

# Directors' Report – Remuneration Report

## for the financial year ended 31 March 2011

### continued

#### 3.3.13 No special contractual termination payments

The following table summarises key features of the employment contracts for Executive Committee members including the Managing Director and Chief Executive Officer:

<b>Length of contract</b>	Permanent open ended
<b>Remuneration review period</b>	1 April to 31 March annually
<b>Directors' profit share participation</b>	All Executive Directors are eligible to be considered for a DPS allocation, referred to in section 3.3.1, which ensures that a large part of their remuneration is 'at risk'. The DPS terms are set out in the Macquarie Group Executive Directors' Remuneration Booklet (also known as the Grey Book). A departing Executive Director's retained DPS will only be released early on a discretionary basis in the case of genuine retirement, redundancy and certain other limited exceptional circumstances and will be subject to forfeiture provisions. Upon retirement from Macquarie, Executive Directors may be entitled to the vested retained DPS held under the Pre-2009 DPS Plan scheme provided that it is determined that no disqualifying events have occurred
<b>Option participation</b>	Executive Directors are no longer eligible for options (five year options over ordinary unissued Macquarie ordinary shares). Subject to discretions able to be exercised by the Board or its delegates, on termination from Macquarie, all Executive Directors continue to remain entitled to retain options which are vested at the termination date
<b>PSU participation</b>	Executive Committee are eligible to receive PSUs which are DSUs with performance hurdles and are a replacement for options grants
<b>Termination of employment</b>	Termination of employment by Macquarie or the Executive Director requires four weeks notice. <sup>1</sup> Depending on the jurisdiction, Executive Directors may also receive a payment in lieu of any accrued but untaken leave and entitlements. Aside from notice (for which a payment or part payment may be made in lieu of being required to work the notice subject to legislative restrictions on termination benefits), no other solely contractual termination benefits exist

<sup>1</sup> 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 termination.

Subject to variations arising from local employment, transmission of business and other laws in the jurisdictions in which Macquarie operates, these contractual arrangements generally apply to all staff at Executive Director level.

Executive Directors who chose to keep some or all pre-2009 profit share in the Pre-2009 DPS Plan and leave Macquarie are eligible to receive the vested portion (subject to there being no disqualifying events in the period of up to six months following their departure) under the Pre-2009 DPS Plan. Executive Directors who leave Macquarie may also retain any vested but unexercised options (which will lapse if they are not exercised in the six months following departure).

#### 3.4 Strong governance has been exercised

Effective governance is central to Macquarie's remuneration strategy and approach. The Board aims to ensure that Macquarie's remuneration system is sound in the following ways:

- strong Board and Board Remuneration Committee (BRC) oversight
- assessment of risk as part of the profit share allocation process
- independent remuneration review.

These key elements of Macquarie's approach are described below.

##### 3.4.1 Strong Board oversight exists to ensure sound overall remuneration governance

The Board of Directors has oversight of Macquarie's remuneration arrangements. The Board has a BRC whose objective is to assist the Macquarie Board and the Board of Macquarie Bank Limited (Macquarie Bank or MBL), a key operating subsidiary, with Macquarie's remuneration policies and practices.

The BRC currently comprises three Independent Non-Executive Directors:

Helen Nugent	BRC Chairman
John Niland	BRC Member
Peter Warne	BRC Member