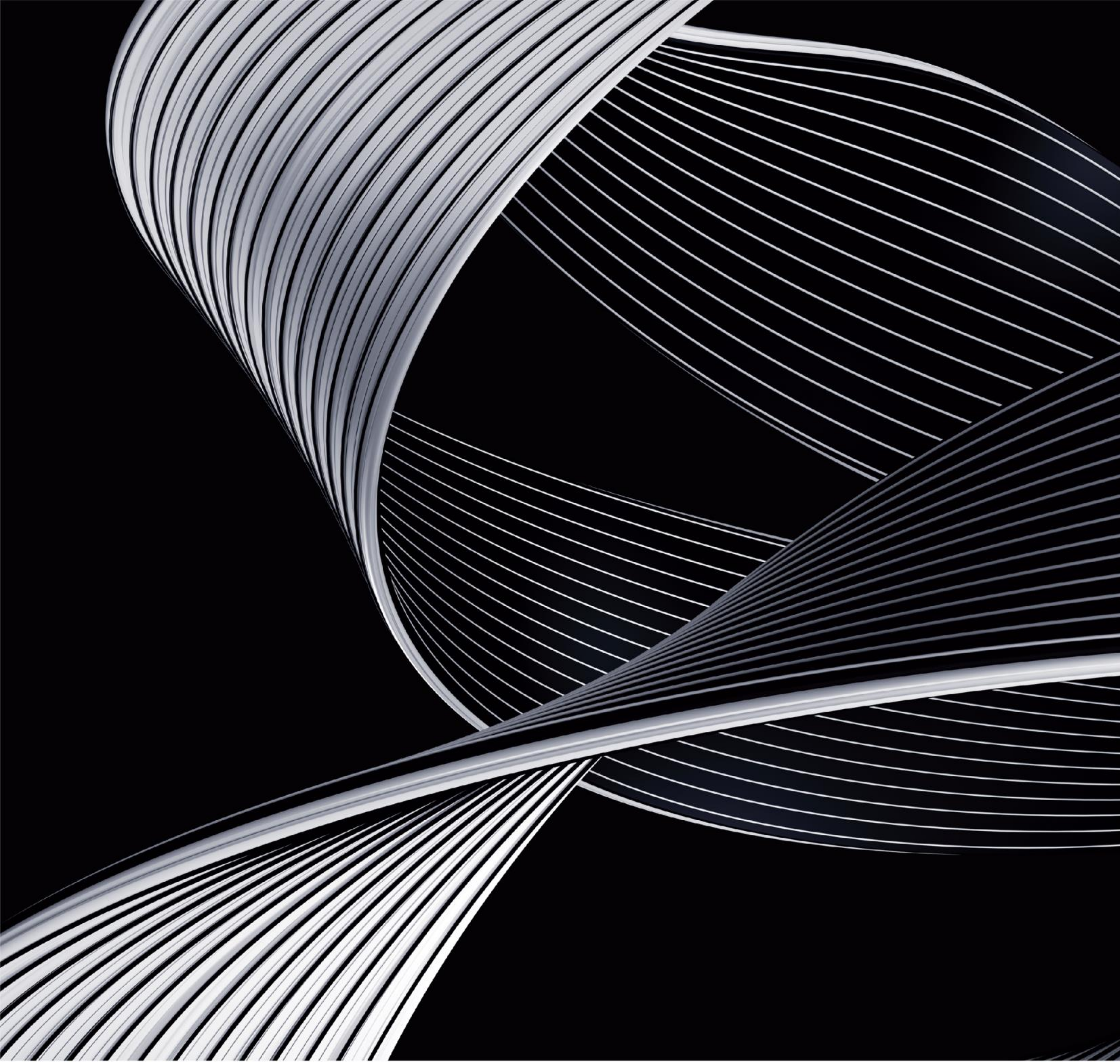

Macquarie Investment Management Europe Limited IFPR Public Disclosure

For the Financial Year Ended 31 March 2024

MACQUARIE

Contents

1. Overview

This disclosure is in relation to Macquarie Investment Management Europe Limited ("MIMEL", "the Firm"). MIMEL is a private, United Kingdom ("UK") incorporated company, authorised and regulated by the Financial Conduct Authority ("FCA") under Firm reference number 733534.

The Firm is ultimately owned by Macquarie Group Limited ("MGL"). MGL is regulated by the Australian Prudential Regulation Authority ("APRA") as the non-operating holding company of an Australian deposit-taking institution, Macquarie Bank Limited.

This document sets out the Investment Firm Prudential Regime ("IFPR") public disclosures for MIMEL as of 31 March 2024, which represents the end of MIMEL's financial accounting period.

1.1 Basis and Frequency of Disclosure

MIMEL is authorised with permissions that include making arrangements with a view to transactions in investments, advising, arranging, managing and dealing in investments as agent in scope of the UK Markets in Financial Instruments Directive ("MiFID") framework.

As a result, MIMEL is subject to the prudential requirements of the IFPR contained in the MIFIDPRU Prudential sourcebook for MiFID Investment Firms of the FCA Handbook.

The Firm is required to publish disclosures in accordance with the requirements and guidance outlined in MIFIDPRU 8.

Under the prudential firm categorisation set out in MIFIDPRU 1.2 of the FCA Handbook, MIMEL is categorised as a non-small and non-interconnected ("non-SNI") MIFIDPRU investment firm.

Annually, MIMEL makes its disclosure on a solo entity (i.e. individual) basis, in accordance with the provisions outlined in MIFIDPRU 8. The disclosed information is proportionate to MIMEL's size and organisation, and to the nature, scope and complexity of MIMEL's activities.

In line with the regulatory requirements outlined in MIFIDPRU 8, the scope of the information disclosed in this document relates to the applicable provisions of the disclosure requirements; principally to MIMEL's governance arrangements, risk management objectives and policies, Own Funds, Own Funds Requirements ("OFR") and the remuneration arrangements in place.

1.2 Policy, Validation and Sign-Off

MIMEL is committed to following a robust internal controls framework to ensure the completeness, accuracy and compliance with the relevant standards and regulatory requirements of any external reports and disclosures. As an external publication, this document has been subject to internal verification and approval in line with the IFPR Public Disclosure Policy that MIMEL has adopted to ensure compliance with the regulatory requirements contained in MIFIDPRU 8.

The governance in place allows for appropriate challenge and oversight prior to publication. The disclosure is not required to be subject to independent external audit.

2. Governance Arrangements

2.1 Legal and Organisational Structure

MIMEL was incorporated on 28 May 2015. The Firm is 100% owned by Macquarie Corporate Holdings Pty Limited ("MCHPL"). MCHPL is an indirectly owned subsidiary of MGL, which is listed on the Australian Securities Exchange (ASX: MQG; ADR: MQBKY) and regulated by APRA as the non-operating holding company of an Australian deposit-taking institution, Macquarie Bank Limited.

MIMEL has the following subsidiaries:

- Macquarie Investment Management Holdings (Austria) GmbH ("MIM Austria Holdco"). The scope of MIM Austria Holdco's roles and activities is limited to being the parent and the holding company for Macquarie Investment Management Austria Kapitalanlage AG ("MIM Austria"). MIM Austria is regulated by the Financial Market Authority ("FMA").
- Macquarie Investment Management Switzerland ("MIM Switzerland"), an unregulated subsidiary based in Switzerland. MIM Switzerland has no subsidiaries.

Table 1: Overview of MIMEL's ownership and legal structure

Entities	Description of activities
MIMEL	A UK-incorporated company authorised by the FCA to undertake MIFID investment activities.
MIM Austria Holdco	A subsidiary of MIMEL and the holding company (i.e., the parent) of MIM Austria.
MIM Austria	An investment management company providing distribution and portfolio management services, regulated by FMA.
MIM Switzerland	A Swiss-incorporated unregulated subsidiary of MIMEL.
MCHPL	An Australian-incorporated company and an owner of MIMEL.
MGL	An Australian-incorporated company and an ultimate owner of MIMEL.

2.2 Business Overview

The wider Macquarie Group[1] , is comprised of four operating groups:

- Macquarie Asset Management ("MAM").
- Macquarie Capital.
- Commodities and Global Markets.
- Banking and Financial Services.

MIMEL operates within the MAM operating group, which provides specialist investment expertise across a range of capabilities including infrastructure, green investments, agriculture and natural assets, real estate, private credit, leveraged credit, fixed income, equities, multi-asset solutions and secondaries. The Firm provides investment solutions in the UK across a variety of equity, fixed income, multi-asset, and specialty asset classes. In FY24 MIMEL extended its activities to also provide specialist insurance asset management services. MIMEL's business activities are focused exclusively on institutional clients.

1 MGL and its subsidiaries.

2.3 MIMEL Governance Structure

MIMEL has a formalised governance structure which is designed to provide oversight of the risk management of the Firm's business operations in line with systems and controls that MIMEL has in place to operate appropriately and in accordance with the necessary regulatory requirements and expectations. The ultimate responsibility for the management of MIMEL falls within the scope of the role and responsibilities of the management body of the Firm, the Board of Directors ("Board").

Due to its size, nature and complexity of the business activities, the Firm does not have a Risk Committee, a Nomination Committee or a Remuneration Committee as part of its governance arrangements nor is it required to establish these committees as set out in MIFIDPRU 7.1.4R.

2.4 Board Oversight Arrangements

The MIMEL Board has delegated the overall responsibilities for the management of MIMEL's operational activities to the Executive Directors who conduct their roles in line with their senior management functions ("SMF") and their responsibilities. The Board may also delegate authority to other persons to act on behalf of MIMEL in relation to certain matters on an ongoing basis. Records of such delegations are kept by the Secretary.

The governance and oversight frameworks in place ensure that the Board defines, oversees and is accountable for the implementation of arrangements to ensure effective and prudent management of the firm, including appropriate segregation of duties of the Senior Management in accordance with the UK's Senior Managers and Certification Regime ("SMCR") and management of conflicts of interest.

MIMEL has adopted Board Conflicts of Interest Guidelines, which are supported by a suite of related policies and procedures. The Board members are required to comply with the Board Conflicts of Interest Guidelines in order to prevent and manage any potential and actual conflicts should they arise in the course of their individual appointments and responsibilities as members of the management body.

2.5 Board of Directors

The Board is the main decision-making body of MIMEL. Its primary role is to promote the long-term health and prosperity of the Firm and establish sound and prudent management of the business.

The composition of the Board is formed by the Executive Directors of the Firm. In line with the MIMEL Board Charter, the minimum number of Directors of the Board is three.

As at the financial year end ("FYE") of 31 March 2024, the Board consisted of four Executive Directors. For an overview of the composition of the MIMEL Board, please see Table 2 below.

The Firm seeks regulatory approval prior to appointments to the MIMEL Board under the SMCR. All Board members are registered and listed on the FCA Register.

The roles, duties, responsibilities, mandates and membership composition of the Board is formalised in the MIMEL Board Charter.

Overall, the Board is responsible for approval and oversight of the strategic objectives, the risk strategy, risk management and governance of the Firm in compliance with its regulatory obligations and providing effective oversight of senior management.

The following are Board reserved matters:

- Approval of major elements of strategy including any significant change in the direction of that strategy.
- Approval of risk and management matters as prescribed by the FCA which apply to MIMEL.
- Payment of dividends.
- Changes relating to MIMEL's capital structure including capital reductions.
- Approval of any major transactions and material contracts between MIMEL and the rest of the Macquarie Group.
- Adoption of MIMEL annual budget.
- Approval of the annual report and accounts of MIMEL.
- Approval of the Remuneration Policy Statement.

- Approval of any amendments to the Board Charter.
- Approval of the appointment and removal of the Head of the risk management function for MIMEL.
- Any prospectus, admission document or other offering document in relation to which MIMEL will be the issuer and/or MIMEL or any of its directors will assume liability.

On an annual basis, the Board considers the following items:

- An evaluation of the need for independent non-executive directors on the Board.
- A review of the number of directorships each director has, and the ability of each director to devote sufficient time to MIMEL.
- A review of its Charter and its continuing adequacy.

2.6 Directorships

The following information relates to the appointments of directors held in both, executive and/or non-executive functions, including directorships held at Macquarie Group, external, and commercial organisations as at 31 March 2024:

Table 2: Overview of all relevant directorships held by the MIMEL Board members

SMF Function/Role	Name	Background	Total Number of Directorships
SMF1 CEO, SMF3 Executive Director / Head of Credit, MAM	**Peter Glaser**	Peter is Head of Credit for MAM and joined the MIMEL Board in March 2024 as CEO. He is also Chair of the MAM Credit Executive Committee, Chief Investment Officer of Private Credit, and a member of the MAM Executive Committee. Peter joined Macquarie in 2022, with more than 35 years of diverse financial services experience across North America and Europe, including as a partner at KKR and senior positions at Barclays and Goldman Sachs. Peter holds a Bachelor of Arts in history and political science from the University of Pennsylvania and a Master of Business Administration from Harvard Business School.	2
SMF 3 Executive Director/ Managing Director MAM Client Solutions Group EMEA	**Gillian Evans**	Gillian joined the MIMEL Board in March 2022 and MAM in 2015. Prior to joining Macquarie, Gillian spent 10 years at Goldman Sachs Asset Management and 4 years at Insight Investment in London, having begun her career with roles at Macquarie and Permanent Trustee in Sydney. Gillian graduated from the University of Technology Sydney with Business and Law.	1
SMF 3 Executive Director/ Head of Insurance Capital Solutions ("ICS")	**Tim Humphrey**	Tim joined Macquarie in 2013 and the MIMEL Board in February 2024 as Executive Director, holding the role of Head of MAM ICS. Before joining Macquarie, Tim worked in the pension sector, completing actuarial training at Watson Wyatt (now Willis Towers Watson). Tim earned a Bachelor of Science in Maths from the University of Nottingham.	1

SMF Function/Role	Name	Background	Total Number of Directorships
SMF 3 Executive Director/ MAM EMEA Chief Operating Officer	**Anita Huynh**	Anita joined the MIMEL Board in March 2022 as an Executive Director, holding the role of MAM EMEA Chief Operating Officer. Anita joined Macquarie in 2009 as a graduate and has since performed various finance roles across listed and unlisted infrastructure funds. Prior to joining the Board, Anita was EMEA Head of Risk and Sustainability. Anita has a Bachelor of Accounting from the University of Technology Sydney and is a member of the Chartered Accountants Australia and New Zealand.	1

2.7 Diversity and Inclusion

MIMEL values the innovation and creativity that diversity of thought brings to the Firm and understands that diversity, equity and inclusion play a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering higher standards of conduct and success of the business.

The Firm approaches diversity in the broadest sense, recognising that successful businesses embrace diversity at all levels, including the board and senior management. MIMEL continues to build on its diversity, equity and inclusion strategy including by maintaining the gender balance of its Board.

Additionally, Macquarie Group is a proud signatory to the Women in Finance Charter, a HM Treasury initiative, which aims to achieve gender balance at all levels across financial services.

2.8 Board Diversity and Appointments

A diverse and inclusive Board is an essential component for maintaining a competitive advantage. Consequently, one of the main objectives of the Board is a commitment to ensure that the Board composition is suitable at all times for the MIMEL Board to be an effective decision-making body and to provide successful oversight and stewardship of MIMEL.

In its approach and efforts to promote, achieve and maintain diversity at Board level, MIMEL has adopted and applies the Suitability and Diversity Guidelines ("S&D Guidelines") implemented across certain Macquarie's EMEA entities. These guidelines serve as the diversity policy of the Firm.

The S&D Guidelines draw their objectives from the importance of ensuring that the Board members are suitable for the business both individually and collectively. In addition, they seek to ensure that the composition of the Board promotes distinct, individual thinking and decision making in its role of implementing the MIMEL's objectives aligned with the strategic direction of the Group.

All members of the Board should be suitable at all times. Their suitability is reassessed periodically. Notwithstanding the experience, knowledge and skills of each member of the Board, the overall composition of the Board seeks to reflect an adequately broad range of experience.

The directors are appointed in accordance with the following suitability criteria set out in the S&D Guidelines:

- Being of good repute.
- Being able to act with honesty, integrity and independence of mind.
- Overseeing, monitoring and challenging management decision-making effectively.
- Possessing sufficient knowledge, skills and experience to perform their duties.
- Disclosing any financial or non-financial interests that could create potential conflicts of interest.
- Being able to commit sufficient time to perform management body functions in a supervisory context.
- Not being restricted from taking up the position by any regulatory requirement.

The assessment of an individual's adequate knowledge, skills and experience will consider:

- The role and duties of the position and the required capabilities.
- The knowledge and skills attained through education, training and practice.
- The practical and professional experience gained in previous positions.
- The knowledge and skills acquired and demonstrated by the professional conduct of the member of the Board.

The S&D Guidelines are further complemented by the Group Workforce Diversity Policy ("WDP") to which MIMEL gives regard in selecting its Board members. The WDP defines the entire Macquarie Group's commitment to workforce diversity and the structures in place to ensure it is realised.

As part of the formal director appointment process, the Board is assisted by the Legal and Governance, Risk Management and Human Resources departments as appropriate. For example, by monitoring the appointment periods, undertaking suitability assessments and any necessary regulatory screening and employment checks.

The Board undertakes an annual self-evaluation assessment of the effectiveness of the Board itself as well as the individual Board members against the requirements outlined in the Board Charter.

While MIMEL's policies and procedures are designed to avoid group thinking, promote sound governance outcomes, facilitate constructive challenge and debate amongst the Board members, during the Board composition suitability and diversity assessments, MIMEL Board considers diversity aspects including but not limited to the following:

- Gender.
- Educational and professional background.
- Ethnicity.
- Geographical provenance.
- Professional experience.
- Tenure and personal background.

MIMEL acknowledges that the members (i.e., the Executive Directors) of its Board are typically nominated by virtue of their executive duties at the Firm and in accordance with a group-wide adopted standard relating to approval and governance requirements for Nominee Directors and Offices. Therefore, the suitability and diversity of the Board is closely linked to the suitability and diversity of senior management.

MIMEL is committed to promoting and maintaining an inclusive and gender-balanced Board which currently comprises 50% of female representation.

3. Risk Management

3.1 Overview of Risk Management and Control Environment

MIMEL's Risk Management Framework ("RMF") is the totality of systems, structures, policies, processes and people that identify, measure, monitor, report and control or mitigate all internal and external sources of material risk. Material risks are those that could have a material impact, financial or non-financial.

MIMEL's Risk Management Strategy ("RMS") sets out MIMEL's RMF comprised of the following key components:

- Risk Management Principles
- Business Planning
- Risk Culture and 'What We Stand For'
- Risk Governance
- Risk Appetite Statement ("RAS") and Risk Tolerances
- Risk Management Group ("RMG")
- Policies and Subordinate Documents
- Reporting and Management Information
- Liquidity and Capital Adequacy
- Integrated Planning Process.

The MIMEL RMS is approved by MIMEL's Board and aims to:

- Describe the risk governance relationship between the MIMEL Board and senior management with respect to the entity's Risk Management Framework.
- Outline the approach to ensuring all persons within MIMEL and Macquarie have awareness of the MIMEL Risk Management Framework and for instilling an appropriate risk culture .
- Summarise the roles and responsibilities of RMG relative to MIMEL.
- Describe each material risk identified, and MIMEL's approach to managing these risks.
- List the key policies, standards and procedures supporting risk management for MIMEL.

The MIMEL RMS is underpinned by the Macquarie Group RMS. MIMEL's approach to risk management is based on stable and robust core risk management principles. These are:

- Risk ownership at the business level: MIMEL's Senior Managers are responsible for ownership of material risks that arise from the business operations, including identification, measurement, control and mitigation of these risks. As part of the decision-making, clear analysis of the risks is sought to ensure that the decisions taken are consistent with MIMEL's risk appetite and strategy.
- Understanding worst case outcomes: MIMEL's risk management approach is based on examining the consequences of worst-case outcomes and determining whether these are acceptable and within MIMEL's risk appetite. This approach is adopted for all material risk types and can be achieved by stress testing. MIMEL operates a number of 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 the relevant RMG stakeholders: the Firm places significant importance on having an effective and independent and effective risk management function comprising skilled professionals, which is responsible for oversight of all material risk acceptance decisions. As part of the decision-making process, at an early stage, RMG opinion is sought for all material proposals. The approval document submitted to senior management is reviewed and challenged independently by the relevant RMG stakeholders.

3.2 Risk Governance

MIMEL has a formal risk governance structure in place, which forms part of the Firm's RMF, to ensure effective management of the key risks the Firm faces as a result of its business operations. As noted above, the overall responsibility for the risk management at MIMEL rests with the MIMEL Board.

Three lines of defence

MIMEL operates an industry recognised 'Three lines of defence' model as a mechanism for assigning clear roles and responsibilities for the identified risks.

- First line of defence: The primary responsibility for risk management is assigned to the Senior Managers within the business operations acting as the first line of defence. The overall responsibility for the Firm's material risks (described in more detail further below in this Section) rests with the Board. The MAM Group Head and Senior management discharge their responsibilities for managing operational and non-financial risks with the support of MAM Risk. MAM Risk provides guidance, support, and challenge and ensures the implementation of Macquarie's and MAM's Risk Management Frameworks consistently. In addition to the business unit front office staff, the Financial Management Group ("FMG") is considered the first line of defence for finance, tax, and treasury activities in MIMEL.
- Second line of defence: RMG forms the second line of defence, which is functionally separate from the first line of defence. RMG is an independent, central unit responsible for ensuring all risks are appropriately assessed and managed across Macquarie Group, including MIMEL. RMG provides objective review and challenge, oversight, monitoring and reporting on MIMEL's material risks. RMG designs and oversees the implementation of the RMF.
- Third line of defence: RMG Internal Audit Division ("IAD"), objectively assesses and challenges the Firm's risk management controls, processes and systems. IAD further provides independent and objective assurance of Macquarie Board Committees, including the Macquarie Board Audit Committee and senior management on the adequacy and operational effectiveness of Macquarie's internal control, risk management and governance systems and processes.

3.3 MIMEL Board-Approved Risk Appetite Statement

MIMEL's risk appetite, which is set and approved by the MIMEL Board, represents the degree of risk that MIMEL is willing to accept in pursuit of its strategic objectives and business plan, with appropriate considerations of the Firm's capital adequacy risk. The risk appetite is based on a number of principles:

- Risk-taking must be consistent with MIMEL's strategy and strategic intent. Specifically, MIMEL only has appetite for taking risks in a manner which is consistent with the core principles expressed in MGL's 'What We Stand For' and 'Code of Conduct'.
- Risks must be well understood and generate returns in proportion to their risk.

This principle-based approach is reflected in the MIMEL RAS as the overarching risk-taking setting of the Firm, which is outlined within the RAS document as follows:

- The established risk tolerances seek to ensure that the Firm only accepts risks consistent with the Board-approved risk appetite. The tolerances are expressed as qualitative statements, or quantitative limits for financial and non-financial risks.
- The processes that MIMEL has established, seek to ensure that:
  - risk tolerances are set at an appropriate level;
  - compliance with risk tolerances is monitored; and
  - MIMEL takes appropriate steps if or when these thresholds are breached.
- The timing and process is set for review of MIMEL's risk appetite and tolerances.

On an annual basis, the Board reviews and approves MIMEL's RAS, including the appropriateness of the Firm's risk appetite and risk management arrangements, which are used to embed, set and monitor risk appetite for MIMEL's material risks.

The identified risks, which are comprehensively understood before being accepted, are owned at a business level. All material risk acceptance decisions are independently approved by the Board.

3.4 Risk Monitoring and the Flow of Information

MIMEL's RMF incorporates active management, monitoring and reporting of all material risks. The Firm's governance structure ensures that the Board has a comprehensive view of all material risks through regular reporting of MIMEL's risk position and profile.

To facilitate the ongoing monitoring of key risks and ensure that any related incidents or regulatory breaches are addressed, MIMEL follows its formal reporting framework, which includes preparing of regular monitoring reports.

The key information is escalated to the appropriate level of senior management and the Board, as necessary, to provide the decision makers with relevant risk information necessary for effective oversight of risks within the Firm.

3.5 Internal Capital Adequacy and Risk Assessment ("ICARA") Process

As part of its RMF, MIMEL undertakes an overall assessment of the effectiveness of the Firm's risks and internal risk control activities. The ICARA process assists MIMEL with identifying and managing harms that the Firm may cause to others and itself through risks of harm that arise from the Firm's regulated and unregulated activities.

Further, the ICARA process covers an assessment of adequacy of the Firm's financial resources, comprising both Own Funds and liquidity, including the internal assessment of the level of Own Funds and liquid assets necessary for MIMEL to hold for its ongoing operations and to facilitate an orderly wind down. The key objective of the assessment is to determine MIMEL's compliance with the Overall Financial Adequacy Rule ("OFAR").

This assessment is recorded in the ICARA document and includes the following key elements:

- Business overview, strategy and performance forecasts.
- Governance arrangements.
- ICARA enhancements.
- RMF including the assessment of key risks of harm.
- Own Funds and liquidity internal assessment for ongoing operations.
- Own Funds and liquidity stress testing including recovery actions.
- Reverse stress testing and wind-down planning.

3.6 MIMEL Harm Potential and Risk Management Arrangements – Board Statement

The overall responsibility for the effectiveness and adequacy of MIMEL's risk management arrangements, including the Firm's risk management objectives and policies, rests with the Board. The Board recognises that, in pursuit of its business strategy objectives, the Firm's activities may cause potential harm to its clients, market participants and to the Firm itself. These risks are assessed and considered as part of the Firm's RMF and the ICARA as outlined above.

MIMEL's Board considers the Firm's risk management arrangements operating through the RMF as outlined in this Section, to have been implemented to ensure compliance with the regulatory requirements, guidance and standards. As such, the Board considers the risk management arrangements to be appropriate for minimising the risk of harm and in line with the Firm's business strategy, risk profile and the RAS.

3.7 K-Factor Requirements

The IFPR includes a formulaic methodology (i.e., the K-Factor Requirement ("KFR")) for the calculation of minimum capital requirements derived from a MIFIDPRU Investment Firm's risks, that arise from undertaking regulated activities. The methodology, which is outlined in MIFIDPRU 4.6, is based on calculating nine possible K-factors from the following three categories of risk:

3.7.1 Risk-to-Client

Risk-to-Client covers risks posed by an investment firm as part of its business and operations which could negatively impact clients. It comprises four K-factors:

- K-AUM (Assets Under Management)
- K-CMH (Client Money Held)
- K-ASA (Assets Safeguarded and Administered)

- K-COH (Client Orders Handled)

3.7.2 Risk-to-Market

Risk-to-Market captures the impact an investment firm could have on the markets in which it operates. It consists of two K-factors:

- K-NPR (Net Position Risk)
- K-CMG (Clearing Margin Given)

3.7.3 Risk-to-Firm

Risk-to-Firm captures the risks to an investment firm from its business and operations. The three K-factors apply to investment firms authorised to trade on their own account:

- K-TCD (Trading Counterparty Default)
- K-DTF (Daily Trading Flow)
- K-CON (Concentration Risk)

Based on MIMEL's business activities undertaken in the FYE of 31 March 2024, the single K-factor that applies to the Firm is K-AUM, which captures the risk of harm to clients that arises from the poor management of client portfolios.

MIMEL's exposure to K-AUM per MIFIDPRU 4.7, is associated with aspects of Operational Risk, more specifically, to the Firm's day-to-day management activities of client assets.

3.8 Material Risks and Their Management

MIMEL has a standardised process, the Strategic Risk Materiality Assessment ("SRMA"), for the determination of the material risks from its risk profile which is associated with the Firm's business strategy and the RMS. These are the key risks arising from the Firm's business activities, which, if crystalised, could have a material financial or non-financial impact on MIMEL's operations and cause harm.

Risks are assessed against MIMEL's strategic objectives annually or more frequently in the event of a significant change in a business strategy. The Board owns the materiality assessment conclusions. During the most recent SRMA, the risks outlined below were identified as material to MIMEL's business.

The Firm's risk management approach and the processes which MIMEL utilises for the reduction of the potential for harm arising from the Firm's material risks, are set out below.

3.8.1 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

MIMEL is exposed to Operational Risk in the course of undertaking its business activities.

Operational Risk is managed and mitigated by the overarching group based Operational RMF which includes the identification and assessment process of associated risk controls and scenarios involving operational sub-risks.

There are a number of key components of operational risk management which achieve minimum standards of business level operational risk management. These include:

- New Product and Business Approval ("NPBA"): All new businesses and significant changes to existing products or processes are subject to a rigorous, interactive approval process.
- Business Operational Risk Managers ("BORMs"): BORMs provide support to implement mandatory elements of operational risk management.
- Risk and Control Self-Assessment ("RCSA"): The MIMEL RCSA is a formal process of risk self-assessment, designed to identify the various risks that exist in the business, and to record and assess the performance of the controls in place to mitigate those risks.
- Incident Reporting: Operational Risk incidents are recorded in the internal loss database and analysed to identify lessons learned and ensure appropriate actions have been taken.

- The Operational Risk Capital team perform assessments of potential operational risk harms that may arise from ongoing operations, for the purpose of setting capital requirements. Assessed using a scenario-based approach.

3.8.2 Credit Risk

Credit Risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due.

Credit Risk, which includes Credit & Counterparty Risk and Concentration Risk as sub-risks, is managed in line with the Firm's RMF and the Macquarie Group Credit Policy.

3.8.2.1 Credit & Counterparty Risk

The Firm is exposed to Credit & Counterparty Risk, which arises through:

- A placement of surplus cash with MIMEL's funding parent within MGL;
- Cash deposits with external banks; and
- Fees receivable from external counterparties.

The Firm's approach to Credit Risk management outlined in the Macquarie Group Credit Policy is that risk acceptance decisions, in excess of modest amounts, are made independently of the business unit involved under a tiered discretions structure for the exercise of credit and equity investment decisions.

All credit exposures are monitored daily as part of the daily excess monitoring process with any triggers or limit breaches being escalated to the Board. Regular updates and reports are prepared in line with the MIMEL RMF.

All credit limits are subject to (at least) an annual review.

3.8.2.2 Concentration Risk

Concentration Risk is defined as the risk of loss arising from concentrations of exposures due to imperfect diversification which can arise from the small size of a portfolio or a large number of exposures to specific obligors (single name concentration) or from imperfect diversification with respect to economic sectors or geographical regions.

MIMEL's main source of Concentration Risk arises from both, external and intragroup exposures as a result of its interactions with other Macquarie Group entities.

The Firm addresses the Concentration Risk by considering single name, sectoral and geographical credit concentration across all exposures in line with Macquarie's policies that limit large exposures to single counterparties with the exception to intragroup entities.

Intragroup Concentration Risk is monitored regularly against the Macquarie Group liquidity early warning indicators to which a Red/Amber/Green scoring status is applied.

Activation of Amber and Red triggers require taking immediate remediation actions including escalations to the Board and MIMEL's Senior Management.

Country Concentration Risk exposures require Board approval in line with the Macquarie Group Country Risk Policy. The Firm does not have any appetite for exposure to sanctioned countries.

MIMEL does not have a permission to undertake trading on its own account, thus the relevant K-factor (i.e., K-CON) for calculating the amount of Own Funds that a firm must hold against this Risk does not apply to MIMEL.

3.8.3 Conduct Risk

Conduct Risk is defined as the risk of behaviour, action or omission by individuals employed by, or on behalf of, MIMEL or taken collectively in representing MIMEL that may have a negative outcome for the clients, counterparties, communities and markets in which it operates, its staff or MIMEL.

MIMEL is exposed to Conduct Risk through its business activities, including the actions of staff, the provision of financial products and services to clients, dealing with counterparties and operating in markets. Such behaviour or actions that may arise inadvertently or deliberately, include breaches of laws or regulations, disregard for Macquarie's 'What We Stand For' principles or 'Code of Conduct', negligence and/or a lack of reasonable care and diligence and failure to escalate improper conduct.

This risk is managed through the Macquarie Conduct RMF, which includes compliance with the UK's SMCR and MIMEL's governance arrangements, policies, and procedures that support the Firm's risk culture.

3.8.4 Group Risk

Group Risk is defined as the risk that the actions and activities of other Macquarie Group entities may compromise the financial, operational and reputational position of MIMEL.

The Firm is exposed to Group Risk as a result of being part of the Macquarie Group. Specifically, through group financial exposures, outsourcing of some functions and activities and reputational risk related to perception of poor client service, staff conduct, contributing to poor industry conduct or association with negative press.

This risk is managed through the Group RMF, including supporting policies and standards, and regular, close monitoring of the risk with appropriate management controls is in place.

3.8.5 Regulatory and Compliance Risk

Regulatory and Compliance Risk is defined as the failure to comply with laws, regulations, rules, statements of regulatory policy and codes of conduct applicable to MIMEL's financial services and other regulated activities.

The exposure to this Risk arises from non-compliance with the Firm's regulatory requirements associated with its business activities.

MIMEL has established systems and controls to mitigate the potential non-compliance with the Board approved Regulatory and Compliance Risk RAS, including the operation of a Three lines of defence model, a suite of internal policies and procedures.

3.8.6 Business and Strategic Risk

Business and Strategic Risk is defined as any risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and the desired strategy.

MIMEL is exposed to this risk through events that result in the loss of public investments' AUM relating to the funds and/or strategies that are managed or distributed by the Firm.

Business and Strategic Risk is managed and controlled at group level in line with the group RMS and RAS. The approach to the risk's day-to-day management stems from the business units as the first line of defence owning the risk and being supported by the second and third line.

3.8.7 Financial Crime Risk

Financial Crime Risk is defined as the risk of knowingly or unknowingly perpetuating or helping parties to commit or to further potentially illegal activity through MIMEL. Financial Crime Risk encapsulates the risks of money laundering, terrorism financing, bribery and corruption, and sanctions.

MIMEL is primarily exposed to this risk through its engagement with the counterparties that it deals with from sanctions imposed on counterparties, anti-money laundering and counter terrorism financing perspective and through potential bribery and corruption arising from the conduct of its employees, associated persons and counterparties during the course of business.

Financial Crime Risk is managed through the MAM Financial Crime RMF comprising systems, controls and procedures to minimise the Risk and potential sanctions.

3.8.8 Technology and Cyber Risk

Technology and Cyber Risk is defined as the loss resulting from failure, inadequacy or misuse of technology and technology resources owned, managed or supplied by Macquarie Group, including technology outsourced and/or managed on behalf of Macquarie Group.

An exposure to Technology Risk at MIMEL arises through the inability to access or effectively use technology resources provided internally or by a third party (directly or on an outsourced basis). Cyber Risk at the Firm arises from the accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which compromises their confidentiality, integrity or availability.

Technology and Cyber Risk is managed through established Macquarie Group systems, controls and procedures which MIMEL has adopted.

3.9 Liquidity (Risk and Requirement)

Liquidity Risk is the risk that the firm is unable to meet financial obligations as and when they fall due.

MIMEL's liquidity RAS sets out that the Firm must be able to meet all of its liquidity obligations during a period of liquidity stress. MIMEL must also maintain sufficient liquid assets to meet all applicable regulatory requirements.

Based on the Macquarie Group Liquidity RMF, MIMEL has its own, established Liquidity RMF which is underpinned by a suite of framework documents including MIMEL's Liquidity Policy and related liquidity management processes, procedures and controls. Collectively, the framework seeks to ensure that MIMEL has robust liquidity risk management in place with sufficient liquid resources, both in terms of quality and quantity, to meet its liabilities as they fall due, thus minimising any potential harms arising from this risk.

The Liquidity RMF sets out the Firm's approach to managing its liquidity in compliance with internal obligations and regulatory requirements outlined in the MIFIDPRU section of the FCA Handbook and associated FCA guidelines.

Further, the Liquidity RMF provides key metrics for MIMEL to manage Liquidity Risk within the Board-approved RAS, which seeks to ensure that, at all times, MIMEL holds eligible liquid assets to meet:

- At minimum, one third of its Fixed Overheads Requirement ("FOR") and 1.6% of the total amount of any guarantees provided to clients, known as the Basic Liquid Assets Requirement ("BLAR"); and
- Its Liquid Assets Threshold Requirement ("LATR") which is calculated to determine compliance with the OFAR as part of the ICARA process, where MIMEL undertakes an assessment of the liquid assets necessary for ongoing operations, including during stressed conditions, and to wind-down in an orderly manner.

LATR is therefore the sum of the Firm's BLAR; and the higher of:

- the Firm's estimate of the amount of liquid assets that it requires to fund its ongoing operations (including in stressed conditions);
- the Firm's estimate of the additional amount of liquid assets (over and above its BLAR) that it would require to ensure an orderly wind-down of its business.

Liquidity risks at MIMEL are identified through ongoing liquidity management and monitoring, which contribute to the development of MIMEL's Liquidity RMF and formulating stress testing scenario design and key assumptions.

Regular monitoring and reporting to relevant stakeholders, Senior Management and the Board on the Firm's liquidity position is undertaken by monitoring liquidity against the Firm's key liquidity metrics. Any triggers or breaches would be escalated in line with the MIMEL Escalations and Triggers Framework ("ETF") which formalises the procedures in place for instances when MIMEL's liquid assets fall below the internal or regulatory requirements.

4. Own Funds

4.1 Composition of Regulatory Own Funds

MIMEL's Own Funds (i.e., capital resources) comprise exclusively CET 1 capital. CET 1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET 1 instrument in accordance with the IFPR.

As at the FYE of 31 March 2024, MIMEL complied with the relevant capital regulatory obligations, as outlined in the IFPR.

Table 3: OF1 - Composition of regulatory Own Funds

No.	Item	Amount (GBP thousands)	Audited Financial Statements Balance Sheet Source
1	**OWN FUNDS**	**42,305**	
2	**TIER 1 CAPITAL**	**42,305**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**42,305**	
4	Fully paid up capital instruments	50,000	Note 17
5	Share premium	N/A	
6	Retained earnings	12,730	Note 19
7	Accumulated other comprehensive income	N/A	
8	Other reserves	97	Note 18 Note 19
9	Adjustments to CET1 due to prudential filters	N/A	
10	Other funds	N/A	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(20,522)	
19	CET1: Other capital elements, deductions and adjustments	(20,522)	Note 8
20	**ADDITIONAL TIER 1 CAPITAL**	**N/A**	
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
25	**TIER 2 CAPITAL**	**N/A**	
26	Fully paid up, directly issued capital instruments	N/A	
27	Share premium	N/A	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29	Tier 2: Other capital elements, deductions and adjustments	N/A	

4.2 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

The table below describes the reconciliation with Own Funds in the balance sheet as at 31 March 2024, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

Table 4: OF2 - Reconciliation of regulatory Own Funds to Balance Sheet in the audited Financial Statements

		a	b	c
	Amount in GBP (thousands)	**Balance sheet as in published/audited financial statements**	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
	As at period end	**31 March 2024**		
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible assets	57		
2	Investments in subsidiaries	20,377		19 - CET1: Other capital elements, deductions and adjustments
3	Debtors: amounts falling due after more than one year	2,238		
4	Cash at bank	11,533		
5	Debtors	64,554		
6	Deferred tax assets	177		
	Total Assets	**98,937**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within 1 year	(7,009)		
2	Provisions for liabilities	(85)		
3	Creditors: amounts falling due after 1 year	(29,015)		
	Total Liabilities	**(36,110)**		
Shareholders' Equity				
1	Called up share capital	50,000		4 – Fully paid up Capital Instruments
2	Equity contribution from ultimate parent entity in relation to share-based payments	34		8 – Other Reserves
3	Reserves	62		8 – Other Reserves
4	Profit and loss account	12,730		6 – Retained earnings
	Total Shareholders' equity	**62,827**		

4.3 Main Features of Own Instruments

The table below provides information on the CET1 Instruments issued by MIMEL.

Table 5: OF3 -Main features of own instruments Issued by MIMEL

Issuer	**MIMEL**
Public or private placement	Private
Instrument type	Ordinary share
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	50,000
Issue price (GBP whole number)	1
Accounting classification	Called up share capital
Original date of issuance	1 on 28 May 2015; 50,000,000 on 1 December 2016
Perpetual or dated	Perpetual

5. Own Funds Requirements

5.1 K-Factor Requirement and Fixed Overheads Requirement

MIMEL is required to disclose the KFR and the FOR amounts in relation to its compliance with the OFR set out in MIFIDPRU 4.3. The amounts are presented in the table below.

Table 6: KFR displayed by sums of individual K-factors broken into three groupings and the FOR amount

Item		Total amount in GBP (thousands)
K-Factor	∑ K-AUM, K-CMH and K-ASA	**2,114**
	∑ K-DTF and K-COH	**0**
	∑ K-NPR, K-CMG, K-TCD and K-CON	**0**
FOR		**12,273**

5.2 Approach to Assessing the Adequacy of Own Funds

MIMEL is further required to disclose its approach to assessing the adequacy of its Own Funds in accordance with the OFAR as outlined in MIFIDPRU 7.4.7R.

As set out in Section 3, MIMEL undertakes an ICARA process, which is embedded within the Firm's RMF.

The main objectives of the ICARA in relation to Own Funds, are:

- Assessment of potential material harms arising from the key risks that the Firm may cause through its activities and measurement of Own Funds necessary for ongoing operations that MIMEL is required to maintain.
- Assessment of MIMEL's wind down costs to ensure sufficient levels of financial resources are maintained to support an orderly wind down.
- Determination of the OFAR as the level of Own Funds and liquid assets the Firm needs to hold at all times.
- Measurement and maintenance of sufficient Own Funds to meet the OFAR at target operating levels for the forecasted period, allowing for potential changes to factors which affect its risk profile and Own Funds.
- Integration of stress and scenario testing into the key risk management, strategic and MIMEL's decision-making processes and the assessment of Own Funds required to allow for cyclical economic fluctuations.
- MIMEL Board and Senior Management review and challenge of key assumptions and the level of Own Funds adequacy forecasted for at least the next 3 years.

The ICARA process is conducted at least annually or following a material change in circumstances as appropriate.

5.3 Overall OFAR Compliance

At all times, MIMEL must hold adequate financial resources, both in amount and quality, to ensure that the Firm remains financially viable throughout the economic cycle with the ability to address any potential harms that may result from its ongoing activities. In addition, the Firm must be prepared for an orderly wind-down while minimising harm to customers and other market participants, without threatening the integrity of the UK financial system.

Thus, to meet the OFAR, MIMEL must hold the higher of the amount of Own Funds necessary for:

- Its ongoing operations, including any potential financial stress periods during the economic cycle; and
- An orderly wind down.

The methodology that MIMEL has adopted to calculate the individual components of the OFAR are detailed below.

As a minimum, MIMEL must meet the OFR and BLAR. As a non-SNI firm, MIMEL has to comply with the provisions of the OFR contained within MIFIDPRU 4.3.2R by holding the highest of its:

- Permanent minimum capital requirement ("PMR") (per MIFIDPRU 4.4);
- FOR (per MIFIDPRU 4.5); or
- KFR (per MIFIDPRU 4.6).

MIMEL complies with its PMR of £75,000, being a fixed requirement based on the permissions the Firm has to undertake its regulated activities.

The FOR, equal to one quarter of MIMEL's expenditure from the preceding year before the distribution of its profits and after the deduction of certain non-fixed expenditure items, is calculated from MIMEL's audited annual financial statements.

The KFR methodology for calculating the OFR is outlined in MIFIDPRU 4 and provides for a suite of K-Factors to be applied as relevant, based on a firm's permissions. The single relevant K-Factor applicable to MIMEL is the K-AUM. This is referred to as the Firm's KFR.

5.4 Internal Assessment

As part of the ICARA process, MIMEL undertakes an internal assessment to determine the level of Own Funds it needs to hold at any time to comply with the OFAR; this is known as the Own Funds Threshold Requirement ("OFTR"). The OFTR aims to cover any potential material harms that may arise from the material risks that MIMEL has identified.

In determining MIMEL's OFTR, the Firm undertakes an Own Funds assessment to address any identified potential material harms from ongoing operations and a Firm's wind-down plan, and those harms to which the Firm has not taken measures to reduce their impact.

MIMEL also undertakes an assessment of any residual potential material harms that remain after the Firm has applied impact reduction measures to determine whether additional Own Funds need to be held to address the residual harms.

In its approach to calculating the additional Own Funds to be held against cyclical economic fluctuations, MIMEL assesses the OFR and Own Funds movements as part of the internal assessment. Further, the impact to MIMEL's Own Funds and its ability to absorb any losses in both, pre- and post-stressed situations, adequacy of Own Funds are tested through scenario analysis and challenging the base case financial projections with severe but plausible stresses.

In compliance with the regulatory Liquidity requirements, as noted in Section 3 above, the Firm also undertakes an internal assessment of its liquid assets including those necessary for an orderly wind-down.

5.5 Own Funds Adequacy and Monitoring

MIMEL's approach to ensuring that it has appropriate Own Funds is the alignment with the Firm's strategy and risk appetite. All identified key risks are individually assessed. The Firm has no appetite to breach its OFTR.

The Firm performs monthly Own Funds monitoring in line with MIMEL's ETF and sets levels relating to Own Funds at which specific notifications, escalations and mitigating actions may be taken. Any breach of the set thresholds is escalated in line with the procedures outlined in the ETF.

5.6 Wind-Down

The MIMEL Wind-Down Plan provides an overarching governance framework for the process of ceasing its regulated activities in an orderly manner, ensuring minimal adverse impact to clients, markets or the Firm's counterparties. It provides a detailed guide and practical steps to assist the MIMEL Board and senior management in making timely and effective decisions to wind down MIMEL in the event of a severe financial stress.

The Wind-Down Plan includes key actions and a timeline from when a Point of Non-Viability ("PoNV") metric is triggered, which determines a wind-down event, through to the endpoint of the process, when an entity's authorisations have been removed by the FCA. The plan also includes an assessment of costs associated with the wind-down which feed into MIMEL's capital and liquidity assessments.

The thresholds and escalations set out in the ETF and used in the monthly assessment of Own Funds are aligned and consistent with the wind-down triggers included in the Wind-Down Plan.

The Wind-Down Plan is reviewed and updated at least annually as part of the ICARA process.

6. Remuneration

For disclosures on information concerning MIMEL's remuneration arrangements, including the policy and practices, please refer to the following link: https://www.macquarie.com/uk/en/investors/regulatory-disclosures.html.

MIMEL operates a financial year running from 1 April to 31 March.

MIMEL's remuneration disclosures are prepared using the most up-to-date full-year remuneration data available at the time (i.e., 1 April – 31 March).

7. Disclaimer

The material in this document has been prepared by MIMEL purely for the purpose of explaining the basis on which MIMEL has prepared and disclosed certain capital information and information about the management of risks relating to those requirements and for no other purpose.

Information in this document should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account investors' or potential investors' particular investment objectives, financial situation or needs. Before acting on any information investors and potential investors should consider the appropriateness of information having regard to the matters, any relevant offer document and in particular, investors and potential investors should seek independent financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This document may contain forward-looking statements that is, statements related to future, not past, events or other matters – including, without limitation, statements regarding our intent, belief or current expectations with respect to MIMEL's business and operations, market conditions, results of operation and financial condition, capital adequacy, provisions for impairment and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements. MIMEL does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements or to otherwise update any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this document. Actual results may vary in a materially positive or negative manner. Forward-looking statements and hypothetical examples are subject to uncertainty and contingencies outside MIMEL's control. Past performance is not a reliable indication of future performance.

Unless otherwise specified, all information is as at 31 March 2024.

Although the IFPR public disclosures are intended to provide transparent disclosures on a common basis, the information contained in this document may not be directly comparable with the information of other firms. This may be due to factors such as:

- The mix of business exposures between firms; and
- Internal assessment of Own Funds and liquidity requirements being excluded from this disclosure but play a major role in determining both the total Own funds requirements of the Firm and any surplus capital available.