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Our approach is consistent with the expectations set out by regulators, further aligns the interests of staff and shareholders and ensures we retain key people through this period of economic uncertainty.”

Letter from the **Chairman of the Board Remuneration Committee**

On behalf of the Board, I am pleased to present the 2020 Remuneration Report.

As discussed in the Chairman's letter, the final weeks of this financial year were impacted by the extreme health, social and economic consequences of the COVID-19 pandemic. Macquarie's response to the crisis included actions to support our clients and the community, and the welfare of our people. The uncertain situation has also had an impact on our financial performance, with the recognition of additional provisions to reflect the deterioration in current conditions and the uncertainty going forward. Despite these extraordinary circumstances and resulting provisions, Macquarie's sound risk management and business approach has enabled delivery of its second highest level of profit results on record.

This year we have provided additional detail (refer to page 105) to explain what the Board has specifically considered in determining the remuneration outcomes for the Executive

Committee members to balance the solid financial results and the impact of COVID-19 with the expectations of APRA, our clients, shareholders and the community.

Performance

Macquarie delivered solid financial results notwithstanding the recent headwinds and the additional provisions taken in FY2020 due to COVID-19, following a comprehensive review of our balance sheet:

- Net profit after tax (NPAT) is down 8% compared to 2019, but up 7% compared to 2018
- Return on equity (ROE) of 14.5% is down from 18% in the prior year
- Earnings per share (EPS) of 791.0 cents per share is down 10% compared to the prior year.

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Impact of COVID-19 on shareholders

The 2020 financial year ended amid significant market volatility due to COVID-19. Macquarie's share price has not been immune to the volatility in equity markets, experiencing a significant decline in the final weeks of the financial year, albeit in line with the market. We recognise that shareholders have been impacted by the decline in the value of their shares during this period.

The share price decline also impacted Macquarie staff through their shareholdings in the company (approximately 3,600 staff have retained profit share held in Macquarie equity). For the CEO and Executive Key Management Personnel (KMP), a significant proportion of performance-based remuneration is retained, delivered in Macquarie equity and deferred for up to seven years. This results in senior executives having an ongoing significant exposure to Macquarie equity which has ensured the strong alignment of staff with shareholders. This is a longstanding feature of Macquarie's remuneration approach and we believe this has served, and continues to serve, us well throughout market cycles.

Remuneration outcomes

The Board remains focussed on ensuring there is a robust and rigorous process in place to determine individual and company-wide remuneration outcomes. Significant oversight and judgement are applied to ensure remuneration outcomes are aligned both with individual and company-wide performance and with outcomes delivered to our shareholders, our clients and the communities in which we operate.

In determining Executive KMP remuneration outcomes this year and how these outcomes will be delivered, the Board has considered the needs and expectations of various stakeholders. The following factors were specifically considered this year:

- while Macquarie's overall profitability was down on the prior year, all Operating Groups delivered a profit for the year, with MAM and BFS delivering record profits. Our remuneration approach rewards individuals when they deliver realised outcomes. The Board believes that it is critical that Macquarie maintains its strong entrepreneurial culture that incentivises innovation, motivates further growth and drives sustained success
- the impact to the global economy and our communities from COVID-19 has introduced a higher level of uncertainty into financial markets over the short and medium-term. As a result:
 - there is an expectation from governments and regulators that capital will be available to allow the continued provision of credit and support to the economy
 - shareholders have been impacted, as noted above, through a decline in the value of their shares during this period
 - Management and the Board recognise the importance of retaining key people through this period of economic uncertainty.

After careful consideration of all these factors and competing expectations, we believe the following outcomes for the year are appropriate:

- the Executive Committee has undergone a process of renewal over the past two years making direct comparables of remuneration difficult. However, on a like-for-like basis, awarded profit share for the current Executive Committee members is down 7% on the prior year
- the CEO's profit share has been determined reflecting her first full year as CEO and, the decline in Macquarie's overall profitability. In addition, for FY2020, 100% of her profit share will be retained and delivered 90% in Macquarie equity and 10% in Macquarie-managed fund equity, thus receiving no cash component
- in line with the changes to the delivery of the CEO's profit share, there will be no cash component of profit share for all other Executive KMP for FY2020. An additional proportion of FY2020 profit share allocations will also be retained for other senior staff and delivered in Macquarie equity, limiting the cash component and capital impact of these profit share allocations
- this year, Macquarie equity for retained profit share will be issued and not purchased on market.

Our approach is consistent with the expectations set out by regulators, further aligns the interests of staff and shareholders and ensures we retain key people through this period of economic uncertainty.

In addition, for prudent capital management, the Board has resolved to pay a reduced final dividend and Macquarie Bank will not pay a final dividend to the Macquarie Group for FY2020, consistent with APRA's expectations.

The compensation expense to income ratio is higher than last year, although well below the average of our international peer group. This increase is largely driven by:

- an increase in fixed compensation reflecting increased headcount in Central Service Groups due to business growth, technology projects and ongoing regulatory compliance
- higher share-based payment expense reflecting the accelerated amortisation of prior years' equity awards for recently retired Executive Committee members (\$A83 million in FY2020 compared to \$A32 million in FY2019)
- lower operating revenue primarily driven by higher credit and other impairments due to a deterioration in current and expected macroeconomic conditions as a result of COVID-19.

Culture, accountability and remuneration

Macquarie's principles of Opportunity, Accountability and Integrity remain pivotal to our culture and effectively guide our staff in managing risk-reward and making decisions that realise opportunity for the benefit of our clients, our shareholders, our people and the communities in which we operate.

The Board Remuneration Committee (BRC) and the Board are able to assess Macquarie's culture in many ways including through staff survey results, human capital reporting, risk culture reporting and strategy presentations, as well as through personal observation of management and staff behaviours and actions (including meeting with staff and regional office visits).

The remuneration framework supports our principles by motivating staff to be innovative and build businesses but also be accountable for all their decisions within the business and their accompanying risk management, customer, economic and reputational consequences.

Strong risk management is a fundamental part of everyone's role at Macquarie. Staff understand that they are rewarded for their performance, including their management of risk. They also understand that there are consequences for non-compliance with Macquarie's behavioural expectations. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

In FY2020, there were 164 (FY2019: 163) matters involving conduct/policy breaches that resulted in formal consequences. Consistent with prior years, we have disclosed further details regarding these matters (refer to page 101).

Regulatory environment

Executive remuneration continues to be an area of focus for governments and regulators as they seek to reinforce the behavioural standards expected by customers, shareholders and the community.

As foreshadowed last year, the Banking Executive Accountability Regime (BEAR) came into effect for Macquarie on 1 July 2019 and the vesting period of PSUs awarded from FY2020 has been extended to four years. In January, consistent with the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Banking Royal Commission) recommendations, Federal Treasury released a proposal paper outlining its plan to extend BEAR to a new regime, the Financial Accountability Regime (FAR), to include all APRA-regulated entities.

In July 2019, also in response to the Banking Royal Commission, APRA released the draft Prudential Standard CPS 511 *Remuneration*, which requires remuneration arrangements to consider both financial and non-financial risks, sustainable performance and long-term soundness.

Macquarie supports APRA's policy position and we believe our current remuneration practices measure up well, achieving the overall intent of the regulations. Our remuneration approach considers both financial and non-financial risks, including conduct and adverse customer outcomes, in making remuneration decisions.

We have participated in the consultation process for both the FAR and CPS 511 and will continue to engage with APRA and Federal Treasury as appropriate as more developments occur.

I look forward to receiving your views and support at the 2020 Annual General Meeting.



Michael Hawker
Chairman
Board Remuneration Committee

Sydney
8 May 2020

Remuneration Report

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Remuneration framework

This section explains the objectives and principles of our remuneration framework.

Macquarie's longstanding and consistent approach to remuneration continues to support the overarching objective of delivering strong company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of Conduct* and *What We Stand For*. The Board recognises that to achieve this objective, we must attract, motivate and retain exceptional people with deep industry expertise while aligning their interests with shareholders to meet the needs of clients and customers while ensuring that regulatory requirements are upheld. This broad approach has been in place since Macquarie's inception, evolving over time to ensure the framework continues to meet its overall objectives.

Macquarie's remuneration approach has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long-term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational consequences.

This approach has been fundamental in ensuring we can continue to attract, motivate and retain exceptional, entrepreneurial and ethical people across the global markets in which we operate. We hire world-class people in 31 highly competitive markets. These people come from, and compete in, various industry sectors (including hedge funds, private equity firms, global investment banks, fund managers, advisory boutiques, commodity houses and other banks as well as industries that are not specific to banking or financial services, for example, technology, accounting and engineering) across many jurisdictions.

An overview of the remuneration framework is set out below.

Overall remuneration objectives and principles

STRONG COMPANY PERFORMANCE OVER THE SHORT AND LONG-TERM

Align interests of staff, shareholders and customers

Attract, motivate and retain high quality, ethical people

The Board considers this is best achieved by supporting the following principles:

- emphasising performance-based remuneration taking into consideration an individual's overall contribution to Macquarie
- determining variable remuneration as a share of profits (not a short-term bonus) creating a true partnership between staff and shareholders to deliver sustained results for our customers and clients
- driving behaviours that reflect Macquarie's risk culture by motivating staff to be accountable for all decisions within the business and their accompanying risk management, customer, economic and reputational consequences
- delivering remuneration in a way that provides significant long-term alignment with shareholders
- remunerating high-performing staff appropriately, relative to global peers, so they are attracted to and stay with Macquarie
- providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives.

CREATING A LONG-TERM FOCUS

Remuneration structure

This section describes the way in which remuneration is structured and delivered.

Macquarie's remuneration framework works as an integrated whole. An individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units (PSUs). The table below provides an overview of these components.

Fixed remuneration	
Fixed	<ul style="list-style-type: none"> For Executive Committee members, is a low level and a low proportion of total remuneration, relative to the industry, but sufficient to avoid inappropriate risk-taking For risk and financial control staff, generally a higher proportion of total remuneration than for front office staff.
Performance-based remuneration	
Profit share	<ul style="list-style-type: none"> All permanent employees are eligible to participate Significant portion of profit share is retained (100% for the CEO⁽¹⁾ and all Executive Committee members in FY2020) with a long deferral period (three to seven years for Executive Committee members) Retained profit share is delivered in a combination of Macquarie equity and Macquarie-managed fund equity to strengthen alignment with future performance Malus provisions apply to certain senior employees Retained profit share is subject to forfeiture upon leaving Macquarie except in certain circumstances (such as retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances).
PSUs	<ul style="list-style-type: none"> Are only awarded to Executive Committee members to drive company-wide performance Are a meaningful incentive but not the major element of total remuneration Vesting of PSUs is subject to achievement of performance hurdles measured equally against ROE relative to an international reference group (50%) and absolute EPS growth (50%) PSU awards vest after four years⁽²⁾ No retesting of hurdles An international reference group recognises the extent of Macquarie's diversification and internationalisation Malus provisions apply Unvested PSUs are subject to forfeiture upon leaving Macquarie except in certain circumstances (such as retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances).

The Board has discretion to change remuneration arrangements on an annual basis to meet changing market conditions as well as to comply with regulatory and corporate governance developments.

Retained profit share: retention and vesting

Macquarie retains a percentage of certain individuals' annual profit share allocation (retained profit share) which is invested in a combination of Macquarie ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP) and Macquarie-managed fund equity notionally invested under the Directors' Profit Share (DPS) Plan.⁽³⁾ While they are employed, an individual's retained profit share vests and is released over a period that reflects the scope and nature of their role and responsibilities. These arrangements provide significant long-term alignment to shareholders and customers as well as enabling risk outcomes to be considered over long periods.

Retention and vesting arrangements are determined by the Board Remuneration Committee (BRC), according to prevailing market conditions, having regard to regulatory and remuneration trends. For each year's allocation, once the vesting period has been determined it remains fixed for that allocation.

- (1) To further align the interests of staff and shareholders and to ensure we continue to retain key people through this period of economic uncertainty due to COVID-19, 100% of FY2020 profit share is being retained for the CEO and all Executive KMP and delivered in a combination of Macquarie equity and Macquarie-managed fund equity.
- (2) Macquarie is subject to the Banking Executive Accountability Regime (BEAR) effective 1 July 2019. The vesting period of PSUs awarded from FY2020 has been extended to four years, subject to performance hurdles. PSUs awarded prior to FY2020 vested in two equal tranches after three and four years.
- (3) Both the MEREP and DPS Plan are fundamental tools in Macquarie's retention, alignment and risk management strategies, encompassing both long-term retention arrangements and equity holding requirements. The MEREP has a flexible plan structure that offers different types of equity grants depending on the jurisdiction in which the participating employees are based. In most cases, the equity grants are in the form of units comprising a beneficial interest in Macquarie ordinary shares held in a trust for the staff member (Restricted Share Units or RSUs). For further details on the MEREP, refer to Note 30 *Employee equity participation* to the financial statements in the Financial Report. The DPS Plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment.

Remuneration Report

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This year, to further align the interests of staff and shareholders and to ensure we continue to retain key people through this period of economic uncertainty due to COVID-19, the Board and Management have deemed it appropriate to increase retention rates for FY2020 profit share allocations. As a result, 100% of FY2020 profit share allocations will be retained for the CEO and all Executive Committee members (no cash component) and delivered in a combination of Macquarie equity and Macquarie-managed fund equity. For other senior staff, an additional 20%⁽⁴⁾ of FY2020 profit share allocations will be retained, limiting the cash component of their profit share allocations. This approach is consistent with APRA's expectations.

The following table summarises the standard retention and vesting arrangements applicable for FY2020.

FY2020 Standard profit share arrangements – retention levels, investment of retained profit share and vesting periods

Role	Available profit share (%) ⁽⁵⁾	Profit share retention (%)	Retained profit share investment		Vesting and release of profit share ⁽⁶⁾
			MEREP (MGL ordinary shares) %	DPS Plan (Macquarie-managed fund equity) %	
CEO	0	100	90	10	
CEO Macquarie Bank	0	100	90	10	
Executive Committee members with Funds responsibilities	0	100	50	50	One-fifth in each of years 3–7
Other Executive Committee members	0	100	80–90	10–20	
Designated Executive Directors ⁽⁷⁾	30–50	50–70	80–100 ⁽⁸⁾	0–20	
Other Executive Directors	30–60	40–70	80–100 ⁽⁷⁾	0–20	One-third in each of years 3–5
Executive Directors with Funds responsibilities	40–60	40–60	25–50	50–75	
Staff other than Executive Directors	40–75	25–60 ⁽⁹⁾	100 ⁽¹⁰⁾	0 ⁽¹⁰⁾	One-third in each of years 2–4

The Board's discretion to change remuneration arrangements, as noted above, includes changes to profit share retention levels provided that the retention percentage is at least 30% for all Executive Directors.

(4) For senior staff subject to the UK Remuneration Code (the UK Code) implementing the Capital Requirements Directive IV (CRD IV), retention rates for FY2020 have been set at 20% over what their retention rate would have been if they were not subject to the UK Code.

(5) Available profit share is delivered in cash except for staff (including one Executive Committee member) subject to the UK Code implementing CRD IV, where 50% of available profit share is delivered in Macquarie equity and is subject to a 12-month hold period.

(6) For staff (including one Executive Committee member) subject to the UK Code implementing CRD IV, retained profit share invested in Macquarie equity is subject to a further 12-month hold post the vesting period.

(7) Executive Directors who have a significant management or risk responsibility in the organisation.

(8) For staff subject to the UK Code implementing CRD IV, retained profit share is invested 60% in Macquarie equity and 40% in the DPS Plan.

(9) Above certain monetary thresholds.

(10) For staff other than Executive Directors, retained profit share is generally invested in Macquarie equity with the exception of those staff with funds responsibilities where retained profit share is invested in a combination of Macquarie equity and Macquarie-managed fund equity.

In addition to the arrangements set out in the table on the previous page, different arrangements may apply in certain circumstances:

- retention rates, vesting and release schedules may vary for certain groups of staff who have become employees as a result of an acquisition, or for staff in certain jurisdictions, for example the European Union (EU), to ensure compliance with local regulatory requirements
- in limited circumstances, retained profit share may be allocated under arrangements other than the DPS Plan or the MEREP. For example, this may include investment in funds or products of a specific business group where there is a need to directly align the interests of staff with those of their clients.

A small number of individuals with funds responsibilities may receive a portion of their performance-based remuneration as a share of performance fees paid by Macquarie-managed funds. The company-wide profit share pool is adjusted downwards to reflect these deferred remuneration arrangements, which are also taken into account in determining the individual's profit share allocation. Consistent with market practice, these individuals are allocated an entitlement to a share of performance fees paid by a particular fund. This allocation is based on performance, seniority and the extent of the individual's involvement with the particular fund. An individual will not receive their entitlement until Macquarie has received performance fees towards the end of the fund's life, which is typically upwards of 10 years. One Executive Committee member, Mr Stanley, in his former role, participated in these arrangements for certain funds. Upon joining the Executive Committee, he will maintain his participation in these existing funds, but he will not be allocated any additional entitlements. No other Executive Committee members currently participate in these arrangements.

Forfeiture of retained profit share – Malus Events

Since 2012, the Board or its delegate has had the ability to reduce or eliminate unvested profit share for certain senior employees in certain circumstances (Malus). The current Malus provisions provide the Board or its delegate with the ability to reduce or eliminate unvested profit share awarded in respect of FY2015 onwards to certain senior employees if it is determined that the individual has at any time:

- acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction)
- acted or failed to act in a way that contributed to a breach of a significant legal or significant regulatory requirement relevant to Macquarie
- acted or failed to act in a way that contributed to Macquarie, Macquarie Bank or any Operating Group within Macquarie incurring:
 - significant reputational harm
 - a significant unexpected financial loss, impairment charge, cost or provision
- acted or failed to act in a way that contributed to Macquarie or Macquarie Bank making a material financial restatement.

Each of the above is a Malus Event.

Additional provisions may apply to staff in certain jurisdictions to ensure compliance with local regulations. This includes, for example, staff in the EU, including one Executive Committee member, who are required to comply with local regulatory requirements. These individuals are subject to additional Malus and clawback provisions under EU regulations.

Macquarie has always had and continues to have, the ability to terminate staff where a Malus Event has occurred, at which time any unvested profit share would be forfeited in full. The BRC considers whether, and the extent to which, to apply Malus, taking into account local employment laws, the nature and circumstances of the event and any other redress that has been or may be applied.

Early vesting and release of retained profit share

An Executive Director's unvested retained profit share is only paid out on termination of employment in the case of retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances. The Board has discretion to accelerate the vesting of retained profit share under these circumstances (subject to the conditions of early release as set out below).

Discretion may be exercised in certain other limited exceptional circumstances on the grounds of business efficacy, in relation to strategic business objectives, including in connection with the divestment or internalisation of Macquarie businesses, or when an employee resigns to fulfil a public service role in a governmental organisation or agency. Where such discretion is exercised, the Board may impose such other conditions as it considers appropriate.

This year, such discretion has been exercised and retained profit share was approved to be released for two executives due to the transfer of their employment to a non-majority controlled joint venture.

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Conditions of early release to departing Executive Directors – Post Employment Events

In addition to the Malus provisions set out above, where discretion has been exercised to accelerate the vesting of retained profit share for any departing Executive Director, the Board may reduce or eliminate their retained profit share, if it is determined that the Executive Director has at any time during their employment or the relevant release periods after their employment committed a Malus Event or:

- (a) taken staff to a competitor of Macquarie or been instrumental in causing staff to go to a competitor, or
- (b) joined a competitor of Macquarie or otherwise participated in a business that competes with Macquarie.

Each of the above is a Post Employment Event.

In the case of death or serious incapacitation, the Board will typically accelerate the vesting of retained profit share and immediately release it to the Executive Director, or to the Executive Director's legal personal representative. In other circumstances, the release will occur over the period from six months to two years after the Executive Director leaves, in accordance with the following table:

	First Period	Second Period	Third Period
Time post-departure	Six months	Six months to one year	One year to two years
Unvested retained profit share released	From all but the last two years of employment	From the second year prior to the end of employment	From the year prior to the end of employment
Subject to	No Malus Event or Post Employment Event as set out previously	No Malus Event or Post Employment Event during the First Period, and	No Malus Event or Post Employment Event during the First Period, and
		No Malus Event or Post Employment Event (a) above during Second Period	No Malus Event or Post Employment Event (a) during the Second Period, and
			No Malus Event during the Third Period
Where the release is by reason of retirement from Macquarie	As above	As above and in addition, the release is subject to no Post Employment Event (b) during the Second Period	As above and in addition, the release is subject to no Post Employment Event (b) during the Second or Third Period

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the Board has discretion to release unvested retained profit share up to an amount equal to the Executive Director's tax liability at an earlier time than noted above.

For individuals who are allocated an entitlement to a share of performance fees paid by a particular Macquarie-managed fund, the entitlement will be forfeited if their employment ceases before five years from the date of allocation. Entitlements are subject to similar forfeiture conditions as profit share.

Performance Share Units (PSUs)

Executive Committee members are the only group of staff eligible to receive PSUs, which are subject to forward-looking performance hurdles and determined with reference to Macquarie's performance as a whole. As such, they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term and beyond their business group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

Since their introduction, PSUs have been structured as DSUs with performance hurdles.⁽¹¹⁾ Holders have no right to dividend equivalent payments. There is no exercise price for PSUs.

As foreshadowed last year, the BEAR came into effect for Macquarie on 1 July 2019 and the vesting period of PSUs awarded from FY2020 has been extended to four years.

The PSU hurdles are periodically reviewed by the BRC to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance bodies, shareholders and regulators, as well as market practice. No change has been made to the hurdles for FY2020.

(11) A DSU is a Deferred Share Unit and is one of the award types under the MEREP. For further details, refer to Note 30 *Employee equity participation* to the financial statements in the Financial Report.

The following summarises the key terms of PSUs and the performance hurdles:

	EPS CAGR hurdle	ROE hurdle
Application	50% of PSU award	50% of PSU award
Performance measure	Compound annual growth rate (CAGR) in EPS over the vesting period (four years) ⁽¹²⁾	Average annual ROE over the vesting period (four years) ⁽¹²⁾ relative to a reference group of global financial institutions ⁽¹³⁾
Hurdle	Sliding scale applies: <ul style="list-style-type: none"> – 50% becoming exercisable at EPS CAGR of 7.5% – 100% at EPS CAGR of 12%. For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable.	Sliding scale applies: <ul style="list-style-type: none"> – 50% becoming exercisable above the 50th percentile – 100% at the 75th percentile. For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable.
Forfeiture	<ul style="list-style-type: none"> – Malus provisions apply – The standard policy is that invested PSUs will be forfeited upon termination – To ensure continued alignment with shareholders post-termination, in the case of retirement from Macquarie, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances, the Board or the BRC has the authority to either accelerate the vesting of PSUs or to permit the PSUs to continue to vest in accordance with the original award schedule and remain subject to the same performance hurdles – Should a change of control occur,⁽¹⁴⁾ the Board or the BRC has discretion to determine how unvested PSUs should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change in control. 	

Rationale for hurdles

- ROE and EPS growth drive long-term shareholder value and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- The approach is consistent with that advocated by APRA in not using TSR as a measure
- Can be substantiated using information that is disclosed in audited financial statements
- A sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test, which some have argued could promote excessive risk-taking
- Designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations. The time frame used for PSUs should also be considered in light of the three- to seven-year deferral of profit share for members of the Executive Committee.

Use of an international reference group

An international reference group recognises the extent of Macquarie's diversification and internationalisation. As at 31 March 2020, total international income represented approximately 67% of Macquarie's total income, with approximately 58% of Macquarie's staff located outside Australia. The BRC considers an international reference group to be appropriate on the basis that Macquarie has no comparable Australian listed peers. These international firms broadly operate in the same markets and compete for the same people as Macquarie.

(12) PSUs awarded prior to FY2020 vested in two equal tranches after three and four years.

(13) The reference group for awards made from 2013 is Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG. Comparator company information is presented in the same order throughout the Remuneration Report.

(14) Under the MEREP Plan Rules, a change in control occurs where a person acquires or ceases to hold a relevant interest in more than 30% of Macquarie shares or where the Board resolves that a person is in a position to remove one-half or more of the Non-Executive Directors.

Remuneration Report

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Macquarie's EPS CAGR performance

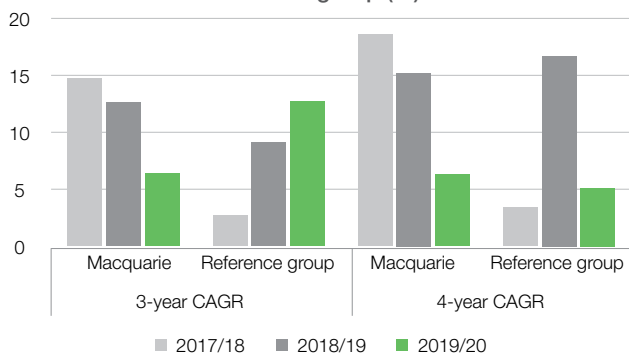
EPS for FY2020 was 791.0 cents per share which is down 10% on the prior year.

For PSUs (awarded prior to FY2020) to fully vest, Macquarie needs to achieve at least 12% CAGR over the vesting period. Supporting the rigour of the hurdle, to achieve a full vesting the following cumulative EPS is required:

- over three years, cumulative EPS growth of 40%
- over four years, cumulative EPS growth of 57%.

The below graph shows EPS CAGR for Macquarie over three and four years. The average EPS CAGR of Macquarie's international reference group is shown for comparison only, noting that the EPS performance of the reference group does not form part of Macquarie's PSU hurdle.

Macquarie's 3- and 4-year EPS CAGR compared to an international reference group (%)



Source: Bloomberg

Macquarie's ROE performance compared to an international reference group

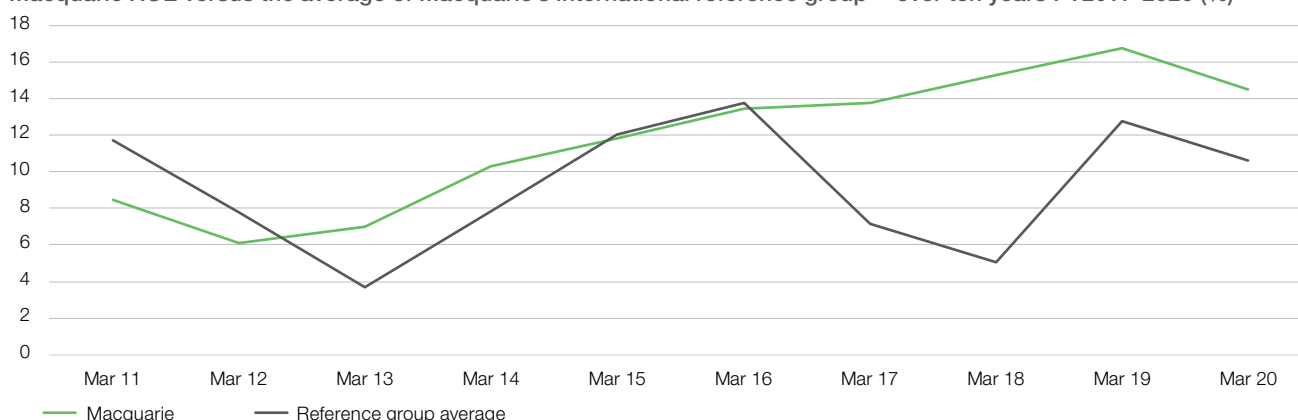
Macquarie's ROE for FY2020 of 14.5% is down from 18.0% in the prior year but remains higher than the majority of the international reference group. In addition, Macquarie's three, five and ten-year average annual ROE exceeds the majority of the reference group.

Reference group ROE over ten years FY2011–2020

	1 year average % p.a.	3 year average % p.a.	5 year average % p.a.	10 year average % p.a.
Macquarie	14.5	15.5	14.8	11.7
Average of reference group	10.6	9.5	9.9	9.2
Company	10.7	9.5	8.3	4.7
Company	4.6	1.4	1.3	1.9
Company	7.8	3.4	(0.6)	2.7
Company	(9.7)	(3.8)	(5.0)	(0.7)
Company	10.0	9.4	9.0	9.3
Company	14.9	12.7	11.7	10.7
Company	37.5	36.1	47.2	40.5
Company	11.8	10.5	9.6	7.0
Company	8.0	6.2	7.2	7.0

Source: Bloomberg (reference group) and Macquarie as reported

Macquarie ROE versus the average of Macquarie's international reference group⁽¹⁵⁾ over ten years FY2011–2020 (%)



Source: Bloomberg (reference group) and Macquarie as reported

(15) The reference group for awards from 2013 comprises Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

Testing of hurdles

Under both performance hurdles, the objective is examined once only. Testing occurs annually on 30 June immediately before vesting on 1 July, based on the most recent financial year-end results available. PSUs that do not meet performance hurdles expire.

The PSUs that vested in July 2019 comprised the second tranche of those awards granted in 2015 and the first tranche of those granted in 2016. The performance hurdles under each tranche were fully met and 100% of the awards became exercisable.

As a result:

PSU tranche	EPS CAGR Hurdle			ROE Hurdle		
	Macquarie result (for vesting period)	Hurdle	Outcome	Macquarie result (for vesting period)	Hurdle	Outcome
2015 Tranche 2	15.16%	50% at 7.5% CAGR 100% at 12% CAGR	100% exercisable	14.83%	50% above the 50th percentile ⁽¹⁶⁾ 100% at the 75th percentile ⁽¹⁶⁾	100% exercisable
2016 Tranche 1	12.57%	50% at 7.5% CAGR 100% at 12% CAGR	100% exercisable	15.29%	50% above the 50th percentile ⁽¹⁷⁾ 100% at the 75th percentile ⁽¹⁷⁾	100% exercisable

Other features of Macquarie's remuneration structure

Minimum shareholding requirement	Executive Directors are required to hold a relevant interest in Macquarie ordinary shares that have a value equal to 5% of an Executive Director's aggregate profit share allocation for each of the past five years (10 years for Executive Committee members), which can be satisfied by the requirements of the profit share retention policy. For Executive Committee members, compliance with this policy equates to a minimum shareholding requirement of between 180% to 720% of fixed remuneration, excluding the role-based allowance in place for one Executive KMP. ⁽¹⁸⁾
Promotion Awards	Staff who are promoted to Associate Director, Division Director or Executive Director receive an allocation of MEREP awards based on Director-level set with reference to an Australian dollar value. Currently these awards range from \$A25,000 to \$A175,000 depending on the promotion level.
Hedging	Macquarie prohibits staff from hedging shares held to meet the minimum shareholding requirement and unvested equity held in the MEREP.

Employment contracts

The following table summarises key features of the employment contracts for Executive Committee members including the CEO:

Length of contract	Permanent open-ended.
Remuneration review period	1 April to 31 March annually.
Profit share participation	Executive Committee members are eligible to be considered for a profit share allocation that ensures that a large part of their remuneration is 'at risk'. Refer to pages 93 to 96 for details.
PSU participation	Executive Committee members are eligible to receive PSUs. Refer to pages 96 to 99 for details.
Termination of employment	Requires no more than four weeks' notice by Macquarie or the Executive Committee member (Post-employment restrictions apply). ⁽¹⁹⁾
Post-employment restrictions	Restrictions include non-solicitation provisions applicable for six months, and paid non-competition provisions applicable, at Macquarie's election, for up to three months post-termination.

(16) Peer group ROE at 50th percentile 7.71% and peer group ROE at 75th percentile 9.12%.

(17) Peer group ROE at 50th percentile 8.19% and peer group ROE at 75th percentile 9.31%.

(18) Role-based allowances are a component of fixed remuneration which may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.

(19) 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 the termination of their employment. In the UK, the statutory minimum notice period increases from 4 weeks to a maximum 12 weeks based on years of service.

Remuneration Report

Continued

Approach to determining remuneration outcomes

This section provides an overview of Macquarie's approach to determining remuneration outcomes.

Macquarie's remuneration framework works as an integrated whole. An individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), PSUs. The table below provides an overview of how these components are determined:

Fixed remuneration	
Fixed	Reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements.
Performance-based remuneration	
Profit share	<p>The company-wide profit share pool is determined through a bottom-up assessment at both the business group and individual level:</p> <p>Business group profit share pools:</p> <ul style="list-style-type: none">– reflect each business' contribution to company-wide profits taking into account liquidity, capital and funding usage– for Central Service Groups, based on the quality and integrity of control functions and support services; not primarily determined with reference to profitability– considers the risk profile of each business including consideration of any significant reputational, cultural or compliance matters– also considers overall remuneration levels in the market in which each business operates– other factors can impact the allocation to each business group such as quality of the income, whether the business is highly regulated or not, the maturity of the business, and the reliance on intellectual capital versus financial capital. <p>Individual profit share allocations:</p> <ul style="list-style-type: none">– based on business profits and individual contribution to profits for front office staff– primarily based on contribution to high quality control functions for risk management and financial control staff– for other support staff, based on their contribution to delivering high quality services to support the businesses– other factors considered include risk management and compliance (both financial and non-financial risks), business leadership (including customer outcomes), people leadership and professional conduct– may be adjusted downwards based on an assessment of both financial and non-financial risks including conduct issues that have arisen during the year– also considers relativities in the market in which each business operates. <p>Company-wide profit share pool:</p> <ul style="list-style-type: none">– is an aggregate of the bottom-up assessment conducted at both the business and individual level– is assessed for overall reasonableness, including consideration of:<ul style="list-style-type: none">– an internal reference based on Macquarie's after-tax profits and its earnings over and above the estimated cost of capital– the resultant compensation expense to income ratio and how it compares to that of peers– the Board retains discretion to amend the final pool determined in accordance with the bottom-up assessment to ensure that all relevant factors, including risk and conduct matters, have been appropriately taken into consideration. For the sixth year in a row, the company-wide pool is substantially below the internal reference described above– the Chief Financial Officer (CFO) confirms that payment of the profit share pool would not result in elimination of capital surpluses.
PSUs	<ul style="list-style-type: none">– The pool is determined with reference to profits over recent years– The Board retains discretion to determine the final PSU pool taking into consideration the risk profile of Macquarie– Individual allocations reflect role and complexity, and contribution to driving the collective performance of Macquarie– The BRC considers both fair and face value when determining individual PSU allocations– PSUs are granted in August each year. Details of the 2019 grants are included on pages 123 to 125 in Appendix 4.

Culture, accountability and remuneration

This section describes how risk and conduct are considered throughout Macquarie's remuneration approach.

Risk culture

Macquarie's *What We Stand For* principles of Opportunity, Accountability and Integrity remain pivotal to our culture and effectively guide our staff in managing risk-reward and making decisions that realise opportunity for the benefit of our clients, our shareholders, our people and the communities in which we operate. Staff are made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are outlined in the Board approved *Code of Conduct*, which is actively promoted by Management and cascaded through the organisation through multiple mechanisms. Macquarie invests significant time and effort into communicating and reinforcing our culture through senior management communications, policy reminders, training and learning and development activities. Strong risk management is a fundamental part of everyone's role at Macquarie. Staff understand that they are rewarded for their performance, including their approach to managing risk. They also understand that there are potential consequences for non-compliance with Macquarie's behavioural expectations. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

Alignment of remuneration with prudent risk-taking

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to its remuneration approach. Remuneration outcomes reflect an assessment of a range of factors including risk management, compliance and behavioural measures to promote good conduct and commitment to the *Code of Conduct* and *What We Stand For*. In addition, the remuneration framework is characterised by significant retention and long deferral periods, which enable risk outcomes to be considered over long periods. The Board and the BRC continue to take risk and conduct matters very seriously. There are robust processes in place to ensure that all risk, reputation and conduct-related matters are specifically considered when determining remuneration outcomes. These processes may result in a downward adjustment to group and/or individual profit share allocations where appropriate. A wide range of risks that could have a financial or non-financial impact on Macquarie are considered, including if there has been a detriment to customers.

To assist the Board and the BRC:

- the Board is able to assess Macquarie's culture in a number of ways including through staff survey results, human capital reporting, risk culture reports, consequence management reports, strategy presentations as well as through personal observation of management and staff behaviour and actions (including meeting with staff and visits to overseas offices)
- the Chief Risk Officer (CRO) provides the BRC with an independent report detailing material losses, large transactions with residual risk, significant regulatory and legal matters, significant compliance and operational incidents, internal audit issues, other non-financial risk matters as well as information regarding economic capital
- the Global Head of HR discusses the CRO's report with the Group Heads to ensure any matters listed are appropriately reflected in remuneration outcomes for relevant staff and provides a report to the BRC on how this has been achieved
- the General Counsel, in conjunction with HR, considers whether there are any incidents that should be brought to the attention of the BRC which might lead to a Malus determination and reports to the BRC at year end.

The BRC conducts a detailed review of all the material presented and uses this information when considering remuneration outcomes for relevant businesses and individuals.

Consequence management

Macquarie operates a robust consequence management process whereby incidents, breaches of policy and misconduct are regularly reported to Senior Management. Macquarie's Consequence Management Guideline applies wherever a breach of internal policy or regulatory requirement is identified. Consequences may include further training, removal of delegated authorities or permissions, adjustments to performance-based remuneration, impact on promotion, formal warnings or termination. Where an employee has received a formal warning, their performance-based remuneration will likely be impacted and in some cases, it will be reduced to zero. Promotion decisions may also be impacted. Impacts may also be applied where a formal warning has not been issued. In each case, judgement is exercised as to the appropriate consequence(s) based on all the relevant circumstances. Where an individual's employment is terminated due to a compliance or conduct concern (or they resign), retained and unvested remuneration is forfeited as per Macquarie's standard policy.

To assist the Board and the BRC:

- RMG and HR routinely provide information on identified breaches of policies and regulatory rules to (amongst other purposes) ensure appropriate consequence management is applied. RMG and HR data relating to employee conduct, including individual employee warnings, incidents and breaches is regularly reported to senior management
- the Global Head of HR annually reports to the BRC on the outcomes from the consequence management process and confirms these matters have been considered in determining remuneration and promotion outcomes where appropriate.

In FY2020, there were 164 (FY2019: 163) matters involving conduct/policy breaches that resulted in formal consequences. Of those:

- for 32 matters, termination of employment was the outcome, (FY2019: 23)
- for 132 matters, a formal warning was issued (FY2019: 140). Additional consequences were applied as appropriate including additional training, removal of delegated authorities or permissions, adjustments to profit share and/or impact to promotion. Of the 132 matters, 19 have resulted in individuals subsequently leaving Macquarie and 109 individuals had their profit share reduced by an average of 46%.

These matters were considered to be isolated issues and there was no evidence of broader systemic conduct issues.

Remuneration Report

Continued

Pay for performance

This section details Macquarie's results and demonstrates the link between pay and performance.

Macquarie's results

Macquarie delivered solid financial results in FY2020, which, while below 2019's record profit, represent Macquarie's second highest profit results on record. NPAT is down 8% compared to 2019, but up 7% compared to 2018. EPS is also down compared to 2019 by 10%. These are solid results notwithstanding the recent headwinds and the additional provisions taken in FY2020 due to COVID-19. The compensation expense to income ratio is higher than last year, but still well below the average of our international peer group. The increase is largely driven by: an increase in fixed compensation reflecting increased headcount in Central Service Groups (due to business growth, technology projects and ongoing regulatory compliance); a higher share-based payment expense reflecting the accelerated amortisation of prior years' equity awards for recently retired Executive Committee members (\$A83 million in FY2020 compared to \$A32 million in FY2019); and lower operating revenue primarily driven by higher credit and other impairments due to a deterioration in current and expected macroeconomic conditions as a result of COVID-19. The table below shows that while profits are down, Executive KMP remuneration is also down, reflecting the alignment between pay and performance.

Comparison of performance measures and executive remuneration measures: FY2019–2020

	Expressed as	2020	2019	Increase/ (Decrease) %
Performance measures				
NPAT	\$Am	2,731	2,982	(8)
Basic EPS	Cents per share	791.0	883.3	(10)
Ordinary Dividends	Cents per share	430.0	575.0	(25)
Return on equity	Percent	14.5	18.0	
Annual TSR ^{(20),(21)}	Percent	(29.9)	32.8	
Executive remuneration measures				
Total Compensation Expense	\$Am	5,001	4,891	2
Compensation Expense to Income ratio	Percent	40.6	38.3	
Average staff headcount ⁽²²⁾		15,762	15,309	3
Actual staff headcount ⁽²²⁾		15,849	15,602	2
CEO awarded profit share ⁽²³⁾	\$Am	17.4	19.2	(10)
Current Executive KMP awarded profit share ⁽²⁴⁾	\$Am	99.4	106.6	(7)
CEO Statutory Remuneration	\$Am	14.9	18.0	(17)
Total Executive KMP Statutory Remuneration	\$Am	105.8	162.8	(35)

Performance over past 10 years: FY2011–2020

Year ended 31 March	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Income Statement										
NPAT (\$Am)	956	730	851	1,265	1,604	2,063	2,217	2,557	2,982	2,731
Basic EPS (cents per share)	282.5	210.1	251.2	383.6	502.3	619.2	657.6	758.2	883.3	791.0
Shareholder returns										
Return on equity (%)	8.8	6.8	7.8	11.1	14.0	14.7	15.2	16.8	18.0	14.5
Ordinary Dividends (cents per share)	186	140	200	260	330	400	470	525	575	430
Special Dividends (cents per share) ⁽²⁵⁾	–	–	–	116	–	–	–	–	–	–
Share price as at 31 March (\$A)	36.6	29.1	37.2	57.9	76.7	66.1	90.2	102.9	129.4	85.75
Annual TSR (%) ⁽²¹⁾	(19.0)	(16.0)	34.5	67.2	40.0	(9.2)	46.0	21.3	32.8	(29.9)
10 year TSR (%) ⁽²¹⁾	131.9	56.3	170.4	189.6	187.7	83.5	99.0	257.7	723.6	220.7

(20) Source: Bloomberg.

(21) TSR data reflects the reinvestment of gross dividends. TSR was up 24.1% for the period to 20 February 2020 before the impact of COVID-19.

(22) Headcount for both 2020 and 2019 includes staff employed in operationally segregated subsidiaries (OSS).

(23) For FY2019, Awarded Profit Share for the CEO equates to the sum of awarded profit share for Mr Moore for the period 1 April 2018 to 30 November 2018 and awarded profit share for Ms Wikramanayake for the period 1 December 2018 to 31 March 2019.

(24) Represents the full year profit share awarded to the current Executive KMP population in both FY2020 and FY2019.

(25) The special dividend for the year ended 31 March 2014 represented the special dividend component of the SYD Distribution in January 2014.

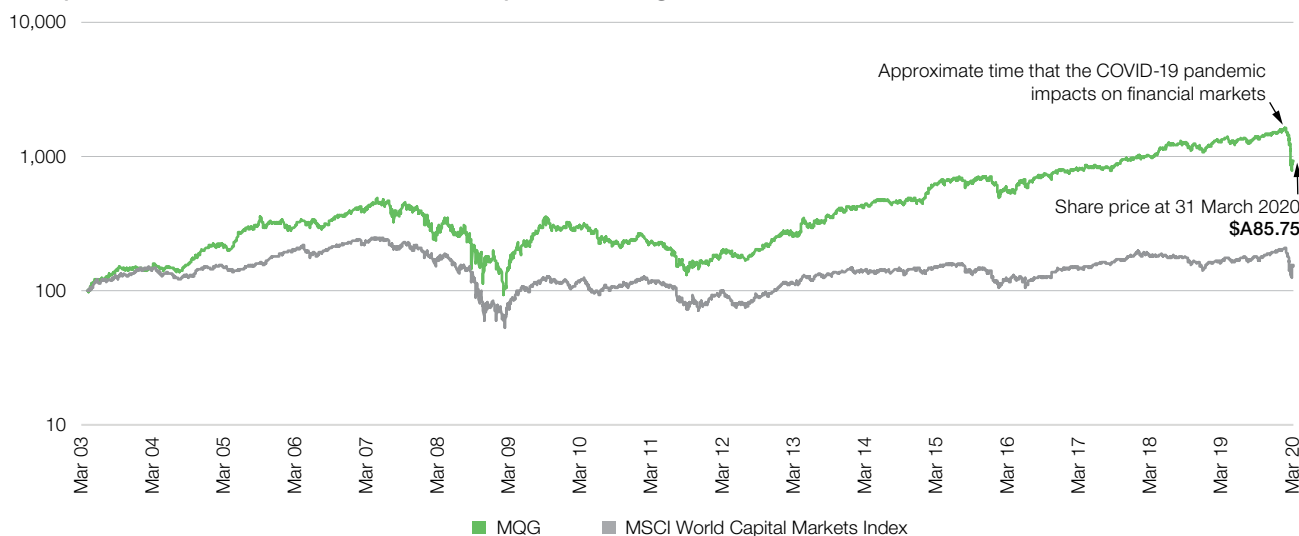
The total distribution including return on capital was 373 cents per share.

Total shareholder returns

Macquarie’s total shareholder return over the long-term has been strong and continues to outperform both the MSCI World Capital Markets Index since the inception of this index and the All Ordinaries Accumulation Index (All Ords) since listing.

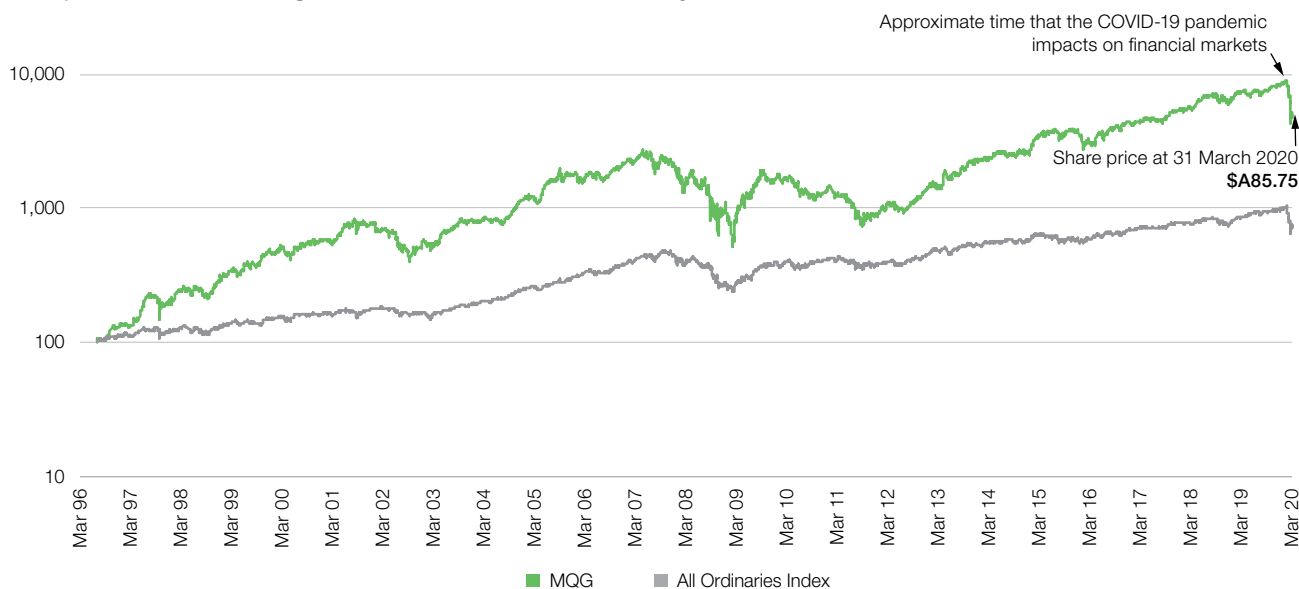
Following the recent market volatility associated with COVID-19, the share price closed at \$A85.75 on 31 March 2020, well below its 20 February 2020 peak, resulting in a total shareholder return of (29.9%) for the year. The total shareholder return for the period to 20 February 2020 was 24.1%. The total shareholder return charts below are displayed on a base-10 logarithmic scale, which displays relative percentage movements over an extended historical timeframe as similar in size, without visually skewing the performance in more recent years.

Macquarie TSR versus the MSCI Index⁽²⁶⁾: 30 April 2003, being the date the index was first calculated, to 31 March 2020



Source: Bloomberg

Macquarie TSR since listing versus the All Ords Index⁽²⁷⁾: 29 July 1996 to 31 March 2020



Source: Bloomberg

(26) Indexed to 100 on 30 April 2003, being the date the index was first calculated. The MSCI World Capital Markets Index comprises a basket of companies that provide capital markets activities (defined by MSCI as asset management, investment banking and brokerage, and diversified capital markets activities). Macquarie TSR calculations assume continuous listing. Therefore, they are based on Macquarie Bank Limited (ASX Code: MBL) data up to and including 2 November 2007 (the last day of trading of MBL shares), and MGL (ASX Code: MQG) data from the commencement of trading of MGL ordinary shares on 5 November 2007 onwards.

(27) Indexed to 100 on 29 July 1996, being when MBL shares were first quoted on ASX. The All Ordinaries Accumulation Index (All Ords Index) comprises the 500 largest ASX listed companies by market capitalisation. As per the footnote for the MSCI World Capital Markets Index, Macquarie TSR calculations assume continuous listing.

Remuneration Report

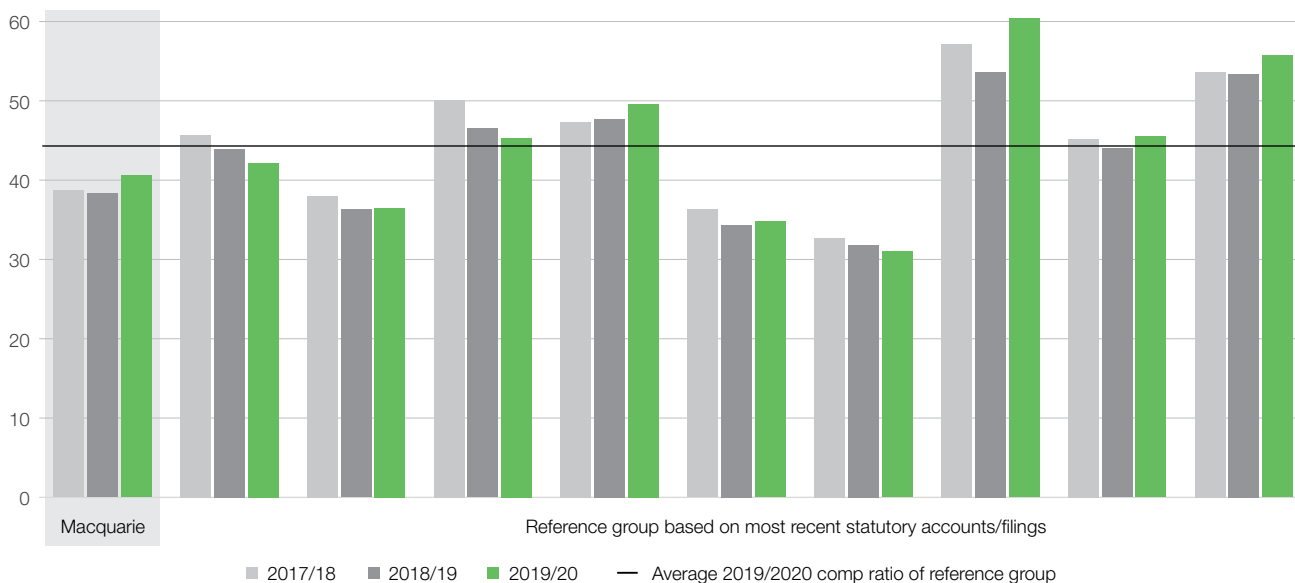
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Compensation expense to income ratio

In determining the reasonableness of the company-wide profit share pool, the Board considers Macquarie's compensation expense to income ratio (compensation ratio) compared to that of an international reference group as a broad guide to assess whether the share of profits distributed to staff and shareholders is equitable. The compensation ratio effectively adjusts for differences in size between organisations; however some companies are or have become part of larger organisations, often with large retail operations that can distort comparisons.

In the following chart, Macquarie's compensation ratio is compared with that of the international reference group.⁽²⁸⁾ This shows that Macquarie's compensation ratio of 40.6% is well below the average of our international peer group.

Compensation expense to income ratio: FY2018–2020 (%)

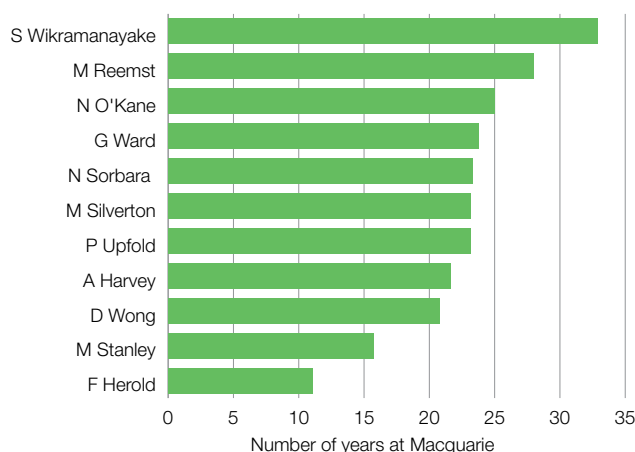


Source: Data has been calculated by Macquarie. The information is based on publicly available information for the reference group. In order to show more comparable compensation ratios, impairments have been consistently netted against net revenue in the revised calculations for some organisations.

Tenure of Executive KMP⁽²⁹⁾

One of the primary goals of Macquarie's remuneration framework is to attract, motivate and retain high-performing staff. The Board's view is that Macquarie continues to achieve this goal as demonstrated by the following:

- Macquarie's Executive KMP had an average tenure of 23 years with Macquarie as at 31 March 2020. Their strong leadership and deep expertise have been integral to driving company and business performance in FY2020
- as at 31 March 2020, 49% of Director-level staff had more than ten years' experience with Macquarie, while a further 23% had between five and ten years' experience with Macquarie
- the 6.1% Director-level voluntary turnover rate in FY2020 is marginally higher compared with the prior year and remains below the voluntary turnover rate across Macquarie overall.



(28) The reference group comprises Bank of America Corporation, Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

(29) This includes accumulated service at acquired companies, for example, Bankers Trust Investment Bank Australia.

Executive KMP remuneration outcomes for FY2020

This section details Executive KMP remuneration outcomes for FY2020 and demonstrates the link between pay and performance.

Executive KMP fixed remuneration outcomes

No fixed remuneration increases are proposed for Executive KMP in 2020. In line with our pay for performance approach to remuneration, fixed remuneration for our Executive KMP in FY2020 comprised approximately 11% of total awarded remuneration, with the balance at risk and explicitly linked to performance.

In addition to a base salary and as part of fixed compensation, one Executive KMP, Mr Wong, receives a role-based allowance. Role-based allowances are a component of fixed remuneration which may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals and result in a shift in the remuneration mix between fixed and variable compensation, not an increase in total remuneration.

Executive KMP profit share outcomes and impact of COVID-19

In determining each Executive KMP's profit share for the year, the BRC carefully considered a number of factors with respect to each Executive KMP, including the financial performance of both Macquarie overall and each business, their business and people leadership, their business judgement as well as a holistic assessment of both financial and non-financial risks, including conduct matters and outcomes for our clients and customers.

The BRC applies significant judgement in order to ensure that remuneration outcomes are aligned both with individual and company-wide performance and with outcomes delivered to our shareholders, our clients and the communities in which we operate. In determining Executive KMP remuneration outcomes this year as well as how remuneration outcomes will be delivered, the Board has considered the needs and expectations of various stakeholders. The following factors were specifically considered this year:

- while Macquarie's overall profitability was down on the prior year, all Operating Groups delivered a profit for the year, with MAM and BFS delivering record profits
- new Group Heads successfully transitioned into their roles following the retirement of several longstanding group heads. The Group's Executive Committee underwent a process of renewal during the year with several new members of the Committee based in the northern hemisphere. This reflects the international nature of Macquarie's business activities
- the CAF businesses successfully integrated into other Operating Groups with similar client bases or types of activity, following the simplification of Macquarie's organisational structure during the year, reducing the number of Operating Groups from five to four
- the effectiveness of Macquarie's strong risk management framework during the year and the investment in risk management resourcing, including internal audit, behavioural risk and financial crime risk
- the seamless transition to Group-wide remote working in response to COVID-19.

The Board has specifically considered the current external environment and the impact to the global economy and our communities from COVID-19 which has introduced a higher level of uncertainty into financial markets over the short and medium term. As a result:

- there is an expectation from governments and regulators that capital will be available to allow the continued provision of credit and support to the economy. Consistent with these expectations, the Board has resolved to pay a reduced final dividend, Macquarie Bank will not pay a final dividend to the Macquarie Group and Macquarie equity for retained profit share will be issued and not purchased on market
- shareholders have been impacted through a significant decline in the value of their shares during this period
- Management and the Board recognise the importance of retaining key people through this period of economic uncertainty.

After careful consideration of all these factors and competing expectations, for FY2020, the Board determined that the total awarded profit share for the current Executive KMP⁽³⁰⁾ of \$A99.4 million, representing a decrease of 7% on the prior year, is appropriate.

As previously mentioned, to further align the interests of staff and shareholders and to ensure we continue to retain key people through this period of economic uncertainty, for FY2020, Executive KMP retention rates have been increased to 100% (no cash component). 100% of Executive KMP profit share will be delivered in a combination of Macquarie equity and Macquarie-managed fund equity.

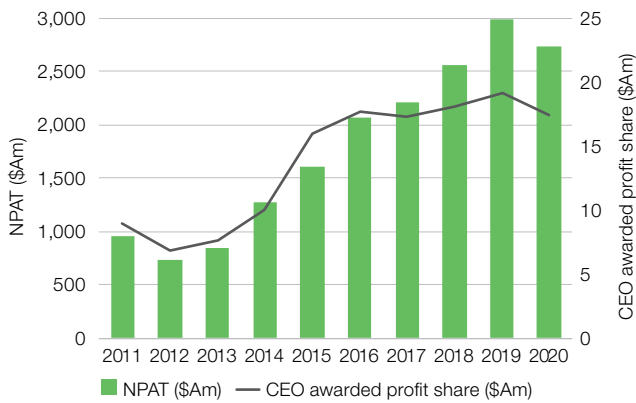
(30) Represents the full year profit share awarded to the current Executive KMP population in both FY2020 and FY2019.

Remuneration Report

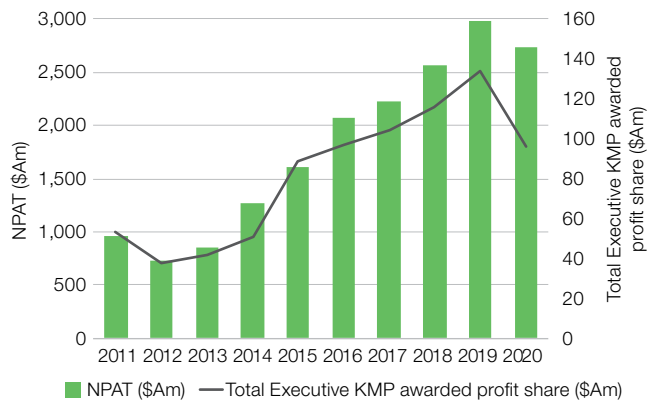
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The following graphs show the multi-year alignment between CEO and total Executive KMP awarded profit share and Macquarie NPAT over a ten-year period.

CEO awarded profit share⁽³¹⁾



Total Executive KMP awarded profit share



(31) For 2019, the graph reflects awarded profit share for the CEO role for 2019. This equates to the sum of awarded profit share for Mr Moore for the period 1 April 2018 to 30 November 2018 and awarded profit share for Ms Wikramanayake for the period 1 December 2018 to 31 March 2019.

Executive KMP awarded pay

To clearly demonstrate the link between pay and performance, we have included awarded remuneration disclosures for fixed remuneration, profit share and PSUs as well as highlights of each Executive KMP's performance for the year. The tables on the following pages are additional disclosures that are prepared on a different basis to those included in the statutory disclosures in Appendix 2 and are not additive. Remuneration relating to the portion of the relevant periods that each person was an Executive KMP is disclosed.

Macquarie Group		
S.R. Wikramanayake – Macquarie CEO		
Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	795,740	722,632
Available profit share	–	4,281,930
Retained profit share	17,352,388	12,020,410
Total	18,148,128	17,024,972

Ms Wikramanayake's FY2019 awarded remuneration reflects her time in both Head of MAM role (1 April 2018 to 30 November 2018) and CEO role (1 December 2018 to 31 March 2019).

- Successfully completed first full year in the Macquarie CEO role
- Achieved solid financial outcomes representing Macquarie's second highest profit on record: NPAT of \$A2,731 million, down 8% compared to 2019, but up 7% compared to 2018; ROE of 14.5% and EPS of 791.0 cents per share
- Strengthened the balance sheet in FY2020 to ensure Macquarie was well positioned for growth and resilient to market developments arising from COVID-19
- Simplified Macquarie's organisational structure as CAF businesses successfully integrated into other Operating Groups with similar client bases
- Further enhanced Macquarie's strong risk governance framework across all three lines of defence and evolved the conduct risk program
- Promoted continued investment in technology, infrastructure, systems and processes to support business growth strategies, to respond to regulatory change, and to drive efficiency, all while reducing risk
- Supported Macquarie's ongoing focus on a culture of putting customers first and delivering on customer and community expectations
- Maintained sound relationships with global regulators and responded proactively to an evolving regulatory landscape
- Maintained strong employee engagement, evidenced through the biennial staff survey and launched a refreshed diversity & inclusion strategy
- Enhanced Macquarie's leadership position in relation to climate mitigation and adaptation as a participant on the Global Commission on Adaptation and Climate Finance Leadership Initiative
- Comprehensively responded to COVID-19 focusing on employees, clients, portfolio companies and the community.

Remuneration Report

Continued

Macquarie Bank

M.J. Reemst – Macquarie Bank CEO

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	770,885	758,913
Available profit share	–	1,705,191
Retained profit share	3,982,515	2,560,189
Total	4,753,400	5,024,293

- Strong management of MBL's balance sheet in FY2020 ensuring a strong financial position and operating ratios, including leverage ratio, liquidity coverage ratio and stable funding ratio, and full compliance with Prudential Standards
- Improved Macquarie's market access, including S&P upgrade to A+ (from A), the first upgrade to MBL's rating in 28 years
- Led Macquarie Bank's compliance program with the Banking Executive Accountability Regime (BEAR) which was effective from 1 July 2019 and established the BEAR Supervisory Office
- Maintained strong relationships with global regulators, including the Central Bank of Ireland, which approved a banking licence for Macquarie Bank Europe (MBE) in FY2020
- Engaged with Treasury, regulators and industry associations on the proposed Financial Accountability Regime (FAR)
- Oversaw the restructure of the former CAF businesses between Bank and Non-Bank
- Continued focus on conduct and culture, underpinned by our long-held principles of *What We Stand For: Opportunity, Accountability and Integrity*
- Served as Chair of the Macquarie Foundation during FY2020. To mark Macquarie's 50th anniversary, the Foundation allocated \$A50 million in grants to five non-profits, selected from a field of more than 1,000 applicants. In addition, the Foundation and Macquarie staff contributed \$A40 million in donations and fundraising. A further \$A20 million has been allocated to the Foundation for donations to help combat COVID-19 and provide relief to impacted communities.

Macquarie Asset Management (MAM)

M.S.W. Stanley – Group Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	727,571	231,730
Available profit share	–	2,044,400
Retained profit share	18,125,946	3,066,600
Total	18,853,517	5,342,730

Mr Stanley was appointed to the Executive Committee effective 1 December 2018. FY2019 awarded remuneration disclosed reflects his time as Executive KMP from the period 1 December 2018 to 31 March 2019.

(1) IPE Real Assets (Jul/Aug 2019), measured by infrastructure assets under management.

- Completed his first full year as the Head of MAM
- Delivered a record net profit contribution for MAM of \$A2,177 million for FY2020, up 16% on the prior year notwithstanding the higher credit and other impairment charges recognised due to a deterioration in current and expected macroeconomic conditions as a result of COVID-19 including a write-down of Macquarie's investment in MIC
- Increased performance fee income by 7% on the prior year to \$A821 million across a broad range of funds, managed accounts and co investors across all regions
- Base fees across MAM of \$A2,021 million for FY2020 increased 14% on the prior year
- Top 50 global specialist asset manager with FY2020 growth in assets under management (AUM) up 10% over the prior year to \$A605.7 billion, diversified across regions, products, asset classes and investor types
- Raised new equity of \$A20.1 billion in MIRA, for investments across Infrastructure, Private Credit, Agriculture and Real Estate
- Integrated MSIS Private Credit, CAF Transportation Finance and GLL into the MIRA platform
- Continued the focus on evolving MAM's operating platform, including investment in systems and platforms – including the implementation of Aladdin (MIM)
- Created the MAM Client Solutions Group, enhancing the ability to deliver a full range of capabilities and investment solutions to clients
- Acquired and integrated assets related to the mutual funds business of Foresters Investment Management Company
- Received recognition in MIM through the *Best Investment Manager 2020* award from Australia's Money Magazine Best of the Best 2020 Awards and *IMAP Small Cap Manager of the Year* award
- Maintained MIRA's position as No.1 Infrastructure Investment Manager globally.⁽¹⁾

Banking and Financial Services (BFS)

G.C. Ward – Group Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	770,885	770,807
Available profit share	–	3,220,917
Retained profit share	8,059,013	4,835,407
Total	8,829,898	8,827,131

- Delivered a record net profit contribution for BFS of \$A770 million for FY2020, which includes higher impairment charges primarily reflecting the deterioration in current and expected macroeconomic conditions as a result of COVID-19. This is a 2% increase on the prior year
- Sustainable growth across the product suite: Home loan portfolio of \$A52.1 billion, an increase of 35%; funds on platform of \$A79.1 billion, a decrease of 8% on the prior year; business lending of \$A9.0 billion, an increase of 10%; total BFS deposits of \$A63.9 billion, an increase of 20% on the prior year; vehicle finance portfolio of \$A13.7 billion down 10% on the prior year
- Reduced operating expenses across all core banking products
- Re-launched Wrap platform with simplified pricing and enhanced digital capabilities for clients. Macquarie Wrap remains the second largest platform in Australia
- Provided business banking clients with the ability to defer loan repayments for six months for all loans up to \$A10 million following COVID-19, with personal banking clients able to defer mortgage, overdraft, credit card or car loan repayments without penalty
- Significant focus on client experience and outcomes as evidenced by continued investment in digital account services, including the Macquarie Authenticator App that provides additional security for everyday banking needs
- Received a number of recent awards, including *Mortgage Choice* winner (Tier 1 Financier of the Year), *Money Magazine's Best of the Best 2020 Winner* (Best Everyday Savings Account), *2020 Mozo Experts Choice Awards* (Excellent Banking App and Internet Banking and Exceptional Everyday Account), and *Australian Business Banking Awards 2019* (Outstanding Private Bank over \$A10 million) for the third consecutive year.

Commodities and Global Markets (CGM)

N. O'Kane – Group Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	928,940	846,795
Available profit share	–	7,866,928
Retained profit share	18,546,763	11,800,391
Total	19,475,703	20,514,114

Mr O'Kane's FY2019 awarded remuneration reflects his former role as Head of Commodity Markets and Finance (a division of Commodities and Global Markets).

- (1) Platts Q4 Mar 20.
- (2) 2019 Energy Risk Awards.
- (3) Energy Risk Asia Awards 2019.
- (4) 2019 Energy Risk Awards.

- Successfully transitioned into the Head of CGM role on 1 April 2019
- Delivered a net profit contribution of \$A1,746 million for FY2020 even with higher credit and other impairment charges driven by write-downs on a small number of financing facilities and specific commodity equity positions as a result of COVID-19. FY2020 results are supported by:
 - diverse and stable earnings, with 65% of the portfolio represented by recurring income
 - deep longstanding client relationships, with 85% of client revenue generated from existing relationships
 - specialised expertise of staff and risk management being at the core of every business activity
- Evolved CGM's business portfolio with over 2,630 staff in 46 offices offering over 200 products across 24 markets globally
- Demonstrated diversity of the commodities platform in FY2020 with strong contributions across Global Oil, EMEA Power, Gas and Emissions, Resources, Upstream as well as North American Gas and Power. Consistent and strong performance across Fixed Income & Currencies
- Integrated CAF Asset Finance into CGM, forming the Specialised Asset Finance division
- Completed the acquisition of Societe Générale's energy commodities portfolio
- Delivered positive community outcomes across CGM business lines, for example: 10m+ smart meters in the UK enabling end consumers to reduce their energy costs and emissions
- Ranked No.1 futures broker on the ASX. Maintained No.2 physical gas marketer in North America.⁽¹⁾ Received a number of awards including Natural Gas / LNG House of the Year,⁽²⁾ Research House of the Year,⁽³⁾ Electricity and Environmental Products, House of the Year⁽⁴⁾ and Fund Financier of the Year (Americas).

Remuneration Report

Continued

Macquarie Capital

M.J. Silverton – Group Co-Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	631,620	n/a
Available profit share	–	n/a
Retained profit share	3,791,603	n/a
Total	4,423,223	n/a

D. Wong – Group Co-Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	4,015,344	n/a
Available profit share	–	n/a
Retained profit share	2,480,770	n/a
Total	6,496,114	n/a

F. Herold – Head of Macquarie Capital Principal Finance

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	722,704	338,709
Available profit share	–	1,146,965
Retained profit share	6,406,635	1,720,447
Total	7,129,339	3,206,121

Mr Silverton and Mr Wong were appointed to the Executive Committee effective 1 June 2019. Awarded remuneration disclosed reflects their time as Executive KMP from the period 1 June 2019 to 31 March 2020. Mr Wong's fixed remuneration includes a role-based allowance which is a component of fixed remuneration which may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.

Mr Herold was appointed to the Executive Committee effective 1 December 2018. FY2019 awarded remuneration disclosed reflects his time as Executive KMP from the period 1 December 2018 to 31 March 2019.

(1) Dealogic (CY19 announced and completed by deal count).

- Mr Wong and Mr Silverton succeeded Mr Bishop as Group Co-Heads of Macquarie Capital effective 1 June 2019
- Delivered a net profit contribution of \$A755 million for FY2020, down 57% from FY2019 which included the realisation of several assets. The FY2020 results include higher impairment charges primarily reflecting the deterioration in current and expected macroeconomic conditions as a result of COVID-19
- Implemented a revised operational structure in FY2020 forming two global divisions designed to align with group strategy, improve the ability to work across geographies effectively and connect clients with global opportunities.

Infrastructure and Energy Group (IEG):

- maintained global number one financial advisory positions in infrastructure, renewables and power
- continued focus on green energy with over 250 projects under development or construction, with a development pipeline of >25 GW at 31 March 2020
- total investment in green energy of \$A1.7 billion at 31 March 2020; investments made of \$A1.5 billion and investments realised of \$A0.7 billion for FY2020
- expanded into Latin America and expanded presence in Southern Europe, particularly Spain
- continued success in development of government procured and private infrastructure projects across social, transportation and data infrastructure
- renewed focus on technology enabled energy solutions by co investing in companies such as Form Energy, Zero Mass Water, Arcadia and InCharge.

Advisory and Capital Solutions, including Principal Finance (ACS):

- maintained a leading market position in ANZ for M&A⁽¹⁾
- No.1 by deal count for M&A in ANZ and strong market position in global subsectors such as technology enabled services, education and resources
- expanded coverage and capabilities in the US and Europe and increased focus on collaboration and cross border activity
- integrated the former CAF Principal Finance division, headed by Florian Herold, into Macquarie Capital to create united and strengthened investing capabilities
- increased principal finance activity with more than \$A3.5 billion invested in a combination of new primary debt financings and equity investments.

Corporate Operations Group (COG)

N. Sorbara – COO and Group Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	770,885	770,807
Available profit share	–	2,349,375
Retained profit share	5,689,307	3,527,370
Total	6,460,192	6,647,552

- Responsible for Technology, Market Operations, Human Resources, Business Services, Business Improvement and Strategy, Digital Transformation and Data, and the Macquarie Group Foundation
- Delivered efficiencies (through various automation, elimination of failure demand and operational excellence initiatives) and invested in technology, digital and data capabilities across all Divisions
- Initiated and continued leadership of the Macquarie response to COVID-19, including supporting 15,000 global staff to work remotely
- Material effort in regulatory reform including implementation of the BEAR regime and leading the response on the new prudential standard on remuneration
- Sponsored leadership development, innovation and diversity & inclusion initiatives across the organisation
- Continued to lead development of Sydney Metro Martin Place
- Delivered the Macquarie 50th Anniversary Award, a \$A50 million donation shared between five winners seeking to initiate or build on a bold idea that addresses an area of social need.

Risk Management Group (RMG)

P.C. Upfold – CRO and Group Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	770,885	770,807
Available profit share	–	2,349,375
Retained profit share	5,689,307	3,527,370
Total	6,460,192	6,647,552

- Responsible for identifying, assessing and monitoring risks across Macquarie
- Established a Regulatory Affairs and Aggregate Risk team to manage the global regulatory environment across all financial regulators and manage Aggregate Risk centrally
- Established Financial Crime Risk as a separate division to ensure positioning to meet increasing regulatory expectations
- Investment in key risk systems continued throughout FY2020 to ensure the risk function is delivered efficiently and effectively
- Continued to strengthen capabilities in the non-financial risk space with enhanced focus on work, health and safety across all businesses
- Significantly increased the improvements to the capability, effectiveness and presence of Internal Audit and implemented additional assurance processes
- Further enhanced Macquarie's strong risk governance across all three lines of defence and evolved the conduct risk program.

Financial Management Group (FMG)

A.H. Harvey – CFO and Group Head

Awarded remuneration (\$A)	FY2020	FY2019
Fixed remuneration	770,885	723,233
Available profit share	–	2,349,375
Retained profit share	5,689,307	3,527,370
Total	6,460,192	6,599,978

- Responsible for financial, tax and treasury services to all areas of Macquarie and responsible for Macquarie's corporate affairs team including corporate communications and investor relations
- Maintained focus in meeting Macquarie's financial, regulatory and compliance obligations and financial positioning to respond effectively to future changes
- Led Macquarie's \$A1.0 billion non-underwritten institutional placement and \$A700 million share purchase plan with more than 53,000 applications received from eligible shareholders
- Raised \$A26 billion of term funding through securitisations and other facilities which provided flexibility for investing in new opportunities, provided the projected risk adjusted returns are attractive for shareholders, and allowed for the maintenance of capital levels in light of ongoing regulatory change
- Continued responsibility for the capital and funding, liquidity and interest rate risk management of Macquarie's balance sheet and management of the rating agencies and banking relationships
- Continued investment in technology as well as leveraging technology solutions to enhance data reporting.

Remuneration Report

Continued

Allocation of PSUs to Executive KMP

Consistent with last year, we have disclosed PSU allocations for all Executive KMP at face and fair value.

The table below provides an estimate of the face value of the PSUs to be granted assuming a share price of \$A85.75, the 31 March 2020 closing price of Macquarie's ordinary shares, and a fair value of \$A54.74 per PSU. The fair value takes into account trading restrictions, the fact that PSUs do not attract dividends and the vesting performance hurdles and timeframes. As a result, the fair value of a PSU is lower than the face value of a PSU. The following assumptions were used in estimating the fair value: a risk free interest rate of 0.52% per annum, share volatility of 29.02% and a forecast dividend yield of 4.77% per annum (paid in two instalments each year).

As in previous years, the number of PSUs that will be allocated will be calculated by dividing the fair value of the award by the fair value of a PSU at the date of grant. Approval will be sought at Macquarie's 2020 Annual General Meeting to allocate PSU awards to the Macquarie CEO, who is also an Executive Voting Director.

Executive KMP	PSU Face Value (\$A)	PSU Fair Value (\$A)
S.R. Wikramanayake	3,994,000	2,550,000
A.H. Harvey	1,989,000	1,270,000
F. Herold	2,820,000	1,800,000
N. O'Kane	2,820,000	1,800,000
M.J. Reemst	1,989,000	1,270,000
M.J. Silverton	2,820,000	1,800,000
N. Sorbara	1,989,000	1,270,000
M.S.W. Stanley	2,820,000	1,800,000
P.C. Upfold	1,989,000	1,270,000
G.C. Ward	2,820,000	1,800,000
D. Wong	2,820,000	1,800,000

Remuneration governance

Effective governance is central to Macquarie's remuneration strategy and approach. The key elements of Macquarie's remuneration governance framework are described below.

Strong Board oversight

The Board oversees Macquarie's remuneration framework. The Board has a BRC whose objective is to assist the Board and the Board of Macquarie Bank, a key operating subsidiary, with Macquarie's remuneration policies and practices. The BRC currently comprises seven independent Non-Executive Directors (NEDs):

- M.J. Hawker (Chairman)
- G.R. Banks, J.R. Broadbent, G.M. Cairns, P.M. Coffey, D.J. Grady and P.H. Warne.

The BRC members have the required experience and expertise in human resources, remuneration and risk to enable them to achieve effective governance of Macquarie's remuneration framework. The BRC has a regular meeting cycle and met nine times during FY2020. Attendance at meetings by the BRC members is set out in the Directors' Report. Strict processes are in place to ensure conflicts of interest are appropriately managed.

The BRC pays close attention to the design and operation of remuneration practices for all of Macquarie, not just for the most senior executives. The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the Board. Some of the responsibilities include:

- overseeing the process for the annual review by the Board of the CEOs' and other Executive KMPs' performance
- recommending to the Board the remuneration outcomes for all Executive KMP, Designated Executive Directors and other senior executives
- assessing the effectiveness of the *Remuneration Policy* to ensure compliance with legal and regulatory requirements, as well as to support the alignment of remuneration with prudent risk taking and professional conduct across the organisation
- recommending the *Remuneration Policy* to the Board for approval.



The Charter is available at [macquarie.com/leadership-corporate-governance](https://www.macquarie.com/leadership-corporate-governance)

Macquarie's strong remuneration governance framework provides the BRC with multiple opportunities to review and challenge both individual remuneration outcomes and the company-wide profit share pool. There is a consistent and comprehensive process for the BRC to assess performance and determine remuneration outcomes for Macquarie's most senior staff.

As part of the Board's annual review of Macquarie's CEO's performance, the CEO meets with the NEDs of the Board towards the end of each financial year to consider formal documentation that outlines her views of Macquarie's performance. The presentation includes a broad range of Macquarie's activities covering the following main areas:

- financial position and performance
- risk management and compliance
- business leadership (planning and investment in the future) and customer outcomes (including community expectations)
- people leadership and professional conduct consistent with the *Code of Conduct* and *What We Stand For*.

Over the course of the year the Board receives regular reports and updates on many of these areas. These are summarised in the CEO's presentation, together with additional information on any particular matters of interest the Board has identified for further discussion as a part of the review process. The Board then considers the CEO's performance and progress against all of these topics in determining the CEO's remuneration for the year. A similar process is followed for the CEO of Macquarie Bank.

The Board and the BRC also consider formal documentation for each Executive Committee member, which covers financial performance, risk management and compliance, business leadership (including customer outcomes), people leadership, and professional conduct consistent with the *Code of Conduct* and *What We Stand For*.

The BRC also consider the risk-related matters raised in the CRO Report. Finally, the BRC considers remuneration levels for organisations in an international reference group that broadly operate in the same markets and compete for the same people as Macquarie. This information helps the BRC and Board make decisions about remuneration.

Engagement with external stakeholders

The Chairman of the Board and the Chairman of the BRC undertake a series of meetings each year with investors and proxy advisors to communicate our remuneration approach and to hear any concerns raised by the investor community.

Independent remuneration review

The BRC has retained Pay Governance as its independent remuneration consultant, for the use of the Board to obtain advice on the appropriateness of Macquarie's remuneration framework.

The only service that Pay Governance provides to Macquarie is executive compensation consulting to the BRC. Pay Governance has not made any remuneration recommendations, as defined by the *Corporations Act 2001* (Cth) (the Act). The BRC is responsible for making decisions within the terms of its Charter. Pay Governance's terms of engagement set out their independence from members of Macquarie's management. This year, Pay Governance:

- provided information on global remuneration and regulatory trends
- considered alignment with shareholder interests
- compared individual remuneration for Executive KMP where relevant comparator company information was available
- considered Macquarie's overall remuneration approach compared to comparator company organisations.

Pay Governance's findings included that:

- the objectives of Macquarie's remuneration framework are similar to those cited by other leading global investment banks
- Macquarie's remuneration components support its remuneration objectives and principles and are largely consistent with practices at other leading global investment banks, including that performance-based remuneration takes risk management into account.

Remuneration Report

Continued

Non-Executive Director remuneration

The Macquarie Board seeks to attract and appoint high calibre NEDs. Reflecting the Board's role, the remuneration arrangements applicable to NEDs, as outlined in this section, differ significantly from the arrangements applicable to Executives.

Non-Executive Director remuneration

Non-Executive Director fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board.

Macquarie's NED remuneration framework seeks to remunerate high-calibre directors by:

- setting an overall fee that reflects the scale and complexity of Macquarie, including risk management and regulatory responsibilities and the global financial nature of Macquarie's activities
- setting Board and Committee fees to reflect the time commitment required to meet the responsibilities involved in the annual scheduled calendar, taking into account market rates for relevant organisations and market trends
- paying separate fees for additional responsibilities that may arise on an ad hoc basis
- delivering these fees in a form that is not contingent on Macquarie's performance
- setting a minimum shareholding requirement to align the interest of NEDs with shareholders.

All NEDs of MGL are also NEDs of MBL. The framework governs the remuneration of NEDs of both MGL and MBL. The CEO is not remunerated separately for acting as an Executive Voting Director.

Unlike Macquarie executives, NEDs are not granted equity, nor are they eligible to receive profit share payments. There are no termination payments to NEDs on their retirement from office other than payments relating to their accrued superannuation contributions comprising part of their remuneration.

NEDs may elect to receive their remuneration, in part, in the form of superannuation contributions over and above the minimum level of contribution required under applicable legislation.

Macquarie's NEDs are remunerated for their services from the maximum aggregate amount approved by shareholders for this purpose. Macquarie shareholders approved the current limit (\$A5.0 million per annum) at MGL's 2019 AGM. The Board ensures that NED remuneration for MGL and MBL taken together does not exceed this shareholder approved maximum amount.

Board and Committee fees are reviewed annually.⁽³²⁾

An internal review of NED fees was completed during the year. The Boards determined, following this review, that Board and Committee fees should remain unchanged.

Minimum shareholding requirement for Non-Executive Directors

To align the interests of the Board with shareholders, the Board has a minimum shareholding requirement for NEDs, who are required to have a meaningful direct shareholding in Macquarie.

The Board minimum shareholding requirements:

- for NEDs other than the Chair, an investment equivalent to one times the average annual NED fee for the financial year ending prior to their appointment
- for the Chair, an investment equivalent to one times the annual Chair fee,

with the minimum number of shares to be determined using the share price as at the date of a NED's/Chair's appointment.

The above requirements apply to NEDs and are to be met within three years from appointment with one third of the requirement to be held after one year, two thirds after two years and in full after three years.

Under Macquarie's *Trading Policy*, NEDs may only trade Macquarie securities during designated trading windows and are prohibited from hedging shares held to meet this minimum Macquarie shareholding requirement. Each NED's current holding of Macquarie ordinary shares is included on page 78 of the Directors' Report.

	MGL FEES		MBL FEES		TOTAL FEES	
	Chairman ⁽³³⁾ \$A	Member \$A	Chairman \$A	Member \$A	Chairman \$A	Member \$A
MGL and MBL Annual Director Fees (from 1 July 2018)						
Board	623,000	182,000	267,000	78,000	890,000	260,000
Board Risk Committee (BRiC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Audit Committee (BAC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Remuneration Committee (BRC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Governance and Compliance Committee (BGCC)	75,000	35,000	n/a	n/a	75,000	35,000
Board Nominating Committee (BNC)	n/a	8,000	n/a	n/a	n/a	8,000

⁽³²⁾ Macquarie has five standing Board Committees. The BAC and BRiC are joint committees of Macquarie and Macquarie Bank. The BGCC and BRC assist both Boards.

⁽³³⁾ The Chairman of the Board does not receive Board Committee membership fees.

Appendix 1: Key Management Personnel (KMP) for FY2020

All the individuals listed below have been determined to be KMP for FY2020 for the purposes of the Act and as defined by AASB 124 *Related Party Disclosures*. KMP include Executive Voting Directors and Executives with authority and responsibility for planning, directing and controlling the activities of MGL and its controlled entities (together making Executive KMP) and NEDs. MGL's NEDs are required by the Act to be included as KMP for the purposes of disclosures in the Remuneration Report. However, the NEDs do not consider themselves part of Management.

Name	Position	Term as KMP for FY2020
Executive Voting Director		
S.R. Wikramanayake	CEO	Full year
Non-Executive Directors		
G.R. Banks AO	Independent Director	Full year
J.R. Broadbent AC	Independent Director	Full year
G.M. Cairns	Independent Director	Full year
P.M. Coffey	Independent Director	Full year
M.J. Coleman	Independent Director	Full year
D.J. Grady AM	Independent Director	Full year
M.J. Hawker AM	Independent Director	Full year
G.R. Stevens AC ⁽³⁴⁾	Independent Director	Full year
N.M. Wakefield Evans	Independent Director	Full year
P.H. Warne	Independent Chairman	Full year
Executives⁽³⁵⁾		
T.C. Bishop	Former Head of Macquarie Capital	Ceased to be a member of the Executive Committee on 31 May 2019
G.A. Farrell	Former Co-Head of CAF	Ceased to be a member of the Executive Committee on 1 September 2019
A.H. Harvey	CFO, Head of FMG	Full year
F. Herold ⁽³⁶⁾	Head of Macquarie Capital Principal Finance	Full year
N. O'Kane	Head of CGM	Full year
M.J. Reemst	Macquarie Bank CEO	Full year
M.J. Silverton	Co-Head of Macquarie Capital	Appointed to the Executive Committee effective from 1 June 2019
N. Sorbara	COO, Head of COG	Full year
M.S.W. Stanley	Head of MAM	Full year
P.C. Upfold	CRO, Head of RMG	Full year
G.C. Ward	Deputy Managing Director and Head of BFS	Full year
D. Wong	Co-Head of Macquarie Capital	Appointed to the Executive Committee effective from 1 June 2019

(34) The Board approved a leave of absence, due to illness, for Mr Stevens for the period 1 February 2019 to 31 May 2019.

(35) Except where indicated otherwise, all of the Executives as well as the CEO were members of the Executive Committee as at 8 May 2020.

(36) Mr Herold was Co-Head of CAF until 31 August 2019. Effective 1 September 2019, Mr Herold became Head of Macquarie Capital Principal Finance following the transfer of CAF Principal Finance to Macquarie Capital.

Remuneration Report

Continued

Appendix 2: Executive KMP remuneration disclosure (in accordance with Australian Accounting Standards)

Name	Position	Year	SHORT-TERM EMPLOYEE BENEFITS		
			Salary (including superannuation) \$A	Performance related remuneration \$A	Total short-term employee benefits \$A
Executive Voting Director					
S.R. Wikramanayake ⁽³⁷⁾	CEO	2020	795,740	–	795,740
		2019	722,632	4,281,930	5,004,562
Other Executives					
A.H. Harvey	CFO, Head of FMG	2020	770,885	–	770,885
		2019	723,233	2,349,375	3,072,608
N. O’Kane ⁽³⁸⁾	Head of CGM	2020	928,940	–	928,940
		2019	846,795	7,866,928	8,713,723
M.J. Reemst	Macquarie Bank CEO	2020	770,885	–	770,885
		2019	758,913	1,705,191	2,464,104
N. Sorbara	COO, Head of COG	2020	770,885	–	770,885
		2019	770,807	2,349,375	3,120,182
P.C. Upfold	CRO, Head of RMG	2020	770,885	–	770,885
		2019	770,807	2,349,375	3,120,182
G.C. Ward	Deputy Managing Director, Head of BFS	2020	770,885	–	770,885
		2019	770,807	3,220,917	3,991,724
Total Remuneration – Comparable Executive KMP⁽³⁹⁾		2020	5,579,105	–	5,579,105
		2019	5,363,994	24,123,091	29,487,085
New and Former Executives and Executive Voting Directors					
T. C. Bishop ⁽⁴⁰⁾	Former Head of Macquarie Capital	2020	120,451	–	120,451
		2019	697,156	3,822,471	4,519,627
B.A. Brazil ⁽⁴¹⁾	Former Co-Head of CAF	2020	–	–	–
		2019	455,428	3,716,054	4,171,482
A.J. Downe ⁽⁴²⁾	Former Head of CGM	2020	–	–	–
		2019	993,316	7,380,952	8,374,268
G.A. Farrell ⁽⁴³⁾	Former Co-Head of CAF	2020	301,127	–	301,127
		2019	722,632	2,690,413	3,413,045
F. Herold ⁽⁴⁴⁾	Head of Macquarie Capital Principal Finance	2020	722,704	–	722,704
		2019	338,709	1,146,965	1,485,674
N.W. Moore ⁽⁴⁵⁾	Former CEO	2020	–	–	–
		2019	554,645	2,614,627	3,169,272
M.J. Silverton ⁽⁴⁶⁾	Co-Head of Macquarie Capital	2020	631,620	–	631,620
		2019	–	–	–
M.S.W. Stanley ⁽⁴⁴⁾	Head of MAM	2020	727,571	–	727,571
		2019	231,730	2,044,400	2,276,130
D. Wong ⁽⁴⁶⁾	Co-Head of Macquarie Capital	2020	4,015,344	–	4,015,344
		2019	–	–	–
Total Remuneration – Executive KMP (including new and former executives)		2020	12,097,922	–	12,097,922
		2019	9,357,610	47,538,973	56,896,583

(37) Ms Wikramanayake commenced as Macquarie Group CEO effective from 1 December 2018. She was previously Head of MAM.

(38) Mr O’Kane commenced as Group Head of CGM effective from 1 April 2019. He was previously Head of Commodity Markets and Finance.

Mr O’Kane’s base salary is denominated in foreign currency. His base salary for FY2020 differs to FY2019 due to exchange rate movements.

(39) Comparable KMP are Executive KMP who are members of the Executive Committee for the full year in both FY2020 and FY2019.

(40) Mr Bishop ceased to be a member of the Executive Committee on 31 May 2019 and retired on 15 July 2019. His FY2020 statutory remuneration of \$A3.0 million includes \$A2.8 million related to the amortisation of his equity awards. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A14.0 million in FY2020.

(41) Mr Brazil ceased to be a member of the Executive Committee on 30 November 2018 and retired on 26 June 2019. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A23.5 million in FY2020.

(42) Mr Downe ceased to be a member of the Executive Committee on 31 March 2019 and retired on 11 October 2019. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A27.5 million in FY2020.

LONG-TERM EMPLOYEE BENEFITS			SHARE BASED PAYMENTS					
Restricted profit share \$A	Earnings on prior year restricted profit share \$A	Total long-term employee benefits \$A	Equity awards including shares \$A	PSUs \$A	Total share-based payments \$A	Total Remuneration \$A	Percentage of remuneration that consists of PSUs %	
1,733,611	3,137,174	4,870,785	6,914,590	2,324,622	9,239,212	14,905,737	15.60	
4,065,932	1,517,718	5,583,650	4,765,166	2,682,457	7,447,623	18,035,835	14.87	
568,397	197,664	766,061	2,993,294	1,038,757	4,032,051	5,568,997	18.65	
352,406	89,210	441,616	2,369,642	742,495	3,112,137	6,626,361	11.21	
1,854,676	563,959	2,418,635	9,083,550	1,472,193	10,555,743	13,903,318	10.59	
1,180,039	261,910	1,441,949	6,751,745	1,052,331	7,804,076	17,959,748	5.86	
397,878	143,063	540,941	2,151,589	1,362,480	3,514,069	4,825,895	28.23	
255,779	70,577	326,356	1,697,792	1,695,773	3,393,565	6,184,025	27.42	
568,397	200,360	768,757	2,930,069	1,362,480	4,292,549	5,832,191	23.36	
352,406	90,791	443,197	2,230,146	1,735,880	3,966,026	7,529,405	23.05	
568,397	218,930	787,327	3,191,917	1,362,480	4,554,397	6,112,609	22.29	
352,406	102,754	455,160	2,584,621	1,695,773	4,280,394	7,855,736	21.59	
1,610,459	542,368	2,152,827	3,826,136	1,915,716	5,741,852	8,665,564	22.11	
966,275	241,473	1,207,748	3,008,864	2,413,354	5,422,218	10,621,690	22.72	
7,301,815	5,003,518	12,305,333	31,091,145	10,838,728	41,929,873	59,814,311		
7,525,243	2,374,433	9,899,676	23,407,976	12,018,063	35,426,039	74,812,800		
–	43,654	43,654	2,381,319	418,209	2,799,528	2,963,633	14.11	
891,910	328,718	1,220,628	4,481,123	1,725,538	6,206,661	11,946,916	14.44	
–	–	–	–	–	–	–	–	
557,408	236,137	793,545	5,292,571	1,292,145	6,584,716	11,549,743	11.19	
–	–	–	–	–	–	–	–	
1,107,143	363,707	1,470,850	6,412,322	1,951,829	8,364,151	18,209,269	10.72	
–	110,440	110,440	4,085,998	1,327,779	5,413,777	5,825,344	22.79	
403,562	172,308	575,870	3,577,470	2,467,555	6,045,025	10,033,940	24.59	
640,063	367,374	1,007,437	3,204,969	944,580	4,149,549	5,879,690	16.07	
172,045	47,689	219,734	1,003,733	167,152	1,170,885	2,876,293	5.81	
–	–	–	–	–	–	–	–	
1,045,851	368,381	1,414,232	20,032,879	3,319,100	23,351,979	27,935,483	11.88	
379,160	184,925	564,085	2,836,605	368,209	3,204,814	4,400,519	8.37	
–	–	–	–	–	–	–	–	
9,062,973	4,689,260	13,752,233	3,773,978	944,580	4,718,558	19,198,362	4.92	
1,533,300	719,784	2,253,084	760,907	167,152	928,059	5,457,273	3.06	
248,077	466,908	714,985	2,565,992	371,998	2,937,990	7,668,319	4.85	
–	–	–	–	–	–	–	–	
17,632,088	10,866,079	28,498,167	49,940,006	15,214,083	65,154,089	105,750,178		
13,236,462	4,611,157	17,847,619	64,968,981	23,108,534	88,077,515	162,821,717		

(43) Mr Farrell ceased to be a member of the Executive Committee and retired on 1 September 2019. His FY2020 statutory remuneration of \$A5.8 million includes \$A5.4 million related to the amortisation of his equity awards. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A7.6 million in FY2020.

(44) Mr Herold and Mr Stanley were appointed to the Executive Committee effective from 1 December 2018.

(45) Mr Moore ceased to be a member of the Executive Committee on 30 November 2018 and retired on 24 July 2019. As a result of his retirement, the outstanding amortisation related to his equity awards was accelerated resulting in further accounting amortisation of \$A10.4 million in FY2020. His FY2019 statutory remuneration of \$A27.9 million includes \$A9.7 million relating to FY2019 and \$A18.2 million of accelerated amortisation of prior years' equity awards which have been previously disclosed and approved by shareholders.

(46) Mr Silvertown and Mr Wong were appointed to the Executive Committee effective from 1 June 2019. Mr Wong's fixed remuneration includes a role-based allowance which is a component of fixed remuneration which may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or EU regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.

Remuneration Report

Continued

Additional information regarding the statutory remuneration disclosures set out in this Appendix

The remuneration disclosures set out in this Appendix have been prepared in accordance with Australian Accounting Standards and differ to the additional disclosures set out on pages 107 to 112.

Under the requirements of AASB 124 *Related Party Disclosures*, the remuneration disclosures for the years ended 31 March 2020 and 31 March 2019 only include remuneration relating to the portion of the relevant periods that each person was an Executive KMP.

The following information provides more detail regarding some of the column headings in this Appendix:

(1) *Short-term employee benefits:*

- (a) *Salary:* includes superannuation and an accrual for long service leave
- (b) *Performance-related remuneration:* this represents the cash portion of each person's profit share allocation for the reporting period as an Executive KMP.

(2) *Long-term employee benefits:*

- (a) *Restricted profit share:* this represents the amount of retained profit share that is deferred to future periods and held as a notional investment in Macquarie-managed fund equity (DPS Plan)
- (b) *Earnings on prior years, restricted profit share:* Profit share amounts retained under the DPS Plan are notionally invested in Macquarie-managed funds, providing Executive Directors with an economic exposure to the underlying investments. Executive Directors are each entitled to amounts equivalent to the investment earnings (dividends/distributions and security price appreciation) on the underlying securities. The notional returns are calculated based on Total Shareholder Return. Where these amounts are positive, they may be paid to Executive Directors and are included in these remuneration disclosures as part of 'Earnings on prior year restricted profit share'. If there is a notional loss, this loss will be offset against any future notional income until the loss is completely offset, and is reported as a negative amount in the same column. These earnings reflect the investment performance of the assets in which prior year retained amounts have been notionally invested. Their inclusion in the individual remuneration disclosures on the following pages may, therefore, cause distortions when year-on-year remuneration trends are examined. They do not reflect remuneration review decisions made about the individual's current year performance.

(3) *Share-based payments:*

- (a) *Equity awards including shares:* This represents the current year expense for retained profit share that is invested in Macquarie ordinary shares under the MEREP as described on pages 93 to 95. This is recognised as an expense over the respective vesting periods, or service period if shorter, as described on pages 93 to 95 and includes amounts relating to prior year equity awards that have been previously disclosed. Equity awards in respect of FY2020 performance will be granted during FY2021, however Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2019. The expense is estimated using the price of MGL ordinary shares as at 31 March 2020 and the number of equity awards expected to vest. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of fair value for each equity award when granted and will use this validation for recognising the expense over the remaining vesting period
- (b) *PSUs:* This represents the current year expense for PSUs that is recognised over the vesting period as described on pages 96 to 97. This includes amounts relating to prior year PSU awards. PSU awards in respect of FY2020 will be granted during FY2021, however Macquarie begins recognising an expense for these awards (based on an initial estimate) from 1 April 2019. The expense is estimated using the price of MGL ordinary shares as at 31 March 2020 and the number of PSUs expected to vest. The estimate also incorporates an interest rate to maturity of 0.52% per annum, expected vesting date of 1 July 2024, and a dividend yield of 4.77% per annum. In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of fair value for each PSU when granted and will use this validation for recognising the expense over the remaining vesting period. Performance hurdles attached to the PSUs allow for PSUs to become exercisable upon vesting only when the relevant performance hurdles are met. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.

Appendix 3: Non-Executive Director remuneration

The remuneration arrangements for all of the persons listed below as NEDs are described on page 114 of the Remuneration Report. The fees shown include fees paid as members of both the MGL and MBL Boards.

	Year	Fees \$A	Other benefits ⁽⁴⁷⁾ \$A	Total Compensation \$A
G.R. Banks	2020	373,000	–	373,000
	2019	370,500	–	370,500
J.R. Broadbent ⁽⁴⁸⁾	2020	317,583	–	317,583
	2019	122,883	–	122,883
G.M. Cairns	2020	338,000	–	338,000
	2019	335,500	–	335,500
P.M. Coffey ⁽⁴⁹⁾	2020	332,167	–	332,167
	2019	180,008	–	180,008
M.J. Coleman	2020	413,000	12,000	425,000
	2019	410,500	18,000	428,500
P.A. Cross ⁽⁵⁰⁾	2020	–	–	–
	2019	123,500	–	123,500
D.J. Grady	2020	373,000	–	373,000
	2019	370,500	–	370,500
M.J. Hawker ⁽⁵¹⁾	2020	436,333	–	436,333
	2019	433,833	–	433,833
G.R. Stevens ⁽⁵²⁾	2020	341,667	–	341,667
	2019	313,750	–	313,750
N.M. Wakefield Evans	2020	413,000	–	413,000
	2019	410,500	–	410,500
P.H. Warne	2020	890,000	–	890,000
	2019	883,750	–	883,750
Total Remuneration – Non-Executive KMP	2020	4,227,750	12,000	4,239,750
	2019	3,955,224	18,000	3,973,224

(47) Other benefits for NEDs include due diligence fees paid to Mr Coleman of \$A12,000 in FY2020 (FY2019: \$A18,000).

(48) Ms Broadbent was appointed to the MGL and MBL Boards as an Independent Voting Director, effective from 5 November 2018. She became a member of the Board Risk Committee and a member of the Board Nominating Committee, effective from 5 November 2018. Ms Broadbent became a member of the Board Remuneration Committee, effective from 1 November 2019.

(49) Mr Coffey was appointed to the MGL and MBL Boards as an Independent Voting Director, effective from 28 August 2018. He became a member of the Board Risk Committee and a member of the Board Nominating Committee, effective from 28 August 2018. Mr Coffey became a member of the Board Remuneration Committee and a member of the Board Audit Committee, effective from 1 November 2019.

(50) Mrs Cross ceased to be a member of the MGL and MBL Boards, effective from 26 July 2018.

(51) Mr Hawker was Chairman of the Board Risk Committee from 1 September 2018 to 1 November 2019.

(52) Mr Stevens became a member of the Board Audit Committee effective from 1 July 2018. The Board approved a leave of absence, due to illness, for Mr Stevens for the period 1 February 2019 to 31 May 2019. Mr Stevens was appointed as Chairman of the Board Risk Committee, effective from 1 November 2019.

Remuneration Report

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Appendix 4: Share disclosures

Shareholdings of KMP and their related parties

The following tables set out details of MGL ordinary shares held during the financial year by KMP including their related parties.

Name and position	Number of shares held at 1 April 2019 ⁽⁵³⁾	Shares received on withdrawal from the MEREP ⁽⁵⁴⁾	Other changes ⁽⁵⁵⁾	Number of shares held as at 31 March 2020 ^{(56),(57)}
Executive Directors				
S.R. Wikramanayake	800,014	83,611	–	883,625
Non-Executive Directors				
G.R. Banks	6,416	–	125	6,541
J.R. Broadbent	4,000	–	2,250	6,250
G.M. Cairns	12,734	–	–	12,734
P.M. Coffey	8,239	–	500	8,739
M.J. Coleman ⁽⁵⁸⁾	8,436	300	125	8,861
D.J. Grady	9,199	–	569	9,768
M.J. Hawker ⁽⁵⁹⁾	11,415	–	(3,946)	7,469
G.R. Stevens	2,584	–	1,316	3,900
N.M. Wakefield Evans	5,515	–	1,414	6,929
P.H. Warne	14,933	–	–	14,933
Executives				
T.C. Bishop	–	37,974	(37,974)	–
G.A. Farrell	–	222,182	(51,986)	170,196
A.H. Harvey	19,042	26,161	(369)	44,834
F. Herold	–	39,245	(39,245)	–
N. O’Kane	4,840	78,405	(78,405)	4,840
M.J. Reemst	42,474	44,045	(17,691)	68,828
M.J. Silverton	19,802	–	–	19,802
N. Sorbara	9,384	44,153	(44,153)	9,384
M.S.W. Stanley	45,361	–	–	45,361
P.C. Upfold	75,151	53,632	(53,632)	75,151
G.C. Ward	–	68,270	(68,270)	–
D. Wong	168	15,605	(15,605)	168

(53) Or date of appointment if later.

(54) For RSUs, this represents RSUs vesting during the current financial year. For DSUs, this represents vested DSUs exercised during the current financial year.

(55) Includes on-market acquisitions and disposals.

(56) Or date of ceasing to be a KMP if earlier.

(57) In addition to the MGL ordinary shares set out in this table, Executive KMP also hold an interest in MGL ordinary shares through the MEREP, as set out in the table in page 125.

(58) A related party of Mr Coleman holds RSU awards, some of which vested during the year. Mr Coleman does not influence any investment decisions over, nor does he benefit from, this holding.

(59) Changes during the year for Mr Hawker reflect a change in related party.

RSU and DSU awards to KMP

The following tables set out details of the RSU and DSU awards associated with Macquarie equity granted to Executive KMP. Grants made to Executive KMP prior to their joining the Executive Committee are not disclosed. PSUs are disclosed in a separate table.

A significant portion of an Executive KMP's retained profit share is invested in Macquarie equity, delivered as RSUs or DSUs. RSUs are units comprising a beneficial interest in Macquarie ordinary shares held in a trust for the staff member. DSUs are granted in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs are structured to provide the holder with the same benefits and risks of RSU holders. There have been no alterations to the terms or conditions of the grants set out below since the grant date. RSU and DSU awards are subject to forfeiture as set out on page 95. The value of the grants at vesting could vary significantly as they are dependent on the MGL ordinary share price at the time of vesting. Retention rates, the vesting profiles and service and performance criteria for the current year are set out on pages 94 to 95. RSUs and DSUs are granted in the financial year following the year of Macquarie's performance to which the grant relates. For example, RSUs and DSUs granted to KMP in June 2019 relate to their performance in FY2019. All awards that were eligible to vest, vested during the year. No awards were forfeited during the year.

Name and position	RSU/DSU awards granted to date ^{(60),(61)}	Grant date	Number vested/exercised during the year ^{(62),(63)}
Executive Director			
S.R. Wikramanayake	65,003	15 Aug 19	–
	49,162	21 Jun 18	–
	49,025	22 Jun 17	–
	54,473	17 Jun 16	10,894
	42,608	06 Jul 15	8,521
	47,019	25 Jun 14	8,034
	35,957	25 Jun 13	7,191
	58,075	07 Jun 12	11,618
Executives			
T.C. Bishop	47,265	21 Jun 18	–
	38,155	22 Jun 17	–
	53,773	17 Jun 16	10,754
	39,035	06 Jul 15	7,807
	37,947	25 Jun 14	6,131
	45,305	25 Jun 13	9,060
	31,361	07 Jun 12	4,222
G.A. Farrell	29,711	24 Jun 19	–
	36,012	21 Jun 18	1,758
	45,901	22 Jun 17	45,901
	41,749	17 Jun 16	41,749
	44,959	06 Jul 15	35,968
	48,496	25 Jun 14	23,335
	46,229	25 Jun 13	18,494
	88,108	07 Jun 12	17,624

(60) Or during the period that the Executive was a KMP.

(61) On 23 December 2013, Macquarie consolidated its shares through the conversion of one ordinary share into 0.9438 ordinary shares, including for shares held in the MEREP. For the RSUs in the above table granted prior to that date, the number of RSUs has been adjusted for the impact of the consolidation.

(62) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. For DSUs, this represents vested DSUs exercised during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

(63) Mr Herold and Mr Wong were granted 6,443 and 13,247 Material Risk Taker Available awards, respectively, which vest on the acquisition date of the awards and are subject to a 12-month non-disposal period. These awards represent 50% of available profit share, as discussed on page 94, footnote 5, and are a requirement under the UK regulations (the UK Code implementing CRD IV).

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Name and position	RSU/DSU awards granted to date ^{(60),(61)}	Grant date	Number vested/exercised during the year ^{(62),(63)}
A.H. Harvey	25,945	24 Jun 19	–
	27,009	21 Jun 18	–
F. Herold ⁽⁶³⁾	33,150	24 Jun 19	–
N. O’Kane	91,106	24 Jun 19	–
	61,902	21 Jun 18	–
M.J. Reemst	18,831	24 Jun 19	–
	18,906	21 Jun 18	–
	21,229	22 Jun 17	–
	18,787	17 Jun 16	3,757
	14,810	06 Jul 15	2,962
M.J. Silverton	37,138	24 Jun 19	–
N. Sorbara	25,945	24 Jun 19	–
	27,009	21 Jun 18	–
	26,967	22 Jun 17	–
	25,049	17 Jun 16	5,009
	18,512	06 Jul 15	3,702
	17,105	25 Jun 14	3,039
	12,327	25 Jun 13	2,465
M.S.W. Stanley	41,140	24 Jun 19	–
P.C. Upfold	25,945	24 Jun 19	–
	27,009	21 Jun 18	–
	32,131	22 Jun 17	–
	33,399	17 Jun 16	6,679
	26,446	06 Jul 15	5,289
G.C. Ward	31,618	24 Jun 19	–
	33,211	21 Jun 18	–
	40,801	22 Jun 17	–
	32,445	17 Jun 16	6,489
	26,446	06 Jul 15	5,289
	31,696	25 Jun 14	4,847
	31,229	25 Jun 13	6,246
46,460	07 Jun 12	9,292	
D. Wong ⁽⁶³⁾	42,258	24 Jun 19	–

(60) Or during the period that the Executive was a KMP.

(61) On 23 December 2013, Macquarie consolidated its shares through the conversion of one ordinary share into 0.9438 ordinary shares, including for shares held in the MEREP. For the RSUs in the above table granted prior to that date, the number of RSUs has been adjusted for the impact of the consolidation.

(62) For RSUs, this represents RSUs vesting during the current financial year in respect of grants made while a KMP. For DSUs, this represents vested DSUs exercised during the current financial year in respect of grants made while a KMP. Grants made prior to Executives becoming a KMP are not disclosed.

(63) Mr Herold and Mr Wong were granted 6,443 and 13,247 Material Risk Taker Available awards, respectively, which vest on the acquisition date of the awards and are subject to a 12-month non-disposal period. These awards represent 50% of available profit share, as discussed on page 94, footnote 5, and are a requirement under the UK regulations (the UK Code implementing CRD IV).

PSU awards to KMP

The following tables set out details of PSU awards granted to Executive KMP.

Name and position	GRANTED TO DATE				FORFEITED/LAPSED DURING THE FINANCIAL YEAR ⁽⁶⁴⁾			EXERCISED DURING THE FINANCIAL YEAR ⁽⁶⁴⁾	
	Number	Date	Accounting Fair Value \$A ⁽⁶⁵⁾	Face Value \$A ⁽⁶⁶⁾	Number	%	Value \$A	Number exercised	Value \$A ⁽⁶⁷⁾
Executive Directors									
S.R. Wikramanayake	34,198	15 Aug 19	3,385,267	4,035,364	–	–	–	–	–
	23,561	15 Aug 18	2,466,207	2,956,906	–	–	–	–	–
	33,552	15 Aug 17	2,449,276	2,944,524	–	–	–	–	–
	37,332	15 Aug 16	2,462,541	2,917,122	–	–	–	18,666	2,207,441
	37,374	17 Aug 15	2,495,462	2,951,799	–	–	–	18,687	2,211,793
Executives									
T.C. Bishop	23,561	15 Aug 18	2,466,207	2,956,906	–	–	–	–	–
	28,333	15 Aug 17	2,068,292	2,486,504	–	–	–	–	–
	31,524	15 Aug 16	2,079,426	2,463,285	–	–	–	–	–
	31,560	17 Aug 15	2,107,261	2,492,609	–	–	–	–	–
G.A. Farrell	24,139	15 Aug 19	2,389,524	2,848,402	14,081	58.3%	1,743,791	–	–
	23,561	15 Aug 18	2,466,207	2,956,906	–	–	–	–	–
	33,552	15 Aug 17	2,449,276	2,944,524	–	–	–	–	–
	37,332	15 Aug 16	2,462,541	2,917,122	–	–	–	18,666	2,398,674
	37,374	17 Aug 15	2,495,462	2,951,799	–	–	–	18,687	2,408,007
A.H. Harvey	17,032	15 Aug 19	1,686,001	2,009,776	–	–	–	–	–
	16,624	15 Aug 18	1,740,089	2,086,312	–	–	–	–	–
F. Herold	24,139	15 Aug 19	2,389,524	2,848,402	–	–	–	–	–
N. O’Kane	24,139	15 Aug 19	2,389,524	2,848,402	–	–	–	–	–
	23,561	15 Aug 18	2,466,207	2,956,906	–	–	–	–	–
M.J. Reemst	17,032	15 Aug 19	1,686,001	2,009,776	–	–	–	–	–
	16,624	15 Aug 18	1,740,089	2,086,312	–	–	–	–	–
	23,673	15 Aug 17	1,728,115	2,077,542	–	–	–	–	–
	26,339	15 Aug 16	1,737,407	2,058,129	–	–	–	13,169	1,598,322
	26,369	17 Aug 15	1,760,658	2,082,624	–	–	–	13,185	1,600,791
N. Sorbara	17,032	15 Aug 19	1,686,001	2,009,776	–	–	–	–	–
	16,624	15 Aug 18	1,740,089	2,086,312	–	–	–	–	–
	23,673	15 Aug 17	1,728,115	2,077,542	–	–	–	–	–
	26,339	15 Aug 16	1,737,407	2,058,129	–	–	–	13,169	1,695,356
	26,369	17 Aug 15	1,760,658	2,082,624	–	–	–	13,185	1,697,792

(64) Or during the period for which the Executive was a KMP if shorter.

(65) Based on the accounting fair value on the date of grant.

(66) Face value is calculated by multiplying the number of PSUs granted by the closing market price of Macquarie ordinary shares on the date of grant.

(67) Based on the share price at the time of exercise.

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Name and position	GRANTED TO DATE				FORFEITED/LAPSED DURING THE FINANCIAL YEAR ⁽⁶⁴⁾			EXERCISED DURING THE FINANCIAL YEAR ⁽⁶⁴⁾	
	Number	Date	Accounting Fair Value \$A ⁽⁶⁵⁾	Face Value \$A ⁽⁶⁶⁾	Number	%	Value \$A	Number exercised	Value \$A ⁽⁶⁷⁾
M.S.W. Stanley	24,139	15 Aug 19	2,389,524	2,848,402	–	–	–	–	–
P.C. Upfold	17,032	15 Aug 19	1,686,001	2,009,776	–	–	–	–	–
	16,624	15 Aug 18	1,740,089	2,086,312	–	–	–	–	–
	23,673	15 Aug 17	1,728,115	2,077,542	–	–	–	–	–
	26,339	15 Aug 16	1,737,407	2,058,129	–	–	–	13,169	1,706,946
	26,369	17 Aug 15	1,760,658	2,082,624	–	–	–	13,185	1,710,284
G.C. Ward	24,139	15 Aug 19	2,389,524	2,848,402	–	–	–	–	–
	23,561	15 Aug 18	2,466,207	2,956,906	–	–	–	–	–
	32,434	15 Aug 17	2,367,663	2,846,408	–	–	–	–	–
	36,087	15 Aug 16	2,380,417	2,819,838	–	–	–	18,043	2,332,858
	36,128	17 Aug 15	2,412,267	2,853,389	–	–	–	18,064	2,324,829

As required under the Act, Macquarie has adopted the fair value measurement provisions of AASB 2 *Share-Based Payment* for all PSUs granted to KMP. The accounting fair value of such grants is being amortised and disclosed as part of each KMP's remuneration on a straight-line basis over the vesting period. The 2019 PSU allocation has been determined based on a fair valuation of a PSU as at 15 August 2019. The accounting fair value of \$A98.99 at this date has been estimated using a discounted cash flow method.

The following key assumptions were adopted in determining the value of the PSUs granted:

Interest rate to maturity	0.78% per annum
Expected vesting dates	1 July 2022 and 1 July 2023
Dividend yield	4.96% per annum

PSUs have a nil exercise price. PSUs awarded prior to FY2020 vest on a pro-rata basis as set out on page 97. For the 2019 grant, the first tranche will vest on 1 July 2022. The PSUs expire on 15 August 2028.

MEREP awards of KMP and their related parties

The following tables set out details of the MEREP RSU, DSU and PSU awards held during the year for the KMP including their related parties.



Further details in relation to the MEREP RSU, DSU and PSU awards are disclosed in Note 30 *Employee equity participation* to the financial statements in the Financial Report

Name and position	Type of Award	Number of Awards held at 1 April 2019 ⁽⁶⁸⁾	Awards granted during the financial year ⁽⁶⁹⁾	Awards vested/ exercised during the financial year ^{(70),(71)}	Awards forfeited or not able to be exercised during the financial year ⁽⁷²⁾	Number of Awards held as at 31 March 2020 ⁽⁷³⁾
Executive Director						
S.R. Wikramanayake	RSU	236,853	65,003	(46,258)	–	255,598
	PSU	113,132	34,198	(37,353)	–	109,977
Executives						
T.C. Bishop	RSU	213,218	–	(37,974)	–	175,244
	PSU	99,198	–	–	–	99,198
G.A. Farrell	RSU	219,083	29,711	(184,829)	–	63,965
	PSU	113,132	24,139	(37,353)	(14,081)	85,837
A.H. Harvey	RSU	128,966	25,945	(26,161)	–	128,750
	PSU	16,624	17,032	–	–	33,656
F. Herold ⁽⁷⁴⁾	DSU	114,441	21,638	(39,245)	–	96,834
	RSU	–	11,512	–	–	11,512
	PSU	–	24,139	–	–	24,139
N. O’Kane	RSU	356,118	91,106	(78,405)	–	368,819
	PSU	23,561	24,139	–	–	47,700
M.J. Reemst	RSU	90,692	18,831	(17,691)	–	91,832
	PSU	79,821	17,032	(26,354)	–	70,499
M.J. Silverton	RSU	96,681	37,138	–	–	133,819
N. Sorbara	RSU	111,471	25,945	(17,799)	–	119,617
	PSU	79,821	17,032	(26,354)	–	70,499
M.S.W. Stanley ⁽⁷⁴⁾	DSU	136,640	41,140	–	–	177,780
	PSU	–	24,139	–	–	24,139
P.C. Upfold	RSU	143,054	25,945	(27,278)	–	141,721
	PSU	79,821	17,032	(26,354)	–	70,499
G.C. Ward	RSU	163,941	31,618	(32,163)	–	163,396
	PSU	110,146	24,139	(36,107)	–	98,178
D. Wong ⁽⁷⁴⁾	DSU	146,212	42,258	(15,605)	–	172,865

(68) Or date of appointment if later.

(69) RSU and DSU awards are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs and DSUs disclosed as granted above relate to FY2019. PSUs are granted annually in August.

(70) For RSUs, this represents vested RSUs transferred to the KMP's shareholding and includes RSUs vesting during the current year in respect of all grants, including those made prior to Executives becoming a KMP. For DSUs, this represents vested DSUs exercised during the current period in respect of all grants, including those made prior to Executives becoming a KMP.

(71) There were no PSUs that vested during the year that were not exercised.

(72) Or during the period for which the Executive was a KMP if shorter.

(73) Or date of ceasing to be a KMP if earlier.

(74) DSUs are granted in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs are structured to provide the holder with the same benefits and risks of RSU holders.

Remuneration Report

Continued

Appendix 5: Loan disclosures

Loans to Key Management Personnel and their related parties

Details of loans provided by Macquarie to KMP and their related parties are disclosed in the following table.⁽⁷⁵⁾

Name and Position	Balance as at 1 April 2019 ⁽⁷⁶⁾ \$A'000	Interest charged ⁽⁷⁷⁾ \$A'000	Write downs \$A'000	Balance as at 31 March 2020 \$A'000	Highest balance during the year \$A'000
Non-Executive Directors					
D.J. Grady (related party)	488	19	–	479	488
M.J. Hawker (related party)	340	18	–	560	560
N.M. Wakefield Evans (related party)	–	22	–	4,960	5,000
P.H. Warne (related party)	481	14	–	470	481
Executives					
A.H. Harvey	–	36	–	5,000	5,000
M.J. Silverton	109	5	–	224	226
M.S.W. Stanley ⁽⁷⁸⁾	207	6	–	118	211

This Remuneration Report has been prepared in accordance with the Act. The Remuneration Report contains disclosures as required by AASB 124 *Related Party Disclosures* as permitted by Corporations Regulation 2M.3.03 *Prescribed details*.

Throughout this Remuneration Report financial information for Macquarie relating to the years ended 31 March 2011 through to 31 March 2020 has been presented in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(75) There were no other loans provided by Macquarie to KMP and their related parties during the financial year ended 31 March 2020.

(76) Or date of appointment if later.

(77) All loans provided by Macquarie to Non-Executive Directors and Executives are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.

(78) Mr Stanley's loan is denominated in EUR. The opening balance of €132,000 has been converted to AUD at the spot rate on 1 April 2019. The closing balance of €66,000 has been converted to AUD at the spot rate on 31 March 2020. There has been an exchange rate movement of \$A18,000 during the year.