

# Environmental and Social Risk Policy



MACQUARIE

## ESR Policy Summary

Macquarie recognises the importance of identifying, assessing and managing material environmental and social risks as an integral part of conducting business.

Macquarie's group-wide Environmental and Social Risk Policy (ESR Policy) provides a robust framework for embedding environmental and social risk management into investment decision making.

### What is the ESR policy?

The ESR Policy establishes processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks across the business. The policy details requirements for client on-boarding and a broad range of transactions including equity investments, financing, leasing and advisory mandates.

Environmental and social risk areas covered by the ESR Policy include labour and employment practices, human rights, resource efficiency, pollution prevention, biodiversity and cultural heritage. The policy is based on international guidelines including the International Finance Corporation Performance Standards.

### The ESR policy includes:

- Screening new clients for material environmental and social risks
- Assessment, categorisation, mitigation and management of environmental and social risks in new transactions, investments and products
- Due diligence requirements guided by Macquarie's Environmental and Social Risk Assessment Tool
- Escalated decision-making and approval processes, alongside the credit approval process, for material environmental and social risks. Transactions may be reviewed by Macquarie's Chief Risk Officer, Executive Committee or Macquarie Board
- Identification and compliance with all applicable environmental and social laws and regulations
- Monitoring and reporting requirements.

### Business application

The ESR Policy is applicable to the Macquarie Group. Macquarie businesses are required to maintain business-specific due diligence and approval processes consistent with the group-wide ESR Policy.

Fund asset investments are reviewed for environmental and social risks as part of their investment process.

Businesses with direct and indirect equity interests in operating businesses are also required to have, at a minimum, a procedure to manage and report on environmental risks and escalate and report on environmental incidents.

### Governance and reporting

Aligned with Macquarie's risk management approach, the Risk Management Group (RMG) provides oversight of ESR Policy operation and compliance. Within RMG, the Environmental and Social Risk Team provides specialist advice and support on the ESR Policy application and is responsible for reporting to the Macquarie Group Board.

## Human rights approach

Macquarie supports fundamental human rights as set out in the Universal Declaration of Human Rights and core ILO Conventions. Macquarie recognises the duty of States to protect human rights and the responsibility of businesses to respect human rights. These include rights related to:

- Non-discrimination and equal opportunity
- Child labour, forced and compulsory labour
- Freedom of association and collective bargaining

- Community health, safety and security practices
- Indigenous peoples and other vulnerable groups

Macquarie is committed to conducting its business in accordance with all applicable laws and regulations and in a way that enhances our reputation in the market. Where local legislation conflicts with the principles and processes described in this policy, Macquarie will comply with the law, while also seeking ways to uphold human rights principles within its sphere of influence.

### **Managing human rights risk**

Macquarie endeavours to identify and mitigate potential and actual human rights impacts resulting from its business activities and the relationships connected to those activities.

To this end, Macquarie has a framework of policies and processes including:

- Reporting processes to enable governance of environmental and social risk by the Board Governance and Compliance Committee
- A due diligence approach to identify and manage human rights risks in investment decision making and in the screening of new client relationships, comprising:
  - Identifying and understanding risks
  - Conducting impact assessments where appropriate
  - Implementing and monitoring mitigation plans
- Processes enabling stakeholders to raise concerns with Macquarie, including human rights concerns. Concerns can be submitted via the complaints handling process on the Macquarie website.