

### 3.1 The remuneration structure continues to emphasise performance-based remuneration

To reflect a structural shift in the market and consistent with regulatory guidance, Executive Committee members received base remuneration increases during the year. For many Executive Committee members, this is the first increase in ten years, and for most, the first increase since joining the Executive Committee. These increases have largely been total compensation neutral through the adjustment downwards of profit share.

In addition, as noted last year, the pay mix for certain risk and finance personnel was reviewed and where appropriate, fixed remuneration was increased to ensure a more appropriate balance between fixed and variable remuneration, which was reflective of regulatory and market guidance.

Despite these increases, the foundation of Macquarie's remuneration structure continues to be an emphasis on performance-based remuneration with an appropriate balance between short and longer-term incentives, as well as aligning remuneration with prudent risk-taking. For front office Executive Directors, fixed remuneration can be relatively low or modest compared with similar roles in non-investment banking organisations. Fixed remuneration generally includes cash salary as well as non-cash benefits, primarily superannuation and nominated benefits, including those provided on a salary sacrifice basis. (Salary sacrifice is calculated on a total cost basis and includes any fringe benefit tax charges related to employee benefits).

The following table summarises FY2011 performance-based remuneration arrangements:

Key Area	Executive Committee (including Managing Director and Chief Executive Officer) and Designated Executive Directors	Other Executive Directors	Staff other than Executive Directors
<b>Amount of profit share retained</b>	50-70 per cent (70 per cent for the Macquarie Group Managing Director and Chief Executive Officer) for Executive Committee members A minimum of 50 per cent up to a maximum of 70 per cent for Designated Executive Directors	A minimum of 40 per cent up to a maximum of 70 per cent	A minimum of 25 per cent up to a maximum of 70 per cent dependent on certain thresholds
<b>How retained profit share is invested</b>	Invested in a combination of Macquarie shares and Macquarie-managed fund equity notionally invested Investment mix will vary depending on an individual's role	Invested in a combination of Macquarie shares and Macquarie-managed fund equity notionally invested Investment mix will vary depending on an individual's role	Invested in Macquarie shares <sup>1</sup>
<b>Vesting and release of retained profit share</b>	All retained amounts vest and are released from three to seven years after the year retained (see also forfeiture below)	All retained amounts vest and are released from three to five years after the year retained (see also forfeiture below)	All retained amounts vest and are released from two to four years after the year retained
<b>Forfeiture of retained profit share while employed<sup>2</sup></b>	Board discretion to reduce or eliminate unvested profit share amounts (Malus) in certain circumstances	Board discretion to apply Malus to certain Directors, as identified by the BRC	Board discretion to apply Malus to certain staff, as identified by the BRC
<b>Forfeiture of retained profit share on leaving</b>	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances Retained profit share is forfeited in stages if a 'disqualifying event' occurs within two years of leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances Retained profit share is forfeited in stages if a 'disqualifying event' occurs within two years of leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances
<b>PSUs</b>	Granted to Executive Committee members only, which vest over two to four years	N/A	N/A
<b>Minimum Shareholding Requirement</b>	Required to hold the deemed after-tax equivalent of 10 per cent of all of their profit share allocations over the last 10 years (five years for Designated Executive Directors) in Macquarie shares (which is satisfied by the above requirements)	Required to hold the deemed after-tax equivalent of 10 per cent of all of their profit share allocations over the last five years in Macquarie shares (which is satisfied by the above requirements)	N/A

<sup>1</sup> Invested in a combination of Macquarie shares and Macquarie-managed fund equity for a select group of directors whose primary role relates to the management of the funds business.

<sup>2</sup> Malus arrangements will take effect from 2012 in respect of profit share awards for the year ended 31 March 2012 and onwards.