

MACQUARIE SECURITIES KOREA LIMITED SUSTAINABILITY REPORT

SUMMARY [GRI 102-1, 102-11](#)

Macquarie Securities Korea Limited (MSKL), is part of Macquarie Group Limited (MGL), applies Macquarie Group policies including its Code of Conduct, risk management framework, human resources policies while its activities are also subject to supervision by Korean regulatory agencies.

This MSKL's sustainability report has highlighted Korea specific activities but does not describe repeatedly the Macquarie Group Limited policies that MSKL follows. These are described in the MGL Annual Report. Please refer MGL's annual report which describes detailed information for overall MGL group's activities including its management of environmental, social and governance (ESG) risks through a well-established framework of ESG (sustainability) related policies and activities.

Macquarie has used the Global Reporting Initiative (GRI) Standard sustainability reporting guidelines to guide its ESG disclosures. Macquarie's ESG disclosures comprise relevant sections of Macquarie's 2019 Annual Report (AR in table) and Macquarie's website.

MSKL INTRODUCTION [GRI 102-2-8, 102-10, 102-11](#)

- Established in subsidiary form in February 2006 after acquisition of ING Securities Seoul Branch in 2004
- Provides a range of services including corporate finance, advisory and fund sales, equity sales and research, capital markets and fundraising
- Research coverage of over 80 local listed stocks
- Provides brokerage services over equities related products including research reports provision of locally listed corporate in the various sectors to the institutional clients
- Located in 3rd Floor, Hanwha Building, 109 Sogong-ro, Jung-gu, Seoul 04525, Korea
- Staff is 70 by end of March 2019 (Same in 2018)

BOARD GOVERNANCE GRI 102-18

The Board of Directors, a high decision-making body of MSKL, consists of three (3) inhouse directors and meets on a quarterly basis to receive regular updates from each business department and supporting function, discuss and consider material matters of the company, with attendance of one (1) standing statutory auditor, and also meets on an ad-hoc basis as appropriate. The Board of Directors of MSKL have been trying to promote the long-term interests of the company as well as Macquarie and performing its duties faithfully for best interests of the company in accordance with the Articles of Incorporation, Board Charter and applicable laws/regulations.

Directors and Statutory Auditor

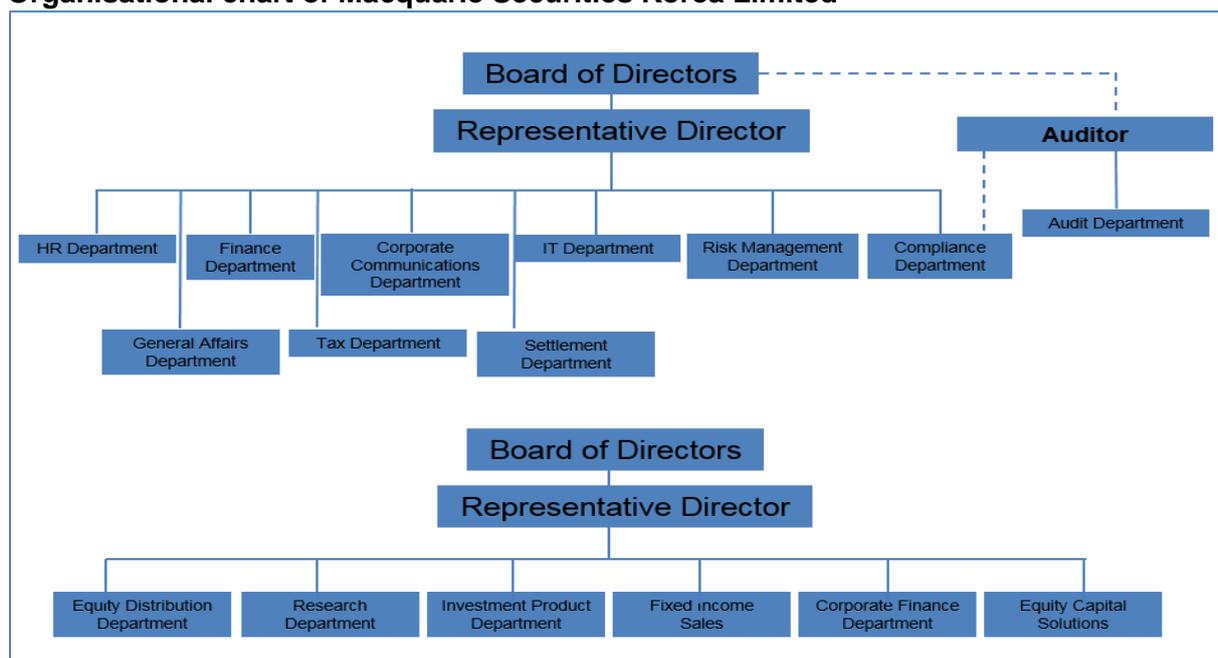
Title	Name	Date of Appointment (latest)	Main occupation
Standing Inhouse Director / Representative Director	Chan Young Hwang	29 March 2019	Overall supervision
Standing Inhouse Director	Joong Sub Shin	10 April 2019	Head of Investment Product
Standing Inhouse Director	Byung Woo Cho	28 June 2019	Head of Corporate Finance
Standing Statutory Auditor	Jung Kun Song	25 June 2018	Audit / Supervision of the Board

Board Performance Assessment

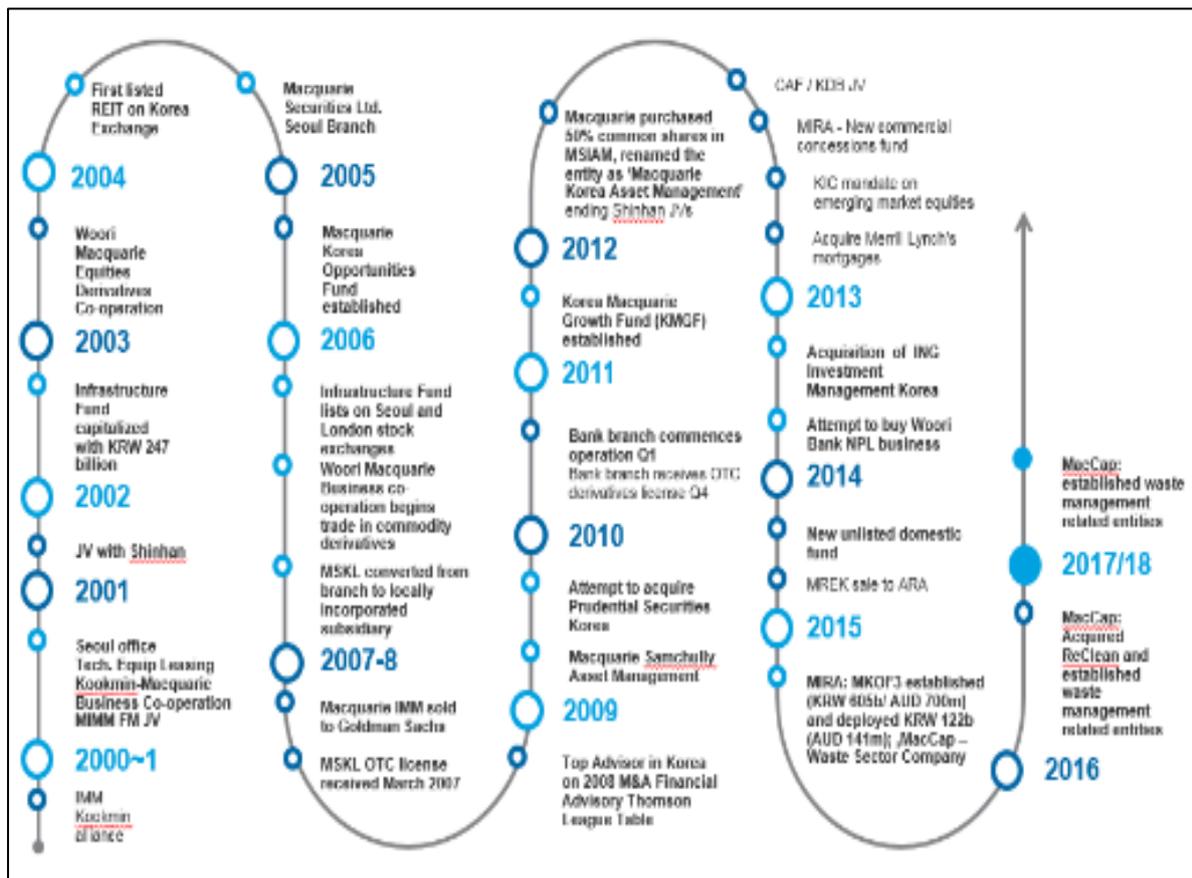
As part of the Board's operational risk management and maintenance of sound Board governance and reporting system in MSKL, the Board of Directors has managed a rolling agenda for statutory meetings, which would be reviewed on an annual basis.

The Board of Directors of MSKL undertakes the periodical self-assessment through Annual Board Performance Assessment during the FY-Q4 period each year, in accordance with the Board Charter which includes a requirement for an annual review of the Board effectiveness.

Organisational chart of Macquarie Securities Korea Limited



Macquarie Growth in Korea



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) [GRI 102-46, 47](#)

Macquarie's environmental, social and governance (ESG) commitment reflects our responsibility to clients, shareholders and the communities in which we operate. Macquarie structures its ESG approach around focus areas considered to be material to the business.

Underpinned by What We Stand For and our Code of conduct, these focus areas reflect the risks and opportunities identified by the business and the issues of interest to our stakeholders:

- Managing environment and social risk
- People and workplace
- Sustainability in direct operations
- Business conduct and ethics
- Investments, markets and products
- Engaging stakeholders

Macquarie Korea is committed to operating in accordance with Macquarie Group's ESG framework

Managing environmental and social risk [GRI 103-2](#)

We are committed to ensuring environmental and social risks are identified and managed responsibly in our business activities and relationships. Our group-wide Environmental and Social Risk (ESR) Policy is based on international guidelines including the International Finance Corporation Performance Standards.

The ESR Policy governs the management of environmental and social issues including labour and employment practices, human rights, resource efficiency, climate risk, pollution prevention, biodiversity and cultural heritage. Our policy provides a process to assess, categorise, manage, mitigate, monitor and report ES risks in client relationships and across a range of transactions including financing, lending, leasing and advisory. It requires escalated decision-making and approval processes for material environmental and social risks.

Business conduct and ethics [GRI 103-2](#)

Macquarie aims to realise opportunities for our clients, shareholders and people while meeting expectations of sound corporate governance. We are in business to be profitable, but it is the way we do business that defines us.

Macquarie's high standards for conduct are underpinned by What We Stand For, and our long-held principles of Opportunity, Accountability and Integrity.

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. We are committed to ensuring our products and services are marketed appropriately and that clients are fairly treated.

Business conduct and ethics are addressed within our existing risk management framework by establishing and maintaining an effective risk culture that drives good conduct. This is supported by a framework of policies, controls, processes and reporting mechanisms, in particular to manage compliance, legal, reputation and operational risks.

People and workplace [GRI 103-2](#)

As a company that operates globally, an engaged and dynamic workforce is fundamental to our success. The experience, skills and views of our people facilitate the delivery of a wide variety of services to our clients across the globe.

Our focus is on attracting, engaging, developing and retaining talented individuals, providing opportunities for career-long learning and development and providing safe workplaces that reflect our open and diverse culture.

Diversity in Korea [GRI 103-2](#)

Macquarie Korea has promoted workforce diversity and inclusion in Korea in line with Macquarie Group's Global Diversity Policy. This policy defines Macquarie's workforce diversity commitment and the structures in place to ensure that our business remains innovative, sustainable and continues to meet the evolving needs of our clients.

Diversity Program

To promote a diverse workforce and a culture of inclusion in the workplace, Macquarie Korea has implemented the following programs.

Macquarie Korea Diversity Group

In April 2016, Macquarie launched the Macquarie Korea Diversity Group, one of the employee network groups in Korea. Macquarie Korea Diversity Group initiated various activities to enhance workforce diversity and inclusion in the workplace.

Our Purpose:

- Highlight company's diversity and inclusion policy, directly linked with Macquarie's long standing management philosophy (Opportunity, Accountability and Integrity), which recognize the belief that the diversity of our people is fundamental to Macquarie's success to all staffs in Macquarie Korea
- Make an inclusive and flexible workplace where our people to reach their full potential

Our Mission:

- Enable staff to understand our diversity related status, objectives, policies & benefits
- Engage staff to discuss diversity related agenda and encourage them to suggest related solutions & recommendations
- Provide staff to network across business groups and with external counterparts to share knowledge and ideas that promote diversity
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Our Goals:

- Provide opportunities to members to engage Macquarie leaders to share a broad range of experiences, skills and views related to diversity through lunches, lectures and other related events
- Host external speakers and formal training sessions on topics relevant to all staff to support diversity agenda in Macquarie Korea
- Provide members opportunities to engage with external third parties to expand the network
- Bring staff together to promote diversity in the community, including through partnering with the Macquarie Group Foundation
- Increase the number of members of the Diversity Group from various business groups and functions

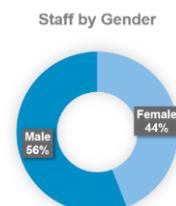
Programs

- 23 Apr 2018 Diversity Group Member Gathering
- 11 May Discussion with Leaders (Shemara Wikramanayake, Head of MAM)
- 25 May External lecture on different culture
- 31 Aug New Understanding of the Arab & Islamic culture
- 31 Aug Wear it purple day
- 6 Nov Diverse film day - The King of Jokgu
- 15 Feb 2019 Book talk on Becoming
- 14 Mar International Women’s Day event – panel discussion with female executives
- 22 Mar Year-end member gathering



Diversity Status in Korea GRI 405-2

	Mar 2018	Mar 2019	Changes
F	48%	44%	▼4%
M	52%	56%	▲4%



Learning and development [GRI 103-2](#)

Macquarie strives to create an environment where learning is part of an employee's career development and recognizes the benefits to the individual and the wider organization of such investment. Macquarie continues to invest in employee development by providing targeted and role-specific learning opportunities, to meet the needs of Macquarie's diverse talent base and to build the skills and behaviours required for long-term organizational success. In addition to Macquarie-delivered programs, many staff benefit from sponsored education and can pursue career development opportunities at independent institutions such as business schools and through professional bodies.

Macquarie invests significant time and effort in the employee onboarding and orientation process, with a series of learning and development activities (including events hosted by the CEO) designed to communicate and embed the Macquarie culture at the earliest possible stage. This includes an emphasis on communicating Macquarie's Code of Conduct and What We Stand For principles and reinforcing the ongoing importance of effective risk management and behaviours across all Macquarie businesses and regions. All employees must complete AWB (Appropriate Workplace Behaviour) training after commencement. On regular basis, Asia learning and development team organizes online/instructor-led training for managers and directors to develop leadership skills. In 2019, MSKL staff members each completed average 5.6 hours of online and instructor-led HR training, including all staff and targeted training.

Alongside the structured learning and development curriculum, Macquarie recognizes and encourages the developmental benefits of wider community engagement by staff. Involvement of staff in this through the Macquarie Group Foundation and other channels is widely communicated and encouraged.

Regular appraisals, including goal setting and ongoing career development, are a key part of performance measurement and support Macquarie's merit based culture. As well as encouraging regular and ongoing feedback with managers, Macquarie requires all staff to have at least one formal annual appraisal session with their manager. During these appraisals, staff are encouraged to raise, discuss and respond to matters relating to training, further education and development of leadership capabilities.

Workplace health, safety and wellbeing [GRI 103-2](#)

Macquarie has a comprehensive global health and safety framework that aims to provide an injury free workplace. This is achieved by implementing safe work practices, providing a safe work environment, training staff on safety and appropriate workplace behaviour and appointing safety representatives to help identify hazard and resolve incidents.

Macquarie endeavors to promote the personal health and wellbeing of all staff. The wellbeing benefits program, *Macquarie Plus* is designed to support and encourage staff in achieving their goals for physical and psychological wellbeing, and assist staff to make the most of being part of the Macquarie community.

Specific activities for Macquarie Korea

Discover Macquarie Orientation session

All new starters will receive an invitation to the Discover Macquarie Orientation session. This session provides an overview of Macquarie's structure and business groups; information on performance management at Macquarie; and discussion of the importance of risk management in our business. Participants will have the opportunity to network with other new starters and learn about the various rewards and benefits available to Macquarie employees. Session runs for 2 hours and the first half is allocated for the overview of global/regional Macquarie while the second half is for Macquarie Korea. It is run on a quarterly basis.

EAP

The Employee Assistance Program (EAP) provides an external, confidential and professional service to assist employees and their families to overcome personal problems which may affect their work and home life. The EAP provides assistance through:

- A 24/7 **telephone helpline** aimed at supporting employees with a range of issues including career development, work stress/conflict, personal growth and development, parenting and family, mental health and legal and financial issues
- **email consultation**
- an **online worklife portal** with work life resources for self-help, personal development and life enhancement
- **short-term professional counselling** (face-to-face or by phone) either through self or other referral.

Medical Check-up

The annual medical check-up is provided every year and in 2019, Kangbuk Samsung Medical Centre and Korea Medical Institute (KMI) were engaged.

Flu Vaccination (18 – 31 October 2019)

In order to facilitate our employees' health and well-being, we arrange annual vaccination program with Seoul Central Clinics and KMI. We provided an upgraded version of flu vaccine types (4 가백신) according to WHO's recommendation. Our program has provided all employees working within our office with the vaccine which protects against the seasonal flu. Whilst the vaccination is not compulsory for the employees, we encourage everyone to participate in this preventative measure.

Macquarie Discount Program

Benefits, products and special offers are provided available to Macquarie staff only. New partners are introduced to the corporate discount program list.

Trading places

Trading places is a website to promote transfer to another role. Website lists internal job vacancies in all Macquarie offices. Employees can search and apply for a role in other locations.

Life and Medical Insurance

Upon joining employees in Korea will be enrolled in life and medical insurance Plans. We continue to offer Group Life, Accidental Death and Disability, Disease Death, Cancer Diagnosis, Critical Illness Insurances and the medical plan including nursing care, hospitalization and outpatient.

First Aid Training

Macquarie is committed to the provision of first aid services, so far as is reasonably practicable, to protect the health and safety of its staff and all visitors. Macquarie demonstrates its commitment to first aid by:

- educating and equipping first aid officers on workplace hazards
- providing adequate equipment, facilities and supplies
- adequately staffing the first aid service
- first Aid officers receive appropriate training, including basic life support in the event of a critical injury appropriate recording systems are established to record any First Aid treatment provided
- appropriate arrangements are made for the transportation of injured people
- compliance with legislative requirements for first aid

Flexible Working

One of Macquarie's diversity and inclusion strategic objectives is to ensure an inclusive and flexible workplace, underpinned by policies that support individuals to reach their full potential. Flexibility is acknowledged as a key enabler of workforce diversity and inclusion. We believe that an inclusive, flexible workplace is not a reward but rather, is a way to help our people reach their full potential. At Macquarie, flexibility is embraced as simply the way we work, leveraging the core principles of Opportunity, Accountability and Integrity. In line with this initiatives, the number of applications has been increased compared to the last year and we have an employee who works remotely at home.

Employee Network Group (ENG)

At Macquarie, we have ENG to bring together employees with similar interests to build relationship and create a diverse and inclusive workplace. For ENG, we have Diversity Group, Family Group and Wellbeing Group. Each group has executives and members including Chair, Vice Chair, Secretary and Treasurer. It also has sponsor groups which is composed with directors. Each Group has their own activities monthly and quarterly basis to engage with staff. For example, in 2019, Diversity group had panel discussion composed of female executives from asset companies, Family Group had open house to invite staff's children in the office and Wellbeing Group had soap making class to improve staff's wellness.



Macquarie Group Foundation GRI 413-1

Macquarie provides support to community organisations globally through the Macquarie Group Foundation. Macquarie Korea has a strong track record of contributing to Korean society through its community endeavours.

In the year to 31 March 2019, Macquarie’s philanthropic arm, the Macquarie Group Foundation, together with Macquarie Group staff efforts, contributed \$A31.7 million and more than 53,000 volunteering hours to over 1,600 community organisations around the world. Since the Foundation was established in 1985, it and Macquarie staff have contributed more than \$A360 million globally.

The Macquarie Group Foundation community investment strategy is threefold: to encourage and support Macquarie staff to give back to the communities where they live and work, to support social innovation and to strengthen the impact of non-profit organisations by funding capacity building and collaboration.

The Foundation focuses resources on the core areas of education, health, welfare, the environment and the arts. Within these areas, Macquarie Group Foundation looks for opportunities that are innovative, genuinely responsive to the community’s needs and that enable us to contribute our time and expertise, as well as financial support. The Foundation places a priority on supporting organizations where staffs are personally involved

In Korea, Macquarie has a strong track record in community involvement. Some of its community initiatives include:



MACQUARIE KOREA COMMUNITY DAY – Macquarie designates one Friday in June as ‘Community Day’, where staff undertake volunteer work for local community organizations and arrange fundraising activities. Participating staff spend up to a full business day volunteering at charities that help underprivileged and unwell children and adults with mental and physical challenges.

Macquarie Korea has held ‘10th Macquarie Community Day’ on 30 June, 2019, volunteering at 5 NGOs and donating KRW430,000,000.

Macquarie Korea staffs collected donations for Community Day and volunteered at Child Fund, Dongchun Home, Dongkwang Mother and Children Center, Abused Children’s Shelter, Abandoned dog shelter, ‘My love badugi’. Collected donations will go to 5 NGOs above and others.

FOUNDATION WEEK – Hosted by Macquarie Group Foundation, Macquarie participates in a global ‘Foundation Week’ event where each office organises various fund raising events throughout the week.

Macquarie Korea had “Macquarie Foundation Week 2019” from 19~27 October 2019. Through Yoonori and long jump competition, soap making and sales, Halloween open house candy sales as well as used book donation, Macquarie Korea staff raised fund for charities and volunteered at charities like Love Violin, Child Fund, My Love Badugi, and Solidarity of Asian Human Rights and Culture Macquarie Korea support.

YEAR END CHARITY FUND RAISING – From 2012, Macquarie staff in Seoul have been dedicating the annual Macquarie year end gatherings to provide support for the community. In 2018, Macquarie Korea donated to Children who needs support through lucky draw voucher sales.

Apart from major events, Macquarie Korea staff supports various activities like KRX Bulls Run in April.

KOREAN COMMUNITY ADVISORY COMMITTEE (KCAC) – Established in 2006, KCAC represents Macquarie’s commitment to strengthening Korea’s community sector by enlisting staff support. The KCAC consists of Macquarie staff volunteers who are willing to dedicate their time and effort in organising various fund raising initiatives listed above, as well as other one off and on-going charity/fund raising events such as fund raising for Korea Disaster Relief Association to support Sewol Ferry victims, KOFIA Kimchi Fair to support Child Fund Korea and Bulls Race Marathon to support Korea Food for the Hungry International.

Macquarie Korea held various volunteering and donation campaigns with charities including Love Violin, Child Fund, My Love Badugi, Solidarity of Asian Human Rights and Culture and donated KRW115,000,000 in FY2019.

Investments, markets and products [GRI 103-2](#)

Through our business relationships, we play a role in developing and promoting sustainable investments and businesses across the globe. We use our expertise to invest and support our clients in the renewable energy, clean technology and social infrastructure sectors.

We offer a range of products and services with an ESG focus including ESG research and collaboration, trading environmental products and energy efficient asset financing.

Sustainability in direct operations [GRI 103-2](#)

The environmental impacts from our direct operations predominantly relate to the resources we consume in our offices, data centres, and from our air travel. At Macquarie, we seek to manage these impacts by monitoring and reducing resource use, maintaining carbon neutrality, improving the sustainability of our supply chain and occupying and creating innovative and sustainable workplaces.

Our steps to reduce resource consumption include energy efficiency measures, data centre virtualisation, waste recycling and water management programs across our global operations.

Since 2010, we have maintained our carbon neutral commitment by reducing and offsetting the emissions from our energy use and business air travel. We do this by purchasing and retiring high quality voluntary certified carbon credits each year.

Specific activities for Macquarie Korea [GRI 103-2](#)

- To save energy, Macquarie Korea is doing following programs;
 - We compare electricity bill every month with those of last year's. To have internal campaign to reduce electricity to all staff. e.g. 'Last one out - Turn the lights off' campaign
 - We compare paper usage every month with those of last year's and use FSC certified papers. e.g. encourage staff to do double sided printing, use of electronic rather than paper copies
 - Macquarie globally launched 'Webex' system to overall offices to use conference call with remote face to face meeting system which reduces air travel significantly.
 - Macquarie also participates in recycling wastes.

MSKL'S RISK MANAGEMENT FUNCTIONS

The objective of the MSKL's risk management activities is to contribute to a stable flow of profits, enhance soundness of its financial structure, and pursue long term growth by effectively managing all risks that may arise in the course of its business management.

MSKL has the risk management functions capable of controlling matters subject to risk management, including market risk, operational risk, credit risk, and liquidity risk, which may affect the Company.

Board Risk Committee

The Board Risk Committee which is a sub committee of Board of Directors is responsible for setting up risk management standards and policies. The Board Risk Committee has the same authority and responsibility with Board of Directors with respect to MSKL's risk management. The Board Risk Committee deliberates and resolves on the following matters: 1) Formulation of the MSKL risk management policies and strategies in order to timely perceive, assess, monitor, and control risks incurred in the course of asset management; 2) Determination of the level of risk that MSKL can assume; 3) Approval of limits on appropriate investment and limits on tolerable losses, etc. The members of the Board Risk Committee and the Board of Directors are the same and the Committee consists of 3 members. In principle, the Board Risk Committee meeting is held on a quarterly basis to review the risk management status and discuss and decide on material issues related to the MSKL's risk management, etc.

Risk Management Committee

The Risk Management Committee, with the authority delegated by the Board Risk Committee, is responsible for the MSKL's efficient risk management. The responsibilities of the Committee are as follows: 1) Pre-review on the agendas of the Board Risk Committee; 2) Approval on the limit which is sub-set to a limit approved by Board Risk Committee or the Special Dealing Approval; 3) Immaterial revisions of regulations or guidelines, for instance, revisions due to change of the Relevant Legislations and Regulations; 4) Approval on the New Product or the New Business which is a variation within the scope of the completed approval of the Board Risk Committee, etc. The Risk Management Committee consists of 4 members who are the Chief Risk Officer, the Registered Compliance Officer and the heads of Finance Department and Settlement Department appointed by the Board Risk Committee. The Chief Risk Officer is appointed and dismissed through voting in the Board Risk Committee and acts as the Chairperson of the Committee. The meeting of the Risk Management Committee is held every month, and the Chief Risk Officer can call an ad-hoc meeting to discuss risk related issues in a timely manner.

Risk Management Department

The Risk Management Department is responsible for the MSKL's risk management activities, including management, control, and reporting of the Company's risks. The Risk Management Department operates separately and independently from the Front Office Departments and the Support Office Departments and timely supplies information on risk management to the Board of Directors, Board Risk Committee, Risk Management Committee and the senior management.

The Risk Management Department assesses and manages all the market, credit, liquidity and operational risk of any business under MSKL, with close communication and co-operation with the Risk Management Group of Macquarie. MSKL set risk limits above the level of Net Capital Ratio, the Leverage Ratio and the Asset-Liability Ratio required by external regulations and the Risk Management Department monitors compliance with the limits established and allocated by the Board Risk Committee and the Risk Management Committee and conducts the limit management on a daily basis in accordance with the MSKL's Risk Management Regulations and related Guidelines.

Any identified issues and daily risk management status are reported to the senior management through the regular reports (ex. Daily Risk Report and Monthly Risk Report, etc) or meetings (ex. Monthly Risk Management Committee & Operations and Controls meetings and Quarterly Board Risk Committee meeting). The Chief Risk Officer in charge of the Risk Management Department is able to report the MSKL's risk related matters, etc to the Board Risk Committee and the Representative directly.

All new products and businesses require approvals from the Board Risk Committee. The business cannot undertake new businesses or activities, offer new products or enter new markets without a proper risk assessment and approval. Any Front Office Department that intends to handle new products and businesses should discuss with the Risk Management Department, the Settlement Department, the Finance Department and the Compliance Department, etc. on the transaction structure, risk analysis and risk management methods in advance. The Risk Management Department performs risk analysis relating to the new products and businesses and collects the opinions of the relevant departments and prepares analysis reports submitted to the Board Risk Committee and the Risk Management Committee for their approvals.

MSKL'S INTERNAL CONTROL FUNCTIONS

MSKL has implemented its Internal Control Standard which is designed to prescribe the terms and conditions of procedure and standard with which the officers and employees of MSKL shall comply with performing their roles and responsibilities in order to assure a sound management practice and to protect the interest of investors in accordance with the Korean laws and regulations. MSKL has also adopted Macquarie group's risk management framework and requires all its staff members to comply with group level policies and procedures, so that MSKL and its staff members are not only complying with the requirements under the Korean laws and regulations but also maintaining higher level of internal control qualities by incorporating global standard.

MSKL has separate internal control functions such as Compliance and Audit Department, which are independently operated and led by their own department head in charge of independent risk assessment and decision making for each function, respectively.

Compliance Department

Compliance department, which forms the second line of defence, is an independent unit responsible for identifying, seeing and monitoring regulatory risks across MSKL. MSKL has 3 Compliance staff members, including the Registered Compliance Officer, who are exclusively conducting Compliance related works within MSKL. These staff members have minimum 6 years of internal control field experiences and conduct the required compliance functions under the leadership of Registered Compliance Officer who has sufficient experience and seniority.

According to the MSKL's Internal Control Standard, MSKL implemented certain clauses to ensure the operational independence of the Registered Compliance Officer and staff members of the Compliance Department so that the Registered Compliance Officer and the Compliance Department may perform their duties in a fair manner, and cannot be the subject of disadvantageous HR treatments for causes relevant to the performance of his/her compliance duties. Also, MSKL implemented a separate pay structure and performance measurement for the Registered Compliance Officer which does not rely on the financial performance of the MSKL. This is also a measure to safeguard independence in discharge of his/her role.

Under the Macquarie Group's policies and procedures, Compliance is an independent risk management function that enables business management to fulfil their supervisory responsibilities by providing credible challenge and establishing an effective and robust compliance framework. It can escalate its opinion to the senior management without any limitation.

According to the MSKL's internal Control Standard, the Registered Compliance Officer can report to the Representative Director or the Statutory Auditor without any limitation. In addition, it is one of his or her own authorities and responsibilities to attend Board meetings or any other important meetings and present his or her opinions and views.

Compliance department performs an advisory, training and monitoring role in respect of the compliance risks arising from Macquarie's business activities. It implements Compliance Monitoring Program, which consists of more than 40 detailed monitoring items, and conducts regular monitoring activities. Any identified issues are reported to the senior management through the regular reports (e.g. Monthly Compliance Checklist, Compliance Snapshot, etc.) or meetings (e.g. Board of Directors meeting and Operations and Controls Committee meeting). Apart from such reports and meetings, if any significant regulatory changes or major issues arise, Compliance may call a separate meeting for timely discussions and advice.

Based on such internal control efforts, on Feb 2, 2017, MSKL received the Grand Prize from the Korea Exchange (KRX), together with 3 local brokerage houses. MSKL was selected based on its strength in compliance organization/system and its outstanding monitoring activities on unfair trading.

According to Macquarie Group's Anti- Bribery and Corruption Policy("AB&C Policy"), MSKL strictly prohibits any actual or attempted use of any form of bribery or corruption either directly or indirectly on Macquarie's behalf to advance its business interests or those of its associates. Macquarie is committed to operating within the laws of any jurisdiction in which Macquarie does business and in a way that is consistent with *What We Stand For*. In addition, this ensures that we safeguard Macquarie's reputation and consumer and business confidence. Macquarie staff must not give, offer, promise, accept, request or authorize a bribe, whether directly or indirectly.

Also, all new employees receive AB&C induction training when they join Macquarie. Additional AB&C refresher training is featured prominently in compulsory online refresher training for current employees. Macquarie also undertakes on-going targeted training, as appropriate. Macquarie also provides targeted face to face training for higher B&C risk business areas and/or roles.

In addition to AB&C Training, MSKL provides various compliance & mandatory training modules for its staff members. During 2019, each MSKL staff member completed average 13.71 hours of training via online/offline."

Audit Department GRI 102-10

Audit department, as the third line of defence, provides independent assurance to senior management and the Board on the adequacy and operational effectiveness of MSKL's internal controls, risk management, and governance systems and processes. It provides an objective assessment on whether risks have been adequately identified, appropriate internal controls are in place to manage those risks and whether those controls are working effectively.

MSKL's "Articles of Incorporation" and "Auditor Function Regulation" clearly define Audit Department's roles and responsibilities.

Internal audit is performed on a regular basis and the audit cycle is determined based on the inherent risk of the business (i.e. risk based approach). The audit cycle ranges from 6 months for high risk businesses to 36 months for very low risk businesses. Macquarie Group requires the Audit Department to fully assess the risks of the business when undertaking planning for each and every audit. The planning considers internal and external risk factors, including but not limited, regulatory changes, economic conditions, business performance and business changes.

As of 30 September 2019, MSKL's total number of employees is 70. MSKL's internal audit resources (2 persons) are sufficient reaching 3% of total head count. Audit department personnel are recruited based on their technical knowledge, audit skills, relevant industry and business experience.

When considering the number of businesses MSKL undertakes, 2 people are occasionally stretched, especially when performing audit fieldwork, and are therefore assisted by the staff from Macquarie Group's Internal Audit team.

Audit status reports are submitted to MSKL Board each quarter and all audit reports are provided to Board members. In addition, Internal Audit has a stakeholder meeting regularly with business heads.

**MACQUARIE SECURITIES KOREA LIMITED FINANCIAL REPORT –
appendix 1** [GRI 102-45](#)

GRI Standards Content Index

	Topic	Disclosure	Section/Reference	Page	Fulfillment
GRI 102: General Disclosure					
Organizational profile	102-1	Name of the organization	Macquarie Securities Korea Limited(MSKL)	1	●
	102-2	Activities, brands, products, and services	Provides a range of services including corporate finance, advisory and fund sales, equity sales and research, capital markets and fundraising	1	●
	102-3	Location of headquarters	Located in 3rd Floor, Hanwha Building, 109 Sogong-ro, Jung-gu, Seoul 04525, Korea	1	●
	102-4	Location of operations	South Korea	1	●
	102-5	Ownership and legal form	Established in subsidiary form in February 2006 after acquisition of ING Securities Seoul Branch in 2004	1	●
	102-6	Markets served	Research coverage of over 80 local listed stocks	1	●
	102-7	Scale of the organization	Staff is 70 by end of March 2019	1	●
	102-8	Information on employees and other workers	Staff is 70 by end of March 2019	1	●
	102-9	Supply chain	https://www.macquarie.com/au/about/company/suppliers	Supplier portal	●
	102-10	Significant changes to the organization and its supply chain	Number of staff increased from 63 to 70	1	◐
	102-11	Precautionary Principle or approach	Managing Environmental and Social Risk by Macquarie ESG framework	1	●
Strategy	102-14	Statement from senior decision-maker	Chairman's and Managing Directors Letter	AR Report 8~11	●
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	Corporate Governance Statement	AR Report 26~27	●
Governance	102-18	Governance structure	Board Governance structure and Risk management governance	2, 13~17	●
Stakeholder engagement	102-43	Approach to stakeholder engagement	Approaches are underpinned by what we stand for and code of conduct	8-11	◐

	102-44	Key topics and concerns raised	macquarie.com/ESG/Our ESG focus	ESG Focus	●
Reporting practice	102-45	Entities included in the consolidated financial statements	MSKL Financial Report_appendix 1	18	●
	102-46	Defining report content and topic Boundaries	Risk and opportunities identified by the interest of stakeholders	4	◐
	102-47	List of material topics	<ul style="list-style-type: none"> ● Managing environment and social risk ● Business conduct and ethics ● People and workplace ● Investments, markets and products ● Sustainability in direct operations ● Engaging stakeholders 	4	●
	102-48	Restatements of information	None	20	●
	102-49	Changes in reporting	No change	20	●
	102-50	Reporting period	April 2018~March 2019	20	●
	102-51	Date of most recent report	Nov.2018	20	●
	102-52	Reporting cycle	Annual	20	●
	102-53	Contact point for questions regarding the report	Mr. Kwan-Ho Jung +82-3705-8752	20	●
	102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards was partially applied, not fully complied.	20	●
	102-55	GRI Content Index	GRI Standards Content Index	17-22	●
	102-56	External assurance	The 3rd party assurance conducted by THE CSR.	23-24	●
GRI 200: Economic					
Economic Performance					
Economic Performance	201-1	Direct economic value generated and distributed	MSKL Financial Report _appendix 1	18	◐
Anti-corruption					
GRI 103: Management Approach	103-2	The management approach and its components	Business conduct and ethics are addressed within existing risk management framework.	4, 5, 12	◐
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	13.71 hours of Anti- Bribery and Corruption(AB&C) training via online/offline	15-16	●
GRI 300: Environmental					
Materials					

GRI 103: Management Approach	103-2	The management approach and its components	Macquarie participates in recycling wastes and FSC Certified Paper is used.	12	●
Energy					
GRI 103: Management Approach	103-2	The management approach and its components	Sustainability in direct operation : Internal energy campaign, electricity bill check-up, Webex system etc.	12	●
Emissions					
GRI 103: Management Approach	103-2	The management approach and its components	Sustainability in direct operation: Carbon neutral commitment by reducing and offsetting the emissions from energy use and business air travel.	12	●
Supplier Environmental Assessment					
GRI 103: Management Approach	103-2	The management approach and its components	Sustainability in direct operation: improving sustainability of supply chain	12	●
GRI 400: Social					
Occupational Health and Safety					
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	Workplace health, safety and wellbeing	7	●
	103-2	The management approach and its components	Injury free workplace by implementing safe work practices, providing a safe work environment, training staff on safety and appropriate workplace behaviors and appointing safety representatives.	7	●
Occupational Health and Safety	403-4	Health and safety topics covered in formal agreements with trade unions	EAP, medical check-up, first aid training and flexible working	7	●
Training and Education					
GRI 103: Management Approach	103-2	The management approach and its components	Learning and development	7	●
Training and Education	404-1	Average hours of training per year per employee	HR training: 5.6 hours AB&C training: 13.71 hours	7, 16	●
	404-2	Programs for upgrading employee skills and transition assistance programs	Macquarie invests in employee development by providing targeted and role-specific learning opportunities.	7	●
Diversity and Equal Opportunity					

GRI 103: Management Approach	103-2	The management approach and its components	Diversity mission, goals and program	5	●
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Macquarie Korea Diversity Group	5	◐
Local Communities					
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Macquarie Group Foundation: Community day, Foundation week, Charity fund raising, Korean Community Advisory Committee etc.	10-11	●
Socioeconomic Compliance					
GRI 103: Management Approach	103-2	The management approach and its components	MSKL complies with Korean laws and regulations in order to assure sound management practices.	15	◐

Independent Assurance Report

Dear Macquarie Securities Korea Limited management and stakeholders,

THE CSR (hereinafter the Assurer) was requested by Macquarie Securities Korea Limited (hereinafter MSKL) to conduct independent assurance on MSKL Sustainability Report (hereinafter the Report). The Assurer hereby presents its opinions about the company's non-financial performance disclosed in the Report according to the assurance standards below. MSKL takes on full responsibility for all the information contained in the Report. This assurance statement is provided to the management and stakeholders of MSKL. It shall not be distributed to other organizations nor shall it be provided for purposes or uses other than the enhancement of the company's reliability.

Assurance Standards

The Assurer undertook assurance engagement in accordance with AA1000AS (2008). It also used GRI Standards to review the reasonability of the reporting procedures, principles for defining report quality, and information production processes of the Report, particularly in the following aspects:

- The principles of inclusivity, materiality and responsiveness of AA1000AS (2008)
- The principles for determining report quality of the GRI Standards
- The principles for determining report content of the GRI Standards in accordance with the Core option

Assurance Level

The Assurer has carried out a moderate level of assurance based on the application of AA1000AS (2008) and conducted a limited level of data sampling and interviews. Its main assurance activities include the following:

- Review of the GRI Standards fulfillment
- Reasonability of the materiality test processes involved in the selection of reporting issues
- Review of alignment with Macquarie Group's 2019 Annual Report
- Review of stakeholder engagement processes
- Review of data management systems and processes

Limitations

The Assurer viewed the appropriateness of information production as a criterion and concluded that the Report managed to secure a satisfactory level of reliability regarding the reported contents, though it does not mean a 100% reliability. As for financial performance, the Assurer confirmed the agreement of accounting auditors' audit reports and disclosure data.

Assurance Independence

The Assurer has no relations with MSKL that could affect the assurance results of the Report. It complies with ethical standards as an assurance agency and presents this assurance statement as an independence body.

Review of GRI Standards

Since Macquarie Group's ESG policies applies to MSKL, some GRI Standards indicators are considered satisfied in reference to the Group's annual report even though these indicators are not directly disclosed in this Report. The Assurer has confirmed that the report follows GRI Standards and "partially applies" specific indicators in the material aspects below:

- The topics reviewed during the assurance process are as follows:

Category	Topic reported	
GRI 200: Economy	■ Economic Performance	■ Anti-corruption
GRI 300: Environment	■ Materials ■ Energy	■ Emissions ■ Supplier Environmental Assessment

GRI 400: Society	<ul style="list-style-type: none"> ■ Occupational Health and Safety ■ Training and Education ■ Local Communities 	<ul style="list-style-type: none"> ■ Diversity and Equal Opportunity ■ Socioeconomic Compliance
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Conclusions

Through a series of processes designed to verify the company's compliance with the internationally recognized AA1000AS (2008) assurance standards and international reporting guidelines, the Assurer is pleased to present its assurance opinions as follows:

Inclusiveness: Are stakeholders engaged in the reporting processes of MSKL?
 The Assurer confirmed that MSKL engaged with stakeholders through diverse communication channels in the reporting process through sustainable management and could not identify any critical stakeholders excluded from this procedure.

Materiality: Does MSKL report on its important sustainable issues?
 The Assurer confirmed that MSKL identified its sustainability issues through the reasonable procedures and reported on these issues without omission. Also, the Assurer could not identify any critical issues excluded in the application of materiality test procedures.

Responsiveness: Does MSKL respond reasonably to its stakeholders' expectations?
 The Assurer confirmed that MSKL carried out activities to identify material aspects that could affect both stakeholders and management performance and could not identify any evidence that the contents were inappropriately reported in the Report.

Recommendations

- The Assurer recommends that MSKL continues to identify material issues through stakeholder engagement, especially in the local context, and further meets the needs of the local community in Korea.
- The Assurer recommends that MSKL enhances its disclosure according to GRI Standards for both quantitative and qualitative indicators for each material topic in order to meet the requirement of GRI Standards in accordance core option.
- The Assurer recommends that MSKL continues to reinforce the sustainability management system by incorporating KPIs, commitment, goal setting and progress updates from a comprehensive perspective that integrated both sustainability and financial issues.

Assurance Team

THE CSR, which has been requested to conduct assurance on the Report, is a global sustainability management agency. It has acquired an AA1000AS (2008) assurance certification accredited by AccountAbility, UK. It has also obtained the status of Gold Community Member at Global Reporting Initiative (GRI). Its Assurance Team is composed of global experts equipped with sufficient knowledge on sustainability and expertise in assurance business.

November 29, 2019
 THE CSR Co.,Ltd.

Chief Assurer
 Se-Woo Jung