

The BRC members have the required experience and expertise in both human resources and risk to achieve effective governance of Macquarie's remuneration system. All members of the BRC are also members of the Board Risk Committee, with Mr Warne being the Chairman since 27 August 2009. In addition, all members of the BRC have extensive experience in remuneration, either through their professional background or as members of the remuneration committees of other boards.

The BRC has a regular meeting cycle and held a significant number of additional meetings this year in order to address the various remuneration issues arising from the changing remuneration environment. The BRC met 12 times over the last financial year. Attendance at the meetings is set out in the Directors' Report.

The Board pays serious, sustained attention to the design and the operation of remuneration practices for all of Macquarie, not just for the most senior executives.

**The responsibilities of the BRC are set out in a formal charter which is available on Macquarie's website. Board oversight of the approval framework for remuneration recommendations can be summarised as follows:**

#### **Executive Remuneration Policy and Framework Recommendations**

The Macquarie Board is responsible for approving the remuneration policy on the recommendation of the BRC. This includes the following:

- assessing the effectiveness of the remuneration policy and compliance with legal and regulatory requirements
- material changes to the remuneration policy, including remuneration structure, retention and termination policies for all staff
- material changes to the recruitment policies and procedures for Macquarie's senior management team (Executive Committee and other Operating Group Heads)
- appropriate levels of delegated responsibility from Macquarie's Board to management for remuneration-related policies and practice decisions, and
- the continued application of the profit share methodology and any adjustments.

The BRC has the authority to review and approve the following on behalf of the Macquarie Board:

- changes to remuneration, recruitment, retention and termination policies and procedures not requiring Board approval
- material changes to superannuation/pension arrangements
- the percentage of Executive Directors' retained profit share allocated to Macquarie shares and Macquarie-managed fund equity, and
- the specific notional portfolio allocations of retained profit share amounts for individual Executive Directors.

The BRC also has the authority to monitor the implementation of the executive remuneration policy, including an annual review of compliance with the Executive Director minimum shareholding requirements.

#### **Executive Remuneration Recommendations**

The Boards of Macquarie and Macquarie Bank, as appropriate, approve the following on the recommendation of the BRC:

- all individual remuneration and profit share recommendations for members of the respective Executive Committees and other Executive Voting Directors (including the Managing Director), Designated Executive Directors and other persons whose activities may, in the BRC's opinion, affect the financial soundness of Macquarie and MBL (Specific Remuneration Recommendations)
- all individual PSU grants to members of the respective Executive Committees, with the proviso that grants to Executive Voting Directors (including the Managing Director) must be approved by shareholders at the Annual General Meeting
- other remuneration recommendations relating to individuals or groups of individuals which are disclosed or are significant because of their sensitivity or precedent implications, or because they are specifically covered by regulatory standards (Significant Remuneration Recommendations), and
- determination of the total PSU pool available for Executive Committee Members.

The BRC has the authority to review and approve the following on behalf of the Boards:

- all individual remuneration and profit share recommendations for Executive Directors, other than those required to be approved by the Non-Executive Directors of Macquarie and MBL. This review is to include consideration of the performance of the Executive Directors, other than those covered by the Specific Remuneration Recommendations and the Significant Remuneration Recommendations referred to above
- remuneration recommendations made outside of policy relating to individuals or groups of individuals, subject to the Specific Remuneration Recommendations and the Significant Remuneration Recommendations referred to above, and
- all individual Director promotion equity grants to staff other than those designated above.

#### **Non-Executive Director Remuneration**

The BRC is responsible for reviewing and making recommendations to the Macquarie Board in relation to:

- the remuneration framework for the Non-Executive Directors of Macquarie and MBL, and
- remuneration recommendations for Non-Executive Director fees.

The Board has adopted internal guidelines on declaring and dealing with conflicts of interest. These are rigidly followed by the BRC.

This remuneration governance framework ensures that remuneration recommendations relating to staff at various levels of seniority must be approved at an appropriate level of authority.