



MACQUARIE

# Defining our ESG focus

Our ESG approach is structured around focus areas considered to be material to our business. Building on our *Code of conduct* and *What We Stand For*, these focus areas reflect the risks and opportunities identified by the business and the issues of interest to our stakeholders.

We routinely review these focus areas through desk based research, market benchmarking, analysis of investor and client engagement and interviews with a range of internal stakeholders across the business.

In FY2018 we updated these priorities to reflect areas that are most important to our stakeholders both internally and externally.

Focus area	Why important?	How we manage these areas
<b>Integration of ES risk factors in investment decision-making</b>	<p>Environmental and social risks have the potential to affect our business, the environment and the communities in which we operate. Failure to manage these risks may have commercial, regulatory and reputational impacts and affect communities and other stakeholders. Identifying and addressing the environmental and social aspects of our business activities is an integral part of our risk management framework.</p> <p>As a global business, we have a role to play in promoting respect for human rights in our business activities and operations. Macquarie supports fundamental human rights as set out in the Universal Declaration of Human Rights and core International Labour Organisation Conventions and manages human rights-related issues through the risk management framework.</p>	Managing ES risk
<b>Climate change</b>	<p>Climate change presents significant challenges for society. Government, business, investors and the wider community will be affected and have a role to play in addressing this challenge and supporting a transition to a low-carbon economy.</p> <p>Climate-related risks are identified and assessed through our risk management framework. Macquarie uses its expertise to identify and deliver opportunities that support the transition to a low carbon economy.</p>	Managing ES risk Investments, markets and products
<b>Systemic risk management</b>	<p>Strong independent, prudential risk management has been a key to our success and stability over many years. Where risk is assumed, it is within a calculated and controlled framework that assigns clear risk roles and responsibilities. We recognise that a sound risk culture is a fundamental requirement of an effective risk management framework. The long-held foundations of our risk culture are the principles of <i>What We Stand For – Opportunity, Accountability and Integrity</i>. Staff are made aware that these principles are expected to form the basis of all day-to-day behaviours and actions.</p> <p>Our risk management framework is embedded across all operating and support groups and divisions. It incorporates active management and monitoring of many different types of risk including credit, cyber, environmental and social (including climate change), equity, legal, liquidity, market, model, operational, regulatory and compliance, conduct, reputation and tax risks. It also includes risk culture and conduct risk management frameworks. Macquarie's core risk management principles are:</p> <ul style="list-style-type: none"> <li>• Ownership of risk at the business level</li> <li>• Understanding worst case outcomes</li> <li>• Requirement for an independent sign-off by risk management</li> </ul> <p>Our stakeholders rely on our strong track record of risk management and expect this to be a key focus in all our business dealings.</p>	Managing ES risk Business conduct and ethics

Focus area	Why important?	How we manage these areas
<b>Management of legal and regulatory environment</b>	As a global financial services provider we operate in a highly regulated environment. We are committed to conducting our business in accordance with all applicable laws and regulations and in a way that enhances our reputation in the market and supports local regulators in achieving their objectives. A failure to manage legal and regulatory risks can have a material impact on our clients and the markets in which we operate, and on our business and reputation.	Managing ES risk Business conduct and ethics
<b>Risk culture and conduct</b>	<p>We promote a risk culture of high integrity and hold ourselves accountable for our individual and organisational behaviours. A sound risk culture has been integral to Macquarie's risk management framework since inception.</p> <p>We are in business to be profitable but it is the way we do business that defines us. We recognise that the trust and confidence of our stakeholders are critical to our long-term success.</p> <p>We place a strong emphasis on ethics and our approach is integrated into how we manage our responsibilities and conduct ourselves and our business every day.</p>	Business conduct and ethics
<b>Transparent information and fair advice and dealing</b>	<p>Our clients, shareholders and investors rely on the information we provide to them to make an informed decision about a Macquarie product or service and expect this information to accurately and fairly describe the product or service. We seek to ensure that the information or advice we provide and the way in which we deal with our stakeholders is accurate, appropriate and fair. Our offer documents are subject to a robust due diligence process so that the level of disclosure made in our offer documents enables investors to make an informed investment decision, having regard to the nature of investors, market practice, and legal and regulatory requirements. We recognise that regulators globally are focusing on risk culture and conduct risk, including the responsible marketing of products.</p> <p>We are committed to ensuring that our products are marketed appropriately and that our clients are treated fairly. We have implemented policies and procedures to ensure that consumer complaints are handled in an appropriate and time efficient manner and agreements do not contain provisions that may be considered abusive or unfair. We have a Customer Advocate responsible for the review of actual and potential customer outcomes.</p>	Business conduct and ethics
<b>Pursuing investments markets and products with an ESG focus</b>	<p>In response to market opportunities and client needs, we facilitate and pursue investments, markets and products with an ESG focus. Through our business relationships we play a role in developing and promoting sustainable products and businesses across the globe.</p> <p>We support our clients, providing expertise and financial capital to assist them to respond to and capitalise on ESG related opportunities including renewable energy, clean technology and social infrastructure.</p>	Investments, markets and products
<b>Responsible ownership</b>	<p>Our business relies on building and maintaining trusted, enduring relationships with our investors, clients, partners, communities and other stakeholders.</p> <p>In meeting the responsibilities that come with owning and managing public assets, we seek to manage our investments and managed funds' portfolio companies for sustainable, long term success. We invest our knowledge, experience and resources both to encourage these businesses to improve the management of environmental, social and governance issues and to support operational growth.</p>	Business conduct and ethics Managing ES risk
<b>Diversity and inclusion</b>	<p>As a company that operates globally, valuing diversity in our people is fundamental to our success. Our broad range of experiences, skills and views is a key strength and critical to the delivery of a wide variety of services to our clients across the globe, as well as understanding the communities in which we operate. The diversity of our people encourages original thinking and the entrepreneurial drive for which our business is known. At Macquarie, we harness the strength of our diversity through inclusion. Inclusion gives us the power to leverage our differences to achieve our goals, and is reflected in Macquarie's culture, practices, programs and policies.</p> <p>Our ongoing commitment to workforce diversity and inclusion ensures we remain innovative, sustainable and continue to meet the evolving needs of our clients.</p>	People and workplace

Focus area	Why important?	How we manage these areas
<b>Workplace health and safety and wellbeing</b>	<p>Every worker has the right to a safe working environment and it is our responsibility to ensure that all our employees are provided with a workplace free from illness and injury. At Macquarie, we recognise the positive impact healthy employees have on business performance and seek to provide environments that allow our people to thrive and achieve their full potential. This extends beyond professional development to the personal wellbeing of employees, incorporating psychological and physical health. We provide initiatives that promote and empower employees to own their health and wellbeing.</p>	People and workplace
<b>Remuneration</b>	<p>Macquarie's long-standing remuneration framework continues to support the overarching objective of delivering superior company performance over the short and long term, while prudently managing risk. We seek to attract, motivate and retain exceptional people, while aligning their interests with those of our shareholders. Our remuneration structure emphasises performance based remuneration, with an appropriate balance of short and longer term incentives, and an alignment with prudent risk-taking and reinforcing <i>What We Stand For</i>.</p> <p>Our remuneration report provides further information on Macquarie's remuneration framework and governance structure, reflecting the areas of interest to our stakeholders.</p>	People and workplace
<b>Operational management of sustainability issues</b>	<p>We recognise managing our operations efficiently and sustainably aligns with the expectations of our stakeholders and contributes to creating workplaces that support the health and wellbeing of our people.</p> <p>We actively measure and monitor key metrics of our environmental footprint and strive for continuous improvement in our direct operations.</p> <p>Macquarie's suppliers are critical to our business success. We seek the delivery of high quality goods and services and we are committed to ensuring high standards of environmental, social and governance performance across our supply chain.</p>	Sustainability in direct operations