Basel III Pillar 3 UK Annual Remuneration disclosures

March 2016

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Contents

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Introduction

Macquarie Bank Limited (London Branch) (MBLLB), Macquarie Bank International Limited (MBIL), Macquarie Capital Europe Limited (MCEL) and Macquarie Infrastructure and Real Assets Europe Limited (MIRAEL) (together Macquarie UK) are UK regulated entities that form part of Macquarie Group Limited (Macquarie). MBLLB is a branch of Macquarie Bank Limited (MBL or Macquarie Bank).

On 2 February 2015 MIRAEL was authorised as an Alternative Investment Fund Manager (AIFM) by the Financial Conduct Authority (FCA). The proportionality provisions in the AIFMD enable smaller, less complex funds to disapply the payout process rules about remuneration structures for those identified as Material Risk Takers (MRTs). For FY16, MIRAEL was able to take advantage of the proportionality provisions due to its current size, internal organisation and the nature, scope and complexity of its activities. As a result, MIRAEL's remuneration structures are in line with Macquarie Group policy as it relates to its fund businesses.

The Boards of Macquarie UK's firms consider, approve and endorse major policies for their entity (including, on an annual basis, the Macquarie *Remuneration Policy*) and, if appropriate, make recommendations to the relevant Macquarie Board Committee regarding any changes required under the UK Companies Act 2006, FCA/PRA requirements or other legal or regulatory requirements applicable.

Throughout this disclosure document, for consistency, references are made to Macquarie's remuneration arrangements.

The qualitative remuneration disclosures (sections 1 to 4) outline the remuneration framework consistent with Macquarie's *Remuneration Policy*. Macquarie's *Remuneration Policy* applies to all employees globally and refers to any revisions to global policies designed to ensure compliance with the PRA/FCA Remuneration Code (the Code). The quantitative information (section 5) relates to senior managers and MRTs (formerly Code staff) for the financial year ended 31 March 2016.

1.0 Remuneration governance

The MGL Board oversees Macquarie's remuneration arrangements. The MGL Board has a Board Remuneration Committee ('BRC') whose objective is to assist the MGL Board and the Board of Macquarie Bank Limited ('MBL Board') with Macquarie's remuneration policies and practices. Where the board of any subsidiary regulated outside of Australia has delegated to the BRC its remuneration committee function in accordance with relevant regulatory requirements, the BRC will assist and make recommendations to the relevant Macquarie boards (such as the UK Boards) with regard to Macquarie's remuneration policies and practices. Macquarie's subsidiary boards remain responsible for approving remuneration outcomes.

The BRC currently comprises five Independent Non-Executive Directors (NEDs):

Board Remuneration Committee members[1]

- Michael Hawker (Chairman[2])
- Gary Banks (Member)
- Gordon Cairns (Member)
- Diane Grady (Member)
- Peter Warne (Member[3])

The BRC members have the required experience and expertise in human resources and risk that enable them to achieve effective governance of Macquarie's remuneration system. All members of the BRC also have extensive experience in remuneration, either through their professional background or as members of the remuneration committees of other boards. The BRC has a regular meeting cycle, and it met eight times over the last financial year. Strict processes are in place to ensure that conflicts of interest are appropriately managed.

During FY2016, the Board engaged Guerdon Associates to provide market data on international and domestic Board and Board Committee fees. After consideration of the information and relevant factors including the additional risk management and regulatory responsibilities given the global nature of Macquarie's activities, the Board determined that, from 1 October 2015 the Board Remuneration Committee annual chair and member fees be increased by $A5,000 each to $75,000 for the Chairman and $35,000 for members. Per diem fees may also be paid from time to time for approved additional work. These fees are in respect of the Committee's support to the Boards of both Macquarie Group and MBL.

The responsibilities of the BRC include reviewing the *Remuneration Policy* for compliance with legal and regulatory requirements and recommending it to the Board for approval. The BRC pays close attention to the design and the operation of remuneration practices for all of Macquarie, not just for the most senior executives. This includes assessing the effectiveness of the *Remuneration Policy* and ensuring the alignment of remuneration with prudent risk taking and professional conduct across the organisation. Further detail of matters considered by the BRC is included in Section 3 below.

The remuneration governance framework requires that remuneration recommendations relating to staff at various levels of seniority be approved at an appropriate level of authority. Accordingly, the BRC recommends the remuneration outcomes to the Board for approval for the:

- CEOs of both Macquarie and Macquarie Bank
- Executive Committee members
- Designated Executive Directors[4]
- Senior risk and financial control personnel
- Staff covered under specific regulatory requirements.

[1] Kevin McCann retired from the BRC effective 31 March 2016.

[2] Michael Hawker was appointed to the BRC effective 1 January 2016 and became Chairman effective 8 May 2016.

[3] Peter Warne was Chairman of the BRC up to 7 May 2016 and remains a member of the BRC after 7 May 2016.

[4] Executive Directors who have a significant management or risk responsibility in the organisation.

The full responsibilities of the BRC are outlined in their Charter, which is reviewed and approved annually by the Board. A copy of the charter is available on Macquarie's website.

The BRC reviews the *Remuneration Policy* at least annually and it was most recently approved by the Board in December 2015. There were no material changes to the *Remuneration Policy* in FY2016.

The BRC has access, as required, to Macquarie's Senior Management and has retained an independent consultant, Pay Governance, for the use of the Board to obtain advice on the appropriateness of Macquarie's remuneration system.

The only service that Pay Governance provides to Macquarie is executive compensation consulting to the BRC. This year, Pay Governance considered the overall approach to remuneration, peer organisations' overall approach to remuneration, the extent of alignment with shareholder interests and a comparison of individual remuneration for senior executives where relevant peer information was available. In addition, the BRC independently analysed global remuneration trends and data.

2.0 Remuneration design and structure

During the year, the Board and the BRC have reviewed Macquarie's remuneration framework to ensure it continues to meet its overriding objective of delivering superior company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of conduct*[5] and the long-held foundations of Macquarie's risk culture, the principles of *What We Stand For* – Opportunity, Accountability and Integrity. In undertaking this assessment, the Board and the BRC have considered factors including:

- the degree of alignment between staff and shareholders
- Macquarie's performance during the year and the performance of each business
- shareholder returns
- the need to balance short-term and long-term incentives
- feedback from shareholders
- the risk and conduct culture of Macquarie[6]
- the employment environment
- the evolving regulatory landscape
- market developments.

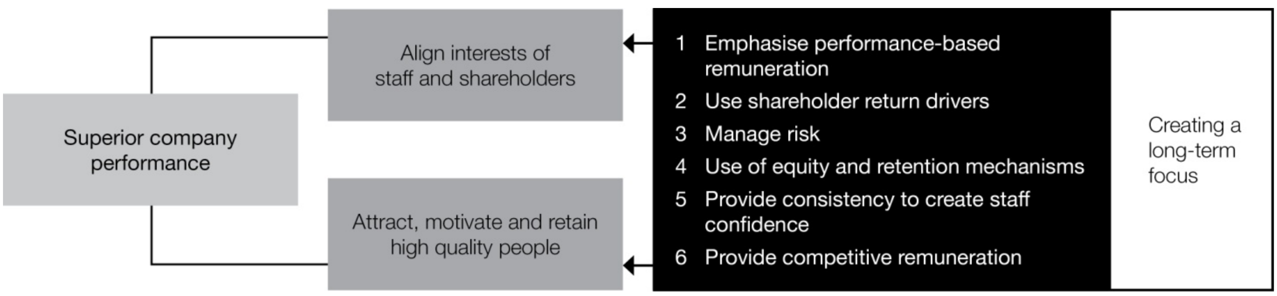
The Board believes that Macquarie's longstanding approach to remuneration continues to support the overarching objective of delivering superior company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of conduct* and *What We Stand For*. Directors recognise that to achieve these objectives, Macquarie must attract, motivate and retain exceptional people, while aligning their interests with those of shareholders.

They consider this is best achieved by supporting the following principles:

Emphasising performance-based remuneration with an appropriate balance between short and longer-term incentives having regard to risk

- remunerating high performing staff appropriately, relative to global peers, so they are attracted to and stay with Macquarie
- emphasising performance-based remuneration with an appropriate balance between short-term and long-term incentives having regard to risk
- linking rewards to create sustainable shareholder value through the use of shareholder return drivers, namely profitability and returns in excess of the cost of capital
- ensuring remuneration is structured to drive behaviours which reflect Macquarie's culture and promote Macquarie's risk management framework
- delivering remuneration in a way that encourages a long term perspective and creates alignment with shareholder interests
- providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives.

The way these principles link to the overall objectives are outlined in the following chart.



[5] Macquarie's *Code of conduct* and *What We Stand For* principles of Opportunity, Accountability and Integrity guide the way that staff are expected to manage their responsibilities and conduct themselves on a day to day basis.

[6] Business conduct and ethics are discussed further in the Corporate Governance Statement on the Macquarie website at macquarie.com/leadership-corporate-governance.

The remuneration framework should be considered as an integrated whole. For MRTs, the components that make up the integrated remuneration framework are fixed remuneration and a profit share system.

Fixed remuneration for senior staff remains low relative to comparable roles in other organisations, although it is sufficient to avoid inappropriate risk-taking. Fixed remuneration may include role-based allowances for senior level staff employed in UK-regulated entities. Fixed remuneration is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements. Performance-based remuneration is described in section 4. For MRTs covered by the remuneration structure requirements of the Code, the variable part of that individual's pay is appropriately balanced with the fixed part and cannot exceed 200 per cent of their fixed remuneration.

2.1 Risk and financial control personnel

The Board seeks to ensure that remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), preserves the independence of the function and maintains Macquarie's robust risk management framework.

Fixed remuneration for risk and financial control staff is generally higher, compared with profit share, than for front office staff. Profit share is allocated to risk and financial control groups based on the quality and integrity of control functions and the quality of business support services and is not determined solely with reference to profitability. The CRO, the CFO and the Group General Counsel, as appropriate, review remuneration recommendations for all staff whose primary role is risk management and confirm to the BRC that remuneration for these staff is determined in a way that preserves the independence of the function and maintains Macquarie's robust risk management framework. As part of the annual remuneration review, the Board reviews and approves, on BRC recommendation, the individual remuneration recommendations for senior risk and financial control staff.

3.0 Remuneration and risk

The BRC liaises with the Board Risk Committee and the CRO to ensure there is a properly integrated approach to remuneration that appropriately reflects risk. The BRC makes recommendations to the Board that promote appropriate remuneration policies and practices for Macquarie consistent with Macquarie's risk management framework. Macquarie's risk management framework incorporates active management and monitoring of market, credit, equity, liquidity, operational, compliance, regulatory and legal risks. Remuneration measures are managed within Macquarie's risk appetite and risk-adjusted performance metrics for each division are a significant input into performance-based remuneration.

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to its remuneration approach. Performance-based remuneration reflects an individual's performance, which includes an assessment of a range of factors including risk management and compliance as well as behavioural measures to promote good conduct and commitment to the *Code of conduct* and *What We Stand For*.

To assist the BRC:

- the CFO confirms to the BRC that the forecast profit share pool does not result in elimination of capital surpluses
- the CRO provides an independent annual report to the BRC detailing any material breaches of the risk management framework, losses and impairments, the residual risks associated with large transactions concluded during the current financial year, return on economic capital by business and the relationship between profitability and risk
- the Global Head of HR discusses the CRO's report with the Group Heads to ensure any matters listed in the report are appropriately reflected in remuneration outcomes for relevant staff. HR subsequently provides a report to the BRC detailing how this has been achieved
- Macquarie operates a robust consequence management process whereby incidents, breaches of policy or regulation or conduct issues are managed. The Global Head of HR reports to the BRC on the outcomes from the consequence management process and confirms that these matters have been considered in determining remuneration and promotion outcomes where appropriate.

The BRC uses this information when considering the remuneration allocated to businesses and individuals.

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 under Macquarie's Malus policy, as detailed in section 4.4 below. For profit share awards made to certain MRTs under the Code on or after 1 January 2015, the Board or BRC (under delegation from the Board) may also recover part or all of any vested profit share awards made in the previous seven years under Macquarie's clawback policy, as detailed in section 4.5 below.

4.0 Linking performance and remuneration

For MRTs, performance-based remuneration consists of a profit share system.

Macquarie's remuneration structure emphasises performance-based remuneration, with an appropriate balance between short and longer-term incentives, and an alignment with prudent risk-taking and professional conduct. Allocation of performance-based remuneration is discretionary.

While performance-based remuneration in the form of profit share is aligned with company performance, Macquarie's approach to performance-based remuneration is driven by a detailed assessment at the business group and individual level. Each business group considers profit share allocations to teams and individuals in their business based on performance, market developments and the employment environment with reference to the company-wide profit share pool. The company-wide profit share pool is determined annually by reference to a proportion of Macquarie's after tax profits and its earnings over and above the estimated cost of capital.

The NEDs of the Board have the discretion to adjust the profit share pool up or down to reflect internal and external factors if deemed in the interests of Macquarie and shareholders. Such factors may include performance, risk and compliance considerations, the employment environment and staff retention risk. As has occurred in previous years, not all of the profit share pool has been paid to employees in the current year.

Profit share allocations to businesses and individuals are determined in the context of the overall company-wide pool. Consideration is given to each business' relative contribution to profits (not revenue) taking into account factors including capital usage, risk management, and compliance and competitor dynamics.

The criteria used to assess each individual's performance vary depending on their role and include:

– financial performance
– risk management and compliance
– business leadership
– people leadership and professional conduct consistent with the *Code of conduct and What We Stand For*.

More specifically, the Board has strong processes for making remuneration decisions for senior staff. As part of this process, the NEDs meet with the Macquarie Bank CEO towards the end of each financial year to consider formal documentation that outlines her views on the Bank's performance. This includes a wide range of the Bank's activities covering the following main areas:

– financial position and performance
– risk management and compliance
– people leadership and professional conduct consistent with the *Code of conduct* and *What We Stand For*
– sustainability (planning and investment in the future)
– community.

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 that 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 her remuneration for the year.

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

This information helps the BRC and Board make decisions about remuneration.

Performance-based remuneration is delivered in ways that encourage a longer-term perspective and ensure alignment with shareholders' longer-term interests and staff retention. In turn, this encourages staff to maximise profit without exposing Macquarie to risk or behaviours that jeopardise long-term profitability or reputation. To achieve this outcome, a significant portion of performance-based remuneration is:

– retained and deferred over a long period (section 4.1 and section 4.3)
– delivered in equity (section 4.2)
– subject to forfeiture in certain circumstances (section 4.4 and section 4.5).

4.0 Linking performance and remuneration
continued

4.1 Profit share retention levels

Macquarie retains a percentage of each Executive Directors' annual gross profit share allocation (retained profit share).

The percentage retained reflects the scope and nature of an individual’s role and responsibilities and any applicable regulatory requirements. Generally, for more senior roles, that have significant management or risk responsibility, a greater proportion of profit share is deferred. For individuals identified as MRTs under the Code, retention levels are the higher of those required by the regulation or the Macquarie policy.

The Board has discretion to change the percentage of profit share allocations retained on an annual basis to meet changing market conditions as well as to comply with regulatory and corporate governance guidance, provided that the retention percentage is at least 30 per cent for Executive Directors.

Standard retention rates by role

Role	%
Macquarie CEO	70%
Macquarie Bank CEO	50%
Other Executive Committee members	50% – 60%
Designated Executive Directors[7]	50% – 60%
Other Executive Directors	40% – 60%
Staff other than Executive Directors	25% – 60%[8]

4.2 Investment of retained profit share

Executive Directors' retained profit share is invested in a combination of Macquarie shares under the MEREP[9], and Macquarie-managed fund equity notionally invested under the Post-2009 DPS Plan[10]. The following table shows the current percentage allocation of retained profit share that is invested in the Post-2009 DPS Plan and the MEREP, depending on the Executive Director’s role:

Role	Post-2009 DPS Plan (Macquarie-managed fund equity)	MEREP (Macquarie shares)
Macquarie CEO and Macquarie Bank CEO	10%	90%
Executive Committee members with Funds responsibilities	50%	50%
Other Executive Committee members	10%	90%
Executive Directors with Funds responsibilities	50% – 75%	25% – 50%
Other Executive Directors[11]	10% – 20%	80% – 90%

7 For Designated Executive Directors and other Executive Directors who are MRTs under the Code, profit share that is retained over and above Macquarie standard retention rates in order to comply with the Code’s requirements vests over years one and two.

8 Dependent on certain thresholds.

9 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 a Macquarie share held in a trust for the staff member (Restricted Share Units or RSUs). Where legal or tax rules make the grant of RSUs impractical, including different tax rules for employee equity and different securities laws, equity grants will be in the form of: 1. shares held by the staff member subject to restrictions (Restricted Shares); or 2. the right to receive Macquarie shares in the future (Deferred Share Units or DSUs). A DSU comprises the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by Macquarie in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised.

10 The Post-2009 DPS plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts for Executive Directors 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. However, the value of the retained amounts will vary as if these amounts were directly invested in actual securities, giving the Executive Directors an effective economic exposure to the performance of the securities. Notional returns on retained profit share invested in the Post-2009 DPS Plan may be paid annually to Executive Directors. The notional returns are calculated based on total shareholder return. If the notional investment of retained profit share results in a notional loss, this loss will be offset against any future notional income until the loss is completely offset.

11 For Executive Directors who are Code staff, profit share that is retained over and above Macquarie standard retention rates in order to comply with the Code’s requirements is invested in the Post-2009 DPS Plan. In all cases however, a minimum of 50 per cent of retained profit share for all Code staff is invested in Macquarie equity.

For staff other than Executive Directors, retained profit share is generally invested in Macquarie equity.

Both the MEREP and the 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 BRC reviews the percentage allocated to the Post-2009 DPS Plan and the MEREP on an annual basis to reflect an individual Executive Director's responsibilities. In limited circumstances, retained profit share may be allocated to other than the Post-2009 DPS Plan or the MEREP. An example might include investment in funds or products of a specific business group where there is a need to directly align the interests of employees with those of their specific types of clients.

4.3 Vesting and release of retained profit share

Whilst employed, retained profit share vests over a period that reflects the scope and nature of an individual's role and responsibilities and any applicable regulatory requirements. The vesting period is established for each retained profit share allocation by the BRC, according to the prevailing market conditions, having regard to regulatory and remuneration trends at the time of allocation. Generally, for more senior roles that have significant management or risk responsibility, profit share is deferred over a longer period of time.

For each year's allocation, once the vesting period has been determined it will remain fixed for that allocation. The BRC has established the following release schedule for retained profit share invested in the Post-2009 DPS Plan and the MEREP:

Role	Vesting schedule
Executive Committee Members (including the CEOs of Macquarie and Macquarie Bank). Designated Executive Directors[12]	One fifth in each of years 3-7
Other Executive Directors[13]	One third in each of years 3-5
Staff other than Executive Directors[14]	One third in each of years 2-4

Retained profit share is released when it vests with the exception of retained profit share delivered as Macquarie shares to MRTs under the Code, which is released six months post vesting.

4.4 Forfeiture of retained profit share (Malus)

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 in full, the unvested profit share awarded in respect of FY2015 and subsequent years to certain senior employees if it determines 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 Group within Macquarie incurring:
  - significant reputational harm, and/or
  - a significant unexpected financial loss, impairment charge, cost or provision, or
- acted or failed to act in a way that contributed to MGL or MBL making a material financial restatement.

In addition for MRTs under the Code, the Board has the discretion to reduce or eliminate unvested profit share amounts where it determines that Macquarie or a significant Macquarie business is subject to a material downturn in its financial performance or a material failure of risk management.

12 For Designated Executive Directors and other Executive Directors who are MRTs under the Code, profit share that is retained over and above Macquarie standard retention rates in order to comply with the Code's requirements vests over years one and two.

13 For MRTs under the Code (other than those who satisfy the de minimis conditions), who fall within this category, retained profit share vests over years one to four.

14 Other than those who satisfy the de minimis conditions.

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.

4.5 Clawback

For MRTs under the Code(3), the Board or the BRC (under delegation from the Board) may, in its absolute discretion, recover an amount corresponding (in whole or in part) to profit share awards made to the employee at any time in the previous seven years, including cash and/or retained amounts (Vested Profit Share), provided the Vested Profit Share was awarded on or after 1 January 2015 (known as clawback) where:

- there is reasonable evidence of employee misbehaviour or material error; or
- Macquarie or the relevant business unit suffers a material failure of risk management;

and in either case, either the employee:

- participated in or was responsible for conduct which resulted in significant losses to Macquarie; or
- failed to meet appropriate standards of fitness and propriety.

4.6 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 death, serious incapacitation, genuine retirement, redundancy, disability, serious ill-health or other limited exceptional circumstances. The Board, or its delegate, 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 connection with strategic business objectives (including in connection with the divestment or internalisation of Macquarie businesses) or when an employee resigns to fulfil a senior full-time role in a governmental organisation or agency. Where such discretion is exercised, the Board or its delegate may impose such other conditions as it considers appropriate.

4.6.1 Conditions of early release of retained profit share to departing Executive Directors

In addition to the Malus provisions set out in section 4.4, the Board or its delegate may reduce or eliminate in full the retained profit share of any departing Executive Director for whom discretion has been exercised to accelerate the vesting of their retained profit share upon termination, if it determines that the Executive Director has at any time during or after their employment committed a Malus Event (as described above) or:

a) taken staff to a competitor or been instrumental in causing staff to go to a competitor, or
b) joined a competitor.

Each of the above is a Post Employment Event. Other than in the case of death or serious incapacitation, 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 – one year	One year – 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	No Malus Event No Post Employment Event during First Period and no Post Employment Event (a) in Second Period	No Malus Event No Post Employment Event during First Period and no Post Employment Event (a) in Second Period

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the Board or its delegate 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.

The timing of release of retained profit share for departing MRTs will be delayed where required in order to comply with the release provisions of the Code.

For all employees (including MRTs) below Executive Director, retained unvested profit share is also usually forfeited upon termination of employment. However the Board, the BRC or its delegate may exercise discretion to release retained profit share on similar grounds to those set out in section 4.6 above provided, for those employees covered by the Malus Policy, no Malus Events have occurred during the employee's employment with Macquarie.

4.7 Profit share – non-deferred component

For MRTs(1), profit share that is not retained (upfront component) is delivered 50 per cent in cash and 50 per cent in Macquarie shares under the MEREP. The cash component is available immediately and the Macquarie shares are held for six months.

(1) Other than those who satisfy the de minimis conditions.

4.8 Other features of Macquarie's remuneration structure

Promotion awards

Staff who are promoted to Associate Director, Division Director or Executive Director receive an allocation of MEREP awards based on seniority set with reference to an Australian dollar value.

Minimum shareholding requirement

Executive Directors are required to hold a minimum amount of Macquarie shares which is satisfied by the requirements of the profit share retention policy.

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 Code staff:

Length of contract	Permanent open-ended
Remuneration review period	1 April to 31 March annually
Profit share participation	MRT staff are eligible to be considered for a profit share allocation that ensures that a large part of their remuneration is 'at risk'.
Termination of employment	Requires no more than four weeks' notice[15] by Macquarie or the Executive Committee member.

Pension policy

Macquarie's pension policies are in line with its business strategy, objectives, values and long-term interests.

Hiring remuneration

Macquarie has a policy document that outlines the treatment for all "hiring remuneration" (including guarantees, sign-on arrangements, stock buyouts / additional equity) to ensure that all relevant locations covered by the Code are compliant.

[15] Subject to compliance with local regulatory and legal requirements.

4.9 Statement of compliance with the Code

As a result of the policies and practices outlined in the document above, as required by SYSC 19A.3.12AR, we consider that we are compliant with the requirements of the Code.

5.0 Quantitative disclosures for senior managers and material risk takers

The following tables have been prepared in respect of the financial year ended 31 March 2016 and relate to senior managers and material risk takers in MBLLB, MBIL and MCEL only.

These disclosures reflect remuneration for services for the reporting period when the individual was a senior manager or material risk taker.

5.1 Total value of remuneration expenditure for MRTs for the financial year ended 31 March 2016

The following table sets out the total value of remuneration awarded to MRTs in respect of their performance for the financial year ended 31 March 2016.

GBP'000s	Aggregate remuneration expenditure[14]
Front office staff	57,640
Central functions	8,633
Total	**66,273**

Aggregate remuneration expenditure includes base salary, fixed pay allowances, annual profit share allocations (including the deferred component) awarded in respect of the 2016 financial year and any Director promotion or new Director equity awards.

5.2 Analysis of 2016 remuneration for MRTs split between fixed and variable remuneration

GBP'000s	Senior management[16]	Other staff	Total staff
Number of staff	**19**	**42**	**61**
Fixed remuneration	**13,057**	**17,646**	**30,703**
Variable remuneration	**16,955**	**18,615**	**35,570**
Total remuneration	**30,012**	**36,261**	**66,273**

16 Senior management is defined as those whose roles are judged as falling within the FCA/PRA definition.