RESPONSIBLE INVESTING
REQUEST FOR INFORMATION

Firm Name: Pier 21 Asset Management Inc. (Macquarie Investment Management Europe S.A.)

Completed By: Éric Bossé, Pier 21 Asset Management Inc.

Date Completed: 08/18/2020

PREAMBLE

In accordance with Queen's University's Responsible Investing Policy, as approved in May 2017, we require all of Queen's External Investment Managers to take due regard of environmental, social, and governance ("ESG") factors in making investment decisions. Managers will be asked to engage where appropriate and report to the University on their ESG activities on an annual basis.

Link to Responsible Investing Policy:
http://queensu.ca/secretariat/sites/webpublish.queensu.ca.uslcwww/files/files/policies/board/Responsible%20Investing%20Policy.pdf

To assist with our due diligence, we request that you respond to the following questions no later than August 21, 2020.

Note: Responses to this questionnaire will be posted in full on Queen's website.

GENERAL

1) Please provide your ESG-related policies.

Please refer to attached documents Macquarie Investment Management Europe S.A. ESG Policy and Ownership Engagement & Proxy Voting Policy.

2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.

We believe responsible and sustainable investing to be a significant component in accomplishing successful outcomes in the long term. The team has formally integrated the principles of responsible investments into its investment processes, including implementing the principles set out in the ESG Policy.

Managing risks lies at the heart of our investment philosophy. We believe that integrating ESG criteria into the investment and decision-making processes is a prerequisite for achieving positive long-term added value on equity investments.

The team has a clear ESG philosophy:

• ESG can be valued and should be incorporated into investment decision

• Over the long run the market is efficient at pricing for ESG

Managing environmental, social, and governance risks in the portfolio is an important aspect of safeguarding our client's investments. We strive to obtain high-quality data on the risks associated with the investments. Consequently, our thorough understanding and management of risks gives rise to a strong belief that ESG considerations must be part of each and every decision surrounding an investment.

3) a) Are you a signatory to the UNPRI?

Yes

b) If you are signatory to other coalitions, please list them.

Yes, we signed the Montréal Carbon Pledge in 2017. We also support the Paris Agreement and we have been signatories to UN PRI since 2010.

c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.

Through the UK Stewardship Code, we have stated that our investment process is aligned to the principles of investment decision-making, monitoring assets and service providers, engaging with companies and holding them accountable on material issues, collaborating with others, and exercising rights and responsibilities.

Across Macquarie, we collaborate with industry, government, and other stakeholders to share knowledge and build capacity through initiatives like the new Climate Finance Leadership Initiative for which CEO Shemara Wikramanayake was appointed a founding member on 17 January 2019. Further initiatives include:

• Macquarie's CEO Shemara Wikramanayake was appointed a founding Commissioner of the Global Commission on Adaptation on 16 October 2018.

• Macquarie has been supporting the work of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) since 2018 and become a formal supporter in 2019.

• Macquarie has been a signatory to the Carbon Disclosure Project since 2010.

4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?

The development and management of ESG policies is done by the ESG Manager with direct reporting to Management. See below roles and responsibilities.

• ESG Manager, Monitoring and assessing companies, developing policies and processes and reporting on activities.

• CIO/CEO, Managing Director Integrating ESG criteria in the investment and decision-making process

ESG integration in the investment process

Being a responsible investor, or integrating ESG factors into the investment process, helps to ensure value creation in the long term. We pride ourselves on being long-term investors, and this approach goes hand in hand with responsibility.

As responsible investors we believe incorporating ESG factors into our investment decisions as well as our ownership rights and responsibilities, gives us a far better chance of delivering strong returns.

As a result, we formally integrate the principles of responsible investing into our investment process and implement the principles outlined in our ESG and Active Ownership Policies.

ESG risk management, active ownership, cooperation on and promotion of responsible investment principles, including engagements, is the basis of our work on responsible investments and includes:

• Incorporating ESG issues into our investment analysis and decision-making processes

• Being active owners that incorporate ESG issues into our ownership policies and practices

• Working with other investors to enhance ESG issues and responsible investment principles

• Seeking disclosure on ESG issues by the entities invested in, and

• Observation and exclusion of sectors and companies

The team apply a combination of ESG screening and integration. The Portfolio Managers consider environmental, social, and governance issues that could have a significant impact on portfolio returns and hence the outcome for clients. Each analyzed company's ESG performance can influence whether the stock will be included in portfolios as well as the size of the allocation. The investment team works closely with the ESG Manager to implement ESG practices and apply ESG research in a suitable way. We do not differentiate between ESG and financial research, rather see it as an integrated part of each step of the investment process

Screening and Exclusion

As part of our commitment to ESG, we monitor sectors and companies and update our investment exclusion list on a regular basis.

The exclusion can either be product based or conduct based as described below.

Product based exclusion includes production of antipersonnel landmines, production of cluster munitions, production of nuclear weapons, and production of tobacco, as well as companies whose main business derives from coal or coal-based energy.

Conduct based exclusion includes serious violation of human rights, severe environmental damage, gross corruption, serious violation of individuals' rights in situations of war or conflict, as well as other particularly serious violations of fundamental ethical norms.

In the management of individual client portfolios, client specific exclusion lists may be imported into our portfolio monitoring and management system, ensuring that these clients do not invest in companies excluded by their investment policy.

Any client specific exclusion criteria is input into the portfolio management and monitoring database. The system automatically notifies the investment team in case of breaches throughout the investment life cycle.

Fundamental Analysis

Part of the fundamental analysis of the investment process is conducting ESG research, using ESG data from our ESG service provider. The ESG point of view is included in the investment case written by the portfolio managers.

Portfolio Construction and Risk Monitoring

ESG management and the portfolio managers work together, sharing information on ESG aspects through a centralized database. ESG is a fixed point on the agenda for Portfolio Management meetings. The ESG Manager is always represented at Portfolio Management meetings and will have to approve any new investment to clients' portfolios.

We review the ESG aspects of our investments on an ongoing basis; we monitor the ESG quality of the companies in our portfolios. Through a third-party ESG research provider, we receive ESG data that is imported into our portfolio monitoring and management system. Data includes overall ESG score, environmental score, social score, and governance score as well as data on controversies and events. The investment team uses the data to form any investment decision and the overall score, combined with controversies, might lead to a constraint in the weight the company is allowed in the portfolio. Decisions about eventual constraints are taken on regular Portfolio Management meetings. Companies capable of improving their ESG practices can be rewarded with a higher allocation in the portfolios. The team uses Sustainalytics as the external ESG/Responsible Investment related resource of qualitative data and extended ESG analysis.

The engagements are managed in-house, coordinated by the ESG Manager. Engagements are carried out as a collaboration between the Portfolio Management department, contributing with in depth knowledge of the company and sector/industry it operates in, and the ESG manager, contributing knowledge on the topic of engagement. The ESG manager coordinates the company dialogue and reports on engagement objectives and results.

Collaborative engagements

When collaborating with other investors, our combined holding size gives us access to board members, senior management, and a range of specialists of the companies invested in. As signatories to the PRI, we collaborate with the ESG Engagement team of the PRI to identify key environmental, social, and governance issues in the market and to address them.

5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.

Macquarie Investment Management Europe S.A. reports quarterly to clients on:

- all Proxy Voting
- ESG company score
- all Engagement with firms

Macquarie, both at a corporate and investment management level, has long had a focus on the potential impacts of ESG and sustainability. ESG factors are integrated into Macquarie's diverse business activities, using a well-established framework of ESG-related policies and practices, including corporate governance and environmental risk policies. Macquarie is currently a signatory to the Carbon Disclosure Project and report publicly on climate change risks and opportunities via the Carbon Disclosure Project website as well as in Macquarie's Annual Financial Report. Macquarie reports annually on its ESG approach and performance as well as investments and products in its Annual Financial Report using the Global Reporting Initiative as a guiding framework. Please refer to the document Macquarie Group ESG 2020.

6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?

We do ongoing assessment of our ESG process, especially in our continuous dialogue with companies. As active managers, we have an approach which goes beyond seeing ESG as managing risk. Our approach integrates ESG and financial aspects, emphasises where ESG factors affect the financial statement, both as a positive impact and a potential cost. To do this exercise we need to follow up by active shareholder engagements and interaction with companies to understand how and to encourage companies to improve shareholder and long-term portfolio returns and to drive change. We believe in nudging and keeping an open dialogue between management and investors, especially regarding ESG issues and in connection with voting at shareholder's meetings. In June 2020, one of the portfolio companies confirmed to us, that they will no longer seek contracts within a business area, that has been challenging from an ESG standpoint.

To assess the effectiveness of ESG is easier said than done. The key challenge is to define and measure outcomes, and to isolate the impact of pure ESG from other factors, as they potentially are interlinked, which is not always possible. Our approach also has the implication that ESG issues in investment and analysis decisions are difficult to disregard.

CLIMATE

7) Describe how you identify, assess, and manage climate-related risks.

As investment managers, we have signed the Montreal Carbon Pledge. We support the Paris Agreement and will work to:

- Further develop our capacity to assess the risks and opportunities that arise from climate change and integrate, where relevant, this assessment into our decision making process.

- Engage with portfolio companies to make sure they are aware of and are disclosing the risks of climate change and are capitalizing on the opportunities presented by climate change.

8) Describe the climate-related risks and opportunities you have identified over the short, medium, and long term.

In accordance with our long-term perspective to protect our clients' holdings and portfolio return, we recognize that climate change is a growing risk that needs collaborative global action. We engage with portfolio companies to make sure they are aware of and disclose the risks of climate change, and are capitalizing on the opportunities presented by climate change.

Through one of our holdings, French industrial gas producer, Air Liquide, we are invested in the future growth of the use of industrial gases to fight climate change. Industrial gases are essential in almost every part of modern society and what we consume, from energy and food to electronic gadgets, and in-home health care. Air Liquide is a key player of the climate and the energy transition with oxygen, hydrogen and carbon capture, which might contribute to saving humanity also in a long-term perspective, and in our opinion, represents a great investment opportunity.

Another portfolio company, Danone, will soon become the first French company to adopt a legal framework to focus businesses on their communities, the environment and other stakeholders.

9) Describe the resilience of your investment strategy, taking into consideration different climate-related scenarios.

Please refer to question #7.

10) Do you track the carbon footprint of portfolio holdings?

Yes

If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.

The measurements are based on direct GHG emissions from sources owned by the company and indirect GHG emissions from carbon emissions.

Measurements

We report on Carbon Intensity (tons CO_2/\$M sales) and Weighted Average Carbon Intensity (tons CO_2/\$M sales, by portfolio weight); the metric recommended by the Task Force on Climate-Related Financial Disclosure (TCFD). In addition, we report Portfolio Carbon Footprint (tons CO_2/\$M invested).

Results

Our investment team reviews the results on portfolio and company level to better understand the carbon risks and to inform investment decisions.

11) What are your firm's emissions? Please demonstrate how/whether you are taking steps to reduce these scenarios?

Please refer to attached documents Macquarie Climate Change Approach and Macquarie Carbon and Energy Data.

DIVERSITY

12) Please provide the composition of your senior leadership team and board of directors, including women and visible minorities. How do you encourage diversity of perspectives and experience?*

Please refer to attached documents Macquarie Commitment to Diversity and Macquarie Workplace Gender Equality Agency Compliance Report and more detailed information on the following homepages:

https://www.macquarie.com/au/en/about/diversity-and-inclusion.html

https://www.macquarie.com/au/en/about/company/executive-committee.html

PROXY VOTING

13) What proportion of the time do you vote with or against management on shareholder resolutions, board appointments, and auditor appointments? What proportion of the time do you vote with or against management on ESG issues? How does this break down for climate, diversity, and remuneration issues?*

For every meeting, the recommendations of the Proxy Voting Service Provider is reviewed. As the recommendation is based on the guidelines of the Fund or individual clients, the recommendations are most often followed. Situations have however occurred, where the review has led the team to another conclusion and the recommendations were not followed, i.e. supporting shareholder proposals of fellow PRI signatories.

During first half of 2020 we have voted all ballots at all meetings. We voted at 44 meetings and at four Meetings we voted against management. Voting records are part of the monthly reporting.

14) What proportion of all independent ESG shareholder resolutions do you support?*

When engaging with companies, we follow the recommendations of the PRI's introductory guide to collaborative engagements:

If dialogue does not lead to a satisfactory response, the investors can consider taking further measures. Initially this can be articulated subtly, but if unsuccessful, it can be done more overtly to push companies to consider the ESG issues under discussion. Beginning with smaller steps, there are various tactics that can be considered:

• sending reminders

• being increasingly assertive

• proxy voting

• asking a question at the AGM

• filing a shareholders resolution

In an escalation process, we would first and foremost take actions through proxy voting and by being increasingly assertive in our direct dialogue with the company invested in, including sending reminders. If proven unsuccessful, a further option would be filing shareholder resolutions or asking a question at the AGM. At this moment, escalation has not yet been necessary.

15) What proportion of remuneration packages do you vote in favour of? In your view, is the current level of executive remuneration too high, too low, or about right? How is this view reflected in your voting record on remuneration?*

In 2020, we have voted against the remuneration of one board member as it significantly differed from other non-executive board chairs on the market, even following a 30% reduction in light of the COVID-19 pandemic. This matter was followed up by a letter to the board and a discussion with another member of the board.

We acknowledge the need to focus on governance and the rising inequality, as the ratio of renumeration for a CEO compared to an employee has increased on average to 300 to 1 from 30 to 1 during the past decades in certain markets.

16) Have you ever co-filed an ESG-related shareholder resolution? If so, how many and with what frequency?*

If dialogue is considered unsuccessful and voting against management did not further the cause, we would consider filing a shareholder resolution, but have not filed any at this moment. Please see further in answer 14 here above.

17) Have you ever voted against a director for explicitly ESG-related reasons? If so, why? If not, would you consider doing so in the future?*

Yes, on diversity, gender and independence.

Scholarly research suggests that companies perform better when they are led by a group of diverse board members who complement each other. We hence believe in leadership that is varied in every way - in gender, race, economic background and ideology. Catalyst, a research organization, found that the companies with high female board representation tend to have higher return on sales, as well as higher return on invested capital and higher return on equity than companies with the least women. Likewise, McKinsey & Company found that the international companies with more women on their corporate boards "far outperformed the average company in return on equity and other measure".

Another reason companies with senior female leadership may thrive might have little to do with gender. The promotion of women may just be a proxy for those companies that are most open-minded and forward-looking, and those perhaps are the qualities that are mainly driving profits.

In a conference call in May 2020, one of our portfolio companies, Nestlé, the Swiss packaged food company, which manufactures and markets milk, chocolate, confectionary, bottled water, coffee among other consumer products, emphasised to us that they spend a lot of effort on gender balance. Historically, Nestlé was the first Swiss company with four women on the board. Today, Nestlé's focus is on cognitive diversity, i.e. the inclusion of people who have different ways of thinking, different viewpoints and different skill sets in a team or business group. Regional diversity and nationality is also an important factor, as well as representation from all angles of society. Considering this has made a huge difference for the company, compared to ten years ago, when it comes to the discussion culture, and asking difficult questions – the entire board culture has changed and female representation has made a difference and has progressed into a conscious decision to bring in people who are more outspoken.

ENGAGEMENT

18) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?*

100%. We engage with every company, we have invested in, on a broad range of issues, goals outcome, action-based and means-based. We engage with them individually, in writing and/or conference calls with both management and/or board members.

On gender diversity, we believe that adding the female perspective is of importance for any company's operation and success of the Board of Directors – as well as the Executive Board. There is strong evidence that the inclusion of women in senior positions is linked to better results, which support the argument for increased diversity. An important step in achieving more diversity is the nomination of female directors.

19) What is your policy around the escalation of engagement; how and why might this happen and what is the ultimate tool you might use (e.g. voting against board re-election, etc.)?*

As long-term investors, the firm engages in dialogue with companies. We believe that our long-term success and contribution to sustainable development depend on our active monitoring of the companies invested in.

On behalf of our clients, we have an interest in understanding the corporate governance and sustainability framework of the companies in addition to their operation and strategy. We believe the companies' boards and management should address relevant environmental, social, and governance issues and report on this to their shareholders.

When collaborating with other investors, our combined holding size gives us access to board members, senior management, and a range of specialists of the companies invested in.

As signatories to the PRI, we collaborate with the ESG Engagement team of the PRI to identify key environmental, social, and governance issues in the market - and to address them.

Signatories have been consulted on priority ESG issues to engage on, which include:

• Environmental issues: climate change, water risk, fracking, deforestation

• Social issues: labour standards, human rights, inequality, gender diversity

• Governance: tax, anti-corruption, proxy voting, board accountability, executive pay

We look to engage on all topics and with all companies relevant to our portfolios. The identified key issues are subject to revision and is a result of dialogue between the ESG Engagement Team and the Investors/Signatories.

When engaging with companies, we seek to improve certain standards and practices. Most sectors and companies invested in continue to progress and undergo restructuring and adjustment, and this extends to the corporate governance standards expected by the shareholders.

For each engagement topic, we set up measurable goals for improvements. The engagements may extend over several years and involve a range of companies.

We record company dialogue according to the goals set out for the engagement. We document the engagement objectives and goals prior to initiating an activity and store and measure any progress in our proprietary company database.

Based on the work accomplished through collaborating with other investors, we evaluate whether the results from the engagement meet the expectations and goals set out at the beginning and whether further actions are needed, e.g. proxy voting.

MACQUARIE

ESG POLICY

Macquarie Investment Management Europe S.A.

ValueInvest Global Equity Team

Macquarie Investment Management Europe S.A. (MIME S.A.) is a part of the Macquarie Group. Following the acquisition by Macquarie in 2018, the former ValueInvest Asset Management S.A. has been renamed to Macquarie Investment Management Europe S.A.

The ValueInvest Global Equity Team (VI Team) continues to manage the Global and Japan strategies, launched its International Strategy in 2019, and is part of the Macquarie Investment Management division of Macquarie Asset Management. The investment team is based in Luxembourg.

The following policies and procedures have been applied to each fund and account managed, advised, or sub-advised (collectively, the “Fund/Funds”) by the ValueInvest team.

ESG Policy

As Asset Manager, it is our fiduciary duty to safeguard our clients’ investments. At MIME S.A., we believe that considering ESG: environmental, social and governance issues in the investment process is crucial in delivering positive outcomes in the long term. Our long-term strategy includes a systematic approach to identifying, assessing, and managing environmental, social and governance risks and opportunities.

The VI Team has formally integrated the principles of responsible investing into its investment processes, including implementing the principles set out in this policy paper. The policy is based on the United Nations supported Principles for Responsible Investment (PRI) definition of responsible investment:

“Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.”

Responsible investments are investments that acknowledge ESG factors and acknowledge that long-term sustainable returns are dependent on well governed companies, respecting environmental and social issues. For us as investors, good corporate governance and management of material risks is the basis for stable and sustainable returns and indicates effective management.

The policy has been developed by the Investment and Management Team of Macquarie Investment Management Europe S.A. and is implemented by the Investment Team, consisting of the Portfolio Management Team and the ESG Manager who are responsible for achieving the policy’s commitments. The Chief Investment Officer is accountable for the results achieved. The ESG practices of the VI team are monitored and reviewed by the ESG Manager of MIME S.A.

We incorporate ESG issues into our investment analysis and decision-making processes

At MIME S.A., managing risks lies at the heart of our investment philosophy. We believe that integrating ESG criteria into the investment- and decision-making processes is an essential component in achieving positive long-term return on equity investments.

Our risk assessment includes evaluating risks related to environmental, social and governance factors. Our investment decision is based on an analysis of the management of these risks combined with the fair value of a business. We do not select or exclude any investment based solely on any one factor. In the portfolio construction, the ESG profile of a company influences whether the stock will be included in the portfolios as well as the size of the allocation.

Part of the investment decision is the analysis of any potential ESG risks and opportunities of a company and how these are managed. We closely monitor the impact of ESG issues on the sustainability of the companies' operation and business.

We are active owners that incorporate ESG issues into our ownership policies and practices

As responsible investors, it is our obligation to ensure that corporate management teams are monitored and held accountable for their actions. In our assessment of our investments, we seek to understand how management teams acknowledge, manage, and reduce ESG-related risks and engage with portfolio companies on how these risks are being managed.

Through proxy voting, shareholders can exercise their influence and control their investment. We exercise our clients' rights through proxy voting and have adopted a Proxy Voting Policy. In the management of client accounts, it is also possible for clients to implement their own proxy voting policy.

We seek to proxy vote at all general meetings. As a responsible investor, we take account of long-term value creation, sustainable business practices, board accountability, and transparent corporate communication and look for board practices and decision-making practices that are in the best interest of the company and that demonstrate alignment with shareholder interest.

As long-term investors, we motivate companies to implement fundamental changes and improve company practices over time. This includes engaging with companies in the following ways:

Thematic engagement	focusing on ESG issues that are constituting the most material risks to our holdings
Event-driven engagement	driven by an ESG-related incident or controversy
Collaborative engagement	collaborating with other investors on aligned goals
Proxy voting engagement	engaging with and notifying boards and/or management of proxy voting motivations, votes against management, and policies

We seek disclosure on ESG issues by the entities invested in

We expect the companies we invest in to identify and manage ESG risks and opportunities as any other business risk and opportunity – in their operations and their reporting. We expect companies to report on the sustainability of their business as well as environmental-, social- and governance activities and on matters that might impact long-term performance and profitability.

An important premise for our expectations is company transparency. As investors, we analyse risks and opportunities associated with the investments. To do this in a satisfactory manner, we depend on high-quality, timely information from the companies invested in. Consequently, we emphasise that company reporting is expected to be in line with applicable international reporting standards and initiatives, such as the GRI.

For our Japanese holdings, we request that all information is published in English at the same time as they are published in Japanese.

Further, we encourage companies invested in to report on their CO2 emission and to support the UN Global Compact.

Observation and exclusion of sectors and companies

We monitor sectors and companies and update an investment exclusion list on a regular basis. The exclusion can either be product based or conduct based as described below.

Product based exclusion includes production of antipersonnel landmines, production of cluster munitions, production of nuclear weapons, and production of tobacco, as well as companies whose main business derives from coal or coal-based energy.

Conduct based exclusion includes serious violation of human rights, severe environmental damage, gross corruption, serious violation of individuals' rights in situations of war or conflict, as well as other particularly serious violations of fundamental ethical norms.

In the management of individual client portfolios, client specific exclusion lists are imported into our portfolio monitoring and management system, ensuring that individual clients do not invest in companies, sectors, counties, etc. excluded by their investment policy.

Climate Change and the Montréal Carbon Pledge

In accordance with our long-term perspective to protect our clients' holdings and portfolio return, we recognise that climate change is a growing risk that needs collaborative global action.

As investment managers, we have signed the Montréal Carbon Pledge. We support the Paris Agreement and will work to:

- further develop our capacity to assess the risks and opportunities that arise from climate change and integrate, where relevant, this assessment into our decision-making process
- engage with portfolio companies to make sure they are aware of and disclose the risks of climate change - and are capitalizing on the opportunities presented by climate change

The Montréal Carbon Pledge commits its signatories to measure and disclose the carbon footprint of part or all of their equity portfolios.

MIME S.A. signed the Montréal Pledge in 2017 as ValueInvest Asset Management and has been measuring the carbon footprint of the Funds ever since. Measuring the carbon footprint helps us understand, quantify, and manage climate related risks, impact, and opportunities.

We report on our activities and progress towards implementing the policies and practices presented in this document

As part of the quarterly reporting to clients, we report on our ESG related activities and progress, including portfolio key ESG data, proxy voting and engagement activities.

Active Ownership - Engaging with Companies and Proxy Voting

Macquarie Investment Management Europe S.A. (hereafter "ValueInvest") has adopted a written engagement and proxy voting policy as set out below.

As long-term investors, ValueInvest engages in dialogue with companies. We believe that our long-term success and contribution to sustainable development depend on our active monitoring of the companies invested in.

On behalf of our clients, we have an interest in understanding the corporate governance and sustainability framework of the companies in addition to their operation and strategy. We believe the companies' boards and management should address relevant environmental, social, and governance issues and report on this to their shareholders.

When collaborating with other investors, our combined holding size gives us access to board members, senior management, and a range of specialists of the companies invested in. As signatories to the PRI, we collaborate with the ESG Engagement team of the PRI to identify key environmental, social, and governance issues in the market - and to address them.

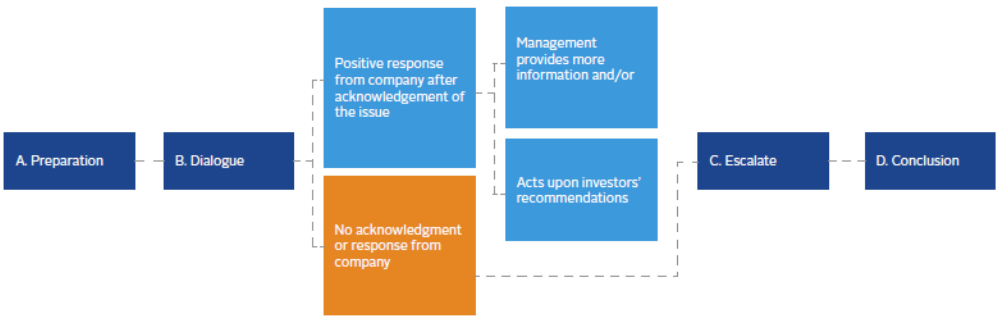
Signatories have been consulted on priority ESG issues to engage on, which include:

- Environmental issues: *climate change, water risk, fracking, deforestation*
- Social issues: *labour standards, human rights, inequality, gender diversity*
- Governance: *tax, anti-corruption, proxy voting, board accountability, executive pay*

We look to engage on all topics and with all companies relevant to our portfolios. The identified key issues are subject to revision and is a result of dialogue between the ESG Engagement Team and the Investors/Signatories.

When engaging with companies, we seek to improve certain standards and practices. Most sectors and companies invested in continue to progress and undergo restructuring and adjustment, and this extends to the corporate governance standards expected by the shareholders.

For each engagement topic, we set up measurable goals for improvements. The engagements may extend over several years and involve a range of companies. Once an investor group has identified one or more ESG issues and agree to engage collaboratively to address them, the process of collaborative shareholder dialogue with companies typically follows the stages below[1]:



[1] Source: PRI: Introductory guide to collaborative engagement

We record company dialogue according to the goals set out for the engagement. We document the engagement objectives and goals prior to initiating an activity and store and measure any progress in our proprietary company database.

Based on the work accomplished through collaborating with other investors, we evaluate whether the results from the engagement meet the expectations and goals set out at the beginning and whether further actions are needed, e.g. proxy voting.

Proxy Voting

ValueInvest exercises shareholder's rights through proxy voting. In keeping with our long-term interest, we seek to proxy vote at all general meetings. As a responsible investor, we take account of long-term value creation, sustainable business practices, board accountability, and transparent corporate communication.

We have established voting guidelines that provide the basis for our voting decisions. The Proxy Voting Policy is designed and implemented in a manner expected to reasonably ensure that voting and consent rights are exercised in the best interests of the Funds and their shareholders/investors.

The Proxy Voting Policy has been adopted by each fund and account managed, advised, or sub-advised (collectively, the "Fund/Funds") as policies and procedures that are use when proxy voting or giving recommendation on voting on behalf of the Funds.

We have selected an unaffiliated third party proxy research and voting service ("Proxy Voting Service") to assist in researching and voting. With respect to each ballot received, the Proxy Voting Service researches the financial implications of the proposals and provides a recommendation on how to vote on each proposal.

Upon receiving the recommendation, the Investment Management Team may determine to override any recommendation made by the Proxy Voting Service. If the Proxy Voting Service does not provide a recommendation with respect to a proposal, we may determine to vote on the proposals directly.

We may determine not to cast proxy votes for a company if:

a) the effect on the applicable Fund's economic interests or the value of the portfolio holding is insignificant in relation to the Fund's portfolio;
b) the cost of the proxy vote outweighs the possible benefit to the applicable Fund, including, without limitation, situations where a jurisdiction imposes share blocking restrictions which may affect the ability of the portfolio managers to effect trades in the related security; or
c) It was otherwise determined that it is consistent with our fiduciary obligations not to cast proxy votes

Conflicts

In the event that the Proxy Voting Service does not provide a recommendation, or the Investment Management Team propose to override a recommendation by the Proxy Voting Service, we will review the ballot to determine whether there is a material conflict between ValueInvest and the applicable Fund or between the Fund and other Funds. If no material conflict exists, the vote will be cast according to the recommendation of the Investment Management Team.

If a material conflict does exist, we will seek to resolve the conflict in good faith and in the best interests of the applicable Fund, as provided by the Proxy Voting Policy. The Proxy Voting Policy permits us to seek to resolve material conflicts of interest by pursuing any one of several courses of action.

With respect to material conflicts of interest between ValueInvest and a Fund, the Proxy Voting Policy permits us to either:

i. convene a committee to assess and resolve the conflict (the "Proxy Conflicts Committee"); or
ii. vote in accordance with protocols previously established by the Proxy Voting Policy, the Proxy Conflicts Committee, and/or other relevant procedures approved by ValueInvest's Chief Executive Officer and the Compliance Department

With respect to material conflicts of interest between a Fund and one or more other Funds, the Proxy Policy permits us to:

(i) designate a ValueInvest Compliance Officer, who is not subject to the conflict, to determine how to cast a proxy vote if the conflict exists between two Funds; or
(ii) permit the Investment Management Team to cast a proxy vote in accordance with each Fund's or account's best interests, if the conflict exists between Funds

We will supervise and periodically review our proxy voting activities and the implementation of the Policy.

Specific Proxy Voting Policies on Client Securities

Routine Matters

Routine matters are typically proposed by the Management (as defined below) of a company and meet the following criteria:

i. they do not measurably change the structure, management, control, or operation of the company;
ii. they do not measurably change the terms of, fees, or expenses associated with an investment in the company; and
iii. they are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company

For routine matters, we will vote in accordance with the recommendation of the company's management, directors, general partners, managing members, or trustees (collectively, the "Management") as applicable, unless, in our opinion, such recommendation is not in the best interests of the investing Clients.

General Matters

ValueInvest will generally vote for proposals:

- to set time and location of annual meeting
- to change the fiscal year of the company and
- to change the name of a company

Board Members

Election or Re-Election:

ValueInvest will generally vote for Management proposals to elect or re-elect members of a board of directors (a "Board").

Fees to the Board:

ValueInvest will generally vote for proposals to increase fees paid to the Board, unless it determines that the compensation exceeds market standards.

Capital Structure

ValueInvest will generally vote for proposals to change capitalization, including to increase authorized common shares or to increase authorized preferred shares, as long as the proposal does not either: (i) establish a class or classes of shares or interests with terms that may disadvantage the class held by the investing Clients or (ii) result in disproportionate voting rights for preferred shares or other classes of shares or interests.

Appointment of Auditors

ValueInvest will generally vote for the approval of auditors and proposals authorizing the Board to fix auditor fees, unless:

- ValueInvest has serious concerns about the auditors presented, including their independence, or the audit procedures used or
- the auditors are being changed without explanation

Non-Routine Matters

Non-routine matters involve a variety of issues and may be proposed by a company's Management or beneficial owners (*i.e.* shareholders, members, partners, *etc.* (collectively, the "Owners"). These proposals may involve one or more of the following:

(i) a measurable change in the structure, management, control, or operation of the company;

(ii) a measurable change in the terms of fees or expenses associated with an investment in the company; or

(iii) a change that is inconsistent with industry standards and/or the laws of the state of incorporation applicable to the company

Board Members

Term Limits:

ValueInvest will generally vote for proposals to require a reasonable retirement age (e.g. 72) for board members, and will vote on a case-by-case basis on proposals to attempt to limit tenure.

Replacement:

ValueInvest will generally vote against proposals that make it more difficult to replace the Board, including proposals:

- to stagger the Board
- to overweight Management representation on the Board
- to introduce cumulative voting (cumulative voting allows the Owners to "stack" votes behind one or a few individuals for a position on the Board, thereby giving minority Owners a greater chance of electing the Board
- to introduce unequal voting rights
- to create supermajority voting
- to establish pre-emptive rights

Liability and Indemnification:

In order to promote accountability, ValueInvest will generally vote against proposals to limit the personal liability of the Board for any breach of fiduciary duty or failure to act in good faith.

Ownership Issues:

ValueInvest will generally vote for proposals that require Management to own a minimum interest in the company.

The purpose of this policy is to encourage the alignment of Management's interests with the interests of the company's Owners. However, ValueInvest will generally vote against proposals for stock options or other compensation that grant an ownership interest for Management, if such proposals offer more than 10% of the outstanding securities of a company, as such options may dilute the voting rights of other Owners of the company.

Compensation, Fees, and Expenses

In general, ValueInvest will vote against proposals to increase compensation, fees, or expenses to be paid to the company's Owners, unless ValueInvest determines that the benefits to the company and its Owners justifies the increased compensation, fees, or expenses.

Voting Rights

ValueInvest will generally vote against proposals:

- to introduce unequal voting or dividend rights among the classes
- to change the amendment provisions of a company's charter documents by removing Owner approval requirements
- to require supermajority (⅔) approval for votes rather than a simple majority (½)
- to restrict the Owners' right to act by written consent
- to restrict the Owners' right to call meetings, propose amendments to the articles of incorporation or other governing documents of the company, or nominate the Board

ValueInvest will generally vote for proposals that eliminate any of the foregoing rights or requirements.

Takeover Defences and Related Actions

ValueInvest will generally vote against any proposal to create any plan or procedure designed primarily to discourage a takeover or other similar action, including "poison pills". Examples of "poison pills" include:

- large increases in the amount of stock authorized, but not issued
- blank check preferred stock (stock with a fixed dividend and a preferential claim on company assets relative to common shares, the terms of which are set by the Board at a future date without further action by the Owners)
- compensation that would act to reward Management as a result of a takeover attempt, whether successful or not, such as revaluing purchase price of stock options, or "golden parachutes"
- fixed price amendments that require a certain price to be offered to all Owners based on a fixed formula and
- greenmail provisions that allow a company to make payments to a bidder in order to persuade the bidder to abandon its takeover plans

ValueInvest will generally vote for proposals that eliminate any of the foregoing rights or requirements, as well as proposals to:

- require that “golden parachutes” or “golden handcuffs” be submitted for ratification by the Owners and
- to opt out of state anti-takeover laws deemed by ValueInvest to be detrimental

ValueInvest will generally vote on a case-by-case basis regarding other proposals that may be used to prevent takeovers, such as the establishment of employee stock purchase or ownership plans.

Reincorporation

ValueInvest will generally vote for a change in the state of incorporation if the change is for valid business reasons (such as reincorporating in the same state as the headquarters of any controlling company).

Debt Issuance and Pledging of Assets for Debt

ValueInvest will generally vote on issues relating to the issuance of debt, the pledging of assets for debt, and an increase in borrowing powers on a case-by-case basis, taking into consideration relevant factors, including, for example:

- the potential increase in the company's outstanding interests or shares, if any (*e.g.* convertible bonds) and
- the potential increase in the company's capital, if any, over the current outstanding capital.

Mergers or Acquisitions

ValueInvest will vote on issues relating to mergers or acquisitions on a case-by-case basis, but will generally vote for any proposals that ValueInvest believes will offer fair value to its Clients.

Termination or Liquidation of the Company

ValueInvest will vote on issues relating to the termination or liquidation of a company on a case-by-case basis, taking into consideration one or more of the following factors:

- terms of liquidation
- past performance of the company and
- strategies employed to save the company

Social & Environmental Issues and Corporate Responsibility

ValueInvest will vote on issues relating to social and environmental issues on a case-by-case basis, but will generally vote for any proposals that will reduce discrimination, improve protections to minorities and disadvantaged classes, and increase conservation of resources and wildlife.

ValueInvest will generally vote against any proposals that place arbitrary restrictions on the company's ability to invest, market, enter into contractual arrangements, or conduct other activities.

ValueInvest will also generally vote against proposals:

- to bar or restrict charitable contributions or
- to limit corporate political activities.

All Other Matters

All other decisions regarding proxies will be determined on a case-by-case basis, taking into account the general policy as set forth above.

Transparency

ValueInvest reports on all Engagement- and Proxy Voting activities to clients.

Environmental, Social and Governance

Macquarie's Board and Management recognise the importance of sound Environmental, Social and Governance (ESG) practices as part of their responsibility to our clients, shareholders, communities, people and the environment in which Macquarie operates.

ESG approach

Macquarie's ESG approach is structured around focus areas considered to be material to our business.

Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. We regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, staff, suppliers and the wider community.

ESG governance

The Board is responsible for approving Macquarie's ESG framework including major ESG policies. In accordance with its Charter, the Board Governance and Compliance Committee (BGCC) assists the Board in adopting appropriate governance standards and reviewing the operation of environmental and social risk management policies. Responsibility for implementation of the ESG framework and related board-approved policies resides with Management.

ESG governance:

External stakeholder interests

ESG focus areas

Environmental and social risk management	Environmental and social financing	Climate change	Sustainability in direct operations
391 transactions assessed under our *Environmental and Social Risk (ESR) Policy*	**$A9.0b** invested or arranged in renewable energy and energy efficiency projects in FY2020 **12,800 MW** of renewable energy assets in operation or under management at 31 March 2020(1)	**13.6%** of total funded equity investments exposed to renewable energy at 31 March 2020(2) **2.2%** of total funded equity investments exposed to conventional energy at 31 March 2020(2)	**100%** renewable electricity by 2025 Emissions per capita reduced by **45%** from FY2010 baseline (18% reduction from FY2019)

(1) MW of renewable energy assets in operation or under management reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.
(2) Equity investments are reported on a funded balance sheet basis and therefore exclude equity hedge positions and non controlling interests. Macquarie's carrying value of its interest in East Anglia ONE Limited is $A2.8 billion, which has been partially funded with asset-specific borrowings of $A2.3 billion at 31 March 2020. Total funded equity investments amount to $A7.4 billion as at 31 March 2020 ($A5.9 billion at 31 March 2019).

About these disclosures

Macquarie's FY2020 ESG disclosures have been prepared in accordance with the GRI Standards: Core option. The ESG disclosures comprise relevant sections of Macquarie's 2020 Annual Report and Macquarie's website. The content of the disclosures is based on Macquarie's ESG focus areas, which have been reviewed and updated in FY2020 following secondary research, market benchmarking, media analysis and extensive engagement with internal representatives of Macquarie's businesses across all regions. The adjustments to our focus areas reflect the issues that we have observed are most important to our stakeholders.

Full details of the changes made to the focus areas and a GRI Index table are available at **macquarie.com/ESG**

- Board oversight
- *What We Stand For* (principles of Opportunity, Accountability and Integrity) and *Code of Conduct*
- ESG risk management

Risks and opportunities identified by the business

Client experience

Partnerships Gold Award 2019 for Financial Advisor of the Year

Mozo Experts Choice Awards 2020 for Excellent Banking App, Internet Banking and Exceptional Everyday Account

Canstar Outstanding Value Transaction Account (2018 and 2019)

People and workplace

3,000 classroom events and 350,000 online courses and knowledge tests delivered to our staff

Business conduct and ethics

Tailored training, workshops and leadership sessions provided to over

8,700 staff(3)

Community

The Macquarie Group Foundation is the philanthropic arm of Macquarie.

Further information can be found on pages 62 to 65 of this Annual Report

(3) Content includes conduct and conduct risk, psychological safety (aimed at staff and supervisors) and ethical decision-making. Macquarie also requires staff to undertake mandatory online *Code of Conduct* training.

Environmental, Social and Governance

Continued

Environmental and social risk management

Macquarie recognises that failure to manage ESG risks could expose the organisation to commercial, reputational and regulatory impacts and affect communities, the environment and other external parties. Assessing and managing Macquarie-wide ESG risks is a key business priority and an important component of our broader risk management framework, detailed in the Risk Management section of this Annual Report.

Under the *Code of Conduct* all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the ESR team.

The ESR team coordinates a diverse range of ESG activities across business groups and regions, including developing and implementing Macquarie-wide and business-specific policies, conducting transaction reviews, providing advice on ESG risks and opportunities and facilitating training. The ESR team sits within the Risk Management Group and regularly reports to the Chief Risk Officer (CRO) and to the BGCC on ESG-related matters.

ESR in transactions

Environmental and social risks are managed through the implementation of the *ESR* and *Work Health and Safety (WHS)* policies.

Macquarie's *ESR Policy* describes our approach to ESR management in client on-boarding and across a broad range of transactions including equity investments, financing, leasing and advisory mandates. The *ESR Policy* provides a robust process to assess, manage, mitigate, monitor and report environmental and social risks and takes a precautionary approach to ESR issues including labour and employment practices, climate change, human rights, resource efficiency, pollution prevention, biodiversity and cultural heritage. Based on international guidelines, including the International Finance Corporation Performance Standards, the *ESR Policy* provides escalated decision-making and approval processes, alongside the credit approval process, for material environmental and social risks. Transactions with material environmental and social risks are referred to the CRO and may be escalated to the Executive Committee or Macquarie Board.

The ESR team oversees the operation of the *ESR Policy*, reviewing transactions and providing specialist advice and targeted training.

509
staff received ESR and WHS training in FY2020[4]

80
staff received specialist Human Rights training in FY2020

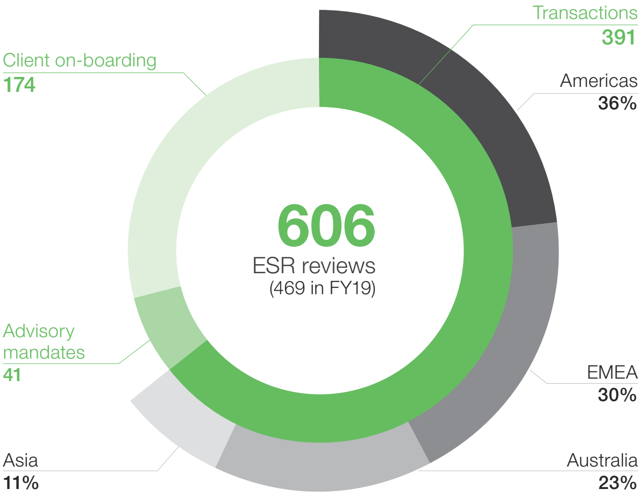
Macquarie's *WHS Policy* sets out our commitment to seek to operate zero harm workplaces through maintaining high WHS standards and performance across all our activities globally. For operating assets in which Macquarie has an equity interest or manages on behalf of a fund, we continued to facilitate WHS and environmental improvements through:

- conducting due diligence prior to investment
- training our staff
- regular monitoring of performance
- sharing lessons learnt and best practices across our portfolio
- ongoing audits.

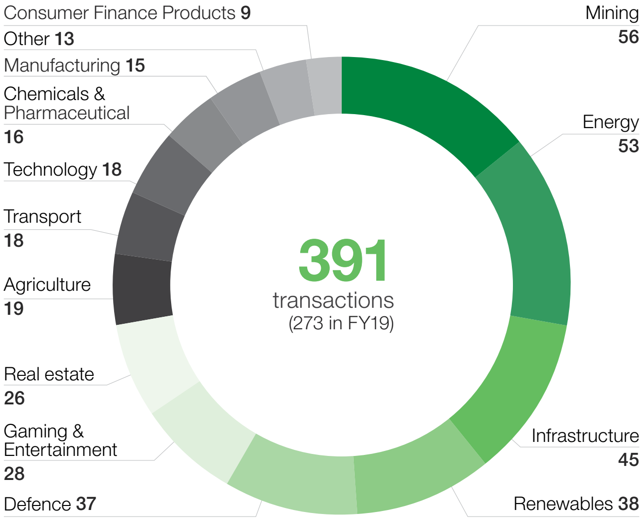
These activities are documented in the *WHS* and *ESR* policies and associated frameworks, which are based on international standards.[5] These are updated periodically to respond to identified opportunities for improvement and emerging issues.

(4) Includes risk managers and those in specific business groups with greatest potential exposure to environmental, social and WHS risks.
(5) 'Occupational health and safety management systems – Requirements with guidance for use' ISO 45001:2018 and 'Environmental management systems – Requirements with guidance for use' ISO 14001:2016.

ESR Policy referrals



Transactions assessed under the ESR Policy by sector



Safe construction of Formosa 1 wind farm in Taiwan

Macquarie's Green Investment Group (GIG) and its joint venture partners Orsted, JERA and Swancor, successfully delivered Taiwan's first commercial scale offshore wind farm, Formosa 1 in late 2019. GIG along with joint venture partners JERA and Swancor Renewable have now commenced delivering Formosa 2 through its construction phase. Together Formosa 1 and Formosa 2 are important milestones in the realisation of Taiwan's commitment to deliver 5.7 GW of offshore wind capacity by 2025, and together will generate enough electricity to power around 500,000 homes in Taiwan.

The 128 MW Formosa 1 project, involving 22 offshore turbines, was completed on time having accumulated over 4.33 million hours worked without serious injury to workers and a Lost Time Injury Frequency Rate (LTIFR) of 0.23 (comparable to European wind farms).[6]

Macquarie joined the project in 2017 and set an ambitious work health, safety and environment (WHSE) vision and strong expectations for the project that reflect our global commitment to WHSE. Macquarie fulfilled key management roles in the project with technical experts (including the Construction Director, and Risk, Commercial, Contracts, WHSE, Permits, Consents and Package Managers) to ensure the success of the project in challenging weather conditions in an emerging market.

Working closely with Taiwan government authorities and the local supply chain throughout the project, Macquarie has made a significant contribution to Taiwan's competitiveness and ability to deliver world-class offshore wind developments. The project has been important in the development of WHSE standards and culture in Taiwan. It has also contributed significantly to expanding industry skills and creating jobs and opportunities in the local supply chain.

More detailed information is available at
macquarie.com/ESG

(6) Lost time Injury (LTI) is an incident that results in time lost from work equal to or greater than a full day/shift. The LTI Frequency Rate (LTIFR) is the number of Lost Time Injuries resulting in a compensable claim per million workhours.

Environmental and social financing

We have seen further growth in demand for environmental and social finance, often associated with infrastructure and energy. This is driven largely by the global energy transition and areas like transport and mobility, digital infrastructure, housing and healthcare where social needs are seeing client demands for capital, innovative financing solutions and support for new technologies.

Macquarie continues to support our clients seeking to manage and respond to sustainability challenges and capitalise on emerging opportunities. Drawing on our global network, sector expertise and strong record, Macquarie provides a diverse range of products and services with an ESG focus to corporate, government and institutional clients. Our activities span the investment cycle from research on alternative energy to tailored capital solutions for the development and construction of renewable assets.

Our capabilities

Finance and Develop

- Investment in development projects, platforms and businesses
- Debt and equity investment
- Asset financing, including demand side management, energy efficient assets, distributed generation and battery storage and electric vehicles.

Advise

- Financial advisory
- Debt and equity arrangement
- Green financial institution advisory
- Green impact assessment, reporting and ratings.

Manage

- Real asset management, including green infrastructure, equity and debt, asset finance and real estate
- Securities investment management and structured access to funds
- Equity-based products and alternative assets.

Research

- Specialist ESG and alternative energy research
- Corporate and investor ESG engagement programs.

Trade

- Emission allowances and renewable energy certificates
- Inventory financing for environmental markets
- Derivative financing for renewable energy projects
- Environmental risk management solutions.

To help finance its growing role in renewables financing, Macquarie issued a £500 million Green Loan facility in 2018.

In 2019 we released our first Green Finance Impact Report detailing how the proceeds of that loan had been used. In line with the Asia Pacific Loan Market Association (APLMA) Green Loan Principles, the report provides full transparency over the projects that have been supported by the Green Loan, including how they have been selected and their environmental benefits.

More detailed information is available at **macq.co/GreenReport**

Finance, develop and advise

Macquarie has a substantial and longstanding commitment to the renewable energy sector, offering a full range of financial services and products across the organisation that target investments in green infrastructure projects to support the transition to a low carbon economy. We service clients across various renewable energy technologies including solar, wind, waste to energy, bioenergy and energy efficiency.

Through the GIG, a signatory to the UN Principles for Responsible Investment (PRI) and Equator Principles, Macquarie is dedicating a growing proportion of our resources to early-stage project development to help bridge the gap of development stage funding and accelerate the global energy transition. Currently, GIG is progressing 25 GW of development projects and is focused on delivering that pipeline into construction and expanding on it.

Macquarie also advises, sponsors and invests in social infrastructure, assisting public and private entities to deliver essential services including hospitals, schools, social housing and justice facilities.

Accelerating the energy transition by bringing innovative projects to life

Floating LiDAR system

With its broad range of technical expertise in green infrastructure, Macquarie's GIG is ideally placed to invest in emerging technologies, products and services and bring them to new markets.

In Korea, GIG has been involved in the emerging offshore wind sector by completing the installation of a floating LiDAR system for their floating offshore wind project at Ulsan with target capacity of 1.5 GW. The LiDAR will provide critical wind resource data to support GIG in developing the project. GIG was the first developer to install a floating LiDAR in Korean waters.

GIG has also established an active role in the growing global Power Purchase Agreement (PPA) market. PPAs act as an alternative source of revenue making projects economically viable in low to no-subsidy environments. To date, GIG has originated PPAs supporting over 3 GW of renewables projects with over 15 corporate clients and other counterparties globally.

In Europe, GIG acquired the 42 MW Kisielice and the 48 MW Zajączkowo onshore wind farms in its first two investments in Poland. Generating enough renewable electricity to power the equivalent of over 80,000 homes per year, the wind farms have a positive impact on the energy mix in a country that is still largely reliant on coal.

GIG has also been active in the solar market, constructing their first project in Spain and announcing an agreement with Tesco to install and operate solar PV systems at a number of the food retailer's sites across the UK. This deal will help Tesco work towards its commitment to generate 10% of its energy needs onsite by 2030.

In the US, GIG provided debt financing for an innovative battery-based energy storage project in Southern California. The fleet of energy storage systems will be used for utility grid services (including flexible and reserve capacity, solar integration and voltage management) in addition to retail energy services such as demand management, back up generation and power quality enhancement.

BloombergNEF Carbon Score

In 2019, GIG partnered with BloombergNEF (BNEF), combining its pioneering Carbon Score methodology with BNEF's market-leading renewable energy project data to create a tool to assess the green impact of over 40,000 wind and solar assets globally.

GIG's methodology is designed to address the lack of information that makes it difficult to integrate climate-related risks and opportunities into investment decisions, by generating a simple and intuitive Carbon Score for renewables assets. This enables BNEF clients to quickly, clearly and consistently assess and compare the positive carbon impact of individual assets, fund portfolios or PPAs.

Through the partnership, GIG's Carbon Score has been applied to over 60% of the world's consented wind and solar projects to date. Power off-takers can identify opportunities to purchase high-impact clean power, while asset owners and managers have access to robust data to quantify and report on the contribution of renewable energy assets and portfolios to carbon reduction more accurately.

Manage

Macquarie's asset management businesses are committed to evaluating ESG factors in investment decision-making and engaging with investors on ESG issues. Macquarie Asset Management (MAM) is a signatory to the UN PRI. Divisions within MAM have established specific ESG policies and approaches that reflect the ESG considerations associated with their business.

This year, Macquarie Infrastructure and Real Assets (MIRA) has introduced carbon and energy reporting for its fund portfolio companies. These metrics will inform investment and asset management decisions and, over time, enable MIRA to set targets for the businesses within each fund portfolio to achieve a net reduction in greenhouse gas emissions.

Macquarie Investment Management (MIM)'s Equity and Fixed Income Investment teams have access to ESG analytical tools that provide insight into companies' and portfolios' carbon footprint, allow them to stress-test issuers and portfolios for different carbon pricing scenarios, and offer guidance regarding material ESG factors that affect a given industry. MIM's Fixed Income research team assigns their own proprietary ESG risk ratings to new issues that they analyse, and its Emerging Markets Debt team has established a differentiated approach towards assessing Emerging Market countries on ESG.

$A20.4b renewable energy assets under management at 31 March 2020

$A2.0b assets managed under MIM's targeted Responsible Investment strategies

$A3.2b funds managed in line with MIM's clients' specific ESG goals and screening preferences

MIRA agricultural fund

In 2019 MIRA reached final close of its carbon-reduction-focused agricultural fund, Macquarie Agriculture Fund – Crop Australia (MAFCA). MAFCA has a mandate to target improved on-farm energy efficiency and reduced carbon emissions through sustainable farm management practices. Australia's Clean Energy Finance Corporation (CEFC) is an investor in the fund and is working with MIRA and the Commonwealth Scientific and Industrial Research Organisation (CSIRO), a world-leading scientific institution, to develop an emissions reduction benchmarking model to be shared with the broader farming sector.

MIRA has overseen and advised on the construction of an emissions calculation tool known as FarmPrint, with development conducted by CSIRO. FarmPrint is an emissions efficiency model that allows a farmer to input operational information pertaining to their farm and calculate the intensity of their current emissions footprint (i.e. their FarmPrint). The FarmPrint model calculates the ratio of emissions relative to land area and the volume of crop output that is produced for an individual farm.

By using FarmPrint, farmers will be able to identify and understand which parts of their production processes generate the most emissions, guiding decision-making about which technologies and activities should be improved.

Social and affordable housing

Social infrastructure provides access to quality, affordable social services and offers investors long-term opportunities in regulated non-profit sectors.

Specialist Disability Accommodation (SDA) was introduced in 2016 under the Australian National Disability Insurance Scheme (NDIS) to provide high-quality housing to 28,000 Australians with extreme functional impairment and very high support needs. Since 2017, Macquarie Specialised Accommodation Solutions (MSAS) has partnered with Summer Housing to provide 260 independent living SDA apartments across Queensland, New South Wales, Victoria, South Australia and Western Australia.

40 apartments completed along the east coast of Australia and dwellings in Fairfield (Victoria) and Newstead (Queensland) are fully occupied. This year, as more of the development pipeline completes, tenants will be able to transition into one of the 90 brand new, integrated, accessible and purpose-built apartments within Australian communities.

Research

It is important to us to keep our clients informed about emerging ESG trends. This year, Macquarie has made ESG a standard component of all Australian stocks initiations and issued specialist ESG reports covering topics such as human capital management, waste-to-energy, company ESG ratings, reporting season and AGM trends.

We also hosted a number of ESG-themed events, including investor forums focused on climate change and waste management.

3

Top three rating for Australian ESG research by institutional investors in 2019 Peter Lee survey

From January 2020, Macquarie entered into a strategic partnership with Kepler Cheuvreux, a UN PRI signatory since 2005. The partnership will expand our European expertise and provide our clients with access to a larger pool of alternative energy research.

In Asia, we are responding to increased client demand for ESG research with an expanded ESG team that will work alongside our existing equity and macro research teams. We are enhancing our existing governance screens on all stock initiations to include more in-depth examination of social and environmental issues that can impact investment performance in the region.

Across our equity research, our ESG initiatives leverage strongly off Macquarie's deep sector expertise in areas such as renewable energy, agriculture and technology.

Trade

The trading business within Commodity Markets and Finance (CMF) provides wholesale energy market access and hedging for a wide range of renewable energy suppliers, retailers and producers, such as waste-to-energy and biomass power plants. CMF enables clients to hedge their increasing exposure to European and global carbon emissions products, in particular it is one of the leading hedge providers in the European Union Emissions Trading System.

CMF is investing in leading infrastructure to give clients better market access, such as the recent strategic funding for Xpansiv CBL Holding Group (XCHG). XCHG is the first significant data and commodities platform that generates data on several factors including human and natural capital, enabling greater transparency to support trading in sustainable commodities.

More detailed information is available at **macquarie.com/ESG** and **macq.co/MIRASustainability**

Climate change

Climate change presents one of the most significant challenges for society and the global economy. The financial sector has a critical role to play, alongside government, businesses, investors and the community, to support the transition to a low-carbon and climate resilient economy. As a global financial services provider, we are committed to using our expertise in infrastructure, renewable energy, clean technology and environmental markets to connect global capital to opportunities that support this transition.

We anticipate that our businesses will adapt, adjust and continue to seek opportunities in response to the decarbonisation of the global economy.

Alongside the action being taken by our businesses, Macquarie continues to support the important work of the Task Force on Climate-related Financial Disclosures (TCFD) and is actively implementing its recommendations based on the four key pillars of climate change governance; strategy; risk management; metrics and targets, as outlined in the table below.

TCFD Implementation Summary

	Climate change governance	Strategy
Progress to end of FY2019	– Board responsibility for approving ESG framework and key ESG policies – BGCC oversight and monitoring effectiveness of ESG framework, including approach to climate change risk management – Internal Global Green Committee to promote and coordinate climate change mitigation and adaptation opportunities.	– Connection of global capital with climate mitigation opportunities using our deep understanding and expertise in the renewable energy and clean technology sectors – Supporting the MGL CEO's role as a founding member of the United Nations' Climate Finance Leadership Initiative (CFLI) and a Commissioner of the World Bank's Global Commission on Adaptation (GCA) – Assisting in the development of common international standards for sustainable finance through membership of the UK's Green Finance Task Force, and other relevant advisory groups – Extending GIG's geographic scope to support the growth of the green economy globally. GIG is now active in over 25 markets across EMEA, Asia, North America and ANZ – Supporting energy retailers in the UK by providing funding solutions for government-mandated roll out of smart meters – Carbon financing and trading to support voluntary and regulated emissions trading schemes – Carbon neutral since 2010.
Progress during FY2020	– CRO nominated as accountable executive – Established climate risk steering committee – Expanded the scope of the Global Green Committee and enhanced briefing to Board, BGCC and Senior Management.	– Worked alongside the UN Green Climate Fund and other public finance bodies to support emerging market countries to create conditions conducive for green finance – Utilised founding membership of the US Alliance for Sustainable Finance – Delivery of CFLI and GCA reports to the United Nations during UN Climate Week – Continued GIG growth into development stage investment and using PPAs to progress projects without public subsidy – Evolved asset financing opportunities to support clients to transition vehicle fleets to ultra-low emissions.
Focus beyond FY2020	– Ongoing implementation of relevant regulatory guidelines on climate risk governance – Continue to refine and embed climate considerations within existing risk management framework – Continue to enrich Board and executive insight into and visibility of climate-related risks and opportunities.	– Continue to build internal expertise and capacity to support the energy transition into new markets and across new technologies – Evolve approaches for integration into business strategy planning – Work alongside businesses in further incorporating climate risk in product design and engaging with clients on climate risk – Source 100% renewable energy for Macquarie premises by 2025 in line with our RE100 commitment.

To further refine understanding of the potential vulnerabilities to climate change risks for Macquarie, we have developed physical and transition risk heat mapping for our lending and equity portfolios under 1.5°C and 3–4°C scenarios.

This analysis is intended to provide an assessment of relative exposures to physical and transition risks associated with each selected scenario across industry sectors and geographies. The analysis to date indicates the impacts on each of the sectors to which we are presently exposed would primarily be felt after 2030, and that the impact on Macquarie would not be considered material given the diverse nature of our portfolio, the short time horizon of our exposures compared to these scenarios and the limited size of our existing lending exposure to each sector. A more detailed report will be published as analysis progresses during the FY2021 year.

Risk management	Metrics
– Incorporated climate-related risks into environmental and social risk and credit analysis for carbon intensive sectors – Established approaches to transition risk analysis in the oil, gas, coal and power generation sectors of our lending and equity portfolios – Conducted scenario analysis for these sectors representing transition pathways to 2°C warming and 3–4°C warming by 2100.	– $A7.9 billion invested or arranged in renewable energy and energy efficiency projects in FY2019 – 13,530 MW of renewable energy assets in operation or under management at 31 March 2019[7] – FY2019 emissions per capita reduced by 33% from FY2010 baseline (11% increase from FY2018) – FY2019 absolute emissions reduced by 32% from FY2010 baseline (15% increase from FY2018) – FY2019 scope 2 direct emissions reduced by 35% from FY2009 baseline (10% reduction from FY2018).
– Included climate change risk within Group Risk Appetite and Risk Management Statements – Generated physical and transition climate risk vulnerability heat maps for lending and equity portfolios across sectors and geographies – Conducting transition risk analysis of lending and equity portfolios for the oil, gas, coal and power generation sectors, representing pathways to 1.5°C and 4°C warming by 2100, largely completed – Analysing physical risk of Macquarie's mortgage portfolio, representing pathways to 1.5°C and 4°C warming by 2100, in progress – Evolved understanding of carbon emissions for the MIRA infrastructure assets.	– $A9.0 billion invested or arranged in renewable energy and energy efficiency projects in FY2020 – 12,800 MW of renewable energy assets in operation or under management at 31 March 2020[7] – FY2020 emissions per capita reduced by 45% from FY2010 baseline (18% reduction from FY2019) – FY2020 absolute emissions reduced by 42% from FY2010 baseline (16% reduction from FY2019) – FY2020 scope 2 direct emissions reduced by 40% from FY2009 baseline (8% reduction from FY2019) – Final close approaching on a $A1 billion agriculture fund targeting improvements in on-farm energy efficiency and reducing carbon emissions.
– Continue integration of climate-related risks through our risk management framework – Refine scenario analysis and seek to extend to other industry sectors, where relevant – Evolve integration of scenarios into existing risk processes and stress testing – Assess vulnerability and resilience of our business premises to physical climate risks.	– A further 20% reduction in electricity use by 2023 (from 2014 baseline) – Source 100% renewable energy for Macquarie premises by 2025 in line with our RE100 commitment – 80% of employees in sustainably-rated premises[8] – Ongoing enhancement of TCFD disclosures to be consistent with all relevant Task Force recommendations – A commitment to develop 20 GW of renewable energy projects over the next five years, with 4 GW of this in non-OECD emerging market countries.

(7) MW of renewable energy assets in operation or under management reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.
(8) LEED Gold, BREEAM Good, 5 Star Green Star or equivalent.

FY2020 scenario analysis

The use of scenario analysis, in the form of physical and transition risk heat mapping across our lending and equity portfolios, has refined our understanding of the potential vulnerabilities to climate change risks for Macquarie. These heat maps are intended to provide an assessment of relative exposures to physical and transition risks associated with various scenarios across industry sectors and geographies, based on the current composition of the portfolio assuming no changes across all time horizons.

FY2020 energy sector exposures

1.3% of total funded loan assets[9] and **2.2%** of total funded equity investments[10] exposed to conventional energy at 31 March 2020

13.6% of total funded equity investments[10] exposed to renewable energy at 31 March 2020

As a managed global energy transition continues, it is clear that there will be an ongoing role for conventional energy, including gas, for some time as the deployment of renewable energy rapidly grows. Macquarie has played a leading role in facilitating the shift toward renewables and the wider decarbonisation of the global economy. Particular focus was placed on trying to address the various challenges that remain to full transition including energy storage, land use, the need for a greater number of investible projects, particularly in emerging economies, and greater levels of investment in adaptation and resilience projects. In FY2020 these efforts continued globally, see pages 18–19 of this Annual Report.

The table below provides Macquarie's equity and loan portfolio exposures to the coal, oil, gas and renewables sectors as at 31 March 2020.

Equity and loan portfolio exposures to the oil, gas, coal and renewables sectors:

	FY19		FY20	
	Loan assets $Ab	Equity investments $Ab	Loan assets $Ab	Equity investments $Ab
Oil	0.7	0.2	0.5	0.1
Gas			0.4	—
Coal	0.2	–	0.2	—
Renewables	–	0.9	—	1.0

Transition risk

There are numerous possible future pathways for the world to reach a particular climate outcome. We selected three divergent scenarios for transition risk, representing plausible transition pathways to 1.5°C warming by 2100 relative to pre-industrial levels (including an orderly and a disorderly transition) and a 3–4°C warming by 2100 relative to pre-industrial levels (or baseline scenario). These were based on scenarios that informed the Intergovernmental Panel on Climate Change's (IPCC) Special Report on 1.5°C and used the Potsdam Institutes' Advance REMIND models.

In selecting these scenarios, a detailed review was conducted of a wide range of public climate scenarios. Our selection was based on models that covered various climatic outcomes; provided information for the sectors and geographies most relevant to Macquarie's exposures; are widely recognised and used by the industry; and are regularly updated.

Scenario assumptions

	1.5°C – ORDERLY	1.5°C – DISORDERLY	BASELINE SCENARIO (3–4°C)
Time horizons	2025, 2035, 2050		
Policy	Immediate policy action consistent with limiting warming to 1.5°C by 2100.	Policy action is delayed until after 2030, from which point action is taken to limit warming to 1.5°C by 2100.	The (Intended) Nationally Determined Contributions to the Paris Agreement by 2030 are implemented, with an extrapolation of implied effort beyond 2030.
Energy	By 2050, total electricity generation comprises 91% renewables and primary energy demand comprises 68% renewables.	Renewables comprise 19% of primary energy demand in 2030 but reach similar levels to the orderly scenario by 2050.	By 2050, total electricity generation comprises 76% renewables and primary energy demand comprises 31% renewables.

(9) Total funded loan assets include loan assets held at amortised cost adjusted to exclude certain items such as assets that are funded by third parties with no recourse to Macquarie. In addition, loan assets at amortised cost per the statutory balance sheet are adjusted to include fundable assets not classified as loans on a statutory basis (e.g. assets subject to operating leases). Total funded loan assets amount to $A86.5 billion as at 31 March 2020 ($A82.3 billion as at 31 March 2019).

(10) Equity investments are reported on a funded balance sheet basis and therefore exclude equity hedge positions and non controlling interests. Macquarie's carrying value of its interest in East Anglia ONE Limited is $A2.8 billion, which has been partially funded with asset-specific borrowings of $A2.3 billion at 31 March 2020. Total funded equity investments amount to $A7.4 billion as at 31 March 2020 ($A5.9 billion at 31 March 2019).

For each scenario, we analysed the vulnerability of our lending and equity portfolios at 30 September 2019, using modelling to assess the impact of climate transition at a sector and regional level. In line with industry practice, our modelling assumed that there were no changes to the portfolio across all time horizons, which will not be the case given the relatively short duration of our balance sheet investments and lending. Analysis of our lending portfolio showed that less than 10% could be exposed to sectors with a higher vulnerability to transition risk under the Orderly Scenario in 2025, rising but below 20% by 2050. Under the Disorderly Scenario, a similar proportion of the lending portfolio could be exposed to sectors with a higher vulnerability to transition risk by 2050.

For our equity portfolio, the analysis indicated that under a Disorderly Scenario, less than 5% could be exposed to sectors that by 2050 demonstrate a higher vulnerability to transition risk while under an Orderly Scenario this would be around 5%.

The sectors most negatively impacted by 2050 as a result of carbon pricing and related policies include fossil fuel intensive industries such as coal mining, carbon intensive power generation, and oil and gas exploration and production. The utilities sector experiences a high variation in impact, with the least carbon intensive companies experiencing positive growth. Within the transport sectors, air transportation is more affected than shipping, with road and rail transportation least affected due to the relative availability of electrification.

Regional variations were identified at a sector level, influenced by the characteristics of the companies operating in each region including emissions intensity and market variations.

An example of the transition risk heat mapping is presented in the following graph. This reflects the potential transition risk impact at a global level for key sectors and is based on the average impact across all companies analysed within each sector. The heat map presents the anticipated transition risk for these industry sectors and does not reflect Macquarie's exposure to these sectors, which is detailed on page 52.

(11) Represents those companies with emissions intensity above the median and low carbon represents those companies with emissions intensity below the median.

Building on the heat mapping, we are conducting scenario analysis of carbon intensive sectors using a combination of portfolio level analysis and company level analysis to assess the potential financial implications of the transition scenarios. Initial analysis is presented below with more detailed reporting available later in the year.

<table>
<tr><th></th><th>Oil and Gas</th><th>Coal</th></tr>
<tr><td>Transition risk scenario analysis[12]</td><td>By 2050 under both scenarios, lending portfolio average default rates are forecast to double compared to the baseline.

Estimated losses for the equity portfolio are similar under both scenarios and could be up to 50% of the current asset value by 2050.

The overall impact on Macquarie under both scenarios would be limited and would not be considered material given the size of our existing total lending and equity exposures. We note that the analysis assumes no changes to the portfolio across all time horizons, which would not in practice be the case.</td><td>Under both scenarios, lending portfolio average default rates are anticipated to rise by almost five times, peaking in 2030 under the Orderly Scenario and peaking in 2050 under the Disorderly Scenario.

Equity portfolio – De minimis exposure to this sector.

The overall impact on Macquarie would not be considered material given the limited size of our existing lending exposure to this sector.</td></tr>
<tr><td>Learnings and next steps</td><td colspan="2">Macquarie acknowledges the benefits of the combined portfolio level (top-down) and company level (bottom-up) analysis that was undertaken in FY2020 and will build on this as we continue to refine our approach to climate-related scenario analysis.

The company level approach highlighted limitations with the availability and granularity of data and the need to continue working closely with our clients as part of ongoing relationships to support their plans to reduce their carbon intensity.</td></tr>
</table>

Physical risk

We selected two contrasting warming scenarios for the physical risk analysis corresponding to global average temperature increases of approximately 1.5°C warming by 2100 and 4°C warming by 2100 relative to pre-industrial levels. These are derived from the output of climate models driven by the warming scenarios of Representative Concentration Pathways (RCP) 2.6 and RCP 8.5. The RCP scenarios are the greenhouse gas concentration trajectories adopted by the IPCC.

Three time horizons were selected: including one to capture the present day (2020), one for the medium term (2030s), and one for the longer term (2050s).

The physical risk scenarios and time horizons used in the analysis are shown in the table below.

	1.5°C	4°C
Time horizons	2020, 2030s, 2050s	
IPCC Representative Concentration Pathway (RCP)	RCP 2.6	RCP 8.5
Warming by 2100 relative to pre-industrial levels	1.6°C	4.3°C

Using these scenarios, climate datasets were defined that aligned with the modelling time horizons. The datasets included chronic climate changes, extreme weather events and climate-related hazards such as wildfires. We then used sub-sector vulnerability indicators that consider both direct and indirect impacts of physical climate risks to overlay the data with our equity and lending portfolios to assess the physical risk vulnerabilities of these portfolios.

The heat maps provide a strategic tool to identify potential areas of vulnerability and will be used to help inform further analysis and investment decision making in our business as lending and equity portfolios continually evolve.

The findings of this exercise were consistent with our expectations that climate hazards are anticipated to increase across the three time horizons, with the most severe impacts occurring after 2050. Country-level analysis has resulted in some smoothing of climatological variations which is more pronounced across large and diverse geographic regions such as the US or Australia. Consequently, both the US and Australia were assessed to have relatively higher physical risk profiles in comparison with other countries, reflecting that the anticipated changes in climate-related hazards are above the global average for these countries. While the heat map indicated variations in vulnerabilities across sectors and sub-sectors, these were highly dependent on the country of exposure.

Detailed physical risk scenario analysis of our retail mortgage portfolio in Australia is in progress and will be completed later in the year.

Supporting global activity to better understand, mitigate and adapt to the impacts of climate change

Macquarie continues to support global efforts to better understand the impact of climate change on society, our clients and our business. This involves a diverse range of activity including engaging clients and assets; research projects into areas such as reducing agricultural emissions with CSIRO; active engagement in initiatives like TCFD; and initiating collaborative working with other financial institutions through the CFLI and broader multi-stakeholder initiatives like the GCA. Through this engagement, Macquarie is working to improve our understanding of the risks associated with climate change while also pursuing opportunities to work with clients to advance mitigation and adaptation.

More detailed information on our approach to Climate Change is available at **macquarie.com/ESG**

(12) Scenario analysis was completed at 30 September 2019 assuming a static book with no changes in composition over the modelling time horizons and does not include impacts associated with COVID-19.

Sustainability in direct operations

Macquarie's direct environmental and social impacts predominantly relate to the resources we consume in our offices, data centres, air travel, and our procurement activity. We seek to manage these impacts by monitoring and reducing resource use, maintaining innovative and sustainable workplaces, maintaining carbon neutrality and improving the sustainability of our supply chain.

This year, Macquarie launched its 2025 Sustainability Plan, which formalises our corporate sustainability commitments with specific and measurable targets across environmental and social pillars.

Emissions from energy use and flights

This year, Macquarie's absolute emissions decreased by 16% from FY2019 attributed to a reduction in Scope 2 and 3 emissions. Scope 1 emissions are not considered to be material, comprising 0.6% of Macquarie's total emissions.[13]

FY2020 Scope 2 emissions reduced 8% from FY2019, due to a continued focus on energy use in all Macquarie premises globally, including retrofit and fit-out projects that have delivered more energy efficient premises and our IT cloud transformation strategy that enables rationalisation of servers. Macquarie's corporate offices are fitted with water and energy efficient fittings and fixtures and are continually monitored for energy performance, environmental quality and staff comfort.

Macquarie sourced 18% of global electricity from renewable power in FY2020, up from 6% in FY2019, in line with our RE100 commitment to reach 100% by 2025.

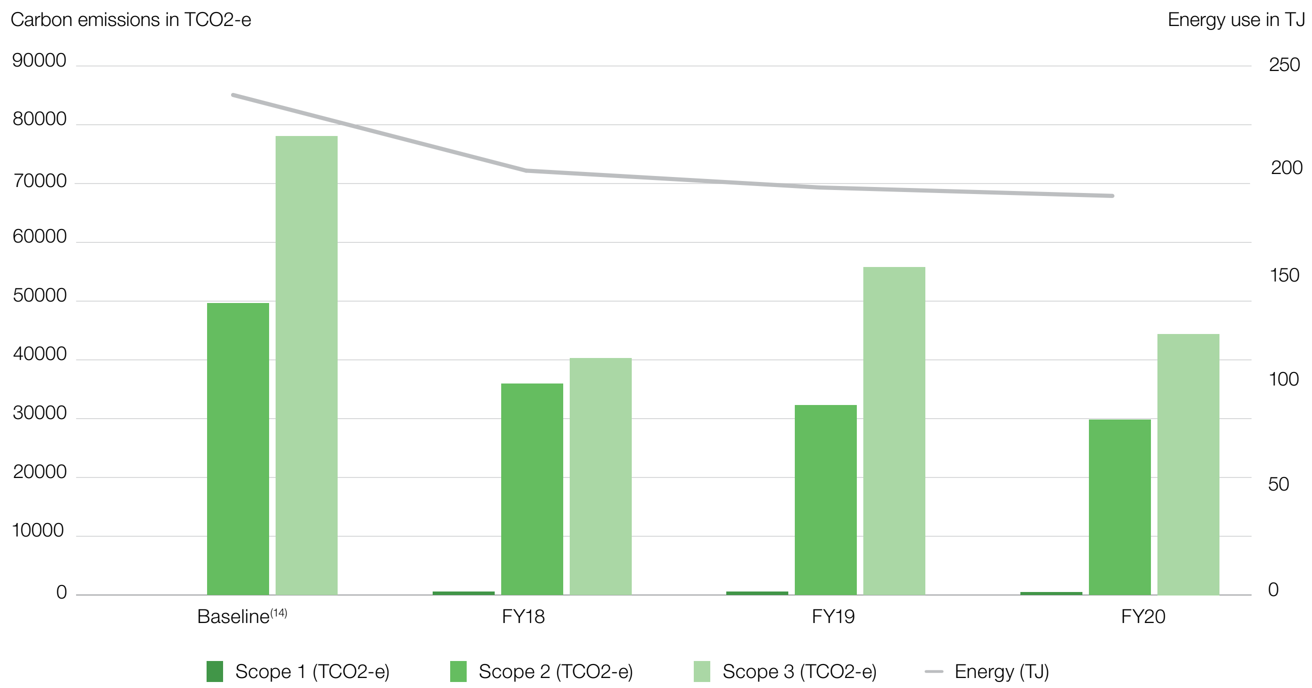
This year, energy audits were completed in EMEA in response to the European Union Energy Efficiency Directive requirements.

Macquarie's FY2020 Scope 3 emissions decreased by 20% compared with FY2019 due to a decrease in flight miles. We continue to encourage the use of virtual conferencing that facilitates collaboration and helps reduce the need for business travel.

Carbon neutrality

Since 2010, Macquarie has maintained our carbon neutral commitment by working to reduce and offset emissions. In FY2020, to meet this commitment, Macquarie purchased and retired a portfolio of Australian Carbon Credit Units (ACCUs) and other voluntary carbon offsets that meet the Gold Standard or Verified Carbon Standard and Climate, Community and Biodiversity Standard. The projects were selected based on quality and verifiable emissions reductions. Supported by the sale of carbon credits on international markets, they provide solutions to reduce carbon emissions in each of the regions in which Macquarie operates.

Carbon and energy data for FY2020



(13) PwC has provided limited assurance over selected information for the FY2020 reporting period as detailed in its independent assurance report available on Macquarie's website. The assurance report includes a table outlining Macquarie's carbon and energy data for FY2010 to FY2020 as well as a definition of the different scopes.
(14) Note that the baseline for Scope 2 electricity emissions is FY2009 while, due to data availability, the baseline for Scope 3 business air travel emissions is FY2010.

Resource efficiency

We continue to raise staff awareness and improve recycling rates across our regional headquarters, including the successful completion of a program to eliminate single use cups at 1 Martin Place, Sydney. In all major Sydney offices and our London headquarters, we reached an average recycling rate of 44%.

In FY2020, paper use decreased by 12% compared to FY2019. Paper use data is collected across the majority of Macquarie's offices, representing approximately 90% of Macquarie staff. Managed print was rolled out to 100% of Macquarie offices. The environmental impacts of paper use are also being addressed through an ongoing commitment to use certified sustainable or recycled paper stock.

Sustainable procurement

In FY2020, Macquarie rolled out a new *Supplier Governance Policy* that includes a risk-based approach to environmental and social due diligence in our supply chain. In addition, Macquarie includes environmental and social risk requirements within commercial agreements and tender documents.

Over the last two years, over 800 strategic suppliers responded to Macquarie's ESG questionnaire developed to assess their ESG credentials. We continued to communicate our *Principles for Suppliers* and implemented an ongoing risk-based assurance programme which involved an in-depth assessment and onsite meetings with suppliers exposed to high human rights risks based on country of operation and service category.

Macquarie responded to the transparency requirements of the *UK Modern Slavery Act 2015*, producing our fourth slavery and human trafficking statement that sets out the steps taken to identify and mitigate the risk of modern slavery within the supply chain and business operations.

In FY2020, Macquarie spent over $A8 million with minority-owned businesses in our tier one supply chain.[15]

Further information is available at **macquarie.com/ESG**

The Principles for Suppliers are available at **macquarie.com/suppliers**

The UK Modern Slavery Transparency Statement is available at **macquarie.com/MSA19**

(15) Includes qualified businesses from traditionally under-represented groups such as companies owned and operated by minorities, women, Indigenous Australians and small business.

Client experience

Clients are at the core of our business. They put their trust in Macquarie by choosing to work with us, and we seek to maintain this trust by focussing on delivering exceptional client experiences and outcomes.

Macquarie relies on building and maintaining enduring relationships with our co-investors, corporate, institutional, government and retail clients across all our businesses.

Client feedback shapes business decisions

Our specialist teams engage with our clients through a variety of channels including one-to-one contact, video and online, knowledge-based conferences and events, and other insight-based communications.

Macquarie Capital's diverse mix of advisory, capital markets and principal investing capabilities results in a broad array of client and stakeholder relationships, ranging from close and collaborative relationships with partners and co-investors to more intermittent and transaction-focused contact. Across the business, clients' needs are central to everything Macquarie Capital does, and we aim to become a trusted adviser and long-term partner. The team regularly collates informal feedback, as well as formal feedback through tailored engagement sessions. This feedback is used to help us evaluate the strength of our client relationships and identify opportunities for improvement and innovation.

In FY2020, to better meet the needs of our clients, MAM brought together product distribution teams from across its platform to form a single, integrated client service function. The change has enabled MAM to provide an enhanced product and service offering to its institutional investor base across its global suite of alternatives, equities, and fixed income solutions. During the period, we continued to invest in our technology to improve the client experience, including through the development of our client portal and the upgrade of our digital presence. We regularly survey our clients to better understand their perspectives and investment needs. For example, in response to growing interest in sustainability, MAM held its first client survey on the subject during FY2020. The results from this survey are helping to inform ongoing work to enhance our sustainability-focused offerings and reporting across our infrastructure and real asset funds.

In Commodities and Global Markets, clients range from global corporates and institutions through to small and medium sized enterprises. We seek to provide a consistent offering that is client focused, puts risk management at the centre of what we do, and leverages the specialist technical expertise of our people. We invest in having deep, longstanding client relationships which is demonstrated by 85% of our client revenue being generated from existing relationships.[16]

Macquarie's Banking and Financial Services (BFS) business uses client insights to prioritise new initiatives and shape how we deliver products and services. For example, BFS has embedded Human Centred Design (HCD) and proactively measures customer advocacy at specific interaction points to understand the experience clients have with Macquarie. Combined with other insights, BFS then makes data-based decisions to ensure we are building the right experiences for clients.

Supporting clients in times of need

We understand the impact unexpected life events can have on our clients. In addition to offering tailored assistance and support to those experiencing financial difficulty, BFS has embedded support measures to ensure we identify clients experiencing vulnerability, and respond with extra care, respect and compassion. All BFS staff are now trained in how to identify and support clients experiencing vulnerability. BFS' holistic approach has also included enhancing our financial assistance program and implementing proactive response programs to support clients impacted by natural disasters and emergencies. This also includes a comprehensive support package to assist clients and businesses impacted by the evolving COVID-19 situation.

Recognising the potential impact of COVID-19 and movements in global oil prices on listed and unlisted assets, MAM delivered a proactive engagement strategy to assist clients as they navigated the resulting market volatility. MAM supplemented its regular reporting for most of our infrastructure and real asset funds with additional timely information and provided clients with access to internal expertise so they could make informed decisions about their investment strategies.

(16) For the nine months ended 31 December 2019, excludes Specialised and Asset Finance (SAF) and Cash Equities.

Fair and efficient resolution of issues

Macquarie has a robust complaint management framework across our retail banking business to ensure client matters are resolved quickly and fairly. Our teams analyse complaint data to understand the root causes of complaints so they can be addressed at their source, with oversight from senior management. In FY2020, 91% of BFS complaints were resolved within five business days.

Macquarie's Customer Advocate is independent of the operating, risk and support groups including our internal dispute resolution teams and reports directly to the CEO. The Customer Advocate's role is to promote fair and reasonable customer complaint outcomes, to review and assist with determining escalated customer complaints, and to provide a customer-centric voice when making recommendations to improve customer experience.

Banking Code of Practice

Reflecting our commitment to our clients, Macquarie Bank Limited subscribed to the Australian Banking Association 2019 Banking Code of Practice (the Banking Code) on 1 July 2019, as updated effective 1 March 2020. Implementation of the Banking Code has involved the review and alignment of impacted products and services, disclosures, policies and processes. Training was delivered to all BFS staff and Banking Code compliance remains an ongoing focus area with embedding and monitoring work ongoing to ensure strong understanding and awareness across the business.

Further information is available at **macq.co/CompanyBFS**

Further information on the Customer Advocate office is available at **macquarie.com/customer-advocate**

The Banking Code of Practice can be downloaded at **macq.co/TheCode**

People and workplace

Macquarie recognises that our most important assets are our people. We recruit talented individuals and encourage them to realise their potential in an environment that values excellence, innovation and creativity. By supporting their development and wellbeing, we ensure Macquarie continues to meet the highest standards and serves the evolving needs of our stakeholders.

Leadership, talent and culture

Macquarie is continuously building a culture of high performing talent by developing our people. We focus on our leaders and their leadership impact as they are our culture carriers. They set the tone for our people and directly influence the way people think and act. We seek to attract the right talent and develop our people to reach their full potential in order to deliver measurable business outcomes that benefit our clients, our shareholders and our people.

78% of Macquarie's 320 Executive Directors completed or are currently completing the Macquarie Executive Director Leadership Program (EDLP) since its inception

This program builds the capability of leaders to better understand their impact and to inspire and develop others. It also equips them to address the pace and complexity of change and to cultivate and support a culture of innovation.

289 Division and Associate Directors completed the Macquarie Director Program (MDP) in the year (1,930 since its inception in 2014)

The MDP is designed to accelerate the development of directors through building the breadth and depth of their capabilities with the benefit of achieving faster outcomes and improved results.

To understand the future of leadership at Macquarie, a strategic project was undertaken this year to develop a point of view on the leadership attributes required by our future leaders. This point of view, developed through an extensive review of academic literature and interviews with diverse stakeholders, will inform the design of new leadership development initiatives.

For the broader organisation, Macquarie supports the career development of its people through a number of manager and strategic leadership programs and investment in executive coaching and mentoring initiatives.

Learning opportunities are provided to all staff, to meet the needs of Macquarie's diverse talent base and to provide the workforce with the skills to realise future opportunities in a rapidly changing environment. Development areas range across both professional and personal skillsets including self-awareness and leadership impact, wellbeing, cultivating environments of inclusion, innovation, technical mastery and effective collaboration to identify opportunities and support each other.

3,000 classroom events and
350,000 online courses and knowledge tests delivered to staff in FY2020

During the employee onboarding and orientation process, Macquarie offers a series of learning and development activities (including events hosted by the CEO) designed to communicate and embed the Macquarie culture and reinforce the ongoing importance of meeting behavioural expectations and effective risk management across all our businesses and regions.

Regular appraisals, including goal setting and ongoing career development, are a key part of performance measurement and talent management, 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 appraisal session with their manager.

Alongside the structured learning and development curriculum, Macquarie recognises and encourages the social and developmental benefits of skilled volunteering and wider community engagement by staff. During FY2020, reciprocal development initiatives between staff and non-profit organisations have been built through the Macquarie Group Foundation.

Workplace health, safety and wellbeing

Macquarie recognises the value of effective WHS performance as an integral part of how we successfully manage our business. We seek to operate harm-free environments through maintaining high WHS standards and performance across all our activities globally. We promote an integrated approach to safety and wellbeing matters and encourage our staff to speak up on any actual or potential health and safety issues.

Macquarie has a global WHS management framework that aims to prevent workplace incidents and injuries. This framework allows for the identification and assessment of hazards and application of appropriate control measures to prevent health and safety risks arising from work activities. Macquarie uses forums with health and safety representatives and staff to consult and communicate relevant information on health and safety matters. Macquarie also provides staff with appropriate training on safe work practices.

0.5 Lost Time Injury Frequency Rate (LTIFR) in the year ended 31 March 2020(17)

Macquarie's holistic wellbeing program, *Macquarie Plus*, provides a comprehensive range of initiatives and benefits designed to equip our people with the tools and resources to own their wellbeing. With a strong focus on encouraging staff to balance all aspects of their lives. *Macquarie Plus* comprises four key elements:

- **People:** providing our people with access to a range of benefits and initiatives designed to support their physical, psychological and financial wellbeing through educational seminars, health screening, fitness classes and access to psychological support services
- **Lifestyle:** encouraging staff to make the most of the rewarding and inclusive culture at Macquarie and helping them to integrate life and work through initiatives from community groups through to school holiday programs
- **Tools:** promoting technology platforms to enable staff to tap into wellbeing information regardless of location or time of day
- **Space:** designing places that are not only flexible and sustainable, but that also encourage collaboration and connection and offer staff choice in how they work.

10.9% global voluntary turnover rate(18)

The retention of our employees is a key indicator of our inclusive culture where people feel engaged and enabled.

Diversity & Inclusion

Macquarie's ongoing commitment to workforce diversity & inclusion ensures that our business remains innovative and sustainable and continues to meet the evolving needs of our clients.

Macquarie's broad range of experiences, skills and views are key strengths and critical to the wide range of services we deliver across a global operating environment.

Information on our approach to diversity & inclusion is provided in the **Diversity & Inclusion** section of this Annual Report

Further information is available at **macquarie.com/ESG** and **macquarie.com/careers**

(17) Lost time Injury (LTI) is an incident that results in time lost from work equal to or greater than a full day/shift. The LTI Frequency Rate (LTIFR) is the number of Lost Time Injuries resulting in a compensable claim per million workhours.
(18) Rolling 12-month voluntary turnover with leavers for the 12 month period divided by average headcount for the same period.

Business conduct and ethics

Macquarie's organisational culture drives the way we do business and our expectations of our staff are outlined in the *Code of Conduct.* Our approach is based on three long-held principles: Opportunity, Accountability and Integrity.

Macquarie's Risk Culture and Conduct team is responsible for:

- objectively assessing the risk culture of Macquarie's businesses and functions, monitoring and providing insight into risk culture indicators, and advising on opportunities for positive change
- embedding understanding and supporting the identification and management of conduct risks across the group, in line with the approach outlined in the Macquarie-wide Conduct Risk Management Framework.

Macquarie's Integrity Office provides an internally independent and confidential point of contact for Macquarie staff and external parties to safely raise concerns about improper conduct. It is responsible for implementing the *Whistleblower Policy* and for managing the investigation of concerns raised under this policy, including any raised through the Macquarie Staff Hotline. The Integrity Office reports to the Macquarie CEO and provides regular reports to the BGCC.

The Integrity Office also promotes high ethical standards and good decision-making through communications and engagement with staff.

Information on our risk culture and approach to conduct risk is provided in the **Risk Management** section of this Annual Report

Tax transparency

Macquarie acknowledges stakeholder expectations for increased transparency on tax-related matters. Macquarie is a signatory to the Australian Board of Taxation's voluntary Tax Transparency Code.

More detailed information on Macquarie's approach to tax transparency is available at **macq.co/FY20taxtransparency**

Political contributions and engagement

Macquarie supports democratic systems of government. We believe we need to be engaged and understand the evolving policy and regulatory environments in Australia and other jurisdictions in which we operate, as these factors impact our business as well as our clients' businesses.

As a listed financial institution operating in highly-regulated sectors, we have a responsibility to our shareholders, clients, counterparties and employees to understand and contribute to public policy and to ensure that our organisation and operating environments are well understood by parliamentarians and policy makers. Additionally, our clients, many of whom also operate in regulated sectors, expect us to have detailed current knowledge of public policy issues and drivers when we provide advice and services to them.

Macquarie contributes to public policy in the following ways:

- making submissions to inquiries and industry consultation processes, where appropriate. These may be processes established by parliaments, government departments or government agencies such as regulators. Submissions may be made by Macquarie directly or as part of a broader industry group
- engaging with parliamentarians and policy makers through avenues such as formal meetings, speaking in public forums and appearing before parliamentary inquiries where appropriate
- contributing to the advocacy work done by industry groups in key markets around the world. Given the diversity of Macquarie's business activities, we are members of industry groups representing sectors such as financial services and markets, infrastructure, energy as well as general business peak bodies.

In Australia, political parties are funded by a mix of public and private monies. As part of its engagement with the Australian political process, Macquarie provides financial support to the major political parties, primarily through paid attendance at events.

Macquarie has a full disclosure policy and declares all monies paid to political parties to the Australian Electoral Commission (AEC) regardless of any thresholds or other provisions that may otherwise limit the need to disclose. This disclosure is made by way of an annual AEC return on a 1 July to 30 June basis and is published by the AEC in the February following the end of the disclosure year.

In the year ended 30 June 2019, Macquarie's political contributions in Australia totalled $A285,900 comprising: $A132,520 to the Liberal Party of Australia; $A130,500 to the Australian Labor Party; and $A22,880 to the National Party. Contributions were to meet the costs of memberships of political party business forums, attendance at events and party conference corporate days, and sponsorship of events.

Data privacy and security

Whenever we handle personal information, we take steps to ensure appropriate standards of privacy practice and security are applied.

Further information is available at **macquarie.com/leadership-corporate-governance**

Our policies are available at **macquarie.com/ESG**

Macquarie and climate change

Climate change presents significant challenges for society and the global economy. Macquarie recognises the importance of effective international policy frameworks to limit global greenhouse gas emissions and keep the average global temperature rise this century to well below two degrees Celsius above pre-industrial levels.

The financial sector has a critical role to play, alongside government, business, investors and the community to support the transition to a low-carbon and climate resilient economy. As a global financial services provider, we are committed to using our expertise in infrastructure, renewable energy, clean technology and environmental markets to support this transition.

Climate change governance

Macquarie's Board is responsible for approving Macquarie's risk management framework which includes the environmental, social and governance (ESG) framework and key ESG policies. The Board Governance and Compliance Committee (BGCC) through its Charter, assists the Board by overseeing and monitoring the effectiveness of the ESG framework including the approach to and management of climate-related risks.

Macquarie's Chief Risk Officer is responsible for embedding climate change risks into the risk management framework. Macquarie's Environmental and Social Risk (ESR) team, which reports to the Chief Risk Officer, facilitates the assessment of climate-related risks. In doing so, the ESR team works with specialist teams within Macquarie's broader Risk Management Group and businesses. Senior Management (through our Management Committees) and the BGCC receive reports, at least on a six-monthly basis, on a range of ESG-related matters including climate-related risks and opportunities.

Macquarie's internal Global Green Committee, reporting to Senior Management, with representatives from across our businesses, promotes and coordinates business development opportunities related to the low carbon economy. Macquarie's Green Investment Group, which specialises in green infrastructure development and financing across the capital structure, is dedicated to supporting the growth of the global green economy.

Climate strategy

The diversity of our operations combined with a strong capital position and robust risk management framework are important factors in our ability to adapt to changing conditions. Our climate change approach supports the transition to a low carbon and climate resilient economy and focuses on:

- identifying and leveraging opportunities for Macquarie and our clients
- assessing and managing the risks arising from climate change and future carbon constraints
- collaborating with industry, government and other stakeholders to share knowledge and build capacity
- managing the carbon footprint of our own operations.

Realising opportunities

The international community and governments at all levels have made enduring commitments to mitigate and adapt to climate change, improve air quality and enhance resource efficiency. Macquarie believes that private capital is critical to delivering the scale of response necessary to meet these commitments and will continue to apply its resources and expertise to support the mobilisation of capital to meet this need. Macquarie will do this by:

- developing assets, investing and providing asset financing solutions in the renewable energy, clean technology and energy efficiency sectors
- making principal investments that will support the increase in volume and value of low carbon and clean assets in established and emerging markets
- providing clients and staff with research on the economic, policy and business impacts of climate change and emerging technologies
- assisting industry participants to prepare for compliance with carbon regulation and providing carbon risk management products.

Managing climate change risks

Consistent with its strong risk management focus, Macquarie considers climate change and future carbon constraints within the existing risk management framework. The group-wide Environmental and Social Risk policy provides a robust process for embedding environmental and social risk management into investment decision making. Climate-related risks are considered through the assessment of changes to laws and regulations; technology developments and disruptions; physical and reputational risks; and the evaluation of adaptation and mitigation measures for transactions and counterparties in exposed industry sectors. Matters with material environmental and social risks, including climate change risks, may be escalated to the Chief Risk Officer, Executive Committee or Macquarie Board.

Macquarie regularly conducts sector-specific credit portfolio analysis, monitoring credit concentration by counterparty, country, risk type, industry and credit quality. Building on this credit portfolio analysis, Macquarie has evolved methodologies to incorporate the assessment of climate-related risks for carbon intensive sectors using climate vulnerability indices to assist in identifying potential risk concentrations across regions. We will continue to refine this analysis and seek to extend it to other industry sectors, where relevant.

Scenario analysis

As recommended by the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD), in FY2019 we initiated climate scenario analysis to assess the potential risks and impacts to our business from climate-related risks. We built on the portfolio heat-mapping conducted in the prior year for our lending and equity portfolio, focusing on the coal, oil, gas and power generation sectors, being the most carbon-exposed industries.

Approach

There are numerous possible future pathways to reach a particular climate outcome. We selected two divergent scenarios representing plausible transition pathways to 2^oC warming by 2100 and 3-4^oC warming by 2100. These were based on the International Energy Agency (IEA) Sustainable Development Scenario and IEA New Policies Scenario, as outlined below:

Decarbonise scenario – *This scenario reflects a pathway to reduce emissions in line with the Paris Agreement to limit warming to <2^oC. It reflects ambitious policies to drive the uptake of renewable energy in the power sector, improvements in energy efficiency and the deployment of carbon capture and storage technologies.*

Business as usual scenario – *This scenario reflects a pathway where emissions continue to rise, with no increased ambition to existing national and international policies and commitments. In this scenario warming reaches 3-4^oC by 2100.*

In selecting these scenarios, a detailed review was conducted of a wide range of climate scenario models. Our selection was based on models that covered various climatic outcomes; provided information for the sectors and geographies relevant to Macquarie's exposures; are widely recognised and used by industry; and are regularly updated.

Scenario assumptions

	Decarbonise Scenario	**Business as Usual Scenario**
Reference scenarios	IEA Sustainable Development Scenario	IEA New Policies Scenario
Policy	A carbon price is implemented, applied to power, industry and aviation sectors. The carbon price varies by region, reaching \$140 /tCO_2 in Europe and North America in 2040.	A carbon price is implemented, applied to power, industry and aviation sectors. The carbon price varies by region, reaching \$48 /tCO_2 in Europe in 2040.
Energy	By 2040, total electricity generation comprises 63% renewables. By 2040, total primary energy demand comprises 29% renewables.	By 2040, total electricity generation comprises 40% renewables. By 2040, total primary energy demand comprises 20% renewables.
Emissions	Emissions peak in 2020 and then decline rapidly to approximately half by 2040.	Emissions continue to rise at a steady rate through to 2040.
Technology	Assumes use of carbon capture and storage technologies for coal power plants. Electric vehicles (EVs) comprise >40% of passenger car stock in 2040.	Electric vehicles (EVs) comprise 14% of passenger car stock in 2040.

Note: no adjustments were made to these scenarios to reflect varying views on technology futures.

The methodology developed to assess transition risk used a combination of qualitative and quantitative analysis. It included risk impact pathways that established links between specific factors within the climate scenario models and the potential financial implications (e.g. revenues, costs, financing requirements and impairment) to a specific sector. Consideration was given to sector and sub-sector level risk impact pathways in the short to medium term (to 2025) and long term (to 2040).

Sector	Sub-sectors
Oil and gas	Upstream Midstream Downstream
Power utilities	Generation (primary focus) Transmissions and distribution (secondary focus)
Coal	Thermal Metallurgical

Building on these risk impact pathways, quantitative modelling was undertaken at a sector level for the lending portfolio. The modelling used relationships between macroeconomic factors and portfolio performance to determine potential impact to the current portfolio (if rolled forward to 2040) from the climate transition scenarios selected.

The coal sector modelling indicated potential for increased default rates under both scenarios in the short, medium and long term. However, the impact on Macquarie is not considered material and is not expected to become material given the limited size and short tenor of our existing lending exposure to this sector. Separately, the oil and gas sector modelling indicated potential for marginally increased default rates under both scenarios, with potential impacts likely to be slightly higher for the Decarbonise Scenario across the short, medium and long term. However, the impact in both scenarios is limited and would not be considered material to Macquarie.

Macquarie will continue to evolve its approach to climate scenario analysis, building on our assessment of transition risks to the oil, gas, coal and power generation sectors to consider other sectors where we have potentially material exposures. We intend to develop additional climate scenarios including a 1.5°C scenario, to support the assessment of both physical risks and transition risks for our climate exposed sectors and sub-sectors. Consistent with the TCFD guidance, this analysis will be used to assess and manage any potential business or strategic implications arising from future alignment with these 1.5°C climate scenarios. Where such information is considered material, we will also disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities consistent with transition to a decarbonised economy. These next phases of scenario analysis will be disclosed in the FY2020 reporting cycle.

Building knowledge and capacity

Macquarie has a longstanding commitment and expertise in the renewable energy and clean technology sectors through its investment activity, its cross-industry collaboration to accelerate the growth of the green economy and its industry-leading analysts dedicated to alternative energy research and the impact measurement of climate mitigation projects.

Working with a diverse network of partners, we support a broad suite of initiatives by bringing a focused, market-facing perspective on ESG matters including carbon and environmental markets and climate-related matters. In 2018, Macquarie's CEO was appointed as a Commissioner of the Global Commission on Adaptation, a World Bank-led initiative which seeks to accelerate climate adaptation action and focus on concrete solutions which enhance resilience. The CEO has also taken up a role as a member of the new Climate Finance Leadership Initiative. It was established at the request of the United Nations Secretary-General, under the leadership of the UN's special envoy for climate action Michael Bloomberg, to accelerate investments in clean energy and climate solutions globally.

More broadly, our industry experts continue to work with governments, non-government organisations and industry groups to build international capacity in the green finance sector and promote confidence among investors to finance green assets. Globally, last year, we took an active role in over 140 industry initiatives and conferences which included membership of the UK's Green Finance Task Force, and advisory groups establishing common international standards for Sustainable Finance.

Managing our footprint

Macquarie strives to integrate resource efficiency and sustainability into the day-to-day operations of its offices and corporate operations. Focusing on sustainable buildings is a critical way for Macquarie to reduce direct resource consumption and greenhouse gas emissions. Since 2010, Macquarie has maintained its carbon neutral commitment by reducing and offsetting emissions from its office energy use and business air travel.

Our climate-related disclosures

Macquarie supports the important work of the TCFD and is adopting the Taskforce recommendations. We will continue to enhance our disclosures as we develop our approach to scenario analysis to be consistent with all relevant Taskforce recommendations.

Within Macquarie's ESG Report, we provide metrics on our lending and equity exposures to the oil and gas, coal and renewable sectors. We also provide within the ESG report our operational metrics including the Scope 1, Scope 2 and Scope 3 emissions of our global operations.

Macquarie is a signatory to the Carbon Disclosure Project (CDP) and has responded annually since 2010. Macquarie's annual responses are available on the CDP website.

We continue to report our emissions for our Australian operations to the Clean Energy Regulator in accordance with the National Greenhouse and Energy Reporting Act.

May 2019

Carbon and energy data FY2020

		Units	Baseline [1]	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19[2]	FY20	Change	
														Prior Year %	Baseline %
Scope 1 Direct	Diesel generator, natural gas and refrigerant emissions[3]	tCO2-e	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**433**	**518**	**569**	**482**	**(15)**	**-**
Scope 2 Indirect	Electricity emissions:	tCO2-e													
	— corporate offices and data centres[4]		49,632	51,941	52,497	46,499	42,389	41,699	38,876	36,322	34,191	30,726	28,459	(7)	(43)
	— base buildings[5]		–	–	–	–	–	1,558	2,188	1,946	1,779	1,596	1,396	(13)	-
	Total electricity emissions[6]		**49,632**	**51,941**	**52,497**	**46,499**	**42,389**	**43,257**	**41,064**	**38,267**	**35,970**	**32,322**	**29,855**	**(8)**	**(40)**
Scope 3 Indirect	Business air travel emissions[7]	tCO2-e	**78,018**	**79,330**	**73,260**	**63,334**	**48,870**	**41,954**	**40,721**	**36,674**	**40,277**	**55,724**	**44,405**	**(20)**	**(43)**
Total Indirect Emissions	Total Scope 2 and Scope 3	tCO2-e	**128,941[1]**	**131,271**	**125,757**	**109,833**	**91,259**	**85,211**	**81,785**	**74,941**	**76,246**	**88,046**	**74,260**	**(16)**	**(42)**
Total emissions	Total Scope 1,2 and Scope 3[8]	tCO2-e	**128,941[1]**	**131,271**	**125,757**	**109,833**	**91,259**	**85,211**	**81,785**	**75,374**	**76,765**	**88,615**	**74,742**	**(16)**	**-**
Energy	Total Macquarie energy use[3]	TJ	**237**	**268**	**275**	**243**	**231**	**228**	**215**	**208**	**201**	**194**	**189**	**(3)**	**(20)**

		Units	Baseline (1)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19(2)	FY20	Change	
														Prior Year %	Baseline %
Per Capita Emissions	Electricity emissions per capita:														
	— corporate offices and data centres	tCO2-e per person	3.93	3.35	3.55	3.40	3.05	2.97	2.70	2.67	2.36	2.04	1.85	(9)	(53)
	— base buildings		–	–	–	–	–	0.11	0.16	0.14	0.13	0.11	0.09	(15)	-
	Total emissions per capita		**3.93**	**3.35**	**3.55**	**3.40**	**3.05**	**3.08**	**2.86**	**2.81**	**2.49**	**2.15**	**1.94**	**(10)**	**(50)**
	Business air travel emissions per capita	tCO2-e per person	**5.34**	**5.11**	**4.95**	**4.64**	**3.51**	**2.99**	**2.83**	**2.70**	**2.78**	**3.70**	**2.88**	**(22)**	**(46)**

(1) Note that the baseline for Scope 2 electricity emissions is FY2009 while, due to data availability, the baseline for Scope 3 business air travel emissions is FY2010. Total Scope 2 and Scope 3 emissions reductions are calculated based on a FY2010 baseline.

(2) Some numbers in this column have been revised from last year's Annual Report to reflect updated invoice data.

(3) Scope 1 emissions and associated energy use were not reported prior to FY2017. Scope 1 emissions are not considered material, comprising <1% of total reported emissions.

(4) Macquarie corporate offices and data centres are defined as:

- space leased by Macquarie operating entities that are also occupied by Macquarie staff and have a Net Usable Area greater than 100m^2
- data centres where Macquarie Group has oversight of electricity usage and pays for this usage
- new space from business acquisitions from the month of acquisition
- including Australian and international corporate offices.

(5) Base building refers to the energy required to operate a building and excludes tenanted energy use. It includes the mechanical plant, lifts, and lighting in lobby and other common areas. Base building applies only where Macquarie owns and occupies the building, i.e. 50 Martin Place, Sydney.

(6) Estimates make up a portion of energy consumption and Scope 2 emissions amounts for March 2020. These estimates do not consider any office closures related to Covid-19. Energy consumption and Scope 2 emissions amounts for that month may therefore be slightly overstated.

(7) Business air travel is defined as travel ticketed through Macquarie's Travel Management Companies for the primary purpose of business.

(8) Since 2010, Macquarie has maintained its carbon neutral commitment by reducing and offsetting emissions from its office energy use and business air travel. In FY2020, to meet this commitment, Macquarie purchased and retired a diverse portfolio of voluntary carbon offsets.

Workforce diversity policy

The Macquarie Group (Macquarie) sees the diversity of its workforce as fundamental to its success.

We aim to promote:

- an environment that places value on a broad range of experiences, skills and views; and
- a workforce that is reflective of the communities in which we operate.

Macquarie's principles of Opportunity, Accountability and Integrity underpin our Workforce Diversity Policy and are embedded in our culture. The Workforce Diversity policy is intended to define Macquarie's workforce diversity commitment and the structures in place to ensure it is realised.

An important aspect of achieving workplace diversity is ensuring equal opportunity and a workplace free from discrimination, harassment, vilification and victimisation or any other form of inappropriate behaviour. Macquarie takes appropriate workplace behaviour seriously and has policies and procedures in place to address concerns and complaints as quickly, appropriately, confidentially and as fairly as possible.

Applicability

The statement of intent formed by this policy applies to Macquarie operations globally. Specific provisions apply globally except in the case they are in conflict with local legal requirements.

Note: This policy does not form part of an employee's conditions of employment and may be changed or replaced by Macquarie at any time.

Macquarie's approach to Diversity and Inclusion

Macquarie views diversity as a broad range of experiences, skills and views. We recognise that diversity is enhanced through workforce representation across a spectrum of backgrounds. In particular, Macquarie seeks to ensure that differences arising through characteristics including gender, age, sexual orientation, gender identity, intersex status, cultural background, race, ethnicity, nationality, marital or family status, religion or belief, disabilities or socio-economic background will not be a barrier to career success. Our business model reflects the high value placed on unique contributions and an understanding of the risks of unchallenged conformity.

If diversity is the broad range of experiences, skills and views of our employees, inclusion is the power to leverage our differences to achieve our goals. Inclusion is reflected in our culture and practices, programs and policies and provides the relevant structures and work environment to best support our people to reach their full potential.

Macquarie's commitment to workforce diversity

Workforce diversity is a business priority and remains fundamental to Macquarie's success. There are clear benefits of workforce diversity for Macquarie. These include greater access to talented individuals, enhanced creativity, innovation and risk management and meeting the expectations of our clients, communities and regulators. Our commitment to workforce diversity is part of ensuring our business remains contemporary, relevant and sustainable.

Macquarie is committed to:

- building a workforce that reflects all aspects of diversity to bring a range of perspectives, ideas and insights to everything we do;
- creating a workplace where our people feel respected for their uniqueness, valued for their contribution and empowered to reach their full potential;
- providing and supporting commercial and development opportunities for under-represented people in our community.

Accountability and governance

Macquarie's Workforce Diversity policy is reviewed periodically by Macquarie's Board Governance and Compliance Committee (BGCC) and Chief Executive Officer. Macquarie's Executive Committee is responsible for fostering a business environment conducive to achieving its intent.

Management Committees globally, in each Group and region, are accountable for achieving Macquarie's diversity and inclusion objectives and governing Employee Network Groups. They are supported by dedicated Diversity Representatives, staff representatives and committees who together respond to business or location-specific priorities or circumstances. Macquarie has a Global Diversity Director to coordinate across stakeholders and facilitate action. All employees are responsible for contributing to Macquarie's diversity and inclusion agenda through creating a respectful and inclusive culture and valuing the diverse ideas and perspectives of others.

Measurement

Annual reports on diversity are provided to the Board Remuneration Committee (BRC). The BRC monitors Macquarie's progress in achieving a diverse workforce to support diversity of thought, with consideration for the proactive development of talent pools that have been historically underutilised in the financial services industry.

Macquarie's diversity reporting meets all of the legislative and regulatory requirements of the jurisdictions in which we do business, including the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. In accordance with those provisions, the BGCC establishes annual measurable objectives for increasing the diversity of Macquarie's workforce and creating a culture of respect and inclusion, and annually assesses both the objectives and Macquarie's progress in achieving them.

Workplace Gender Equality Agency

Compliance Report 2020

Australian Government | Workplace Gender Equality Agency

Public report

2019-20

Submitted by

Legal Name:
Macquarie Group Limited

Organisation and contact details

Submitting organisation details	**Legal name**	Macquarie Group Limited
	ABN	94122169279
	ANZSIC	K Financial and Insurance Services 6221 Banking
	Business/trading name/s	Macquarie Group
	ASX code (if applicable)	MQG
	Postal address	50 Martin Place SYDNEY NSW 2000 AUSTRALIA
	Organisation phone number	(02) 8232 3333
Reporting structure	**Ultimate parent**	Macquarie Group Limited
	Number of employees covered by this report	6,523

All organisations covered by this report

Legal name	Business/trading name/s
Macquarie Group Limited	Macquarie Group
Macquarie Group Services Australia Pty Ltd	
Macquarie Corporate Holdings Pty Limited	
Macquarie Bank Limited	

Workplace profile

Manager

Manager occupational categories	Reporting level to CEO	Employment status	No. of employees		
			F	M	Total employees
CEO/Head of Business in Australia	0	Full-time permanent	1	0	1
		Full-time contract	0	0	0
		Part-time permanent	0	0	0
		Part-time contract	0	0	0
		Casual	0	0	0
Key management personnel	-1	Full-time permanent	2	4	6
		Full-time contract	0	0	0
		Part-time permanent	0	0	0
		Part-time contract	0	0	0
		Casual	0	0	0
Other executives/General managers	-2	Full-time permanent	24	104	128
		Full-time contract	0	0	0
		Part-time permanent	6	6	12
		Part-time contract	0	0	0
		Casual	0	0	0
Senior Managers	-3	Full-time permanent	110	425	535
		Full-time contract	0	1	1
		Part-time permanent	28	6	34
		Part-time contract	1	0	1
		Casual	0	0	0
Other managers	-4	Full-time permanent	507	1,219	1,726
		Full-time contract	16	30	46
		Part-time permanent	178	18	196
		Part-time contract	3	0	3
		Casual	0	0	0
Grand total: all managers			876	1,813	2,689

Workplace profile

Non-manager

Non-manager occupational categories	Employment status	No. of employees (excluding graduates and apprentices)		No. of graduates (if applicable)		No. of apprentices (if applicable)		Total employees
		F	M	F	M	F	M	
Professionals	Full-time permanent	1,422	1,694	63	42	0	0	3,221
	Full-time contract	44	53	0	0	0	0	97
	Part-time permanent	172	21	1	0	0	0	194
	Part-time contract	6	2	0	0	0	0	8
	Casual	7	7	0	0	0	0	14
Technicians and trade	Full-time permanent	0	0	0	0	0	0	0
	Full-time contract	0	0	0	0	0	0	0
	Part-time permanent	0	0	0	0	0	0	0
	Part-time contract	0	0	0	0	0	0	0
	Casual	0	0	0	0	0	0	0
Community and personal service	Full-time permanent	0	0	0	0	0	0	0
	Full-time contract	0	0	0	0	0	0	0
	Part-time permanent	0	0	0	0	0	0	0
	Part-time contract	0	0	0	0	0	0	0
	Casual	0	0	0	0	0	0	0
Clerical and administrative	Full-time permanent	179	11	0	0	0	0	190
	Full-time contract	12	2	0	0	0	0	14
	Part-time permanent	55	1	0	0	0	0	56
	Part-time contract	5	0	0	0	0	0	5
	Casual	16	19	0	0	0	0	35
Sales	Full-time permanent	0	0	0	0	0	0	0
	Full-time contract	0	0	0	0	0	0	0
	Part-time permanent	0	0	0	0	0	0	0
	Part-time contract	0	0	0	0	0	0	0
	Casual	0	0	0	0	0	0	0
Machinery operators and drivers	Full-time permanent	0	0	0	0	0	0	0
	Full-time contract	0	0	0	0	0	0	0
	Part-time permanent	0	0	0	0	0	0	0
	Part-time contract	0	0	0	0	0	0	0
	Casual	0	0	0	0	0	0	0

Non-manager occupational categories	Employment status	No. of employees (excluding graduates and apprentices)		No. of graduates (if applicable)		No. of apprentices (if applicable)		Total employees
		F	M	F	M	F	M	
Labourers	Full-time permanent	0	0	0	0	0	0	0
	Full-time contract	0	0	0	0	0	0	0
	Part-time permanent	0	0	0	0	0	0	0
	Part-time contract	0	0	0	0	0	0	0
	Casual	0	0	0	0	0	0	0
Others	Full-time permanent	0	0	0	0	0	0	0
	Full-time contract	0	0	0	0	0	0	0
	Part-time permanent	0	0	0	0	0	0	0
	Part-time contract	0	0	0	0	0	0	0
	Casual	0	0	0	0	0	0	0
Grand total: all non-managers		1,918	1,810	64	42	0	0	3,834

Reporting questionnaire

Gender equality indicator 1: Gender composition of workforce

This indicator seeks information about the gender composition of relevant employers in a standardised format, to enable the aggregation of data across and within industries. The aggregated data in your workplace profile assists relevant employers in understanding the characteristics of their workforce, including in relation to occupational segregation, the position of women and men in management within their industry or sector, and patterns of potentially insecure employment.

NB. IMPORTANT:

• References to the Act mean the Workplace Gender Equality Act 2012.

• A formal 'policy' and/or 'formal strategy' in this questionnaire refers to formal policies and/or strategies that are either standalone or contained within another formal policy/formal strategy.

• Data provided in this reporting questionnaire covers the TOTAL reporting period from 1 April 2019 to 31 March 2020. (This differs from the workplace profile data which is taken at a point-in-time during the reporting period).

• Answers need to reflect ALL organisations covered in this report.

• If you select "NO, Insufficient resources/expertise" to any option, this may cover human or financial resources.

1. Do you have formal policies and/or formal strategies in place that SPECIFICALLY SUPPORT GENDER EQUALITY relating to the following?

1.1 Recruitment

☒ Yes (select all applicable answers)
- ☒ Policy
- ☒ Strategy

☐ No (you may specify why no formal policy or formal strategy is in place)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Not a priority

1.2 Retention

☒ Yes (select all applicable answers)
- ☐ Policy
- ☒ Strategy

☐ No (you may specify why no formal policy or formal strategy is in place)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Not a priority

1.3 Performance management processes

☒ Yes (select all applicable answers)
- ☐ Policy
- ☒ Strategy

☐ No (you may specify why no formal policy or formal strategy is in place)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Not a priority

1.4 Promotions

☒ Yes (select all applicable answers)
 ☒ Policy
 ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
 ☐ Currently under development, please enter date this is due to be completed
 ☐ Insufficient resources/expertise
 ☐ Not a priority

1.5 Talent identification/identification of high potentials

☒ Yes (select all applicable answers)
 ☐ Policy
 ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
 ☐ Currently under development, please enter date this is due to be completed
 ☐ Insufficient resources/expertise
 ☐ Not a priority

1.6 Succession planning

☒ Yes (select all applicable answers)
 ☐ Policy
 ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
 ☐ Currently under development, please enter date this is due to be completed
 ☐ Insufficient resources/expertise
 ☐ Not a priority

1.7 Training and development

☒ Yes (select all applicable answers)
 ☐ Policy
 ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
 ☐ Currently under development, please enter date this is due to be completed
 ☐ Insufficient resources/expertise
 ☐ Not a priority

1.8 Key performance indicators for managers relating to gender equality

☒ Yes (select all applicable answers)
 ☐ Policy
 ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
 ☐ Currently under development, please enter date this is due to be completed
 ☐ Insufficient resources/expertise
 ☐ Not a priority

1.9 Gender equality overall

☒ Yes (select all applicable answers)
 ☒ Policy
 ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
 ☐ Currently under development, please enter date this is due to be completed
 ☐ Insufficient resources/expertise
 ☐ Not a priority

1.10 How many employees were promoted during the reporting period against each category below?

IMPORTANT: Because promotions are included in the number of appointments in Q1.11, the number of promotions should never exceed appointments.

	Managers		Non-managers	
	Female	Male	Female	Male
Permanent/ongoing full-time employees	73	175	316	391
Permanent/ongoing part-time employees	10	0	18	10
Fixed-term contract full-time employees	2	2	16	12
Fixed-term contract part-time employees	0	0	0	1
Casual employees	0	0	0	0

1.11 How many appointments in total were made to manager and non-manager roles (based on WGEA-defined managers/non-managers) during the reporting period (add the number of external appointments and internal promotions together)?

	Female	Male
Number of appointments made to MANAGER roles (including promotions)	241	427
Number of appointments made to NON-MANAGER roles (including promotions)	1088	1073

1.12 How many employees resigned during the reporting period against each category below?

	Managers		Non-managers	
	Female	Male	Female	Male
Permanent/ongoing full-time employees	52	133	196	259
Permanent/ongoing part-time employees	21	5	26	6
Fixed-term contract full-time employees	4	10	46	38
Fixed-term contract part-time employees	1	0	3	6
Casual employees	0	0	11	11

1.13 If your organisation would like to provide additional information relating to gender equality indicator 1, please do so below.

For more information on Macquarie's approach to Diversity and Inclusion please access Macquarie.com/diversity

Gender equality indicator 2: Gender composition of governing bodies

Gender composition of governing bodies is an indicator of gender equality at the highest level of organisational leadership and decision-making. This gender equality indicator seeks information on the representation of women and men on governing bodies. The term "governing body" in relation to a relevant employer is broad and depends on the nature of your organisation. It can mean the board of directors, trustees, committee of management, council or other governing authority of the employer.

2. The organisation(s) you are reporting on will have a governing body. In the Act, governing body is defined as "the board of directors, trustees, committee of management, council or other governing authority of the employer". This question relates to the highest governing body for your Australian entity, even if it is located overseas.

2.1 Please answer the following questions relating to each governing body covered in this report.

Note: If this report covers more than one organisation, the questions below will be repeated for each organisation before proceeding to question 2.2.

If your organisation's governing body is the same as your parent entity's, you will need to add your organisation's name BUT the numerical details of your parent entity's governing body.

2.1a.1 Organisation name?

Macquarie Group Limited

2.1b.1 What gender is the Chair on this governing body (if the role of the Chair rotates, enter the gender of the Chair at your last meeting)?

	Female	Male
Number	0	1

2.1c.1 How many other members are on this governing body (excluding the Chair/s)?

	Female	Male
Number	4	6

2.1d.1 Has a target been set to increase the representation of women on this governing body?

☒ Yes
☐ No (you may specify why a target has not been set)
  ☐ Governing body/board has gender balance (e.g. 40% women/40% men/20% either)
  ☐ Currently under development, please enter date this is due to be completed
  ☐ Insufficient resources/expertise
  ☐ Do not have control over governing body/board appointments (provide details why):
  ☐ Not a priority
  ☐ Other (provide details):

2.1e.1 What is the percentage (%) target?

30

2.1f.1 What year is the target to be reached?

2020

2.1g.1 Are you reporting on any other organisations in this report?

☒ Yes
☐ No

2.1a.2 Organisation name?

Macquarie Bank Limited

2.1b.2 How many Chairs on this governing body?

	Female	Male
Number	0	1

2.1c.2 How many other members are on this governing body (excluding the Chair/s)?

	Female	Male
Number	5	6

2.1d.2 Has a target been set to increase the representation of women on this governing body?

☐ Yes
☒ No (you may specify why a target has not been set)
- ☐ Governing body/board has gender balance (e.g. 40% women/40% men/20% either)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☒ Do not have control over governing body/board appointments (provide details why):
  The Macquarie Bank Limited (MBL) Board comprises the Directors of the Macquarie Group (MGL) Board and the MBL Managing Director and Chief Executive Officer. As an ASX listed company, the MGL Board is responsible for making Board appointments which are then voted on by shareholders at the Annual General Meeting.
- ☐ Not a priority
- ☐ Other (provide details):

2.1g.2 Are you reporting on any other organisations in this report?

☒ Yes
☐ No

2.1a.3 Organisation name?

Macquarie Corporate Holdings Pty Limited

2.1b.3 How many Chairs on this governing body?

	Female	Male
Number	0	1

2.1c.3 How many other members are on this governing body (excluding the Chair/s)?

	Female	Male
Number	1	3

2.1d.3 Has a target been set to increase the representation of women on this governing body?

☐ Yes
☒ No (you may specify why a target has not been set)
- ☐ Governing body/board has gender balance (e.g. 40% women/40% men/20% either)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Do not have control over governing body/board appointments (provide details why):
- ☐ Not a priority
- ☒ Other (provide details):
  All Nominee Directors are appointed in accordance with the Macquarie Nominee directorships policy. The policy dictates the number of directors and ensures that Macquarie conforms with all statutory requirements. All appointments are subject to an internal clearance process and approved by the current directors.

2.1g.3 Are you reporting on any other organisations in this report?

☒ Yes

☐ No

2.1a.4 Organisation name?

Macquarie Group Services Australia Pty Ltd

2.1b.4 How many Chairs on this governing body?

	Female	Male
Number	0	1

2.1c.4 How many other members are on this governing body (excluding the Chair/s)?

	Female	Male
Number	2	0

2.1d.4 Has a target been set to increase the representation of women on this governing body?

☐ Yes
☒ No (you may specify why a target has not been set)
- ☐ Governing body/board has gender balance (e.g. 40% women/40% men/20% either)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Do not have control over governing body/board appointments (provide details why):
- ☐ Not a priority
- ☒ Other (provide details):
  There is currently a greater proportion of females on the Macquarie Group Services Australia Pty Ltd board. All board appointments are made in accordance with the Macquarie Nominee directorships policy, subject to an internal clearance process and approved by the current directors.

2.1g.4 Are you reporting on any other organisations in this report?

☐ Yes
☒ No

2.2 Do you have a formal selection policy and/or formal selection strategy for governing body members for ALL organisations covered in this report?

☐ Yes (select all applicable answers)
- ☐ Policy
- ☐ Strategy

☒ No (you may specify why no formal selection policy or formal selection strategy is in place)
- ☒ In place for some governing bodies
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☒ Do not have control over governing body appointments (provide details why)
  Do not have control over all governing body appointments for all entities covered in this report. As an ASX listed company, the Board is responsible for making Board appointments which are then voted on by shareholders at the Annual General Meeting.
- ☐ Not a priority
- ☒ Other (provide details):
  For Macquarie Group Limited an objective has been implemented to always have not less than 30% of our Board of Directors of different genders. As a numerical response was required for Q2.1(f), 2020 was specified. However, target year is not applicable as we do not have a target/this target has been met for the Macquarie Group Limited Board.

2.3 Does your organisation operate as a partnership structure (i.e. select NO if your organisation is an "incorporated" entity - Pty Ltd, Ltd or Inc; or an "unincorporated" entity)?

☐ Yes
☒ No

2.5 If your organisation would like to provide additional information relating to gender equality indicator 2, please do so below.

There is a rotating chairperson for each of Macquarie Corporate Holdings Pty Limited and Macquarie Group Services Australia Pty Limited.

Gender equality indicator 3: Equal remuneration between women and men

Equal remuneration between women and men is a key component of improving women's economic security and progressing gender equality.

3. Do you have a formal policy and/or formal strategy on remuneration generally?

☒ Yes (select all applicable answers)
- ☒ Policy
- ☐ Strategy

☐ No (you may specify why no formal policy or formal strategy is in place)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Salaries set by awards/industrial or workplace agreements
- ☐ Non-award employees paid market rate
- ☐ Not a priority
- ☐ Other (provide details):

3.1 Are specific gender pay equity objectives included in your formal policy and/or formal strategy?

☒ Yes (provide details in question 3.2 below)
☐ No (you may specify why pay equity objectives are not included in your formal policy or formal strategy)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Salaries set by awards/industrial or workplace agreements
- ☐ Insufficient resources/expertise
- ☐ Non-award employees paid market rate
- ☐ Not a priority
- ☐ Other (provide details):

3.2 Does your formal policy and/or formal strategy include any of the following gender pay equity objectives (select all applicable answers)?

☐ To achieve gender pay equity
☐ To ensure no gender bias occurs at any point in the remuneration review process (for example at commencement, at annual salary reviews, out-of-cycle pay reviews, and performance pay reviews)
☐ To be transparent about pay scales and/or salary bands
☐ To ensure managers are held accountable for pay equity outcomes
☐ To implement and/or maintain a transparent and rigorous performance assessment process
☒ Other (provide details):
Macquarie is committed to ensuring that there is equal remuneration and recognition for work of equal or comparable value.

4. Have you analysed your payroll to determine if there are any remuneration gaps between women and men (i.e. conducted a gender pay gap analysis)?

☒ Yes - the most recent gender remuneration gap analysis was undertaken:
- ☒ Within last 12 months

☐ Within last 1-2 years
☐ More than 2 years ago but less than 4 years ago
☐ Other (provide details):

☐ No (you may specify why you have not analysed your payroll for gender remuneration gaps)
☐ Currently under development, please enter date this is due to be completed
☐ Insufficient resources/expertise
☐ Salaries for ALL employees (including managers) are set by awards or industrial agreements AND there is no room for discretion in pay changes (for example because pay increases occur only when there is a change in tenure or qualifications)
☐ Salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there IS room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)
☐ Non-award employees paid market rate
☐ Not a priority
☐ Other (provide details):

4.01 You may provide details below on the type of gender remuneration gap analysis that has been undertaken (for example like-for-like and/or organisation-wide).

As part of our commitment to maintaining pay equity for like roles and performance, Macquarie conducts an annual review of gender pay that is presented at both the Executive and Board level. This provides gender pay gap analysis as well as gender pay equity analysis. In addition, gender pay checks are included in the year-end remuneration review process to identify upfront any individuals that require investigation during the year-end review. Macquarie is also required to adhere to further regulatory requirements such as UK Gender Pay Gap reporting and maintaining a US Affirmative Action Plan for pay equity.

4.1 Did you take any actions as a result of your gender remuneration gap analysis?

☒ Yes – indicate what actions were taken (select all applicable answers)
☐ Created a pay equity strategy or action plan
☒ Identified cause/s of the gaps
☐ Reviewed remuneration decision-making processes
☒ Analysed commencement salaries by gender to ensure there are no pay gaps
☐ Analysed performance ratings to ensure there is no gender bias (including unconscious bias)
☒ Analysed performance pay to ensure there is no gender bias (including unconscious bias)
☒ Trained people-managers in addressing gender bias (including unconscious bias)
☐ Set targets to reduce any organisation-wide gaps
☒ Reported pay equity metrics (including gender pay gaps) to the governing body
☒ Reported pay equity metrics (including gender pay gaps) to the executive
☐ Reported pay equity metrics (including gender pay gaps) to all employees
☐ Reported pay equity metrics (including gender pay gaps) externally
☒ Corrected like-for-like gaps
☐ Conducted a gender-based job evaluation process
☒ Implemented other changes (provide details):
Reviewed individual remuneration outcomes

☐ No (you may specify why no actions were taken resulting from your remuneration gap analysis)
☐ No unexplainable or unjustifiable gaps identified
☐ Currently under development, please enter date this is due to be completed
☐ Insufficient resources/expertise
☐ Salaries set by awards/industrial or workplace agreements
☐ Non-award employees are paid market rate
☐ Unable to address cause/s of gaps (provide details why):
☐ Not a priority
☐ Other (provide details):

4.2 If your organisation would like to provide additional information relating to gender equality indicator 3, please do so below:

Gender equality indicator 4: Flexible working and support for employees with family and caring responsibilities

This indicator will enable the collection and use of information from relevant employers about the availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees and to working arrangements supporting employees with family or caring responsibilities. One aim of this indicator is to improve the capacity of women and men to combine paid work and family or caring responsibilities through such arrangements. The achievement of this goal is fundamental to gender equality and to maximising Australia's skilled workforce.

5. A "PRIMARY CARER" is the member of a couple or a single carer, REGARDLESS OF GENDER, identified as having greater responsibility for the day-to-day care of a child.

Do you provide EMPLOYER FUNDED paid parental leave for PRIMARY CARERS that is available for women AND men, in addition to any government funded parental leave scheme for primary carers?

☒ Yes. (Please indicate how employer funded paid parental leave is provided to the primary carer):
- ☐ By paying the gap between the employee's salary and the government's paid parental leave scheme
- ☒ By paying the employee's full salary (in addition to the government's paid scheme), regardless of the period of time over which it is paid. For example, full pay for 12 weeks or half pay for 24 weeks
- ☐ As a lump sum payment (paid pre- or post- parental leave, or a combination)

☐ No, we offer paid parental leave for primary carers that is available to women ONLY (e.g. maternity leave). (Please indicate how employer funded paid parental leave is provided to women ONLY):
- ☐ By paying the gap between the employee's salary and the government's paid parental leave scheme
- ☐ By paying the employee's full salary (in addition to the government's paid scheme), regardless of the period of time over which it is paid. For example, full pay for 12 weeks or half pay for 24 weeks
- ☐ As a lump sum payment (paid pre- or post- parental leave, or a combination)

☐ No, we offer paid parental leave for primary carers that is available to men ONLY. (Please indicate how employer funded paid parental leave is provided to men ONLY):
- ☐ By paying the gap between the employee's salary and the government's paid parental leave scheme
- ☐ By paying the employee's full salary (in addition to the government's paid scheme), regardless of the period of time over which it is paid. For example, full pay for 12 weeks or half pay for 24 weeks
- ☐ As a lump sum payment (paid pre- or post- parental leave, or a combination)

☐ No, not available (you may specify why this leave is not provided)
- ☐ Currently under development, please enter date this is due to be completed
- ☐ Insufficient resources/expertise
- ☐ Government scheme is sufficient
- ☐ Not a priority
- ☐ Other (provide details):

5.1 How many weeks of EMPLOYER FUNDED paid parental leave for primary carers is provided? If different amounts of leave are provided (e.g. based on length of service) enter the MINIMUM number of weeks provided to eligible employees:

16

5a. If your organisation would like to provide additional information on your paid parental leave for primary carers e.g. eligibility period, where applicable the maximum number of weeks provided, and other arrangements you may have in place, please do so below.

Employees' with 6 months' continuous service are eligible to receive 16 weeks' paid parental leave.

5.2 What proportion of your total workforce has access to employer funded paid parental leave for PRIMARY CARERS?
- **In your calculation, you MUST INCLUDE CASUALS when working out the proportion.**

☐ <10%
☐ 10-20%
☐ 21-30%
☐ 31-40%
☐ 41-50%
☐ 51-60%
☐ 61-70%
☐ 71-80%

☐ 81-90%
☐ 91-99%
☒ 100%

5.3 Please indicate whether your employer funded paid parental leave for primary carers covers:

☒ Adoption
☒ Surrogacy
☒ Stillbirth

6. A "SECONDARY CARER" is a member of a couple or a single carer, REGARDLESS OF GENDER, who is not the primary carer.

Do you provide EMPLOYER FUNDED paid parental leave for SECONDARY CARERS that is available for men and women, in addition to any government funded parental leave scheme for secondary carers?

☒ Yes
☐ No, we offer paid parental leave for SECONDARY CARERS that is available to men ONLY (e.g. paternity leave)
☐ No, we offer paid parental leave for SECONDARY CARERS that is available to women ONLY
☐ No (you may specify why employer funded paid parental leave for secondary carers is not paid)
  ☐ Currently under development, please enter date this is due to be completed
  ☐ Insufficient resources/expertise
  ☐ Government scheme is sufficient
  ☐ Not a priority
  ☐ Other (provide details):

6.1 How many days of EMPLOYER FUNDED parental leave is provided for SECONDARY CARERS? If different amounts of leave are provided (e.g. based on length of service) enter the MINIMUM number of days provided to eligible employees:

10

6a. If your organisation would like to provide additional information on your paid parental leave for SECONDARY CARERS e.g. eligibility period, other arrangements you may have in place etc, please do so below.

6.2 What proportion of your total workforce has access to employer funded paid parental leave for SECONDARY CARERS?
- **In your calculation, you MUST INCLUDE CASUALS when working out the proportion.**

☐ <10%
☐ 10-20%
☐ 21-30%
☐ 31-40%
☐ 41-50%
☐ 51-60%
☐ 61-70%
☐ 71-80%
☐ 81-90%
☐ 91-99%
☒ 100%

6.3 Please indicate whether your employer funded paid parental leave for secondary carers covers:

☒ Adoption
☒ Surrogacy
☒ Stillbirth

7. How many MANAGERS have taken parental leave during the reporting period (paid and/or unpaid)? Include employees still on parental leave, regardless of when it commenced.

	Primary carer's leave		Secondary carer's leave	
	Female	Male	Female	Male
Managers	121	82	0	90

7.1 How many NON-MANAGERS have taken parental leave during the reporting period (paid and/or unpaid)? Include employees still on parental leave, regardless of when it commenced.

	Primary carer's leave		Secondary carer's leave	
	Female	Male	Female	Male
Non-managers	170	54	1	80

8. How many MANAGERS, during the reporting period, ceased employment before returning to work from parental leave, regardless of when the leave commenced?
• Include those where parental leave was taken continuously with any other leave type. For example, where annual leave or any other paid or unpaid leave is also taken at that time.
• 'Ceased employment' means anyone who has exited the organisation for whatever reason, including resignations, redundancies and dismissals.

	Female	Male
Managers	5	2

8.1 How many NON-MANAGERS, during the reporting period, ceased employment before returning to work from parental leave, regardless of when the leave commenced?
• Include those where parental leave was taken continuously with any other leave type. For example, where annual leave or any other paid or unpaid leave is also taken at that time.
• 'Ceased employment' means anyone who has exited the organisation for whatever reason, including resignations, redundancies and dismissals.

	Female	Male
Non-managers	13	3

9. Do you have a formal policy and/or formal strategy on flexible working arrangements?

☒ Yes (select all applicable answers)
  ☒ Policy
  ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
  ☐ Currently under development, please enter date this is due to be completed
  ☐ Insufficient resources/expertise
  ☐ Don't offer flexible arrangements
  ☐ Not a priority
  ☐ Other (provide details):

9.1 You may indicate which of the following are included in your flexible working arrangements strategy:

☒ A business case for flexibility has been established and endorsed at the leadership level
☒ Leaders are visible role models of flexible working
☒ Flexible working is promoted throughout the organisation
☐ Targets have been set for engagement in flexible work
☐ Targets have been set for men's engagement in flexible work
☐ Leaders are held accountable for improving workplace flexibility
☒ Manager training on flexible working is provided throughout the organisation
☒ Employee training is provided throughout the organisation
☒ Team-based training is provided throughout the organisation
☒ Employees are surveyed on whether they have sufficient flexibility

☐ The organisation's approach to flexibility is integrated into client conversations
☐ The impact of flexibility is evaluated (eg reduced absenteeism, increased employee engagement)
☒ Metrics on the use of, and/or the impact of, flexibility measures are reported to key management personnel
☒ Metrics on the use of, and/or the impact of, flexibility measures are reported to the governing body

10. Do you have a formal policy and/or formal strategy to support employees with family or caring responsibilities?

☒ Yes (select all applicable answers)
  ☒ Policy
  ☒ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
  ☐ Currently under development, please enter date this is due to be completed
  ☐ Insufficient resources/expertise
  ☐ Included in award/industrial or workplace agreement
  ☐ Not a priority
  ☐ Other (provide details):

11. Do you offer any other support mechanisms, other than leave, for employees with family or caring responsibilities (eg, employer-subsidised childcare, breastfeeding facilities)?

☒ Yes
☐ No (you may specify why non-leave based measures are not in place)
  ☐ Currently under development, please enter date this is due to be completed
  ☐ Insufficient resources/expertise
  ☐ Not a priority
  ☐ Other (provide details):

11.1 Please select what support mechanisms are in place and if they are available at all worksites.
- **Where only one worksite exists, for example a head-office, select "Available at all worksites".**

☐ Employer subsidised childcare
  ☐ Available at some worksites only
  ☐ Available at all worksites
☐ On-site childcare
  ☐ Available at some worksites only
  ☐ Available at all worksites
☒ Breastfeeding facilities
  ☒ Available at some worksites only
  ☐ Available at all worksites
☒ Childcare referral services
  ☐ Available at some worksites only
  ☒ Available at all worksites
☒ Internal support networks for parents
  ☐ Available at some worksites only
  ☒ Available at all worksites
☐ Return to work bonus (only select this option if the return to work bonus is NOT the balance of paid parental leave when an employee returns from leave)
  ☐ Available at some worksites only
  ☐ Available at all worksites
☒ Information packs to support new parents and/or those with elder care responsibilities
  ☐ Available at some worksites only
  ☒ Available at all worksites
☒ Referral services to support employees with family and/or caring responsibilities
  ☐ Available at some worksites only
  ☒ Available at all worksites
☒ Targeted communication mechanisms, for example intranet/ forums
  ☐ Available at some worksites only
  ☒ Available at all worksites
☒ Support in securing school holiday care
  ☒ Available at some worksites only
  ☐ Available at all worksites
☒ Coaching for employees on returning to work from parental leave
  ☐ Available at some worksites only

☒ Available at all worksites
☒ Parenting workshops targeting mothers
☒ Available at some worksites only
☐ Available at all worksites
☒ Parenting workshops targeting fathers
☒ Available at some worksites only
☐ Available at all worksites
☐ None of the above, please complete question 11.2 below

12. Do you have a formal policy and/or formal strategy to support employees who are experiencing family or domestic violence?

☒ Yes (select all applicable answers)
☒ Policy
☐ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
☐ Currently under development, please enter date this is due to be completed
☐ Insufficient resources/expertise
☐ Included in award/industrial or workplace agreements
☐ Not aware of the need
☐ Not a priority
☐ Other (please provide details):

13. Other than a formal policy and/or formal strategy, do you have any support mechanisms in place to support employees who are experiencing family or domestic violence?

☒ Yes (select all applicable answers)
☒ Employee assistance program (including access to a psychologist, chaplain or counsellor)
☒ Training of key personnel
☐ A domestic violence clause is in an enterprise agreement or workplace agreement
☒ Workplace safety planning
☐ Access to paid domestic violence leave (contained in an enterprise/workplace agreement)
☐ Access to unpaid domestic violence leave (contained in an enterprise/workplace agreement)
☐ Access to paid domestic violence leave (not contained in an enterprise/workplace agreement)
☒ Access to unpaid leave
☒ Confidentiality of matters disclosed
☒ Referral of employees to appropriate domestic violence support services for expert advice
☒ Protection from any adverse action or discrimination based on the disclosure of domestic violence
☒ Flexible working arrangements
☒ Provision of financial support (e.g. advance bonus payment or advanced pay)
☒ Offer change of office location
☒ Emergency accommodation assistance
☒ Access to medical services (e.g. doctor or nurse)
☒ Other (provide details):
Provision of paid or unpaid leave to Macquarie employees who need time off work for medical and legal assistance, court appearances, counselling, relocation or to make other safety arrangements. The types and amount of leave provided is determined based on the individual's circumstances.
☐ No (you may specify why no other support mechanisms are in place)
☐ Currently under development, please enter date this is due to be completed
☐ Insufficient resources/expertise
☐ Not aware of the need
☐ Not a priority
☐ Other (provide details):

14. Where any of the following options are available in your workplace, are those option/s available to both women AND men?
- **flexible hours of work**
- **compressed working weeks**
- **time-in-lieu**
- **telecommuting**
- **part-time work**
- **job sharing**
- **carer's leave**

- **purchased leave**
- **unpaid leave.**

Options may be offered both formally and/or informally.
For example, if time-in-lieu is available to women formally but to men informally, you would select NO.

☒ Yes, the option/s in place are available to both women and men.
☐ No, some/all options are not available to both women AND men.

14.1 Which options from the list below are available? Please tick the related checkboxes.
- **Untikced checkboxes mean this option is NOT available to your employees.**

	Managers		Non-managers	
	Formal	Informal	Formal	Informal
Flexible hours of work	☒	☒	☒	☒
Compressed working weeks	☐	☐	☐	☐
Time-in-lieu	☒	☒	☒	☒
Telecommuting	☒	☒	☒	☒
Part-time work	☒	☐	☒	☐
Job sharing	☒	☐	☒	☐
Carer's leave	☒	☐	☒	☐
Purchased leave	☒	☐	☒	☐
Unpaid leave	☒	☒	☒	☒

14.3 You may specify why any of the above options are NOT available to your employees.

☐ Currently under development, please enter date this is due to be completed
☐ Insufficient resources/expertise
☐ Not a priority
☐ Other (provide details):

14.4 If your organisation would like to provide additional information relating to gender equality indicator 4, please do so below:

Macquarie recognises that working flexibly means different things to different people and therefore exists across Macquarie in many forms, such as changes to hours, locations and patterns of work. Flexibility at Macquarie is offered in response to a range of reasons including family or carer's responsibilities, pursuit of further studies, sporting commitments, community work, phased retirement or a career break. Staff may also achieve flexibility by accessing leave without pay, study and exam leave and purchased leave. Ultimately, Macquarie empowers its staff to manage their work and time to suit their own personal situation, so they can achieve their career and personal goals. Macquarie equips its people managers to lead a flexible workforce through the ongoing roll out of manager capability training that shares practical tips and information on how managers and teams can help to support the varied arrangements of their colleagues.

Gender equality indicator 5: Consultation with employees on issues concerning gender equality in the workplace

This gender equality indicator seeks information on what consultation occurs between employers and employees on issues concerning gender equality in the workplace.

15. Have you consulted with employees on issues concerning gender equality in your workplace?

☒ Yes
☐ No (you may specify why you have not consulted with employees on gender equality)
  ☐ Not needed (provide details why):
  ☐ Insufficient resources/expertise

☐ Not a priority
☐ Other (provide details):

15.1 How did you consult with employees on issues concerning gender equality in your workplace?

☒ Survey
☒ Consultative committee or group
☒ Focus groups
☒ Exit interviews
☐ Performance discussions
☒ Other (provide details):
Business and Division specific surveys and townhall meetings. Through workplace by facebook, a corporate networking tool.

15.2 Who did you consult?

☐ All staff
☐ Women only
☐ Men only
☒ Human resources managers
☒ Management
☒ Employee representative group(s)
☒ Diversity committee or equivalent
☒ Women and men who have resigned while on parental leave
☒ Other (provide details):
All permanent staff

15.3 If your organisation would like to provide additional information relating to gender equality indicator 5, please do so below.

Every two years Macquarie surveys all staff to gauge employee attitudes and engagement (Engagement Survey). Results are analysed across a range of demographics to understand differences across employee populations (including gender). Also every two years (alternating with the Engagement Survey) Macquarie conducts a global Diversity and Inclusion survey to obtain data on staff perceptions of flexibility, inclusion, advocacy and leadership behaviours. These surveys provide comprehensive data to measure progress and identify opportunities for new initiatives.

Gender equality indicator 6: Sex-based harassment and discrimination

The prevention of sex-based harassment and discrimination (SBH) has been identified as important in improving workplace participation. Set by the Minister, this gender equality indicator seeks information on the existence of a SBH policy and/or strategy and whether training of managers on SBH is in place.

16. Do you have a formal policy and/or formal strategy on sex-based harassment and discrimination prevention?

☒ Yes (select all applicable answers)
☒ Policy
☐ Strategy
☐ No (you may specify why no formal policy or formal strategy is in place)
☐ Currently under development, please enter date this is due to be completed
☐ Insufficient resources/expertise
☐ Included in award/industrial or workplace agreement
☐ Not a priority
☐ Other (provide details):

16.1 Do you include a grievance process in any sex-based harassment and discrimination prevention formal policy and/or formal strategy?

- ☒ Yes
- ☐ No (you may specify why a grievance process is not included)
  - ☐ Currently under development, please enter date this is due to be completed
  - ☐ Insufficient resources/expertise
  - ☐ Not a priority
  - ☐ Other (provide details):

17. Do you provide training for all managers on sex-based harassment and discrimination prevention?

- ☒ Yes - please indicate how often this training is provided:
  - ☒ At induction
  - ☒ At least annually
  - ☐ Every one-to-two years
  - ☐ Every three years or more
  - ☐ Varies across business units
  - ☐ Other (provide details):
- ☐ No (you may specify why this training is not provided)
  - ☐ Currently under development, please enter date this is due to be completed
  - ☐ Insufficient resources/expertise
  - ☐ Not a priority
  - ☐ Other (provide details):

17.1 If your organisation would like to provide additional information relating to gender equality indicator 6, please do so below:

Macquarie's online appropriate workplace behaviour training must be completed by new starters on commencement. All other staff must complete the training annually. In addition to the mandatory online training requirements, tailored face to face training is conducted as required.

Other

18. If your organisation has introduced any outstanding initiatives that have resulted in improved gender equality in your workplace, please tell us about them.

(As with all questions in this questionnaire, information you provide here will appear in your public report.)

Gender composition proportions in your workplace

Important notes:

1. Proportions are based on the data contained in your workplace profile and reporting questionnaire.
2. Some proportion calculations will not display until you press **Submit** at step 6 on the reporting page in the portal. When your CEO signs off the report prior to it being submitted, it is on the basis that the proportions will only reflect the data contained in the report.
3. If any changes are made to your report after it has been submitted, the proportions calculations will be refreshed and reflect the changes after you have pressed **Re-submit** at step 6 on the reporting page.

Based upon your workplace profile and reporting questionnaire responses:

Gender composition of workforce

1. the gender composition of your workforce overall is 43.8% females and 56.2% males.

Promotions

2. 42.4% of employees awarded promotions were women and 57.6% were men
   - i. 32.4% of all manager promotions were awarded to women
   - ii. 45.8% of all non-manager promotions were awarded to women.

3. 7.8% of your workforce was part-time and 3.8% of promotions were awarded to part-time employees.

Resignations

4. 43.5% of employees who resigned were women and 56.5% were men
   - i. 34.5% of all managers who resigned were women
   - ii. 46.8% of all non-managers who resigned were women.
5. 7.8% of your workforce was part-time and 8.2% of resignations were part-time employees.

Employees who ceased employment before returning to work from parental leave

- i. 6.2% of all women who utilised parental leave ceased employment before returning to work
- ii. 1.6% of all men who utilised parental leave ceased employment before returning to work
- iii. 71.4% of all managers who utilised parental leave and ceased employment before returning to work were women
- iv. 81.2% of all non-managers who utilised parental leave and ceased employment before returning to work were women.

CEO sign off confirmation

Name of CEO or equivalent:

Shemara Wikramanayake

Confirmation CEO has signed the report:

CEO signature:

Date:

28/07/2020