-	3,232
Margin money and settlement assets	12	1,836	749	2,597
Financial investments	154	79	-	233
Held for sale and other assets	-	34	211	245
Loan assets	-	179	289	468
Off balance sheet exposures	5	12	56	73
<b>Total Asia Pacific</b>	<b>171</b>	<b>6,855</b>	<b>1,306</b>	<b>8,332</b>
<b>Europe, Middle East and Africa</b>				
Cash and bank balances	-	5,602	-	5,602
Cash collateralised lending and reverse repurchase agreements	-	26,814	-	26,814
Margin money and settlement assets	20	3,018	10,599	13,637
Financial investments	9	228	-	237
Held for sale and other assets	-	605	1,576	2,181
Loan assets	-	1,563	5,169	6,732
Loans to associates and joint ventures	-	-	412	412
Off balance sheet exposures	-	75	1,551	1,626
<b>Total Europe, Middle East and Africa</b>	<b>29</b>	<b>37,905</b>	<b>19,307</b>	<b>57,241</b>

(1) Loan assets in the Australia region includes home loans of \$94,447 million, asset financing of \$9,373 million and corporate, commercial and other lending of \$13,189 million.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

	Governments \$m	Financial Institutions \$m	Other \$m	Total \$m
				CONSOLIDATED 2022
<b>Americas</b>				
Cash and bank balances	-	4,803	-	4,803
Cash collateralised lending and reverse repurchase agreements	-	12,602	-	12,602
Margin money and settlement assets	45	2,244	3,287	5,576
Financial investments	2,684	11	-	2,695
Held for sale and other assets	2	675	521	1,198
Loan assets	119	3,676	7,301	11,096
Loans to associates and joint ventures	-	-	236	236
Off balance sheet exposures	21	327	7,596	7,944
<b>Total Americas</b>	<b>2,871</b>	<b>24,338</b>	<b>18,941</b>	<b>46,150</b>
<b>Total gross credit risk<sup>(1)</sup></b>	<b>5,512</b>	<b>124,678</b>	<b>174,574</b>	<b>304,764</b>

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.



## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

	Due from subsidiaries <sup>(1)</sup> \$m	Off balance sheet exposures <sup>(2)</sup> \$m	Total \$m
COMPANY 2023			
<b>Australia</b>			
Financial institutions	41,233	197	41,430
Other	3,758	122	3,880
<b>Total Australia</b>	<b>44,991</b>	<b>319</b>	<b>45,310</b>
<b>Asia Pacific</b>			
Financial institutions	1	-	1
Other	1	239	240
<b>Total Asia Pacific</b>	<b>2</b>	<b>239</b>	<b>241</b>
<b>Europe, Middle East and Africa</b>			
Other	-	205	205
<b>Total Europe, Middle East and Africa</b>	<b>-</b>	<b>205</b>	<b>205</b>
<b>Americas</b>			
Financial institutions	-	213	213
Other	-	4,263	4,263
<b>Total Americas</b>	<b>-</b>	<b>4,475</b>	<b>4,475</b>
<b>Total gross credit risk</b>	<b>44,993</b>	<b>5,239</b>	<b>50,232</b>
COMPANY 2022			
<b>Australia</b>			
Financial institutions	32,120	174	32,294
Other	3,527	133	3,660
<b>Total Australia</b>	<b>35,647</b>	<b>307</b>	<b>35,954</b>
<b>Asia Pacific</b>			
Financial institutions	-	168	168
Other	2	175	177
<b>Total Asia Pacific</b>	<b>2</b>	<b>343</b>	<b>345</b>
<b>Europe, Middle East and Africa</b>			
Financial institutions	-	332	332
<b>Total Europe, Middle East and Africa</b>	<b>-</b>	<b>332</b>	<b>332</b>
<b>Americas</b>			
Financial institutions	1	3,819	3,820
Other	-	40	40
<b>Total Americas</b>	<b>1</b>	<b>3,859</b>	<b>3,860</b>
<b>Total gross credit risk</b>	<b>35,650</b>	<b>4,841</b>	<b>40,491</b>

(1) Due from subsidiaries have been presented as Financial Institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

(2) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of \$10,071 million (2022: \$7,004 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	Governments \$m	Financial Institutions \$m	Other \$m	Total \$m
<b>CONSOLIDATED 2023</b>				
<b>Australia</b>				
Cash collateralised lending and reverse repurchase agreements	-	462	-	462
Trading assets	988	127	5	1,120
Derivative assets	2	742	2,218	2,962
Held for sale and other assets	-	-	45	45
Loan assets	-	50	91	141
<b>Total Australia</b>	<b>990</b>	<b>1,381</b>	<b>2,359</b>	<b>4,730</b>
<b>Asia Pacific</b>				
Cash collateralised lending and reverse repurchase agreements	-	666	-	666
Trading assets	43	14	560	617
Margin money and settlement assets	-	-	2	2
Derivative assets	38	1,687	1,049	2,774
Financial investments	-	39	8	47
Held for sale and other assets	-	-	600	600
Loan assets	-	-	3	3
Loans to associates and joint ventures	-	-	161	161
<b>Total Asia Pacific</b>	<b>81</b>	<b>2,406</b>	<b>2,383</b>	<b>4,870</b>
<b>Europe, Middle East and Africa</b>				
Cash collateralised lending and reverse repurchase agreements	-	1,441	-	1,441
Trading assets	-	10	2,039	2,049
Derivative assets	-	6,737	13,775	20,512
Financial investments	-	57	-	57
Held for sale and other assets	-	-	979	979
Loan assets	-	46	505	551
Loans to associates and joint ventures	-	137	173	310
<b>Total Europe, Middle East and Africa</b>	<b>-</b>	<b>8,428</b>	<b>17,471</b>	<b>25,899</b>
<b>Americas</b>				
Cash collateralised lending and reverse repurchase agreements	-	2,394	-	2,394
Trading assets	1,044	11	1,803	2,858
Margin money and settlement assets	1	-	573	574
Derivative assets	46	7,226	3,150	10,422
Financial investments	-	419	198	617
Held for sale and other assets	-	4	836	840
Loan assets	-	96	319	415
Loans to associates and joint ventures	-	-	73	73
<b>Total Americas</b>	<b>1,091</b>	<b>10,150</b>	<b>6,952</b>	<b>18,193</b>
<b>Total gross credit risk</b>	<b>2,162</b>	<b>22,365</b>	<b>29,165</b>	<b>53,692</b>

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	Governments \$m	Financial Institutions \$m	Other \$m	Total \$m
CONSOLIDATED 2022				
<b>Australia</b>				
Trading assets	2	390	948	1,340
Derivative assets	5	1,806	1,863	3,674
Held for sale and other assets	-	-	76	76
Loan assets	-	91	61	152
Margin money and settlement assets	-	-	1	1
Loans to associates and joint ventures	-	-	3	3
<b>Total Australia</b>	<b>7</b>	<b>2,287</b>	<b>2,952</b>	<b>5,246</b>
<b>Asia Pacific</b>				
Cash collateralised lending and reverse repurchase agreements	-	1	-	1
Trading assets	124	366	4,091	4,581
Margin money and settlement assets	-	-	5	5
Derivative assets	86	5,212	3,033	8,331
Financial investments	-	10	6	16
Held for sale and other assets	-	-	302	302
Loan assets	-	-	24	24
Loans to associates and joint ventures	-	-	61	61
<b>Total Asia Pacific</b>	<b>210</b>	<b>5,589</b>	<b>7,522</b>	<b>13,321</b>
<b>Europe, Middle East and Africa</b>				
Cash collateralised lending and reverse repurchase agreements	-	2,805	-	2,805
Trading assets	11	102	2,849	2,962
Derivative assets	-	12,172	41,946	54,118
Financial investments	-	55	1	56
Held for sale and other assets	-	-	495	495
Loan assets	-	32	146	178
Loans to associates and joint ventures	-	145	98	243
<b>Total Europe, Middle East and Africa</b>	<b>11</b>	<b>15,311</b>	<b>45,535</b>	<b>60,857</b>
<b>Americas</b>				
Cash collateralised lending and reverse repurchase agreements	-	1,364	-	1,364
Trading assets	299	591	581	1,471
Margin money and settlement assets	-	121	397	518
Derivative assets	93	12,529	6,146	18,768
Financial investments	-	421	226	647
Held for sale and other assets	-	-	946	946
Loan assets	-	-	224	224
Loans to associates and joint ventures	-	-	10	10
<b>Total Americas</b>	<b>392</b>	<b>15,026</b>	<b>8,530</b>	<b>23,948</b>
<b>Total gross credit risk</b>	<b>620</b>	<b>38,213</b>	<b>64,539</b>	<b>103,372</b>

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

	COMPANY 2023	COMPANY 2022
	Due from subsidiaries <sup>(1)</sup>	Due from subsidiaries <sup>(1)</sup>
	\$m	\$m
<b>Australia</b>		
Financial institutions	2,787	2,347
Other	763	502
<b>Total Australia</b>	<b>3,550</b>	<b>2,849</b>
<b>Total gross credit risk</b>	<b>3,550</b>	<b>2,849</b>

#### Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (refer to Note 37 *Measurement categories of Financial instruments*). For off balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount except for certain usage-based guarantees in which case the maximum exposure is determined with respect to the fair value of the underlying exposure and is disclosed in Note 13 *Expected credit losses*.

#### Collateral and credit enhancements held

##### Cash collateralised lending and reverse repurchase agreements

The Consolidated Entity enters into stock and commodity borrowing and reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements include:

- securities and commodities borrowed in return for cash, for which the fair value of the securities and commodities borrowed is equal to or less than the cash deposited with the counterparty
- reverse repurchase agreements (collateralised financing arrangements), for which the fair value of the securities and commodities received as collateral is generally in excess of the principal amount
- securities received as collateral in return for the transfer of other securities; and
- securities borrowed on an unsecured basis in return for a fee.

The non-cash collateral received is not recognised by the Consolidated Entity in the Statements of financial position, as the risks and rewards of ownership remain with the counterparty. The Consolidated Entity is permitted to sell or repledge the securities and commodities received. In the absence of default by the counterparty, the Consolidated Entity has an obligation to return the non-cash collateral received to the counterparty.

For securities and commodities borrowed in return for cash and reverse repurchase arrangements, the fair value of non-cash collateral received is \$55,834 million (2022: \$51,818 million). For securities borrowed in return for other securities, the fair value of the securities received is \$11,807 million (2022: \$8,936 million). For securities borrowed on an unsecured basis, the fair value of the securities received is \$7,899 million (2022: \$6,199 million).

Out of the above, the fair value of securities repledged is \$20,933 million (2022: \$18,526 million).

The fair value attributed to non-cash collateral held is judgemental and measured with reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, the fair value are estimated using pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.

(1) Due from subsidiaries have been presented as Financial Institution and Others based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

##### Loan assets

##### Home loans

Macquarie purchases risk protection for its home loans portfolio. Prior to 2017 this was in the form of Lenders Mortgage Insurance (LMI) from a well rated Australian LMI provider. Since then Macquarie has diversified its risk protection coverage to a global panel of reinsurers with diverse lines of business coverage and ratings ranging from AA+ to A- from external rating agencies. The length of risk protection cover is up to 10 years from the year of origination with the type of cover including excess of loss and quota share.

The following table provides information on the loan to collateral value ratio as determined using loan carrying values and the most recent valuation of the home loan collateral.

	2023			2022		
	Australia \$m	EMEA \$m	Total \$m	Australia \$m	EMEA \$m	Total \$m
						<b>CONSOLIDATED</b>
<=25%	3,830	5	3,835	2,982	5	2,987
>25% to 50%	24,271	34	24,305	19,074	36	19,110
>50% to 70%	47,886	130	48,016	39,930	153	40,083
>70% to 80%	35,135	78	35,213	29,248	72	29,320
>80% to 90%	2,921	18	2,939	3,176	10	3,186
>90% to 100%	385	2	387	549	1	550
Partly collateralised	29	2	31	34	2	36
<b>Total home loans</b>	<b>114,457</b>	<b>269</b>	<b>114,726</b>	94,993	279	95,272

##### Asset financing

The Consolidated Entity leases assets and provides asset-related financing, to corporate and retail clients. Titles to the underlying assets are held by the Consolidated Entity as collateral. Of the asset finance portfolio of \$7,119 million (2022: \$10,046 million), the credit exposure after considering the depreciated value of collateral is \$3,177 million (2022: \$4,355 million).

##### Corporate, commercial and other lending

Collateral held against corporate, commercial and other lending consists of secured positions over assets of the counterparty, often in the form of corporate assets. Of the term lending of \$36,727 million (2022: \$29,426 million), the credit exposure after considering the estimated value of collateral and credit enhancements is \$6,613 million (2022: \$4,860 million).

##### Derivative instruments

Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are referred to as Over-the-Counter (OTC) derivatives. The Consolidated Entity's and Company's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties.

The Consolidated Entity's approach to financial risk management includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

Refer to Note 39 *Offsetting financial assets and financial liabilities* for impact of master netting arrangements and margins and other financial collateral held against the positions as at balance date.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.1 Credit risk continued

##### Financial investments

Debt securities held by the Consolidated Entity carrying a credit risk are primarily in the nature of bonds, NCDs, floating rate notes (FRN), commercial paper and other debt securities for liquidity management purposes and other securities for short-term gains.

The Consolidated Entity utilises Credit Default Swaps, guarantees, other forms of credit enhancements or collateral in order to minimise the exposure to this credit risk.

##### Settlement assets

Security and commodity settlements of \$6,476 million (2022: \$5,849 million) and \$4,383 million (2022: \$4,802 million) respectively presented under margin money and settlement assets, represent amounts owed by an exchange (or a client) for equities, commodities and other securities sold. These assets are collateralised with the underlying securities, commodities or cash held by the Consolidated Entity until the date of settlement. The period between trade and settlement date varies as per regional regulatory and business norms.

##### Other financial assets

Commodity related receivables under other financial assets are typically either collateralised with underlying commodity held by the Consolidated Entity until the date of settlement or short-term receivables with standard credit terms which would be backed by a bank guarantee where required to remain within credit limits.

##### Credit commitments

Undrawn facilities and lending securities commitments of \$28,760 million (2022: \$29,486 million) are secured through collateral and credit enhancement. The remaining credit exposure after considering the estimated value of collateral is \$5,877 million (2022: \$9,042 million).

##### Additional collateral

Apart from collateral details disclosed above, the Consolidated Entity also holds other types of collateral, such as unsupported guarantees. While such mitigants have value as a credit risk mitigant often providing rights in insolvency, their assignable values are uncertain and therefore are assigned no value for disclosure purposes.

For all collaterals, in the event of default realised collateral values may be lower than the value of collateral as at the reporting date.

##### Reposessed collateral

In the event of a customer default, the Consolidated Entity may either take possession of the underlying collateral held as security and/or exercise its right to dispose of the customer's asset. At the reporting date the Consolidated Entity did not have any material amounts of such collateral recognised in its Statements of financial position.

#### Note 36.2 Liquidity risk

##### Governance and oversight

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

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL and MBL Asset and Liability Committees (ALCO), the MGL and MBL Boards and RMG. Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the respective ALCO and liquidity reporting is provided to the Boards on a regular basis. The MGL and MBL ALCOs include the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Counsel, Co-Heads of Group Treasury and relevant Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

##### Liquidity policy and risk appetite

The MGL and MBL liquidity policies are designed so that each of Macquarie, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet their obligations as they fall due. The *MBL Liquidity Policy* outlines the standalone framework for the Bank Group and its principles are consistent with the *MGL Liquidity Policy*. Macquarie's liquidity risk appetite is intended to ensure that Macquarie is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets for MBL, no access to funding markets for MGL and with only a limited reduction in Macquarie's franchise businesses.

Reflecting the longer-term nature of the Non-Bank Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. MBL is an authorised deposit-taking institution and is funded mainly with capital, long-term liabilities and deposits.

##### Liquidity contingency plan

Group Treasury maintains a *Liquidity Contingency Plan* for MGL and a *Liquidity Contingency Plan* for MBL, which outline how a liquidity crisis would be managed for the Group and Bank respectively. The plans define roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.



## Note 36 Financial risk management continued

### Note 36.2 Liquidity risk continued

Specifically, the plans detail:

- factors that may constitute a crisis
- the officers responsible for enacting each plan
- a committee of senior executives responsible for managing a crisis
- the information required to effectively manage a crisis
- a communications strategy
- a high level checklist of possible actions to conserve or raise additional liquidity for the Group or Bank
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

In addition, Macquarie monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The *Liquidity Contingency Plans* are subject to regular review by both Group Treasury and RMG and are submitted annually to the MGL and MBL ALCO and respective Boards for approval.

Macquarie is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the *Liquidity Contingency Plans* contain either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

#### Funding strategy

Macquarie prepares a *Funding Strategy* for MGL and a *Funding Strategy* for MBL on an annual basis and monitors progress against the strategies throughout the year.

The *Funding Strategies* aim to maintain diversity of funding sources for MGL and MBL, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The *Funding Strategies* are reviewed by the MGL and MBL ALCO and approved by the respective Boards.

#### Scenario analysis

Scenario analysis is central to Macquarie's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie name-specific crises.

These scenarios use a range of assumptions, which Macquarie intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

#### Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High-Quality Liquid Assets and other Reserve Bank of Australia (RBA) repo eligible securities. Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio. The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches.

#### Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank and Non-Bank Groups. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. Businesses that raise funding are compensated at a level that is appropriate for the liquidity benefit provided by the funding.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.2 Liquidity risk continued

##### Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Consolidated Entity's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported on the Statements of financial position at the balance date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of the expected cash flows as indicated by the Consolidated Entity's deposit retention history since the Consolidated Entity expects that many customers will not request repayment on the earliest date the Consolidated Entity could be required to pay.

	Statements of financial position carrying value \$m	On demand \$m	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	More than 5 years \$m	Total \$m
<b>CONSOLIDATED 2023</b>							
Cash collateralised borrowing and repurchase agreements	18,737	269	7,076	1,759	9,657	-	18,761
Trading liabilities <sup>(1)</sup>	4,810	-	4,810	-	-	-	4,810
Margin money and settlement liabilities	27,482	17,108	10,374	-	-	-	27,482
Derivative liabilities (trading) <sup>(1)</sup>	29,070	-	29,070	-	-	-	29,070
Derivative liabilities (hedge accounting relationships) <sup>(2)</sup>	3,720						
Contractual amount payable		-	543	1,202	3,877	870	6,492
Contractual amount receivable		-	(169)	(252)	(1,756)	(266)	(2,443)
Deposits	134,714	111,070	12,690	10,672	731	11	135,174
Held for sale and other liabilities	4,422	679	1,968	706	1,000	221	4,574
Borrowings	18,912	521	3,828	1,165	12,373	5,182	23,069
Issued debt securities <sup>(3)</sup>	90,549	-	15,373	21,830	38,976	27,649	103,828
Loan capital <sup>(4)</sup>	12,891	-	210	645	9,377	7,146	17,378
<b>Total</b>	<b>345,307</b>	<b>129,647</b>	<b>85,773</b>	<b>37,727</b>	<b>74,235</b>	<b>40,813</b>	<b>368,195</b>
<b>Total undiscounted contingent liabilities and commitments<sup>(5)</sup></b>		<b>24,515</b>	<b>2,582</b>	<b>1,951</b>	<b>2,303</b>	<b>2,767</b>	<b>34,118</b>

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.

(3) Includes \$11,424 million payables to SE note holders which is disclosed on the basis of expected maturity of the notes which are dependent on the repayment of the underlying loans that the SE holds.

(4) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

(5) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

## Note 36 Financial risk management continued

### Note 36.2 Liquidity risk continued

	Statements of financial position carrying value \$m	On demand \$m	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	More than 5 years \$m	Total \$m
CONSOLIDATED 2022							
Cash collateralised borrowing and repurchase agreements	16,947	55	5,479	142	11,297	-	16,973
Trading liabilities <sup>(1)</sup>	5,290	-	5,290	-	-	-	5,290
Margin money and settlement liabilities	27,158	16,288	10,323	547	-	-	27,158
Derivative liabilities (trading) <sup>(1)</sup>	82,683	-	82,683	-	-	-	82,683
Derivative liabilities (hedge accounting relationships) <sup>(2)</sup>	1,781						
Contractual amount payable		-	504	543	2,487	1,432	4,966
Contractual amount receivable		-	(480)	(392)	(1,110)	(1,033)	(3,015)
Deposits	101,667	93,082	5,220	3,116	311	20	101,749
Held for sale and other liabilities	4,767	509	2,430	986	815	79	4,819
Borrowings	13,896	450	2,472	284	7,530	4,111	14,847
Issued debt securities <sup>(3)</sup>	99,527	-	19,824	26,070	29,216	32,112	107,222
Loan capital <sup>(4)</sup>	9,513	-	86	284	2,357	8,954	11,681
<b>Total</b>	<b>363,229</b>	<b>110,384</b>	<b>133,831</b>	<b>31,580</b>	<b>52,903</b>	<b>45,675</b>	<b>374,373</b>
<b>Total undiscounted contingent liabilities and commitments<sup>(5)</sup></b>		<b>23,697</b>	<b>3,018</b>	<b>1,440</b>	<b>4,066</b>	<b>2,813</b>	<b>35,034</b>

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.

(3) Includes \$13,380 million payables to SE note holders which is disclosed on the basis of expected maturity of the notes which are dependent on the repayment of the underlying loans that the SE holds.

(4) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

(5) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.2 Liquidity risk continued

	Statements of financial position carrying value \$m	On demand \$m	0 to 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	More than 5 years \$m	Total \$m
<b>COMPANY 2023</b>							
Derivative liabilities (trading) <sup>(1)</sup>	5	-	5	-	-	-	5
Deposits	-	-	-	-	-	-	-
Other liabilities	20	20	-	-	-	-	20
Borrowings	6,942	-	142	469	6,282	2,329	9,222
Due to subsidiaries	4,698	2,729	1,969	-	-	-	4,698
Issued debt securities	32,113	-	278	677	16,476	20,427	37,858
Loan capital <sup>(2)</sup>	3,362	-	55	160	2,257	1,726	4,198
<b>Total</b>	<b>47,140</b>	<b>2,749</b>	<b>2,449</b>	<b>1,306</b>	<b>25,015</b>	<b>24,482</b>	<b>56,001</b>
<b>Total undiscounted contingent liabilities and commitments<sup>(3)</sup></b>		<b>-</b>	<b>5,496</b>	<b>965</b>	<b>1</b>	<b>2</b>	<b>6,464</b>
<b>COMPANY 2022</b>							
Derivative liabilities (trading) <sup>(1)</sup>	6	-	6	-	-	-	6
Deposits	35	-	9	27	-	-	36
Other liabilities	17	17	-	-	-	-	17
Borrowings	6,280	-	25	73	3,084	3,640	6,822
Due to subsidiaries	3,084	2,006	1,078	-	-	-	3,084
Issued debt securities	25,638	-	460	490	10,841	17,787	29,578
Loan capital <sup>(2)</sup>	2,612	-	22	66	326	2,559	2,973
<b>Total</b>	<b>37,672</b>	<b>2,023</b>	<b>1,600</b>	<b>656</b>	<b>14,251</b>	<b>23,986</b>	<b>42,516</b>
<b>Total undiscounted contingent liabilities and commitments<sup>(3)</sup></b>		<b>-</b>	<b>5,026</b>	<b>657</b>	<b>631</b>	<b>-</b>	<b>6,314</b>

(1) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

(2) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

(3) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

## Note 36 Financial risk management continued

### Note 36.3 Market risk

Macquarie's balance sheet includes a '**trading book**', which is defined in accordance with APRA's traded market risk prudential statement (APS116), and subject to the traded market risk framework. Any position not deemed to be trading book is considered to be '**banking book**', and covered by either the non-traded market risk or equity risk frameworks.

#### Traded market risk

Market risk is the risk of adverse changes in the value of the Consolidated Entity's trading positions as a result of changes in market conditions. The Consolidated Entity is exposed to the following risks:

- **price:** The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **volatility:** The risk of loss due to changes in the volatility of a risk factor
- **basis:** Risk of imperfect correlation between offsetting investments in a hedging strategy
- **correlation:** Risk that the actual correlation between two assets or variables is different from the assumed correlation
- **illiquid market:** Risk of inability to sell assets or close out positions in thinly-traded markets at close to the last market prices
- **concentration:** Risk of over concentration of trading exposures in certain markets and products
- **valuation adjustments:** Risk of actual valuation adjustments to derivative positions; specifically Credit Valuation Adjustment, Debit Valuation Adjustment and Funding Valuation Adjustment (FVA).

It is recognised that all trading activities contain calculated elements of risk taking. The Consolidated Entity is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis. RMG monitors positions within the Consolidated Entity according to a limit structure which sets limits for all exposures in all markets.

Limits are for both individual trading desks and divisions as well as in aggregate.

RMG sets three complementary limit structures:

- **contingent loss limits:** Worst-case scenarios that shock prices and volatilities by more than that which has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlation between markets is applied
- **position limits:** Volume, maturity and open position limits are set on a large number of market instruments and securities in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions
- **Value-at-Risk (VaR) limits:** A statistical measure based on a 10-day holding period and a 99% confidence level, as stipulated by the APRA capital adequacy standard. The model is validated daily by back testing a one-day VaR against hypothetical and actual daily trading profit or loss.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.3 Market risk continued

##### Value-at-Risk figures (1-day, 99% confidence level)

The table below shows the average, maximum and minimum VaR over the financial year for the major markets in which the Consolidated Entity operates. The VaR shown in the table is based on a one-day holding period being the mark-to-market loss that could be incurred over that period. The aggregated VaR is on a correlated basis.

	2023			2022		
	Average \$m	Maximum \$m	Minimum \$m	Average \$m	Maximum \$m	Minimum \$m
Equities	4.15	7.75	1.91	3.56	5.57	1.87
Interest rates	6.57	11.24	2.98	3.57	6.48	2.20
Foreign exchange	3.71	9.07	0.89	1.77	4.15	0.77
Commodities and commodity contracts	54.71	118.42	33.99	36.47	65.56	19.12
Aggregate	55.51	115.88	34.48	37.25	66.91	19.30

##### Value-at-Risk

The VaR model uses a Monte Carlo simulation where price and volatility paths are derived from multiple normal distributions, based on three years of historical data. The following factors can limit the effectiveness of VaR in predicting future price moves:

- the use of historical data means that the current model parameters may not reflect future market conditions especially when entering a period of heightened volatility. The model utilises exponential weighting to place emphasis on the most recent market movements to more accurately reflect current conditions
- VaR focuses on unexceptional price moves so that it does not account for losses that could occur beyond the 99% level of confidence.

For capital adequacy purposes, debt-specific risk is measured using APRA's standard method, whilst all other exposures are captured by the VaR model. This combined approach has been approved by APRA and is subject to periodic review.

##### Non-traded market risk

The Consolidated Entity has exposure to non-traded market risks arising from transactions entered into during its normal course of business and as a result of its investments in foreign operations. These risks include:

- **interest rate:** Changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes
- **foreign exchange:** Changes in the spot exchange rates.

The Consolidated Entity has limited appetite for non-traded market risks. Where commercially feasible, these risks are transferred into the trading books of CGM and Group Treasury and governed within the traded market risk framework described above. Responsibility for managing exposures rests with individual businesses, with independent monitoring performed by RMG and FMG.

##### Accounting considerations arising from hedging activities

The use of derivative and other financial instruments to hedge non-traded positions potentially gives rise to income statement volatility due to difference in accounting treatments. The Consolidated Entity manages this through hedge accounting as set out in Note 44(x) *Derivative instruments and hedging activities* and Note 35 *Hedge accounting*.



## Note 36

### Financial risk management continued

#### Note 36.3 Market risk continued

##### Interest rate risk in the banking book (IRRBB)

Macquarie measures and monitors interest rate risk on both an economic value and earnings basis, which are modelled as the worst-case contingent loss from a set of six severe interest rate shocks, including both parallel and non-parallel shocks. Aggregate IRRBB exposures for the Consolidated Entity are constrained on both measures:

- **Economic Value Sensitivity (EVS):** The EVS metric measures the change in net present value of the interest-bearing portfolios in the banking book as a result of changes in interest rates.
- **Earnings at Risk (EaR):** The EaR model constrains the impact on reported net income over 12 months for a change in interest rates.

A central objective of the Consolidated Entity's *Non-traded Market Risk Policy* is to reduce earnings volatility to interest rate movements. A key component of this arises where shareholders equity invested in interest bearing assets and is managed by holding a portfolio of 'receive fixed' interest rate swaps. The duration of this hedging program is constrained by Board-approved limits, and subject to independent oversight by RMG.

##### Foreign exchange risk

The Consolidated Entity is active in various currencies globally. A key objective of the Consolidated Entity's *Non-traded Market Risk Policy* is to reduce this sensitivity of regulatory capital ratios to foreign currency movements.

This is achieved by leaving specific investments in foreign operations exposed to foreign currency translation movements and captured in the foreign currency translation reserve, a component of regulatory capital, which aligns the foreign exchange sensitivity of capital supply with that of foreign currency capital requirements.

The table below presents the sensitivity of the Consolidated Entity's net investment in foreign operations to the most material currencies. As a result of the policy described above, these movements will not have a material impact on the capital ratios.

	2023		2022	
	Movement in exchange rates %	Sensitivity of other comprehensive income after tax \$m	Movement in exchange rates %	Sensitivity of other comprehensive income after tax \$m
				<b>CONSOLIDATED</b>
United States dollar	+10	(1,140)	+10	(877)
Pound sterling	+10	(183)	+10	(125)
Euro	+10	(101)	+10	(67)
Canadian dollar	+10	-	+10	(15)
<b>Total</b>		<b>(1,424)</b>		<b>(1,084)</b>
United States dollar	-10	1,394	-10	1,071
Pound sterling	-10	224	-10	154
Euro	-10	123	-10	81
Canadian dollar	-10	-	-10	18
<b>Total</b>		<b>1,741</b>		<b>1,324</b>

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 36

### Financial risk management continued

#### Note 36.3 Market risk continued

##### Interest rate risk – Interest Rate Benchmark Reform (IBOR)

During 2018, the Consolidated Entity initiated a group-wide project, sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARR. A group-wide steering committee was established with its key responsibility being the governance of the project and comprised of senior executives from the Consolidated Entity's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance Group (LGG).

The Consolidated Entity's reform project oversaw the successful transition of contracts referencing LIBORs that ceased publication on 31 December 2021 in accordance with industry and regulatory guidance.

The remaining transition focus is on the USD LIBOR tenors and IBOR for other minor currencies that will cease publication on 30 June 2023, and the Canadian Dollar Offered Rate (CDOR) which will cease publication on 28 June 2024. The Consolidated Entity has actively begun to engage with clients to support them through the transition from USD LIBOR to SOFR.

Whilst the transition of legacy USD LIBOR contracts continues to expose the Consolidated Entity to inherent risks (including those outlined below), the remaining IBOR transition efforts and risk has significantly reduced. The Consolidated Entity's IBOR transition governance was decentralised from 1 April 2022, commensurate with the risk. Under the decentralised governance model, central oversight was reduced and operating groups manage remaining IBOR transition risks within the Consolidated Entity's existing risk management framework.

The Consolidated Entity is exposed to inherent risks arising from transition of legacy USD LIBOR contracts, including but not limited to:

- **financial risk:** This includes:
  - (i) value transfers arising from these transition to ARRs
  - (ii) basis risk from products and IBORs transitioning at different times
  - (iii) impacts arising from a change in accounting treatment including hedge accounting, capital, tax and reported earnings
  - (iv) loss in revenue/market share from not being ready to participate in ARR markets.

- **conduct risk:** This includes:
  - (i) real or perceived benefit of information asymmetry between financial institutions and clients during transition
  - (ii) real or perceived unfair treatment of clients during transition
  - (iii) market participants attempt to influence ARRs during transition or misconduct in markets where there is insufficient liquidity.
- **legal risk:** This includes:
  - (i) client disputes over amendment terms
  - (ii) litigation from clients and counterparties (including potential class actions) due to inappropriate/unenforceable contractual terms or losses from transition.
- **operational risk:** This includes:
  - (i) infrastructure and processes that result in errors upon transition
  - (ii) reduced model accuracy due to lack of historical data.

Whilst IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity, they have not resulted in changes to the Consolidated Entity's risk management strategy and these risks are managed within the existing risk management framework.

**Exposure yet to be transitioned to ARRs:** The notional value of the Consolidated Entity's financial instruments which are yet to transition to ARRs as at the reporting date includes:

- **derivatives:** gross exposure of \$79,673 million in USD LIBOR and \$4,191 million in other currencies (2022: \$71,853 million in USD LIBOR and \$79 million in other currencies)
- **non-derivative financial assets:** exposure of \$5,231 million in USD LIBOR and \$856 million in other currencies. (2022: \$8,762 million in USD LIBOR and \$432 million in other currencies)
- **non-derivative financial liabilities:** exposure of \$3,637 million in USD LIBOR (2022: \$11,277 million).

The scope of the above-mentioned exposures has been determined as follows:

- the benchmark will be replaced, and the replacement date is known. Only exposures with contractual maturities extending beyond the replacement date have been included
- the gross notional values for derivatives and both on-balance sheet and off-balance sheet exposures have been included
- for contracts that reference more than one benchmark, such as a cross currency swap, the exposure includes both benchmarks to reflect the absolute exposure to different reference rates
- derivative contracts of \$9,664 million (2022: \$13,419 million) designated in hedge accounting relationships have synthetically transitioned and have been excluded, primarily relating to USD LIBOR to SOFR transition.

**Note 36****Financial risk management continued****Note 36.3 Market risk continued**

## Equity price risk

The below table indicates the income statement effect of the Consolidated Entity's equity exposures held as part of its non-trading investment portfolio, due to a reasonably possible change in equity prices, with all other variables held constant. Equity exposures exclude interest in associate and joint ventures.

	2023		2022	
	Movement in equity price %	Sensitivity of profit after tax \$m	Movement in equity price %	Sensitivity of profit after tax \$m
				<b>CONSOLIDATED</b>
Listed	<b>+10</b>	<b>10</b>	+10	15
Unlisted	<b>+10</b>	<b>144</b>	+10	78
<b>Increase in equity prices</b>	<b>+10</b>	<b>154</b>	+10	93
Listed	<b>-10</b>	<b>(10)</b>	-10	(15)
Unlisted	<b>-10</b>	<b>(144)</b>	-10	(78)
<b>Decrease in equity prices</b>	<b>-10</b>	<b>(154)</b>	-10	(93)

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 37

### Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The description of measurement categories are included in Note 44(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 38 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost \$m	Non-financial instruments \$m	Statements of financial position total \$m	Fair value \$m	Amortised cost \$m
	HFT \$m	DFVTPL \$m	FVTPL \$m	FVOCI \$m					
<b>CONSOLIDATED 2023</b>									
<b>Assets</b>									
Cash and bank balances	-	-	-	-	45,656	-	45,656	-	45,656
Cash collateralised lending and reverse repurchase agreements	-	-	4,963	33,463	15,897	-	54,323	38,426	15,897
Trading assets <sup>(1)</sup>	14,475	-	-	-	-	2,406	16,881	16,881	-
Margin money and settlement assets	-	-	576	-	24,680	-	25,256	576	24,680
Derivative assets	34,906	-	1,208	-	-	-	36,114	36,114	-
Financial investments:									
Equity	-	-	2,170	-	-	-	2,170	2,170	-
Debt <sup>(2)</sup>	-	-	721	17,262	1,721	-	19,704	17,983	1,721
Held for sale and other assets	-	-	2,453	4	4,493	4,409	11,359	3,386	4,493
Loan assets <sup>(2)</sup>	-	-	1,110	549	156,913	-	158,572	1,659	156,364
Interests in associates and joint ventures:									
Equity interests	-	-	-	-	-	4,610	4,610	-	-
Loans to associates and joint ventures <sup>(2)</sup>	-	-	544	-	420	-	964	544	420
Property, plant and equipment and right-of-use assets <sup>(2)</sup>	-	-	-	-	-	6,639	6,639	-	-
Intangible assets	-	-	-	-	-	3,827	3,827	-	-
Deferred tax assets	-	-	-	-	-	1,797	1,797	-	-
<b>Total assets</b>	<b>49,381</b>	<b>-</b>	<b>13,745</b>	<b>51,278</b>	<b>249,780</b>	<b>23,688</b>	<b>387,872</b>	<b>117,739</b>	<b>249,231</b>
<b>Liabilities</b>									
Cash collateralised borrowing and repurchase agreements	-	277	-	-	18,460	-	18,737	277	18,460
Trading liabilities	4,810	-	-	-	-	-	4,810	4,810	-
Margin money and settlement liabilities	-	-	-	-	27,482	-	27,482	-	27,482
Derivative liabilities	29,055	-	3,735	-	-	-	32,790	32,790	-
Deposits	-	-	-	-	134,714	-	134,714	-	134,598
Held for sale and other liabilities <sup>(3)</sup>	-	1,330	-	-	3,092	8,263	12,685	1,330	2,390
Borrowings	-	260	-	-	18,652	-	18,912	260	18,774
Issued debt securities <sup>(2)</sup>	-	2,323	-	-	88,226	-	90,549	2,323	87,722
Deferred tax liabilities	-	-	-	-	-	196	196	-	-
Loan capital <sup>(2)</sup>	-	-	-	-	12,891	-	12,891	-	12,806
<b>Total liabilities</b>	<b>33,865</b>	<b>4,190</b>	<b>3,735</b>	<b>-</b>	<b>303,517</b>	<b>8,459</b>	<b>353,766</b>	<b>41,790</b>	<b>302,232</b>

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.

(3) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

## Note 37

### Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT						Non-financial instruments	Statements of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost	Fair value			Amortised cost	
	HFT	DFVTPL	FVTPL	FVOCI						
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
CONSOLIDATED 2022										
<b>Assets</b>										
Cash and bank balances	-	-	-	-	52,754	-	52,754	-	52,754	
Cash collateralised lending and reverse repurchase agreements	-	-	4,170	35,872	11,155	-	51,197	40,042	11,155	
Trading assets <sup>(1)</sup>	10,354	-	-	-	-	3,224	13,578	13,578	-	
Margin money and settlement assets	-	-	524	-	24,584	-	25,108	524	24,584	
Derivative assets	84,217	-	674	-	-	-	84,891	84,891	-	
Financial investments:										
Equity	-	-	1,502	-	-	-	1,502	1,502	-	
Debt <sup>(2)</sup>	-	-	719	9,902	4	-	10,625	10,621	4	
Held for sale and other assets	-	-	1,819	9	4,180	3,921	9,929	2,631	4,180	
Loan assets <sup>(2)</sup>	-	78	500	244	133,922	-	134,744	822	134,251	
Interests in associates and joint ventures:										
Equity interests	-	-	-	-	-	3,504	3,504	-	-	
Loans to associates and joint ventures <sup>(2)</sup>	-	-	317	42	510	-	869	359	569	
Property, plant and equipment and right-of-use assets <sup>(2)</sup>	-	-	-	-	-	5,143	5,143	-	-	
Intangible assets	-	-	-	-	-	3,780	3,780	-	-	
Deferred tax assets	-	-	-	-	-	1,552	1,552	-	-	
<b>Total assets</b>	<b>94,571</b>	<b>78</b>	<b>10,225</b>	<b>46,069</b>	<b>227,109</b>	<b>21,124</b>	<b>399,176</b>	<b>154,970</b>	<b>227,497</b>	
<b>Liabilities</b>										
Cash collateralised borrowing and repurchase agreements	-	241	-	-	16,706	-	16,947	241	16,706	
Trading liabilities	5,290	-	-	-	-	-	5,290	5,290	-	
Margin money and settlement liabilities	-	-	-	-	27,158	-	27,158	-	27,158	
Derivative liabilities	82,683	-	1,781	-	-	-	84,464	84,464	-	
Deposits	-	-	-	-	101,667	-	101,667	-	101,683	
Held for sale and other liabilities <sup>(3)</sup>	-	1,132	129	-	3,506	6,925	11,692	1,261	2,920	
Borrowings	-	-	-	-	13,896	-	13,896	-	13,939	
Issued debt securities <sup>(2)</sup>	-	2,503	-	-	97,024	-	99,527	2,503	96,839	
Deferred tax liabilities	-	-	-	-	-	216	216	-	-	
Loan capital <sup>(2)</sup>	-	-	-	-	9,513	-	9,513	-	9,767	
<b>Total liabilities</b>	<b>87,973</b>	<b>3,876</b>	<b>1,910</b>	<b>-</b>	<b>269,470</b>	<b>7,141</b>	<b>370,370</b>	<b>93,759</b>	<b>269,012</b>	

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.

(3) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 37

### Measurement categories of financial instruments continued

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The description of measurement categories are included in Note 44(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 38 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT						Statements of financial position total \$m	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost \$m	Non-financial instruments \$m		Fair value \$m	Amortised cost \$m
	HFT \$m	DFVTPL \$m	FVTPL \$m	FVOCI \$m					
	COMPANY 2023								
<b>Assets</b>									
Derivative assets	3	-	-	-	-	-	3	3	-
Other assets	-	-	-	-	7	23	30	-	7
Due from subsidiaries <sup>(1)</sup>	112	-	3,438	-	44,952	315	48,817	3,550	42,121
Investments in subsidiaries	-	-	-	-	-	32,604	32,604	-	-
Deferred tax assets	-	-	-	-	-	3	3	-	-
<b>Total assets</b>	<b>115</b>	<b>-</b>	<b>3,438</b>	<b>-</b>	<b>44,959</b>	<b>32,945</b>	<b>81,457</b>	<b>3,553</b>	<b>42,128</b>
<b>Liabilities</b>									
Derivative liabilities	5	-	-	-	-	-	5	5	-
Other liabilities <sup>(2)</sup>	-	-	-	-	20	221	241	-	20
Borrowings	-	-	-	-	6,942	-	6,942	-	6,966
Due to subsidiaries <sup>(3)</sup>	823	-	-	-	3,875	988	5,686	823	3,875
Issued debt securities	-	973	-	-	31,140	-	32,113	973	28,459
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Loan capital	-	-	-	-	3,362	-	3,362	-	3,451
<b>Total liabilities</b>	<b>828</b>	<b>973</b>	<b>-</b>	<b>-</b>	<b>45,339</b>	<b>1,209</b>	<b>48,349</b>	<b>1,801</b>	<b>42,771</b>

(1) Due from subsidiaries includes derivatives and trading positions classified as HFT and subordinated loan to subsidiaries classified as FVTPL. All other intercompany receivables are carried at amortised cost. Non-financial receivables primarily represent internal tax balances.

(2) Non-financial liabilities primarily represents provisions for tax payable and MEREP related obligations.

(3) Due to subsidiaries includes derivatives and trading positions classified as HFT; employee stock option related obligations and tax payables classified as non-financial liabilities. All other intercompany payables are carried at amortised cost.

## Note 37

### Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT						Statements of financial position total \$m	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised cost \$m	Non-financial instruments \$m		Fair value \$m	Amortised cost \$m
	HFT \$m	DFVTPL \$m	FVTPL \$m	FVOCI \$m					
COMPANY 2022									
<b>Assets</b>									
Derivative assets	1	-	-	-	-	-	1	1	-
Other assets	-	-	-	-	10	18	28	-	10
Due from subsidiaries <sup>(1)</sup>	212	-	2,637	-	35,620	122	38,591	2,849	34,243
Investments in subsidiaries	-	-	-	-	-	32,449	32,449	-	-
<b>Total assets</b>	<b>213</b>	<b>-</b>	<b>2,637</b>	<b>-</b>	<b>35,630</b>	<b>32,589</b>	<b>71,069</b>	<b>2,850</b>	<b>34,253</b>
<b>Liabilities</b>									
Derivative liabilities	6	-	-	-	-	-	6	6	-
Deposits	-	-	-	-	35	-	35	-	35
Other liabilities <sup>(2)</sup>	-	-	-	-	17	194	211	-	17
Borrowings	-	-	-	-	6,280	-	6,280	-	6,322
Due to subsidiaries <sup>(3)</sup>	564	-	-	-	2,520	548	3,632	564	2,520
Issued debt securities	-	918	-	-	24,720	-	25,638	918	23,453
Deferred tax liabilities	-	-	-	-	-	21	21	-	-
Loan capital	-	-	-	-	2,612	-	2,612	-	2,740
<b>Total liabilities</b>	<b>570</b>	<b>918</b>	<b>-</b>	<b>-</b>	<b>36,184</b>	<b>763</b>	<b>38,435</b>	<b>1,488</b>	<b>35,087</b>

(1) Due from subsidiaries includes derivatives and trading positions classified as HFT and subordinated loan to subsidiaries classified as FVTPL. All other intercompany receivables are carried at amortised cost. Non-financial receivables primarily represent internal tax balances.

(2) Non-financial liabilities primarily represents provisions for tax payable and MEREP related obligations.

(3) Due to subsidiaries includes derivatives and trading positions classified as HFT; employee stock option related obligations and tax payables classified as non-financial liabilities. All other intercompany payables are carried at amortised cost.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 38

### Fair value of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial and non-financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding such inputs.

Items measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below.

<b>Level 1</b>	unadjusted quoted prices in active markets for identical assets or liabilities
<b>Level 2</b>	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
<b>Level 3</b>	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate fair value hierarchy level for an item is determined on the basis of the lowest level input that is significant to the fair value measurement.

AASB 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value. Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed on a portfolio basis.

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at amortised cost in the Statements of financial position.

<b>Asset or liability</b>	<b>Valuation techniques, inputs and other significant assumptions</b>
<b>Cash and bank balances, Cash collateralised lending and reverse repurchase agreements, Cash collateralised borrowing and repurchase agreements</b>	The fair value of cash and bank balance, cash collateralised lending and reverse repurchase agreements, cash collateralised borrowing and repurchase agreements approximates their carrying amounts as these are highly liquid and short-term in nature.
<b>Loan assets and Deposits</b>	<p>The fair value of fixed rate loan assets and term deposits is determined with reference to changes in interest rates and credit spreads.</p> <p>The fair value of variable rate loan assets and deposits approximates their carrying amounts, subject to any adjustment for changes in the credit spreads.</p> <p>The fair value of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand.</p>
<b>Financial investments</b>	<p>The fair value of liquid assets and other instruments maturing within three months are approximate to their carrying amounts.</p> <p>The fair value of fixed rate debt investments is estimated by reference to current market rates offered on similar securities and the creditworthiness of the borrower.</p> <p>The fair value of variable rate investments approximate their carrying amounts.</p>
<b>Issued debt securities, Borrowings and Loan capital</b>	The fair value of issued debt securities, borrowings and loan capital is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread.
<b>Margin money, settlement assets and settlement liabilities</b>	The fair value of margin money, settlement assets, settlement liabilities, other financial assets and financial liabilities approximate their carrying amounts.
<b>Other financial assets and financial liabilities</b>	

## Note 38

### Fair value of assets and liabilities continued

The following methods and significant assumptions have been applied in determining the fair values of following items carried at fair value in the Statements of financial position.

Asset or liability	Valuation techniques, inputs and other significant assumptions
<b>Trading assets, Trading liabilities and Derivatives</b>	Trading assets, including commodities and commodity contracts, trading liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of other recognised valuation techniques.  The Consolidated Entity has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying the Consolidated Entity's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.
<b>Repurchase and reverse repurchase agreements</b>	Repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement.
<b>Financial investments</b>	Financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example, listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.
<b>Loan assets and Issued debt securities</b>	Fair values of loans and issued debt securities are measured by reference to quoted prices in active markets where available. If quoted prices are not available in active markets, the fair values are estimated with reference to current market rates.
<b>Investment property</b>	Investment property is measured at fair value based on the discounted future cash flows, unless market valuation is available based on recent transactions or current market prices.
<b>Other financial assets and financial liabilities</b>	Fair values of other financial assets and financial liabilities are based upon data or valuation techniques appropriate to the nature and type of the underlying instruments.

For financial assets carried at fair value, in order to measure counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis, the adjustment is calculated on a counterparty basis for those exposures. For financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. All models are reviewed before they are used. Models are calibrated periodically to test the outputs and reflect the prices from observable current market transactions in same instrument or other available observable market data.

To the extent possible, models use only observable market data (for example, OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument such as volatility and correlation.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 38

### Fair value of assets and liabilities continued

#### Assets and liabilities measured at amortised cost

The fair values calculated for financial instruments which are carried in the Statements of financial position at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions.

The following table summarises the levels of the fair value hierarchy of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>CONSOLIDATED 2023</b>				
<b>Assets</b>				
Loan assets	-	5,847	150,517	156,364
Loans to associates and joint ventures	-	-	420	420
<b>Total assets</b>	-	5,847	150,937	156,784
<b>Liabilities</b>				
Deposits	94,700	39,898	-	134,598
Borrowings	476	14,614	3,684	18,774
Issued debt securities	-	76,521	11,201	87,722
Loan capital	4,779	8,027	-	12,806
<b>Total liabilities</b>	99,955	139,060	14,885	253,900
<b>CONSOLIDATED 2022</b>				
<b>Assets</b>				
Loan assets	-	5,494	128,757	134,251
Loans to associates and joint ventures	-	-	569	569
<b>Total assets</b>	-	5,494	129,326	134,820
<b>Liabilities</b>				
Deposits	80,732	20,951	-	101,683
Borrowings	446	12,425	1,068	13,939
Issued debt securities	-	84,216	12,623	96,839
Loan capital	4,091	5,676	-	9,767
<b>Total liabilities</b>	85,269	123,268	13,691	222,228

The financial assets and liabilities measured at amortised cost in the Company as at 31 March 2023 and 31 March 2022 are predominantly categorised as Level 2 in the fair value hierarchy except for loan capital which is classified as Level 1.

## Note 38

### Fair value of assets and liabilities continued

#### Assets and liabilities measured at fair value

The following table summarises the levels of the fair value hierarchy for assets and liabilities that are recognised and measured at fair value in the financial statements.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>CONSOLIDATED 2023</b>				
<b>Assets</b>				
Cash collateralised lending and reverse repurchase agreements	-	38,426	-	38,426
Trading assets	8,296	7,781	804	16,881
Margin money and settlement assets	-	576	-	576
Derivative assets	13	35,305	796	36,114
Financial investments	5,373	12,918	1,862	20,153
Held for sale and other assets <sup>(1)</sup>	-	2,313	1,073	3,386
Loan assets	-	418	1,241	1,659
Loans to associates and joint ventures	-	-	544	544
<b>Total assets</b>	<b>13,682</b>	<b>97,737</b>	<b>6,320</b>	<b>117,739</b>
<b>Liabilities</b>				
Cash collateralised lending and repurchase agreements	-	277	-	277
Trading liabilities	4,671	139	-	4,810
Derivative liabilities	8	31,998	784	32,790
Held for sale and other liabilities	-	1,330	-	1,330
Borrowings	-	260	-	260
Issued debt securities	-	2,323	-	2,323
<b>Total liabilities</b>	<b>4,679</b>	<b>36,327</b>	<b>784</b>	<b>41,790</b>
<b>CONSOLIDATED 2022</b>				
<b>Assets</b>				
Cash collateralised lending and reverse repurchase agreements	-	40,042	-	40,042
Trading assets	4,426	8,617	535	13,578
Margin money and settlement assets	-	524	-	524
Derivative assets	2	84,315	574	84,891
Financial investments	4,423	5,653	2,047	12,123
Held for sale and other assets <sup>(1)</sup>	-	1,615	1,016	2,631
Loan assets	-	256	566	822
Loans to associates and joint ventures	-	-	359	359
<b>Total assets</b>	<b>8,851</b>	<b>141,022</b>	<b>5,097</b>	<b>154,970</b>
<b>Liabilities</b>				
Cash collateralised borrowing and repurchase agreements	-	241	-	241
Trading liabilities	5,113	177	-	5,290
Derivative liabilities	10	83,111	1,343	84,464
Held for sale and other liabilities	-	1,261	-	1,261
Issued debt securities	-	2,503	-	2,503
<b>Total liabilities</b>	<b>5,123</b>	<b>87,293</b>	<b>1,343</b>	<b>93,759</b>

The Company does not hold financial instruments measured at fair value except for:

- \$3,438 million (2022: \$2,637 million) loan capital securities held in subsidiaries which are Level 3 financial instruments
- \$112 million (2022: \$212 million) derivative assets and \$823 million (2022: \$564 million) derivative liabilities due with subsidiaries and \$973 million (2022: \$918 million) structured notes issued which are Level 2 financial instruments

Fair value sensitivity of these intercompany balances to alternate assumptions and valuation inputs is not significant and hence not covered under the sensitivity analysis disclosures.

(1) Includes \$917 million (2022: \$748 million) of investment properties measured at fair value.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 38

### Fair value of assets and liabilities continued

#### Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for assets and liabilities, measured at fair value on a recurring basis by the Consolidated Entity.

	Trading assets \$m	Financial investments \$m	Held for sale and other assets \$m	Loan assets \$m	Loans to associates and joint ventures \$m	Derivative financial instruments (net fair value) <sup>(1)</sup> \$m	Total \$m
Balance as at 1 Apr 2021	499	1,554	418	575	96	(32)	3,110
Purchases, originations, issuances, and other additions	107	883	532	1,450	434	(25)	3,381
Sales, settlements and repayments	(75)	(604)	(61)	(1,317)	(12)	33	(2,036)
Reclassification	-	-	102	(17)	(85)	-	-
Transfers into Level 3 <sup>(2)</sup>	59	399	-	-	9	(16)	451
Transfers out of Level 3 <sup>(2)</sup>	(272)	(351)	(16)	(120)	-	115	(644)
Fair value movements recognised in the income statement:							
Net trading income/(loss) <sup>(3)</sup>	217	(4)	(5)	(27)	(10)	(844)	(673)
Other income/(loss)	-	160	46	19	(73)	-	152
Fair value movements recognised in OCI <sup>(3)</sup>	-	10	-	3	-	-	13
<b>Balance as at 31 Mar 2022</b>	<b>535</b>	<b>2,047</b>	<b>1,016</b>	<b>566</b>	<b>359</b>	<b>(769)</b>	<b>3,754</b>
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year <sup>(3)</sup>	226	23	25	(13)	(76)	(796)	(611)
Balance as at 1 Apr 2022	<b>535</b>	<b>2,047</b>	<b>1,016</b>	<b>566</b>	<b>359</b>	<b>(769)</b>	<b>3,754</b>
Purchases, originations, issuances and other additions	<b>272</b>	<b>1,130</b>	<b>204</b>	<b>1,127</b>	<b>298</b>	<b>329</b>	<b>3,360</b>
Sales, settlements and repayments	<b>(23)</b>	<b>(152)</b>	<b>(333)</b>	<b>(281)</b>	<b>(53)</b>	<b>219</b>	<b>(623)</b>
Reclassification	-	-	<b>86</b>	-	<b>(86)</b>	-	-
Transfers into Level 3 <sup>(2)</sup>	<b>222</b>	<b>57</b>	<b>56</b>	<b>2</b>	-	<b>158</b>	<b>495</b>
Transfers out of Level 3 <sup>(2)</sup>	<b>(180)</b>	<b>(1,295)</b>	<b>(5)</b>	<b>(65)</b>	<b>(85)</b>	<b>37</b>	<b>(1,593)</b>
Fair value movements recognised in the income statement:							
Net trading (loss)/income <sup>(3)</sup>	<b>(22)</b>	<b>190</b>	<b>63</b>	<b>(62)</b>	<b>31</b>	<b>4</b>	<b>204</b>
Other (loss)/income	-	<b>(50)</b>	<b>(14)</b>	<b>(38)</b>	<b>(19)</b>	<b>12</b>	<b>(109)</b>
Fair value movements recognised in OCI <sup>(3)</sup>	-	<b>(65)</b>	-	<b>(8)</b>	<b>99</b>	<b>22</b>	<b>48</b>
<b>Balance as at 31 Mar 2023</b>	<b>804</b>	<b>1,862</b>	<b>1,073</b>	<b>1,241</b>	<b>544</b>	<b>12</b>	<b>5,536</b>
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year <sup>(3)</sup>	<b>(16)</b>	<b>164</b>	<b>16</b>	<b>36</b>	<b>39</b>	<b>(22)</b>	<b>217</b>

(1) The derivative financial instruments in the table above are presented on a net basis. On a gross basis, derivative assets are \$796 million (2022: \$574 million) and derivative liabilities are \$784 million (2022: \$1,343 million)

(2) Assets and liabilities transferred in or out of Level 3 are presented as if the assets or liabilities were transferred at the beginning of the financial year.

(3) The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, are not presented in the table above.

## Note 38

### Fair value of assets and liabilities continued

#### Significant transfers between levels of the fair value hierarchy

During the financial year, the Consolidated Entity did not have significant transfers between Level 1 and Level 2.

Transfers into Level 3 were due to the lack of observable valuation inputs for certain investments and trading balances. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the financial year. Financial assets reclassified into/out of the fair value hierarchy disclosure due to recognition and measurement category changes, or where there have been changes in significant influence or control but some form of interest in the assets are still retained, are also presented as transfers into/out of Level 3.

#### Unrecognised gains or losses

The best evidence of fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the asset or liability is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the income statement over the life of the transaction or when the inputs become observable.

The table below summarises the deferral and recognition of profit or loss where a valuation technique has been applied in which significant unobservable inputs are used.

	CONSOLIDATED	
	2023 \$m	2022 \$m
Balance at the beginning of the financial year	76	87
Deferred gains on new transactions and other adjustments	231	51
Foreign exchange movements	23	1
Recognised in net trading income during the year	(58)	(63)
<b>Balance at the end of the financial year</b>	<b>272</b>	<b>76</b>

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 38

### Fair value of assets and liabilities continued

#### Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair value. The range of values represent the highest and lowest input used in the valuation techniques. The range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

	Fair value of assets \$m	Fair value of liabilities \$m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS	
					Minimum value	Maximum value
CONSOLIDATED 2023						
Interest rate and other products	3,268	16	Discounted cash flows	Discount rate – Credit spreads	5.5%	10.0%
			Comparable transactions	Price in %	5.6%	95.4%
Commodities	1,523	759	Pricing model	Commodity margin curves	(97.3)	626.9
			Pricing model	Correlation	(72.0%)	100.0%
			Pricing model	Volatility and related variables	1.3%	153.5%
Equity and equity-linked products	1,529	9	Net Asset Value (NAV)	Fund's NAV <sup>(1)</sup>		
			Pricing model	Earnings multiples	3.0x	14.8x
<b>Total</b>	<b>6,320</b>	<b>784</b>				
CONSOLIDATED 2022						
Interest rate and other products	3,049	18	Discounted cash flows	Discount rate – Credit spreads	1.0%	10.0%
			Pricing model	Yield	2.7%	3.5%
			Comparable transactions	Price in %	33.8%	95.0%
Commodities	1,079	1,313	Pricing model	Commodity margin curves	(270.0)	1,665.0
			Pricing model	Correlation	40.0%	100.1%
			Pricing model	Volatility and related variables	(12.6%)	90.9%
Equity and equity-linked products	969	12	Net Asset Value (NAV)	Fund's NAV <sup>(1)</sup>		
			Pricing model	Earnings multiples	1.0x	15.8x
<b>Total</b>	<b>5,097</b>	<b>1,343</b>				

The following information contains details around the significant unobservable inputs which are utilised to fair value the Level 3 assets and liabilities.

#### Interest rate and other products

**Discount rate – Credit spreads:** Loans are generally valued using discount rates. Significant unobservable inputs may include interest rates and credit spreads of counterparties and original issue discounts on primary debt issuances. Credit spread is the premium over a benchmark interest rate required by the market to accept lower credit quality which increase the discount factor applied to future cashflows thereby reducing the value of the asset. Credit spreads may be implied from the market prices and may not be observable in more illiquid markets.

**Yield:** Yield represents expected rate of annual return on an instrument. In certain circumstances, yield of a specific security is not observable in the market, it is estimated using the historical data or by adjusting the yield of similar securities to capture the characteristics of the security being valued.

**Price in %:** Comparable transactions are leveraged to price the fair value of the assets and liabilities and a percentage is applied to ascertain the proportion of the transaction price that is comparable with the specific asset/liability. This price percentage is an unobservable input and judgemental depending on the characteristics of the asset/liability.

(1) The range of inputs to NAV is not disclosed as the diverse nature of the underlying investments results in a wide range of inputs.



## Note 38

### Fair value of assets and liabilities continued

#### Commodities

**Commodity margin curves:** Certain commodities are valued using related observable products from the market and a margin is applied to the observable market inputs to mitigate the impact of differences in the products. Judgement is involved in the calculation of these margin curves depending on the quality of commodity or delivery location and other economic conditions.

**Correlation:** Correlation is a measure of the relationship between the movements of input variables (i.e. how the change in one variable influences a change in the other variable). It is expressed as a percentage between -100% and +100%, where 100% represents perfectly correlated variables and -100% represents inversely correlated variables. Correlation is a key input into the valuation of derivatives with more than one underlying (e.g. interest rates, credit spreads, foreign exchanges rates, inflation rates or equity prices) and is generally used to value hybrid and exotic instruments.

**Volatility:** Volatility is a measure of the variability or uncertainty in returns for a given underlying input and is generally expressed as a percentage, which represents an estimate of the amount a particular underlying instrument, parameter or index will change in value over time. Volatility is an input in the valuation of derivatives containing optionality. Volatility is impacted by the underlying risk, term and strike price of a derivative.

Correlations and volatilities are derived through the extrapolation of observable volatilities, recent transaction prices, quotes from other market participants and historical data adjusted for current conditions.

#### Equity and equity-linked products

Unlisted equity securities are generally valued based on earnings or revenue multiples, referencing market transactions which are not directly comparable or quantifiable and are adjusted as appropriate for current economic conditions. Other significant unobservable inputs may include NAV and discount rates determined using inputs specific to the underlying investment and forecast cash flows and earnings/revenues of investee entities.

#### Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions for Level 3 instruments whose fair values are determined in whole, or in part, using unobservable inputs. The impact of the sensitivity of instruments which hedge the Level 3 positions but are classified as Level 1 or 2 is not included in the table below.

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss \$m	OCI \$m	Profit or loss \$m	OCI \$m
CONSOLIDATED 2023				
<b>Product type</b>				
Commodities	344	12	(291)	-
Interest rate and other products	3	-	(3)	-
Equity and equity-linked products	16	-	(17)	-
<b>Total</b>	<b>363</b>	<b>12</b>	<b>(311)</b>	<b>-</b>
CONSOLIDATED 2022				
<b>Product type</b>				
Commodities	134	-	(137)	-
Interest rate and other products	101	-	(96)	-
Equity and equity-linked products	94	-	(83)	-
<b>Total</b>	<b>329</b>	<b>-</b>	<b>(316)</b>	<b>-</b>

The favourable and unfavourable changes from using reasonable possible alternative assumptions for the valuation of above product types have been calculated by recalibrating the valuation model using stressed significant unobservable inputs of the Consolidated Entity's range of reasonably possible estimates.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 39

### Offsetting of financial assets and financial liabilities

The Consolidated Entity and the Company presents financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in Note 44(vii) *Financial instruments*. The following tables provide information on the impact of offsetting of financial instruments in the Statements of financial position, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore presented gross in the Statements of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's and the Company's financial position in that circumstance is to settle these contracts as one arrangement.

The Consolidated Entity uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity. Refer to Note 36.1 *Credit risk* for information on credit risk management.

	EFFECT OF OFFSETTING ON THE STATEMENTS OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS <sup>(1)</sup>			Net exposure \$m
	Gross amount <sup>(2),(3)</sup> \$m	Amounts offset on the Statements of financial position \$m	Net amounts reported on the Statements of financial position \$m	Other recognised financial instruments \$m	Cash and other financial collateral \$m	Other collateral for exposures not subject to enforceable netting arrangements <sup>(1)</sup> \$m	
<b>CONSOLIDATED 2023</b>							
Cash collateralised lending and reverse repurchase agreements	54,632	(309)	54,323	(166)	(48,275)	(5,831)	51
Settlement assets <sup>(4)</sup>	18,872	(8,013)	10,859	(3,685)	-	-	7,174
Derivative assets	45,304	(9,190)	36,114	(19,919)	(6,397)	(94)	9,704
<b>Total assets</b>	<b>118,808</b>	<b>(17,512)</b>	<b>101,296</b>	<b>(23,770)</b>	<b>(54,672)</b>	<b>(5,925)</b>	<b>16,929</b>
Cash collateralised borrowings and repurchase agreements	(19,046)	309	(18,737)	166	14,707	249	(3,615)
Settlement liabilities <sup>(4)</sup>	(18,386)	8,013	(10,373)	3,843	-	-	(6,530)
Derivative liabilities	(41,980)	9,190	(32,790)	19,761	6,330	149	(6,550)
<b>Total liabilities</b>	<b>(79,412)</b>	<b>17,512</b>	<b>(61,900)</b>	<b>23,770</b>	<b>21,037</b>	<b>398</b>	<b>(16,695)</b>
<b>CONSOLIDATED 2022</b>							
Cash collateralised lending and reverse repurchase agreements	52,543	(1,346)	51,197	(28)	(46,057)	(4,949)	163
Settlement assets <sup>(4)</sup>	19,500	(8,850)	10,650	(4,117)	-	-	6,533
Derivative assets	104,680	(19,789)	84,891	(62,595)	(7,751)	-	14,545
<b>Total assets</b>	<b>176,723</b>	<b>(29,985)</b>	<b>146,738</b>	<b>(66,740)</b>	<b>(53,808)</b>	<b>(4,949)</b>	<b>21,241</b>
Cash collateralised borrowings and repurchase agreements	(18,293)	1,346	(16,947)	28	13,754	-	(3,165)
Settlement liabilities <sup>(4)</sup>	(19,655)	8,850	(10,805)	6,366	-	-	(4,439)
Derivative liabilities	(104,253)	19,789	(84,464)	60,346	8,886	-	(15,232)
<b>Total liabilities</b>	<b>(142,201)</b>	<b>29,985</b>	<b>(112,216)</b>	<b>66,740</b>	<b>22,640</b>	<b>-</b>	<b>(22,836)</b>

(1) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.

(2) Gross amounts for assets include \$5,831 million (2022: \$4,949 million) of cash collateralised lending and reverse repurchase agreements, \$1,408 million (2022: \$1,195 million) of settlements assets and \$1,804 million (2022: \$1,986 million) of derivative assets not subject to enforceable netting arrangements. Gross amounts for liabilities include \$249 million (2022: \$nil) of cash collateralised borrowing and repurchase agreements, \$1,675 million (2022: \$1,399 million) of settlements liabilities and \$1,522 million (2022: \$4,408 million) of derivative liabilities not subject to enforceable netting arrangements.

(3) Amounts not subject to enforceable netting arrangements are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.

(4) Excludes margin money assets of \$14,397 million (2022: \$14,457 million) and liabilities of \$17,109 million (2022: \$16,353 million) presented under Note 8 *Margin money and settlement assets* and Note 20 *Margin money and settlement liabilities* respectively on the Statements of financial position.

## Note 39

### Offsetting financial assets and financial liabilities continued

	EFFECT OF OFFSETTING ON THE STATEMENTS OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS		Other collateral for exposures not subject to enforceable netting arrangements \$m	Net exposure \$m
	Gross amount <sup>(1),(2)</sup> \$m	Amounts offset on the Statements of financial position \$m	Net amounts reported on the Statements of financial position \$m	Other recognised financial instruments \$m	Cash and other financial collateral \$m		
							COMPANY 2023
Due from subsidiaries <sup>(3)</sup>	50,088	(2,247)	47,841	(2,335)	-	-	45,506
Due to subsidiaries <sup>(3)</sup>	(6,945)	2,247	(4,698)	2,335	696	-	(1,667)
							COMPANY 2022
Due from subsidiaries <sup>(3)</sup>	42,258	(4,185)	38,073	(1,623)	(48)	-	36,402
Due to subsidiaries <sup>(3)</sup>	(7,217)	4,185	(3,032)	1,623	389	-	(1,020)

(1) Gross assets include \$33 million (2022: \$27 million) of due from subsidiaries not subject to enforceable netting arrangements. Gross liabilities includes \$19 million (2022: \$14 million) of due to subsidiaries not subject to enforceable netting arrangements.

(2) Amounts not subject to enforceable netting arrangements include balances with subsidiaries which have not acceded to the MLA or other balances not governed by netting provisions of any Master Netting Agreement.

(3) Excludes margin money assets of \$976 million (2022: \$518 million) and liabilities of \$988 million (2022: \$600 million) presented under Due from subsidiaries and Due to subsidiaries respectively on the Statements of financial position.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 40

### Pledged assets and transfers of financial assets

#### Pledged assets

Items pledged as security for liabilities include the following:

- securities and commodities included under trading assets and off balance sheet collateral securities pledged for repurchase transactions, stock lending arrangements and trading liabilities. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against issued debt securities or repurchase transactions
- other types of financial and non-financial assets provided as collateral for borrowings and issued debt securities.

The table below represents items that have been pledged as security for liabilities.

	CONSOLIDATED	
	2023 \$m	2022 \$m
<b>On Balance Sheet items</b>		
Cash and bank balances	657	115
Trading assets <sup>(1)</sup>	3,728	3,604
Financial investments	947	1,115
Loan assets <sup>(2)</sup>	33,950	29,053
Margin money and settlement assets	403	1
Property, plant and equipment	781	346
Intangible assets	1,006	814
Other assets	610	536
<b>Total On Balance Sheet assets pledged for liabilities</b>	<b>42,082</b>	<b>35,584</b>
<b>Off Balance Sheet items</b>		
Securities and commodities <sup>(3)</sup>	20,933	18,526
<b>Total On and Off Balance Sheet assets pledged for liabilities</b>	<b>63,015</b>	<b>54,110</b>

(1) Includes assets transferred as part of cash collateralised borrowing and repurchase agreements or in return for a loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position. For trading assets pledged by the Consolidated Entity, the transferee has the right to sell or repledge the entire value of securities received.

(2) Includes \$19,862 million (2022: \$15,013 million) held by Consolidated SEs, which are available as security to note holders and debt providers. Additionally, includes \$13,972 million (2022: \$13,934 million) held by Consolidated SEs wherein internally held bonds have been pledged against repurchase agreement liabilities.

(3) Off balance sheet securities and commodities held by the Consolidated Entity include \$55,834 million (2022: \$51,818 million) of securities and commodities borrowed in return for cash and reverse repurchase arrangements and \$7,899 million (2022: \$6,199 million) of securities borrowed on an unsecured basis. Of these, the Consolidated Entity repledged \$20,933 million (2022: \$18,526 million) as collateral for repurchase agreement liabilities, as margin for trading purposes or as transfers in return for the loan of other securities, for trading portfolio liabilities and borrowings. Refer to Note 36.1 *Credit risk* for further details.

## Note 40

### Pledged assets and transfers of financial assets continued

#### Transfer of financial assets

The Consolidated Entity may enter into transactions in the normal course of business that transfer risks and rewards of financial assets recognised in the Consolidated Entity's Statements of financial position to other entities. Depending on the criteria discussed in Note 44(vii) *Financial instruments*, the Consolidated Entity may be unable to derecognise the transferred asset, be able to derecognise the transferred assets in full or continue to recognise the asset to the extent of its continuing involvement.

#### Transferred financial assets that are derecognised

When financial assets are derecognised, some continuing involvement may be retained in the assets in the form of liquidity support, financial guarantees, certain derivatives or retention of part of securitisation interests. For the financial years ended 31 March 2023 and 31 March 2022, there were no material transfers of financial assets where the Consolidated Entity has had continuing involvement.

#### Transferred financial assets that are not derecognised

The Consolidated Entity did not derecognise any financial assets to the extent of continuing involvement in the years ended 31 March 2023 and 31 March 2022. The following transactions typically result in the transferred assets continuing to be recognised in full.

#### Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the Statements of financial position and an associated liability is recognised for the consideration received.

Where securities are transferred in return for the loan of other securities or on an unsecured basis in return for a fee, the transferred asset continues to be recognised in full. There is no associated liability as the securities received are not recognised on the balance sheet. The Consolidated Entity is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these assets.

In certain arrangements the transferee cannot otherwise sell or pledge the transferred securities, however, the assets may be substituted if the required collateral is maintained.

#### Financial investment - Total return swap

Financial assets sold, while concurrently entering into a total return swap with the counterparty, continue to be recognised along with an associated liability for the consideration received. The Consolidated Entity does not have legal rights to these assets but has full economic exposure to them. The transferred assets cannot otherwise be pledged or sold by the transferee.

#### Other financial transfers not derecognised

Includes loans and leases sold or lent to an external funder but the Consolidated Entity still has full economic exposure to them. In such instances, the Consolidated Entity has a right to receive cash from the lessee and an obligation to pay those cash flows to the external funder.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 40

### Pledged assets and transfers of financial assets continued

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities.

	Carrying amount of transferred assets \$m	Carrying amount of associated liabilities \$m	FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE TO THE TRANSFERRED ASSETS		Net fair value \$m
			Fair value of transferred assets \$m	Fair value of associated liabilities \$m	
CONSOLIDATED 2023					
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets <sup>(1)</sup>	2,122	(459)	-	-	-
Financial investments	742	(740)	-	-	-
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	205	(189)	-	-	-
Other financial assets not derecognised:					
Trading assets	308	-			
Loan assets	116	(116)	116	(116)	-
<b>Total financial assets not derecognised</b>	<b>3,493</b>	<b>(1,504)</b>	<b>116</b>	<b>(116)</b>	<b>-</b>
CONSOLIDATED 2022					
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets <sup>(1)</sup>	1,279	(269)	-	-	-
Financial investments	884	(852)	-	-	-
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	231	(212)	-	-	-
Other financial assets not derecognised:					
Trading assets	270	-	-	-	-
Loan assets	105	(105)	105	(105)	-
<b>Total financial assets not derecognised</b>	<b>2,769</b>	<b>(1,438)</b>	<b>105</b>	<b>(105)</b>	<b>-</b>

There were no material transfers of financial assets for the Company where the financial assets were transferred but not derecognised during the financial years ended 31 March 2023 and 31 March 2022.

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.

## Note 41

### Audit and other services provided by PricewaterhouseCoopers

During the financial year, PricewaterhouseCoopers (PwC) and its network firms, the auditor of the Consolidated Entity and the Company, earned the following remuneration.

	CONSOLIDATED	
	2023 \$'000	2022 <sup>(1)</sup> \$'000
Audit of the Group and controlled entities: <sup>(2)</sup>		
PwC – Australia	29,198	27,792
Network firms of PwC Australia	22,753	21,056
<b>Total audit services</b>	<b>51,951</b>	<b>48,848</b>
Audit-related services: <sup>(3)</sup>		
PwC – Australia	22,405	5,666
Network firms of PwC Australia	1,142	1,228
<b>Total audit-related services</b>	<b>23,547</b>	<b>6,894</b>
<b>Total audit and audit-related services</b>	<b>75,498</b>	<b>55,742</b>
Taxation services:		
PwC – Australia	584	601
Network firms of PwC Australia	1,372	1,867
<b>Total taxation services</b>	<b>1,956</b>	<b>2,468</b>
Other services:		
PwC – Australia	1,331	1,457
Network firms of PwC Australia	468	776
<b>Total other services</b>	<b>1,799</b>	<b>2,233</b>
<b>Total other non-audit services</b>	<b>3,755</b>	<b>4,701</b>
<b>Total remuneration paid to PwC for audit, audit-related and other non-audit services<sup>(4)</sup></b>	<b>79,253</b>	<b>60,443</b>

Use of PwC's services for engagements other than audit is restricted in accordance with the Consolidated Entity's *Audit and Assurance Independence Policy*. It is the Consolidated Entity's policy to seek competitive tenders for all major advisory projects and all non-audit services provided by PwC have been approved in accordance with its *Audit and Assurance Independence Policy*.

(1) Comparative information has been restated to conform to the presentation in the current year.

(2) Prior period includes additional fees of \$1,955 thousand (2021: \$1,680 thousand) for PwC Australia and \$2,187 thousand (2021: \$4,497 thousand) for network firms of PwC Australia that related to the year ended 31 March 2022 but were incurred during the 2023 financial year.

(3) Audit related services consist of assurance and related services traditionally performed by the independent external auditor of the Consolidated Entity. While in addition to their statutory audit role, these services are consistent with the role of the external auditor and include statutory assurance and other assurance services such as engagements required under regulatory, prudential, legislative or financing programmes as well as reviews requested by regulators and other agreed upon procedures.

(4) An additional amount of \$21,295 thousand in 2022 (2021: \$14,327 thousand) was paid or payable to PricewaterhouseCoopers as fees for audit services for Macquarie-managed funds that are not a part of the Consolidated Entity.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 42

### Acquisitions and disposals of subsidiaries and businesses

#### Acquisitions of subsidiaries and businesses

The Consolidated Entity's acquisitions include subsidiaries and businesses acquired as part of core business operations as well as subsidiaries and businesses held for investment purposes.

#### Core business operations

During the current year, there were no businesses or subsidiaries acquired for core business operations. Subsidiaries and businesses acquired or consolidated during the previous financial year were Waddell & Reed Financial Inc, AMP Capital, Central Park Group LLC and Macquarie Global Value Equity Fund.

The table below presents aggregated details of the businesses or subsidiaries, acquired or consolidated during previous year.

	2022 \$m
<b>Fair value of net assets acquired</b>	
Cash and bank balances	420
Intangible assets	895
Interest in associates and joint ventures	33
Other assets	461
Borrowings and other liabilities	(653)
<b>Total fair value of net assets acquired</b>	<b>1,156</b>
<b>Consideration</b>	
Cash consideration	1,805
Deferred consideration	76
<b>Total consideration</b>	<b>1,881</b>
<b>Goodwill recognised on acquisition</b>	<b>725</b>
<b>Net cash flow</b>	
Cash consideration	(1,805)
Less: cash and cash equivalents acquired	(420)
<b>Net cash outflow</b>	<b>(2,225)</b>

#### Held for investment purposes

Subsidiaries and businesses acquired or consolidated during the current year primarily includes Cowal Agriculture Unit Trust, Victorium Consortium Trust and Macquarie Real Estate Partners SCSp for a total consideration of \$674 million. On acquisition, net assets of \$1,877 million, non-controlling interests of \$1,364 million and goodwill of \$161 million were recognised in the Statements of financial position.

Subsidiaries and businesses acquired or consolidated during the previous year primarily includes Wavenet Group Holdings Limited and Radzyn Clean Energy Poland Sp. z o.o. for a total consideration of \$682 million. On acquisition, net assets of \$201 million, non-controlling interest of \$46 million and goodwill of \$435 million were recognised on the Statements of financial position.

## Note 42

### Acquisitions and disposals of subsidiaries and businesses continued

#### Disposals of subsidiaries and businesses

The Consolidated Entity's disposal include subsidiaries and businesses which form part of core business operations as well as subsidiaries and businesses held for investment purposes.

#### Core business operations

During the current year, there were no businesses or subsidiaries disposed of or deconsolidated for core business operations. Subsidiaries and businesses disposed of or deconsolidated during the previous financial year due to loss of control were Cortex Metering Solutions Limited and Macquarie Investment Management Korea Co., Ltd.

The table below presents aggregated details of the businesses or subsidiaries, disposed or deconsolidated during the previous year.

	2022 \$m
<b>Carrying value of net assets disposed</b>	
Cash and bank balances	18
Other assets	19
Property, plant and equipment and right-of-use assets	59
Borrowings and other liabilities	(5)
<b>Total carrying value of net assets disposed</b>	<b>91</b>
<b>Consideration</b>	
Cash consideration	551
<b>Total consideration</b>	<b>551</b>
<b>Net cash flow</b>	
Cash consideration	551
Less: cash and cash equivalents disposed of or deconsolidated	(18)
<b>Net cash inflow</b>	<b>533</b>

#### Held for investment purposes

Subsidiaries and businesses disposed of or deconsolidated during the current year primarily includes Collfield Investments Sp. z o.o., Nordic Renewable Power (Holdings) AB, Nordic Renewable Power AB, Lake Wind AB, Tysvaer Vindpark AS, Buheii Vindkraft AS, and Victorium Consortium Trust, for a total consideration of \$1,002 million. Disposal resulted in deconsolidation of net assets of \$1,692 million and non-controlling interest of \$1,071 million, resulting in the recognition of investment income (gain on disposal) of \$381 million in the income statement.

Subsidiaries and businesses disposed of or deconsolidated during the previous year primarily includes Savion LLC, Dovel Holdings I LLC and Bernard Midco Limited for a total consideration of \$3,114 million. These disposals resulted in deconsolidation of net assets of \$857 million and non-controlling interests of \$46 million, resulting in the recognition of investment income (gain on disposal) of \$2,303 million in the income statement.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 43

### Events after the reporting date

There were no material events subsequent to 31 March 2023 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

## Note 44

### Significant accounting policies

#### (i) Principles of consolidation

##### Subsidiaries

The consolidated Financial Report reflects the financial performance and financial position of the Consolidated Entity. Subsidiaries are all those entities (including structured entities) which the Consolidated Entity controls. The Consolidated Entity controls an entity where it has:

- power to direct the relevant activities
- exposure, or rights, to variable returns, and
- the ability to utilise power to affect the entity's returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Consolidated Entity has power over an entity when it has existing substantive rights that provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. The Consolidated Entity also considers the entity's purpose and design. If the Consolidated Entity determines that it has power over an entity, the Consolidated Entity then evaluates its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts. In certain instances, the Consolidated Entity has determined that it controls entities that it has less than half of the voting rights on the basis of its ability to direct the relevant activities of those entities.

##### Structured entities

Structured Entities (SEs) are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities of the SE are directed by means of contractual arrangements. When assessing whether the Consolidated Entity controls (and therefore consolidates) a SE, judgement is required as to whether the Consolidated Entity has power over the relevant activities as well as exposure, or rights, to variable returns of the SE.

Where the Consolidated Entity has power over the SE's relevant activities, has assessed that its exposure to variable returns (through the residual risk associated with its involvement in SEs) is sufficient, and is able to affect its returns, the underlying assets, liabilities, revenues and expenses of these SEs are reported in the consolidated financial statements. Refer to Note 34 *Structured entities* for further information related to both consolidated and unconsolidated structured entities.

##### Consolidation

The effects of all transactions between subsidiaries in the Consolidated Entity are eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (NCI) in the results and equity of subsidiaries are shown separately in the consolidated Income statements, consolidated Statements of comprehensive income and consolidated Statements of financial position and are determined on the basis of the Consolidated Entity's present ownership interest in the entity.

Where control of an entity was obtained during the financial year, its results are included in the consolidated Income statements from the date on which control was obtained. Where control of an entity ceased during the financial year, its results are included for that part of the financial year during which control existed.

The Consolidated Entity determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct the relevant activities and the extent of the Consolidated Entity's exposure to the entity's variable returns. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Subsidiaries held by the Company are carried in its financial statements at cost less accumulated impairment.

##### Interests in associates and joint ventures

Associates and joint ventures are entities over which the Consolidated Entity has significant influence or joint control. Existing ownership interests (including in substance ownership interests) in associates and joint ventures are accounted for under the equity method. In-substance ownership interests are interests that are substantially similar to an investee's ordinary shares. Equity accounting of the ownership interests is applied from the date that the Consolidated Entity has significant influence or joint control and ceases when the Consolidated Entity no longer has significant influence or joint control.

The Consolidated Entity determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

## Note 44 Significant accounting policies continued

### (i) Principles of consolidation continued

The equity method of accounting is applied in the consolidated Financial Report and requires the recognition of the Consolidated Entity's share of its associates' and joint ventures' post acquisition profits or loss (including impairments of the associates' or joint ventures' assets) in the consolidated income statement, and the share of the post-acquisition movements in other comprehensive income in the consolidated statement of comprehensive income. Transactions reported directly in equity (besides those reflected in other comprehensive income) are accounted for by the Consolidated Entity in accordance with the substance of the transaction and whether the transaction is dilutive to the Consolidated Entity's ownership interest. Where the transaction is dilutive, the impact is recorded as part of the Consolidated Entity's share of profits or losses of associates and joint ventures.

Equity accounting of losses is restricted to the Consolidated Entity's interests in its associate or joint venture, unless the Consolidated Entity has an obligation or has made payment on behalf of the entity.

Long-term interests in an associate or joint venture, to which the equity method is not applied but in-substance form part of the net investment in the associate or joint venture, are accounted for in accordance with the Consolidated Entity's financial instruments' accounting policies, which includes accounting for expected credit losses, where applicable. Subsequently, the loss allocation and impairment requirements in AASB 128 *Investments in Associates and Joint Ventures* are applied to long-term interests.

At the end of each reporting period, management reviews the Consolidated Entity's investments in associates and joint ventures for indicators of impairment. Where there is an indicator of impairment, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Impairment losses are recognised in other impairment charges/reversal. A reversal of a previously recognised impairment loss is recognised only to the extent that the investment's carrying value does not exceed the carrying amount that would have been determined (including consideration of any equity accounted losses) if no impairment loss had been recognised.

Interests in associates and joint ventures are classified as held for sale when the Consolidated Entity determines that the interest will be recovered principally through a sale transaction rather than through continuing use. Equity accounting is suspended when the interest is classified as held for sale.

On disposal of an investment in an associate or a joint venture, the difference between the sales consideration, any retained interest and the carrying value is recognised as a gain or loss in investment income as part of other operating income and charges together with any gains and losses in OCI that related to the associate or joint venture.

### Changes in ownership interests

When acquiring additional interests:

- of a financial asset (such that it becomes an associate, joint venture or subsidiary), or
- in an investment in an associate or joint venture (such that it becomes a subsidiary), where the underlying entity constitutes a business,

previously held interests are revalued to their fair value and any gain or loss is recognised in investment income as part other operating income and charges.

Similarly, when selling ownership interests of a subsidiary (such that control is lost), or an investment in an associate or joint venture (such that it becomes a financial asset), retained ownership interests are revalued to their fair value and any gain or loss is recognised in investment income as part of other operating income and charges. Retained ownership interests are not revalued where the sale represents a contribution to an associate or joint venture.

Increases and decreases in the Consolidated Entity's interest in a subsidiary (that do not result in the loss of control) are accounted for directly within equity. Increases in the Consolidated Entity's ownership interest in an associate or joint venture are accounted for as an increase in the carrying value of the interest in associate or joint venture. The difference between the reduction in the Consolidated Entity's interest in an associate or joint venture that remains an associate or joint venture and the fair value of consideration received is accounted for as a gain or loss within investment income as part of other operating income and charges. A proportionate amount of associated OCI is reclassified to profit or loss, or reclassified within equity, as would otherwise be required on disposal of the underlying position.

### (ii) Business combinations

Distinguishing between whether assets or a business is acquired involves judgement. The Consolidated Entity identifies a business where an acquired integrated set of activities and assets includes an economic resource (input) and a substantive process that together significantly contribute to the ability to provide goods or services to customers, generate investment income or other income from ordinary activities (outputs).

On a transaction-by-transaction basis, the Consolidated Entity may use a practical expedient to determine that an acquired set of activities is not a business. Under this assessment, the transaction is accounted for as an asset acquisition if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration exchanged is measured as the aggregate of the acquisition-date fair values of assets transferred, equity instruments issued, and liabilities incurred. Transaction costs of a business combination are recognised directly in the consolidated income statement as part of other operating expenses.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (ii) Business combinations continued

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. The Consolidated Entity elects, on a transaction-by-transaction basis, to initially measure NCI either at fair value or at the NCI's proportionate share of the fair values of the identifiable assets and liabilities.

Goodwill is measured as the excess of the consideration exchanged, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired and is recognised as part of Intangible assets in the Statements of financial position. Goodwill is subsequently measured at cost less accumulated impairment.

If the consideration is less than the Consolidated Entity's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised in investment income as part of other operating income and charges, but only after a reassessment of the identification and measurement of the net assets acquired.

Contingent consideration that is dependent on any subsequent event is measured at fair value with changes in its fair value recognised in investment income as part of other operating income and charges.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the acquisition date. The discount rate used is the Consolidated Entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

#### (iii) Foreign currency translation

##### Functional and presentation currency

The functional currency of each entity (including branches) in the Consolidated Entity is determined as the currency of the primary economic environment in which the entity operates. The Consolidated Entity and the Company's financial statements are presented in Australian dollars (the presentation currency), which is also the Company's functional currency.

##### Transactions and balances

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction, and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in net trading income, with one exception. Where such monetary items are designated as hedging instruments in qualifying cash flow hedge or net investment hedge relationships, the foreign exchange gains and losses may be deferred in OCI to the extent the hedge is effective (refer to Note 35 *Hedge accounting* and Note 44(x) *Derivative instruments and hedging activities*).

##### Subsidiaries and other entities

The results and financial position of all entities that have a functional currency other than Australian dollars are translated into Australian dollars as follows:

- assets and liabilities for each Statements of financial position presented are translated at the closing exchange rate at the date of that Statements of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate
- income and expenses for each income statement are translated at actual or average exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in OCI within a separate component of reserves, being the foreign currency translation reserve (FCTR).

Foreign currency gains and losses on intragroup loans are recognised in the income statement except where the loan is in substance part of the Consolidated Entity's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Consolidated Entity's FCTR.

The exchange gains or losses recognised in FCTR are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income and charges
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

## Note 44 Significant accounting policies continued

### (iv) Revenue and expense recognition

#### Net interest income

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset which is not measured at fair value) are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL. Fees and transaction costs that are integral to the lending arrangement are recognised in interest income or interest expense, as applicable, over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of the EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit impaired (POCI). Interest income on these assets is determined using a credit adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit-impaired (Stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

#### Fee and commission income

Revenue earned by the Consolidated Entity from its contracts with customers primarily consists of the following categories of fee and commission income:

#### Base and other asset management fees, and performance fees

The Consolidated Entity earns base and other asset management and performance fees for providing asset management services for listed and unlisted funds, managed accounts and co-investments arrangements. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur. Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both the fund or managed account in which the asset(s) are held, as well as the underlying asset(s), such as:

- the extent to which performance fee liabilities have been accrued by the fund or managed account to date or consideration of the current valuation case of the assets in relation to the related performance fee hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund or managed account's assets and potential downside valuation risks on each
- time remaining until realisation of the assets and the fund's life or asset management services' timeline
- consideration of the ability to dispose of the asset, including any barriers to divest.

#### Mergers and acquisitions, advisory and underwriting fees

The Consolidated Entity earns revenue through its role as advisor on corporate transactions as well as through its role as manager and underwriter of equity and debt issuances. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied. For advisory services this is typically at the time of closing the transaction.

Where mandates contain rights to invoice upon reaching certain milestones, the Consolidated Entity assesses whether distinct services have been transferred at these milestones and accordingly recognises revenue. If not, the fee recognition will be deferred until such time as the performance obligation has been completed. Management of capital raisings and underwriting of debt or equity capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

#### Brokerage and other trading-related income

The Consolidated Entity enters into contracts with customers to act as an agent to buy and sell securities. The brokerage and commission income related to this service is recognised on trade date and is presented net of any rebates.

#### Other fee and commission income

Other fee and commission income includes fees earned on a range of banking products and services platforms, wealth services, credit cards, structuring fees, lending services, stock borrow and lending activities and income on structured products which is recognised when the performance obligation is satisfied.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (iv) Revenue and expense recognition continued

##### Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term and is presented net of the related depreciation expense.

##### Other operating income and charges

Other operating income and charges includes investment income, and other income.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities that are classified as FVTPL and dividends or distributions on these securities which represent the return on such investments. Impairment losses/reversal of impairment losses on these financial assets are not reported separately.

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income. Refer to Note 44(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

##### Dividends

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and/or Consolidated Entity and the dividend can be measured reliably.

Dividends or distributions from HFT assets are recognised in net trading income, as investment income as part of other operating income and charges for other financial assets measured at FVTPL or FVOCI, or as a reduction to the carrying amount of the investment in associates and joint ventures in the Consolidated Entity's Statements of financial position. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income and charges.

Judgement is applied in determining whether distributions from subsidiaries, associates and joint ventures are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within investment income as part of other operating income and charges when the recognition criteria are met.

##### Expenses

Expenses are recognised in the income statement as and when the provision of services is received.

#### (v) Segment reporting

Operating Segments are identified on the basis of internal reports to Senior Management about components of the Consolidated Entity that are regularly reviewed by Senior Management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance. Information reported to Senior Management for the purposes of resource allocation and assessment of performance is specifically focused on core products and services offered, comprising five reportable segments as disclosed in Note 3 *Segment reporting*.

Information about products and services is based on the financial information used to produce the Consolidated Entity's financial statements. Information about geographical segments is based on the jurisdiction of the respective entities.

#### (vi) Taxation

The balance sheet approach to tax effect accounting has been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Consolidated Entity exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

Factors considered include the ability to offset tax losses within the tax consolidated group in Australia or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.



## Note 44 Significant accounting policies continued

### (vi) Taxation continued

The Consolidated Entity undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Consolidated Entity estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities with reference to the nature of the underlying uncertainty.

#### Tax consolidation

The Consolidated Entity's Australian tax liabilities are determined according to tax consolidation legislation.

The Company, together with all eligible Australian resident wholly owned subsidiaries, comprise a tax consolidated group (TCG) with the Company as the head entity. As a consequence, the relevant subsidiaries are not liable to make income tax payments and do not recognise any current tax balances or any deferred tax assets arising from unused tax losses or credits.

The TCG recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB UIG Interpretation 1052 *Tax Consolidation Accounting*. Under the terms and conditions of a tax funding agreement, the Company charges each subsidiary for all current tax liabilities incurred in respect of their activities and reimburses each subsidiary for any tax assets arising from unused tax losses.

Should the Company be in default of its tax payment obligations, or a default is probable, the current tax balances of its subsidiaries will be determined in accordance with the terms and conditions of a tax sharing agreement between the Company and entities in the TCG.

#### Goods and Services tax (GST)

Where GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the Statements of financial position as part of the cost of the related asset or is recognised as part of other operating expenses. Where GST (or other value added tax) is recoverable from or payable to global tax authorities, the amount is recorded as a separate asset or liability in the Statements of financial position.

### (vii) Financial instruments

#### Recognition of financial instruments

Financial instruments are recognised when the Consolidated Entity becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value and is adjusted (in the case of instruments not classified at FVTPL) for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees paid or received relating to financial instruments carried at FVTPL are recorded in the income statement.

The best evidence of a financial instruments' fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only inputs from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the instrument is recognised (day 1 profit or loss). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in net trading income over the life of the transaction or when the inputs become observable.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction, or
- whether each of the financial instruments has its own terms and conditions and may be transferred or settled separately.

#### Derecognition of financial instruments

##### Financial assets

Financial assets are derecognised from the Statements of financial position when:

- the contractual rights to cash flows have expired, or
- the Consolidated Entity has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Consolidated Entity:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Consolidated Entity is:
  - not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset
  - prohibited from selling or pledging the original asset other than as security to the eventual recipients
  - obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Consolidated Entity neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (vii) Financial instruments continued

In transfers where control over the asset is retained, the Consolidated Entity continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

#### Financial liabilities

Financial liabilities are derecognised from the Statements of financial position when the Consolidated Entity's obligation has been discharged, cancelled or has expired.

#### Gains and losses on the derecognition of debt financial assets and liabilities

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost
- investment income within other operating income and charges in respect of financial investments and loans to associates
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

#### Financial guarantee contracts issued

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

#### Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, the gross carrying amount of the financial instrument is recalculated and a modification gain or loss is recognised in the income statement. The gain or loss is measured as the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the instrument's original EIR.

#### Classification and subsequent measurement

##### Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

##### Business model assessment

The Consolidated Entity uses judgement in determining the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Consolidated Entity's Senior Management personnel and senior executives
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

##### Solely payment of principal and interest (SPPI)

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding consistent with a basic lending arrangement. This includes an assessment of whether the cash flows primarily reflect consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

##### Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been classified as DFVTPL.

Interest income is determined in accordance with the EIR method and recognised as part of interest and similar income.

##### Fair value through other comprehensive income

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial assets
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been classified as DFVTPL.

## Note 44 Significant accounting policies continued

### (vii) Financial instruments continued

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised in credit and other impairment charges/reversal) and foreign exchange gains and losses (which are recognised in net trading income) and is net of any related hedge accounting adjustments. When debt financial assets classified as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to investment income in respect of debt financial investments and loans to associates, or to other income and charges as part of other operating income and charges for all other financial assets.

#### Fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

For the purposes of the Consolidated Entity's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading (HFT)). This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows (FVTPL)
- financial assets that fail the SPPI test (FVTPL)
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income and charges.

Subsequent changes in the fair value of debt financial assets measured at FVTPL are presented as follows:

- changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in net trading income
- changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges
- changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

Where applicable, the interest component of these financial assets is recognised as interest and similar income.

### Reclassification of financial instruments

The Consolidated Entity reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Consolidated Entity does not reclassify financial liabilities after initial recognition.

### Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 44(x) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes relating to the Consolidated Entity's own credit risk are recognised in net trading income, or other income and charges as part of other operating income and charges, depending on the nature of the transaction. Changes in fair value relating to changes in the Consolidated Entity's own credit risk are presented separately in OCI and are not subsequently reclassified to profit or loss.

Where applicable, the interest component of these financial liabilities is recognised as interest and similar expense.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of financial position, when there is a current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

### (viii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements

As part of its trading and financing activities, the Consolidated Entity borrows and lends securities, commodities and other assets (underlying) on a collateralised basis. The underlying that is subject to the arrangement is not derecognised from the Statements of financial position of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44 Significant accounting policies continued

### (vii) Financial instruments continued

These transactions include:

- reverse repurchase transactions, where the Consolidated Entity purchases an underlying under an agreement to resell
- repurchase transactions, where the Consolidated Entity sells an underlying under an agreement to repurchase.

The Consolidated Entity continually reviews the fair values of the underlying on which the above transactions are based and where appropriate, requests or provides additional collateral to support the transactions, in accordance with the terms of the respective agreements.

Reverse repurchase agreements are measured as follows by the Consolidated Entity:

- agreements that are collateralised with commodities are measured at amortised cost when they are held in a business model to collect contractual cash flows and AASB 9's SPPI criteria are met
- agreements that are held within the Consolidated Entity's cash and liquid assets portfolio are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell
- all other reverse repurchase agreements are measured at FVTPL to reflect the Consolidated Entity's business model to realise fair value gains and losses as opposed to a business model in which the objective is to collect contractual cash flows.

Also refer to Note 37 *Measurement categories of financial instruments*.

Repurchase agreements are subsequently measured at amortised cost, except where they are DFVTPL to eliminate an accounting mismatch created by managing the agreements together with the associated reverse repurchase agreements that are measured at FVTPL.

### (ix) Trading assets and liabilities

The Consolidated Entity uses trade date accounting when recording regular way purchases and sales of financial assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into (trade date), the Consolidated Entity recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 44(vii) *Financial instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, bank bills, treasury notes, and loans, commodity contracts and commodities purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Consolidated Entity intends to actively trade.

Commodity inventory is recognised when the Consolidated Entity controls the commodity, the determination of which includes consideration of price risk, and is measured at fair value less costs to sell in accordance with the broker-trader exemption, on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin.

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 44(vii) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

### (x) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Consolidated Entity for the purposes of risk management of existing financial assets and liabilities and forecast transactions and are also entered into for client trading purposes.

Derivatives are recognised in the Statements of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before being derecognised from the Statements of financial position.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 44(vii) *Financial instruments*.

The Consolidated Entity applies trade date accounting to the recognition and derecognition of derivative financial instruments.

### Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of interest rate, foreign exchange rate and commodity price risk (collectively referred to as the hedged risk or exposure). The Consolidated Entity has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Consolidated Entity mitigates these risks through the use of derivative financial instruments, and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The Consolidated Entity applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument. Refer to details provided in the table on the following page.

## Note 44

### Significant accounting policies continued

#### (x) Derivative instruments and hedging activities continued

	Fair value hedge	Cash flow hedge	Net investment hedge
<b>Nature of hedge</b>	The hedge of the fair value risk of a financial or non-financial asset or liability.	The hedge of the change in cash flows of a financial asset or liability or a highly probable forecast transaction.	The hedge of changes in the Consolidated Entity's foreign denominated net assets for changes in foreign currency rates.
<b>Nature of material hedged risks</b>	<ul style="list-style-type: none"> <li>Interest rate risk</li> <li>Foreign exchange risk</li> <li>Commodity price risk.</li> </ul>	<ul style="list-style-type: none"> <li>Interest rate risk</li> <li>Foreign exchange risk</li> <li>Commodity price risk.</li> </ul>	<ul style="list-style-type: none"> <li>Foreign exchange risk.</li> </ul>
<b>Material hedged items</b>	<ul style="list-style-type: none"> <li>Fixed interest rate financial assets and liabilities</li> <li>Property, plant and equipment.</li> </ul>	<ul style="list-style-type: none"> <li>Floating interest rate financial assets or liabilities</li> <li>Highly probable forecast floating interest rate financial assets and liabilities</li> <li>Highly probable forecast foreign currency payments</li> <li>Highly probable forecast commodity sales</li> <li>Foreign currency denominated interest bearing financial liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Net investment in foreign operations.</li> </ul>
<b>Material hedging instruments</b>	<ul style="list-style-type: none"> <li>Interest rate swaps</li> <li>Cross currency swaps</li> <li>Commodity forwards and futures</li> <li>Foreign exchange forwards and swaps.</li> </ul>	<ul style="list-style-type: none"> <li>Interest rate swaps and options</li> <li>Cross currency swaps</li> <li>Foreign currency denominated borrowings</li> <li>Commodity forwards and futures.</li> </ul>	<ul style="list-style-type: none"> <li>Foreign exchange contracts</li> <li>Foreign currency denominated issued debt.</li> </ul>
<b>Designation and documentation</b>	At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.		
<b>Hedge effectiveness method</b>	<p>All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and following any significant change in circumstances affecting the hedge, by demonstrating that:</p> <ul style="list-style-type: none"> <li>an economic relationship exists between the hedged item and the hedging instrument</li> <li>credit risk does not dominate the changes in value of either the hedged item or the hedging instrument</li> <li>the hedge ratio is reflective of the Consolidated Entity's risk management approach.</li> </ul> <p>The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument.</p>		
<b>Accounting treatment for the hedging instrument</b>	Fair value through the income statement, aligned to the presentation of the hedged item.	Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.	Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI.
<b>Accounting treatment for the hedged item</b>	Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.	Accounted for on an amortised cost basis or under other accounting standards as appropriate (such as executory contracts for the sale of commodities).	Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (x) Derivative instruments and hedging activities continued

	Fair value hedge	Cash flow hedge	Net investment hedge
<b>Accounting treatment for hedge ineffectiveness</b>	Recognised as part of net trading income in the income statement to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.	Recognised as part of net trading income in the income statement to the extent to which changes in the fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item.	
<b>Accounting treatment if the hedge relationship is discontinued</b>	Where the hedged item still exists and is a financial instrument carried at amortised cost, adjustments to the hedged item are amortised to the income statement on an EIR basis. For non-financial items, the adjustment continues as part of the carrying value of the asset up until it is recovered through use or sale, or the item becomes impaired.	<p>The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.</p> <p>Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.</p>	<p>The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows:</p> <ul style="list-style-type: none"> <li>• if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within other operating income and charges</li> <li>• if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income</li> <li>• if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests.</li> </ul>
<b>Other accounting policies</b>	Certain components of the hedging instrument such as the forward element of a forward contract, the time value of an option and the foreign currency basis spread (being the liquidity charge for exchanging different currencies), may be excluded from the hedge designation. These elements are deferred in the cost of hedging reserve and released to the income statement either at the time at which the hedged exposure affects the income statement, or on a systematic basis over the life of the hedge.		

## Note 44

### Significant accounting policies continued

#### (xi) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial and variance margin which varies based on trading activities. The balance also includes client margin calls which are funded by the Consolidated Entity. Settlement balances represent outstanding trade timing balances as at the reporting date due to the timing difference between trade and settlement date. Balances are carried at amortised cost except for certain margin money balances that are held in money market funds and certain settlement balances which are carried at FVTPL.

#### (xii) Financial investments

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Consolidated Entity.

Debt investment securities in this category comprise liquid asset holdings, bonds, money markets and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 44(vii) *Financial instruments*.

#### (xiii) Loan assets

This category includes loans that are not held for trading purposes and typically includes the Consolidated Entity's lending activities to its customers.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 44(vii) *Financial instruments*.

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 44(vii) *Financial instruments*.

#### (xiv) Property, plant and equipment and right-of-use assets

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less, accumulated depreciation and, where applicable, accumulated impairment losses.

Right-of-use (ROU) assets are initially measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for remeasurement of lease liabilities.

Property, plant and equipment and right-of-use assets includes assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on the following bases:

- unit of production method for certain infrastructure assets
- straight-line basis for all other assets.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

Property, plant and equipment	Depreciation rates
Buildings	2.5 to 3.3%
Furniture, fittings and leasehold improvements <sup>(1)</sup>	10 to 20%
Infrastructure assets and equipment <sup>(2)</sup>	2 to 33%
Aviation	4%
Meters	5 to 36%
Telecommunications	24 %
Equipment and other operating lease assets	2 to 30%

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised in other income as part of other operating income and charges.

The depreciation charge is recognised as part of:

- net operating lease income for assets given on operating lease
- occupancy expenses for corporate buildings
- non-salary technology expenses for technology assets
- net trading income for depreciation relating to leased assets held by trading-related businesses for the purpose of facilitating trading activities
- other operating expenses for all other assets.

The Consolidated Entity does not recognise a ROU asset for short-term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses.

(1) Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.

(2) Includes infrastructure assets, for which depreciation is calculated on a unit of production basis.



# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (xv) Goodwill and other identifiable intangible assets

##### Goodwill

Goodwill is measured as the excess of consideration, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired.

Goodwill arising from business combinations is included in Intangible assets in the Statements of financial position.

##### Other acquired identifiable intangible assets

At the time at which the Consolidated Entity determines that it has acquired a business, the Consolidated Entity identifies intangible assets that are required to be initially recognised at fair value. An intangible asset is considered to have an indefinite useful life where it is expected to contribute to the Consolidated Entity's net cash inflows indefinitely.

The following intangible assets are typically identified and recognised by the Consolidated Entity:

- licences and trading rights: generally carried at cost less accumulated impairment loss. Where no contractual or legal limitation exists, these assets are not amortised because they are considered to have an indefinite useful life
- management rights: carried at cost less accumulated amortisation and accumulated impairment loss. Certain management right intangible assets, which have indefinite useful lives as the underlying income stream is related to the management of funds that have no defined end date and are expected to operate perpetually, are not amortised. For management rights that have a finite useful life, amortisation is calculated using the straight-line method to allocate the cost of management rights over the estimated useful life usually being a period not exceeding 20 years
- customer and servicing contracts acquired with a finite useful life: carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated over the period for which the customer relationship is expected to exist
- customer and servicing contracts with an indefinite useful life: carried at cost less accumulated impairment loss.

Certain other intangible assets held for trading, including emission certificates, are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin).

Amortisation of intangible assets held by trading related business is recorded in net trading income and for others is recognised in other operating expenses. Impairments (reversal of impairments) of intangible assets are recognised in other impairment charges/reversal.

##### Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life, usually a period of three to seven years on a straight-line basis. The capitalised software asset is subject to impairment testing on an annual basis.

Costs incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

#### (xvi) Deposits

Deposits include customer deposits, business banking and home loan related deposits, deposits from financial institutions and other balances such as client monies. These deposits are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost.

#### (xvii) Other assets and liabilities

##### Contract assets, contract liabilities and capitalised expenses

Where the Consolidated Entity provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than the passage of time, such as performance fees, these are recorded as contract assets. Both receivables and contract assets are assessed for impairment in accordance with AASB 9.

The Consolidated Entity, as permitted by AASB 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months. The Consolidated Entity also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Consolidated Entity is yet to satisfy its performance obligation.

##### Non-current assets and liabilities of disposal groups classified as held for sale

This category includes assets and disposal groups (groups of assets to be disposed in a single transaction and directly associated liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. This includes assets and liabilities of businesses and subsidiaries, associates and joint ventures, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Consolidated Entity retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities is classified as held for sale.

## Note 44

### Significant accounting policies continued

#### (xvii) Other assets and liabilities continued

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation is suspended when the held for sale criteria are met.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in other impairment charges/reversal. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Consolidated Entity's financial instruments' policies.

#### Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities are either possible obligations whose existence will be confirmed only by uncertain future events, or they are present obligations where a transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless an outflow of economic resources is remote.

Contingent liabilities, which generally include letters of credit, performance-related contingents and guarantees are disclosed in Note 33 *Contingent liabilities and commitments*.

#### Employee benefit provisions

Employee benefit provisions are recognised by the Consolidated Entity as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded in the Statements of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on Government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled or is transferred to another entity and the Company and Consolidated Entity are legally released from the obligation and do not retain a constructive obligation.

#### Dividends

Where a dividend is determined or resolved by the Company's Board of Directors, consideration is given to the record date when determining the date on which the provision for the dividend is recognised in the Statements of financial position as a liability, with a corresponding reduction in retained earnings.

#### (xviii) Borrowings

Borrowings include loans and other payables due to banks and financial and non-financial institutions. These balances are subsequently measured at amortised cost.

#### (xix) Due to/from subsidiaries

Transactions between the Company and its subsidiaries principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees, and are accounted for in accordance with Note 44(iv) *Revenue and expense recognition* and Note 44(vii) *Financial instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 44(vii)), such that the net amount is reported in the Statements of financial position.

#### (xx) Debt issued

Debt issued includes debt securities issued by the Consolidated Entity. These balances are subsequently measured at either amortised cost or are DFVTPL and measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 44(vii) *Financial instruments*.

#### (xxi) Loan capital

Loan capital represents issued debt with terms and conditions that qualify for inclusion as capital under Australian Prudential Regulation Authority (APRA) Standards.

Capital instruments are first assessed to determine whether the Consolidated Entity is required to deliver cash or another financial asset on the occurrence of a contingent event that is considered genuine and is beyond the control of both the issuer and the holder (such as Common Equity Tier 1 Trigger Events or Non-Viability Trigger Events). Where such a contingent event exists, the Consolidated Entity does not have the unconditional right to avoid delivering cash or another financial asset and the capital instrument is classified as a financial liability. The financial liability is initially measured at fair value plus directly attributable transaction costs and is subsequently measured at amortised cost.

For compound instruments that have both equity and liability features, the liability component is initially measured at fair value plus directly attributable transaction costs (and is thereafter measured at amortised cost using the EIR method), with the residual being accounted for within the Consolidated Entity's equity.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (xxii) Impairment

##### Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Consolidated Entity applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking information (FLI).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 13 *Expected credit losses* for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

##### (i) Stage I—12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the probability of default (PD) over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage I also includes financial assets where the credit risk has improved and has been reclassified from Stage II.

##### (ii) Stage II—Not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Consolidated Entity exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Consolidated Entity's process to determine whether there has been a SICR is provided in Note 13 *Expected credit losses*.

Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Consolidated Entity exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage II may include financial assets where the credit risk has improved and has been reclassified from Stage III.

##### (iii) Stage III—Credit-impaired

Financial assets are classified as Stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively for portfolios of exposures, ECL is measured as the product of the lifetime PD, the loss given default (LGD) and the exposure at default (EAD), adjusted for FLI.

##### Presentation of ECL allowances

The ECL allowances are presented in the Statements of financial position as follows:

- loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and debt financial investments measured at FVOCI – as a reduction in the FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is measured at fair value
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees (not measured at FVTPL) – as a provision included in other liabilities.

When the Consolidated Entity concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

##### Impairment of interests in associates and joint ventures

The Consolidated Entity performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The main indicators of impairment are significant changes with an adverse effect that have taken place in the technological market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Consolidated Entity evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value-in-use, with its carrying amount.

## Note 44 Significant accounting policies continued

### (xxii) Impairment continued

Impairment losses recognised in the income statement for investments in associates and joint ventures are subsequently reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised. The impairment losses (reversal of impairments) on investments in associates and joint ventures are recognised in the income statement as part of other impairment charges/reversal.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value-in-use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

### Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in other impairment charges/reversal, for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value-in-use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

### Impairment of goodwill and other intangible assets; property, plant and equipment and right-of-use assets

Intangible assets with indefinite lives (goodwill and certain intangible assets) are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

For intangible assets that have a finite useful life and property, plant and equipment and ROU assets, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years.

In relation to businesses acquired and held for disposal, the individual business is treated as a cash generating unit. Assets associated with strategic business acquisitions are allocated to each of the Operating Segments (refer to Note 3 *Segment reporting*) and assessed for impairment.

### (xxiii) Performance based remuneration

#### Share-based payments

The Consolidated Entity operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 32 *Employee equity participation*.

The Consolidated Entity accounts for its share-based payments as follows:

**Equity settled awards:** The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. On vesting, the amount recognised in the share-based payments reserve is transferred to contributed equity. For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award. To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees, a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in the share-based payments reserve. MEREP liabilities are recognised and disclosed in Note 30 *Related party information*. To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees, the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in the subsidiary with a corresponding increase in the share-based payments reserve. On vesting, amounts recognised in the share-based payments reserve are transferred to contributed equity.

# Notes to the financial statements

For the financial year ended 31 March 2023 continued

## Note 44

### Significant accounting policies continued

#### (xxiii) Performance based remuneration continued

**Cash settled awards:** The awards are measured at their grant date fair value and based on the number of instruments expected to vest. Expenses are recognised as part of employment expenses with reference to vesting period of those awards which are settled in cash. The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date.

#### Profit share remuneration

The Consolidated Entity recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

#### (xxiv) Leases

At the inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non lease components as a single lease component.

##### (i) Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases office premises, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods of 12 months to 15 years and may include extension options. Leases are recognised as an ROU asset (as explained in Note 44(xiv) *Property, plant and equipment and right-of-use assets*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Consolidated Entity.

##### Lease liability

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense.

Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability are also recognised as in the income statement in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the income statement, where the carrying value of the ROU asset has been reduced to zero.

##### Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 15) and lease liabilities in Other liabilities (refer to Note 23) in the Statements of financial position.

##### (ii) Accounting where the Consolidated Entity is a lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

##### Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the income statement.

##### Operating lease

Where the Consolidated Entity is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 44(xiv) *Property, plant and equipment and right-of-use assets*. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in property, plant and equipment and right of-use assets.

When the Consolidated Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.



## Note 44

### Significant accounting policies continued

#### (xxv) Contributed equity

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the issue proceeds.

#### (xxvi) Fiduciary assets and client money

The Consolidated Entity engages in trust, fund or other fiduciary activities as well as certain brokerage and other trading-related activities that result in the holding or placing of assets on behalf of third parties. Where such assets are controlled, and future economic benefits are expected to be realised by the Consolidated Entity, such assets and the income thereon are reflected in the Statements of financial position and income statement respectively.

Where this is not the case, these assets and the income thereon are excluded from the Consolidated Entity's financial statements as they are not the assets of the Consolidated Entity. Fee income earned by the Consolidated Entity relating to its responsibilities from fiduciary and brokerage and other trading-related activities is included as part of fee and commission income.

#### (xxvii) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with Central and other banks including unallocated precious metal balances. These balances are subsequently measured at amortised cost except unallocated precious metals which are held at FVTPL.

#### (xxviii) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances (except unallocated precious metal balances) as well as certain liquid financial investments and non trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Consolidated Entity's short-term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and certain client-related balances which are segregated from the Consolidated Entity's own funds and are thus restricted from use.

#### (xxix) Investment property

Investment properties are initially recognised at cost and subsequently stated at fair value at each reporting date. Any change in fair value, in addition to any lease income generated, is recognised in other income as part of other operating income and charges.

#### (xxx) Comparatives

During the financial year, the Consolidated Entity has re-presented information in the following matters:

- Undrawn commitments for certain retail banking products which despite being revocable have been considered to be exposed to credit risk and accordingly the comparative credit commitment exposures have been re-presented under Note 33 *Contingent liabilities and commitments* and Note 36 *Financial risk management*.
- Credit concentration in the Note 36.1 *Credit risk*, covering the geographical locations and counterparty type for certain debt securities under Financial investment has been re-presented. Additionally, Credit quality in the Note 36.1 *Credit risk* for Loan assets has been re-presented for the Consolidated Entity and the Company to reflect a refinement in the methodology for portfolio grading.

Where necessary, comparative information has been re-presented to conform to changes in presentation in the current year.

#### (xxxi) Rounding of amounts

In accordance with ASIC *Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, amounts in the Directors' Report and Financial Report have been rounded off to the nearest million Australian dollars unless otherwise indicated.

#### (xxxii) New Australian Accounting Standards and amendments to Australian Accounting Standards and Interpretations that are not yet effective for the financial year

##### (i) AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts*, amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The standard is mandatorily effective for the Consolidated Entity's annual reporting period beginning on 1 April 2023. Based on the Consolidated Entity's current business activities AASB 17 *Insurance Contracts* will not have a material impact on the Consolidated Entity's financial statements.

##### (ii) Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2022 and have not been early adopted, are not likely to result in a material impact on the Consolidated Entity's financial statements.

# Directors' declaration

Macquarie Group Limited

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 153 to 285 are in accordance with the *Corporations Act 2001* (Cth) including:
  - (i) complying with Australian Accounting Standards, and
  - (ii) giving a true and fair view of the Company's and the Consolidated Entity's financial positions as at 31 March 2023 and their performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(i) includes a statement that the Financial Report complies with International Financial Reporting Standards.

The Directors have been given the declarations by the CEO and CFO required by section 295A of the *Corporations Act 2001* (Cth). This declaration is made in accordance with a resolution of the Directors.



**Glenn Stevens AC**  
Independent Director and Chair



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

Sydney  
5 May 2023



## Independent auditor's report

To the members of Macquarie Group Limited



### Report on the audit of the financial report

#### Our opinion

In our opinion:

The accompanying financial report of Macquarie Group Limited (the Company) and its controlled entities (together the Consolidated Entity) is in accordance with the *Corporations Act 2001* (Cth), including:

- (a) giving a true and fair view of the Company's and Consolidated Entity's financial positions as at 31 March 2023 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth).

#### What we have audited

The Consolidated Entity and Company financial report comprises:

- the Consolidated and Company statements of financial position as at 31 March 2023
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company income statements for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company and the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* (Cth) and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Our audit approach for the Consolidated Entity

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Consolidated Entity, its accounting processes and controls and the industry in which it operates.

The Consolidated Entity is structured into four operating groups and a corporate segment. It undertakes operational activities that are important to the financial reporting process in multiple locations overseas, including sites in Gurugram in India, Jacksonville in the United States and Manila in the Philippines.



# Independent auditor's report

To the members of Macquarie Group Limited continued



## Consolidated Entity materiality

For the purpose of our audit we used overall Consolidated Entity materiality of \$313 million, which represents approximately 4.5% of the Consolidated Entity's profit before tax.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose Consolidated Entity profit before tax because, in our view, it is the benchmark against which the performance of the Consolidated Entity is most commonly measured.

We utilised a threshold of approximately 4.5% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## Consolidated Entity audit scope

Our audit focused on where the Consolidated Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To identify these subjective judgements, we considered the inherent risks arising from its respective business operations, and how the Consolidated Entity manages these risks. We also considered a number of other factors including the design and implementation of the Consolidated Entity's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial report and the risk of management override of controls.

We aligned our audit to the Consolidated Entity's structure by instructing a component audit team for each of the four operating groups and the corporate segment. These component audit teams, in consultation with the group audit team, established an audit strategy tailored for each operating group and the corporate segment.

Given the extent of the overseas operations of the Consolidated Entity, the component audit teams instructed a number of other member firms of the PwC global network to perform audit procedures. The group audit team determined the level of supervision and direction it needed to have over the audit work performed by component audit teams, including the component audit teams' review and supervision of the overseas audit teams they, in turn, instructed.

The work performed by the component audit teams and the overseas audit teams, together with additional audit procedures performed by the group audit team such as procedures over the Consolidated Entity's consolidation and the financial report disclosures, provided us with the information we needed for our opinion on the Consolidated Entity's financial report as a whole.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate only to the audit of the Consolidated Entity. There were no key audit matters identified for the Company. We communicated the key audit matters to the Board Audit Committee.

### Key audit matter

### How our audit addressed the key audit matter

#### Provision for expected credit losses on loan assets (Refer to Note 13)

Under the credit impairment model required by AASB 9: *Financial Instruments* (AASB 9), losses are recognised on an Expected Credit Loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting the Consolidated Entity's view of potential future economic scenarios.

The global economic outlook remains uncertain. Significant regulatory intervention has been necessary in order to contain further crises in the financial sector. Rising interest rates and rising inflation continue to place pressure on the economies throughout the World, and the ongoing conflict in Europe shows little sign of resolution. As a result, significant judgement was required to be exercised by the Consolidated Entity in calculating the ECL. Specifically, this includes judgements around the use of forward-looking information, including developing macroeconomic scenarios and their associated weightings and the use of post model adjustments in the calculation of the ECL.

In order to meet the ECL requirements of AASB 9, the Consolidated Entity has developed models that involve judgement including determining assumptions such as defining a significant increase in credit risk (SICR). The ECL models of the Consolidated Entity rely on numerous data elements and certain post model adjustments are applied based on the Consolidated Entity's judgement.

Given the extent of judgement involved, we consider this to be a key audit matter.

Our procedures included assessing the design and testing the operating effectiveness of certain controls supporting the Consolidated Entity's estimate of the ECL including controls relating to:

- review, challenge and approval of certain forward-looking macroeconomic assumptions and scenario weightings, including specifically the consideration of impacts of rising inflation and interest rates
- monitoring of the effectiveness of models used to support ECL estimates, and the validation of new and revised models implemented assessment of the credit quality of counterparties
- accuracy of certain critical data elements used in key ECL models, and
- review and challenge forums to assess the ECL output and post model adjustments.

In addition to controls testing, we also performed substantive procedures including:

- together with PwC credit modelling experts, assessing the appropriateness of conclusions reached by the Consolidated Entity from model monitoring performed on key models. This included assessing key model components such as SICR and reperformance of certain tests performed as part of the model monitoring
- together with PwC credit modelling experts, testing the appropriateness of a selection of changes to key models
- together with PwC credit modelling experts, assessing whether the list of critical data elements identified by the Consolidated Entity was appropriate for key models
- together with PwC economics experts, assessing the appropriateness of relevant macroeconomic scenarios and certain forward-looking economic data developed by the Consolidated Entity
- test the completeness and accuracy of certain critical data elements used in key ECL models
- assessing a selection of post model adjustments identified by the Consolidated Entity, including developing an understanding of the methodology used for overlay derivation and testing the underlying datasets used for the calculations, and
- considering the impacts on the ECL events occurring subsequent to balance date.

For credit impaired loan (Stage III) provisions, we examined a sample of individual loan exposures to consider the appropriateness of provisions recognised.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the Australian Accounting Standards.

# Independent auditor's report

To the members of Macquarie Group Limited continued



## Key audit matter

## How our audit addressed the key audit matter

Valuation of complex or illiquid financial instruments carried at fair value through profit and loss which are based on significant unobservable inputs (level 3 financial instruments) (Refer to Note 38)

The Consolidated Entity exercises judgement in valuing certain financial assets and liabilities at fair value where there are significant unobservable inputs for the valuation of these assets and liabilities. These assets and liabilities are known as Level 3 financial instruments.

For the Consolidated Entity, these Level 3 financial instruments predominantly consist of derivative financial instruments, trading assets, financial investments and loan assets. Judgement is required in estimating the fair value of these financial instruments in determining appropriate models, assumptions and inputs.

Given the extent of judgement involved in valuing these Level 3 financial instruments, we considered this to be a key audit matter.

Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to Level 3 financial instruments, including controls over:

- approval and validation of the models adopted
- accuracy of inputs to models
- the price verification process performed by the Consolidated Entity using prices and model inputs sourced from third parties
- calculation and approval of key valuation adjustments
- governance, review and challenge forums.

Together with PwC valuation experts, we tested the Consolidated Entity's estimate for a sample of level 3 derivative financial instruments and trading assets. We considered a sample of collateral disputes, gains and losses on disposals and other events to help assess the appropriateness of the valuations. We tested a sample of valuation adjustments at period end, including evaluating the methodology applied and underlying assumptions.

For a sample of financial investments and loan assets, together with PwC valuation experts, we assessed the appropriateness of the valuation methodologies applied, as well as the appropriateness of significant inputs used, such as forecasts and comparable market information.

For a sample of financial instruments, we tested the allocation of financial instruments to the appropriate level within the fair value hierarchy.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.

Valuation of interests in associates and joint ventures (Refer to Note 14)

In accordance with Australian Accounting Standards, interests in associates and joint ventures need to be assessed by the Consolidated Entity for indicators of impairment or reversal of impairment at the reporting date. If indicators of impairment, or reversal of impairment exist, the recoverable amount for each asset needs to be estimated. These assessments involve significant judgements such as estimating future cash flows, discount rates applied to future cash flows and in evaluating fair value less costs to sell.

Given the financial significance of the Consolidated Entity's recorded interests in associates and joint ventures, and the judgement and subjectivity involved in determining assumptions, we considered this to be a key audit matter.

We evaluated the Consolidated Entity's valuation methodologies used to estimate the recoverable amount of a sample of interests in associates and joint ventures and the process by which they were developed. Assisted where relevant by PwC Valuation experts, for interests in associates and joint ventures, our procedures included:

- evaluating the Consolidated Entity's assessment of whether there were any indicators of impairment or whether impairment losses recognised in prior periods should be reversed
- evaluating the appropriateness of the impairment assessment methodology and significant assumptions applied in calculating the recoverable amount
- comparing previous cashflow forecasts to actual results, or comparing previous net asset values to underlying investment values, to assess the ability of the Consolidated Entity to forecast accurately
- assessing the appropriateness of discount rates used in valuations
- assessing certain underlying data used in determining the carrying value and recoverable amount
- testing the mathematical accuracy of the Consolidated Entity's discounted cashflow models which were used to determine the recoverable amount of the asset.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.



### Key audit matter

### How our audit addressed the key audit matter

#### IT systems and controls over financial reporting

The Consolidated Entity's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions.

A fundamental component of these IT systems and controls is ensuring that risks in relation to inappropriate user access management, unauthorised program changes and IT operating protocols are managed.

Due to this, we consider the operation of IT systems and controls over financial reporting to be a key audit matter.

For material financial statement balances we developed an understanding of the business processes, IT systems used to generate and support those balances and associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating the design and testing the operating effectiveness, where relevant, of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit:

- change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems
- system development: the project disciplines which ensure that significant developments or implementation are appropriately tested before implementation and that data is migrated/converted and transferred completely and accurately
- security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means
- IT operations: the controls over operations are used to ensure that any issues that arise are managed appropriately.

Within the scope of our audit where technology services are provided by a third party, we obtained assurance through independent testing or, where available, considered assurance reports from the third party's auditor on the design and operating effectiveness of controls for the reporting period.

We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we identified design or operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative or additional audit procedures, which included considering mitigating controls in order to respond to the impact on our overall audit approach.

#### Estimation of tax payable relating to tax uncertainties (Refer to Note 23)

The Consolidated Entity is subject to taxation in a number of jurisdictions. The assessment of the amounts expected to be paid to tax authorities is considered initially by the Consolidated Entity in each local territory, and then reviewed centrally, with consideration given to particular tax positions in certain jurisdictions. In some cases, the treatment of tax positions requires judgement to estimate the ultimate amounts of tax that will be paid.

Given the extent of judgement involved, we consider this to be a key audit matter.

Our procedures included evaluating the analysis conducted by the Consolidated Entity which sets out the basis for judgements made in respect of the ultimate amounts expected to be paid to tax authorities.

Assisted by PwC tax experts, we read a risk focused selection of correspondence with tax authorities and external advice obtained by the Consolidated Entity and used our understanding of the business to assess the completeness and quantum of the provisions for tax. We considered the likelihood of additional tax exposures occurring based on our knowledge of tax legislation, applicable precedent and industry developments, noting the level of judgement involved.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.

#### Recognition of performance fees and fee income (Refer to Note 2)

In some cases, judgement is required by the Consolidated Entity to estimate the timing and amount of fee income and performance fees recognised in accordance with the requirements of Australian Accounting Standards.

Given the extent of the judgement involved, we considered this to be a key audit matter.

Our audit procedures included evaluating the design and testing the operating effectiveness of relevant controls relating to the recognition and measurement of fee income and performance fees.

In assessing the appropriateness of the recognition of fee income and performance fees, we tested the Consolidated Entity's estimate for a sample of fee income based on relevant information in supporting documents including contracts, fund constitutions and management agreements.

Specifically for performance fees, we also considered the nature of the underlying fund assets, the proportion of assets already realised, the returns on the assets realised to date and the potential for volatility in the valuation of the remaining unrealised assets.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.

# Independent auditor's report

To the members of Macquarie Group Limited continued



## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate audit opinion on the remuneration report and a limited assurance conclusion on specified metrics in the Environmental Social and Governance section of the annual report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Our opinion on the remuneration report

We have audited the remuneration report included in pages 104 to 149 of the directors' report for the year ended 31 March 2023.

In our opinion, the remuneration report of Macquarie Group Limited for the year ended 31 March 2023 complies with section 300A of the *Corporations Act 2001* (Cth).

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001* (Cth). Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

**PricewaterhouseCoopers**

K. Stubbins

**Kristin Stubbins**  
Partner

Sydney  
5 May 2023

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## Further Information

### HyCC, EMEA

In partnership with Nobian, Macquarie's Green Investment Group (GIG) launched HyCC, a European green hydrogen company that is helping to decarbonise industry, heavy transport, aviation and steel production.



# Additional investor information

## Shareholder calendar

### 2023

Date	Event
5 May	Full-year result announcement
15 May	Ex-dividend date for final ordinary dividend
16 May	Record date for final ordinary dividend
7 June	Payment date for BCN3 distribution
13 June	Payment date for MCN4 distribution
13 June	Payment date for MCN6 distribution
15 June	Payment date for MCN3 distribution
19 June	Payment date for MCN5 distribution
21 June	Payment date for BCN2 distribution
4 July	Payment date for final ordinary dividend
27 July	AGM
7 September	Payment date for BCN3 distribution
11 September	Payment date for MCN4 distribution
12 September	Payment date for MCN6 distribution
15 September	Payment date for MCN3 distribution
18 September	Payment date for MCN5 distribution
21 September	Payment date for BCN2 distribution
30 September	Financial half-year end
3 November <sup>(1)</sup>	Half-year result announcement
13 November <sup>(1)</sup>	Ex-dividend date for interim ordinary dividend
14 November <sup>(1)</sup>	Record date for interim ordinary dividend
7 December	Payment date for BCN3 distribution
11 December	Payment date for MCN4 distribution
12 December	Payment date for MCN6 distribution
15 December	Payment date for MCN3 distribution
18 December	Payment date for MCN5 distribution
19 December <sup>(1)</sup>	Payment date for interim ordinary dividend
21 December	Payment date for BCN2 distribution

### 2024

Date	Event
7 March	Payment date for BCN3 distribution
11 March	Payment date for MCN4 distribution
12 March	Payment date for MCN6 distribution
15 March	Payment date for MCN3 distribution
18 March	Payment date for MCN5 distribution
21 March	Payment date for BCN2 distribution
31 March	Financial year end

## 2023 Annual General Meeting

Macquarie Group Limited's 2023 AGM will be held at 10:30 am on Thursday, 27 July 2023. Details of the meeting will be sent to shareholders separately.

The closing date for the receipt of nominations from persons wishing to be considered for election as a director is Wednesday, 24 May 2023.

(1) These dates are subject to change.

## Dividend details

Macquarie generally pays a dividend on its fully paid ordinary shares twice a year following the interim and final results announcements. The proposed dates for the 2023 calendar year are in the calendar above.

## Dividend Reinvestment Plan (DRP)

The DRP allows shareholders to apply their dividends to acquire new Macquarie ordinary shares rather than receiving dividends in cash.

## Stock exchange listing

Equity or hybrid security	Stock exchange listing	Trading code
<b>Macquarie Group Limited Securities</b>		
Macquarie ordinary shares	ASX	MQG
Macquarie Group Capital Notes 3 (MCN3)	ASX	MQGPC
Macquarie Group Capital Notes 4 (MCN4)	ASX	MQGPD
Macquarie Group Capital Notes 5 (MCN5)	ASX	MQGPE
Macquarie Group Capital Notes 6 (MCN6)	ASX	MQGPF
<b>Macquarie Bank Limited Convertible Securities</b>		
Macquarie Bank Capital Notes 2 (BCN2)	ASX	MBLPC
Macquarie Bank Capital Notes 3 (BCN3)	ASX	MBLPD
Macquarie Additional Capital Securities (MACS)	SGX	6F6B

MGL also has debt securities quoted on the London Stock Exchange, SGX, SIX Swiss Exchange Ltd and Taipei Exchange.

## Equity and hybrid securities

The following information is correct as at 31 March 2023.

## Macquarie Group Limited securities

### Fully paid ordinary shares

### Voting rights

At meetings of members or classes of members, each member holding ordinary shares may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands, every person present who is a member or a proxy, attorney or corporate representative of a member has one vote and on a poll every member present in person or by proxy, attorney or corporate representative has:

- one vote for each fully paid share held by the member, and
- that proportion of a vote for any partly paid ordinary share calculated in accordance with clause 8.18 of the MGL Constitution.

## 20 largest holders

Registered holder	Number of ordinary shares held	% of ordinary shares
HSBC Custody Nominees (Australia) Limited	107,763,665	27.88
J P Morgan Nominees Australia Pty Limited	65,171,248	16.86
Citicorp Nominees Pty Limited	29,502,692	7.63
Bond Street Custodians Limited <MEREPA Allocated A/C>	12,801,847	3.31
National Nominees Limited	11,108,322	2.87
BNP Paribas Noms Pty Ltd <DRP>	7,996,303	2.07
BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	6,096,782	1.58
Bond Street Custodians Limited <MEREPA Trustee - Unallocated>	4,009,369	1.04
Bond Street Custodians Limited <Solium Nominees Aus Pty Ltd>	2,674,838	0.69
Argo Investments Limited	2,613,905	0.68
HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	2,473,403	0.64
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,448,791	0.63
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,854,695	0.48
Australian Foundation Investment Company Limited	1,786,967	0.46
Netwealth Investments Limited <Wrap Services A/C>	1,704,762	0.44
Washington H Soul Pattinson and Company Limited	1,273,493	0.33
HSBC Custody Nominees (Australia) Limited - A/C 2	990,234	0.26
Aljebra Pty Ltd <Aljebra Investment A/C>	812,892	0.21
Nicholas Moore	748,709	0.19
Custodial Services Limited <Beneficiaries Holding A/C>	672,392	0.17
<b>Total</b>	<b>264,505,309</b>	<b>68.44</b>

## Substantial shareholders

The following holders are registered by MGL as a substantial shareholder, having declared a relevant interest in accordance with the Act, in the voting shares below:

Registered holder	Number of ordinary shares held
Macquarie Group Limited	22,142,064
BlackRock Group	22,929,594

## Spread of shareholdings

Range	Number of shareholders	Number of shares	% of shares
1-1,000	207,895	44,633,756	11.55
1,001-5,000	22,009	41,452,290	10.73
5,001-10,000	1,401	9,481,041	2.45
10,001-100,000	649	14,928,524	3.86
100,001 shares and over	65	275,981,143	71.41
<b>Total</b>	<b>232,019</b>	<b>386,476,754</b>	<b>100.00</b>

There were 1,867 shareholders (representing 2,407 shares) who held less than a marketable parcel.

## Additional investor information

Continued

### Macquarie Group Capital Notes 3 (MCN3)

#### Voting rights

MCN3 are unsecured, subordinated notes issued by MGL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. MCN3 holders have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

#### 20 largest holders

Registered holder	Number of MCN3 held	% of MCN3
HSBC Custody Nominees (Australia) Limited	758,775	7.59
Netwealth Investments Limited <Wrap Services A/C>	219,095	2.19
IOOF Investments Services Limited <IPS Superfund A/C>	216,987	2.17
National Nominees Limited	158,189	1.58
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	136,736	1.37
Citicorp Nominees Pty Limited	125,701	1.26
HSBC Custody Nominees (Australia) Limited - A/C 2	119,556	1.20
Diocese Development Fund - Catholic Diocese of Parramatta	115,000	1.15
J P Morgan Nominees Australia Pty Limited	109,734	1.10
Citicorp Nominees Pty Limited <143212 NMMT Ltd A/C>	103,050	1.03
Mutual Trust Pty Ltd	98,175	0.98
BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP>	65,287	0.65
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	52,709	0.53
Navigator Australia Ltd <MLC Investment Sett A/C>	47,653	0.48
Netwealth Investments Limited <Super Services A/C>	46,000	0.46
IOOF Investments Services Limited <IOOF IDPS A/C>	43,318	0.43
Invia Custodian Pty Limited <WEHI - Investments Pool A/C>	42,395	0.42
Dimbulu Pty Ltd	40,000	0.40
Federation University Australia	30,158	0.30
Australian Executor Trustees Limited <No 1 Account>	28,758	0.29
<b>Total</b>	<b>2,557,276</b>	<b>25.57</b>

#### Spread of noteholdings

Range	Number of MCN3 holders	Number of MCN3	% of MCN3
1-1,000	11,189	3,728,343	37.28
1,001-5,000	1,229	2,530,670	25.31
5,001-10,000	79	597,113	5.97
10,001-100,000	45	1,081,051	10.81
100,001 notes and over	10	2,062,823	20.63
<b>Total</b>	<b>12,552</b>	<b>10,000,000</b>	<b>100.00</b>

There were 5 noteholders (representing 14 notes) who held less than a marketable parcel.

## Macquarie Group Capital Notes 4 (MCN4)

### Voting rights

MCN4 are unsecured, subordinated notes issued by MGL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. MCN4 holders have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

### 20 largest holders

Registered holder	Number of MCN4 held	% of MCN4
HSBC Custody Nominees (Australia) Limited	508,345	5.61
Netwealth Investments Limited <Wrap Services A/C>	257,585	2.84
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	165,197	1.82
Citicorp Nominees Pty Limited	158,681	1.75
National Nominees Limited	104,775	1.16
Dimbulu Pty Ltd	100,000	1.10
J P Morgan Nominees Australia Pty Limited	88,490	0.98
HSBC Custody Nominees (Australia) Limited - A/C 2	79,405	0.88
BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP>	68,291	0.75
John E Gill Trading Pty Ltd	65,000	0.72
Invia Custodian Pty Limited <WEHI - Investment Pool A/C>	42,840	0.47
Mutual Trust Pty Ltd	42,323	0.47
Netwealth Investments Limited <Super Services A/C>	41,184	0.45
IOOF Investment Services Limited <IPS Superfund A/C>	38,733	0.43
JDB Services Pty Ltd <RAC & JD Brice Invest A/C>	32,967	0.36
Navigator Australia Ltd <MLC Investment Sett A/C>	31,604	0.35
BNP Paribas Nominees Pty Ltd <IB AU NOMS Retailclient DRP>	29,415	0.32
Baird Group Pty Limited	25,300	0.28
Pendant Realty Pty Ltd	25,000	0.28
Sneath & King Pty Ltd <Sneath & King S/F A/C>	25,000	0.28
<b>Total</b>	<b>1,930,135</b>	<b>21.32</b>

### Spread of noteholdings

Range	Number of MCN4 holders	Number of MCN4	% of MCN4
1-1,000	10,639	3,624,704	40.03
1,001-5,000	1,151	2,360,410	26.07
5,001-10,000	94	686,824	7.59
10,001-100,000	45	1,188,389	13.12
100,001 notes and over	5	1,194,583	13.19
<b>Total</b>	<b>11,934</b>	<b>9,054,910</b>	<b>100.00</b>

There were 2 noteholders (representing 5 notes) who held less than a marketable parcel.

## Additional investor information

Continued

### Macquarie Group Capital Notes 5 (MCN5)

#### Voting rights

MCN5 are unsecured, subordinated notes issued by MGL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. MCN5 holders have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

#### 20 largest holders

Registered holder	Number of MCN5 held	% of MCN5
HSBC Custody Nominees (Australia) Limited	479,436	6.61
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	255,232	3.52
Netwealth Investments Limited <Wrap Services A/C>	171,993	2.37
National Nominees Limited	137,635	1.90
BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP>	92,160	1.27
J P Morgan Nominees Australia Pty Limited	70,829	0.98
Citicorp Nominees Pty Limited	61,535	0.85
Dimbulu Pty Ltd	55,000	0.76
Mutual Trust Pty Ltd	52,932	0.73
IOOF Investment Services Limited <IPS Superfund A/C>	51,589	0.71
HSBC Custody Nominees (Australia) Limited – A/C 2	48,258	0.67
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	47,342	0.65
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	42,294	0.58
Netwealth Investments Limited <Super Services A/C>	37,882	0.52
Federation University Australia	37,276	0.51
Australian Grain Tech Pty Ltd	27,585	0.38
Leda Holdings Pty Ltd	24,000	0.33
Diocese Development Fund – Catholic Diocese of Parramatta	23,254	0.32
Navigator Australia Ltd <MLC Investment Sett A/C>	21,783	0.30
IOOF Investment Services Limited <IOOF IDPS A/C>	20,892	0.29
<b>Total</b>	<b>1,758,907</b>	<b>24.25</b>

#### Spread of noteholdings

Range	Number of MCN5 holders	Number of MCN5	% of MCN5
1-1,000	8,856	2,938,741	40.51
1,001-5,000	945	1,980,284	27.30
5,001-10,000	42	311,928	4.30
10,001-100,000	35	979,151	13.50
100,001 notes and over	4	1,044,296	14.40
<b>Total</b>	<b>9,882</b>	<b>7,254,400</b>	<b>100.00</b>

There was 5 noteholders (representing 17 notes) who held less than a marketable parcel.



## Macquarie Group Capital Notes 6 (MCN6)

### Voting rights

MCN6 are unsecured, subordinated notes issued by MGL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. MCN6 holders have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

### 20 largest holders

Registered holder	Number of MCN6 held	% of MCN6
HSBC Custody Nominees (Australia) Limited	807,201	10.76
Netwealth Investments Limited <Wrap Services A/C>	379,268	5.06
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	253,335	3.38
J P Morgan Nominees Australia Pty Limited	135,543	1.81
BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP>	111,638	1.49
National Nominees Limited	98,609	1.31
Netwealth Investments Limited <Super Services A/C>	75,095	1.00
Citicorp Nominees Pty Limited	64,215	0.86
Dimbulu Pty Ltd	60,000	0.80
John E Gill Trading Pty Ltd	50,000	0.67
Mutual Trust Pty Ltd	29,366	0.39
Farrar Superannuation Pty Ltd <Farrar Super Fund A/C>	23,452	0.31
Vision Australia Foundation <Vision Australia Credit A/C>	23,000	0.31
Nora Goodridge Investments Pty Ltd	21,412	0.29
Berne No 132 Nominees Pty Ltd <684168 A/C>	20,000	0.27
Colonial First State Inv Ltd <6470258 Joseph A/C>	20,000	0.27
Turner Commercial Holdings Pty Ltd <Turner Family A/C>	20,000	0.27
Uuro Pty Ltd	18,900	0.25
Navigator Australia Ltd <MLC Investment Sett A/C>	18,887	0.25
Mr Andrew James Larke + Mrs Polly Larke <Larke Family Super A/C>	18,000	0.24
<b>Total</b>	<b>2,247,921</b>	<b>29.97</b>

### Spread of noteholdings

Range	Number of MCN6 holders	Number of MCN6	% of MCN6
1-1,000	6,582	2,541,265	33.88
1,001-5,000	964	2,020,474	26.94
5,001-10,000	63	444,166	5.92
10,001-100,000	33	807,110	10.76
100,001 notes and over	5	1,686,985	22.49
<b>Total</b>	<b>7,647</b>	<b>7,500,000</b>	<b>100.00</b>

There were no noteholders who held less than a marketable parcel.

## Additional investor information

Continued

### Macquarie Bank Limited convertible securities

#### Macquarie Additional Capital Securities (MACS)

MACS are unsecured subordinated notes issued by MBL, acting through its London Branch that may be exchanged for MGL ordinary shares in certain limited circumstances. MACS holders have no voting rights in respect of meetings of members of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange.

As at 31 March 2023, the \$US750 million of MACS were held by one holder, Cede & Co, as authorised representative for the Depository Trust Company being the common depository for the MACS global security. The Bank of New York Mellon as Registrar keeps the register in respect of MACS.

#### Macquarie Bank Capital Notes 2 (BCN2)

BCN2 are unsecured, subordinated notes issued by MBL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. BCN2 holders have no voting rights in respect of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange. As at 31 March 2023, there were 6,410,270 BCN2 on issue held by 10,747 registered holders.

#### Macquarie Bank Capital Notes 3 (BCN3)

BCN3 are unsecured, subordinated notes issued by MBL that may be exchanged for MGL ordinary shares in certain limited circumstances. They are non-cumulative and mandatorily convertible. BCN3 holders have no voting rights in respect of MBL and have no voting rights in respect of meetings of members of MGL in the absence of such an exchange. As at 31 March 2023, there were 6,548,480 BCN3 on issue held by 8,431 registered holders.

### Unlisted securities

The following information is correct as at 31 March 2023.

#### MEREP

4,178,466 DSUs are held by 669 participants and 604,043 PSUs are held by 15 participants in the MEREP.

### American Depository Receipt (ADR) program

Macquarie ADRs are negotiable certificates issued by BNY Mellon, with one ADR representing one MGL ordinary share. They are traded under the symbol MQBKY and are classified as Level 1. They are not listed on any exchange and are only traded over-the-counter via brokers.

BNY Mellon:

BNY Mellon Shareowner Services  
PO Box 358516  
Pittsburgh, PA 15252-8516 USA

Toll-free telephone number for domestic callers:  
1 888 BNY ADRs

Telephone number for international callers:  
+1 201 680 6825

Further information can be found at:

[adrbnymellon.com/resources/individual-investors](https://adrbnymellon.com/resources/individual-investors)

### Enquiries

Investors who wish to enquire about any administrative matter relating to their MGL shareholding, MCN3, MCN4, MCN5, MCN6, BCN2 or BCN3 security holding are invited to contact the Share Registry at:

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000 Australia

All other enquiries relating to an MGL share investment can be directed to:

### Investor relations

Macquarie Group Limited  
Level 6, 50 Martin Place  
Sydney NSW 2000 Australia

# Glossary

Defined term	Definition
<b>A</b>	
AASB	Australian Accounting Standards Board
Accountable Person	Accountable Person under the Banking Executive Accountability Regime (BEAR)
the Act	<i>Corporations Act 2001</i> (Cth)
ADI	Authorised Deposit-taking Institution
ADR	American Depository Receipt
AEC	Australian Electoral Commission
AGM	Annual General Meeting
All Ords Index	All Ordinaries Accumulation Index
ALCO	Asset and Liability Committee
Annual Report	MGL's 2023 Annual Report
ANZ	Australia and New Zealand
APRA	Australian Prudential Regulation Authority
ARRs	alternative reference rates
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited ABN 98 008 624 691 and the market operated by ASX Limited
AUM	assets under management
<b>B</b>	
BAC	Board Audit Committee
Bank Group	MBL and its subsidiaries
Banking Activities	comprises BFS and most business activities of CGM
BBSW	Australian Financial Markets Association's bank-bill rate published daily on AAP Reuters website. The Australian equivalent of LIBOR, SIBOR, etc.
BCBS	Basel Committee on Banking Supervision
BCN2	Macquarie Bank Capital Notes 2
BCN3	Macquarie Bank Capital Notes 3
BEAR	Banking Executive Accountability Regime
BFS	Banking and Financial Services Group
BGCC	Board Governance and Compliance Committee
BNC	Board Nominating Committee
the Board, Macquarie Board	the Board of Voting Directors of Macquarie Group Limited
BONDS	bank-only non-executive directors
BRC	Board Remuneration Committee
BRiC	Board Risk Committee
Businesses	the areas within the Operating Groups carrying out various operations
<b>C</b>	
CAGR	compound annual growth rate
CCB	capital conservation buffer
CCUS	carbon capture, utilisation and storage

Defined term	Definition
Central Service Groups	the Central Service Groups consist of RMG, LGG, FMG and COG
CEO	Managing Director and Chief Executive Officer
CFLI	Climate Finance Leadership Initiative
CFO	Chief Financial Officer
CGM	Commodities and Global Markets Group
Clawback	the Board's ability to recover (in whole or in part) vested profit share
COG	Corporate Operations Group
the Collection	the Macquarie Group Collection
the Company, MGL	Macquarie Group Limited ABN 94 122 169 279
Comparable Executive Key Management Personnel (Comparable Executive KMP)	Executive KMP who were members of the Executive Committee for the full year in both FY2023 and FY2022
Conduct Risk	the risk of behaviour, action or omission by individuals employed by, or on behalf of, Macquarie or taken collectively in representing Macquarie that may have a negative outcome for our clients, counterparties, the communities and markets in which we operate, our staff, or Macquarie
The Consolidated Entity, Macquarie	MGL and its subsidiaries
COP	United Nations Climate Change Conference of the Parties
Corporate	Head office and Central Service Groups including Group Treasury
CPS 511	APRA Prudential Standard CPS 511 <i>Remuneration</i>
CRO	Chief Risk Officer
<b>D</b>	
Deed	Deed of Access, Indemnity, Insurance and Disclosure
Deed Poll	Indemnity and Insurance Deed Poll dated 12 September 2007
DEI	Diversity, Equity & Inclusion
DFVTPL	designated as FVTPL
Directors	the Voting Directors of MGL (unless the context indicates otherwise)
Divisions	named divisions within Macquarie
DLP	Director Leadership Program
DPS Plan	Directors' Profit Share Plan
DRP	Dividend Reinvestment Plan
DSU	Deferred Share Unit issued under the MEREP
<b>E</b>	
EAD	exposure at default
ECAM	Economic Capital Adequacy Model
ECL	expected credit loss
EDLP	Executive Director Leadership Program

Defined term	Definition
EIR	effective interest rate
EMEA	Europe, Middle East and Africa
ENGs	Employee Network Groups
EPS	earnings per share
ESP	Macquarie Group Employee Share Plan
ESG	Environmental, Social and Governance
ESR	Environmental and Social Risk
EU	the European Union
EURIBOR	Euro Inter-bank Offered Rate
EV	electric vehicle
Executive Director, EDs	Macquarie's most senior level of employee including Group Heads, Division Heads and senior business unit managers
Executive Key Management Personnel (Executive KMP)	members of the Executive Committee of MGL
Executive Voting Director	an executive Board member
<b>F</b>	
FAR	Financial Accountability Regime
FCTR	foreign currency translation reserve
FLI	forward looking information
FMG	Financial Management Group
the Foundation	Macquarie Group Foundation
FRN	floating rate notes
FVA	funding valuation adjustment
FVOCI	fair value through other comprehensive income
FVTPL	fair value through profit or loss
<b>G</b>	
GDP	gross domestic product
GFANZ	Glasgow Financial Alliance for Net Zero
GGC	Group General Counsel
GHG	greenhouse gas
GIG	Green Investment Group
GRI	Global Reporting Initiative
Group Head	the Head of a particular Operating or Central Service Group
GST	Goods and Services Tax
GRESB assessment	captures information regarding ESG performance and sustainability best practices for real estate and infrastructure funds, companies and assets worldwide
GW	gigawatt
GWh	gigawatt hours
<b>H-J</b>	
HFT	held for trading
HyCC	Hydrogen Chemistry Company
IAD	Internal Audit Division

Defined term	Definition
IASB	International Accounting Standards Board
IBOR	Interbank-offered rates
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
Independent Directors	independent Voting Directors of the Board
ISSB	International Sustainability Standards Board
<b>K</b>	
Key Management Personnel (KMP)	all Voting Directors and members of the Executive Committee of MGL
<b>L</b>	
LGBTQ+	Lesbian Gay Bisexual Transgender and Queer
LGG	Legal and Governance Group
LIBOR	London Inter-bank Offered Rate
LMI	lenders mortgage insurance
LNG	liquid natural gas
Loss Given Default (LGD) Estimate	Macquarie's estimated economic loss should a counterparty default occur
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
<b>M</b>	
M&A	mergers and acquisitions
Macquarie Bank, MBL	Macquarie Bank Limited ABN 46 008 583 542
the Board, Macquarie Group Board	the Board of Voting Directors of Macquarie Group Limited
Macquarie, the Consolidated Entity	MGL and its subsidiaries
Macquarie Nominee Director	a person who is appointed by a member of the Macquarie Group as a director to a board or board committee of a Company
MACS	Macquarie Additional Capital Securities
MAF	Macquarie AirFinance Limited
Malus	the ability of the Board or its delegate to reduce or eliminate unvested profit share for certain senior employees in certain circumstances
MAM	Macquarie Asset Management Group
Management	Division Directors and Executive Directors who have management or risk responsibility for a Division or business area
MCN2	Macquarie Group Capital Notes 2
MCN3	Macquarie Group Capital Notes 3
MCN4	Macquarie Group Capital Notes 4
MCN5	Macquarie Group Capital Notes 5
MCN6	Macquarie Group Capital Notes 6
MEREP	Macquarie Group Employee Retained Equity Plan
MFHPL	Macquarie Financial Holdings Pty Limited
MGL ordinary shares, MQG	MGL fully paid ordinary shares

# Glossary

Continued

Defined term	Definition
MGL, the Company	Macquarie Group Limited ABN 94 122 162 279
MIC	Macquarie Infrastructure Corporation
MRTs	Material Risk Takers under UK or EU regulatory requirements
MSCI Index	Morgan Stanley Capital International World Capital Markets Index
<b>N</b>	
NCD	negotiable certificates of deposit
NCI	non-controlling interests
NED	Non-Executive Director
NIFO	net investment in foreign operations
NOHC	Non-Operating Holding Company
Non-Bank Group	MGL, MFHPL and its subsidiaries, MAMHPL and its subsidiaries
Non-Banking Activities	comprises Macquarie Capital, MAM and some business activities of CGM
NPAT	net profit after tax
NZBA	Net Zero Banking Alliance
<b>O</b>	
OCI	other comprehensive income
Operating Groups	the Operating Groups consist of MAM, BFS, CGM and Macquarie Capital
Operationally Segregated Subsidiaries, OSS	the operations of some controlled subsidiaries are “segregated” from the rest of Macquarie, and a tailored Risk Management Framework may be adopted
OTC	over-the-counter
<b>P</b>	
PD	probability of default
Probability of Default (PD) Estimate	an estimate of the likelihood of the rated entity defaulting on its financial obligations to Macquarie over the period of a year and should look ‘through the cycle’ – i.e. represent the probability of default in natural economic conditions
PSU	Performance Share Unit issued under the MEREPE
PwC	PricewaterhouseCoopers
<b>Q–R</b>	
RAP	Reconciliation Action Plan
RAS	Risk Appetite Statement
RBA	Reserve Bank of Australia
RE100	global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity
RMG	Risk Management Group
RNG	renewable natural gas
ROE	return on equity
ROU	right-of-use

Defined term	Definition
RSU	Restricted Share Unit issued under the MEREPE
RSG	responsibly sourced gas
<b>S</b>	
SASB	Sustainability Accounting Standards Board
Senior Executive	Macquarie’s combined Division Director and Executive Director population
Scope 1	emissions released to the atmosphere as a direct result of an activity, or series of activities controlled by an organisation. For example, emissions from natural gas and diesel usage in corporate offices
Scope 2	indirect emissions released to the atmosphere associated with the generation of purchased or acquired electricity, heating and cooling consumed by the organisation
Scope 3	indirect emissions, other than Scope 2 emissions, that are a consequence of the activities of the company but occur from sources not owned or controlled by the company. For example, emissions associated with employee travel
Senior Management	members of Macquarie’s Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation
SEs	structured entities
SGX	Singapore Stock Exchange
SICR	significant increase in credit risk
SPPI	solely payment of principal and interest
<b>T</b>	
TCFD	Financial Stability Board’s Task Force on Climate-related Financial Disclosures
tCO <sub>2</sub> -e (Carbon dioxide equivalent in tonnes)	metric measure used to compare the emissions from various greenhouse gases based upon their global warming potential (US Environment Protection Agency)
TFF	Term Funding Facility
TJ	terajoules
TSR	total shareholder return
<b>U–V</b>	
UN PRI	UN-supported Principles for Responsible Investment
VaR	Value-at-Risk
Voting Directors	the Voting Directors of MGL as defined in the MGL Constitution
<b>W–Z</b>	
WHS	Work Health and Safety

## Contact details

**Macquarie Group Limited  
Principal Administrative Office**

50 Martin Place  
Sydney NSW 2000  
Australia

**Registered Office  
Macquarie Group Limited**

Level 6, 50 Martin Place  
Sydney NSW 2000  
Australia

