Macquarie Investment Management Limited

Executive Officers’ Remuneration Disclosure

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Disclosure Table A: Remuneration disclosures for Executive Officers (excluding Non-Executive Directors) for the financial years ending 31 March 2018 and 31 March 2019

Macquarie Investment Management Limited (“MIML”) is a wholly owned subsidiary of Macquarie Bank Limited (“MBL”) and is part of the Macquarie Group (“Macquarie Group” or “the Group”). MIML’s operations encompass a broad range of financial product and service offerings, including acting as a Registrable Superannuation Entity Licensee (“RSE Licensee”) for three Registrable Superannuation Entities (“RSE”). The Executive Officers of MIML identified for the purposes of these disclosures, have roles within the Group, which comprise activities broader than superannuation-related activities within MIML and indeed broader than the business operations of MIML.

The remuneration disclosures below for MIML Executive Officers relate to the proportion of each Executive Officer’s role, as it relates to their involvement with MIML, in its capacity as an RSE Licensee. This is a time-based apportionment, the allocation of which varies for each Executive Officer, depending on the nature and mix of their role within the Group. For those Executive Officers not directly involved with superannuation related activities, the allocation will be shown as nil.

The commentary below the disclosure table sets out:

– Macquarie’s approach to determining remuneration outcomes
– Risk considerations and consequence management
– Standard profit share arrangements
– Employment contract details.

		Short-term Employee Benefits			Long-term Employee Benefits			Share-based Payments	
		Salary (including superannuation)[1]	Performance-related remuneration[2]	Total short-term employee benefits	Restricted profit share[3]	Earnings on prior year restricted profit share[4]	Total long-term employee benefits	Equity awards (including shares[5])	Total remuneration
Name	**Year**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
S. Asplin	**2019**	**152,550**	**129,310**	**281,860**	**-**	**-**	**-**	**34,284**	**316,144**
	2018	122,815	98,457	221,272	-	-	-	25,171	246,443
S. de Broglio[6]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	-	-	-	-	-	-	-	-
J. Brown[7]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	46,214	11,066	57,280	-	-	-	1,690	58,970
R. Cartwright	**2019**	**7,949**	**4,085**	**12,034**	**444**	**79**	**523**	**360**	**12,917**
	2018	6,622	4,231	10,853	547	82	629	354	11,836
C. Dunn	**2019**	**156,089**	**88,102**	**244,191**	**-**	**-**	**-**	**18,725**	**262,916**
	2018	161,248	88,777	250,025	-	-	-	18,754	268,779
C. Garrett	**2019**	**149,672**	**179,045**	**328,717**	**23,873**	**1,200**	**25,073**	**90,349**	**444,139**
	2018	119,274	153,365	272,639	20,449	-	20,449	64,398	357,486
O. King	**2019**	**21,968**	**11,842**	**33,810**	**-**	**-**	**-**	**2,081**	**35,891**
	2018	21,773	11,834	33,607	-	-	-	1,806	35,413
T. Langshaw	**2019**	**62,225**	**38,793**	**101,018**	**-**	**-**	**-**	**8,527**	**109,545**
	2018	60,685	35,537	96,222	-	-	-	7,520	103,742
B. Lewthwaite[8]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	-	-	-	-	-	-	-	-
M. Oliver	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	-	-	-	-	-	-	-	**-**
J. Priest[9]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	8,719	2,798	11,517	-	-	-	254	11,771
R. Rasker[10]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	112,109	-	112,109	-	-	-	(21,923)	90,186

		Short-term Employee Benefits			Long-term Employee Benefits			Share-based Payments	
		Salary (including superannuation)[1]	Performance-related remuneration[2]	Total short-term employee benefits	Restricted profit share[3]	Earnings on prior year restricted profit share[4]	Total long-term employee benefits	Equity Awards (including shares[5])	Total remuneration
Name	Year	$	$	$	$	$	$	$	$
A. Wood[11]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	52,401	30,337	82,738	-	-	-	8,724	91,462
K. Person[12]	**2019**	**33,964**	**6,395**	**40,359**	**-**	**-**	**-**	**1,207**	**41,566**
	2018	-	-	-	-	-	-	-	**-**

1 Includes superannuation and an accrual for long service leave

2 The cash portion of each individual's profit share allocation for the reporting period when they were an Executive Officer of MIML.

3 The amount of retained profit share which is deferred to future periods and held as a notional investment in Macquarie managed-funds.

4 The earnings on profit share which was retained in prior years and notionally invested in Macquarie-managed funds.

5 The current year amortisation for retained profit share which is invested in Macquarie Group shares under the Macquarie Group Employee Retained Equity Plan (MEREP). Whilst MEREP awards in respect of the current year's performance will be granted in the following financial year, Macquarie Group begins recognising an expense from 1 April of the current financial year related to these future grants. The expense is estimated using the Macquarie Group share price as at 31 March 2019. In the following financial year, Macquarie Group will adjust the accumulated expense recognised for the final determination of fair value for each MEREP award when granted and will use this valuation for recognising the expense over the remaining vesting period.

6 S. de Broglio ceased to be an Executive Officer of MIML on 12 May 2017.

7 J. Brown was appointed an Executive Officer of MIML on 12 May 2017 and ceased to be an Executive Officer of MIML on 16 November 2017.

8 B. Lewthwaite ceased to be an Executive Officer of MIML on 15 March 2018.

9 J. Priest was appointed an Executive Officer of MIML on 16 November 2017 and ceased to be an Executive Officer of MIML on 1 April 2018.

10 R. Rasker ceased to be an Executive Officer of MIML on 2 March 2018.

11 A. Wood ceased to be an Executive Officer of MIML on 15 May 2018.

12 K. Person was appointed an Executive Officer of MIML on 1 April 2018.

Macquarie's approach to determining remuneration outcomes

Macquarie Group'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*.

Macquarie Group's remuneration framework works as an integrated whole. An individual's remuneration comprises fixed remuneration and profit share. The table below provides an overview of these components.

FIXED REMUNERATION	
Fixed	– Reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements.
PERFORMANCE-BASED REMUNERATION	

Profit share	The company-wide profit share pool is determined through a bottom-up assessment at both the business group and individual level:
	Business groups
	– Reflects each business' contribution to company-wide profits taking into account liquidity, capital and funding usage
	– For support 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 or compliance matters
	– Also considers overall remuneration levels in the market in which each business operates.
	Individuals
	– 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.
	Company-wide profit share pool
	– Is an aggregate of the bottom-up assessment conducted at both the business and individual level
	– Is assessed for overall reasonableness, including consideration of:
	    – an internal reference based on Macquarie Group'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 Macquarie Board ("MGL 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
	– The Chief Financial Officer (CFO) confirms that payment of the profit share pool would not result in elimination of capital surpluses.

Remuneration and Risk

Risk Culture

A sound risk culture has been integral to Macquarie Group's risk management framework since inception. Staff are made aware that Macquarie's *What We Stand For* principles of Opportunity, Accountability and Integrity must form the basis of all behaviours and actions. These behavioural expectations are outlined in the MGL Board approved *Code of Conduct*, which is actively promoted by Management and cascaded through the organisation.

Alignment of remuneration with prudent risk taking

The MIML 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.* In addition, the remuneration framework is characterised by significant retention and long deferral periods, which enable risk outcomes to be taken into account over long periods.

The MIML Board and the Board Remuneration Committee ("BRC") continue to take risk and conduct matters very seriously. There are robust processes in place to ensure that risk, reputation and conduct-related matters, as well as financial losses and impairments, and other breaches of the risk management framework are specifically considered when assessing performance and 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 Group are considered, including if there has been a detriment to customers.

To assist the MGL Board and the BRC:

- The MGL Board receives regular reports to assist Board members in assessing the Macquarie Group's risk culture as well as through personal observation including visits to Macquarie Group's overseas offices
- the Chief Risk Officer (CRO) provides the BRC with an independent annual report detailing significant regulatory and legal matters, significant compliance and operational incidents, material losses, internal audit issues and other non-financial risk matters. In addition, the report details 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 have been appropriately reflected in remuneration outcomes for relevant staff and provides a report to the BRC detailing 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 Group operates a robust consequence management process whereby incidents, breaches of policy and misconduct are regularly reported to senior management. The Macquarie Group's Consequence Management Guideline applies wherever a breach of internal policy, including the *Code of Conduct*, or regulatory requirement is identified. Consequences may include requirements to undergo further training, removal of delegated authorities or permissions, adjustments to performance-based remuneration, impact on promotion, formal warnings or termination.

In any given year, each of these different types of consequences may be imposed on individuals working for the Macquarie Group. The most serious consequences are formal warnings and terminations. Where an employee has received a formal warning, in most cases the discretionary component of their remuneration will be impacted and in some cases the outcome is that no profit share allocation is made. 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. In the event that an individual's employment is terminated due to a compliance or conduct concern (or they resign), the Macquarie Group's standard policy would apply, whereby retained and unvested remuneration is forfeited.

To assist the MGL 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 collated from various sources and 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.

Standard profit share arrangements

Retention levels, investment of retained profit share and vesting periods

The Macquarie Group retains a percentage of certain individuals' annual profit share allocation (retained profit share) which is invested in a combination of MGL ordinary shares under the MEREP and Macquarie-managed fund equity notionally invested under the Director's Profit Share (DPS) Plan[13]. Whilst 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. Retention and vesting arrangements are determined by the 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.

The following table summarises the standard retention and vesting arrangements applicable for FY2019.

Executive Officer Role	Available profit share (%)[14]	Profit share retention (%)	Retained profit share investment		Vesting and release of profit share
			MEREP (MGL ordinary shares) %	**DPS Plan** (Macquarie-managed fund equity) %	
Other Executive Directors[15]	40 – 60	40 – 60	80 – 90	10 – 20	One-third in each of years 3 – 5
Executive Officers with Funds responsibilities	40 – 60	40 – 60	25 – 50	50 – 75	One-third in each of years 3 – 5
Staff other than Executive Directors	40 – 75	25 – 60[16]	100[17]	0[17]	One-third in each of years 2 – 4

The MGL 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 Executive Directors.

In addition to the arrangements set out in the table above, 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

– 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.

Retained profit share delivered as Macquarie equity

A significant portion of an Executive Officer's retained profit share is invested in Macquarie equity, delivered as Restricted Share Units (RSUs). RSUs are granted in the financial year following the year of the performance to which the grant relates. For example, RSUs granted in June 2019 relate to the Executive Officers' performance in the 2019 financial year. During the financial year ended 31 March 2019, RSUs were granted on 24 June 2019.

Retained profit share is subject to forfeiture upon leaving Macquarie Group, except in limited circumstances, such as retirement from Macquarie, redundancy, death, disability, illness or other limited exceptional circumstances. No awards were forfeited during the year.

The value of the grants at vesting could vary significantly as they are dependent on the Macquarie Group Limited share price at the time of vesting.

13 Both the MEREP and DPS Plan are fundamental tools in the Macquarie Group'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 MGL ordinary shares held in a trust for the staff member (Restricted Share Units or RSUs).
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.

14 Available profit share is delivered in cash.

15 References to Executive Director in this document refer to Executive Director as a career title within the Macquarie Group.

16 Above certain monetary thresholds.

17 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.

Retained profit share notionally invested in Macquarie-managed funds

Retained profit share notionally invested in Macquarie-managed fund equity is delivered through a plan that comprises exposure to a notional portfolio of Macquarie-managed funds. Any such retained amounts for Executive Officers are notionally invested over the retention period. This investment is described as 'notional' because employees 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 employees an effective economic exposure to the performance of the securities.

Notional returns may be paid annually to employees. 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.

Retained profit share is notionally invested on 1 July of the financial year following the year of the performance to which profit share allocation relates.

No awards were forfeited during the current financial year.

The value of the notional investments at vesting could vary significantly as they are dependent on the value of the underlying securities at the time of vesting.

Forfeiture of retained profit share (Malus)

Since 2012, the Macquarie 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 Macquarie Board or its delegate with the ability to reduce or eliminate in full, the unvested profit share awarded in respect of FY2015 onwards to certain senior employees if it 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 the Macquarie Group
- acted or failed to act in a way that contributed to the Macquarie Group, Macquarie Bank or any Operating Group within Macquarie Group 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 MGL or MBL making a material financial restatement.

Each of the above is a Malus Event.

The 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.

Early vesting and release of retained profit share

Unvested retained profit share for an Executive Officer who is also an Executive Director is only paid out on termination of employment in the case of retirement from the Macquarie Group, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances. The Macquarie 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 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 Macquarie Board may impose such other conditions as it considers appropriate.

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

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

a) taken staff to a competitor of the Macquarie Group or been instrumental in causing staff to go to a competitor, or

b) joined a competitor of the Macquarie Group or otherwise participated in a business that competes with the Macquarie Group.

Each of the above is a Post Employment Event.

In the case of death or serious incapacitation, the Macquarie 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 as set out on the previous page or Post Employment Event as set out above	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 the Macquarie Group	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 and/or 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.

Employment contract details

The following table summarises key features of the employment contracts for Executive Officers who are part of management:

Length of contract	Permanent open-ended
Remuneration review period	1 April to 31 March annually
Fixed remuneration	Fixed remuneration is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements
Profit share participation	Executive Officers are eligible to be considered for a profit share allocation as set out above
Termination of employment	Requires no more than four weeks' notice[18] by Macquarie Group or the Executive Officer

18 Subject to compliance with local regulatory and legal requirements. In Australia, Executive Officers given notice by the Macquarie Group 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.

Disclosure Table B: Non-Executive Directors' remuneration for the financial years ending 31 March 2018 and 31 March 2019

To reflect the nature of the MIML Board's role, the remuneration arrangements applicable to MIML's Non-Executive Directors differ to those of the Executive Officers in Disclosure Table A. Non-Executive Directors are remunerated via Board and Committee fees, which are paid quarterly. The MIML Board fees and Committee memberships have been set taking into account a number of factors, including market rates, complexity of the business and level of experience of the Non-Executive Directors. Fees are reviewed using comparisons against like competitors and other market information.

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

The remuneration disclosures below reflect the proportion of MIML fees received by the Non-Executive Directors, as it relates to their involvement with MIML, in its capacity as an RSE Licensee. This is on a time-based apportionment.

Name	Year	Directors Fees[19] $
C. Aston[20]	**2019**	**79,052**
	2018	**21,781**
H. Brown[21]	**2019**	**-**
	2018	**91,086**
M. Davis[22]	**2019**	**85,257**
	2018	**73,321**
J. Edstein[23]	**2019**	**105,733**
	2018	**83,590**
I. Miller	**2019**	**85,505**
	2018	**76,716**

19 Includes Board fees and Committee fees where relevant, including the Board Audit, Risk and Compliance Committee (BARCC) and the Superannuation IDPS and Investment Committee (SIIC).

20 C. Aston was appointed to the MIML Board as a Non-Executive Director effective 12 December 2017.

21 H. Brown resigned from the MIML Board effective 15 March 2018.

22 M. Davis was appointed as Chair of the SIIC effective 16 November 2017.

23 J. Edstein was appointed as Chair of the MIML Board effective 16 November 2017.