MACQUARIE

Basel III Pillar 3 UK Annual Remuneration disclosures

March 2017

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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)[1] (together Macquarie UK) are UK regulated entities that form part of Macquarie Group Limited (Macquarie Group). MBLLB is a branch of Macquarie Bank Limited (MBL or Macquarie Bank).

The Boards of Macquarie UK's firms consider, approve and endorse major policies for their entity (including, on an annual basis, the Macquarie Group's *Remuneration Policy*) and, if appropriate, make recommendations to the relevant Macquarie Group 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 Group's remuneration arrangements.

The qualitative remuneration disclosures (sections 1 to 4) outline the remuneration framework consistent with Macquarie Group's *Remuneration Policy*. Macquarie Group'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 management and Material Risk Takers (MRTs) for the financial year ended 31 March 2017. MRTs are identified in accordance with the European Banking Authority's qualitative and quantitative criteria and include Senior Managers (as defined under the PRA's Senior Manager Certification Regime ('SMCR'), Risk Managers (staff under PRA regulation identified under specific MRT qualitative criteria) and other MRTs.

[1] MIRAEL's FY17 remuneration structures are in line with Macquarie Group policy as outlined in this document. Quantitative disclosures related to its MRTs under AIFMD Remuneration Code are separately disclosed in the relevant fund's annual report.

01 Remuneration governance

The Macquarie Group Limited Board (MGL Board) oversees Macquarie Group'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 Group'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 Group's remuneration policies and practices. Macquarie Group's subsidiary boards remain responsible for approving remuneration outcomes.

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

Board Remuneration Committee members

Michael Hawker	Chairman*
Gary Banks	Member
Gordon Cairns	Member
Diane Grady	Member
Peter Warne	Member**

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

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

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

MGL and MBL Board and Committee fees are reviewed annually. Per diem fees may also be paid from time to time for approved additional work. An internal review of NED remuneration was completed in FY2017. Following this review, the Boards determined that Board and Committee fees should remain unchanged.

The responsibilities of the BRC include reviewing the *Remuneration Policy* for compliance with legal and regulatory requirements and recommending it to the relevant 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.

The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the MGL Board. The Charter is available on the Macquarie Group's website at macquarie.com/leadership-corporate-governance. Some of the responsibilities include:

– recommending to the MGL Board the remuneration outcomes for all Executive KMP, Designated Executive Directors as well as 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 MGL Board for approval, and
– overseeing the process for the annual review by the MGL Board and the MBL Board of the CEOs and other Executive Committee member's performance.

The BRC reviews the *Remuneration Policy* at least annually and it was most recently approved by the MGL Board in February 2017. There were no material changes to the *Remuneration Policy* in FY2017.

The BRC has retained Pay Governance as its independent remuneration consultant, for the use of the MGL Board to obtain advice on the appropriateness of Macquarie Group'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, comparator organisations' overall approach to remuneration, the extent of alignment with shareholder interests and a comparison of individual remuneration for senior executives where relevant comparator information was available. In addition, the BRC independently analysed global remuneration and regulatory trends.

02 Remuneration design and structure

During the year, the MGL Board and the BRC have reviewed Macquarie Group's remuneration framework to ensure it continues to support its overarching objective of delivering superior company performance over the short and long-term, while prudently managing risk and reinforcing the *Code of conduct* and the long-held foundations of Macquarie Group's risk culture, the principles of *What We Stand For* – Opportunity, Accountability and Integrity.

In undertaking this assessment, the MGL Board and the BRC have considered factors including:

- the degree of alignment between staff and shareholders
- Macquarie Group'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 Group[2]
- the employment environment
- the evolving regulatory landscape
- market developments.

The Macquarie Group's remuneration framework 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 this objective, the Macquarie Group must attract, motivate and retain exceptional people, while aligning their interests with those of shareholders. They consider this is best achieved by supporting the principles set out in the chart below.

SUPERIOR COMPANY PERFORMANCE

Align interests of staff and shareholders | **Attract, motivate and retain high quality people**

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

- remunerating high performing staff appropriately, relative to global peers, so they are attracted to and stay with the Macquarie Group
- 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 the Macquarie Group's culture and promotes the Macquarie Group'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

CREATING A LONG-TERM FOCUS

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

The remuneration framework works as an integrated whole. For MRTs, remuneration comprises 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 relevant Board seeks to ensure that remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer (CRO) and Chief Financial Officer (CFO), preserves the independence of the function and maintains Macquarie Group'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 Committee that remuneration for these staff is determined in a way that preserves the independence of the function and maintains Macquarie Group's robust risk management framework. As part of the annual remuneration review, the MGL Board reviews and approves, on BRC recommendation, the individual remuneration recommendations for senior risk and financial control staff.

03 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 relevant Board that promote appropriate remuneration policies and practices for Macquarie consistent with Macquarie Group's risk management framework. Macquarie Group'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 Group's risk appetite and risk-adjusted performance metrics for each division are a significant input into performance-based remuneration.

The MGL 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*.

The MGL Board and the BRC take risk and behavioural matters very seriously. There are consistent and transparent practices in place for managing non-compliance with Macquarie Group's policies and to ensure that staff behaviour is aligned with the *Code of conduct* and *What We Stand For*. There are robust processes in place to ensure that these matters are appropriately considered when assessing performance and determining remuneration outcomes.

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 MGL Board or its delegate has had the ability to reduce or eliminate unvested profit share for certain senior employees in certain circumstances under Macquarie Group'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 MGL Board or BRC (under delegation from the MGL Board) may also recover part or all of any vested profit share awards made in the previous seven years under Macquarie Group's clawback policy, as detailed in section 4.5 below.

04 Linking performance and remuneration

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

Macquarie Group's remuneration structure emphasises performance-based remuneration, with an appropriate balance between short and long-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 Group'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 Group's after tax profits and its earnings over and above the estimated cost of capital.

The MGL Board has the discretion to adjust the profit share pool up or down to reflect internal and external factors if deemed in the interests of Macquarie Group and its 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, capital and funding usage, risk management and compliance, market developments and the employment environment.

More specifically, the MGL Board has strong processes for making remuneration decisions for senior staff. As part of this process, the NEDs meet with the Macquarie Group's CEO towards the end of each financial year to consider formal documentation that outlines his views on the Macquarie Group's performance. This includes a wide broad range of Macquarie Group'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 MGL 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 MGL 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 MGL 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 MGL Board make decisions about remuneration.

Performance-based remuneration is delivered in ways that encourage a long-term perspective and ensure alignment with shareholders' long-term interests and staff retention. In turn, this encourages staff to maximise net profit after tax (NPAT) and return on ordinary equity (ROE) without exposing Macquarie Group 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 a combination of Macquarie equity and Macquarie-managed fund equity (section 4.2)
- subject to forfeiture in certain circumstances (section 4.4 and section 4.5).

04 Linking performance and remuneration
continued

4.1 Profit share retention levels

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

The percentage retained is set according to the scope and nature of an individual's role and responsibilities and any applicable regulatory requirements. For individuals identified as MRTs under the Code, retention levels are the higher of those required by the regulation or the Macquarie policy.

Standard retention rates by role for FY2017

Role	%
CEO Macquarie Group	80
CEO Macquarie Bank	60
Other Executive Committee members	60 – 70
Designated Executive Directors*	50 – 60
Other Executive Directors	40 – 60
Staff other than Executive Directors	25 – 60**

* Executive Directors who have a significant management or risk responsibility in the organisation.

** Above certain monetary thresholds.

The MGL Board has discretion to change the remuneration arrangements on an annual basis to meet changing market conditions as well as to comply with regulatory and corporate governance developments. This includes changes to profit share retention levels provided that the retention percentage is at least 30% for Executive Directors. During FY2017, the retention levels for certain Executive Committee members were increased to further strengthen shareholder alignment.

4.2 Investment of retained profit share

An individuals' retained profit share is invested in a combination of MGL ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP)[3] and Macquarie-managed fund equity notionally invested under the Post-2009 Director's Profit Share (DPS) Plan[4]. The following table shows the current percentage allocation of retained profit share that is invested in these two plans for Executive Directors' which is dependent on their role.

[3] 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 MGL ordinary shares 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.

[4] 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.

Role	Post-2009 DPS Plan (Macquarie-managed fund equity) %	MEREP (Macquarie shares) %
CEO MGL and CEO MBL	10	90
Executive Committee members with Funds responsibilities	50	50
Other Executive Committee members	10 – 20	80 – 90
Executive Directors with Funds responsibilities	50 – 75	25 – 50
Other Executive Directors[5]	10 – 20	80 – 90

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

Both the MEREP and the DPS Plan are fundamental tools in Macquarie Group'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 profit share

Whilst employed, retained profit share vests over a period that reflects the scope and nature of an individual's role and responsibilities. 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. For each year's allocation, once the vesting period has been determined it will remain fixed for that allocation. The following table shows the current release schedule for retained profit share invested in the Post-2009 DPS Plan and the MEREP.

Role	Release schedule
Executive Committee Members (including the CEOs of MGL and MBL), Designated Executive Directors[6]	one-fifth in each of years 3–7
Other Executive Directors	one-third in each of years 3–5
Staff other than Executive Directors[7]	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 MGL shares to MRTs under the Code, which is released six months post vesting.

[5] For Executive Directors who are MRTs under the Code (but not Senior Managers under the PRA SMCR), 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 such MRTs is invested in Macquarie equity.

[6] For Designated Executive Directors and other Executive Directors who are MRTs under the Code (but not Senior Managers under the PRA SMCR), 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.

[7] For MRTs under the Code (other than those who satisfy de minimis conditions), the minimum release schedules are as follow: Senior Managers in years three to seven, Risk Managers in years one to five and for other MRTs, in years one to four (years one to five for other MRTs who are Executive Directors).

04 Linking performance and remuneration
continued

4.4 Forfeiture of retained profit share (Malus)

Since 2012, the MGL 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 MGL 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 Group
- acted or failed to act in a way that contributed to the Macquarie Group, Macquarie Bank or any Operating Group within the Macquarie Group 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 MGL 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.

Each of the above is a Malus Event.

Macquarie Group 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, the MGL Board or the BRC (under delegation from the MGL 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 Group 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 Group; or
- failed to meet appropriate standards of fitness and propriety.

For a Senior Manager, the MGL Board or the BRC may, in its absolute discretion extend the seven-year period to ten years, where:

- Macquarie Group has commenced an investigation into facts or events which it considers could potentially lead to the application of clawback after the expiry of the seven-year period; or
- Macquarie Group has notified by a regulatory authority (including an overseas regulatory authority) that an investigation has commenced into facts or events which the MGL Board/BRC considers could potentially lead to application of clawback following the expiry of the seven-year period.

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 MGL 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 Group businesses) or when an employee resigns to fulfil a public service role in a governmental organisation or agency. Where such discretion is exercised, the MGL 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 MGL 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:

1. taken staff to a competitor or been instrumental in causing staff to go to a competitor, or
2. joined a competitor.

Each of the above is a Post Employment Event.

In the case of death or serious incapacitation, the MGL Board or its delegate 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	No Malus Event or Post Employment Event during First Period, and No Malus Event or Post Employment Event (a) in Second Period	No Malus Event or Post Employment Event during First Period, and No Malus Event or Post Employment Event (a) in Second Period, and No Malus Event during the Third Period

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the MGL 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 MGL 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 Group.

04 Linking performance and remuneration
continued

4.7 Profit share – non-deferred component

For MRTs[8], profit share that is not retained (upfront component) is delivered 50 per cent in cash and 50 per cent in MGL ordinary shares under the MEREP. The cash component is available immediately and the MGL ordinary shares are held for six months.

4.8 Other features of Macquarie Group'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 relevant interest in MGL ordinary shares which have a value equal to 5% of an Executive Director's aggregate profit share allocations for each of the past five years, which can satisfied by the requirements of the profit share retention policy.

Hedging

Macquarie Group 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 MRTs:

Length of contract	Permanent open-ended
Remuneration review period	1 April to 31 March annually
Profit share participation	MRTs 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 by Macquarie or the MRT

Pension policy

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

Hiring remuneration

Macquarie Group 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.

4.9 Statement of compliance with the Code

As a result of the policies and practices outlined in the document above, as required by SYSC19D.3.13R, we consider that we are compliant with the requirements of the Code.

[8] Other than those who satisfy the de minimis conditions

05 Quantitative disclosures for MRTs

The following tables have been prepared in respect of the financial year ended 31 March 2017 and relate to senior management and MRTs in MBLLB, MBIL and MCEL only.

These disclosures reflect remuneration for services for the reporting period when the individual was a senior management or MRT.

5.1 Total Value of Remuneration Expenditure for MRTs for the Financial Year Ended 31 March 2017

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 2017.

GBP'000s	Aggregate remuneration expenditure*
Front office staff	73,816
Central functions	10,963
Total	**84,779**

* Aggregate remuneration expenditure includes base salary, fixed pay allowances, annual profit share allocations (including the deferred component) awarded in respect of the 2017 financial year and any Director promotion or new Director equity awards.

5.2 Analysis of 2017 Remuneration for MRTs split between fixed and variable remuneration

GBP'000s	Senior management*	Other staff	Total staff
Number of staff	21	46	67
Remuneration			
– Fixed remuneration	13,792	24,553	38,345
– Variable remuneration	20,341	26,093	46,434
Total remuneration	**34,133**	**50,646**	**84,779**

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