Australian Shareholders' Association Limited
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Profit vs Reputation

Company/ASX Code	**Macquarie Group/MQG**
AGM time and date	**10:30am on Thursday, 24 July 2025**
Location	ILUMINA, 1 Elizabeth St, Sydney, 2000
Registry	MUFG Corporate Markets
Type of meeting	Hybrid
Monitor	Sue Howes and Craig Lee
Pre-AGM Meeting	Yes, with Glenn Stevens, Chair, Jillian Broadbent, Chair of Remuneration, James Baudzus, Head of Investor Relations and Lynnette Sarno, Chief People Officer

The individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2a	Re-election of Ms Jillian R Broadbent as a Voting Director	For
2b	Re-election of Mr Philip Coffey as a Voting Director	For
2c	Re-election of Ms Michelle A Hinchliffe as a Voting Director	For
3	Adoption of the Remuneration Report	For
4	Approval of Managing Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)	For
5a	Amendment to the Constitution	Against
5b	Climate risk exposure and management disclosures (conditional on Item 5a being passed)	Against

2. Summary of Issues and Voting Intentions for AGM/EGM

- Governance and Board responsibility: the Board has indicated the recent issues have resulted from responsibilities falling between roles and inadequate testing when remediation was supposed to have occurred. An investigation into the root cause of the issues has been conducted, lessons learned and changes are being made. The Chair has sat with staff to ensure that systems have now been adequately fixed and tested.
- Future financial performance- a good portion of this year's result comes from asset realisations in Macquarie Asset Management. The Board has indicated that it expects more

asset realisations to occur in the next year and sees opportunities continuing to surface in a range of markets.

- Board makeup – we quizzed the Board on the level of Tech and sustainability skills in the skills matrix. The discussion raised the other skills that Board members bring with them that allow them to operate across these areas without necessarily being industry specific skills. Someone with a senior position in a bank would have had significant exposure to technology in banking for example. When looking for future Board members the Chair expressed an interest in having more off-shore skills as it brings a different lens to discussions that can't be gained by travelling only.

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	3,742	3,535	5,168	4,706	3,015	2,731
Share price ($)	196.64	199.70	175.66	203.27	152.83	85.75
Dividend (cents)	650.0	640.0	750.0	622.0	470.0	430.0
Simple TSR (%)	1.72	17.33	(9.89)	37.07	83.90	(29.90)
EPS (cents)	979.4	916.6	1,353.7	1,271.7	842.9	791.0
CEO total remuneration, actual ($m)	29.921	29.301	28.310	15.193	14.760	17.060

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Governance and culture

The Company has faced a number of issues with regulators this year, many of which span several years into history. A brief description of each of these issues follows (see Appendix 2 for a more detailed description):

1. ASIC has placed additional licence conditions on MQG's Australian Financial Services Licence as a result of compliance failures over a 10-year period. These relate to derivatives dealing and associated disclosures.
2. $5m fine from ASIC for failing to prevent suspicious orders in the electricity futures market.

3. An order by the Federal Court $10 million for failing to have effective controls to prevent and detect unauthorised fee transactions conducted by third parties, such as financial advisers.
4. May 2025 – inaccurate short sale trading information over several years that may have misled market participants who relied on it.

While the Board has taken steps to ensure that the employees and executives responsible for oversight that should have prevented these issues (including the CEO) via conduct repercussions or remuneration outcomes (see remuneration section), the Board see these issues very much as compliance and management issues.

Having said this, a comprehensive investigation into both how these issues arose and why they were not sufficiently addressed when they should have been has been undertaken. This has highlighted areas where responsibility fell between roles. The Board has taken steps to ensure that a work program is undertaken to ensure that lines of responsibility for various systems and processes are clearly drawn and that this is represented in role descriptions and accountability of staff.

On the specific issues raised above the Chair has personally sat with staff to ensure that systems have been improved and testing has been adequate.

The company acknowledges that in a business model such as Macquarie's, where managing financial risk and innovation are core, operational issues may occasionally arise. However, the focus must be on timely and effective remediation when such issues occur. What was not up to scratch this time was the fixing and testing once the issue was found, and this is where efforts have been focused going forward.

Unfortunately, the company has taken a reputational hit as a result of these issues, but the financial repercussions are not material and the LTI has had the removal of the APRA licence conditions included as a vesting hurdle.

The Board are keenly aware of their workload with such a large and complex company and have been undertaking a program to reduce length of papers, sharpen focus to the issues and staff have responded well. The Board is increasingly combining offshore visits with Board meetings to improve efficiency and ensure the Board is well acquainted with the increasing proportion of the business operating overseas.

Financial performance

Despite *an increasingly complex global backdrop* the Company earned a profit of $3.715B which was 5.0% higher than the previous year. Dividends paid to shareholders were 1.6% higher at $6.50 per share. Although the FY25 share price finished 1.5% lower than the previous year, it has gained ~15% since the commencement of the financial year.

Profit contribution

	Profit ($ billion)	% change

Banking and Financial Services (BFS)	1.38	11
Commodities and Global Markets (CGM)	2.829	(12)
Macquarie Asset Management (MAM)	1.61	33
Macquarie Capital	1.043	(1)

The Company's geographic diversity (ANZ 34%, Americas 32%, EMEA 24% and Asia 10%) remains a strength during current market and economic uncertainty. Moreover, the Company's four operating groups (above) continue to maintain established and diverse income streams which delivered its 56th year of unbroken profitability.

The Board sees Banking and Financial Services (BFS) as the *showcase* in digitisation and automation for the other operating groups to adopt. The Company continues to seek *good borrowers* as its target demographic in a strong home loan market. Consequently, BFS has faster approval times and lower default rates than the other banks.

Subdued conditions in some commodity markets contributed to the weaker CGM result.

The Board advised that whilst a package of Macquarie Asset Management (MAM) green assets proved difficult to sell, their intention now is to sell these individually. Hence the Board believes MAM should continue to deliver strong results in the coming years. Some realisations have taken longer than expected and this creates a drag on results as MQG is not in the business of maintaining and managing assets long-term.

The private credit market continues to become more contested. However, the Board believes Macquarie Capital's sound risk management practices will continue to realise good returns.

The Company has indicated there are still opportunities in the US, but there is uncertainty, and they have to look at deals carefully.

The major risk for MQG is to ensure that it can obtain adequate returns on any capital provided by realisations, which becomes difficult in markets where they entered when there was little competition, but others moving into the market has resulted in costs increasing.

Key board or senior management changes

Nil

Sustainability/ESG

The Company has comprehensive reporting on ESG encompassing most aspects of the business. The last part of this report is devoted to business conduct risk. Notably, while the ESG section addresses conduct and culture risks, it does not directly reference the specific compliance matters that have recently impacted the company's reputation. It is difficult to either measure or report on responsibility falling between roles, but hopefully the company will use these recent issues to manage this risk and ensure this doesn't happen again.

4. Rationale for Voting Intentions

Resolution 2a Re-election of Ms Jillian R Broadbent as a Voting Director (For)

Ms Broadbent joined the Board in 2018, has relevant experience and skills and is clearly active in her role as Chair of the Remuneration Committee. ASA will be voting any undirected proxies for Ms Broadbent's re-election.

Resolution 2b Re-election of Mr Philip Coffey as a Voting Director (For)

Mr Coffey also joined the Board in 2018. ASA considers Mr Coffey to have skills and experience relevant to this role and as such will be voting any undirected proxies for Mr Coffey's re-election.

Resolution 2c Re-election of Ms Michelle A Hinchliffe as a Voting Director (For)

Ms Hinchliffe joined the Board in 2022 and has suitable skills and experience. ASA will be voting any undirected proxies for her re-election.

Resolution 3 Adoption of the Remuneration Report (For)

We generally like Macquarie's remuneration scheme due to its alignment with shareholders and direct link of reward to results. We're not so sure if it acts as a good brake when things go awry with issues such as we have seen surface this year. While many of these issues are not financially material to MQG, they do pose a reputational risk. It will be interesting to see how the social aspects of a reduction in remuneration outcomes affect staff behaviour and have the desired effect of ensuring risk is well managed.

We will be voting any undirected proxies for this resolution.

A full description of the remuneration structure is provided in Appendix 1.

Resolution 4 Approval of Managing Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP) (For)

Given our For vote for Resolution 3, we will also be voting any undirected proxies for this resolution.

Resolution 5a & 5b Amendment to the Constitution (Against) and Climate risk exposure and management disclosures (conditional on Item 5a being passed)

Given 5b is contingent on 5a being passed with 75% of for votes, we will discuss these together.

This is a standard pair of resolutions regularly proposed by climate activists with a particular view on oil and gas exploration.

5a is proposed on the basis that this amendment to the constitution is required for a group of shareholders to propose resolutions for all shareholders to vote upon and that without this amendment resolutions cannot be requested by groups of shareholders and information and clarification on some issues cannot be obtained from the company. Given the existence of this resolution this is patently not the case, and any questions can be asked of the company at the AGM or through investor relations, provided the company meets its disclosure requirements in providing the information. Certainly, enough information seems to be publicly available for the proposers of these resolutions to put Resolution 5b together.

At ASA, we see these resolutions proposed very regularly and regularly receive a for vote of well less than 10%. We observe that similar resolutions are frequently proposed and are typically supported by a small proportion of activist shareholders. In ASA's experience, extensive questioning on these topics at AGMs can detract from broader governance matters. We encourage proponents to explore more constructive engagement channels.

We will be voting all undirected proxies against these resolutions.

Appendix 1
Remuneration framework detail

While the financial result saw a small increase over the previous year, the CEO (and some other executives) saw a reduction in remuneration as a consequence of the Board exercising discretion over various aspects of the remuneration framework following the reputational issues discussed in the body of this report. There have been no structural changes to the remuneration framework except for the adjusted conditions added to the LTI around the additional Licence Conditions imposed on MBL by APRA.

Macquarie's remuneration comprises a fixed component and variable component, but unlike the rest of the ASX 200 Macquarie does not have a variable remuneration structure based on a defined measurement of several different factors. Instead, all employees are given a profit share based on the actual financial results, their personal contribution, their business unit and individual non-financial factors. Executive Committee members also participate in Performance Share Units (PSU's).

Fixed Remuneration (FR)

The company has a very low fixed remuneration.

Role	FY24 ($Am)
CEO	1.5
MBL CEO	1.3
Executive KMP	1.0-1.3

Profit Share

Part of the profit share is paid out in cash, with the rest retained and vested in equity over a number or years.

Role	Retained %	% of retained invested in Equity (MEREP) (balance is invested in Macquarie managed fund)	Vesting
CEO	80	90	One-fifth in each of years 3–7
MBL CEO	60	80-90	One-fifth in each of years 3–7
Executive Committee members	60	50	One-fifth in each of years 3–7

Designated Executive Directors	50	80-100	One-fifth in each of years 3–7
Executive Directors	40	25	One-third in each of years 3–5
Staff other than executive directors	25-60	100	One-third in each of years 2–4

For senior employees retained profit share can be clawed back for Malus, although the company considers this a last resort given the many other levers at its disposal prior to profit share actually vesting.

The standard policy is that staff who cease employment with Macquarie will forfeit their unvested retained profit share.

<table>
<tr><th>Role</th><th>Retention %</th><th>Vesting & Release</th></tr>
<tr><td>CEO</td><td>70</td><td rowspan="4">One-third in each of years 3–5</td></tr>
<tr><td>MBL CEO</td><td>60</td></tr>
<tr><td>Executive KMP</td><td>50</td></tr>
<tr><td>Designated Executive Directors</td><td>40</td></tr>
</table>

Currently the Board can use its discretion to allow vesting of retained profit share. This currently occurs over0 to 60 months Executive KMP and Designated Executive Directors.

Malus and clawback provisions exist.

Performance Share Units (PSU)
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. From FY24 the vesting period will be extended by a year to five years for the CEO and the MBL CEO.

Hurdles

<u>EPS CAGR hurdle 50% of PSU award</u>

Performance measure Compound annual growth rate (CAGR) in EPS over the vesting period (four years).

Hurdle Sliding scale applies:

- 50% becoming exercisable at EPS CAGR of 7.5%
- 100% at EPS CAGR of 12%.

For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable.

<u>ROE hurdle Application 50% of PSU award</u>

Average annual ROE over the vesting period (four years) relative to a reference group of global financial institutions.

Sliding scale applies:

- 50% becoming exercisable above the 50th percentile
- 100% at the 75th percentile.

For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable.

Additional, overarching requirement for FY2025 PSU: MBL additional Licence requirements must be removed by 30/6/2029 for this to vest.

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.

General comments

While the remuneration report is comprehensive, the structure is complex and it is not easy to get a handle on all the moving parts. The most effective way to comprehend it is with an example.

CEO remuneration

The allocated remuneration for the CEO for FY25 is made up of:

	$A	%
Fixed	$1,527,224	5.65%
Cash PS	$6,750,000	24.97%
Retained PS	$15,750,000	58.27%
PSU award	$3,000,000	11.10%
Total	$27,027,224	100.00%

Statutory remuneration for the CEO is given as $29.27m, as this takes into account the calculation of the present value of the retained portion of the remuneration allocated.

The actual remuneration for the year is as follows:

				Source
Fixed			$1,526,819	P126 Rem report
Cash PS			$6,750,000	P126 Rem report
Restricted profit share (2016 – 2020 rem report)	Years 18 to 22	Refer A	$2,994,110	2018-2022 Rem reports (Appendix 2) x 20%

Other long-term employee benefits (Earnings on prior year restricted profit share)			$806,386	P143 Rem report
Retained profit share vesting		Refer B	$15,077,873	Page 147 Rem report
PSU vested	2020	13,356	$2,765,360	Page 149 Rem report
Total			**$29,920,548**	

Reference Workings

Reference A: Total retained profit share for 2018-2022

Retained profit share for year	$A
2022	2,000,000
2021	1,588,000
2020	1,733,611
2019	4,065,932
2018	5,583,009
Total Retained profit share over the years	**14,970,552**

Reference B: to calculate the amount earned from RSUs that vested in FY25

Number of RSUs vested in FY25	79,328
03-Aug-21	18,838
04-Aug-20	27,853
15-Aug-19	13,000
21-Jun-18	9,832
22-Jun-17	9,805
Vesting share price (share price on vest 13 May 2024)	**190.07**

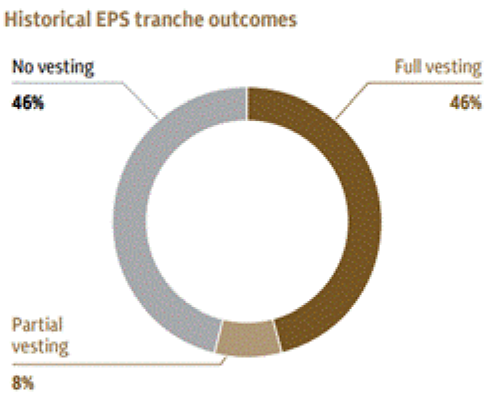
The other main issue with the remuneration report is around how the profit share pool and split amongst staff is determined. While the report indicates the general items considered to determine the profit share pool, the actual calculation and the split are quite opaque. This is not ideal given the quantum of profit share in total remuneration and the serious amounts of money paid to KMP over recent years.

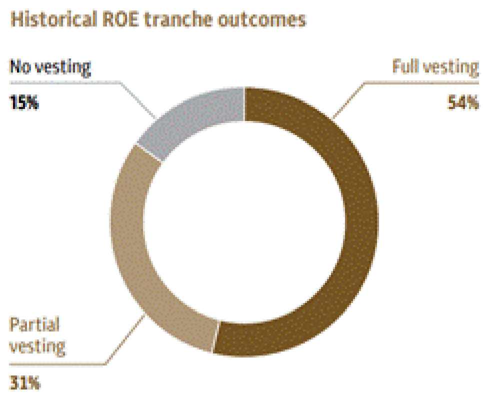
What we can see, however, is the relationship between the profit share pool and the NPAT.

Year	2025	2024	2023	2022	2021	2020	2019
NPAT	3,742	3,535	5,182	4,706	3,015	2,731	2,982
Total Executive KMP awarded profit share	103.92	80.2	151.6	123.82	106.9	99.4	106.6
PSP/NPAT %	2.8%	2.3%	2.9%	2.6%	3.5%	3.6%	3.6%

This table shows that while the dollar amounts paid as profit share seem enormous, when viewed as a % of NPAT the % is quite reasonable compared to other companies and has in fact reduced over time.

The other dynamic is that PSU units with Macquarie really are at risk, as can be seen by the historic PSU vesting graphic below (page 106 of the annual report).





The bottom line is that when KMP are well rewarded at Macquarie, the shareholders are also well rewarded.

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Appendix 2

Summary of risk and regulatory issues

1. ASIC has imposed additional conditions on Macquarie Bank's Australian financial services (AFS) license following compliance failures related to its futures dealing business and OTC derivatives trade reporting. These conditions require Macquarie to create a remediation plan, appoint an independent expert to review the plan's adequacy, and assess the operational effectiveness of its remediation efforts. The aim is to address the root causes of the failures and prevent future recurrence.

   Key points about the additional license conditions:

   - **Remediation Plan:**

   Macquarie must develop and implement a comprehensive plan to address the identified compliance failures, focusing on areas like governance, controls, and data reporting accuracy.

   - **Independent Expert:**

   An independent expert will be appointed to review the remediation plan, assess its adequacy, and evaluate the effectiveness of the remediation activities.

   - **Operational Effectiveness:**

   The expert will also assess whether Macquarie's remediation efforts can effectively prevent, detect, and respond to similar compliance issues in the future.

   - **Scope of Failures:**

   The failures relate to Macquarie's futures dealing business and its OTC derivatives trade reporting functions.

   - **ASIC's Concerns:**

   ASIC has expressed concerns about the recurrent nature of Macquarie's failures, which it attributes to ineffective supervision and weak compliance and control management.

2. In September 2024, Macquarie Bank received a $4.995 million fine from the Australian Securities and Investments Commission (ASIC) for failing to prevent suspicious orders in the electricity futures market. ASIC stated that Macquarie Bank had been contacted on six occasions about concerns regarding market volatility and suspicious trading activity by clients, but the bank did not respond adequately.

   This fine was part of a broader investigation by ASIC into Macquarie's compliance failures, according to ASIC. The Australian Broadcasting Corporation reported that the fine was the largest imposed by ASIC in relation to electricity market trading and was due to repeated instances of inadequate oversight and failure to respond to warnings. The regulator also suggested that the issues at Macquarie might be indicative of wider problems in the industry.

3. Australia's Federal Court has ordered Macquarie Bank Ltd to pay a penalty of $10 million for failing to have effective controls to prevent and detect unauthorised fee transactions conducted by third parties, such as financial advisers, on customer cash management accounts using Macquarie's bulk transacting facility.

Macquarie enabled its customers to give third parties, such as financial advisers, stockbrokers and accountants, different levels of authority to transact on their accounts, including a limited authority to withdraw the third party's fees.

Macquarie also made available to third parties a bulk transacting tool to make multiple withdrawals across multiple customer accounts simultaneously.

Between 1 May 2016 and 15 January 2020, Macquarie failed to implement effective controls to monitor whether third party bulk transactions under the fee authority were actually for fees.

While Macquarie initially defended the proceeding, it later admitted that it contravened its obligation to provide its financial services efficiently, honestly and fairly.

Macquarie agreed to pay a penalty of $10 million for its conduct.

4. Macquarie acknowledges the civil proceedings commenced by ASIC against Macquarie Securities (Australia) Limited (MSAL) primarily in relation to inaccurate short sale transaction reporting.

   Specific issues with MSAL's daily reporting of the number of shares short sold were first identified by MSAL and self-reported to ASIC in late 2022. MSAL subsequently identified a number of related issues, which were also self-reported to ASIC.

   The reporting issues identified in the proceedings have been remediated with additional controls implemented.

   MSAL is now reviewing ASIC's claim. As the matter is before the court, it would be inappropriate for Macquarie to make further comment.

   Macquarie takes its compliance obligations very seriously and continues to invest in programs to further improve systems and controls across the Group.