Directors' Report – Remuneration Report
for the financial year ended 31 March 2012
continued

2 With only incremental change, Macquarie's remuneration approach has allowed it to meet the expectations of governments, regulators and shareholders, as well as dealing with market pressures

The design of remuneration systems continues to be the subject of increasingly intense ongoing debate among governments, regulators and shareholders. The specific approach and pace of change varies by country, posing particular challenges for an organisation such as Macquarie that operates in over 28 countries. The BRC seeks to ensure that its remuneration policies continue to meet the expectations of governments, regulators and shareholders. The following table summarises the key emerging themes and Macquarie's response:

Key theme	Macquarie current practice	Incremental change
Strong governance processes	— BRC comprises Independent Non-Executive Directors — Board approves the global remuneration policy — On the recommendation of the BRC, the Board individually approves remuneration for the Executive Committee, Designated Executive Directors, FSA Code Staff[1], senior risk and financial control staff	— No change
Hedging of remuneration delivered as equity	— No hedging of unvested equity remuneration	— No change
More performance-based remuneration delivered in equity	— Invested in a combination of Macquarie shares and Macquarie-managed fund equity, notionally invested	— More remuneration is delivered in Macquarie shares for a limited group of people in the UK defined as FSA Code Staff under the FSA Code (to comply with the FSA Code)
Longer deferral period	— Deferred amounts vest over a period of up to seven years, longest in ASX30 and peers	— Executive Committee PSU vesting to extend to 3-4 years — For FSA Code Staff, the holding period has been extended (to comply with the FSA Code)
Higher proportion of performance-based remuneration deferred	— Up to 70 per cent, highest in ASX30 and consistent with peers, when deferral period is taken into account	— More remuneration is deferred for FSA Code Staff (to comply with the FSA Code)
Clawback/Malus	— Malus introduced from 2012	— Australian government clawback legislation due second half 2012
Dividends on unvested shares	— Dividends are not paid on PSUs — Shareholders approved payment of dividends on RSUs and dividend equivalent payments on DSUs for regulatory reasons at the 2009 General Meeting — For regulatory reasons relating to employee share plans, it is a condition of ASIC's prospectus disclosure relief that dividends be paid on RSUs delivered though a trust. Also, for trust taxation reasons, there are adverse tax consequences if the dividends are not paid	— No change
Linkage of TSR as a performance criteria	— TSR is not used as a performance criteria — Shareholder value is driven by ROE and NPAT. These are factors over which executives can exercise considerable control. TSR is influenced by many external factors over which executives have limited control — Use of TSR is contrary to APRA guidelines	— No change

[1] FSA Code Staff include:
- UK senior management
- risk takers, or those staff who have a material impact on the risk profile of the UK businesses
- staff, whose total remuneration takes them into the same bracket as senior management and risk takers, whose professional activities could have a material impact on a firm's risk profile.