



We appreciate the exceptional effort made by our staff during a very difficult year. Their response embodies Macquarie's purpose and core principles."

Letter from the

Chair of the Board Remuneration Committee

On behalf of the Board, I am pleased to present the 2021 Remuneration Report and my first as Chair of the Board Remuneration Committee (BRC).

The financial year 2021 (FY2021) has seen challenging market conditions associated with the ongoing impact of the COVID-19 pandemic. Our customers, clients and the broader community have all been affected on various levels. Our focus has been on ensuring the health and well-being of our staff and their families, and supporting our clients and the broader community.

During this time and amid physical changes to the working environment, Macquarie's culture and long-term focus on building leadership capability and resilience in technology have provided a platform from which our staff have continued to respond to client needs. We appreciate the exceptional effort made by our staff during a very difficult year. Their response embodies Macquarie's purpose and core principles.

Macquarie has demonstrated great resilience against this challenging backdrop, and our purpose and culture have guided staff through these times. Our strong financial results and returns to shareholders in FY2021 reflect the diversity of our businesses and our ability to support our clients and adapt to a rapidly changing external environment.

- Net profit after tax (NPAT) is up 10% compared to FY2020.
- Return on Equity (ROE) of 14.3% is stable compared to FY2020's 14.5%.
- Earnings per share (EPS) of 842.9 cents per share is up 7% compared to the prior year.

Shareholders were impacted in FY2020 with a reduced dividend in line with regulatory expectations. The FY2021 full-year dividend is up 9% compared to the prior year.

Pay for performance

Our longstanding and consistent approach to remuneration has served us well and has been a key driver of our sustained success as an international organisation. Staff are rewarded based on their performance against a wide range of financial and non-financial considerations. This approach aligns the interests of staff and shareholders and allows us to deliver positive outcomes over the long-term for our customers, clients and the broader community. The Board believes that it is critical that Macquarie maintains its strong entrepreneurial culture that incentivises innovation and drives sustained success.

The Board is always mindful of the external focus on overall remuneration levels and spends considerable time each year determining remuneration outcomes for the CEO and Executive Key Management Personnel (KMP). We recognise the range of expectations and have made decisions that we believe take into consideration the perspectives of all stakeholders. This report has been prepared to provide transparency around the considerations informing our decisions.

On 1 April 2021, APRA announced actions required regarding MBL's risk management practices and ability to calculate and report key prudential ratios. APRA increased MBL's operational risk capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions.

The Board acknowledges the seriousness of the APRA findings and has reflected this in its determination of remuneration outcomes. This has been through a reduction in the PSU allocations for Executive KMP and the imposition of additional qualifying conditions on the release of a portion of their retained profit share. The qualifying conditions relate to the timely and satisfactory remediation of the APRA findings.

Remuneration outcomes

FY2021 remuneration outcomes reflect:

- this year's achievements against a range of financial and non-financial factors, some of which are discussed below
- the importance of our people and retaining key talent to encourage innovation and pursue growth opportunities
- an alignment to the outcomes delivered to shareholders
- risk management, compliance and conduct outcomes.

We have firstly considered the financial results of Macquarie overall as well as each Operating Group. Against a challenging backdrop, all Operating Groups have been profitable this year. These results reinforce the value of the diversification which we have built into each of our businesses.

In determining the CEO's remuneration, we have considered her strong leadership through the challenges of COVID-19. She has also advanced a process of reorganising Macquarie's Operating Groups and renewing the Executive Committee, positioning the business for future opportunities.

We have also considered a number of factors, which the Board views as critical to Macquarie's ongoing success. These include cross-group collaboration, the continued focus on people and culture, the ongoing investment in technology, progress against Diversity and Inclusion (D&I) initiatives, risk management and Macquarie's response to COVID-19. Further details are set out on page 118 of this Report.

The BRC receives extensive reporting on remuneration outcomes across Macquarie and, in addition to the CEO and Executive KMP, individually reviews and approves the remuneration of Banking Executive Accountability Regime (BEAR) Accountable Persons, staff who hold regulated roles, Designated Executive Directors⁽¹⁾ and other senior staff (generally direct reports of Executive KMP), and has reviewed overall total remuneration levels across each business to ensure appropriate distribution of remuneration across the organisation. The BRC has also considered the compensation expense to income ratio as a guide as to whether the share of profits distributed to staff and shareholders is reasonable.

After careful consideration of these factors, we believe the following outcomes for the year are appropriate:

- CEO awarded profit share has increased 14% on the prior year to \$A19.85 million
- total Executive KMP awarded profit share is up 8% to \$A106.9 million
- reflecting the APRA findings, PSU allocations for Executive KMP have been reduced and additional qualifying conditions have been imposed on the release of a portion of their retained profit share
- in FY2020, in light of the economic uncertainty due to COVID-19, retention rates for the CEO and Executive KMP were increased to 100%. This year, they have been reset to levels more in line with 2019.

(1) Executive Directors who have a significant management or risk responsibility in the organisation.

Remuneration Report

Continued

Culture, accountability and remuneration

Macquarie's evolution is driven by our people who are guided by our core principles of Opportunity, Accountability and Integrity. These principles remain pivotal to our culture and effectively guide our staff in balancing risk and reward and making decisions that realise opportunities for the benefit of our clients, our shareholders, our people and the communities in which we operate.

The BRC and the Board are able to assess Macquarie's culture in many ways, including through staff survey results, human capital reporting, risk culture reporting and strategy presentations, as well as through personal observation of management and staff behaviours and actions. The BRC coordinates with the Board Risk Committee (BRiC) and Board Governance and Compliance Committee (BGCC) to achieve an integrated approach to remuneration that reflects prudent and appropriate risk considerations.

The remuneration framework supports our principles by motivating staff to be innovative, to build businesses and to be accountable for their decisions, behaviours and their associated risk management, customer and reputational consequences.

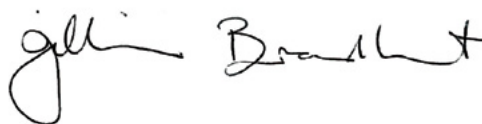
Strong risk management is a fundamental part of everyone's role at Macquarie. Staff understand that they are rewarded for their performance, including their identification and management of risk. They also understand that there are consequences for non-compliance with Macquarie's behavioural expectations. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

In FY2021, there were 97 (FY2020: 164) matters involving conduct or policy breaches (for example, *Code of Conduct*, appropriate workplace behaviour, risk management and technology breaches) that resulted in formal consequences including termination of employment or a downward adjustment to their profit share. The remote working environment was a key factor in the decline in the number of matters this year. For example, fewer in-person interactions contributed to a reduction in instances of conduct failing to meet appropriate workplace behaviour standards. Consistent with prior years, we have disclosed further details regarding these matters (refer to page 111).

Regulatory environment

During the year, APRA released the revised draft of the Prudential Standard CPS 511 *Remuneration*, which requires an increased focus on non-financial risks. We engaged with APRA during the year with regard to the proposed requirements and continue to participate in the consultation process, including on the recently released draft Prudential Practice Guide CPG 511 *Remuneration*. We support APRA's policy position and recognise that this is an evolving area as regulators and organisations seek to define and assess best practice.

I look forward to receiving your views and support at the 2021 Annual General Meeting.



Jillian Broadbent

Chair
Board Remuneration Committee

Sydney
7 May 2021

Remuneration framework

This section explains the link between Macquarie's purpose and its remuneration objectives and principles, and how these are reflected in the remuneration framework.

Macquarie's longstanding and consistent approach to remuneration continues to support our remuneration objectives, including delivering strong company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of Conduct* and *What We Stand For*. The Board recognises that to achieve these objectives, we must attract, motivate and retain exceptional people with deep industry expertise while aligning their interests with shareholders to meet the needs of clients and customers while ensuring that regulatory requirements are upheld. This broad approach has been in place since Macquarie's inception, evolving over time to ensure the framework continues to meet our remuneration objectives.

Macquarie's remuneration approach has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long-term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational consequences.

This approach has been fundamental in ensuring we can continue to attract, motivate and retain exceptional, entrepreneurial and ethical people across the global markets in which we operate. We hire world-class people in 32 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 Macquarie's purpose and the remuneration objectives and principles.






<p>Macquarie's purpose:</p> <h1>Empowering people to innovate and invest for a better future</h1>		
 <p>Opportunity</p>	 <p>Accountability</p>	 <p>Integrity</p>
 <p>Remuneration objectives</p> <p>Macquarie's remuneration framework aims to:</p> <ul style="list-style-type: none"> • deliver strong company performance over the short and long-term whilst prudently managing risk • attract, motivate and retain exceptional people with deep industry expertise • align the interests of staff and shareholders to deliver sustained results for our customers, clients and community • promote innovation and the building of sustainable businesses • drive behaviours that reflect Macquarie's culture and the principles of <i>What We Stand For</i> • foster a diverse and inclusive work environment. 	 <p>Remuneration principles</p> <p>These objectives are achieved by:</p> <ul style="list-style-type: none"> • emphasising performance-based remuneration • determining an individual's variable remuneration based on a range of financial and non-financial factors • retaining a significant proportion of performance-based remuneration to enable risk outcomes to be considered over a long period • delivering retained profit share in equity to ensure the interests of staff and shareholders are aligned over the long-term • remunerating high-performing staff appropriately, relative to global peers • providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives. 	

Remuneration Report

Continued

Remuneration framework continued

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

Remuneration framework		
Fixed Remuneration		
<ul style="list-style-type: none"> primarily comprises base salary, as well as superannuation contributions and standard country-specific benefits in line with local market practice for Executive KMP, is set at a comparatively low level, relative to the industry, and a low proportion of total remuneration but sufficient to avoid inappropriate risk-taking is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements for risk and financial control staff, is generally a higher proportion of total remuneration than for front office staff. 		
Performance-based Remuneration		
Criteria	Profit Share	Performance Share Units
 Eligibility	<ul style="list-style-type: none"> all permanent employees 	<ul style="list-style-type: none"> Executive Committee members
 Determination	<ul style="list-style-type: none"> 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"> contribution to financial results approach to risk management and compliance business leadership including outcomes for customers and the community people leadership and professional conduct including the role-modelling of Macquarie's culture and purpose 	<ul style="list-style-type: none"> PSU pool is determined with reference to profits over recent years, subject to Board discretion individual allocations reflect their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie for FY2021, allocations are based on the face value of shares on the grant date
 Structure	<ul style="list-style-type: none"> significant proportion is retained (80% for the CEO and up to 70% for other Executive KMP) long deferral periods (up to seven years for the CEO and other Executive KMP) retained profit share is delivered in a combination of Macquarie equity and Macquarie-managed fund equity 	<ul style="list-style-type: none"> PSUs vest after four years, subject to the achievement of two forward-looking performance hurdles (no retesting of hurdles) PSUs are structured as DSUs⁽²⁾ with no exercise price no right to dividend equivalent payments
 Malus	<ul style="list-style-type: none"> applies for senior employees 	<ul style="list-style-type: none"> applies to all awards
 Forfeiture	<ul style="list-style-type: none"> retained profit share is subject to forfeiture upon leaving Macquarie except in certain circumstances 	<ul style="list-style-type: none"> unvested PSUs are subject to forfeiture upon leaving Macquarie except in certain circumstances

The Board has discretion to change remuneration arrangements on an annual basis to meet changing market conditions as well as to comply with regulatory and corporate governance developments.



(2) A DSU is a Deferred Share Unit and is an award type under the MEREP. For further details, refer to Note 32 to the financial statements in the Financial Report.

Profit share

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

Annual process to determine profit share outcomes

Remuneration outcomes are based on realised outcomes and are determined through a principles-based approach, taking into consideration all aspects of an individual's performance. Significant judgement is applied in determining remuneration outcomes to ensure that all factors that may potentially impact the quantum of profit share allocations are considered. The table below describes how profit share allocations are determined at an individual, business group and company-wide level. Outcomes may be adjusted downwards at any level as a result of any risk management, compliance and conduct issues that have come to light during the year.

<p>Individual profit share allocations</p> 	<p>Individual profit share allocations reflect an employee's performance. Employees are assessed against the following areas:</p> <p>Financial results</p> <ul style="list-style-type: none"> • business profits and individual contribution to profits for front office staff • primarily based on contribution to high quality control functions for risk and financial control roles • for other support staff, based on their contribution to delivering high quality services to support the businesses <p>Risk management and compliance</p> <ul style="list-style-type: none"> • the active management and consideration of a wide range of financial and non-financial risks • motivates a culture of disciplined risk management, and regulatory, policy and business compliance <p>Business leadership (including customer and community outcomes)</p> <ul style="list-style-type: none"> • business growth and innovation • delivering solutions for our customers and the communities in which we operate <p>People leadership and professional conduct</p> <ul style="list-style-type: none"> • alignment to Macquarie's purpose and culture • conduct and behaviour consistent with the <i>Code of Conduct</i> and <i>What We Stand For</i> • fostering a diverse and inclusive work environment • talent development. <p>Individual profit share allocations also consider relativities in the market in which each business competes for talent.</p>
<p>Business group profit share pools</p> 	<ul style="list-style-type: none"> • For Operating Groups, reflects consideration of: <ul style="list-style-type: none"> – each business' contribution to company-wide profits – each business' capital, funding and liquidity requirements and usage – other factors such as the quality of the income, whether the business is highly regulated or not, the maturity of the business, and the reliance on intellectual capital versus financial capital. • For Central Service Groups, based on the quality and integrity of control functions and support services; not primarily determined with reference to profitability. • Considers the risk profile of each business including consideration of any significant reputational, cultural or compliance matters. • Also considers overall remuneration levels in the market in which each business operates.
<p>Company-wide profit share pool</p>	<ul style="list-style-type: none"> • Is an aggregate of the bottom-up assessment conducted at both the business and individual level. • Is assessed for overall reasonableness, including consideration of: <ul style="list-style-type: none"> – an internal reference based on Macquarie's after-tax profits and its earnings over and above the estimated cost of capital – the resultant compensation expense to income ratio and how it compares to that of peers. • The Board retains discretion to amend the final pool determined in accordance with the bottom-up assessment to ensure that all relevant factors, including risk and conduct matters, have been appropriately taken into consideration. For the seventh year in a row, the company-wide pool is substantially below the internal reference described above. • The Chief Financial Officer (CFO) confirms that the profit share pool can be supported by Macquarie's capital position and does not limit Macquarie's ability to further strengthen its capital base in the future.

Remuneration Report

Continued

Retained profit share: retention and vesting

Macquarie retains a percentage of each individuals' annual profit share allocation (retained profit share) above certain thresholds, which is invested in a combination of Macquarie ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP) and Macquarie-managed fund equity notionally invested under the Directors' Profit Share (DPS) Plan.⁽³⁾ Whilst they are employed, an individual's retained profit share vests and is released over a period that reflects the scope and nature of their role and responsibilities.⁽⁴⁾ These arrangements ensure that Macquarie continues to retain high-performing staff, provide significant long-term alignment to shareholders and customers, as well as enabling risk outcomes to be considered over long periods.

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

As noted in last year's Remuneration Report, in light of the economic uncertainty due to COVID-19, retention rates in FY2020 were increased to 100% for the CEO and all Executive Committee members (no cash component). For FY2021, as a result of improved economic conditions, the Board has determined that retention rates be reset to levels more in line with 2019. The following table summarises the standard retention and vesting arrangements applicable for FY2021.

FY2021 standard profit share retention and vesting arrangements

Role	Profit share retention (%)	Vesting and release of profit share ⁽⁵⁾
CEO	80	
CEO MBL	60	
Executive Committee members	60-70	One-fifth in each of years 3-7
Designated Executive Directors	50-70	
Executive Directors	40-70	One-third in each of years 3-5
Staff other than Executive Directors	25-70 ⁽⁶⁾	One-third in each of years 2-4

The Board's discretion to change remuneration arrangements, as noted above, includes changes to profit share retention levels provided that the retention percentage is at least 30% for all Executive Directors.

Investment of retained profit share

An individual's retained profit share is invested in a combination of Macquarie ordinary shares under the MEREP and Macquarie-managed fund equity notionally invested under the DPS Plan. The allocation reflects the nature of their role as set out in the following table.

FY2021 standard investment of retained profit share

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

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

(4) Profit share that is not retained ("available profit share") is delivered in cash except for staff (including one Executive Committee member) subject to the UK Remuneration Code implementing CRD IV, where 50% of available profit share is delivered in Macquarie equity and is subject to a 12-month hold period.

(5) For staff (including one Executive Committee member) subject to the UK Remuneration Code implementing CRD IV, retained profit share invested in Macquarie equity is subject to a further 12-month hold post the vesting period.

(6) Above certain monetary thresholds.

(7) For Executive Directors subject to the UK Remuneration Code implementing CRD IV, retained profit share is invested 60% in Macquarie equity and 40% in the DPS Plan.

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

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

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

Forfeiture of retained profit share – Malus and Clawback

The Board or its delegate has the ability to reduce or eliminate unvested profit share for certain senior employees in certain circumstances (Malus), as set out on page 110. For certain employees identified in the UK or EU, the Board also has the ability to recover (in whole or in part) vested profit share (Clawback).

Early vesting and release of retained profit share

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

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

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

Where discretion has been exercised to accelerate the vesting of retained profit share, the Board may reduce or eliminate their retained profit share, if it is determined that the Executive Director has at any time during their employment or the relevant release periods after their employment committed a Malus Event (as set out on page 110) or:

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

Each of the above is a Post Employment Event.

In the case of death or serious incapacitation, the Board will typically accelerate the vesting of retained profit share and immediately release it. In other circumstances, the release will occur over the period from six months to two years after the Executive Director leaves, in accordance with the following table:

	First Period	Second Period	Third Period
Time post-departure	Six months	Six months to one year	One year to two years
Unvested retained profit share released	From all but the last two years of employment	From the second year prior to the end of employment	From the year prior to the end of employment
Subject to	No Malus Event or Post Employment Event as set out previously	No Malus Event or Post Employment Event during the First Period, and	No Malus Event or Post Employment Event during the First Period, and
		No Malus Event or Post Employment Event (a) above during Second Period	No Malus Event or Post Employment Event (a) during the Second Period, and No Malus Event during the Third Period
Where the release is by reason of retirement from Macquarie	As above	As above and in addition, the release is subject to no Post Employment Event (b) during the Second Period	As above and in addition, the release is subject to no Post Employment Event (b) during the Second or Third Period

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

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

Remuneration Report

Continued

Performance Share Units

This section describes the way in which Performance Share Units (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 forward-looking performance hurdles and determined with reference to Macquarie's performance as a whole. As such, they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term and beyond their business group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

While the PSU pool is determined with reference to profits over recent years, the Board retains discretion to determine the final PSU pool taking into consideration both financial and non-financial factors, including the risk profile of Macquarie.

Individual allocations are based on their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie, including their collaboration across businesses.

PSUs are granted in August each year. The number of PSUs that will be allocated will be calculated by dividing the face value of the award by the price of Macquarie ordinary shares on or around the date of grant.

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

Performance hurdles

The following summarises the key terms of PSUs and the performance hurdles:

	EPS CAGR hurdle	ROE hurdle
Application	50% of PSU award	50% of PSU award
Performance measure	Compound annual growth rate (CAGR) in EPS over the vesting period (four years) ⁽⁹⁾	Average annual ROE over the vesting period (four years) ⁽⁹⁾ relative to a reference group of global financial institutions ⁽¹⁰⁾
Hurdle	<p>Sliding scale applies:</p> <ul style="list-style-type: none">• 50% becoming exercisable at EPS CAGR of 7.5%• 100% at EPS CAGR of 12% <p>For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable</p>	<p>Sliding scale applies:</p> <ul style="list-style-type: none">• 50% becoming exercisable above the 50th percentile• 100% at the 75th percentile <p>For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable</p>
Forfeiture	<ul style="list-style-type: none">• Malus provisions apply• the standard policy is that unvested PSUs will be forfeited upon termination• 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• should a change of control occur⁽¹¹⁾ the Board or the BRC has discretion to determine how unvested PSUs should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change in control.	

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

(10) The reference group for awards is Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG. Comparator company information is presented in the same order throughout the Remuneration Report.

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

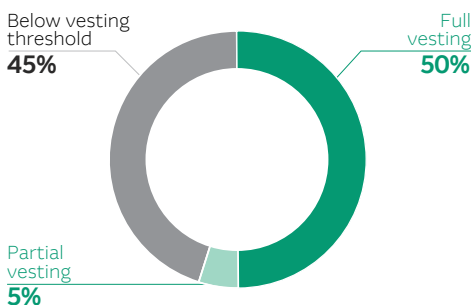
Rationale for hurdles

The PSU hurdles are regularly 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 considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators, as well as market practice. Both the relative ROE and absolute EPS hurdles were reviewed by the BRC during the year and were considered to still be appropriate. No change has been made to the hurdles for FY2021 for the following reasons:

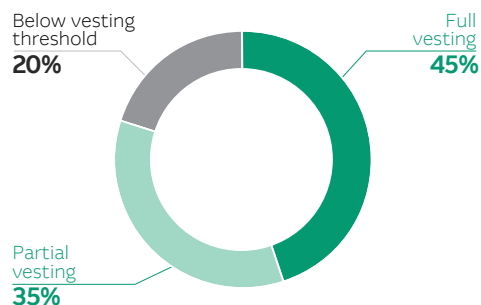
- ROE and EPS growth drive long-term shareholder value and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- the approach is consistent with that advocated by APRA in not using TSR as a measure
- ROE and EPS can be substantiated using information that is disclosed in Macquarie's annual reports
- a sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test, which some have argued could promote excessive risk-taking
- the hurdles are designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations. The time frame used for PSUs should also be considered in light of the three- to seven-year deferral of profit share for members of the Executive Committee
- the EPS targets are confirmed as rigorous when market performance is considered, with the EPS threshold hurdle exceeding the performance of most of the ASX 20, global reference group and relevant indices over time
- for the EPS element to fully vest, Macquarie needs to achieve at least 12% CAGR over the vesting period. Supporting the rigour of the hurdle, cumulative EPS growth of 57% over four years is required to achieve full vesting
- the ROE vesting thresholds and sliding scale are in line with the domestic market and are particularly challenging when compared to international practice.

The charts below display Macquarie's historical EPS and ROE PSU outcomes, highlighting that since their introduction in 2009, 50% of the EPS tranches and 55% of the ROE tranches have resulted in either no vesting or partial vesting.

Historical EPS tranche outcomes



Historical ROE tranche outcomes



Use of an international reference group

An international reference group⁽¹²⁾ recognises the extent of Macquarie's diversification and internationalisation. As at 31 March 2021, total international income represented approximately 68% of Macquarie's total income, with approximately 56% of Macquarie's staff located outside Australia. The BRC considers an international reference group to be appropriate on the basis that:

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

In addition, the BRC considers it important to not intervene reactively to remove under-performers or over-performers in any given period. An organisation's period of under-performance is generally followed by a period of over-performance.

(12) The reference group is Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG. Comparator company information is presented in the same order throughout the Remuneration Report.

Remuneration Report

Continued

Culture, accountability and remuneration

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

Risk culture

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

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

Alignment of remuneration with risk outcomes

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

The Board is aware of the increasing focus of regulators and shareholders on ensuring that risk-related matters that come to light subsequent to remuneration being awarded are appropriately factored into remuneration decisions. Macquarie's high retention rates and long deferral periods provide a mechanism for the Board to consider risk outcomes over a long period. Furthermore, where an investigation has commenced into a risk or conduct-related matter that may result in forfeiture or, for senior employees, the application of Malus, Macquarie may further defer the payment, vesting and/or release of profit share to allow for the investigation to be completed.⁽¹³⁾

The following mechanisms exist to risk adjust remuneration outcomes:

In-year profit share adjustments

Applies to all staff

- determined as part of assessing an individual's performance each year
- the annual assessment includes consideration of compliance with the risk management framework and with the behavioural expectations outlined in the *Code of Conduct*. In addition, any outcomes from the consequence management process or the independent reporting from the Chief Risk Officer (CRO) and General Counsel are also considered.

Forfeiture

Applies to all staff with retained profit share

- where an individual's employment is terminated due to a compliance or conduct concern (or they resign), unvested remuneration is forfeited, as per Macquarie's standard policy.

Malus Events

Applies to senior employees

Macquarie's Malus provisions provide the Board or its delegate with the ability to reduce or eliminate in full, the retained profit share for senior employees and, for Executive Committee members, unvested PSUs where it is determined that the individual has at any time:

- acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction)
- acted or failed to act in a way that contributed to:
 - a breach of a significant legal or significant regulatory requirement relevant to Macquarie
 - MGL or MBL making a material financial restatement
 - MGL, MBL or any Operating Group within Macquarie incurring:
 - significant reputational harm
 - a significant unexpected financial loss, impairment charge, cost or provision.

(13) Malus also applies to any unvested profit share retained by Executive Directors on termination, in addition to the Post Employment Events set out on page 107.

Additional provisions may apply to staff in certain jurisdictions to ensure compliance with local regulations. This includes, for example:

- if an Accountable Person fails to comply with their accountability obligations under the BEAR, this may result in consequences being applied in accordance with Macquarie's policies, including the application of Malus
- staff in the UK and EU, including one Executive Committee member, who are subject to additional Malus and Clawback provisions under local regulatory requirements.

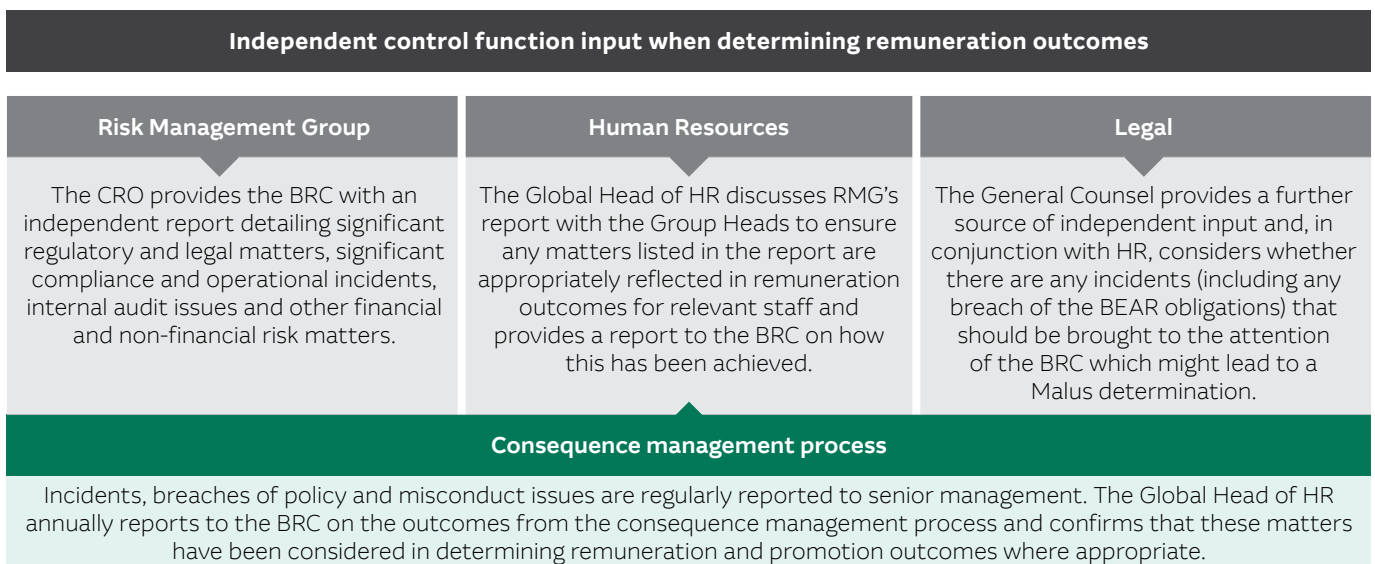
The BRC considers whether, and the extent to which, to apply Malus, taking into account local employment laws, the nature and circumstances of the event and any other redress that has been or may be applied.

Macquarie has always had and continues to have, the ability to terminate staff where a Malus Event has occurred, at which time any unvested profit share would be forfeited in full.

Risk adjustment processes

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

The diagram below provides an overview of these processes.



Consequence management outcomes

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

Where an employee has received a formal warning, their performance-based remuneration will likely be impacted and in some cases, it will be reduced to zero. Promotion decisions may also be impacted. Consequences 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 FY2021, there were 97 (FY2020: 164) matters involving conduct or policy breaches (for example, *Code of Conduct*, appropriate workplace behaviour, risk management and technology breaches) that resulted in formal consequences. Of those:

- for 16 matters, termination of employment was the outcome (FY2020: 32)
- for 81 matters, a formal warning was issued (FY2020: 132). Additional consequences were applied as appropriate including additional training, removal of delegated authorities or permissions, adjustments to profit share and/or impact to promotion. Of the 81 matters, 15 have resulted in individuals subsequently leaving Macquarie before year-end outcomes were determined and 64 individuals had their profit share reduced by an average of 48%.

The remote working environment was a key factor in the decline in the number of matters this year. For example, fewer in-person interactions contributed to a reduction in instances of conduct failing to meet appropriate workplace behaviour standards (50 matters in FY2020 decreasing to 20 matters in FY2021).

The 97 matters were considered isolated incidents and there was no evidence of broader systemic conduct issues.

Remuneration Report

Continued

Further details on remuneration framework

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

Other features of Macquarie's remuneration framework

The following table summarises key features of Macquarie's remuneration framework:

Role-based allowances	<ul style="list-style-type: none"> Role-based allowances are a component of fixed remuneration that may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.
Minimum shareholding requirement	<ul style="list-style-type: none"> Executive Directors are required to hold a relevant interest in Macquarie ordinary shares that have a value equal to 5% of an Executive Director's aggregate profit share allocation 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. For Executive Committee members, compliance with this policy equates to a minimum shareholding requirement of between 195% to 835% of fixed remuneration, excluding the role-based allowance in place for one Executive Committee member.
Promotion Awards	<ul style="list-style-type: none"> Staff who are promoted to Associate Director, Division Director or Executive Director receive an allocation of MEREP awards based on Director-level set with reference to an Australian dollar value. Currently these awards range from \$A25,000 to \$A175,000 depending on the promotion level.
Performance fees	<ul style="list-style-type: none"> A small number of individuals with funds responsibilities may receive a portion of their performance-based remuneration as a share of performance fees paid by Macquarie-managed funds. 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. Consistent with market practice, these individuals are allocated an entitlement to a share of performance fees paid by a particular fund. This allocation is based on performance, seniority and the extent of the individual's involvement with the particular fund. An individual will not receive their entitlement until Macquarie has received performance fees towards the end of the fund's life, which is typically upwards of 10 years. The entitlement will be forfeited if their employment ceases before five years from the date of allocation. Entitlements are subject to similar forfeiture conditions as profit share. Prior to joining the Executive Committee, both Mr Stanley (ceased to be a member of the Executive Committee effective 1 April 2021) and Mr Way (joined the Executive Committee on 1 April 2021) participated in these arrangements for certain funds in their former roles. Upon joining the Executive Committee, they maintained their participation in these existing funds, but they have not been allocated any additional entitlements. No other Executive Committee members currently participate in these arrangements.
Hedging	<ul style="list-style-type: none"> Macquarie prohibits staff from hedging (i) shares held to meet the minimum shareholding requirement and (ii) unvested equity held in the MEREP.

Employment contracts

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

Length of contract	Permanent open-ended.
Remuneration review period	1 April to 31 March annually.
Profit share participation	Executive Committee members are eligible to be considered for a profit share allocation that ensures a large part of their remuneration is 'at risk'. Refer to pages 104 to 107 for details.
PSU participation	Executive Committee members are eligible to receive PSUs. Refer to pages 108 to 109 for details.
Termination of employment	Requires no more than four weeks' notice by Macquarie or the Executive Committee member (Post-employment restrictions apply). ⁽¹⁴⁾
Post-employment restrictions	Restrictions include non-solicitation provisions applicable for six months, and paid non-competition provisions applicable, at Macquarie's election, for up to three months post-termination.

(14) Subject to compliance with local regulatory and legal requirements. In Australia, Executive Directors given notice by Macquarie may receive an additional week's notice if they are over 45 years of age and have more than two years' continuous service at the time of the termination of their employment. In the UK, the statutory minimum notice period increases from 4 weeks to a maximum 12 weeks based on years of service.

Pay for performance

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

Macquarie's results

Macquarie delivered strong financial results for shareholders in FY2021. NPAT has increased by 10% compared to the prior year and EPS has increased by 7%. In addition, returns to shareholders have been strong with an increase in ordinary dividends of 9% compared to the prior year, noting that shareholders were impacted in FY2020 with a reduced dividend in line with regulatory expectations.

Total compensation and total Executive KMP awarded profit share has not increased to the same extent as NPAT and the compensation expense to income ratio is consistent with FY2020. CEO awarded profit share has increased by 14%. This increase has been explained in both the Chair letter and the CEO's awarded pay table on page 120.

Comparison of performance measures and executive remuneration measures: FY2020–2021

	Expressed as	FY2021	FY2020	Increase/ (Decrease) %
Performance measures				
NPAT	\$Am	3,015	2,731	10
Basic EPS	Cents per share	842.9	791.0	7
Ordinary Dividends	Cents per share	470.0	430.0	9
Return on equity	Percent	14.3	14.5	
Executive remuneration measures				
Total compensation expense	\$Am	5,190	5,001	4
Compensation expense to income ratio	Percent	40.6	40.6	
Average staff headcount ⁽¹⁵⁾		16,385	15,762	4
Actual staff headcount ⁽¹⁵⁾		16,459	15,849	4
CEO awarded profit share	\$Am	19.85	17.35	14
Current Executive KMP awarded profit share ⁽¹⁶⁾	\$Am	106.9	99.4	8
CEO Statutory Remuneration	\$Am	16.0	14.9	7
Total Executive KMP Statutory Remuneration	\$Am	122.4	105.8	16

Performance over past 10 years: FY2012–2021

Year ended 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Income Statement										
NPAT (\$Am)	730	851	1,265	1,604	2,063	2,217	2,557	2,982	2,731	3,015
Basic EPS (cents per share)	210.1	251.2	383.6	502.3	619.2	657.6	758.2	883.3	791.0	842.9
Shareholder returns										
Return on equity (%)	6.8	7.8	11.1	14.0	14.7	15.2	16.8	18.0	14.5	14.3
Ordinary Dividends (cents per share)	140	200	260	330	400	470	525	575	430	470
Special Dividends (cents per share) ⁽¹⁷⁾	-	-	116	-	-	-	-	-	-	-
Share price as at 31 March (\$A)	29.08	37.15	57.93	76.67	66.09	90.20	102.90	129.42	85.75	152.83
Annual TSR (%) to 31 March ^{(18),(19)}	(16.0)	34.5	67.2	40.0	(9.2)	46.0	21.3	32.8	(29.9)	83.9
10 year TSR (%) to 31 March ^{(18),(19)}	56.3	170.4	189.6	187.7	83.5	99.0	257.7	723.6	220.7	628.6

(15) Headcount for both FY2021 and FY2020 includes staff employed in operationally segregated subsidiaries (OSS).

(16) Represents the full year profit share awarded to the current Executive KMP population in both FY2021 and FY2020.

(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

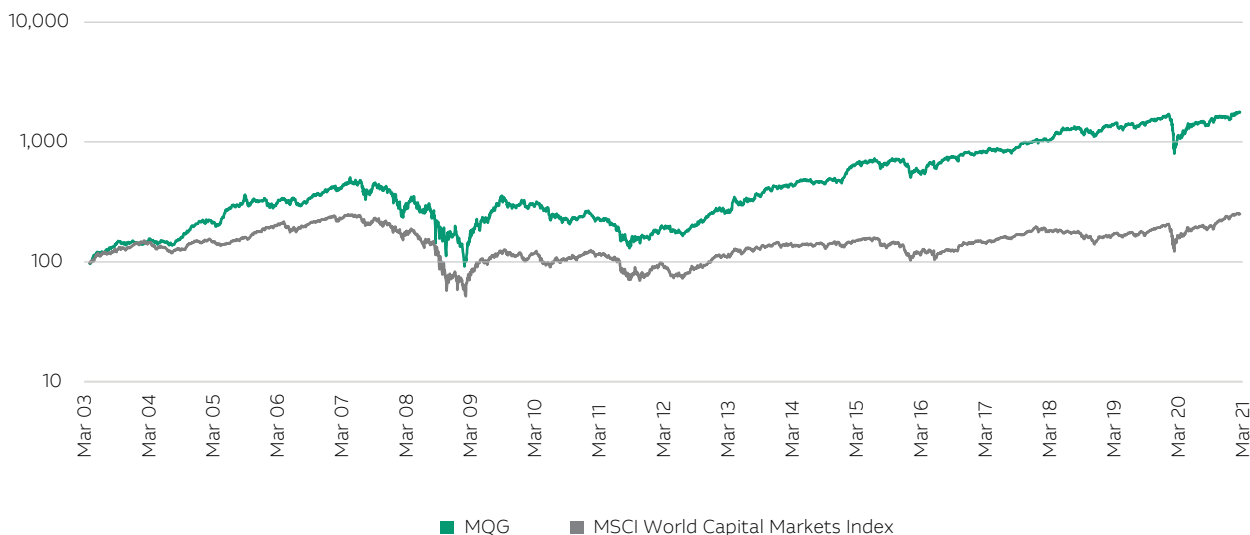
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Total shareholder return

Macquarie's TSR over the long-term has been strong and continues to outperform both the MSCI World Capital Markets Index (MSCI Index) since the inception of this index and the All Ordinaries Accumulation Index (All Ords Index) since listing.

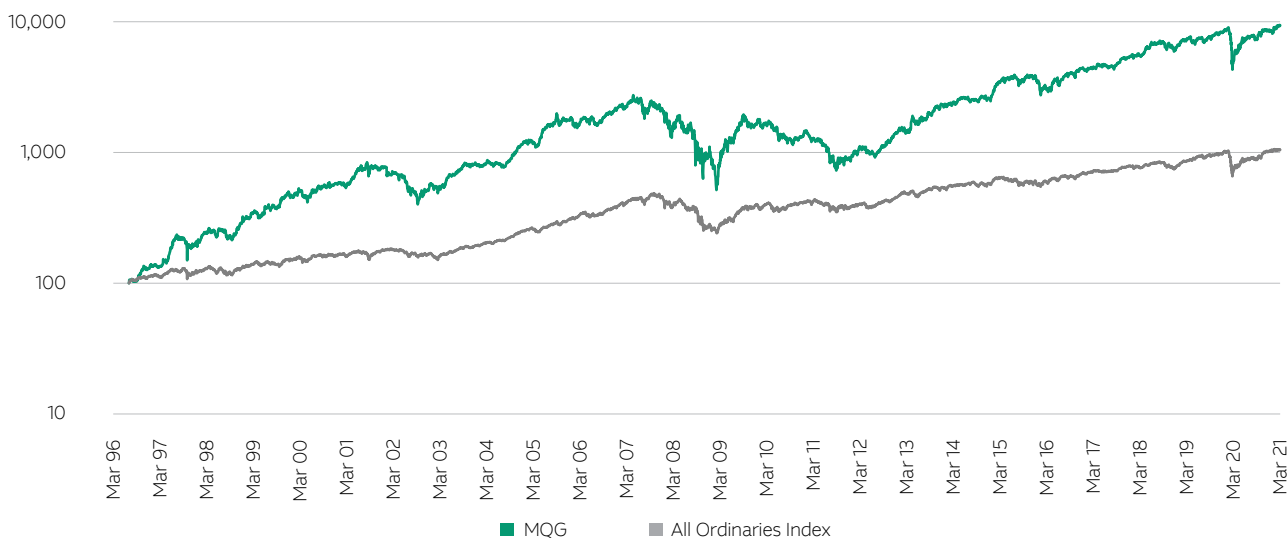
The TSR charts below are displayed on a base-10 logarithmic scale, which displays relative percentage movements over an extended historical time frame as similar in size, without visually skewing the performance in more recent years.

Macquarie TSR versus the MSCI Index⁽²⁰⁾: 30 April 2003, being the date the index was first calculated, to 31 March 2021



Source: Bloomberg.

Macquarie TSR since listing versus the All Ords Index⁽²¹⁾: 29 July 1996 to 31 March 2021



Source: Bloomberg.

(20) Indexed to 100 on 30 April 2003, being the date the index was first calculated. The MSCI World Capital Markets Index comprises a basket of companies that provide capital markets activities (defined by MSCI as asset management, investment banking and brokerage, and diversified capital markets activities). Macquarie TSR calculations assume continuous listing. Therefore, they are based on Macquarie Bank Limited (ASX Code: MBL) data up to and including 2 November 2007 (the last day of trading of MBL shares), and MGL (ASX Code: MQG) data from the commencement of trading of MGL ordinary shares on 5 November 2007 onwards.

(21) Indexed to 100 on 29 July 1996, being when MBL shares were first quoted on ASX. The All Ordinaries Accumulation Index (All Ords Index) comprises the 500 largest ASX listed companies by market capitalisation. As per the footnote for the MSCI World Capital Markets Index, Macquarie TSR calculations assume continuous listing.

Macquarie's ROE performance compared with an international reference group

Macquarie's ROE for FY2021 is 14.3%, broadly in line with FY2020, and remains higher than the majority 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 FY2012-2021

	1 year average % p.a.	3 year average % p.a.	5 year average % p.a.	10 year average % p.a.
Macquarie	14.3	15.6	15.8	13.3
Average of reference group	12.8	12.1	9.7	9.4
Company	6.7	9.5	8.4	5.6
Company	2.8	3.5	2.0	1.4
Company	6.2	6.2	2.0	2.0
Company	0.3	(3.1)	(2.8)	(1.2)
Company	10.9	11.4	9.7	9.2
Company	11.3	13.2	11.9	10.9
Company	52.9	46.7	38.3	42.3
Company	12.7	12.0	10.5	7.4
Company	11.5	9.4	7.2	6.5

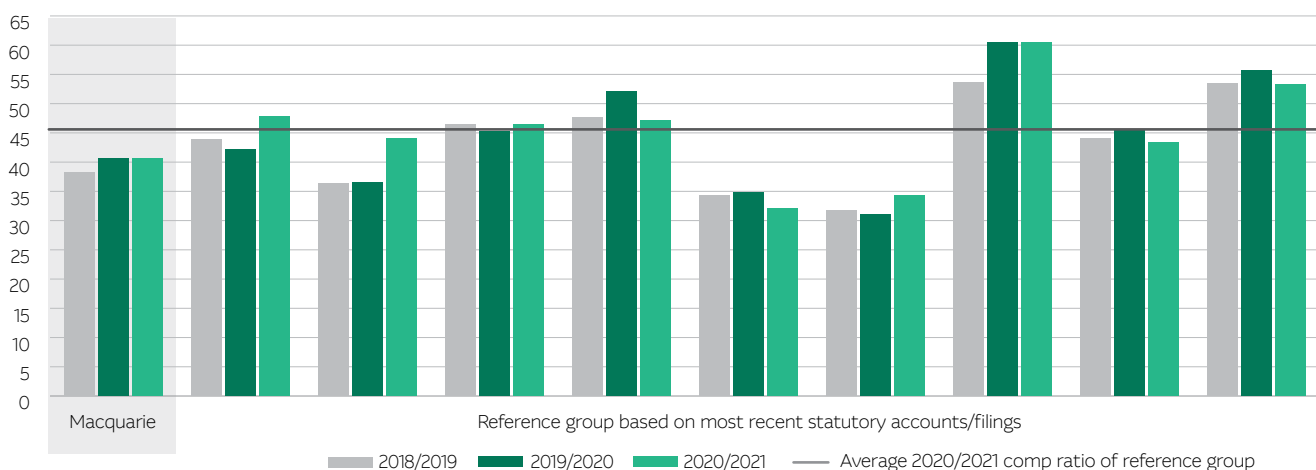
Source: Bloomberg (reference group) and Macquarie as reported.

Compensation expense to income ratio

In determining the reasonableness of the company-wide profit share pool, the Board considers Macquarie's compensation expense to income ratio (compensation ratio) compared to that of an 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.⁽²²⁾ Macquarie's FY2021 compensation ratio of 40.6% is well below the average of our international peer group.

Compensation expense to income ratio: FY2019-2021 (%)



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.

(22) The reference group comprises Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

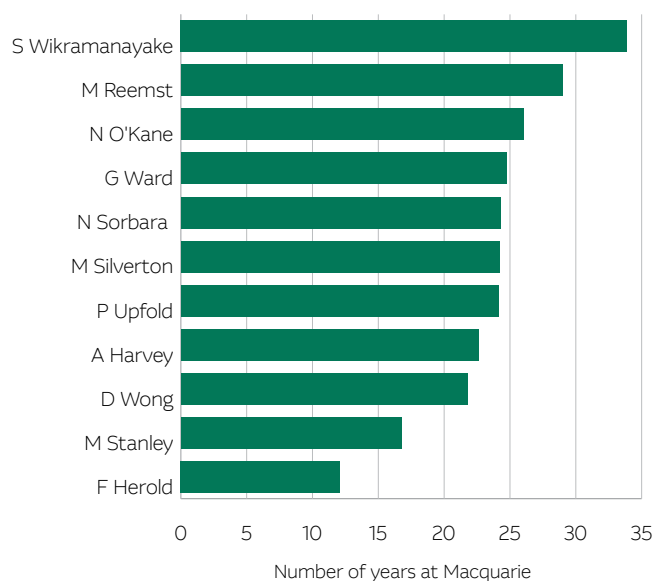
Remuneration Report

Continued

Tenure of Executive KMP⁽²³⁾

One of the primary goals of Macquarie's remuneration framework is to attract, motivate and retain high-performing staff. The Board's view is that Macquarie continues to achieve this goal as demonstrated by the following:

- Macquarie's Executive KMP had an average tenure of 24 years with Macquarie as at 31 March 2021. Their strong leadership and deep expertise have been integral to driving company and business performance in FY2021
- as at 31 March 2021, 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
- the 4.4% Director-level voluntary turnover rate in FY2021 is considerably lower compared with the prior year and remains below the voluntary turnover rate across Macquarie overall.



(23) This includes accumulated service at acquired companies, for example, Bankers Trust Investment Bank Australia.

Executive KMP remuneration outcomes for FY2021

This section details Executive KMP remuneration outcomes for FY2021 and demonstrates the link between pay and performance.

Executive KMP fixed remuneration outcomes

In line with our pay for performance approach to remuneration, fixed remuneration for our Executive KMP in FY2021 comprised approximately 10% of total awarded remuneration, with the balance at risk and explicitly linked to performance.

In addition to a base salary and as part of fixed remuneration, one Executive KMP, Mr Wong, receives a role-based allowance as described on page 112.

Process to determine Executive KMP profit share outcomes

There is a consistent and comprehensive process for the Board and the BRC to assess the performance of the CEO and each Executive KMP during the year to enable them to determine remuneration outcomes at the end of the year. The Board is always mindful of the external focus on overall remuneration levels and has spent considerable time determining remuneration outcomes for the CEO and each Executive KMP. The BRC recognises the range of expectations and have made decisions which take into consideration the perspectives of all stakeholders. Significant judgement is applied in order to ensure that remuneration outcomes are aligned both with individual and company-wide performance and with outcomes delivered to our shareholders, our clients and the communities in which we operate.

As part of the Board's annual review of Macquarie's CEO's performance, the CEO meets with the Non-Executive Directors (NEDs) of the Board towards the end of each financial year to consider formal documentation that outlines her views of Macquarie's performance. The presentation includes a broad range of Macquarie's activities covering the following main areas:

- financial performance
- risk management and compliance
- business leadership including customer and community outcomes
- people leadership and professional conduct consistent with the *Code of Conduct* and *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 any particular matters of interest the Board has identified for further discussion as a part of the review process. This year, the NEDs requested that the CEO focus on how Macquarie demonstrates its culture of putting customers first, promotes the expansion of businesses with new and existing customers as well as ongoing focus on regulatory issues, including compliance and reporting. 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.

The Board and the BRC consider formal documentation for each Executive KMP, which includes consideration of the same factors as the CEO as set out above.

The BRC also consider risk-related matters raised in the independent reports from the CRO and the General Counsel. To ensure that all matters are appropriately brought to the BRC's attention and to achieve an integrated approach to remuneration that reflects prudent and appropriate risk, there is a joint meeting of the BRC, BRIC 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.

FY2021 remuneration impacts – APRA enforcement action

On 1 April 2021, APRA announced actions required regarding MBL's risk management practices and ability to calculate and report key prudential ratios. APRA increased MBL's operational risk capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions.

The Board acknowledges the seriousness of the APRA findings and has reflected this in its determination of remuneration outcomes. This has been through a reduction in the PSU allocations for Executive KMP and the imposition of additional qualifying conditions on the release of a portion of their retained profit share. The qualifying conditions relate to the timely and satisfactory remediation of the APRA findings.

FY2021 Executive KMP profit share outcomes

FY2021 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.

We have firstly considered the financial results of Macquarie overall, as well as each Operating Group. Against a challenging backdrop, all Operating Groups have been profitable this year. These results reinforce the value of the diversification which we have built into each of our businesses.

Remuneration Report

Continued

In determining the CEO's remuneration, we have considered her strong leadership through the challenges of COVID-19. She has also advanced a process of reorganising Macquarie's Operating Groups and renewing the Executive Committee, positioning the business for future opportunities.

We have also considered the following contributing factors which the Board views as critical to Macquarie's ongoing success:

- **Cross-group collaboration:** There has been an increasing focus over the last year as businesses work together to leverage expertise and find holistic solutions for customers and unlock new opportunities. Our culture of putting customers first and delivering on customer and community expectations permeates through Macquarie. This has helped to drive growth, secure repeat business and support our whole portfolio during COVID-19 challenged market conditions.
- **The continued focus on people and culture:** The well-being and empowerment of staff is instrumental to Macquarie's resilience and performance. As part of this ongoing focus, Macquarie's rearticulated purpose was launched this year following extensive consultation with over 800 staff. Each group has implemented new and reviewed existing strategies to embed our purpose: to empower people to innovate and invest in a better future. In addition, longstanding investment in leadership capability and flexible working has been accelerated as a result of the pandemic. The Macquarie Voice survey conducted in November 2020 saw increased employee engagement, further evidencing the focus being given to staff well-being.
- **Ongoing investment in technology:** Macquarie continues to invest in technology, systems and processes to reduce risk, enhance the customer experience and drive efficiencies. These investments have also underpinned business resilience, with as many as 98% of staff across Macquarie working remotely during the year with minimal disruption.
- **Progress against D&I initiatives:** D&I continues to be a business priority that is fundamental to Macquarie's ongoing success. We acknowledge the heightened political and social focus on addressing inequality. During the year we reaffirmed our commitment to building a diverse workforce with the development of D&I initiatives focused on building inclusive leadership capabilities and enhancing the transparency of demographic data to better understand the diversity of the workforce and where further action is required.
- **Risk management:** A disciplined approach to risk management is critical to Macquarie's success. Notwithstanding the APRA findings noted earlier, there have been a number of enhancements made to ensure that non-financial risks are identified and managed, including:
 - significant investment in Work, Health, Safety and Environment systems, procedures, training and oversight
 - heightened focus on financial crime risk
 - a comprehensive review of the ESR policy to ensure stakeholder expectations are met
 - a refresh of the Conduct Risk framework.
- **Macquarie's response to COVID-19:** There has been a heightened awareness of the issues impacting our customers, clients, portfolio companies, and the broader community as a result of the pandemic, as well as the global political and social challenges. Some of the ways Macquarie has addressed the impact of COVID-19 include:
 - payment pause and lending relief continues although the vast majority of clients have resumed normal payments
 - within our portfolio companies, there has been ongoing work to ensure business continuity, financial resilience and employee well-being
 - the Macquarie Group Foundation (the Foundation) has increased financial support for urgent direct relief needs, research, and to support workers and businesses in restarting economic activity through the COVID-19 donation fund.

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 BEAR Accountable Persons, staff who hold regulated roles, Designated Executive Directors and other senior staff (generally direct reports of Executive KMP) 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.

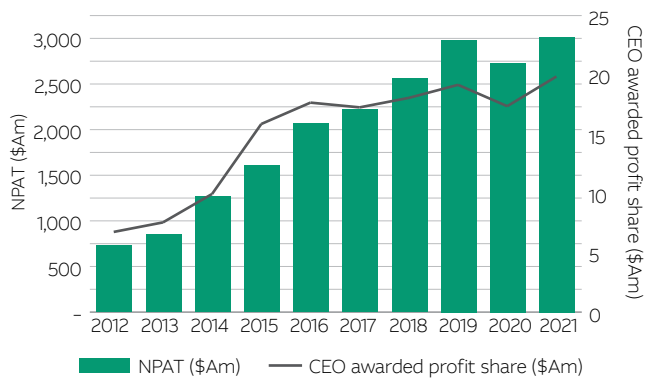
Finally, the BRC also considers remuneration levels for organisations in an international reference group that broadly operate in the same markets and compete for the same people as Macquarie.

After careful consideration of all these factors, we believe the following outcomes for the year are appropriate:

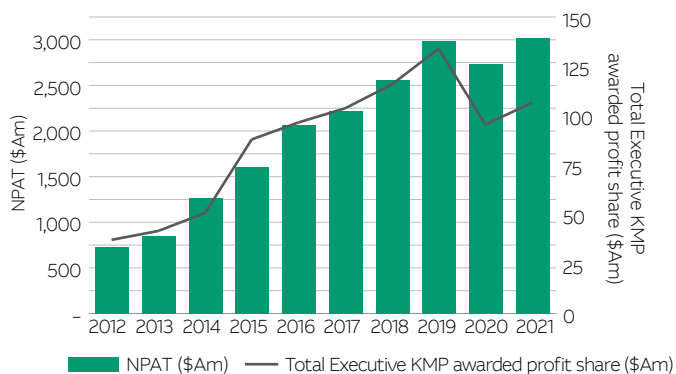
- CEO awarded profit share has increased 14% on the prior year to \$A19.85 million
- total Executive KMP awarded profit share is up 8% to \$A106.9 million
- reflecting the APRA findings, PSU allocations for Executive KMP have been reduced and additional qualifying conditions have been imposed on the release of a portion of their retained profit share
- in FY2020, in light of the economic uncertainty due to COVID-19, retention rates for the CEO and Executive KMP were increased to 100%. This year, they have been reset to levels more in line with 2019.

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⁽²⁴⁾



Total Executive KMP awarded profit share



(24) 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.

As noted in last year's report, in light of the economic uncertainty due to COVID-19, retention rates for FY2020 were increased to 100% for the CEO and all Executive Committee members and there was no available profit share component. For FY2021, as a result of improved economic conditions, retention rates have been reset to levels more in line with 2019.

Macquarie Group

S.R. Wikramanayake – Macquarie CEO

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	820,244	795,740
Available profit share	3,970,000	-
Retained profit share	15,880,000	17,352,388
Total	20,670,244	18,148,128

Ms Wikramanayake's fixed remuneration increased effective 1 July 2019, to reflect her role as CEO.

Financial results

- Successfully steered the organisation through the challenges of COVID-19, achieving strong financial outcomes, including Macquarie's highest profit on record: NPAT of \$A3,015 million, up 10% compared to FY2020, ROE of 14.3% and EPS of 842.9 cents per share, despite the challenges of COVID-19.
- Maintained a strong and conservative balance sheet.

Risk management and compliance

- Ongoing investment into risk management capabilities to support business growth and address increasing regulatory focus, as well as meeting community expectations (including around ESR) in a scalable and controlled manner.

Business leadership (including customer and community outcomes)

- Promoted cross-group collaboration throughout Macquarie including the acceleration of Macquarie's role in energy transition.
- Comprehensive response to COVID-19 focusing on employees, clients, portfolio companies and the community: supported Macquarie's ongoing focus on a culture of putting customers first, including payment pauses and assistance for affected customers during COVID-19 and delivering on customer and community expectations.

People leadership and professional conduct

- Advanced the process of reorganising Macquarie's Operating Groups and renewing the Executive Committee, positioning the business for future opportunities.
- Strong people leadership during the year reflected in high employee engagement and a high CEO approval rating evidenced through the Macquarie Voice survey.
- Embedded Macquarie's purpose to empower people to innovate and invest in a better future through the launch of a staff-led Purpose statement.
- Ongoing focus of building inclusive leadership capabilities.
- Ongoing contribution to policy formation through formal consultations and appointments to a number of advisory panels on key Environmental, Social and Governance (ESG) initiatives. These leadership roles add to existing contributions including the Global Commission on Adaptation and the UN Climate Finance Leadership Initiative.

Macquarie Bank

M.J. Reemst – Macquarie Bank CEO

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	771,319	770,885
Available profit share	1,508,000	-
Retained profit share	2,262,000	3,982,515
Total	4,541,319	4,753,400

Financial results

- Strong management of MBL's balance sheet in FY2021 ensuring a strong financial position and operating ratios well in excess of regulatory minimums.
- Despite challenging market conditions, successfully increased Bank funding with \$A11.2 billion term funding raised to support business growth.
- Maintained Macquarie's upgraded S&P rating of A+.

Risk management and compliance

- BEAR is embedded and operational in MBL and there is ongoing engagement with the government, regulators and industry associations on the proposed Financial Accountability Regime (FAR).
- Managed a significant increase in the frequency of requests for regulatory reports during COVID-19.
- Continued to invest to manage high regulatory reporting risk acknowledging the heightened focus by regulators and the significant increase in the frequency of requests for regulatory reports during COVID-19.

Business leadership (including customer and community outcomes)

- Established, capitalised and operationalised Macquarie Bank Europe and smaller licenced entities to facilitate Macquarie continuing regulated activity in European markets post-Brexit.
- Successful transfer of Macquarie Group Services Australia Pty Ltd (MGSA) from the group to the bank as part of Resolution.

People leadership and professional conduct

- Served as Chair of the Macquarie Group Foundation. During an unprecedented year, staff and the Foundation responded with empathy and generosity. Support for communities included the global \$A20 million COVID-19 donation fund and the creation of the Racial Equity Fund in the Americas. In FY2021, through donations and fundraising effort by employees and matching by the Foundation, together with the Foundation's annual grant-making program, \$A64 million was contributed to over 2,400 non-profit organisations around the world.

Remuneration Report

Continued

Macquarie Asset Management (MAM)

M.S.W. Stanley – Group Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	710,608	727,571
Available profit share	7,548,692	-
Retained profit share	11,323,038	18,125,946
Total	19,582,338	18,853,517

Financial results

- Delivered a net profit contribution of \$A2,074 million, down 5% on FY2020's record result, reflecting significant headwinds impacting the Transportation Finance business and considerable volatility in public markets.
- Base fees and performance fees were down 2% and 21% respectively on record FY2020 levels.

Risk management and compliance

- MAM's risk governance was strengthened during the year including an enhanced Work Health and Safety (WHS) framework. Notwithstanding this improvement, WHS remained a key priority during FY2021.
- MAM continued to strengthen its ESG credentials with the launch of the annual MIRA Sustainability Report as well as the announcement of MAM's commitment to investing and managing its portfolio in line with global net zero emissions by 2040.

Business leadership (including customer and community outcomes)

- Entered into an agreement to acquire Waddell & Reed Financial Inc. and made strategic divestitures of MIM Korea and the minority stake in Jackson Square Partners.
- MIRA raised \$A21.8 billion in new equity for a diverse range of funds, products and solutions across the platform.
- In April 2020, MIRA closed the sale of the Macquarie European Rail business.

People leadership and professional conduct

- Established a MAM Awards program to reward and recognise staff who role model key behaviours.
- Sponsored diverse talent through various training and programs, as well as through the implementation of MAM's D&I strategy.
- Successfully managed an orderly transition to the new MAM Group Head, Ben Way.

Banking and Financial Services (BFS)

G.C. Ward – Deputy Managing Director and Group Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	771,319	770,885
Available profit share	3,220,000	-
Retained profit share	4,830,000	8,059,013
Total	8,821,319	8,829,898

Financial results

- Delivered a net profit contribution of \$A771 million, in line with the prior year.
- Total BFS deposits increased 26% to \$A80.7 billion, the loan and lease portfolio increased 18% to \$A89.1 billion and funds on platform increased 28% to \$A101.4 billion.
- The home loan portfolio increased 29% to \$A67.0 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 \$A10.2 billion and Business Banking deposit volumes increased 23%.

Risk management and compliance

- Established the BFS Regulatory Risk team and expanded regulatory assurance functions within non-financial risk.
- Key risk metrics throughout FY2021 compared to pre-COVID-19 demonstrate the ongoing robustness of the BFS control framework over this challenging period.

Business leadership (including customer and community outcomes)

- Provided an industry-leading, rapid response to COVID-19, including being first in market to support clients on payment pause with an online request form, a pause on collections activity, and redeploying approximately 400 staff to support a period of increased client and operational needs.
- During the first half of the year, BFS expanded the Macquarie Wrap managed accounts offering with assets under management of \$A5.4 billion, up from \$A3.0 billion in March 2020.
- BFS continued the implementation of a cloud-based portfolio management platform as part of the wealth platform transformation.
- Received a number of awards, including: Mortgage Choice winner (*Lender of the Year*); Money Magazine's Consumer Finance Awards winner (*Home Lender of the Year*); Mozo Experts Choice Awards winner (*Internet Banking, Exceptional Everyday Account and Excellent Banking App*).

People leadership and professional conduct

- Sustained commitment to gender balance has led BFS to a gender balanced workforce, including increased female representation at the Director level.
- Ongoing investment and focus on creating a high-performing, diverse and inclusive culture is evidenced in BFS' Level 1 accreditation as a Carer Friendly Employer (one of only six organisations to receive this recognition), BFS' qualification as an Australian Workplace Equality Index Platinum Employer and BFS' record-high levels of staff engagement.

Remuneration Report

Continued

Commodities and Global Markets (CGM)

N. O’Kane – Group Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	816,732	928,940
Available profit share	10,198,800	-
Retained profit share	15,298,201	18,546,763
Total	26,313,733	19,475,703

The movement in Mr O’Kane’s fixed remuneration reflects an adjustment to his salary on relocation to Australia in line with other Executive KMP based in Australia.

Financial results

- Delivered a record net profit contribution of \$A2,601 million for FY2021, up 50% on the prior year.
- The result was reflective of increased contribution from Resources North American Gas and Power, EMEA Gas and Power and Agriculture due to client hedging activity driven by increased volatility and commodity price movements. This was underpinned by:
 - client focused businesses with deep longstanding client relationships
 - platform diversity that drives earnings stability and de-risks the portfolio
 - dedicated specialist staff with deep sector knowledge and market insights
 - a focus on risk management that remains core to every business activity.

Risk management and compliance

- Focused on embedding the operational risk management framework including increased investment in the non-financial risk teams.
- Several initiatives have been implemented across CGM to further embed a robust risk culture including recognising and rewarding behaviour that role models and promotes strong risk culture.

Business leadership (including customer and community outcomes)

- Adapted to changing market conditions by supporting clients; responding to increased trading opportunities; and repositioning businesses where necessary including via pursuit of opportunities in adjacencies by entering new markets and introducing new products.
- Delivered positive outcomes for the community including the funding of 10 million+ smart meters in the UK to enable end consumers to reduce their energy costs and emissions; servicing the energy needs of North America, with ~11 billion cubic feet of natural gas volume traded per day.
- Maintained ranking as No. 1 futures broker on the ASX,⁽²⁵⁾ No. 2 physical gas marketer in North America⁽²⁶⁾ and received a number of awards for CGM’s expertise, including Derivatives House of the Year,⁽²⁷⁾ Oil and Products House of the Year⁽²⁷⁾ and Environmental Products Bank of the Year.⁽²⁷⁾

People leadership and professional conduct

- Significant investment in CGM’s people and culture.
- D&I remained a strategic priority with significant focus and investment across CGM.

(25) Based on overall market share on ASX24 Futures volumes as at 31 December 2020.

(26) Platts Q3 2020.

(27) 2020 Energy Risk Awards.

Macquarie Capital

M.J. Silverton – Group Co-Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	724,676	631,620
Available profit share	1,650,000	-
Retained profit share	3,850,000	3,791,603
Total	6,224,676	4,423,223

D. Wong – Group Co-Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	4,675,126	4,015,344
Available profit share	942,951	-
Retained profit share	2,200,218	2,480,770
Total	7,818,295	6,496,114

Mr Silverton and Mr Wong were appointed to the Executive Committee effective 1 June 2019. FY2020 awarded remuneration disclosed reflects their time as Executive KMP from the period 1 June 2019 to 31 March 2020. Mr Wong's fixed remuneration includes a role-based allowance described on page 112.

F. Herold – Head of Macquarie Capital Principal Finance

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	723,138	722,704
Available profit share	1,176,000	-
Retained profit share	2,744,000	6,406,635
Total	4,643,138	7,129,339

Financial results

- Delivered a net profit contribution of \$A651 million, down 15% on the prior year due primarily to fewer material asset realisations and lower fee and commission income, partially offset by lower operating expenses.
- 1H21 net profit contribution significantly impacted by COVID-19. 2H21 net profit contribution significantly higher than prior period and prior corresponding period.

Risk management and compliance

- Further invested in additional specialist risk experts across several risk areas including Operational Risk, Work, Health and Safety, and Anti-Bribery, Corruption and Sanctions.
- Established a Non-Financial Risk function, bringing various specialist risk managers together to drive best practice risk management, set frameworks, and provide training and assurance.

Business leadership (including customer and community outcomes)

Advisory and Capital Solutions (ACS):

- Macquarie Capital was ranked No.1 in ANZ for both M&A and IPOs for the past decade
- global collaboration between teams continues to create successful outcomes, particularly with financial sponsors
- acted as exclusive financial adviser to Strata Fund Solutions on its sale to Alter Domus and Joint Bookrunner on the acquisition financing. Principal Finance co-invested with FTV Capital in Strata and subsequently realised its position in a successful sale process
- focused alignment around areas of opportunity such as technology-enabled innovation in all sectors.

Infrastructure and Energy Group (IEG):

- Macquarie Capital was ranked No.1 Global Renewables Financial Adviser in 2020
- continued focus on green energy with over 250 projects under development or construction, with a pipeline of more than 30GW
- Green Investment Group launched a new solar energy company, Cero Generation, to take forward an 8 GW portfolio of over 150 projects across Europe as an OSS
- expanded into new markets including Israel, Latin America, Poland, and new asset classes including Digital Infrastructure, floating offshore wind and battery storage.

Equities:

- repositioning as an Asia-Pacific focused full service broker with specialist US services and Global Portfolio Trading offering continues to resonate with our clients
- equities has been named number one in seven of the eight Chief Investment Officer Magazine Transitions Management survey categories, as well as receiving a further top ranking in the over-riding client satisfaction score.

People leadership and professional conduct

- Continued focus on D&I initiatives, with a focus on recruitment, communications, leader-led inclusion training and ethnicity and racial equality awareness training.
- Ongoing investment in people leadership skills.

Remuneration Report

Continued

Corporate Operations Group (COG)

N. Sorbara – COO and Group Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	771,319	770,885
Available profit share	2,440,000	-
Retained profit share	3,660,000	5,689,307
Total	6,871,319	6,460,192

Financial results

- Responsible for Technology, Operations, Human Resources, Business Services, Business Improvement and Strategy, Digital Transformation and Data, and the Macquarie Group Foundation.
- Delivered \$A45 million efficiency savings to fund ongoing investment in COG services. In addition, delivered \$A93 million savings direct to Operating Groups.

Risk management and compliance

- Effectively managed a number of risk frameworks including cyber security, global security and fraud, enterprise information management, business resilience, supplier governance and remuneration.
- Continued to engage with Treasury and regulators on remuneration regulation.

Business leadership (including customer and community outcomes)

- Led Macquarie's successful response to COVID-19. Our long-term focus on investing in people and technology enabled 98% of staff to work remotely ensuring business resilience and operations were maintained.
- Led the ongoing development of the Sydney Martin Place Metro Project, including partnership with Macquarie Capital on the sale of the South Tower which will complete in 2024.
- Led multiple transformation programs across COG, including the delivery of a digital HR and procurement platform.
- Delivered support for the community including achieving a record year of giving through the Foundation and implementing the COVID-19 donation fund, a \$A20 million fund donation to support non-profit organisations working to combat the effects of COVID-19.

People leadership and professional conduct

- Strong people leadership evidenced by high staff engagement scores.
- Continued to embed inclusive leadership capabilities and supported an innovative culture throughout Macquarie through group-wide training and tools.
- Maintained strong inclusion & diversity outcomes, including 50% female representation on leadership team and gender pay parity for like roles.
- Co-sponsorship of the rearticulation of Macquarie's purpose.

Financial Management Group (FMG)

A.H. Harvey – CFO and Group Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	771,319	770,885
Available profit share	2,440,000	-
Retained profit share	3,660,000	5,689,307
Total	6,871,319	6,460,192

Financial results

- Responsible for financial, tax and treasury services to all areas of Macquarie and for Macquarie's corporate affairs team including corporate communications and investor relations.

Risk management and compliance

- Managed the capital and funding, liquidity and interest rate risk management of Macquarie's balance sheet and delivered year end and half year reporting without interruption while teams worked remotely.
- Completed phase 1 of the General Ledger project with the release of Accounts Payable, Fixed Assets and Accounts Receivable, which will drive efficiencies, reduce risk and enable better informed decision making.
- Continued investment and focus on regulatory and tax reporting governance and key controls with dedicated resourcing and project support.

Business leadership (including customer and community outcomes)

- Further developed relationships with investors, banks and rating agencies despite restrictions on travel.
- Raised over \$A22 billion of term funding across multiple products.
- Continued to evolve the depth of Macquarie's disclosure, notably in relation to climate.
- Created business unit aligned finance teams, aligning legal entity control and financial control with specific Operating Groups, improving transparency while reducing risk.
- Continued to transform platforms and processes by leveraging better technology across FMG to enable the delivery of activities in a more cost-efficient manner.

People leadership and professional conduct

- Co-sponsored the rearticulation of Macquarie's purpose.
- Launched the refreshed FY2021 D&I strategy and appointed an Executive Sponsor to help drive accountability against D&I objectives.
- Supported the growth and development of our people and continued to focus on skills development, talent management and succession planning.
- Sponsored a heightened focus on well-being and manager capabilities as staff continued to work remotely for an extended period of time.

Remuneration Report

Continued

Risk Management Group (RMG)

P.C. Upfold – CRO and Group Head

Awarded remuneration (\$A)	FY2021	FY2020
Fixed remuneration	771,319	770,885
Available profit share	2,440,000	-
Retained profit share	3,660,000	5,689,307
Total	6,871,319	6,460,192

Financial results

- Responsible for identifying, assessing and monitoring risks across Macquarie.

Risk management and compliance

- Enhanced key elements of Macquarie's Non-Financial Risk Management framework, including the:
 - conduct risk framework by implementing the Conduct Issue Rating Standard
 - Work, Health and Safety policy and framework
 - Group-wide Climate Risk and Modern Slavery Program
 - investment in leading risk technology and data management capabilities.
- Executed an extensive stress testing program to provide management risk insights during COVID-19.
- Managed Macquarie's COVID-19 related exposures.
- Managed Macquarie's regulatory obligations in a remote working environment.

Business leadership (including customer and community outcomes)

- Invested in non-financial risk teams, including Compliance, Risk Surveillance, Financial Crime and Operational Risk.
- Flexibly supported our business group plans in response to market developments (for example, Brexit) and opportunities (for example, the purchase of Waddell & Reed Financial Inc.).

People leadership and professional conduct

- Continued enhancements to the leadership team, including hiring of a Global Head of Financial Crime Risk.
- Piloted manager capability modules to support managers to improve their engagement and people management skills.

Executive KMP – Allocation of PSUs for FY2021

As set out on page 108, individual PSU allocations were determined based on their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie. This year, PSU allocations have been reduced to reflect the APRA findings.

In a change from last year, the number of PSUs to be allocated will be calculated by dividing the face value of the PSU award by the price of Macquarie ordinary shares on or around the date of grant. This change from a fair value methodology is not expected to have an impact on the resulting number of PSUs to be allocated for FY2021. In the table below, we have disclosed PSU allocations for all Executive KMP at face and fair value.

Approval will be sought at Macquarie's 2021 Annual General Meeting to allocate PSU awards to the Macquarie CEO, who is also an Executive Voting Director.

Executive KMP	Face Value of the PSU award (\$A)	Fair Value of the PSU award (\$A)
S.R. Wikramanayake	3,200,000	2,117,000
A.H. Harvey	2,240,000	1,482,000
F. Herold	2,240,000	1,482,000
N. O'Kane	2,240,000	1,482,000
M.J. Reemst	-	-
M.J. Silvertown	2,240,000	1,482,000
N. Sorbara	2,240,000	1,482,000
M.S.W. Stanley	-	-
P.C. Upfold	2,240,000	1,482,000
G.C. Ward	2,240,000	1,482,000
D. Wong	2,240,000	1,482,000

The fair value is estimated assuming a fair value of \$A101.10 per PSU based on the share price of \$A152.83, being the closing price of Macquarie ordinary shares on 31 March 2021. The fair value takes into account trading restrictions, the fact that PSUs do not attract dividends and the vesting performance hurdles and time frames. As a result, the fair value of a PSU is lower than the face value of a PSU. The following assumptions were used in estimating the fair value: a risk-free interest rate of 0.44% per annum, share volatility of 31.31% and a forecast dividend yield of 3.96% per annum (paid in two instalments each year).

Pages 108 to 109 set out details of the performance hurdles and vesting period applicable to these awards.

Executive KMP – PSUs vesting during FY2021

The PSUs that completed their performance period on 30 June 2020 comprised the second tranche of those awards granted in 2016 and the first tranche of those granted in 2017. The performance hurdle tests were performed using data sourced from Bloomberg for all peers (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 peer group have been fully met for both tranches; and
- based on the EPS CAGR in Macquarie's reported financial year have not been met for either the 2016 or the 2017 PSU grants.

As a result, 50% of the awards became exercisable on 1 July 2020, as shown below:

PSU tranche	EPS CAGR Hurdle			ROE Hurdle		
	Macquarie result (for vesting period)	Hurdle	Outcome	Macquarie result (for vesting period)	Hurdle	Outcome
2016 Tranche 2	6.31%	50% at 7.5% CAGR 100% at 12% CAGR	0% exercisable	14.86% (88 th percentile)	50% above the 50 th percentile ⁽²⁸⁾ 100% at the 75 th percentile ⁽²⁸⁾	100% exercisable
2017 Tranche 1	6.35%	50% at 7.5% CAGR 100% at 12% CAGR	0% exercisable	15.23% (88 th percentile)	50% above the 50 th percentile ⁽²⁹⁾ 100% at the 75 th percentile ⁽²⁹⁾	100% exercisable

(28) Peer group ROE at 50th percentile 8.83% and peer group ROE at 75th percentile 9.41%.

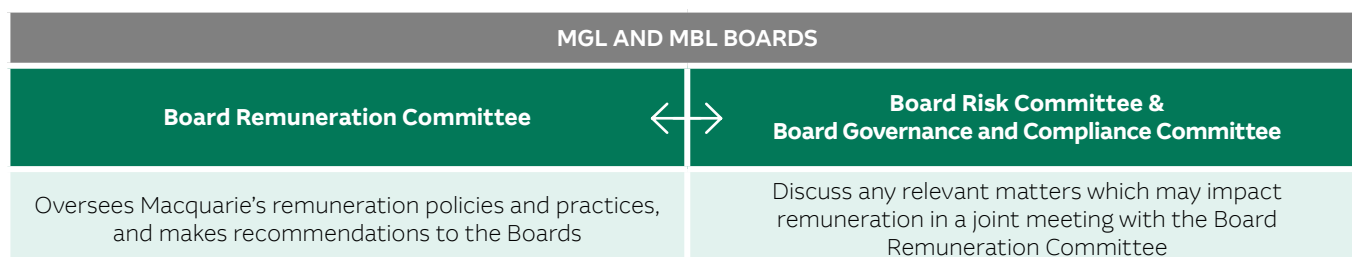
(29) Peer group ROE at 50th percentile 9.92% and peer group ROE at 75th percentile 10.53%.

Remuneration Report

Continued

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.



Strong Board oversight

The Board oversees Macquarie's remuneration framework. The Board has a BRC whose objective is to assist the Board and the Board of Macquarie Bank, a key operating subsidiary, with Macquarie's remuneration policies and practices. The BRC currently comprises six independent Non-Executive Directors (NEDs):

Board Remuneration Committee

Chair

J.R. Broadbent

Members

G.M. Cairns

P.M. Coffey

D.J. Grady

M. Roche

P.H. Warne

The BRC members have the required experience and expertise in human resources, remuneration and risk to enable them to achieve effective governance of Macquarie's remuneration framework. The BRC has a regular meeting cycle and met six times during FY2021. Attendance at meetings by the BRC members is set out in the Directors' Report. Strict processes are in place to ensure conflicts of interest are appropriately managed.

BRC responsibilities

The BRC pays close attention to the design and operation of remuneration practices for all of Macquarie, not just for the most senior executives. The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the Board.



The Charter is available at [macquarie.com/corporate-governance](https://www.macquarie.com/corporate-governance)

Some of the responsibilities include:

- overseeing the process for the annual review by the Board of the CEOs' and other Executive KMPs' performance
- recommending to the Board the remuneration outcomes for all Executive KMP, Designated Executive Directors and other senior executives
- assessing the effectiveness of the *Remuneration Policy* to ensure compliance with legal and regulatory requirements, as well as to support the alignment of remuneration with prudent risk-taking and professional conduct across the organisation
- recommending the *Remuneration Policy* to the Board for approval.

Alignment to risk

The BRC liaises with the BRIC 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.

As set out on page 111, the CRO provides the BRC with an independent report detailing significant regulatory and legal matters, significant compliance and operational incidents, internal audit issues and other non-financial risk matters. A joint meeting of the BRC, BRIC and BGCC is held to discuss these matters, with the CRO in attendance. The General Counsel attends as required to provide a further source of independent input, including on matters which might lead to a Malus determination. The CFO annually confirms to the BRC that the profit share pool can be supported by Macquarie's current and forecast capital position and does not limit Macquarie's ability to further strengthen its capital base in the future if required.

Engagement with external stakeholders

The Chairman of the Board, the previous BRC Chair and the current 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 during the consultation process for CPS 511.

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.

Remuneration Report

Continued

Non-Executive Director remuneration

The Macquarie Board seeks to attract and appoint high-calibre NEDs. Reflecting the Board's role, the remuneration arrangements applicable to NEDs, as outlined in this section, differ significantly from the arrangements applicable to Executives.

Non-Executive Director remuneration

Non-Executive Director fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board.

Macquarie's NED remuneration framework seeks to remunerate high-calibre directors by:

- setting an overall fee that reflects the scale and complexity of Macquarie, including risk management and regulatory responsibilities and the global financial nature of Macquarie's activities
- setting Board and Committee fees to reflect the time commitment required to meet the responsibilities involved in the annual scheduled calendar, taking into account market rates for relevant organisations and market trends
- paying separate fees for additional responsibilities that may arise on an ad hoc basis
- delivering these fees in a form that is not contingent on Macquarie's performance
- setting a minimum shareholding requirement to align the interest of NEDs with shareholders.

All NEDs of MGL are also NEDs of MBL. The framework governs the remuneration of NEDs of MGL and MBL. The CEO is not remunerated separately for acting as an Executive Voting Director.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive profit share payments. There are no termination payments to NEDs on their retirement from office other than payments relating to their accrued superannuation contributions comprising part of their remuneration.

NEDs may elect to receive their remuneration, in part, in the form of superannuation contributions over and above the minimum level of contribution required under applicable legislation.

Macquarie's NEDs are remunerated for their services from the maximum aggregate amount approved by shareholders for this purpose. Macquarie shareholders approved the current limit (\$A5.0 million per annum) at MGL's 2019 AGM. The Board ensures that NED remuneration for MGL and MBL taken together does not exceed this shareholder approved maximum amount.

Board and Committee fees are reviewed annually.⁽³⁰⁾

An internal review of NED fees was completed during the year. The Boards determined, following this review, that Board and Committee fees should remain unchanged.

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 requirements:

- for NEDs other than the Chair, an investment equivalent to one times the average annual NED fee for the financial year ending prior to their appointment
- for the Chair, an investment equivalent to one times the annual Chair fee.

with the minimum number of shares to be determined using the share price as at the date of a NED's/Chair's appointment.

The above requirements apply to NEDs and are to be met within three years from appointment with one third of the requirement to be held after one year, two thirds after two years and in full after three years.

Under Macquarie's *Trading Policy*, NEDs may only trade Macquarie securities during designated trading windows and are prohibited from hedging shares held to meet this minimum Macquarie shareholding requirement. Each NED's current holding of Macquarie ordinary shares is included on page 88 of the Directors' Report.

MGL and MBL Annual Director Fees (from 1 July 2018)	MGL FEES		MBL FEES		TOTAL FEES	
	Chairman ⁽³¹⁾ \$A	Member \$A	Chairman \$A	Member \$A	Chairman \$A	Member \$A
Board	623,000	182,000	267,000	78,000	890,000	260,000
Board Risk Committee (BRIC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Audit Committee (BAC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Remuneration Committee (BRC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Governance and Compliance Committee (BGCC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Nominating Committee (BNC)	n/a	8,000	n/a	n/a	n/a	8,000

(30) Macquarie has five standing Board Committees. The BAC and BRIC are joint committees of Macquarie and Macquarie Bank. The BGCC and BRC assist both Boards. The BNC assists the Macquarie Board.

(31) The Chairman of the Board does not receive Board Committee membership fees.

Appendix 1: Key Management Personnel (KMP) for FY2021

All the individuals listed below have been determined to be KMP for FY2021 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 FY2021
Executive Voting Director		
S.R. Wikramanayake	CEO	Full year
Non-Executive Directors		
G.R. Banks AO	Independent Director	Ceased to be a member of the Board on 30 July 2020
J.R. Broadbent AC	Independent Director	Full year
G.M. Cairns	Independent Director	Full year ⁽³²⁾
P.M. Coffey	Independent Director	Full year
M.J. Coleman	Independent Director	Full year
D.J. Grady AO	Independent Director	Full year
M.J. Hawker AM	Independent Director	Ceased to be a member of the Board on 30 September 2020
R.J. McGrath	Independent Director	Appointed to the Board effective from 20 January 2021
M. Roche	Independent Director	Appointed to the Board effective from 20 January 2021
G.R. Stevens AC	Independent Director	Full year
N.M. Wakefield Evans	Independent Director	Full year
P.H. Warne	Independent Chairman	Full year
Executives⁽³³⁾		
A.H. Harvey	CFO, Head of FMG	Full year
F. Herold	Head of Macquarie Capital Principal Finance	Full year ⁽³⁴⁾
N. O'Kane	Head of CGM	Full year
M.J. Reemst	Macquarie Bank CEO	Full year ⁽³⁵⁾
M.J. Silvertown	Co-Head of Macquarie Capital	Full year
N. Sorbara	COO, Head of COG	Full year
M.S.W. Stanley	Head of MAM	Full year ⁽³⁶⁾
P.C. Upfold	CRO, Head of RMG	Full year
G.C. Ward	Deputy Managing Director and Head of BFS	Full year
D. Wong	Co-Head of Macquarie Capital	Full year

(32) Will cease to be a member of the MGL and MBL Boards effective 7 May 2021.

(33) Except where otherwise indicated, all of the Executives as well as the CEO were members of the Executive Committee as at 7 May 2021.

(34) Will cease to be a member of the Executive Committee effective 7 May 2021.

(35) Will cease to be a member of the Executive Committee effective 1 July 2021.

(36) Ceased to be a member of the Executive Committee effective 1 April 2021.

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
Executive Voting Director					
S.R. Wikramanayake ⁽³⁷⁾	Macquarie Group CEO	2021	820,244	3,970,000	4,790,244
		2020	795,740	-	795,740
Other Executives					
A.H. Harvey	CFO, Head of FMG	2021	771,319	2,440,000	3,211,319
		2020	770,885	-	770,885
F. Herold	Head of Macquarie Capital Principal Finance	2021	723,138	1,176,000	1,899,138
		2020	722,704	-	722,704
N. O'Kane ⁽³⁸⁾	Head of CGM	2021	816,732	10,198,800	11,015,532
		2020	928,940	-	928,940
M.J. Reemst ⁽³⁹⁾	Macquarie Bank CEO	2021	771,319	1,508,000	2,279,319
		2020	770,885	-	770,885
N. Sorbara	COO, Head of COG	2021	771,319	2,440,000	3,211,319
		2020	770,885	-	770,885
M.S.W. Stanley ⁽⁴⁰⁾	Head of MAM	2021	710,608	7,548,692	8,259,300
		2020	727,571	-	727,571
P.C. Upfold	CRO, Head of RMG	2021	771,319	2,440,000	3,211,319
		2020	770,885	-	770,885
G.C. Ward	Deputy Managing Director, Head of BFS	2021	771,319	3,220,000	3,991,319
		2020	770,885	-	770,885
Total Remuneration - Comparable Executive KMP⁽⁴¹⁾		2021	6,927,317	34,941,492	41,868,809
		2020	7,029,380	-	7,029,380
New and former Executives					
T.C. Bishop ⁽⁴²⁾	Former Head of Macquarie Capital	2021	-	-	-
		2020	120,451	-	120,451
G.A. Farrell ⁽⁴³⁾	Former Co-Head of CAF	2021	-	-	-
		2020	301,127	-	301,127
M.J. Silvertown ⁽⁴⁴⁾	Co-Head of Macquarie Capital	2021	724,676	1,650,000	2,374,676
		2020	631,620	-	631,620
D. Wong ⁽⁴⁴⁾	Co-Head of Macquarie Capital	2021	4,675,126	471,476	5,146,602
		2020	4,015,344	-	4,015,344
Total Remuneration - Executive KMP (including new and former executives)		2021	12,327,119	37,062,968	49,390,087
		2020	12,097,922	-	12,097,922

(37) Ms Wikramanayake's fixed remuneration increased effective 1 July 2019, to reflect her role as CEO.

(38) The movement in Mr O'Kane's fixed remuneration reflects an adjustment to his salary on relocation to Australia in line with other Executive KMP based in Australia.

(39) Ms Reemst will retire as a member of the Executive Committee effective 1 July 2021. Her FY2021 statutory remuneration of \$A7.9 million includes \$A5.5 million related to the amortisation of her equity awards. \$A3.1 million of this amount represents accelerated amortisation of equity awards. As a result of her intention to retire, the amortisation of her equity awards is being recognised over an accelerated vesting period resulting in further accounting amortisation.

(40) Mr Stanley ceased to be a member of the Executive Committee on 31 March 2021 but remains currently employed with Macquarie. Outstanding amortisation related to his equity awards, totalling \$A12.4 million, will continue to be recognised over the vesting period of the awards.

LONG-TERM EMPLOYEE BENEFITS			SHARE BASED PAYMENTS				Total Remuneration	Percentage of remuneration that consists of PSUs
Restricted profit share	Earnings on prior years restricted profit share	Total long-term employee benefits	Equity awards	PSUs	Total share-based payments			
\$A	\$A	\$A	\$A	\$A	\$A	\$A	%	
1,588,000	(714,053)	873,947	9,465,702	837,375	10,303,077	15,967,268	5%	
1,733,611	3,137,174	4,870,785	6,914,590	2,324,622	9,239,212	14,905,737	16%	
366,000	(20,627)	345,373	3,427,751	1,011,290	4,439,041	7,995,733	13%	
568,397	197,664	766,061	2,993,294	1,038,757	4,032,051	5,568,997	19%	
274,400	(49,417)	224,983	2,970,895	1,350,459	4,321,354	6,445,475	21%	
640,063	367,374	1,007,437	3,204,969	944,580	4,149,549	5,879,690	16%	
1,529,820	(34,776)	1,495,044	11,044,704	1,281,745	12,326,449	24,837,025	5%	
1,854,676	563,959	2,418,635	9,083,550	1,472,193	10,555,743	13,903,318	11%	
226,200	(15,730)	210,470	4,874,638	584,132	5,458,770	7,948,559	7%	
397,878	143,063	540,941	2,151,589	1,362,480	3,514,069	4,825,895	28%	
366,000	(21,996)	344,004	3,404,577	297,673	3,702,250	7,257,573	4%	
568,397	200,360	768,757	2,930,069	1,362,480	4,292,549	5,832,191	23%	
5,661,519	(1,136,619)	4,524,900	4,668,814	987,166	5,655,980	18,440,180	5%	
9,062,973	4,689,260	13,752,233	3,773,978	944,580	4,718,558	19,198,362	5%	
366,000	(26,558)	339,442	3,573,595	297,673	3,871,268	7,422,029	4%	
568,397	218,930	787,327	3,191,917	1,362,480	4,554,397	6,112,609	22%	
966,000	(53,515)	912,485	4,309,959	303,992	4,613,951	9,517,755	3%	
1,610,459	542,368	2,152,827	3,826,136	1,915,716	5,741,852	8,665,564	22%	
11,343,939	(2,073,291)	9,270,648	47,740,635	6,951,505	54,692,140	105,831,597		
17,004,851	10,060,152	27,065,003	38,070,092	12,727,888	50,797,980	84,892,363		
-	-	-	-	-	-	-	-	
-	43,654	43,654	2,381,319	418,209	2,799,528	2,963,633	14%	
-	-	-	-	-	-	-	-	
-	110,440	110,440	4,085,998	1,327,779	5,413,777	5,825,344	23%	
385,000	(30,291)	354,709	3,700,814	840,647	4,541,461	7,270,846	12%	
379,160	184,925	564,085	2,836,605	368,209	3,204,814	4,400,519	8%	
220,022	(123,691)	96,331	3,171,256	840,647	4,011,903	9,254,836	9%	
248,077	466,908	714,985	2,565,992	371,998	2,937,990	7,668,319	5%	
11,948,961	(2,227,273)	9,721,688	54,612,705	8,632,799	63,245,504	122,357,279		
17,632,088	10,866,079	28,498,167	49,940,006	15,214,083	65,154,089	105,750,178		

(41) Comparable KMP are Executive KMP who are members of the Executive Committee for the full year in both FY2021 and FY2020.

(42) Mr Bishop ceased to be a member of the Executive Committee on 31 May 2019 and retired on 15 July 2019.

(43) Mr Farrell ceased to be a member of the Executive Committee and retired on 1 September 2019.

(44) Mr Silverton and Mr Wong were appointed to the Executive Committee effective from 1 June 2019. Mr Wong's fixed remuneration includes a role-based allowance which is a component of fixed remuneration which may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.

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 120 to 128.

Under the requirements of AASB 124 *Related Party Disclosures*, the remuneration disclosures for the years ended 31 March 2021 and 31 March 2020 only include remuneration relating to the portion of the relevant periods that each person was an Executive KMP.

The following information provides more detail regarding some of the column headings in this Appendix:

(1) *Short-term employee benefits:*

- (a) *Salary:* includes salary, superannuation, any accrual for long service leave and other benefits
- (b) *Performance-related remuneration:* this represents the cash portion of each person's profit share allocation for the reporting period as an Executive KMP.

(2) *Long-term employee benefits:*

- (a) *Restricted profit share:* this represents the amount of retained profit share awarded for the current period that is deferred to future periods and held as a notional investment in Macquarie-managed fund equity (DPS Plan)
- (b) *Earnings on prior years restricted profit share:* Profit share amounts retained under the DPS Plan are notionally invested in Macquarie-managed funds, providing Executive Directors with an economic exposure to the underlying investments. Executive Directors are each entitled to amounts equivalent to the investment earnings (dividends/distributions and security price appreciation) on the underlying securities. The notional returns are calculated based on Total Shareholder Return. Where these amounts are positive, they may be paid to Executive Directors and are included in these remuneration disclosures as part of 'Earnings on prior years restricted profit share'. If there is a notional loss, this loss will be offset against any future notional income until the loss is completely offset and is reported as a negative amount in the same column. These earnings reflect the investment performance of the assets in which prior years retained amounts have been notionally invested. Their inclusion in the individual remuneration disclosures on the previous pages may, therefore, cause distortions when year-on-year remuneration trends are examined. They do not reflect remuneration review decisions made about the individual's current year performance.

(3) *Share-based payments:*

- (a) *Equity awards including shares:* This represents the current year expense for retained profit share that is invested in Macquarie ordinary shares under the MEREP as described on pages 106 to 107. This is recognised as an expense over the respective vesting periods, or service period if shorter, as described on pages 106 to 107 and includes amounts relating to prior years equity awards that have been previously disclosed. Equity awards in respect of FY2021 performance will be granted during FY2022; however, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2020. The expense is estimated using the price of MGL ordinary shares as at 31 March 2021 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 pages 108 to 109. This includes amounts relating to prior years PSU awards. PSU awards in respect of FY2021 will be granted during FY2022; however, Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2020. The expense is estimated using the price of MGL ordinary shares as at 31 March 2021 and the number of PSUs expected to vest. The estimate also incorporates an interest rate to maturity of 0.44% per annum, expected vesting date of 1 July 2025, and a dividend yield of 3.96% 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 132 of the Remuneration Report. The fees shown include fees paid as members of both the MGL and MBL Boards.

	Year	Fees \$A	Other benefits ⁽⁴⁵⁾ \$A	Total Compensation \$A
G.R. Banks ⁽⁴⁶⁾	2021	124,333	-	124,333
	2020	373,000	-	373,000
J.R. Broadbent ⁽⁴⁷⁾	2021	361,333	-	361,333
	2020	317,583	-	317,583
G.M. Cairns	2021	338,000	-	338,000
	2020	338,000	-	338,000
P.M. Coffey ⁽⁴⁸⁾	2021	373,000	-	373,000
	2020	332,167	-	332,167
M.J. Coleman	2021	413,000	10,000	423,000
	2020	413,000	12,000	425,000
D.J. Grady	2021	373,000	-	373,000
	2020	373,000	-	373,000
M.J. Hawker ⁽⁴⁹⁾	2021	203,167	-	203,167
	2020	436,333	-	436,333
R.J. McGrath ⁽⁵⁰⁾	2021	66,108	-	66,108
	2020	-	-	-
M. Roche ⁽⁵¹⁾	2021	66,108	-	66,108
	2020	-	-	-
G.R. Stevens ⁽⁵²⁾	2021	378,000	-	378,000
	2020	341,667	-	341,667
N.M. Wakefield Evans	2021	413,000	-	413,000
	2020	413,000	-	413,000
P.H. Warne	2021	890,000	-	890,000
	2020	890,000	-	890,000
Total Remuneration - Non-Executive KMP	2021	3,999,049	10,000	4,009,049
	2020	4,227,750	12,000	4,239,750

(45) Other benefits for NEDs include due diligence fees paid to Mr Coleman of \$A10,000 in FY2021 (FY2020: \$A12,000).

(46) Mr Banks ceased to be a member of the MGL and MBL Boards on 30 July 2020.

(47) Ms Broadbent became a member of the Board Remuneration Committee, effective from 1 November 2019 and was appointed as Chair of the Board Remuneration Committee, effective from 1 September 2020.

(48) Mr Coffey became a member of the Board Remuneration Committee and a member of the Board Audit Committee, effective from 1 November 2019.

(49) Mr Hawker was Chairman of the Board Risk Committee until 1 November 2019 and served as a member of the Board Risk Committee until 30 September 2020. He was Chairman of the Board Remuneration Committee until 1 September 2020 and served as a member of the Board Remuneration Committee until 30 September 2020. Mr Hawker ceased to be a member of the MGL and MBL Boards on 30 September 2020.

(50) Ms McGrath was appointed to the MGL and MBL Boards as an Independent Voting Director, effective from 20 January 2021. She became a member of the Board Risk Committee and a member of the Board Nominating Committee effective from 20 January 2021. Ms McGrath became a member of the Board Governance and Compliance Committee effective from 1 February 2021.

(51) Mr Roche was appointed to the MGL and MBL Boards as an Independent Voting Director, effective from 20 January 2021. He became a member of the Board Risk Committee and a member of the Board Nominating Committee effective from 20 January 2021. He became a member of the Board Remuneration Committee effective from 1 February 2021.

(52) The Board approved a leave of absence, due to illness, for Mr Stevens for the period 1 February 2019 to 31 May 2019. Mr Stevens was appointed as Chairman of the Board Risk Committee, effective from 1 November 2019.

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 2020 ⁽⁵³⁾	Shares received on withdrawal from the MEREP ⁽⁵⁴⁾	Other changes ⁽⁵⁵⁾	Number of shares held as at 31 March 2021 ^{(56),(57)}
Executive Directors				
S.R. Wikramanayake	883,625	62,168	-	945,793
Non-Executive Directors				
G.R. Banks	6,541	-	-	6,541
J.R. Broadbent	6,250	-	10,000	16,250
G.M. Cairns	12,734	-	-	12,734
P.M. Coffey	8,739	-	-	8,739
M.J. Coleman ⁽⁵⁸⁾	8,861	323	-	9,184
D.J. Grady	9,768	-	252	10,020
M.J. Hawker	7,469	-	(9)	7,460
R.J. McGrath	349	-	-	349
M. Roche	2,000	-	-	2,000
G.R. Stevens	3,900	-	909	4,809
N.M. Wakefield Evans	6,929	-	182	7,111
P.H. Warne	14,933	-	-	14,933
Executives				
A.H. Harvey	44,834	24,787	(44,934)	24,687
F. Herold	-	30,018	(30,018)	-
N. O'Kane	4,840	72,683	(72,683)	4,840
M.J. Reemst	68,828	29,513	(17,010)	81,331
M.J. Silverton	19,802	31,459	(31,459)	19,802
N. Sorbara	9,384	32,113	(32,113)	9,384
M.S.W. Stanley	45,361	20,052	(9,632)	55,781
P.C. Upfold	75,151	40,229	(40,229)	75,151
G.C. Ward	-	48,160	(48,160)	-
D. Wong	168	-	(168)	-

(53) Or date of appointment if later.

(54) For RSUs, this represents RSUs vesting during the current financial year. For DSUs, this represents vested DSUs exercised during the current financial year.

(55) Includes on market acquisitions and disposals.

(56) Or date of ceasing to be a KMP if earlier.

(57) In addition to the MGL ordinary shares set out in this table, Executive KMP also hold an interest in MGL ordinary shares through the MEREP, as set out in the table in page 143.

(58) A related party of Mr Coleman holds RSU awards, some of which vested during the year. Mr Coleman does not influence any investment decisions over, nor does he benefit from, this holding.

RSU and DSU awards to KMP

The following table sets out details of the RSU and DSU awards associated with Macquarie equity granted to Executive KMP. Grants made to Executive KMP prior to their joining the Executive Committee are not disclosed. PSUs are disclosed in a separate table.

A significant portion of an Executive KMP's retained profit share is invested in Macquarie equity, delivered as RSUs or DSUs. RSUs are units comprising a beneficial interest in Macquarie ordinary shares held in a trust for the staff member. DSUs are structured to provide the holder with the same benefits and risks of RSU holders. For further details, refer to Note 32 *Employee equity participation* to the financial statements in the Financial Report. There have been no alterations to the terms or conditions of the grants set out below since the grant date. RSU and DSU awards are subject to forfeiture as set out on page 110. The value of the grants at vesting could vary significantly as they are 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 106 to 107. RSUs and DSUs are granted in the financial year following the year of Macquarie's performance to which the grant relates. For example, RSUs and DSUs granted to KMP in June 2020 relate to their performance in FY2020. All awards that were eligible to vest, vested during the year. No awards were forfeited during the year.

Name and position	RSU/DSU awards granted to date ^{(59),(60)}	Grant date	Number vested/exercised during the year ⁽⁶¹⁾
Executive Director			
S.R. Wikramanayake	139,266	04 Aug 20	-
	65,003	15 Aug 19	-
	49,162	21 Jun 18	-
	49,025	22 Jun 17	9,805
	54,473	17 Jun 16	10,894
	42,608	06 Jul 15	8,521
	47,019	25 Jun 14	8,034
	35,957	25 Jun 13	7,193
Executives			
A.H. Harvey	45,661	09 Jun 20	-
	25,945	24 Jun 19	-
	27,009	21 Jun 18	-
F. Herold ⁽⁶²⁾	51,418	09 Jun 20	-
	33,150	24 Jun 19	6,443
N. O'Kane	148,994	09 Jun 20	-
	91,106	24 Jun 19	-
	61,902	21 Jun 18	-
M.J. Reemst	31,962	09 Jun 20	-
	18,831	24 Jun 19	-
	18,906	21 Jun 18	-
	21,229	22 Jun 17	4,245
	18,787	17 Jun 16	3,757
	14,810	06 Jul 15	2,962
M.J. Silvertown	37,375	09 Jun 20	-
	37,138	24 Jun 19	-

(59) Or during the period that the Executive was a KMP.

(60) On 23 December 2013, Macquarie consolidated its shares through the conversion of one ordinary share into 0.9438 ordinary shares, including for shares held in the MERE. For the RSUs in the above table granted prior to that date, the number of RSUs has been adjusted for the impact of the consolidation.

(61) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. For DSUs, this represents vested DSUs exercised during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

(62) On 24 June 2019, Mr Herold was granted 6,443 Material Risk Taker Available awards which vested on the acquisition date of the awards and were subject to a 12-month non-disposal period. These awards represented 50% of FY2019 available profit share, as discussed on page 106, footnote 4, and are a requirement under the UK regulations (the UK Remuneration Code implementing CRD IV). During the current year, Mr Herold exercised these awards.

Remuneration Report

Continued

Name and position	RSU/DSU awards granted to date ^{(63),(64)}	Grant date	Number vested/exercised during the year ⁽⁶⁵⁾
N. Sorbara	45,661	09 Jun 20	-
	25,945	24 Jun 19	-
	27,009	21 Jun 18	-
	26,967	22 Jun 17	5,393
	25,049	17 Jun 16	5,009
	18,512	06 Jul 15	3,702
	17,105	25 Jun 14	3,039
	12,327	25 Jun 13	2,467
M.S.W. Stanley	78,735	09 Jun 20	-
	41,140	24 Jun 19	-
P.C. Upfold	45,661	09 Jun 20	-
	25,945	24 Jun 19	-
	27,009	21 Jun 18	-
	32,131	22 Jun 17	6,426
	33,399	17 Jun 16	6,679
	26,446	06 Jul 15	5,289
G.C. Ward	57,499	09 Jun 20	-
	31,618	24 Jun 19	-
	33,211	21 Jun 18	-
	40,801	22 Jun 17	8,160
	32,445	17 Jun 16	6,489
	26,446	06 Jul 15	5,289
	31,696	25 Jun 14	4,847
	31,229	25 Jun 13	6,245
D. Wong ⁽⁶⁶⁾	51,976	09 Jun 20	-
	42,258	24 Jun 19	-

(63) Or during the period that the Executive was a KMP.

(64) On 23 December 2013, Macquarie consolidated its shares through the conversion of one ordinary share into 0.9438 ordinary shares, including for shares held in the MERE. For the RSUs in the above table granted prior to that date, the number of RSUs has been adjusted for the impact of the consolidation.

(65) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. For DSUs, this represents vested DSUs exercised during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

(66) On 24 June 2019, Mr Wong was granted 13,247 Material Risk Taker Available awards which vested on the acquisition date of the awards and were subject to a 12 month non disposal period. These awards represented 50% of FY2019 available profit share, as discussed on page 106, footnote 4, and are a requirement under the UK regulations (the UK Remuneration Code implementing CRD IV). These awards have not been exercised.

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 ⁽⁶⁷⁾			EXERCISED DURING THE FINANCIAL YEAR ⁽⁶⁷⁾	
	Number	Date	Accounting Fair Value \$A ⁽⁶⁸⁾	Face Value \$A ⁽⁶⁹⁾	Number	%	Value \$A ⁽⁷⁰⁾	Number exercised	Value \$A ⁽⁷¹⁾
Executive Directors									
S.R. Wikramanayake	32,575	04 Aug 20	3,423,307	4,079,693	-	-	-	-	-
	34,198	15 Aug 19	3,385,267	4,035,364	-	-	-	-	-
	23,561	15 Aug 18	2,466,207	2,956,906	-	-	-	-	-
	33,552	15 Aug 17	2,449,276	2,944,524	8,388	25	994,817	8,388	1,046,948
	37,332	15 Aug 16	2,462,541	2,917,122	9,333	25	1,106,894	9,333	1,164,618
Executives									
A.H. Harvey	16,223	04 Aug 20	1,704,875	2,031,769	-	-	-	-	-
	17,032	15 Aug 19	1,686,001	2,009,776	-	-	-	-	-
	16,624	15 Aug 18	1,740,089	2,086,312	-	-	-	-	-
F. Herold	22,994	04 Aug 20	2,416,439	2,879,769	-	-	-	-	-
	24,139	15 Aug 19	2,389,524	2,848,402	-	-	-	-	-
N. O'Kane	22,994	04 Aug 20	2,416,439	2,879,769	-	-	-	-	-
	24,139	15 Aug 19	2,389,524	2,848,402	-	-	-	-	-
	23,561	15 Aug 18	2,466,207	2,956,906	-	-	-	-	-
M.J. Reemst	16,223	04 Aug 20	1,704,875	2,031,769	-	-	-	-	-
	17,032	15 Aug 19	1,686,001	2,009,776	-	-	-	-	-
	16,624	15 Aug 18	1,740,089	2,086,312	-	-	-	-	-
	23,673	15 Aug 17	1,728,115	2,077,542	5,918	25	701,875	5,918	738,507
	26,339	15 Aug 16	1,737,407	2,058,129	6,585	25	780,981	6,585	822,335
M.J. Silverton	22,994	04 Aug 20	2,416,439	2,879,769	-	-	-	-	-
N. Sorbara	16,223	04 Aug 20	1,704,875	2,031,769	-	-	-	-	-
	17,032	15 Aug 19	1,686,001	2,009,776	-	-	-	-	-
	16,624	15 Aug 18	1,740,089	2,086,312	-	-	-	-	-
	23,673	15 Aug 17	1,728,115	2,077,542	5,918	25	701,875	5,918	733,891
	26,339	15 Aug 16	1,737,407	2,058,129	6,585	25	780,981	6,585	816,606

(67) Or during the period for which the Executive was a KMP if shorter.

(68) Based on the accounting fair value on the date of grant.

(69) Face value is calculated by multiplying the number of PSUs granted by the closing market price of Macquarie ordinary shares on the date of grant.

(70) Based on closing share price at 30 June 2020, being the day the PSUs were forfeited.

(71) Based on the share price at the time of exercise.

Remuneration Report

Continued

Name and position	GRANTED TO DATE				FORFEITED/LAPSED DURING THE FINANCIAL YEAR ⁽⁷²⁾		EXERCISED DURING THE FINANCIAL YEAR ⁽⁷²⁾		
	Number	Date	Accounting Fair Value \$A ⁽⁷³⁾	Face Value \$A ⁽⁷⁴⁾	Number	%	Value \$A ⁽⁷⁵⁾	Number exercised	Value \$A ⁽⁷⁶⁾
M.S.W. Stanley	22,994	04 Aug 20	2,416,439	2,879,769	-	-	-	-	-
	24,139	15 Aug 19	2,389,524	2,848,402	-	-	-	-	-
P.C. Upfold	16,223	04 Aug 20	1,704,875	2,031,769	-	-	-	-	-
	17,032	15 Aug 19	1,686,001	2,009,776	-	-	-	-	-
	16,624	15 Aug 18	1,740,089	2,086,312	-	-	-	-	-
	23,673	15 Aug 17	1,728,115	2,077,542	5,918	25	701,875	5,918	739,001
	26,339	15 Aug 16	1,737,407	2,058,129	6,585	25	780,981	6,585	822,268
G.C. Ward	22,994	04 Aug 20	2,416,439	2,879,769	-	-	-	-	-
	24,139	15 Aug 19	2,389,524	2,848,402	-	-	-	-	-
	23,561	15 Aug 18	2,466,207	2,956,906	-	-	-	-	-
	32,434	15 Aug 17	2,367,663	2,846,408	8,109	25	961,727	8,108	1,004,668
	36,087	15 Aug 16	2,380,417	2,819,838	9,022	25	1,070,009	9,022	1,118,505
D. Wong	22,994	04 Aug 20	2,416,439	2,879,769	-	-	-	-	-

As required under the Act, Macquarie has adopted the fair value measurement provisions of AASB 2 *Share-Based Payment* for all PSUs granted to KMP. The accounting fair value of such grants is being amortised and disclosed as part of each KMP's remuneration on a straight-line basis over the vesting period. The 2020 PSU allocation has been determined based on a fair valuation of a PSU as at 4 August 2020. The accounting fair value of \$A105.09 at this date has been estimated using a discounted cash flow method.

The following key assumptions were adopted in determining the value of the PSUs granted:

Interest rate to maturity	0.2023% per annum
Expected vesting dates	1 July 2024
Dividend yield	4.33% per annum

PSUs have a nil exercise price. PSUs awarded prior to FY2020 vest on a pro-rata basis as set out on page 108, footnote 9. For the 2020 grant, it will vest on 1 July 2024. The PSUs expire on 4 August 2029.

(72) Or during the period for which the Executive was a KMP if shorter.

(73) Based on the accounting fair value on the date of grant.

(74) Face value is calculated by multiplying the number of PSUs granted by the closing market price of Macquarie ordinary shares on the date of grant.

(75) Based on closing share price at 30 June 2020, being the day the PSUs were forfeited.

(76) Based on the share price at the time of exercise.

MEREP awards of KMP and their related parties

The following table sets out details of the MEREP RSU, DSU and PSU awards held during the year for the KMP including their related parties.



Further details in relation to the MEREP RSU, DSU and PSU awards are disclosed in Note 32 *Employee equity participation* to the financial statements in the Financial Report

Name and position	Type of Award	Number of Awards held at 1 April 2020 ⁽⁷⁷⁾	Awards granted during the financial year ⁽⁷⁸⁾	Awards vested/exercised during the financial year ^{(79),(80)}	Awards forfeited or not able to be exercised during the financial year ⁽⁸¹⁾	Number of Awards held as at 31 March 2021 ⁽⁸²⁾
Executive Director						
S.R. Wikramanayake	RSU	255,598	139,266	(44,447)	-	350,417
	PSU	109,977	32,575	(17,721)	(17,721)	107,110
Executives						
A.H. Harvey	RSU	128,750	45,661	(24,787)	-	149,624
	PSU	33,656	16,223	-	-	49,879
F. Herold ⁽⁸³⁾	DSU	96,834	-	(30,018)	-	66,816
	RSU	11,512	51,418	-	-	62,930
	PSU	24,139	22,994	-	-	47,133
N. O'Kane	RSU	368,819	148,994	(72,683)	-	445,130
	PSU	47,700	22,994	-	-	70,694
M.J. Reemst	RSU	91,832	31,962	(17,010)	-	106,784
	PSU	70,499	16,223	(12,503)	(12,503)	61,716
M.J. Silverton	RSU	133,819	37,375	(31,459)	-	139,735
	PSU	-	22,994	-	-	22,994
N. Sorbara	RSU	119,617	45,661	(19,610)	-	145,668
	PSU	70,499	16,223	(12,503)	(12,503)	61,716
M.S.W. Stanley ⁽⁸³⁾	DSU	177,780	78,735	(20,052)	-	236,463
	PSU	24,139	22,994	-	-	47,133
P.C. Upfold	RSU	141,721	45,661	(27,726)	-	159,656
	PSU	70,499	16,223	(12,503)	(12,503)	61,716
G.C. Ward	RSU	163,396	57,499	(31,030)	-	189,865
	PSU	98,178	22,994	(17,130)	(17,131)	86,911
D. Wong ⁽⁸³⁾	DSU	172,865	51,976	-	-	224,841
	PSU	-	22,994	-	-	22,994

(77) Or date of appointment if later.

(78) RSU and DSU awards are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs and DSUs disclosed as granted above relate to FY2020. 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 2020 AGM as required under ASX Listing Rule 10.14.

(79) For RSUs, this represents vested RSUs transferred to the KMP's shareholding and includes RSUs vesting during the current year in respect of all grants, including those made prior to Executives becoming a KMP. For DSUs, this represents vested DSUs exercised during the current period in respect of all grants, including those made prior to Executives becoming a KMP.

(80) There were no PSUs that vested during the year that were not exercised.

(81) Or during the period for which the Executive was a KMP if shorter.

(82) Or date of ceasing to be a KMP if earlier.

(83) DSUs are granted in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs are structured to provide the holder with the same benefits and risks of RSU holders.

Remuneration Report

Continued

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 2020 ⁽⁸⁴⁾ \$A'000	Interest charged \$A'000	Write downs \$A'000	Balance as at 31 March 2021 ⁽⁸⁵⁾ \$A'000	Highest balance during the year \$A'000
Non-Executive Directors					
D.J. Grady (related party)	479	18	0	468	479
M.J. Hawker (related party)	560	12	0	504	659
N.M. Wakefield Evans (related party)	4,960	77	0	4,800	4,960
P.H. Warne (related party)	470	10	0	456	470
Executives					
A.H. Harvey	5,000	15	0	5,000	5,000
M.J. Silvertown	224	7	0	209	224
M.S.W. Stanley ⁽⁸⁶⁾	118	1	0	0	110
Aggregate of KMP and related party loans ⁽⁸⁷⁾	11,811	144	0	11,437	11,952

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 2012 through to 31 March 2021 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).

(84) Or date of appointment if later.

(85) Or date of ceasing to be a KMP if earlier.

(86) Mr Stanley's loan is denominated in EUR. The opening balance of €66,000 has been converted to AUD at the spot rate on 1 April 2020. The highest balance of €67,000 has been converted at the spot rate on 25 August 2020. There has been an exchange rate movement of approximately \$A8,000 during the year.

(87) In addition to the loans disclosed above, a related party of a KMP had a car loan provided by Macquarie for a period of the year which is included in relevant totals. 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.