

Directors' Report – Remuneration Report for the financial year ended 31 March 2011 continued

3 Therefore, Macquarie is enhancing its remuneration arrangements while ensuring its overall remuneration approach remains in place

Macquarie has maintained a consistent approach to remuneration, focused on delivering long-term shareholder returns by ensuring continued alignment of the interests of staff and shareholders.

Building on changes to Macquarie's remuneration arrangements approved by shareholders in December 2009, Macquarie has further enhanced its remuneration arrangements to reflect global regulatory trends and to remain competitive, while at the same time further aligning the interests of staff and shareholders. The changes are as follows:

- For this year, more profit share is being deferred and delivered in Macquarie equity, with less profit share being delivered as cash, including for:
 - the Managing Director and Chief Executive Officer. 70 per cent of his annual profit share is retained in FY2011, up from 55 per cent in FY2010. When Performance Share Units (PSUs) are taken into account, the Managing Director and Chief Executive Officer effectively has 76 per cent of his performance-based remuneration deferred
 - Executive Directors. A minimum of 40 per cent (50 per cent for Executive Committee members and Designated Executive Directors) up to a maximum of 70 per cent of their annual profit share will be retained, a change from a flat 40 per cent (50 per cent for Executive Committee members and Designated Executive Directors) in FY2010.
- 'Malus'¹ is to be introduced for FY2012 in line with regulatory requirements and to incentivise staff to maintain a long-term focus
- Pay mix shift / realignment for select risk and financial control staff has been undertaken to meet regulatory guidance and market practice.

Full details of Macquarie's remuneration arrangements, including the above changes, are set out in the remainder of this section.

¹ Malus is an ex-post risk adjustment to deferred unvested remuneration.