



20 Macquarie Asset Management
22 **Stewardship**
Report

Important information

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About this report

Macquarie Asset Management's **(MAM)** Stewardship Report for the year ended 31 December 2022 provides a detailed overview of the policies, frameworks, activities, and outcomes related to the responsible investment and stewardship philosophy that is applied to all our assets under management **(AUM)**.

Macquarie Asset Management is a global asset manager that aims to deliver positive impact for everyone. Trusted by institutions, pension funds, governments, and individuals to manage more than £450 billion in AUM globally as at 31 December 2022¹, we provide access to specialist investment expertise across a range of capabilities across Public Investments (including equities, fixed income and multi-asset solutions) and Private Markets (including infrastructure, renewables, natural assets, real estate, private credit and asset finance).

MAM's investment and stewardship philosophy applies to all our AUM. MAM's environmental, social and governance **(ESG)** policies set out our approach to ownership and the governance of companies in which we invest, and how we manage environmental and social risk and opportunity. The application of our policies and frameworks varies across our Private Markets and Public Investments activities, reflecting the different ownership interests and levels of influence in those asset classes.

The following MAM Stewardship Report covers MAM's stewardship approach across our entire business, including both Public Investments and Private Markets, and explains how our global

policies enable us to comply with the U.K. Stewardship Code. MAM manages assets on behalf of UK clients and invests in UK assets, including via its two UK asset managers, Macquarie Infrastructure and Real Assets (Europe) Limited and Macquarie Investment Management Europe Limited, and on this basis is eligible to apply for recognition as a signatory to the U.K. Stewardship Code. Given the sectoral and geographical breadth of MAM, this report provides examples of ESG-related challenges, opportunities and performance from across our diverse business to show the different ways in which our approach is put into practice.

For more information on our stewardship activities, please visit our website [here](#).

Macquarie Group Reporting

MAM is part of Macquarie Group Limited **(Macquarie)**, a global financial services group providing clients with asset management, finance, banking, advisory and risk and capital solutions across debt, equity and commodities. Founded in 1969, Macquarie employs over 19,200 people in 34 markets and is listed on the Australian Securities Exchange.

This report is complementary to Macquarie's ESG reporting. Macquarie reports annually on its sustainability progress, including MAM's stewardship activities, within the Macquarie Group ESG Report. More information on Macquarie's reporting can be found [here](#).

UK Stewardship Code

Following a successful application to the UK Financial Reporting Council to become a signatory to the UK Stewardship Code 2020 (the Code) for the 12 months to 31 December 2021, MAM has applied to remain a signatory to the Code for the 12 months to 31 December 2022 and is awaiting the results of its application. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code is a voluntary code and comprises a set of 12 'apply and explain' principles relating to engagement and stewardship in respect of a number of different asset classes, including listed equity, fixed income, bonds, real estate and real assets.

¹AUM is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and reflect Macquarie's proportional ownership interest of the fund manager. AUM excludes uninvested equity in Private Markets.

Leadership statement



Events of the past year presented significant challenges and opportunities to the companies we are invested in and re-shaped the investment environment around us. Political uncertainty, energy markets in a spin, inflationary pressures, rising interest rates, a cost-of-living crisis and stream of climate-induced disasters. The devastating impact of Russia's invasion of Ukraine and concerns over energy security also focused the world on the urgency to transition to green energy.

Against this backdrop, ESG was put under a spotlight with increased regulation, greenwashing scrutiny, demands for transparency and an ongoing quest for standards. While we don't see this slowing down any time soon, we remain focused on understanding how companies are responding to these factors and advocating for sound governance and business practices. For our clients, stewardship efforts are core to what they are seeking from us.

2022 Stewardship Report

Macquarie's approach to stewardship is rooted in our organisational purpose – to empower people to innovate and invest for a better future. In MAM, we do this by investing to deliver positive impact for everyone.

Our 2022 Stewardship report sets out our approach to investment stewardship across our global portfolio and how we meet the UK Stewardship Code's Principles. We believe that sustainability must be embedded in everything we do if we are to protect and grow the long-term interests of our clients, the companies we invest in and the communities they serve.

At the forefront of everything we do are our clients – pension funds, insurance companies, wealth managers, family offices, national and state sovereign wealth funds – who represent hundreds of millions of underlying clients that rely on us to deliver superior returns in the right way.

Progress on our stewardship commitments

Over the past year, we continued to make strong progress on our stewardship commitments, including:

- **Acting on our 2040 net zero commitment**, where almost 85% of our infrastructure and agricultural portfolio companies as of December 2020 had established net zero business plans by the end of 2022,

alongside around 400 real estate properties². We are now focused on implementing them.

- **Responding to increasing client demand for sustainable products** through the integration of Macquarie's Green Investment Group (GIG) into MAM, the launch of a global energy transition fund, and introduction of our first US-based ESG mutual funds focused on carbon emission reduction and UN Sustainable Development Goal alignment.
- **Increasing our Public Investments engagement on ESG issues and opportunities** with 650 recorded engagements across 450 unique companies in 2022. To support this step up in engagement, we also strengthened the governance of our Public Investments' ESG-related activities through the creation of the Global ESG Oversight Committee and made our first disclosures under the CFA Institute's Global ESG Disclosure Standards for Investment Products.
- **Investing in our stewardship capabilities** with the appointments of our first MAM-wide Chief Sustainability Officer and Head of Diversity, Equity and Inclusion. In 2022, we also integrated GIG's specialist Green Analytics team into MAM and established a Portfolio Performance Group to support our portfolio companies and investment teams across a range of functional capabilities, including sustainability.

Continuous improvement in stewardship

While we have made positive progress across these areas, we know there's always room for improvement and refinement.

Over the coming year, we will increase our investment in ESG data platforms to better support our clients and teams, as well as improve our ability to monitor and report our impact. We will take further steps to respond to greenwashing risks to our business and our clients. We will continue to upskill our people to ensure they are across our latest regulatory obligations, as well as share best practice from across our global portfolio.

Across our industry, we will expand our engagement efforts beyond climate. We will do this by targeting related environmental issues such as biodiversity, alongside social issues including ensuring the various pathways to the energy transition are just, stable and sustainable.

As ever, we will continue to evolve our stewardship approach to respond and adapt to the profound changes taking place around us, as well as the growing expectations of our clients, portfolio companies, regulators, policymakers and communities.

Our 2022 Stewardship Report has been reviewed and approved by MAM's Executive Committee.

A handwritten signature in black ink, appearing to read 'Ben Way', written in a cursive style.

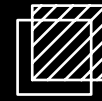
Ben Way
Group Head Macquarie Asset Management

²The percentage of MAM's infrastructure and agriculture portfolio companies with Board-approved net zero plans is calculated based on the number of portfolio companies (a) that were in MAM's portfolio at the time of its net zero commitment in December 2020 and (b) where MAM exercises control or significant influence. For the remaining assets, MAM is working towards establishing net zero plans over the next 12 months, or within 24 months of acquisition.

Highlights



Invested in our stewardship capabilities with the appointment of our **first MAM-wide Chief Sustainability Officer** and expanding our sustainability team



Enhanced transparency of ESG disclosures with first MAM-wide Sustainability and Stewardship Reports published in 2022



New and refreshed Public Investments' ESG, engagement, and controversial industries policies, with public disclosure of proxy voting policies and results. Among first to utilise the CFA Institute's Global ESG Disclosure Standards for Investment Products



Above industry median Principles for Responsible Investments (PRI)³ scores across all modules, receiving a 4 or 5-star rating in nine of 12 categories



37 Private Markets funds and 106 assets completed the **2022 GRESB assessment**, up 32% and 25% respectively on 2021 participation



Progressed MAM's **2040 net zero commitment**, with ~85% of infrastructure and agriculture portfolio companies and ~400 real estate properties in MAM Private Markets as of December 2020 **establishing net zero plans** by 31 December 2022⁴

³The PRI is the world's leading proponent of responsible investment. As signatories, we receive annual assessment reports from the PRI which we use as a measure of the effectiveness of our policies and processes and as a guide for further improvement. Results from MAM's most recent Transparency Report are available on the PRI website.

⁴The percentage of MAM's infrastructure and agriculture portfolio companies with Board-approved net zero plans is calculated based on the number of portfolio companies (a) that were in MAM's portfolio at the time of its net zero commitment in December 2020 and (b) where MAM exercises control or significant influence. For the remaining assets, MAM is working towards establishing net zero plans over the next 12 months, or within 24 months of acquisition.

Highlights



Strengthened ESG governance through creation of the **Global ESG Oversight Committee** to oversee Public Investments' ESG-related activities



650 recorded company engagements across Public Investments with 450 unique companies in more than 25 markets, covering over 15 ESG-focused themes



Portfolio Performance Group created in 2022 bringing together experienced functional experts to support our Real Asset portfolio companies and investment teams with capabilities across **Sustainability, Transformation & Operations, Human Capital, Workplace Health & Safety, Construction, Enterprise IT & Cyber and Procurement**



Expanded sustainability product offering for clients, including launch of first US based ESG mutual funds



Launched updated **Diversity, Equity & Inclusion (DEI) strategy** following the appointment of **MAM's first Global Head of DEI**



Enhanced industry engagement through Climate Action 100+, World Benchmarking Alliance, Net Zero Asset Managers initiative and the Taskforce on Nature-related Financial Disclosures



04

Purpose and governance

Principle 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

To be effective, stewardship must be rooted in a firm's culture. At MAM, the principles to ensure the responsible allocation, management and oversight of our clients' capital are embedded in how we approach the work we do.

Our purpose and beliefs

Macquarie's purpose is to **empower people to innovate and invest for a better future**.

In MAM, we do this by **investing to deliver positive impact for everyone**. Through MAM's investment and asset management, we seek to generate value for a broad range of stakeholders - from our clients and their investors, to the local communities relying on the essential services our portfolio companies provide.

We seek to invest responsibly not just because it's the right thing to do, but because we believe it creates better outcomes for our clients, portfolio companies and their communities over the long term. As custodians of vital businesses touching people's daily lives, we have both a responsibility and an opportunity to ensure we are driving positive change.

Investing to deliver positive impact for everyone is an ambitious vision. Our ESG practices seek to go above and beyond simply preserving the economic value of our funds' portfolio companies. We actively work to identify and deliver positive impact for our stakeholders through a range of environmental and social initiatives. Some initiatives, such as our active decarbonisation programme, will benefit not only our stakeholders, but also the broader population.

We believe that the effective management of ESG issues reduces risk and enhances long-term economic value. As such, a disciplined and rigorous approach to ESG is important. Our sustainable actions must be underpinned by robust ESG practices with measurable outcomes.

Our ambition

We aim to be a global leader in sustainable asset management.

But we also recognise that the scale of the issues at hand require shared progress. We are therefore working to manage our portfolios in line with best practice for driving global environmental and social goals, while also working in close collaboration with others to seek to enhance outcomes across our industry and for all stakeholders.

We are continuously finding ways to improve our approach across our business, such as formalising and systemising sustainability across MAM, developing tools, targets and investment performance standards, enhancing culture, resources and governance, and improving our systems for measurement and reporting.

Our culture

Macquarie's culture is driven by our purpose. We recruit talented individuals and support them to realise their potential in an environment that values excellence, inclusion and integrity. Fostering their development and supporting their wellbeing enables us to meet the highest standards in our own activities and to serve the evolving needs of our clients and stakeholders.

To fulfil our purpose, we apply three long-held principles that are central to our culture, determine how we conduct business, and guide what we do every day:

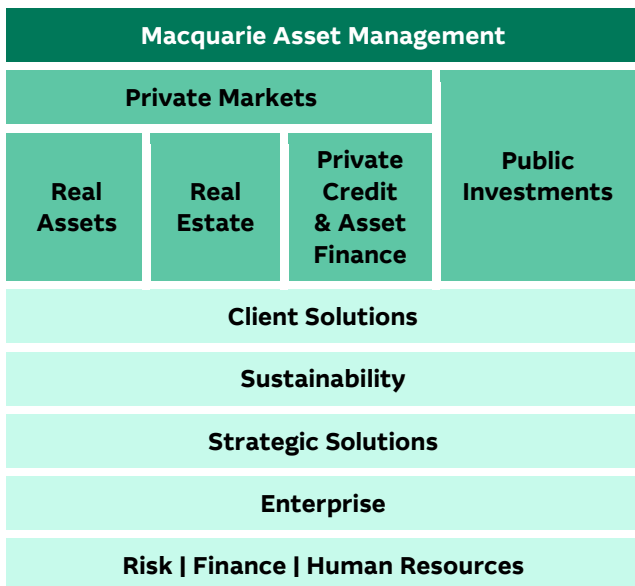
- **Opportunity:** We seek to identify opportunity and realise it for our clients, communities and people. We start with real knowledge and skill. We support our people to achieve and succeed. We believe an inclusive workplace enables us to deliver more innovative and sustainable solutions for our stakeholders.

- **Accountability:** With opportunity comes accountability. We are accountable for all our actions, to our clients, our communities, our shareholders and each other. We never compromise our standards. We take responsibility for our actions and everything we say and do is on record. We analyse and manage risk, and we make decisions we are proud of.
- **Integrity:** We always act honestly and fairly. We honour our promises. We earn the trust of our clients, colleagues, communities and shareholders through the quality of our work and our high ethical standards. We value a culture that embraces diversity, equity and inclusion.

Balancing opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success.

MAM promotes an entrepreneurial asset management culture within Macquarie. This environment is defined by a flat organisational structure and is reinforced by open seating plan arrangements (in compliance with required information barriers) specifically designed to encourage collaboration and communication across and between team members. This includes MAM's investment committees, sector specialists, analyst and associate-level investment professionals, and specialist professionals, such as sustainability, risk management, legal, tax and finance.

MAM's organisational chart:



At Macquarie, the environment is supported by a strong corporate risk culture, which is underpinned by a robust set of policies. This corporate culture fosters an environment in which our fiduciary obligations as a manager are fundamental to how we operate.

Our purpose, principles and what we expect of our people, are set out in Macquarie's [Code of Conduct](#).

Stakeholder engagement

Delivering a positive experience for our stakeholders is central to our purpose and our ability to deliver sustainable long-term value. While managing investments, we focus on providing customers with reliable services, keeping employees safe, delivering on the needs and expectations of communities and regulators, and generating consistent results for our investment partners.

We recognise the importance of stakeholder collaboration and continuously engage with clients, portfolio companies, industry groups and other stakeholders on ESG matters. By doing so, we aim to refine our own approach, share knowledge and collaborate on global ESG challenges, such as climate change, to drive value for our clients.

We also benefit from understanding how the wider market evaluates certain ESG and stewardship issues. A selection of our industry affiliations, accreditations and commitments are detailed later in this document, under **Principle 4**.

Our strategy

Effective ESG integration and management forms an integral part of MAM's strategy, decision-making and investment processes.

We believe positive ESG performance can be an indicator of management quality. ESG integration generally improves operational performance and has the potential to create long-term value. We also recognise the growing regulatory attention given to ESG matters around the world, which means we must be prepared to meet all legislative requirements in the jurisdictions in which we operate.

We leverage our expertise, diversity and culture of innovation to identify opportunities, mitigate risks and drive value for our clients and stakeholders. We do this through our:

- **Partnership with clients:** We are passionate about solving problems and finding innovative solutions by working together - with each other and with our clients.

- **Culture:** Strong risk management practices and empowering our people to find the best solutions creates a culture focused on the future and building sustainable outcomes.
- **Investment expertise:** Strong track record and investment expertise in specialised industries and asset classes provide us with insights into identifying and sourcing investment opportunities globally.

MAM's net zero 2040 commitment

An important component of MAM's strategy is our commitment to invest and manage our portfolio in line with global net zero emissions by 2040 – 10 years ahead of the goal of the Paris Agreement.

As an active manager, and a fiduciary, we are focused on transitioning our existing portfolio not only to fall on the right side of the energy transition, but also to seize the opportunities presented by it. As an investor, we are committed to finding and creating compelling energy transition investment opportunities that deliver sustainable long-term value for our clients.

As at the end of 2022, almost 85% of infrastructure and agriculture portfolio companies in MAM's Private Markets portfolio as of December 2020 had established board-approved net zero plans⁵, and around 400 properties had net zero plans within MAM's Core-Core Plus real estate business. For the remaining assets, we anticipate most will establish net zero plans over the next 12 months, or within 24 months of acquisition⁶.

Within MAM's Equity, Fixed Income and Multi-Asset Investment teams where we do not have significant influence, we are endeavouring to support our net zero goals in alignment with our client-guided fiduciary and regulatory responsibilities. We have ensured access to ESG analytical tools that provide insight into the carbon footprints of individual investments and portfolios to enable targeted engagement and proxy voting efforts.

Creating climate solutions

To accelerate our position as a leader in green infrastructure investment and low-carbon solutions, the Green Investment Group (**GIG**) was integrated into MAM in April 2022. GIG is one of the world's largest teams of specialist green investors and developers with a mission to accelerate the global transition to net zero. Having these capabilities within MAM provides our clients with access to dedicated development of green energy companies, assets and technologies at significant scale and pace.

GIG is focused on accelerating the global transition to net zero through two strategies: driving volume in mature energy technologies, like solar and wind; and supporting the commercialisation of emerging climate solutions and technologies that will enable deeper decarbonisation – such as low-carbon hydrogen, battery storage, biogas and e-mobility solutions.

Within these strategies, GIG is creating specialist development platforms. In the last year these included a European-focused hydrogen developer HyCC, a global battery storage business Eku Energy, an EV charging business Fleete, and a European biogas business VORN Energy.

Through GIG, our infrastructure portfolio companies and properties have access to our green investments expertise and specialist platforms to support them with installing onsite renewables, as well as procuring green energy through Power Purchase Agreements.

ESG integration

We manage a diverse suite of products and asset classes on behalf of our clients, with different levels of ownership in, and influence over, the businesses in which we invest. As a result of this, the way we exercise our rights and responsibilities as stewards varies between our Public Investments and Private Markets businesses (and within each business) and, accordingly, so does the way we integrate sustainability.

As detailed below and further in **Principle 2**, dedicated policies, systems and in-house experts enable our teams to identify ESG opportunities and address risks effectively where we determine them to be relevant throughout the investment lifecycle. The integration of our ESG framework and risk management into our investment teams and processes is further detailed in **Principle 7**.

⁵ The percentage of MAM's infrastructure and agriculture portfolio companies with Board-approved net zero plans is calculated based on the number of portfolio companies (a) that were in MAM's portfolio at the time of its net zero commitment in December 2020 and (b) where MAM exercises control or significant influence.

⁶ This includes (a) the remaining ~15% of MAM's in-scope infrastructure and agriculture portfolio companies where MAM exercises control or significant influence, and (b) properties in our real estate Opportunistic business (where we partner with specialist operating partners) and those in our Core-Core-Plus business where we have control or influence with the aim to establish decarbonisation pathways.

Public Investments

A key element of the effective stewardship of public companies – those listed on public exchanges – is the investor’s right to vote on company and shareholder resolutions (often through a proxy).

Our stewardship activities within Public Investments are guided by our internal Engagement Policy and Proxy Voting Policy. Stewardship activities are overseen by our ESG Working Group and Proxy Voting Committee, which comprise representatives from our investment teams and specialist functions.

MAM’s Sustainability team works with representatives of each investment team to provide guidance and training on stewardship best practice. Stewardship activities are tracked by the Sustainability team via an ESG engagement tracker and its outside proxy vote administrator.

Private Markets

Responsible investment and stewardship principles are particularly important in real asset investing because of the long-term nature of this asset class and its typical focus on the provision of essential services.

Consistent with our Public Investments business, ESG risk mitigation is one aspect of our stewardship activities and is integrated into our investment cycle, as illustrated below:

1. **Screening:** Assets and management teams screened for ESG-related red flags and opportunities and subject to sensitive sector escalation.
2. **Due diligence:** ESG risks and opportunities independently assessed, aided by tools, expertise and frameworks, and factored into the financial analysis.
3. **Investment decision:** Material ESG risks, opportunities and mitigants evaluated by the investment committee as part of all investment approvals.

4. **Transition:** For equity investments, identified ESG strategies and improvements, implemented and tracked as part of transition plan.

5. **Asset and portfolio management:** Ongoing ESG oversight, engagement and monitoring, with support from in-house experts.

6. **Exit:** For equity investments, ESG advantages and opportunities integrated into the realisation process to ensure optimal valuation.

This approach is materiality-based. We focus on sustainability risks that are most important to each business and its community given the industry and type of asset, its physical location, legal jurisdiction and stage in the asset cycle, as well as asset-specific risks that are identified in a rigorous due diligence process.

One way in which we monitor the outcomes and impact of our stewardship activities is through third-party sustainability assessments such as GRESB, which provides a framework to measure the ESG performance of individual portfolio companies and portfolios. We have been members of GRESB since 2016, which enables us to benchmark our ESG performance, identify areas for improvement and engage with investors.

Continuous improvement

MAM is continuously striving to enhance its policies and procedures. As stewards and fiduciaries, understanding our clients’ needs and acting in the best interests of our clients are critical to MAM’s success.

We continue to enhance our transparency in relation to our purpose, strategy, frameworks and commitments to provide better clarity to, and alignment with, our clients on our approach to ESG and stewardship.

Each of the subsequent sections details actions MAM intends to take over the coming year to further develop and improve our stewardship activities.

Principle 2

Signatories' governance, resources and incentives support stewardship

Stewardship principles are firmly integrated within our governance and remuneration structures. We ensure that our people have the necessary skills and resources to apply high standards of stewardship in everything that they do.

Governance framework

Robust and comprehensive corporate governance practices are intrinsic to our investment philosophy and to delivering long-term value. Our success is built on supporting our people and the longevity of robust ethical business practices.

A sound **risk culture** has always been integral to Macquarie's risk management approach. Business ownership of risk is an essential element in understanding and managing risk. Each business team within Macquarie is responsible for identifying risks within its business and ensuring that they are managed appropriately.

MAM operates within Macquarie's **Risk Management Framework**, which represents a comprehensive suite of policies and procedures covering all aspects of risk management across Macquarie. In addition, MAM has its own risk management policies that reflect the investment, credit, liquidity, operational, legal and reputational risks specific to our business structures, operations, investments and stakeholders.

Macquarie's Risk Management Framework is based on the 'three lines of defence' model, as described below.

ESG framework

ESG risk identification and mitigation are core components of our Risk Management Framework. MAM's ESG-related frameworks are set out in our business aligned ESG policies:

- MAM Private Markets' ESG policy outlines a framework for systematic investigation, management and reporting of material ESG risks and opportunities associated with our investment due diligence and ongoing asset management activities.
- [MAM Public Investments' ESG policy](#) outlines our approach to the integration of ESG factors into our listed investment processes, proxy voting and engagement with companies.

Our stewardship responsibilities are managed through these key policies, as well as other ESG-related policies and practices. Combined, they address issues including:

- corporate governance
- oversight and management of work health and safety (**WHS**)
- identification, assessment and management of environmental and social risks
- selection and management of investments and undertaking new business activities
- ethical conduct by staff, including support from Macquarie's Integrity Officers

1. MAM

- Primarily responsible for managing its own processes
- Responsible for identifying and controlling risks by using business control frameworks, implementing internal processes and adequate controls
- MAM Risk Team works alongside MAM management.

2. Risk Management Group (RMG)

- Sets Macquarie-wide Risk Management Framework
- Provides independent reporting to MAM management, Macquarie board/committees
- Ensures 1st line take ownership
- Acts as an advisor/consultant to 1st line.

3. RMG Internal Audit

- Provides assurance about design and effectiveness of 1st and 2nd lines
- Reporting line to Macquarie audit committee
- Advisory role to improve processes.

- greenhouse gas (**GHG**) and energy management and reporting
- provision of a safe, diverse and appropriate workplace, including a network of Equal Employment Opportunity officers
- whistle blowing, anti-corruption, anti-money laundering and dealings with external parties such as regulators and public officials
- management of business and staff conflicts of interest
- engagement by Macquarie and its staff in the wider community, including volunteering, capacity building and matched donations.

These MAM policies are also aligned with the broader Macquarie approach set out in its Environmental and Social Risk (**ESR**) Policy, which establishes group-wide processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks. MAM reports at least semi-annually to Macquarie’s board on our compliance with the Macquarie ESR Policy and other Macquarie requirements.

Macquarie Group ESG-related policies:

- [ESR Policy Summary](#)
- [Code of Conduct](#)
- [Corporate Governance Statement](#)
- [Business Conduct and Ethics](#)
- [Whistleblowing Policy](#)
- [Work Health and Safety Policy](#)
- [Workforce Diversity Policy](#)
- [Continuous Disclosure and External Communications Policy](#)

- [Anti-Bribery and Corruption Policy](#)
- [Sanctions Compliance Policy Statement](#)

With this robust risk framework in place, including sustainability risks, MAM is well-positioned to be a good steward in maximising overall long-term value for our clients.

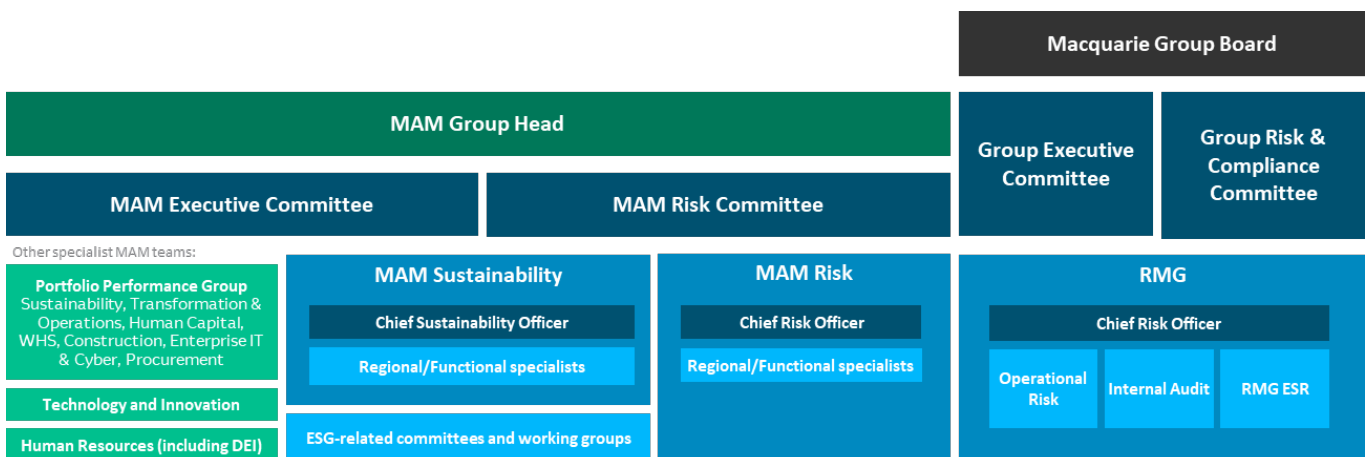
Our policies and frameworks support stewardship across MAM’s activities by ensuring robust separation and independence of oversight from investment teams, clear accountability and conduct expectations, as well as consistency through the application of detailed policies across MAM’s organisation. The formation of a MAM-wide sustainability team, in addition to MAM-wide risk and compliance functions, also ensures consistent oversight, application as well as collaboration on stewardship themes.

Resourcing our stewardship activities: organisational structure

The **MAM Executive Committee** has ultimate responsibility for approving MAM’s ESG framework, including major ESG policies. Our Chief Sustainability Officer (**CSO**), appointed in June 2022, reports to the MAM Group Head and is a member of MAM’s Executive Committee.

MAM has dedicated **Sustainability** and **Risk** teams which are responsible for setting and implementing the ESG incorporation strategy and framework, as well as supporting our staff to act as good stewards.

A simplified organisational chart of the key teams within MAM involved in supporting good stewardship across our businesses is shown here, with detail on committees and processes specific to our Private Markets and Public Investments activities provided below.



MAM Sustainability

MAM's Sustainability team is responsible for setting MAM's overall sustainability strategy and ESG framework, providing specialist expertise on environmental and certain social matters, and supporting investment and asset management teams in harnessing ESG opportunities across MAM's portfolio.

In 2022 we continued to invest in our stewardship capabilities by expanding our team to 27 sustainability roles at 31 December 2022 (including open positions filled in early 2023). Our Sustainability team is located across three regions and is comprised of 54% females. 37% of the team is director level or above.

New appointments during the year include the MAM CSO, Green Analytics specialist team from MAM's integration of GIG, a dedicated sustainability legal team, and a sustainability-related communications lead.

MAM's Sustainability team collectively have broad ESG-related experience from a range of backgrounds, including ESG consulting, industry, sustainable finance, engineering, public equities, finance, stakeholder relations, legal, and risk and control, with experience across key ESG topics and sectors including financial services, infrastructure, transport, extractives, real estate and fast-moving consumer goods.

The Sustainability team works closely with a number of other specialist MAM-wide teams including Portfolio Performance (with functional experts covering Sustainability, Transformation & Operations, Human Capital, Workplace Health & Safety, Construction, Enterprise IT & Cyber and Procurement), Technology & Innovation and Human Resources.

Sustainability experts are also embedded within some of MAM's investment teams to offer direct insight into material ESG issues and conduct stewardship activities.

In addition, the Client Solutions Group's Sustainability Working Group is a collaboration of representatives across MAM to continuously improve our sustainability communications and ensure our client's needs are fed into our sustainability efforts, and the Public Investments ESG Working Group (detailed further below) provides another forum for communication and sharing of best practices.

MAM Risk

MAM has a dedicated global risk team (**MAM Risk**) which is responsible for ensuring all risks, including ESG risks, are identified and managed across MAM.

The team works closely with other specialist teams to ensure our frameworks support stewardship, including MAM's Sustainability team and Macquarie's RMG division.

MAM Risk is functionally and hierarchically independent, with representatives in key regions reporting to MAM's Chief Risk Officer who in turn reports directly to MAM's Global Head, ensuring this independence from MAM's transaction or portfolio management teams. MAM's Risk team also has an escalation line into Macquarie's Head of Operational Risk and Governance.

Macquarie's Risk Management Group (RMG)

Macquarie's RMG division is centralised within Macquarie and independent of MAM and is responsible for identifying, assessing and monitoring risks across the group level, as well as defining the group risk framework. RMG functions include Compliance, Operational Risk and Governance, Behavioural Risk, Credit, Market Risk, Quantitative Applications, Regulatory Affairs and Aggregate Risk, Financial Crime Risk, Enterprise Support and Internal Audit.

RMG's **Operational Risk and Governance** team reports to Macquarie's Chief Risk Officer and reviews the design, implementation, and operating effectiveness of controls. It is responsible for: ensuring there are effective mechanisms in place to identify, record, and assess operational risks; providing assurance that controls are working; monitoring and reporting on operational issues, errors and breakdowns within Macquarie; and escalating and reporting issues, where appropriate, outside of Macquarie.

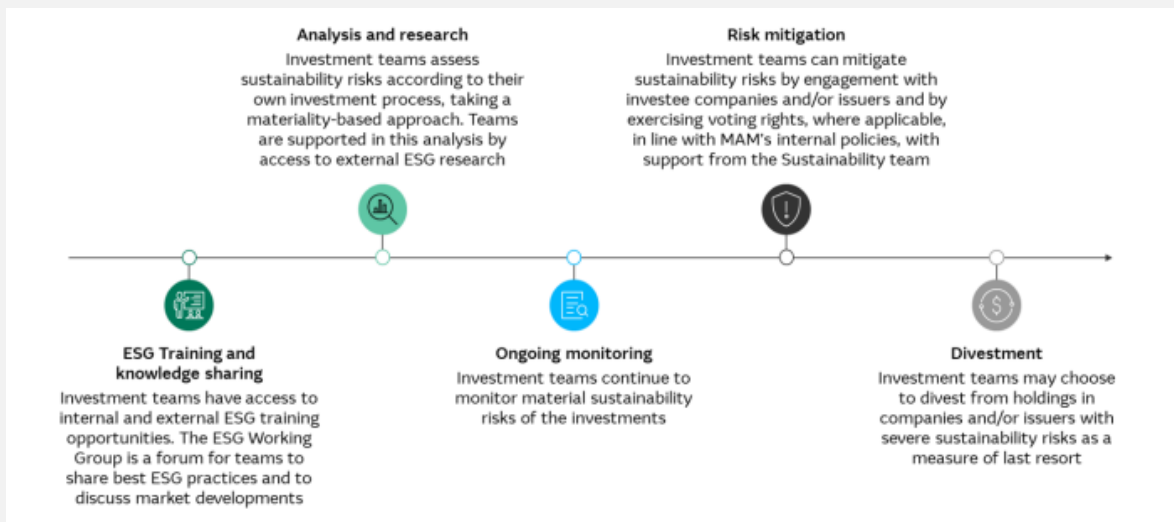
RMG's **Internal Audit** team provides independent and objective risk-based assurance on compliance with, and effectiveness of, Macquarie's financial and risk management framework to senior management and the Macquarie Board and reviews all auditable businesses at least once every three years.

RMG's Environmental and Social Risk team (**RMG ESR**) assists staff within Macquarie to identify and manage environmental and social risk. RMG ESR supports MAM with a diverse range of specialists to provide guidance and oversight in our collective approach towards ESG.

These teams work closely with each other to ensure our approach to stewardship is consistent and effective.

Public Investments

The [ESG policy](#) covering our Public Investments activities details our approach to the integration of ESG factors into our investment processes, proxy voting and engagement with companies. Our framework for integrating ESG into our investment process and supporting stewardship is described below.



To support investment teams in their integration of ESG, in 2018 we established a group of representatives from each of the investment teams within the Public Investments business with a focus on ESG, the **ESG Working Group**.

This ESG Working Group is responsible for monitoring ESG practices, allowing investment teams to share best practices in incorporating ESG factors into their investment processes and discuss market developments with respect to ESG. ESG Working Group representatives are the point people for their respective teams on ESG-related matters. This includes review of ESG-related policies and procedures, assessment of their teams' practices in accordance with these policies and procedures, communication to their teams of available ESG-related resources, and evaluation of external ESG data providers.

To further improve the monitoring and oversight and accountability of our Public Investments' ESG activities and initiatives, we have also established the **Global ESG Oversight Committee**, which is comprised of professionals from across MAM, including representatives from the Sustainability team, Legal, Risk, Compliance, Client Solutions and Product and Investment teams. The committee is designed to be independent from investment teams and is responsible for overseeing all sustainability and ESG related activities within the Public Investments business. The committee meets quarterly and reports into the MAM Public Investments Executive Committee.

Our independent investment teams are responsible for the ongoing management of their investments, including with respect to sustainability risks. Investment teams may use engagement opportunities and/or voting rights as a way of mitigating sustainability risks. It is open to investment teams to choose to divest from companies/issuers where they consider sustainability risks are material, as a measure of last resort.

The **Global Proxy Voting Committee** is responsible for overseeing the proxy voting process across our Public Investments activities. At least one member of the Committee is also a member of the **ESG Working Group**. MAM has adopted Proxy Voting Guidelines which summarise our position on various issues and give a general indication as to how we will vote shares.

Investment teams are supported in their stewardship efforts by the Sustainability team and the business's dedicated ESG Working Group, as well as internal and externally generated ESG resources. External resources include specialised external ESG research, governance and proxy analysis from established organisations that set benchmarks and standards for risk assessment, management and reporting – for example, taking into account recommendations from PRI. These external resources provide our investment teams with ESG-specific data, opinions and insights, which complement research independently obtained by the teams.

Private Markets

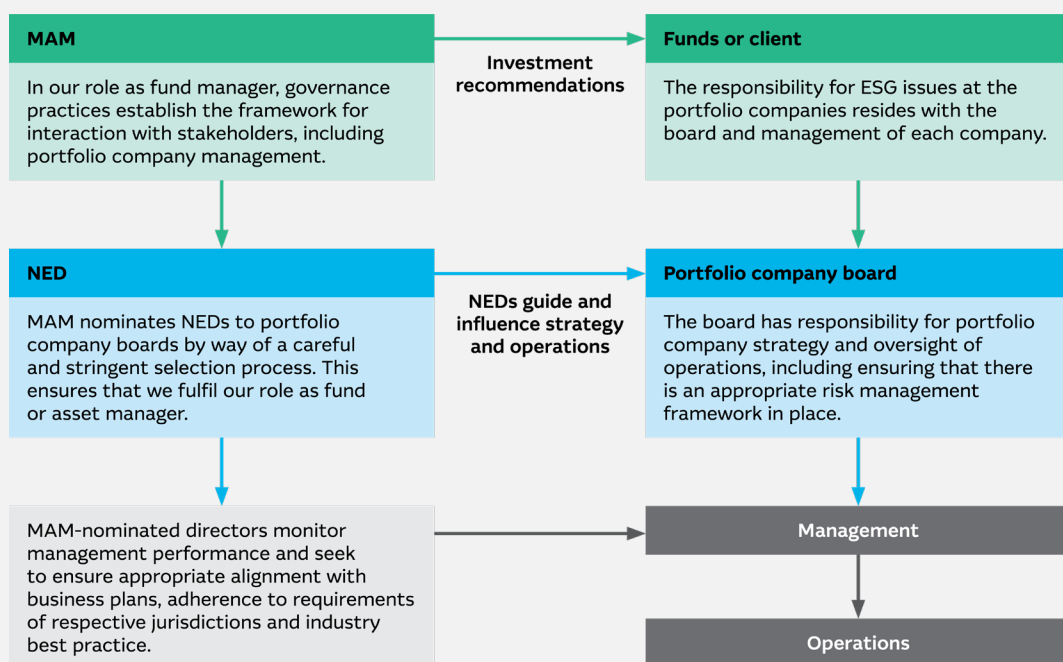
ESG issues arising from our Private Markets activities must be investigated and addressed at each stage of the investment lifecycle, from new investment screening and due diligence through to transition and ongoing asset management.

The ESG policy covering our Private Markets activities outlines a framework for systematic investigation, management and reporting of material ESG risks and opportunities associated with our investment management activities and the operations of our portfolio businesses. It also defines ESG-related escalation requirements, related policies, processes and minimum sustainability standards for the businesses in which we invest.

To inform our ESG priorities, we refer to recommendations and research from established organisations that set benchmarks and standards for risk assessment, management and reporting. These include the PRI and the International Finance Corporation’s Environmental and Social Performance Standards and Environmental, Health and Safety Guidelines. In some jurisdictions, standards have been codified to law, such as the US Foreign Corrupt Practices Act and the Modern Slavery Acts of the UK and Australia. These standards and regulations inform practices, training and restrictions across our global activities. We also listen carefully to our investors, among whom are some of the largest, most sophisticated and successful institutional investors globally. Our staff are supported by dedicated in-house specialist teams, including the Risk and Sustainability teams discussed above. These teams are responsible for setting and implementing the ESG incorporation strategy and framework.

In our role as fund or investment manager, we nominate senior employees for appointment as non-executive directors (**NEDs**) to serve on the boards of our portfolio companies. These NEDs, along with other directors and officeholders of the board and management team, are responsible for overseeing portfolio company operations, including ensuring that portfolio company management has appropriate ESG systems, procedures and practices in place. When we nominate representatives to the boards of portfolio companies, we seek to ensure both sectoral and geographical experience, together with any skill set important for a particular business.

These MAM-nominated NEDs perform a key role in monitoring the management of key ESG risks and opportunities and encouraging portfolio company management to identify and undertake measures beyond compliance, looking to international and industry best practice. MAM-nominated NEDs aim to ensure that each business establishes and maintains its own risk management frameworks which incorporates ESG issues and supporting policies and procedures.



Training and development

Good stewardship requires the integration of ESG practices across MAM's organisation and accordingly ESG-related training is an important requirement of this integration. Regular training and education webinars are run for both MAM staff and our Private Markets portfolio company management teams on a variety of key ESG areas, including sustainability risk management, health and safety, diversity, equity and inclusion (**DEI**), regulatory updates, net zero emissions and other sustainability initiatives.

Examples of training delivered to MAM staff and/or portfolio companies include:

- Code of Conduct training, which has been completed by all MAM staff, and the Ethical Leadership Programme, run in conjunction with The Ethics Centre, which all directors have begun. The Ethics Centre is a not-for-profit organisation developing and delivering innovative programmes, services and experiences, designed to bring ethics to the centre of personal and professional life.
 - Mandatory trainings including compliance, workplace health and safety, human rights, cyber safety, privacy, data management, fraud awareness and financial crime risk.
 - Practical welfare, health, safety and environment training, undertaken by all directors nominated by MAM to the boards of companies or assets.
 - Training related to our net zero by 2040 commitment and progress across MAM, where we are working with our Private Markets portfolio companies. In conjunction with industry experts and portfolio companies, we have provided tools, training and resources to assist with establishing baseline GHG emissions, setting targets and developing business plans to achieve them.
 - Mandatory DEI training across all MAM staff as well as continued education, upskilling and best practice sharing of portfolio company senior leadership including CEOs, CHROs and nominee directors on DEI strategy and best practice. We continue to support portfolio companies in implementing board-approved DEI strategy within the first 18 months of acquisition and to provide additional support for existing companies who do not yet have strategies in place through improving data collection, sharing best practices across the portfolio, and sponsoring the appropriate allocation of resources to drive progress.
- Specific training for members of the Public Investment's ESG Working Group to help them pass along key information, including on effective stewardship practices, to their teams. Over the past year, we have held several training sessions on ESG ratings, data providers and broader ESG integration for our investment teams to help them execute their own bespoke ESG strategies, as guided by our overarching commitment to ESG integration.
 - Direct engagement by the Sustainability team with investment teams and ESG Working Group representatives to help integrate ESG considerations into each team's investment process. These interactions range from regularly scheduled quarterly meetings to review our Public Investments portfolios and holdings to ongoing impromptu discussions where Working Group representatives request assistance from the Sustainability team on issues such as: effective deployment of ESG resources; responses to client and prospect inquiries; and overall questions about effective ways to assess ESG risks and opportunities.
 - Training covering the regulatory scrutiny over misleading claims about environmental performance (known as 'greenwashing'). All MAM employees have access to the MAM Greenwashing Risk training hosted by MAM Sustainability and RMG Compliance. This training is designed to increase employees understanding of greenwashing risk and build awareness of the changing regulatory landscape.

Remuneration framework

Macquarie's longstanding and consistent approach to remuneration continues to meet our remuneration objectives and align with our principles. Our remuneration approach has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long-term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational consequences. This approach has been fundamental in ensuring we can continue to attract, motivate and retain exceptional, entrepreneurial and ethical people across the global markets in which we operate.

Macquarie's remuneration framework works as an integrated whole and is annually reviewed and fine-tuned by the Macquarie Board. Fixed remuneration is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements. Remuneration outcomes are based on realised outcomes and are determined through a principles-based approach, taking into consideration individual, business group and company-wide performance against a range of financial and non-financial factors.

Fixed remuneration

Fixed remuneration consists of base salary and local country employee benefits which are set to be market competitive. Base salary is reviewed annually and reflects technical and functional expertise, role scope and market practice.

Performance-based profit share

Profit share allocations are made from a MAM profit share pool that is generated from MAM annual results. While it is also subject to the performance of the overall Macquarie Group, it reflects a broadly consistent portion of MAM annual results year on year.

Annual profit share allocations reflect individual performance and contribution which are assessed on a range of factors including:

- Financial performance - including the successful completion of key fund and portfolio investment initiatives and the long-term performance of the investments for which individuals are responsible
- Risk and compliance
- Business leadership
- People leadership.

Board Oversight

The Macquarie Group Limited Board (the **Board**) oversees Macquarie's remuneration framework. The Board has a Board Remuneration Committee (**BRC**), whose objective is to assist the Board and the Board of Macquarie Bank Limited, a key operating subsidiary, with Macquarie's remuneration policies and practices.

The BRC review Macquarie's remuneration framework and make recommendations that promote sound and effective risk management to ensure it continues to support the overarching objective of delivering strong company performance over the short and long-term, while prudently managing risk and reinforcing the Code of Conduct and What We Stand For.

Diversity, equity and inclusion

We believe that a culture that supports DEI across all our activities – at Macquarie, in MAM and across our portfolio companies – is essential to our role as stewards.

DEI is a business priority and remains fundamental to Macquarie and MAM's success. The varied experiences, skills, and views of our people allow us to make better decisions, deliver a broad range of services to clients around the world, and gain a stronger understanding of the communities in which we operate.

In May 2022, MAM hired a Global Head of DEI whose sole focus is helping MAM, its portfolio companies, and the boards that serve them become more diverse, inclusive, and equitable. As part of these efforts, we have widened the DEI focus from gender diversity to other dimensions (e.g., race, ethnicity, sexual orientation).

In November 2022, we refreshed MAM's DEI Strategy and created a 3-year roadmap. Our strategy is simple, pragmatic and purposeful. Our DEI Strategy is composed of four main pillars:

1. **Bold leadership**

Each of our staff understands our role, sets mandatory DEI objectives and is held accountable for making MAM more diverse, equitable, and inclusive at the end of the year. Everyone understands their role and accountability in making MAM more inclusive.

2. **Equitable people processes**

Delivering greater equity within MAM's talent processes; hiring, developing, and promoting. Ultimately, ensuring that everyone can thrive based on their contributions.

3. **Inclusive culture**

Bolstering our already inclusive culture through training and by embedding DEI in our daily practices.

4. **Clients, portfolio companies and partners**

Continuing to drive greater equity in our communities by partnering with our clients, advisors, and portfolio companies, many of which now have strong DEI strategies.

Our strategy is underpinned by metrics, analytics and transparent conversations. This means that we regularly share progress updates on our DEI journey with MAM staff.

As part of our commitment to transparency, we have also expanded our DEI reporting to include demographic data on persons with disabilities, race, sexual orientation (where data privacy rules allow).

Our DEI reporting aligns and, in many cases, goes beyond industry standards such as from the Institutional Limited Partners Association (**ILPA**) and the Investment Company Institute (**ICI**).

Our staff is very committed to our DEI ambition of continuing to be a talent destination; a MAM where everyone feels they are:

1. Seen for their individuality and personal contributions.
2. Safe to be themselves, innovate, and speak-up.
3. Connected to a team that embraces their diverse perspectives.

Through DEI education efforts, our staff recognise that DEI is everyone's responsibility and embraces our journey because they know that diversity of thought will continue to make our business stronger.

Our efforts also extend to our portfolio companies where we have further enhanced our focus on DEI through the investment lifecycle. We've expanded our minimum requirements (i.e., each portfolio company is required to have a DEI policy and strategy, with progress reviewed annually by the company Board). This expansion now includes greater workforce data collection on diversity demographics (e.g., race, sexual orientation) and practices.

We have also continued upskilling portfolio company nominee directors, Human Resources Directors, and investor facing teams to enhance the progress of DEI strategies/efforts. Likewise, we continue to advise and have created various toolkits that help our portfolio companies make progress on their DEI goals.

Stewardship resources: external service providers

We engage external service providers to help our investment teams with ESG-specific data, opinions and insights.

Examples of resources available to our teams is provided below:

Macquarie Internally Developed Tools	<ul style="list-style-type: none"> • Model designed to stress-test issuers and portfolios for different carbon pricing scenarios in line with Task Force on Climate-Related Financial Disclosure requirements • Database for alignment with UN Sustainable Development Goals
IFRS - SASB Standards	<ul style="list-style-type: none"> • Internal MAM Public Investments portal which provides a lookup reference to find material ESG factors by industry group
Aladdin, by BlackRock	<ul style="list-style-type: none"> • MSCI ESG data available to add to portfolio profile • Carbon footprint/carbon intensity report • MSCI, Sustainalytics and Refinitiv ESG risk ratings
FactSet	<ul style="list-style-type: none"> • MSCI ESG data available for screening • Access to MSCI ESG research reports • ESG-related performance attribution available in Portfolio Analysis module
MSCI	<ul style="list-style-type: none"> • MSCI ESG data available for screening • MSCI ESG research reports
Bloomberg	<ul style="list-style-type: none"> • Snapshot of a company's ESG profile and ESG ratings • Portfolio Carbon Footprint Tool
Sustainalytics	<ul style="list-style-type: none"> • Sustainalytics ESG data available for screening • Sustainalytics ESG Risk Ratings, Carbon Footprint, SFDR PAI and Controversy research reports • EU Taxonomy Solution
RepRisk	<ul style="list-style-type: none"> • Research tools to support transaction and norms-based screening

MAM also retains the following proxy advisory firms to help the process of voting proxies, including research and opinions on proxy voting issues, as well as proxy voting administrative support across its Public Investments activities:

- Institutional Shareholder Services (**ISS**)
- Glass Lewis & Co., including its Australian subsidiary CGI Glass Lewis
- Ownership Matters.

Clients may sometimes ask MAM to utilise their own preferred proxy advisory firm.

We also use other service providers to support our stewardship activities, including those providing controversy and adverse media exposure assessments, and climate risk screening.

MAM may also appoint external investment managers to act as sub-advisors for our funds. Each sub-advisor has its own approach to stewardship, and we will look to perform ongoing monitoring of these investment managers to ensure their approaches meet our minimum standards.

In **Principles 9, 11 and 12**, we describe how we measure and monitor the effectiveness of our governance and engagements, including statistics on our ESG engagement levels and outcomes across our Public Investments teams.

Continuous improvement

MAM intends to further expand training throughout the organisation in 2023 to enhance awareness of sustainability issues and share best practices on effective stewardship activities.

MAM will continue to evolve objective setting to enhance sustainability related KPIs that form part of staff objectives, the assessment of which will impact variable remuneration.

To further improve the monitoring and oversight of our ESG activities and initiatives, we created an internal oversight role to oversee the integration of ESG in investment practices across MAM's global business to enable MAM to be a leader in sustainable asset management.

Responsibilities in this role, which was filled in early 2023, include:

- Supporting the development and implementation of MAM's sustainability strategy.
- Conducting ongoing reviews of ESG integration practices across public investments and private markets investment teams to ensure actions are consistent with investment objectives, internal policies and regulatory requirements.
- Managing oversight and internal reporting processes to ensure adherence to broader firm-wide sustainability strategic commitments (e.g., net zero) and support the implementation of those external commitments globally.
- Managing and enhancing frameworks to ensure compliance with regulatory requirements, including the EU's Sustainable Finance Disclosure Regulation, across both MAM's public and private markets businesses.
- Monitoring emerging climate risks/ESG trends globally, sustainable finance regulations and market-driven requirements that impact Macquarie's ESG governance framework.

We are also considering the development of a sub-advisor oversight function to monitor external investment managers to ensure their approaches meet our minimum standards.

In progressing our refreshed DEI strategy and commitments, we have identified priorities for 2023 which include:

- providing transparent and consistent staff DEI reporting for our clients.
- communicating and rolling-out our DEI strategy to ensure staff understands our commitment to DEI, the journey ahead and their responsibility for achieving our aspirations.
- amplifying the great work done with the Humans of MAM campaign, communicating our commitment to DEI by sharing DEI wins of all sizes with our staff and external community.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

As a global organisation offering a diverse range of products and financial services, Macquarie may, from time to time, have interests which conflict with the interests of its clients, unitholders or counterparties. We have clear and rigorous policies and processes in place to manage any such conflicts.

MAM is required to manage conflicts of interest fairly, in accordance with Macquarie's **Code of Conduct** (as detailed in **Principle 1**), applicable laws, regulations and principles and guidance. The Code sets out the way staff are expected to do business, including by following the principles of what we stand for – Opportunity, Accountability, Integrity – and meeting expectations of behaviour. These principles are expected to form the basis of all day-to-day behaviours and actions. All staff have a responsibility to report concerns or possible breaches of the Code.

Our [Conflicts of Interest Policy](#) sets out how to identify, prevent and manage conflicts of interest – whether potential, perceived or actual. This policy applies to all employees, contractors and consultants of Macquarie and its related entities.

Conflicts identification

We have systems and protocols in place to identify potential conflicts of interest. They do not contain an exhaustive list of all conflicts of interest that may arise, so any new potential conflicts must be escalated for assessment prior to undertaking the new activity. Conflict management arrangements at Macquarie are subject to the oversight of Compliance. Both Compliance and Legal assist in the identification, escalation and management of potential, perceived and actual conflicts of interest.

The following are examples of potential conflicts of interest that may arise as a result of the diverse nature of Macquarie's activities:

- Macquarie has confidential knowledge about our clients that could be used to advance Macquarie's or another client's interests.
- Macquarie could fail to meet our fiduciary obligations at the expense of our client's objectives.

- Macquarie may make a financial gain or avoid a financial loss at the expense of a client, customer, unit holder or counterparty.
- Macquarie may have a business that competes with that of a client.
- Macquarie may have an incentive to favour the interests of one client or group of clients over those of another client or group of clients.

Conflicts management

Systems and controls to prevent and manage conflicts of interests are outlined in our policies in relation to conflicts of interest, investment research, gifts and entertainment, outside business activities, allocations and offers of financial products, and personal investments, to name a few.

If we identify a potential or actual conflict, methods for managing the conflict include avoidance, disclosure, waivers and consent. Examples of our systems and controls for preventing and managing conflicts of interest include:

- requirements to undertake a conflict check prior to entering into certain business arrangements.
- systems and controls which restrict the flow of confidential or non-public price-sensitive information (inside information) within Macquarie, including, where applicable, physical separation and system access restrictions.
- segregation of duties and supervision for staff engaged in different business activities, including procedures for ensuring appropriate communication between businesses, for example restricting communications between research analysts, who may recommend to clients that they buy or sell an asset, and sales and trading staff.
- restrictions on personal investments made by staff and their associates, regardless of seniority. Such restrictions include pre-trade approval, minimum holding periods and the operation of staff-trading windows for Macquarie investments.

- maintenance of a list of restricted financial instruments that may be prone to conflicts of interest. Activities, such as securities trading and production and dissemination of research, may only be permitted in such financial instruments in certain circumstances.
- avoidance of conflicts of interest by deciding not to proceed with the relevant transaction or business relationship.
- training of directors and employees on conflicts of interest management.
- avoidance or disclosure of potential conflicts in investment research, where appropriate, subject to any confidentiality requirements.
- requirements to record the solicitation, offer or receipt of certain gifts and entertainment and obtain prior approvals where required.
- requirements for all external directorships and outside business interests to be declared and approved.
- avoidance of direct links between remuneration or performance assessments that conflict with a duty to act in the best interests of clients.

Conflicts disclosure

Sometimes, our methods and controls to prevent or manage a conflict of interest (including those described above) may not be sufficient to ensure with reasonable confidence that the risk of damage to a client's interests will be prevented. In such cases, we may disclose such conflict to the client and ask for their informed consent to continue to act, notwithstanding the conflict.

Public Investments

In certain instances, conflicts of interest can arise in proxy voting. For example, when the issuer soliciting the vote is also a Macquarie client or one of Macquarie's independent directors also sits on the board of a company held by a Macquarie fund.

Our Proxy Voting Policy addresses such potential conflicts and requires that the Proxy Voting Committee and any other officers, directors, employees and affiliated persons may not be influenced by outside sources who have interests which conflict with the interests of clients when voting proxies for such clients. To ensure that proxies are voted in the best interests of clients, we have established various

systems to properly deal with any material conflict of interest.

If MAM becomes aware of a conflict of interest in an upcoming proxy vote, the vote will generally be referred to the Committee or the Committee's delegates for review.

If the portfolio management team for such a proxy intends to vote in accordance with its third-party proxy advisor's recommendation pursuant to our Proxy Voting Guidelines, then no further action is needed to be taken by the Committee. However, if the portfolio management team is considering voting a proxy contrary to the proxy advisor's research recommendation under the Guidelines, the Committee or its delegates will assess the proposed vote to determine if it is reasonable.

If the Committee or its delegates determines that the proposed proxy vote is unreasonable or unduly influenced by a conflict, the portfolio management team will be required to vote the proxy in accordance with the proxy advisor's research recommendation or abstain from voting.

Except as required by law, MAM will not vote in relation to related-party securities – that is, securities where MAM has an existing relationship with the issuer – on proposals in which MAM has an interest other than as an investor. Generally, MAM will abstain from voting on proposals related to Macquarie or entities controlled by Macquarie.

Private Markets

Conflicts of interest can arise in a number of circumstances as part of our Private Markets activities. Below we outline some examples and how we deal with them.

Related party transactions: With regards to unlisted funds, we have established independent Investors' Prudential Review Committees, or equivalent, which typically include representatives of the largest investors in those funds. For any transactions between Macquarie-related parties, the manager of the fund(s) involved (a Macquarie company) is required to seek either approval from the respective Investors' Prudential Review Committee(s) of the transaction or confirmation that the transaction falls within a pre-approved fee range. For listed funds, typically a majority of independent directors (or equivalent committee members) are required to approve transactions between the fund and Macquarie-related

parties, or the provision of services by Macquarie-related parties.

Staff interests: Staff involved in managing a fund are dedicated to the relevant fund's management business, and not involved in other activities that may conflict with the management of that fund. All recommendations to fund boards (and supporting information) are prepared or reviewed by a fund's management staff. Further, senior staff directly involved with a fund are typically aligned through direct and/or indirect investment in that fund.

Deal allocation between Macquarie funds: The allocation of deal opportunities is made in accordance with the priorities established in respect of each new product. MAM's practices in relation to deal allocation are driven by the following three key principles:

- The commercial interests of MAM should not be preferred over those of the products themselves
- Fund priorities in accessing investment opportunities that have been disclosed to investors in binding documentation (e.g., limited partnership agreement, offering memorandum, prospectus, etc.) should be controlling
- All products should be treated equitably.

From time to time, however, an opportunity may fall outside the established priorities, or it

may be unclear how those priorities apply across products. In those instances, a separate, formal process is undertaken to allocate the transaction equitably. MAM's Group Head, in consultation with the relevant Divisional Heads, Legal and product leads, will decide upon the allocation.

Conflicts arising in 2022

MAM has not encountered any material conflicts of interest in relation to our stewardship activities over the last 12 months.

Continuous improvement

The nature of our Public Investments' investment boutique structure lends itself to multiple investment teams holding the same security. This may result in differing assessments of a company's actions and strategy. We will look to enhance the process for notifying investment teams when multiple teams hold the same portfolio holding so that teams are aware prior to proxy votes being made and in connection with potential engagements with management of portfolio holding. Correspondingly, if an investment team decides to vote a proxy counter to a proxy voting advisory firm's research recommendation per our Public Investments' Proxy Voting Guidelines for a security that is held across multiple investment teams, any other investment teams that hold the applicable company will be notified of the vote change and have an opportunity to change their proxy vote as well based on their analysis of the proxy.

Case Study: Conflicts between Macquarie business groups

A common example of a conflict of interest arising in Macquarie is where one business group is involved with a specific opportunity involving a listed company, while MAM is an active trader of public securities issued by the company. Macquarie takes all appropriate steps to identify, manage and mitigate any conflict of interest to avoid a negative outcome for Macquarie clients and counterparties. Macquarie relies on information barriers within the firm to enable market-facing businesses, including MAM's activities, to carry on their ordinary course of business without being presumed to have knowledge of inside information held in private side businesses. Physical barriers, as well as virtual and behavioural controls, are used to manage potential conflicts of interest within Macquarie's business groups. All divisions operate with the "need to know" principle front of mind when managing confidential or potentially price-sensitive information.

When a transaction involving a Macquarie division becomes public by official market announcements or a public filing (such as when Macquarie is acting in an advisory role involving a publicly listed company), RMG is notified and places the company's securities on a restricted list. There are several grades on the list, each with varying trading requirements which arise due to the differing nature of business activities being conducted by Macquarie's various business groups. The restrictions on this list are automatically fed into MAM trading and compliance system, Aladdin. Once a company is placed on the restricted list, the restriction is set up in Aladdin automatically, and any potential trade in the company's securities is prevented from occurring. Once flagged, the portfolio manager who initiated the order must seek approval from RMG to be able to trade the security, which may be rejected depending on the type of restriction in place.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Market-wide and systemic risks exist that are beyond the ability of any one financial institution to effectively manage. MAM actively monitors these risks and works with our peers, regulators and other financial market actors to help address them.

Identification of, and response to, market-wide and systemic risks

A sound risk culture has always been integral to Macquarie's risk management framework. It ensures our businesses can respond to market-wide and systemic risks to promote a well-functioning financial system.

Reducing market-wide and systemic risks and identifying related opportunities are particularly important in long term investments as we seek to maximise risk-adjusted returns.

The section of this report on **Principle 2** includes a detailed description of our governance framework and processes to identify and respond to material risks, including market-wide and systemic risks.

Our risk management framework is designed to help the business teams identify, assess and manage the risks they face. The key objectives of the framework are:

- risk identification, analysis and acceptance.
- execution and monitoring of risk management practices.
- reporting and escalation of risk information on a routine and exception basis.

The framework includes the following elements:

- A robust change management process to ensure operational risks in new activities or products are identified, addressed and managed prior to implementation.
- A half-yearly risk and compliance self-assessment (**RCSA**) process to identify operational risks and assessment of controls and development of action plans to address deficiencies.
- Recording, escalation and management of incidents (including operational incidents and breaches). Incidents are monitored to ensure they are

appropriately resolved and analysed to identify trends and establish lessons learnt.

- Various policies which outline consistent approaches and minimum standards on specific matters.

The risk management framework has helped MAM address the following risks:

Climate change and energy transition

The consequences of inaction on climate change are clear and infrastructure and other real assets have a vital role to play.

MAM recognises that climate change presents significant global challenges for society and understands the importance of effective international policy frameworks to limit global GHG emissions and keep the average global temperature rise this century to well below two degrees Celsius above pre-industrial levels.

We believe 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. Well designed, good quality infrastructure can improve communities' resilience to the long-term consequences of climate change. Modern, prudently resourced infrastructure assets can support climate change mitigation by providing renewable energy, lower carbon transport, and smarter agriculture. They can help to address societal challenges in areas as diverse as waste management, transport, housing and care for the elderly.

MAM's commitment to invest and manage our portfolio in line with global net zero emissions by 2040 demonstrates the opportunity we see for our business to play an active role in abating the impact of climate change whilst also delivering sustainable long-term value for clients in doing so. MAM's efforts are complemented by Macquarie's commitment to reach net zero operational emissions by 2025 and to further align its financing activities with net zero emissions by 2050. As detailed below, we are collaborating across a number of industry initiatives to hasten the response to this significant risk.

Regulatory change

The regulatory landscape for sustainability has evolved rapidly over the past few years, and the pace with which new regulations and guidelines are coming into force seems to be ever-increasing.

In MAM we are actively tracking more than 50 current and forthcoming regulations and taxonomies globally. These regulations seek to encourage capital flows into sustainable activity, ensure appropriate management of climate and other sustainability related risks, and to minimise greenwashing.

To ensure preparedness to meet the regulations as they come into force, we have taken a number of actions, including:

- strengthening the MAM Sustainability team with a dedicated sustainability legal team.
- maintaining a cross-disciplinary working group (established in mid-2020) to ensure the requirements of the EU Sustainable Finance Disclosure Regulation (**SFDR**) were met as they came into force.
- investing in systems and data and developing processes and governance to operationalise the required reporting.
- training our teams across MAM on emerging regulations and their implications.

We use a number of channels to keep abreast of developments and, where possible, we also help shape the industry response to emerging requirements through collaboration with peers and industry bodies.

For example, MAM is a member of the UK's Investment Association, through which we have provided feedback on various regulatory consultations, including SFDR and the EU Taxonomy. We are also an active participant in the association's SFDR regulatory forum.

We also regularly participate in industry roundtables on sustainable finance related regulatory change and legal developments.

Greenwashing

'Greenwashing', whereby a party misleads its clients regarding its environmental practices or the environmental benefits of a product or service, is a term that has been around since the 1980s but is being increasingly used in a sustainable finance context. It is a legitimate concern for both investors and asset managers and has been the recent focus of global regulators. Greenwashing allegations and legal claims have been increasing and can result in negative consequences for asset managers, including litigation, regulatory action or reputational damage. Pervasive

greenwashing raises the risk of investors not being able to rely on financial products delivering on their intended benefit and leads to overall scepticism towards asset managers' efforts to provide societal benefits through their ESG offerings.

To address this risk, we have further enhanced our governance processes in line with the new regulatory focus aimed at preventing greenwashing and embedded these within our existing organisational processes and throughout the lifecycle of an investment product. We have a rigorous risk and governance framework to ensure new products and offerings to clients are diligently assessed and reviewed by the appropriate control functions. In addition, we have provided training on greenwashing across MAM globally.

Human rights and modern slavery

Against the backdrop of macro trends, it is more important than ever to support ethical business practices by protecting and enhancing human rights and mitigating modern slavery risk in our operations and supply chains.

We support fundamental human rights as set out in the Universal Declaration of Human Rights and core International Labour Organisation conventions. In line with the UN Guiding Principles on Business and Human Rights, we recognise the duty of states to protect human rights and the fundamental responsibility of businesses to respect these rights.

[Macquarie's 2022 Modern Slavery Act Transparency Statement](#) outlines the actions we undertake to identify and mitigate the risk of modern slavery and human trafficking occurring in our business operations and supply chain.

Many of our Private Markets assets report in respect of their human rights policies and practices annually via the GRESB assessment and periodically during our portfolio company deep-dives. At a minimum, the adopted framework must be adequate to ensure compliance with relevant regulations and standards in the countries and industries in which the portfolio company operates.

[Macquarie's Principles for Suppliers](#) cover expectations of suppliers in relation to human rights and labour and workplace practices. They are applied across MAM and aim to assist in upholding our core values in our supplier relationships, to create long-term, sustainable value for our clients, shareholders and the broader community. Further detail in relation to holding our service providers and suppliers to account is provided under **Principle 8**.

Cyber security

We view cyber risks as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which compromises their confidentiality, integrity or availability in a way that significantly impacts the operations of a Macquarie business.

Digitalisation and the effective use of data and communication technologies are revolutionising industry, life and leisure. As investors become more comfortable with online services and virtual meetings and the preference amongst staff for working from home increases, these trends could serve to accelerate the digitalisation of the industry. The importance of an effective online service offering is growing and the need for high quality systems and cyber security responses becomes even greater.

Cyber security, data breaches, and fraud threats are increasing worldwide. A number of high-profile cybersecurity breaches during 2022 have highlighted the prevalence and impact of cyberattacks on organisations and individuals. Cyber security threats have the potential to impact supply chain, clients and third-parties or manifest in operational, reputational, or financial crime impacts.

Macquarie has a comprehensive governance framework and key controls in place to identify and manage technology, information, and cyber security risks. A dedicated, centralised team is responsible for monitoring, detecting and responding to cyber risk events. Dedicated specialist teams provide expertise to our broader business, perform security reviews, design and implement protection controls to prevent cyber events from occurring and minimise the impact of a cyber and information security incident.

MAM is alert to these risks, particularly within fund assets, and took the following actions over the past year to respond to cyber security risks at both the investee company and organisational level:

- In our Private Markets business, we recognise that cyber security continues to be a focus area for our portfolio companies and we have kept open lines of communication with technology teams at our portfolio companies to understand the impact of cyber issues.
- Given the prevalence of cyber events in infrastructure assets, further work is underway to enhance minimum standard cyber due diligence and provide a standard template framework for all acquisitions and asset management activities which can be used across MAM where relevant. MAM engaged a third-party specialist to support the assessment and prioritisation, as well as the ongoing implementation of the cyber minimum standards.
- MAM remains engaged through cyber industry and government groups and continually evolves its practices based on lessons learned from industry cyber-attacks. MAM, in conjunction with Macquarie's central Corporate Operations Group Technology team, continues to improve the risk landscape of privileged access management, vulnerability management, user access management and third party/supplier assessments and oversight. Cyber security at our service providers is reviewed as part of our standard annual review process.
- MAM has increased cyber-focused training to ensure adequate oversight of portfolio assets. This includes the use of external expert consultants, given the changing and complex nature of this risk, which have been engaged to support Private Markets with global cyber training to NEDs and asset directors. The training programme is designed to raise cyber awareness, provide an understanding of the cyber threat landscape, regulatory trends and cyber best practices.

MAM is also responding to other market-wide and systemic risks, including geopolitical risks, financial and corruption, supply chain risks, and data protection and privacy.

Public Investments Case Study: CFA ESG Disclosure Standards

In 2022, MAM was one of the first organisations to submit an ESG Standards Compliance Notification Form to the CFA Institute. The CFA Institute is a not-for-profit association of investment professionals with the mission of leading the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

The Global ESG Disclosure Standards for Investment Products (the **Standards**) are ethical standards based on the principles of fair representation and full disclosure. They are designed to communicate information about an investment product's consideration of ESG issues in its objectives, investment process, and stewardship activities. When investment products' ESG approaches are fairly represented and fully disclosed, investors, consultants, advisors, and distributors can better understand, evaluate, and compare investment products, and the potential for greenwashing diminishes.

Application of the Standards and the issuance of a CFA ESG Disclosure Statement (**Statement**) are at the discretion of individual investment teams, subject to approval by our Public Investments Global ESG Oversight Committee (**GEOC**). The Standards and Statement will only be used for designated ESG/Sustainability products but are not required to be used by all ESG/Sustainability products.

The Sustainability team developed Statements for two of Public Investments' ESG strategies: Sustainable Equity Income and Climate Solutions.

Private Markets Case Study: Puget Sound Energy and the energy transition

MAM is committed to managing its portfolio in line with global net zero emissions by 2040 and supporting its clients to progress their own sustainable investment goals.

In February 2022, a consortium comprising a MAM fund and co-investors acquired 31.6% of Puget Sound Energy (**Puget**). Puget is the largest integrated electric and natural gas utility in the Pacific Northwest of the United States, with c.1.2 million electric customers and c.850,000 natural gas customers. It is a vertically integrated utility, with its assets including electricity generation, electricity transmission and distribution and natural gas infrastructure. Puget's service territory spans 6,000 square miles and includes the metropolitan area surrounding Seattle.

Washington State is at the forefront of clean energy policy in the US, and this transaction underscores MAM's commitment to provide clients with relevant investment opportunities in the green energy transition. This is the second time a MAM fund has invested in Puget. Another MAM fund was Puget's largest shareholder between 2009 and 2019. During that time, the company committed to a substantial reduction in its carbon footprint including transition from coal to gas.

As part of that commitment, Puget constructed Tacoma LNG, a natural gas liquefaction and storage facility in Tacoma to improve Puget's ability to meet peak customer gas demand and provide cleaner transport fuel to the marine trade between Puget Sound and Alaska. Puget also led community negotiations that resulted in the closure of two coal-fired generation units in Montana, including a plan to mitigate the economic effects of the closure.

In MAM's current investment period, Puget agreed to sell its 25% stake in a coal fired power unit to a co-owner who plans to develop a 600-MW wind energy project on the site. Upon the close of this divestment in 2025, Puget's generation fleet will become coal-free. Puget's move to coal free operations is expected to be a major contributor to Washington State achieving its commitment to reduce GHG emissions by 95% by 2050, now enshrined in the State's Clean Energy Transformation Act, passed in 2019.

Industry engagement

MAM engages with and actively participates in industry bodies and organisations.

In areas where we believe we can meaningfully contribute to the understanding and development of industry best practice, our members of staff take leading roles in working groups and advisory committees of industry bodies and initiatives. In doing so, we seek to promote guidance, tools and standards which support effective management of ESG risks impacting the financial system, which we believe will also contribute to enhanced value for our investors.

We also participate in numerous industry conferences and webinars, including speaking engagements covering infrastructure, private credit, real estate, agriculture and public markets issues.

Please see **Principle 10** for further detail on our industry engagements.

Climate Action 100+ (CA 100+)

We are a participant in CA 100+, an investor initiative launched in 2017 to ensure the world's largest corporate GHG emitters take necessary action on climate change. As of 2023, we are co-lead on an engagement with a major transportation company and have already seen progress in both its disclosure and management of climate risk. We are also co-lead on an engagement with a power utility company in the US, and a mining and metals company in Australia. Through 2022, we were also a participant in an engagement with a major petroleum company in the US.

Transition Pathway Initiative (TPI)

We are a supporter of the TPI, which is an asset-owner led initiative that assesses companies' preparedness for the transition to a low-carbon economy. We use TPI data as an added tool in the analysis of how our holdings in listed securities align with the emissions reduction pathways needed to meet the goal set by the Paris Agreement.

Principles for Responsible Investment (PRI)

MAM has been a signatory of the PRI since August 2015 and during the year was represented on the PRI's Infrastructure Advisory Committee. The PRI is the world's leading proponent of responsible investment. As signatories, we use the principles as a framework to incorporate ESG issues into our investment practices and transparently share details around our approach, performance and progress. We receive annual assessment reports from the PRI which we use as a measure of the effectiveness of our policies and processes and as a guide for further

improvement. Results from MAM's most recent Transparency Report are available on the PRI website.

Alignment with the Paris Agreement

In December 2020, MAM made a public commitment to invest and manage our portfolio in line with global net zero GHG emissions by 2040, 10 years ahead of the deadline to achieve the goals of the Paris Agreement. MAM was the first large asset manager to make such a commitment.

We are supporting our Private Markets portfolio companies to develop and implement 2040 net zero targets and business plans. In MAM's managed portfolios of public securities, and alternative investments where MAM does not have significant influence, we will endeavour to support the Paris goals consistent with our client-guided fiduciary and regulatory responsibilities.

We will continue to report our progress against this commitment publicly each year through our Sustainability Report and PRI submission, as well as directly to investors.

Net Zero Asset Managers (NZAM)

MAM joined the NZAM initiative in March 2021. The initiative is an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to less than 1.5 degrees Celsius.

Our participation is enabling us to learn how we can enhance the implementation of our net zero strategy and share best practices to deliver the goals of the Paris Agreement.

In May 2022, [NZAM's Initial Target Disclosure Report](#) disclosed our commitment to manage 43% of our assets in line with NZAM's criteria.

- In our Private Markets business, this includes implementing decarbonisation programmes across 100% of our infrastructure, renewables and agriculture portfolio, and more than 80% of our activities in the real estate sector.
- In our Public Investments portfolio, it includes funds where we have established measurement and reporting mechanisms that are accompanied by proxy voting and company engagement.
- Assets which are yet to be covered by NZAM's criteria are those where it is currently difficult for us to effect change. These are primarily asset classes where there is limited data available or means for us to influence outcomes. Where possible, we are incorporating aspects of our net zero framework and continue to collaborate with peers and industry bodies to improve methodologies and data availability.

Institutional Investors Group on Climate Change (IIGCC)

MAM has been a member of the IIGCC, a European group of investors committed to collaboration on climate change, since 2020.

We are also a member of the IIGCC-led Paris Aligned Investment Initiative working group developing NZAM's methodology for net zero alignment in infrastructure portfolios.

Glasgow Financial Alliance for Net Zero (GFANZ)

Macquarie became a founding member of GFANZ in 2021. GFANZ is a global coalition of leading financial institutions committed to accelerating decarbonisation. Macquarie sits on the CEO's Principals Group of the GFANZ and is leading workstreams to mobilise private capital for critical climate solutions in emerging markets, including Just Energy Transition Partnership country platforms launched this year in Indonesia and Vietnam.

The Climate Pledge

In July 2021, MAM became one of the first large asset managers to sign the Climate Pledge, a global coalition of more than 100 climate leaders who share the ambition of achieving the goals of the Paris Agreement 10 years early.

World Benchmarking Alliance (WBA)

The WBA represents organisations working at global, regional and local levels to shape the private sector's contributions to achieving the UN Sustainable Development Goals (**SDGs**). MAM joined in 2021, and is committed to WBA's mission, vision and values, and working to shape the private sector's contribution to achieving the UN SDGs through the use of benchmarks and cross-sector partnerships.

For a case study regarding our involvement with the WBA, see the section in this report on **Principle 10**.

GRESB

GRESB is an investor-led organisation which provides a framework to measure the ESG performance of infrastructure and real estate assets and portfolios. MAM has been a member of GRESB Infrastructure since it was launched in 2016, GRESB Real Estate since 2019 and are represented on both the GRESB Foundation Board and the Infrastructure Standards Committee.

GRESB annual assessments, available on its website, provide us with valuable insights as we develop sustainability strategies for our assets and opportunities for best practices within our portfolio to be shared across industry sectors.

Global Impact Investing Network (GIIN)

MAM became a member of GIIN in 2022. GIIN is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Sustainable Markets Initiative (SMI)

The SMI was launched by His Majesty King Charles III, then Prince of Wales, at The World Economic Forum 2020 Annual Meeting in Davos to focus on accelerating global progress towards a sustainable future. Macquarie is represented on the SMI's Financial Services Taskforce and co-chairs its Sustainable Infrastructure workstream, which is working on actionable plans to accelerate investment in sustainable infrastructure.

FAST-Infra

As part of our involvement with FAST-Infra, the 'Finance to Accelerate the Sustainable Transition-Infrastructure' initiative, MAM's GIG is co-chairing a Sustainable Infrastructure (**SI**) label working group to develop a globally applicable label for SI assets, to better provide coherency for market participants, facilitate investment decisions and raise standards across the globe.

Taskforce on Nature-related Financial Disclosures (TNFD)

In 2021, our Head of Agriculture and Natural Assets, Elizabeth O'Leary, joined TNFD as one of 35 global founding members.

The TNFD was established in 2021 to develop a risk management and disclosure framework by 2023 for organisations to report and act on evolving nature-related risks. Through our contribution to the development of the TNFD framework we aim to support the shift in global financial flows towards nature-positive outcomes, while also improving the way we manage and report on nature-related risks and opportunities within our own portfolio.

Policy consultations

In addition to its ongoing membership of industry bodies, MAM also responds to formal consultations which pertain to market-wide/systemic risks.

Continuous improvement

Over the next year, MAM will work to improve transparency to investors of our existing risk management processes and performance, particularly those related to the recommendations of the TCFD and regulatory obligations such as the SFDR's requirement to report principal adverse sustainability impacts. We will do this through enhanced reporting to our clients and stakeholders.

Having recognised greenwashing as a risk to our business and our clients, we are taking further steps to enhance our response to this identified market-wide risk.

We continue to assess our involvement with industry bodies and initiatives, and to seek opportunities to contribute to additional working groups or programmes in key topics of focus to us.

As mentioned under **Principle 2**, we are also taking steps to improve our governance processes including the creation of a new Group-wide oversight team for ESG-related regulatory changes.

Case Study: Actions taken by Public Investments in response to the unprovoked Russian invasion of Ukraine

Reacting to the unprovoked Russian invasion of Ukraine and mitigating inherent risks required the Public Investments business to collaborate with teams across Macquarie. Hence, a cross-functional working group was set up to ensure that MAM would be able to react in a timely manner to developing events and to ensure MAM's ability to comply with all applicable sanctions. Public Investments investment teams have also been represented in the working group to ensure market information was disseminated timely. The working group considered risks arising from these events, including market risk, regulatory and compliance risks and also coordinated communications with external stakeholders, including clients, counterparties, and regulators.

Since February 2022, allied governments globally, including Australia, the US, EU, UK, Canada, Japan, and others have imposed a range of economic sanctions and other restrictive measures against Russia in response to its invasion and war of aggression in Ukraine, adding to existing measures imposed on Russia following its 2014 annexation of Crimea. These have included far-reaching investment bans, including prohibitions on new equity investments in or the purchase of securities issued by entities domiciled or incorporated in Russia or operating in the Russian energy sector.

Implementing Global Sanctions

As part of the established Macquarie wide restricted list on sanctioned securities, (RMG) manages, with the support of 3rd party vendors, the repository of currently sanctioned entities and securities. As the US sanctions have to be applied on a look-through basis, RMG also maintains a blacklist of ETFs invested in sanctioned securities as part of the restricted list.

The restricted list is automatically fed into the Public Investments portfolio and risk management system on an ongoing basis to maintain accuracy in pre- and post-trade monitoring. This enables MAM, on behalf of its clients, to always adhere to the most recent sanctions implemented by authorities globally.

Guidance to Investors and Investment Ban

To ensure our clients were kept abreast of how MAM was responding to developments, guidance on how these events may impact client portfolios was immediately published on February 25, 2022 on our [website](#).

On March 14, 2022, MAM implemented a ban on new investments in Russian and Belarusian securities as a result of the Russian invasion of Ukraine and the resulting sanctions imposed against Russia and Belarus by the United States, the European Union, and other countries around the world.

More broadly, neither Macquarie nor MAM had material direct exposure to Russia or Belarus. Like other market participants, MAM was working through potential indirect impacts as sanctions evolved and various markets reacted to these events. While MAM did not have offices or staff in Russia or Ukraine, MAM had Ukrainian and Russian staff in various global locations with family members impacted by this tragic situation, and thus took appropriate steps to support their wellbeing.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

Policy review

MAM's policies and procedures are reviewed on an annual basis to ensure they remain fit for purpose and the robustness of our reporting and management information develops in line with the needs of our stakeholders and our own. This includes, for example, the review of MAM's ESG-related policies as listed in **Principle 1**.

MAM's policies are typically formally approved by the policy owner (the appropriate specialist) and relevant leadership personnel across the organisation, including at committee level.

Specifically, our Risk and Compliance teams have oversight of ESG and stewardship policies.

As detailed in **Principle 2**, MAM Risk comprises in-house specialists, with support and oversight from Macquarie's RMG division. The team provides leadership, guidance and support, and is responsible for ensuring the implementation of Macquarie's and MAM's operational risk management frameworks is consistent across all MAM businesses globally.

MAM's Compliance team, comprised of individuals from central RMG and MAM specialists, monitors regulatory changes and business needs to help ensure our policies are current and are reasonably designed to address potential issues. Procedure testing is

performed to help determine if procedures are effectively designed to prevent and detect violations of applicable rules and changes are made to align the procedure with the business practices, enhance monitoring and control measures, and respond to changing regulatory requirements. In conjunction with RMG's Regulatory Risk team, the Compliance team provides quarterly reports to the boards of directors of MAM entities detailing any regulatory change or guidance published which may impact the implementation of MAM's ESG policies.

The **Macquarie Breach, Incident and Escalation Policy** is applicable across MAM. All business teams are required to report breaches, exceptions and incidents relating to any policy to MAM's Risk and Compliance teams as soon as possible. Reported items are recorded centrally in the Macquarie risk incident management system. Material breaches, exceptions and regulatory reviews related to MAM's policies are escalated by MAM's Risk team monthly to senior management and to relevant boards or committees.

We also work with Macquarie to ensure that MAM's external reporting enables it to report in compliance with the Global Reporting Initiative and provide holistic reporting on ESG matters to our wider stakeholders (see **Principle 6** for further details).

Case Study: Public Investments ESG Risk Assessment

MAM Risk performed an internal review over our Public Investments' ESG practices in 2022. The purpose of the review was to assess the current-state ESG-related processes, controls, governance and frameworks across Public Investments globally and provide advice on the continuous improvement plans.

There has been significant effort and attention given to establishing key foundational aspects for managing ESG risks within our Public Investments business globally, however, we are continuing to address areas that require further formalisation to help to continuously improve and evolve with the changing external and regulatory landscape in support of Public Investments' ESG objectives.

Public Investments oversight committees

Within the Public Investments business, the Public Investments Executive Committee has ultimate responsibility for the oversight of investment corporate governance and ESG-related activities and acts as an escalation point for the Global ESG Oversight Committee (**GEOC**).

The GEOC is responsible for the oversight of all sustainability/ESG-related activities in the Public Investments business, namely:

- Reviewing, approving and overseeing the implementation and updates of the global ESG principles and applicable policies and procedures
- Approving sustainability-related reporting (excluding fund/SMA reporting) including MAM's Sustainability Report
- Approving the use and selection of any ESG organisation the Public Investments business joins, approving any significant ESG initiatives, and monitoring adherence to such organisations and initiatives

- Approving the use and selection of any ESG data providers and ensuring monitoring of ESG data providers is being conducted
- Approving all new Public Investments ESG financial products and any material changes to the ESG strategies or disclosures of existing products
- Approving ESG related-regulatory disclosures issued by the Public Investments group entities and any significant public disclosures or announcements
- SFDR - approving the Principal Adverse Impact (**PAI**) indicators for monitoring and reporting, and priorities for mitigation actions to be taken
- Reviewing and escalating any sustainability/ESG reputational matters.

The chairperson of the GEOC provides quarterly updates to senior management and the Executive Committee and relevant boards to aid compliance with applicable regulatory requirements in Europe and Asia.

Public Investments oversight committees

Public Investments Executive Committee		
Investment Governance Committee Chair: Global Head of Equities Membership: Head of Sustainable Investing, Equities COO, representatives from Equity, Fixed Income and sub-advisory Investment Teams, Legal, Quantitative Research, and Risk Management		Global ESG Oversight Committee Chair: MAM Chief Sustainability Officer Membership: Sustainability, Investments, Legal, Compliance, Risk, Client Solutions Group, Product
Global Proxy Voting Committee Chair: Division Director, MAM Legal Membership: Representatives from Investment teams, Sustainability, Fund Administration, Client Solutions Group, Compliance, and Legal	ESG Working Group Chair: Head of Sustainable Investing Membership: Representatives from each Investment team, Sustainability, Client Solutions Group, Compliance, and Legal	

Assessment of the effectiveness of policies and processes

MAM's external reporting, including on its stewardship activities and their outcomes, is also aligned with a number of industry reporting initiatives and frameworks including but not limited to the PRI, CDP and GRESB. These third-party initiatives provide a mechanism to help ensure that MAM's policies enable effective stewardship, and that MAM issues a complete and broad range of relevant information to its stakeholders as expected under fair, balanced and understandable reporting principles.

Principles for Responsible Investment (PRI)

MAM's annual report to the PRI describes our ESG policies and processes, including those related to engagement. MAM receives an annual assessment report from the PRI which we use as a measure of the effectiveness of our policies and processes and as a guide for further improvement. Results from MAM's most recent assessment report are summarised below.

GRESB

GRESB provides an annual assessment of the sustainability framework and performance of infrastructure and real estate funds and businesses. These assessments provide us with valuable insights as we develop sustainability strategies for our assets and opportunities for best practices within our portfolio to be shared across industry sectors.

In 2022, 37 funds and 106 assets completed assessments, a 32% and 25% increase from 2021 respectively.

Participation in tools like GRESB has encouraged portfolio companies to focus on a broad range of non-financial performance indicators, and they are increasingly embedding these considerations into their day-to-day operations and business strategy.

Net zero planning – independent assurance

MAM has committed to invest and manage its portfolio in line with global net zero emissions by 2040. Where possible MAM sources emissions data directly from its Private Markets portfolio companies to track progress against this commitment. To ensure this data is complete and accurate MAM requires that it be independently assured by qualified providers.

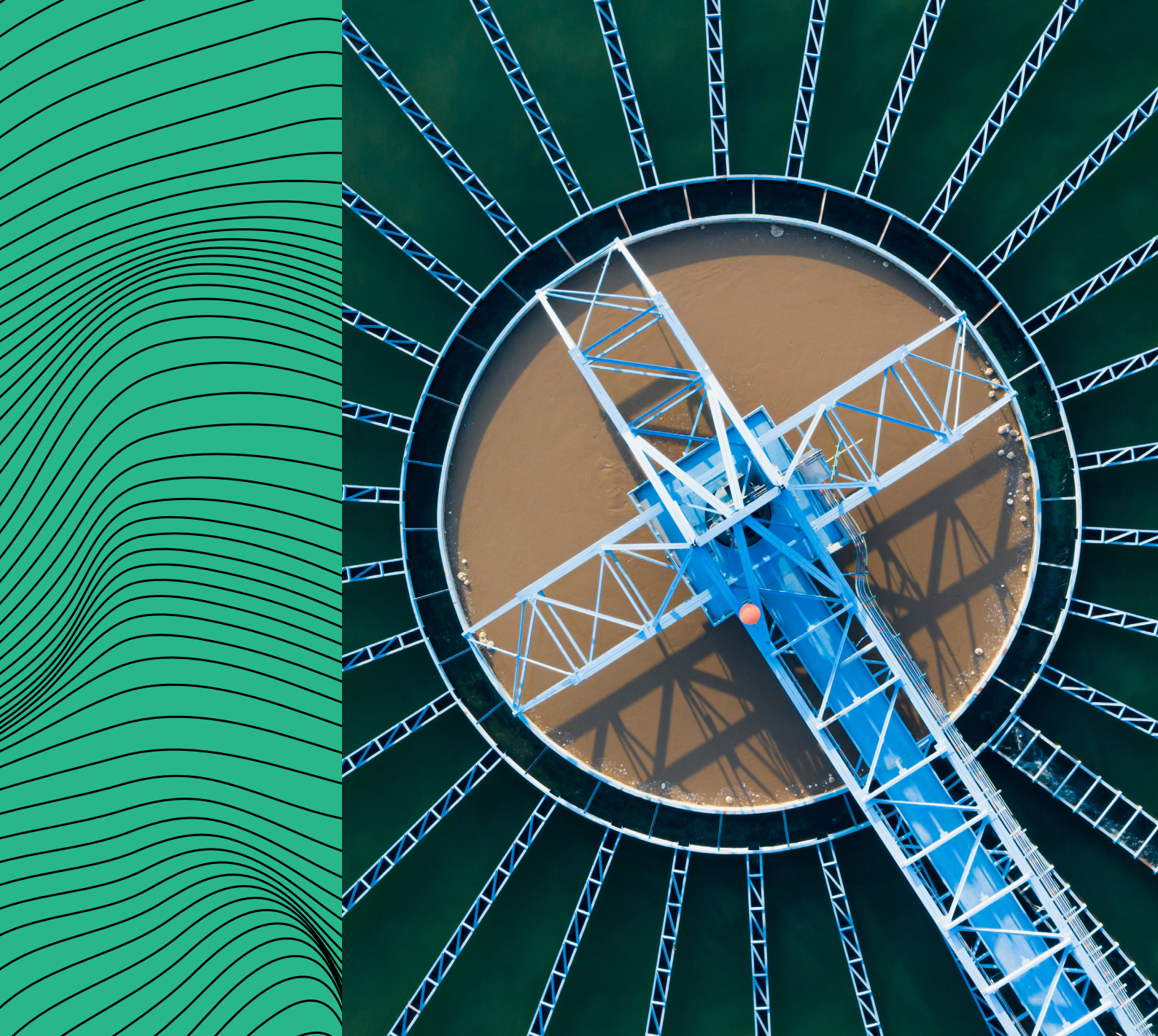
Continuous improvement

To achieve MAM's ambition to be a global leader in sustainable asset management, and to maintain MAM's compliance with ongoing regulatory changes and increasing client demand for sustainable products, a specialised educational programme is being developed to uplift awareness for all staff on ESG integration best practices, industry trends, regulatory updates, and firm strategy alignment.

In addition to supporting MAM's Legal, Finance, Operations, Risk, Compliance and client-facing teams, this programme includes targeted training sessions for group entity directors, Fund boards and senior management.

Through this uplift in staff understanding of sustainable best practices and providing consistency in ESG and sustainability terminology being used by management, staff, and external parties, we are positioning ourselves to achieve MAM's sustainability goals, meet client and regulatory expectations, and effectively manage sustainability risk.

MAM 2021 PRI Assessment Results (Modules grouped by AUM)	%AUM		MAM (stars)	MAM (points)	MEDIAN (all signatories)
Investment & Stewardship Policy	100	★★★★☆	4	89	60
Direct - Listed equity - Active fundamental - incorporation	10-50	★★★★☆	4	78	71
Direct - Listed equity - Active fundamental - voting	10-50	★★★☆☆	3	63	54
Direct - Fixed income - SSA	10-50	★★★★★	5	91	50
Direct - Fixed income - Corporate	10-50	★★★★★	5	93	62
Direct - Infrastructure	10-50	★★★★★	5	100	77
	average		4.33	85.67	62.33
Direct - Listed equity - Passive - incorporation	<10	★★★☆☆	3	64	35
Direct - Listed equity - Passive - voting	<10	★★★☆☆	3	63	57
Direct - Fixed income - Securitised	<10	★★★★☆	4	84	55
Direct - Fixed income - Private debt	<10	★★★★☆	4	77	67
Direct - Real estate	<10	★★★★☆	4	81	69
Indirect - Listed equity - Active	<10	★★★★☆	4	70	67
	average		3.67	73.17	58.33
	overall average		4.00	79.42	60.33



05

Investment approach

Principle 6

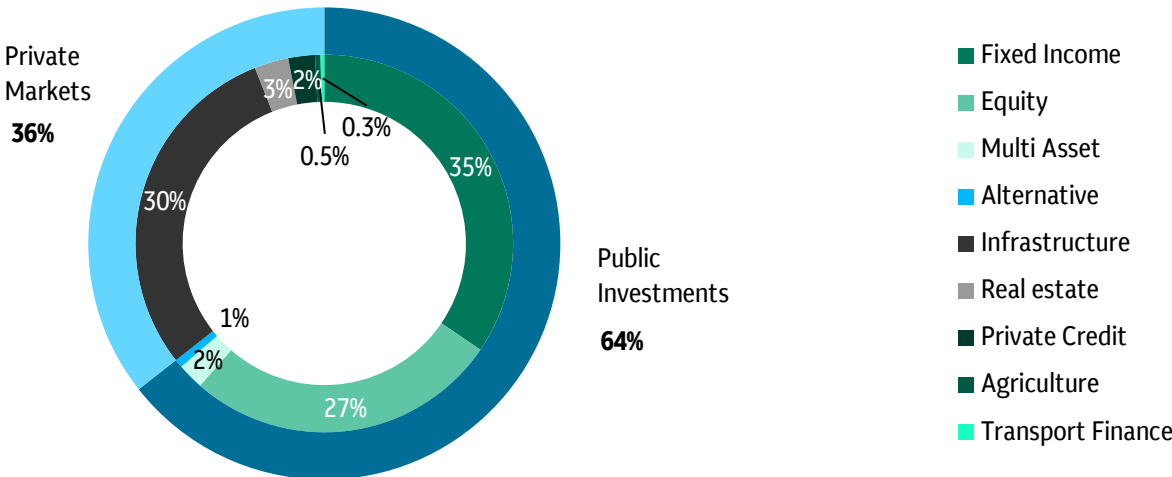
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

MAM aims to invest to deliver positive impact for everyone. To do so, we need to understand our clients and their needs and objectives. We also need to communicate how we deliver that impact, whether economic, social or environmental.

Our clients

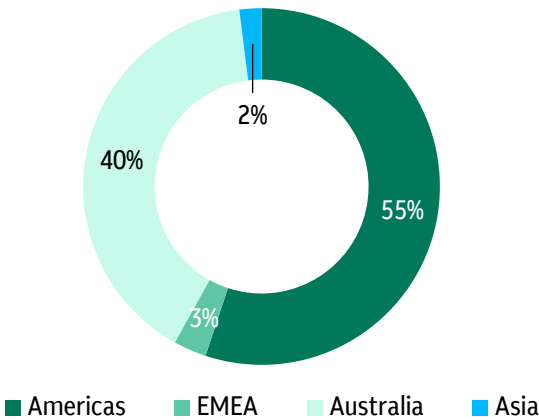
MAM’s assets under management (AUM) as at 31 December 2022 across asset classes, geographies, and client type is as follows:

AUM by asset class:

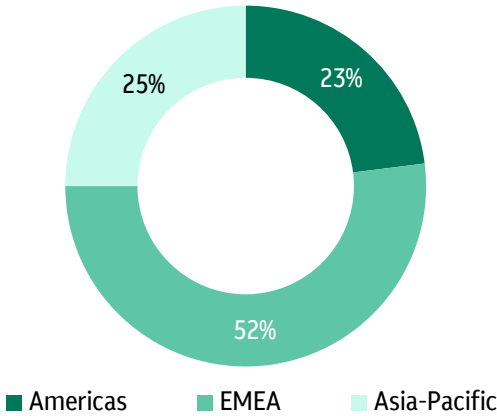


AUM by geography of investment product:

Public Investments:

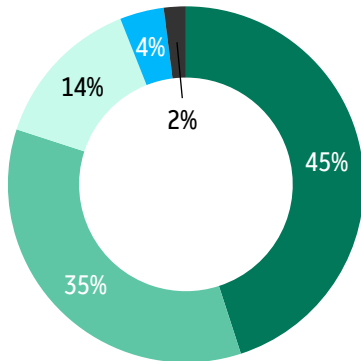


Private Markets:



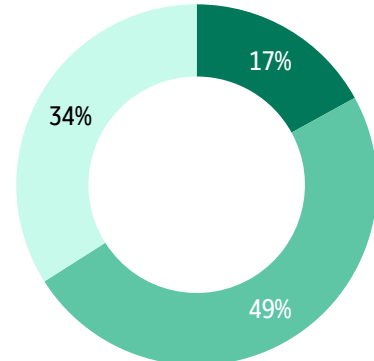
Private Markets equity under management (EUM) by client type:

Investors in private funds by sector:



- Pension or Super Funds
- Institutions
- Government
- Other
- High Net worth

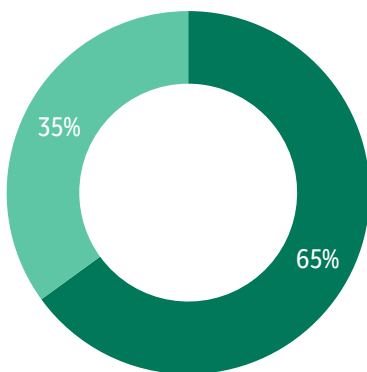
Investors in private funds by region:



- Americas
- EMEA
- Asia-Pacific

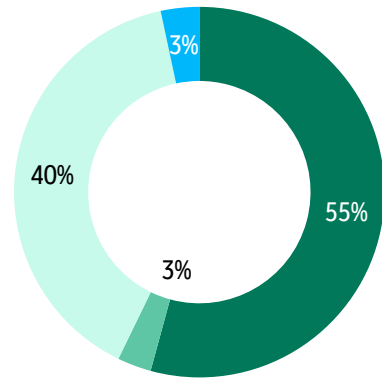
Public Investments AUM by client type:

Investors in public investments by sector:



- Institutional
- Retail

Investors in public investments by region:



- Americas
- EMEA
- Australia
- Asia

Investment horizon

Our investment teams invest with long-term horizons and seek to minimise risk and maximise returns based on the investment objectives of our clients. Many of our Private Markets funds have initial terms of 10 or more years, meaning investment periods are typically for many years.

Understanding and communicating with our clients

Across MAM, our teams engage with our clients through a variety of channels. These include:

- Dedicated client relationship managers across all MAM financial products
- Regular updates on fund or investment activity and performance through quarterly reporting
- A range of client marketing communications such as knowledge-based events, webinars and podcasts, and sharing important announcements and thought leadership (such as our '[Pathways](#)' series)
- Encouraging continuous client feedback through surveys and client workshops.

We communicate our stewardship activities to clients in our reporting and in face-to-face meetings where our Sustainability team, typically in conjunction with investment team members, responds to specific questions from the client.

During these meetings, we often receive feedback from the client regarding their stewardship expectations, which we then consider integrating into our overall stewardship approach.

We also often complete periodic questionnaires and surveys from clients and other third-party bodies regarding our overall approach to ESG, including our stewardship activities. We have established a database of responses that are used to inform clients and prospective clients about our efforts. These responses are reviewed and updated by the Sustainability team. In addition to responding to our clients' and prospects' request for information, we also utilise these questionnaires as a gauge of the important issues that our clients are asking us to address. These have often led to the enhanced reporting processes and improved procedures that are referenced in other parts of this report.

With prospective clients, we ensure upfront disclosure of MAM's approach to stewardship and reporting to ensure it satisfies the needs of the client. In certain circumstances, side-letters can be agreed to ensure a client's reporting requirements are met throughout the life of their investment.

Public Investments

Public Investments will typically provide to clients an overview of our stewardship approach, as exemplified overleaf:

Proxy voting: How we exercise our clients' rights to vote on company and shareholder resolutions, known as proxy voting, is an important part of our stewardship activities.

Our Public Investments clients are directed to their client service representative to obtain information from MAM on how their securities were voted. At the beginning of a new relationship with a client, we provide the client with a concise summary of our proxy voting process and will inform them that they can obtain a copy of the complete procedures upon request. Where required by applicable law, we also retain records regarding proxy voting on behalf of clients. MAM will typically keep records of the following items:

- Our proxy voting procedures
- Proxy statements received regarding client securities (via hard copies held by the proxy advisor or electronic filings from the company's respective regulatory filing system)
- Records of votes cast on behalf of our clients (via the proxy advisor)
- Records of a client's written request for information on how we voted proxies for the client, and any written response we provided to an oral or written client request for information on how we voted proxies for the client
- Any documents we prepared that were material to making a decision as to how to vote, or that memorialised the basis for that decision.

Client-directed restrictions are loaded into our order management system for investment compliance monitoring. Portfolio Managers entering trades in prohibited securities will receive a notification that the security is restricted for those specific accounts with restrictions. This system enforced control will block the order from being generated and being traded.

Public Investments direct engagement and proxy voting:

Leveraging resources to identify shareholdings that could benefit from further engagement with company management teams

Proxy voting guidance provided to investment teams, with ultimate voting decision made by the team in accordance with clients' best interests

Direct engagement with portfolio companies

MAM PI's Engagement policy sets out how investment teams within MAM PI integrate shareholder engagement into their investment strategies.

- Centralized ESG resources with a focus on working with the investment teams to engage with company management, including on remedial engagement plans in line with SFDR Good Governance for portfolio companies
- Increased centralized reporting of portfolio management teams' engagement with companies regarding ESG issues

- Topics covered have included
 - Modern slavery
 - Corporate governance and board remuneration
 - Environmental issues
 - Board diversity
- Increasingly utilising collaborative engagements on ESG matters, including
 - Climate Action 100+ - E.g. Carbon Reduction
 - World Benchmarking Alliance - E.g. Food & Agriculture Sustainability, Ethical AI

Intersection of proxy voting and ESG

MAM PI's Proxy Voting Policy provides guidance regarding how MAM PI intends to vote on most relevant issues, including environmental, social and governance issues.

- Customized voting guidelines address how MAM PI will vote on certain environmental, social, and governance issues
- Guidelines have been constructed to align with Macquarie's three long-held principles of Opportunity, Accountability and Integrity as a framework for its Guidelines evaluation.

- Examples of ESG issues addressed in guidelines:
 - Sustainability Reporting
 - Climate Change
 - Workplace Diversity
 - Executive Compensation
 - Board Structure
- Centralized ESG Proxy Alert System put in place internally to notify relevant investment teams pro-actively when an investee company they hold has an ESG issue up for vote.

Case Study: Customised Public Investments client reporting

Investors in sustainability-focused funds are increasingly seeking information that measures and demonstrates the sustainability contributions of the portfolios in which they're investing. To satisfy their needs, the Macquarie Sustainable Global Listed Infrastructure released their initial Sustainability Report detailing the team's approach to sustainability, which they seek to continually evolve and improve as the needs and challenges of our world also change. The report addressed areas such as the portfolio holdings' alignment with the UN Sustainable Development Goals, as well as portfolio metrics such as holdings' investment in electricity transmission and the percentage of holdings that have established net zero targets.

The Macquarie Sustainable Global Listed Infrastructure strategy is designed to intentionally allocate clients' capital towards those companies expected to benefit as the global economy transitions to a more sustainable model. The strategy also looks to reduce or eliminate exposure to companies who are at risk from that transition. The Sustainability Report demonstrated how this intention has been translated into action.

The strategy invests with the intention of providing investors exposure to infrastructure assets that contribute in a sustainable manner to the operation and growth of economies around the world. The strategy follows three key sustainability objectives that direct the portfolio's construction and ethos:

- **Climate change mitigation:** To enable climate change mitigation through investment in companies that are decarbonising or facilitating the decarbonisation of economies. This may include investments in companies that are reducing their own emissions (such as renewables replacing fossil fuels) and companies that facilitate the reduction in emissions for customers and the economy more broadly, such as through electricity network assets, zero-carbon gas network assets and zero carbon transportation assets.
- **Climate change adaption:** To facilitate adaption to climate change for critical infrastructure and natural resources. This may include investments in water infrastructure and distribution assets.
- **Positive social impact:** To create positive social impact through investment in companies that promote equal access to sustainable infrastructure that is essential for daily life and the growth of economies, such as energy, sanitation, transport and digital connectivity.

Private Markets

Our Private Markets clients receive regular updates on fund activity and performance through quarterly and annual reports specific to the funds they are invested in, annual fund investor presentations and one-on-one update meetings.

Key sustainability indicators, including WHS performance, scope 1 and 2 GHG emissions, energy consumption and other ESG-related updates are reported to clients quarterly, providing transparency as to how our management practices generate positive sustainability outcomes.

Our requirement for businesses in our infrastructure and real estate portfolios to complete annual GRESB submissions also ensures investors have improved access to ESG performance data through the GRESB data platform. Participating assets are demonstrating improved performance, underlining the progress in ESG management across our portfolio and increasing the quantity and quality of ESG information made available to our clients. For more detail on GRESB reporting see **Principle 7**.

Given the long-term nature of clients' holdings in our Private Markets business, we engage in regular relationship meetings which provide a platform for clients to give feedback, including updating MAM on their own stewardship and investment policies and expectations. This feedback is collated and utilised to ensure our product offering and reporting continues to align with client requirements.

MAM stewardship and sustainability reporting

MAM reports annually on its activities and progress on implementing the six Principles for Responsible Investment, in accordance with the PRI reporting framework. The annual PRI reporting framework requires signatories to disclose their stewardship activities and practices. MAM's disclosures are publicly available on our [website](#).

We also produce a publicly available annual [Sustainability Report](#). The 2021 report was our first MAM-wide sustainability report, covering our approach to sustainability, activities and annual progress across both our Public Investments and Private Markets businesses.

We believe that annual reporting provides our clients with an appropriate mix of information that is relevant and timely, but which also allows for sufficient time to pass to gauge the effectiveness of activities undertaken during a given year.

SFDR disclosure requirements and the EU Taxonomy

In March 2021, the SFDR introduced new sustainability-related disclosure requirements for asset managers selling investment products in the EU. A cross-team working group within MAM was established to ensure that MAM's in-scope managers and funds were compliant by that and subsequent deadlines. These disclosures provide further details on sustainability-related information, including how MAM integrates the consideration of sustainability risks into its investment decision-making processes.

MAM's public disclosures can be found here for [Public Investments](#) and [Private Markets](#). We are preparing to meet further SFDR disclosure requirements due in 2023.

In addition to the SFDR, the EU has also introduced its Taxonomy regulation, which was phased in from 2022 and which sets out criteria to determine whether an economic activity is environmentally sustainable. MAM funds disclosing under Article 8 or Article 9 of SFDR are now required to report on the proportion of their investments that meet these criteria.

Macquarie Group reporting

As part of Macquarie Group, MAM's reporting is complementary to [Macquarie Group's ESG reporting](#). Macquarie reports annually on its sustainability progress, including MAM's activities, within the Macquarie Group ESG Report. Macquarie also published its [Net Zero and Climate Risk Report](#) in December 2022 and reports annually under the Sustainability Accounting Standards Board (**SASB**), the Global Reporting Initiative (**GRI**) and the Task Force on Climate-related Financial Disclosures (**TCFD**). More information on Macquarie's reporting can be found [here](#).

Continuous improvement

As our asset owner clients continue to place greater importance on engagement activities with their portfolio holdings, we anticipate increasing calls for MAM to undertake specific engagements on clients' behalf.

One recent client request asked for Public Investments' involvement in the CDP's Non-Disclosure Campaign, which targets companies with poor or inadequate carbon-related disclosures. We are exploring this request as enhanced disclosure is a focus area of our engagement efforts, and participation in CDP's initiative would align with our overall goals.

Within Private Markets, MAM continues to enhance its investor reporting, and seeks to increase transparency of ESG performance, contribution to outcomes and progress against key commitments which are achieved through its portfolio company NEDs and engagement as set out in **Principles 7 and 9**.

Net Zero Podcast

As a part of our commitment to keeping stakeholders informed of our 2040 net zero commitment progress and to bring others on our journey, we have launched MAM's first podcast series, *Navigating to Net Zero* - a documentary-style series, interviewing chief executives, ESG and sustainability managers from across our alternative investment portfolios.

The podcast provides closer insight into some of the decarbonisation challenges being addressed by our portfolio companies and properties, and the practical climate solutions we are supporting them to implement along their decarbonisation journeys.



Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

Effective ESG management is core to our investment strategy and must be integrated within the business. Given the diverse range of products and asset classes within MAM, the way we apply our ESG policies can differ across our different businesses.

ESG integration in Public Investments

Our specialised, independent investment teams are focused on delivering long-term, consistent results for our clients. Each team has autonomy to execute on its own investment philosophy and process – to focus on investing – while benefiting from a comprehensive global operational support platform. All teams share several traits: independent thinking, global perspectives and conviction in their specialised investment philosophies.

This means that it is essential that stewardship and the assessment of ESG risk and opportunities are integrated across all our investment teams' responsibilities.

Our teams invest with long-term horizons and seek to minimise risk and maximise returns based on the investment objectives of our clients. We recognise that ESG factors can provide additional insight into investment risk beyond traditional analysis and that positive ESG performance may be a potential indicator of management quality, operational performance and the potential to create long-term value. Where we determine ESG factors to be material, we will consider them in our analysis and investment decisions.

Below are examples of how our investment teams integrate ESG risks and opportunities into their overall investment processes:

Fixed income – Corporates	Emerging markets debt	Global listed infrastructure
<ul style="list-style-type: none">• Active consideration and integrated assessment of ESG issues• Proprietary risk ratings assigned to all issuers• ESG issues considered throughout the credit selection process• Consideration of future likelihood of weakened credit quality, including from ESG factors• ESG factors used for valuable additional insight to investment risk and long-term value.	<ul style="list-style-type: none">• Proprietary ESG composite scores based on two dozen variables from nine different public sources• Proprietary ESG model used to achieve a better portfolio-level ESG score than market benchmark• Nuanced approach to sovereigns, including ESG score adjustment for level of development, changes in ESG scores reflecting efforts made, with poor countries not punished for low environmental scores as much as rich ones.	<ul style="list-style-type: none">• Integrates material ESG risks into valuation models and qualitative assessments• Frequent engagement with companies is fundamental, including material ESG issues• Sustainable Global Listed Infrastructure strategy investee companies must meet at least one of three sustainable investment objectives.

Global Listed Real Estate

- ESG fully integrated into investment process
- Qualitative scoring for over two dozen ESG factors constantly reviewed
- Constant and iterative engagement with senior management and board members on ESG objectives
- Over 75% of typical portfolio aligned with UN Sustainable Development Goals.

Global equity

- PRI formally integrated
- Seamless from philosophy to sell discipline
- ESG considerations to risk and return on all potential investments
- Integrated ESG research, risk management, active ownership, cooperation on and promotion of responsible investment principles including engagements.

Systematic investments

- Flexibility to tailor investment solutions to meet client needs, namely ESG considerations for client portfolios
- ESG integration tailored based on strategy/objectives, e.g., improve portfolio-level ESG characteristics, screen out controversial sectors/companies, integrate ESG issues through signal set (scoring system), practice active ownership.

Key strategies utilised by our investment teams are discussed in further detail below.

Management capability

We believe that well-managed companies will deliver long-term shareholder value and, therefore, it is important for a company to have high-quality management with appropriate supervision through balanced controls. Typically, this means that the company has a strong and effective board, recognises appropriate ownership and shareholder rights, implements effective remuneration structures in line with long-term performance, delivers transparent and high-quality reporting to its shareholders and other stakeholders, and considers its environmental and social risks.

Corporate engagement

Our equity investment teams often engage with companies as part of their regular investment processes, as discussed in more detail under **Principle 9**. These engagements are typically strategic in nature and provide additional insights into management quality, business drivers, financial strategy and future business prospects. During these meetings, we discuss ESG factors where relevant and incorporate our findings into our overall assessment of the management teams.

Our Global Engagement Policy sets out how our Public Investments teams integrate shareholder engagement into equity investment strategies. The policy is updated periodically and is available upon request.

Industry engagements

MAM participates in a number of engagements where we work to address ESG issues. These include CA 100+, which encourages the world's largest corporate GHG emitters take necessary action on climate change, and the WBA, which helps shape the private sector's contribution to achieving the SDGs. For more detail, see the section in **Principle 10**.

SDG Database

Our team has developed a proprietary UN SDG database and scoring system which holds over 150 data points for almost 10,000 companies, aimed at identifying companies' alignment to the 17 UN SDGs. Data points are assigned a score based on the perceived relative importance of the metric, with every company in the database receiving a cumulative score. The metrics are meant to assess companies' performance in social areas such as human and labour rights performance and supply chain labour risks as well as environmental issues such as climate emissions and a company's impact on biodiversity.

The database also contains harm metrics, which indicate a negative impact on the UN SDGs, including exposure to areas such thermal coal, alcohol, and tobacco, recognised violations of UN Global Compact Principles, and a heightened level of environmental, social, or governance controversies.

Our resources include third-party data providers, company websites and sustainability reports, as well as sources gleaned from internal research and referrals.

ESG engagement tracker

MAM has established a central tracker of ESG-related engagements with Public Investments portfolio companies and prospective investments. It collates the ESG issues discussed during investment and Sustainability team engagements as well as the outcome of the discussions and whether any follow-up is needed. The tracker serves as an effective communication tool to allow investment teams to glean insights from other engagement efforts and to foster collaborations among investment teams that may be focusing on similar issues.

Proxy voting

We act as owners and seek to ensure that proxies are voted in the best interests of our clients and that our proxy voting activities adhere to all applicable rules and general fiduciary principles. In instances where voting has not yielded the result desired by our teams, each team can escalate the matter by engaging with the company's senior management and/or by reducing exposure to the company or entirely divesting.

ESG proxy alert notifications system

All Public Investments investment teams with active equity investment strategies have access to specialised ESG research, governance and proxy analysis. Investment teams determine how best to use this information in their investment process, including how to use the information when monitoring investee companies and determining when to engage with company management.

To enhance our ESG proxy voting awareness, we implemented a proactive proxy alert system across Public Investments in 2021. This system alerts investment teams when an ESG-identified issue comes up for a proxy vote for a company which they hold. We have received positive feedback from investment teams regarding this new system, and it has resulted in several instances of investment teams changing their votes against management for a more climate-forward proposal.

For an example of where an investment team changed its vote based on our internal ESG proxy alert system, see the case study under **Principle 12**.

Case Study: Macquarie Emerging Markets Debt Sustainable Opportunities Fund: Approach to integrating stewardship into the investment process

The fund is managed by two portfolio managers and supported by the entire Emerging Markets Debt team. Internal legal counsel specialised in sustainability and the Sustainability team advise the investment team. The fund discloses under Article 9 of the SFDR and as such, only invests in sustainable investments. The team uses the EU Taxonomy's environmental objectives as a guide to identify suitable sustainable investments and strives to have a subset of investments in the portfolio that are fully aligned with the EU Taxonomy requirements. The team expects to increase the portion of EU taxonomy aligned investments as regulation evolves and companies improve their sustainability disclosures.

The process to identify an EU Taxonomy aligned investment for the portfolio is described below.

- Idea generation: Firstly, the team identifies green bonds issued by companies located in emerging markets countries that commit to use bond proceeds for green projects that are aligned with an environmental objective and an environmentally sustainable economic activity included in the Taxonomy. At the time of this report, only two of the six environmental objectives – climate change mitigation and climate change adaptation – have the technical screening criteria defined by the EU Commission. Therefore, the team can claim taxonomy alignment solely under those two objectives for its investments.
- Following that step, the team conducts an assessment to evaluate whether the economic activity in question complies with the Taxonomy's technical screening criteria, including a determination of whether the activity does significant harm to any other of the five remaining environmental objectives defined by the Taxonomy. Such assessment involves analysing: 1) how climate change will impact the project during its life; 2) impacts on water and marine resources; 3) inefficiencies in use of materials and natural resources; 4) level of emissions of pollutants emanating from construction and operation of the project; 5) impacts on biodiversity and ecosystems. If the team concludes that the investment achieves its main environmental objective but is detrimental to another environmental objective in the process, such investment will not be eligible for alignment with the Taxonomy.

- The team also assesses minimum safeguards at the issuer level. It involves analysing the issuer’s practices, policies and controversies in the following dimensions: 1) human rights – e.g. UNGC membership, human rights policy as well as monitoring and auditing of its implementation, whistleblower policy; 2) employment and industrial relations – e.g. policies on equality and discrimination as well as against forced and child labour, safety and health policies for employees as well as monitoring and auditing of such policies; 3) combating bribery and extortion – e.g. anti- money laundering policy, procedures and policies regarding reporting of suspicious activities; 4) issues related to disclosure, competition and tax compliance. If the team concludes that the issuer does not comply with the minimum safeguards, the investment will not be eligible for alignment with the Taxonomy.

Considering the demanding information requirements to complete the analysis of all the steps mentioned previously, the investment team engages with the issuer company to get any information not available in public sources and to educate the issuer in the increasing needs of specific ESG disclosures by investors. The engagements are by email, calls and in person whenever possible.

After the investment is included in the portfolio, the team monitors that the proceeds of the bond are used in the projects as indicated by the issuer. If the issuer does not report on such uses or deviates from the original plan (in time and/or amounts), the investment team will evaluate divesting its position. In addition, the team requires that the issuer reports the impact metrics from the projects under analysis.

The investment team monitors the issuer and the investment on a continuous basis using public sources, third-party data, and company engagement. In case a controversy occurs that impacts the standing of the investment as EU Taxonomy aligned, the team will evaluate whether the position is still considered a sustainable investment and can maintain it or divest it.

ESG integration in Private Markets

ESG framework

Our Private Markets ESG framework is designed to reflect the specific nature of our business structure, operations, investments and stakeholders and is aligned with the broader Macquarie approach, set out on the Macquarie website. As discussed in **Principle 1**, through this framework ESG considerations are integrated throughout the investment lifecycle:

1. **Screening:** All portfolio companies are initially screened for ESG ‘red flags’, including adverse news relating to negative stakeholder or reputational impact. Risk assessment considers issues covered by the International Finance Corporation’s Performance Standards, such as climate change, land acquisition, biodiversity, labour and working conditions, resource efficiency, community health and safety, indigenous people and vulnerable groups and cultural heritage.
2. **Due diligence:** Tailored due diligence depends on the location, type of asset and risk profile of the portfolio company. We use comprehensive scope checklists and engage external experts, if needed, to advise on specific ESG issues.
3. **Acquisition decision:** The results of due diligence – including key ESG issues, risks and mitigation measures – are presented to the fund board or investment committee prior to investment.
4. **Transition:** For every infrastructure, renewables or agriculture transaction where we can deliver improvements, we develop a transition plan that sets out actions and responsibilities that are tracked to completion by the asset management team. The plan includes a timetable for implementation.
5. **Asset management:** Each asset’s ESG framework must be adequate to ensure compliance with relevant regulations and standards. It should help to achieve and promote ESG management practices and be appropriate to the level of ESG risk.
6. **Exit:** ESG considerations are considered through the entire investment lifecycle of the asset, to its eventual sale. This includes screening potential acquirers and the source of their funds as part of our know your client/anti-money laundering process.

Our approach across asset classes

Real Assets: Infrastructure: Utilising MAM's proprietary System 7 Asset Management Framework, we work closely with the management of our infrastructure portfolio companies (which make up over 80% of our Private Markets AUM, refer **Principle 6**) to drive ESG and sustainability performance.

We apply minimum sustainability standards that are initially established during the transition of the asset to MAM management and are enhanced over the asset management lifecycle to ensure assets integrate appropriately high ESG and sustainability standards and objectives.

These standards are made available to all our staff through our centralised proprietary active asset management system, System 7, and are regularly reviewed and updated by our in-house sustainability team to ensure that they remain aligned with industry best practice.

At a minimum, each portfolio company's adopted ESG framework must be adequate to ensure compliance with relevant regulation and standards in the country and industry in which the portfolio company operates. It should help the business achieve and promote ESG management practices and be appropriate to the level of ESG risk in that business.

We work to ensure that each portfolio company's ESG frameworks include procedures and processes to:

- identify and document significant ESG issues relevant to the business
- manage significant ESG risks, including environmental incident response
- audit compliance with ESG regulatory obligations and the status of the environmental risk management framework
- manage and report environmental and safety incidents
- report on ESG management to the Board.

Real Assets: Green Investment Group: As a specialist green investor within MAM, GIG will only undertake activities that we consider will, or are reasonably likely to, accelerate, advance, support or result in the completion, deployment, development, emergence, establishment or expansion of any business, enterprise, market, industry, infrastructure, project or technology which we consider will, or is reasonably likely to, contribute to one or more of our five [Green Purposes](#) as disclosed in GIG's [Green Investment Policy](#), namely:

1. the reduction of greenhouse gas emissions⁷
2. the advancement of efficiency in the use of natural resources
3. the protection or enhancement of the natural environment
4. the protection or enhancement of biodiversity
5. the promotion of environmental sustainability.

Real Assets: Agriculture and Natural Assets: Our funds' wholly owned portfolio companies each adopt a tailored set of ESG policies that set out a statement of intent for the operation of each portfolio company and cover topics such as biodiversity, local community engagement and animal welfare together with MAM's broader ESG policy requirements. We track and measure sustainability performance against the MAM Impact Principles, UN SDGs and MAM Agriculture and Natural Assets' Sustainability Indicators with the aim of incrementally growing our inventory over time to better demonstrate positive impact.

Real Estate: Our Real Estate investment and asset management teams leverage sustainability best practice guidance and tools including minimum standard expectations. When we invest into specialist operators, we partner with them to establish management standards including data collection and ESG reporting processes, design or operational standards, and net zero pathways. To assess progress, MAM conducts a semi-annual ESG maturity assessment of our specialist operators. We use these assessment findings in our reporting and work through the results with our investments to determine evolving ESG objectives and priorities. We also encourage our specialist operators and partners to complete annual GRESB assessments

⁷ In GIG's Green Investment Policy, "greenhouse gas" has the meaning given by Article 1 of the 1992 United Nations Framework Convention on Climate Change.

Private Credit: In Private Credit we integrate both financial and non-financial factors into the investment decision process. We believe both need to be considered to assess the expected long-term performance of a counterparty and its ability to meet contractual obligations (e.g. debt repayments or lease payments). As a long-term investor, we consider both short- and long-term risks as part of our credit assessment. ESG risks, including in relation to both the physical and transition risks from climate change, are identified and monitored throughout the investment lifecycle. As debt investments do not give us the same level of influence as equity investments, our considerations at the investment decision stage are key. These include the decarbonisation plans and commitments of each asset. Our investment and portfolio management teams actively engage in direct dialogue with borrowers and source ESG key performance indicators (**KPIs**) where available.

Quarterly ESG reporting

We request from infrastructure portfolio companies a suite of ESG information on a quarterly basis. This includes WHS performance metrics, scope 1 and 2 GHG emissions, and energy consumption⁸. We require emissions data to be audited annually.

GRESB

We ask that our infrastructure portfolio companies complete annual GRESB assessments, which we also complete at the fund level for infrastructure and real estate. GRESB requires participants to report their ESG management practices and performance on a range of ESG issues including WHS, diversity and inclusion, climate change and human rights matters such as modern slavery risk.

We help our portfolio companies address GRESB requirements and use feedback from GRESB to enhance their ESG performance. GRESB's scores and peer comparisons also allow us to benchmark the ESG performance of our portfolio companies against other investee companies as well as externally against their GRESB peer group and the wider universe of GRESB participants.

Net zero planning

To support MAM's committed to manage and invest our global portfolio in line with net zero emissions by 2040, we have rolled out workshops, in conjunction with third party experts, to over 120 of our Real Asset portfolio companies across six sectors, to outline MAM's commitment and our requirements of each portfolio business, together with guidance and tools to help them deliver against these requirements. Where MAM portfolio companies are supported by service providers, our own sustainability team monitors the outputs provided and engages with portfolio companies to ensure activities rendered are in line with our needs.

Refer to the net zero commitment case study in **Principle 9** for further details.

Portfolio company 'deep dives'

We undertake periodic 'deep dives' on each portfolio company during which the asset management and relevant specialist teams convene to discuss its performance. These include assessments of ESG management and performance, alignment with minimum standards and progress on key initiatives.

⁸ Scope 1 emissions are direct GHG emissions that occur from sources that are controlled or owned by an organisation. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Private Markets Case Study: Integration through System 7 Framework

MAM utilises its proprietary System 7 Asset Management Framework to work with our infrastructure and agriculture portfolio company management teams to drive improvements across operations, financials and ESG.

The Framework provides detailed resources to our asset management teams and portfolio companies setting out minimum MAM requirements for each phase of the asset lifecycle – transaction management, transition, asset management / value and exit – across the following seven key areas:

1. Understanding and engaging with stakeholders: Identifying key stakeholder relationships and create positive two-way dialogue for mutually beneficial outcomes.
2. Setting strategic vision: Challenging management to define an ambitious and sustainable strategy for the portfolio company aligned with stakeholder and shareholder expectations.
3. Putting the right leadership in place: Actively assessing management and board composition to have the best leadership for each portfolio company, and to ensure succession planning is in place.
4. Focusing operations: Detailed planning to align management goals with shareholder and stakeholder value.
5. Optimising capital: Optimal capital structures and funding arrangements taking account of individual risks, regulation and capital expenditure needs of each portfolio company.
6. Managing risk: Risk assessment and management is central to MAM's approach to asset management and is applied across the investment lifecycle.
7. Clear governance: Clearly defining corporate governance structures and practices to ensure management have operational responsibility and accountability, including board effectiveness, remuneration structures, financial audit and reporting processes, and shareholder rights.

Private Markets Case Study: Transitioning National Gas

MAM has committed to managing its portfolio in line with net zero emissions by 2040, supporting its investor clients to progress their own sustainable investment goals.

In 2022 a MAM led a consortium of long-term investors acquired a 60% equity stake in the UK's National Grid Gas Transmission and Metering services (since renamed "National Gas"). It is actively supporting National Gas's actions, and engagement with industry and government, to decarbonise the UK's 7,600 km regulated gas transmission network. The national transmission system is a critical enabler of the UK's energy transition, providing the flexibility and reserve energy needed in the electricity system as the deployment of renewable generation sources accelerates. However, if the UK's net zero by 2050 target is to be met, the country must have a next-generation transmission backbone to power homes and businesses with renewable energy.

The MAM-led consortium intends to remain invested in National Gas through multiple UK gas industry regulatory periods. This long-term commitment will see it invest in and support the company's plans to accelerate its gas transition away from fossil fuels, at least cost to consumers, while ensuring its gas transmission system remains secure, safe, and reliable.

Alongside ensuring the continuation of gas transition services, MAM is leveraging its extensive gas industry and green energy experience to support National Gas to invest in innovation to future proof the network. This includes working in collaboration with the UK Government and industry partners to repurpose existing assets to deliver a hydrogen backbone for Britain. Hydrogen and other green gases offer the fastest and most economic path to decarbonise home heating and key industrial processes, while also strengthening the UK's energy system through seasonal energy storage.

By connecting industrial clusters around the country and leveraging the UK's world-leading⁹ offshore wind industry for hydrogen production, National Gas and MAM will provide a gas infrastructure base that will decarbonise power generation and heavy industry, boost domestic energy resilience with hydrogen storage and underpin hundreds of thousands of future green jobs.

⁹ The UK is the world leader in offshore wind, and has the highest total pipeline of offshore wind globally, reaching up to 86 GW to date October 2022.

Private Markets Case Study: Energy, Emissions and Efficiency Advisory Committee in Agriculture

Established in 2018, the Energy, Emissions and Efficiency Advisory Committee (**3EAC**) is a collaboration between MAM Agriculture & Natural Assets, the Clean Energy Finance Corporation (**CEFC**) and the Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) in Australia.

The 3EAC was established to support MAM Agriculture & Natural Assets in reducing the energy and emissions intensity of its agricultural operations and to promote the adoption of agricultural practices that are aligned with limiting global temperature rise to 1.5 degrees Celsius. The aim of the 3EAC is to promote the early adoption of new technologies and innovation to create successful decarbonisation proof points that in turn, will increase the uptake of climate solutions across the agriculture sector.

During 2022, the 3EAC met on three occasions to discuss a range of matters across MAM's Agriculture & Natural Assets portfolio. These included:

- A review of 2021 emissions results across the portfolio, including a breakdown of absolute emissions and emissions intensity by farm
- A review of green fertiliser pricing and the incremental cost of production in row cropping production systems
- An update on technologies to drive emissions efficiencies across the portfolio through the 3EAC's live technology register
- A review of MAM Agriculture & Natural Asset's net zero business planning process including emissions accounting standards and science-based target guidelines
- A deep dive on board-approved 2040 net zero business plans in late 2022.

The 3EAC will continue to provide advice and feedback to MAM on key decarbonisation challenges, which have been identified across the agriculture portfolios, with the aim of accelerating the decarbonisation of both businesses and sharing these learnings with the wider agricultural community.

Continuous improvement

MAM is supportive of several external initiatives which can improve transparency in sustainable investing and is committed to monitoring how they evolve.

Internally produced ESG best practices, as well as external requirements of clients and regulators, such as SFDR, have aided our Public Investments equity teams in continuously enhancing transparency around ESG integration. Across equity teams, there is a focus on integration within the investment process, aligned with our overarching commitment to ESG, to create consolidated processes, enhanced record keeping and develop sustainability assessments with linkages to more traditional financial considerations.

Across our Private Markets activities, we continue to uplift and improve internal policies, tool and guidance resources across our businesses. We are further enhancing our ESG data hub which will provide improved insights into areas requiring additional improvement as well as the needs of our clients.

As we progress our 2040 net zero commitment, looking forward we are focused on:

- supporting our portfolio companies and real estate properties to make their decarbonisation plans 'business as usual' – firmly embedded into annual budgeting and business planning processes and supported with the right resources.
- harnessing and sharing our green investments expertise, industrial capabilities and specialist external partners to accelerate practical climate solutions and support our businesses on their decarbonisation journeys.
- providing our clients with greater investment opportunities in the energy transition by driving volume in mature renewable energy technologies, like solar and wind, as well as accelerating the deployment of next generation technologies, such as low-carbon hydrogen, storage, biogas and e-mobility.
- continuing to proactively share our perspectives, learnings and best practices from across our global portfolio with our portfolio companies and real estate businesses, as well as ensuring robustness in our approach.

Principle 8

Signatories monitor and hold to account managers and/or service providers

Macquarie is committed to ensuring high standards of ESG performance across its supply chain. We recognise that our relationships with service providers and other suppliers are an important contributor to the success of our business and to our wider economic, environmental and social impact.

Principles for Suppliers

Macquarie's Principles for Suppliers aim to help Macquarie uphold its core values through supplier relationships, to create long-term, sustainable value for our clients, shareholders and community and suppliers.

We acknowledge and value the important role of suppliers in our business success and we therefore aim to foster strong supplier relationships that encourage collaboration and drive collaborative relationships in line with Macquarie's core values of opportunity, accountability and integrity.

These Principles cover expectations of suppliers in relation to governance, ethics, risk management, environmental risks, human rights, labour and workplace practices, community commitment and diversity.

MAM reserves the right to carry out compliance assessments as we see fit to ensure alignment. Where a supplier is involved in, or exposed to, significant ESG issues, we may request an immediate onsite second-party or third-party review to confirm compliance with the Principles for Suppliers. In the event MAM becomes aware of any actions or conditions that breach the Principles for Suppliers, we reserve the right to request remedial action is taken. Where no action is taken within a suitable timeframe, MAM reserves the right to reconsider its business relationship with the supplier.

Further details are provided on Macquarie's [website](#).

Public Investments

We use multiple service providers to assist with the exercise of our stewardship and fiduciary responsibilities. For example, MAM has appointed third-party ESG data providers, proxy voting advisors and third-party managers for certain investment funds.

ESG data providers

The ESG Working Group is responsible for assessing the quality of research produced by our third-party ESG data and research providers. This entails consultations with each provider and review of their research process. The group also periodically assesses other research providers to provide a basis of comparison as well as a source for potential replacements or complements to our existing providers.

Concerns regarding the quality and accessibility of data provided by our third-party providers can be raised through the Global ESG Oversight Committee. The Committee will then conduct further due diligence of the provider in question and provide a recommendation regarding its retention or dismissal.

Proxy voting advisors

The Proxy Voting Committee and the appropriate Public Investments personnel are responsible for overseeing all proxy advisors' proxy voting activities for MAM's clients. We conduct periodic due diligence of proxy advisors that includes assessing:

- the proxy advisor's conflict of interest procedures and any other pertinent procedures or representations from the proxy advisor, to ensure that the proxy advisor makes research recommendations for voting proxies in an impartial manner and in the best interests of MAM's clients

- the adequacy and quality of the proxy advisor's staffing, personnel, and technology
- the methodologies, guidelines, sources and factors underlying the proxy advisor's voting recommendations
- whether the proxy advisor has an effective engagement process for seeking timely input from issuers, its clients and other third parties and how that input is incorporated into the proxy advisor's methodologies, guidelines and proxy voting recommendations
- how the proxy advisor ensures that it has complete, accurate and up-to-date information about each proxy voting matter and how it updates its research accordingly
- reviewing whether the proxy advisor has undergone any recent, material organisational or business changes
- a review of the proxy advisor's general compliance with the terms of its agreement with MAM.

External sub-advisor oversight policy

MAM may engage external investment managers to act as sub-advisors for its Public Investments funds. We have a policy which outlines the oversight standards to be adopted for all external sub-advisory relationships.

These standards must be considered in conjunction with any additional regional or business-specific considerations which may require practices to be adopted to adhere to business models, regulatory requirements, or industry best practices. Highlights of the policy include:

- governance
- approvals
- ongoing oversight
- management of policy breaches
- exit plans.

We are considering the development of a sub-advisor oversight function to monitor external investment managers to ensure their approaches meet our minimum standards.

Public Investments Case Study: SDG Database Oversight

Through our proprietary UN SDG database and scoring system, we assess each company in our investable universe based on their contributions to the SDGs. Our investment teams use the database as an initial screening mechanism when making investments for certain sustainability-themed products, so when evaluating potential metrics for the database it is important that we fully understand the methodology and rigor used in creating the initiative, benchmark, index, etc.

Our auditing process includes engaging with the organisations and entities responsible for developing and implementing the metric so we can better understand the overall impact and alignment towards the SDGs. For instance, many metrics evaluate both the actions and commitments of companies against the SDGs, so we aim to understand how those are weighted to ensure companies are being appropriately ranked. Our interaction with data providers has allowed us to eliminate some candidates without suitable rigor in the selection process, as well as elevate others whose criteria were more robust than originally thought. Once reviewed by the Sustainability Team, data points are presented to our UN SDG Database Oversight Committee, a group of a dozen internal and external subject matter experts who formally vote on each data point.

The creation, review and maintenance of our database has proved to be extremely collaborative. Pursuing efforts related to the SDGs is a collective endeavour so engaging with data providers provides us with a unique opportunity to better understand how others are working towards the SDGs. Data providers welcome these discussions and are excited to hear their work is being used to inform investment decisions.

Public Investments Case Study: Mirova Global Sustainable Equity Fund

In 2021, Macquarie Professional Series (**MPS**) launched the Mirova Global Sustainable Equity Fund sub-advised by Mirova US LLC. A leading player in sustainable investing with over US\$25bn in assets under management, Mirova is a conviction-based company that offers investment solutions that combine the search for financial outperformance with an assessment of environmental, social and governance risks and opportunities.

After launch, risk management and ongoing monitoring became a key focus for MPS due to the sub-advisory nature of the relationship. Quantitative tools such as Factset (attribution), MSCI Barra (factor analysis), ISS (sustainability) and Sustainalytics and MSCI (climate and carbon emissions monitoring) are used to ensure that Mirova is performing as expected.

MPS sub-advisory relationships, such as Mirova, can be governed by an investment management agreement which provides us with complete transparency through to the underlying holdings of each fund. MPS also receives regular updates from underlying fund portfolio managers or investment specialists and will routinely undertake onsite visits at the subadvisor's offshore offices. In conjunction with all the aforementioned information, the MPS Due Diligence Committee meets monthly to review that sub-advisories are in line with their relevant agreements.

Private Markets

Asset data and performance information is principally sourced directly through engagement with management of Private Markets portfolio companies. ESG performance is monitored as a normal course of business, for example through quarterly performance updates.

Third-party providers are used during asset due diligence (as set out under **Principle 7**). All outputs are reviewed by MAM's in-house ESG specialists, who ensure the required ESG scope, which is tailored based on the nature of each asset, has been appropriately addressed, and any clarifications, follow-up work or discussions with management are completed by the third party.

Where required technical subject matter experts are appointed to support specific ESG programmes such as the roll out of MAM's net zero programme across its fund and assets. These are vetted to ensure their specialisms align with the specific resource requirements, and outcomes monitored as part programme progress tracking.

Service providers such as fund administrators play an important role in cyber security and data protection (as detailed in **Principle 4**). We apply a comprehensive approach to assessing the adequacy of cyber security standards when selecting, engaging and monitoring our service providers.

Due diligence is undertaken on service providers prior to engagement to ensure that they have the appropriate control frameworks in place and are mitigating cyber security threats. This may include reviewing and monitoring control frameworks, reviews of independent assurances, such as the security operations centre (**SOC**), or penetration testing reports and inclusion of cyber-related contractual obligations around data protection and incident response.

Cyber security at our service providers is reviewed as part of our standard annual review process.

Continuous improvement

Across Public Investments, subadvisor committees exist in which ESG due diligence is tailored toward each subadvisor as part of existing due diligence processes.

An oversight framework is being established to promote consistency in ESG due diligence being performed globally. This includes defining the nature and extent of ESG due diligence across external subadvisor relationships, inclusive of SFDR and other regional requirements, and determining a path to evaluating subadvisor assets within MAM'S net zero strategy.



06

Engagement

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

Engaging with the management of the portfolio companies in which we invest is a core part of our stewardship practices. Dialogue with management on ESG issues enables us to reduce risk and increase economic, environmental and social impact on behalf of our clients.

Public Investments

We define engagement as active dialogue with a targeted objective that occurs between MAM Public Investments and current or potential investee companies/issuers. Engagement objectives entail the furthering of an investment team's understanding of material ESG issues and demonstrate to current and potential investee companies/issuers the importance of these issues as criteria for inclusion or retention of the company's securities in a portfolio. Examples of these objectives include improving practice on an ESG issue, changing a sustainability outcome in the real world, or improving public disclosure. The underlying aim of the engagement dialogue should always be to preserve and enhance the value of assets on behalf of beneficiaries and clients.

Direct Engagements: Our investment teams often engage with investee companies as part of their regular investment processes. These engagements are typically strategic in nature and provide additional insights into management quality, business drivers, financial strategy, financial and non-financial

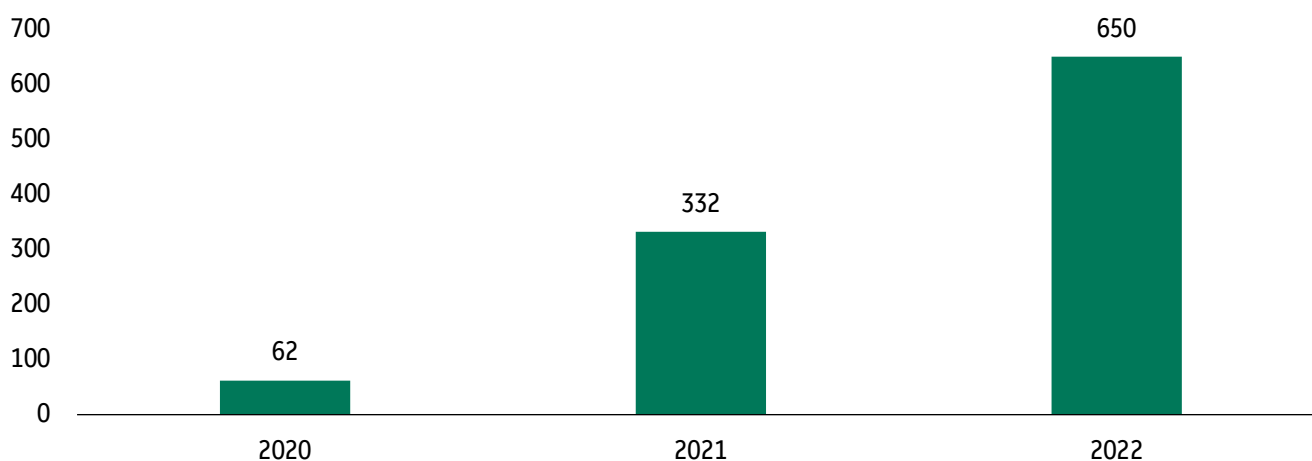
performance and risks, capital structure etc. During these meetings, our investment teams may discuss ESG factors, including social and environmental impact and corporate governance and incorporate their findings into the overall assessment of the management teams. We have established a central tracker of ESG-related engagements with Public Investments portfolio companies and prospective investments. It collates the ESG issues discussed during investment and Sustainability team engagements, as well as the outcome of the discussions and whether any follow-up is needed. The tracker serves as an effective communication tool to allow investment teams to glean insights from other engagement efforts and to foster collaborations among investment teams that may be focusing on similar issues.

Collaborative Engagements: We are strategically utilising collaborative engagements with other investors on ESG related issues. These engagements help expand our reach and effectively communicate investor concerns.

Engagement Highlights

Over the past year, greater emphasis has been placed to encourage investment teams to log their engagements into the central tracker, with demonstrable progress made over the past few years:

Number of Recorded Engagements



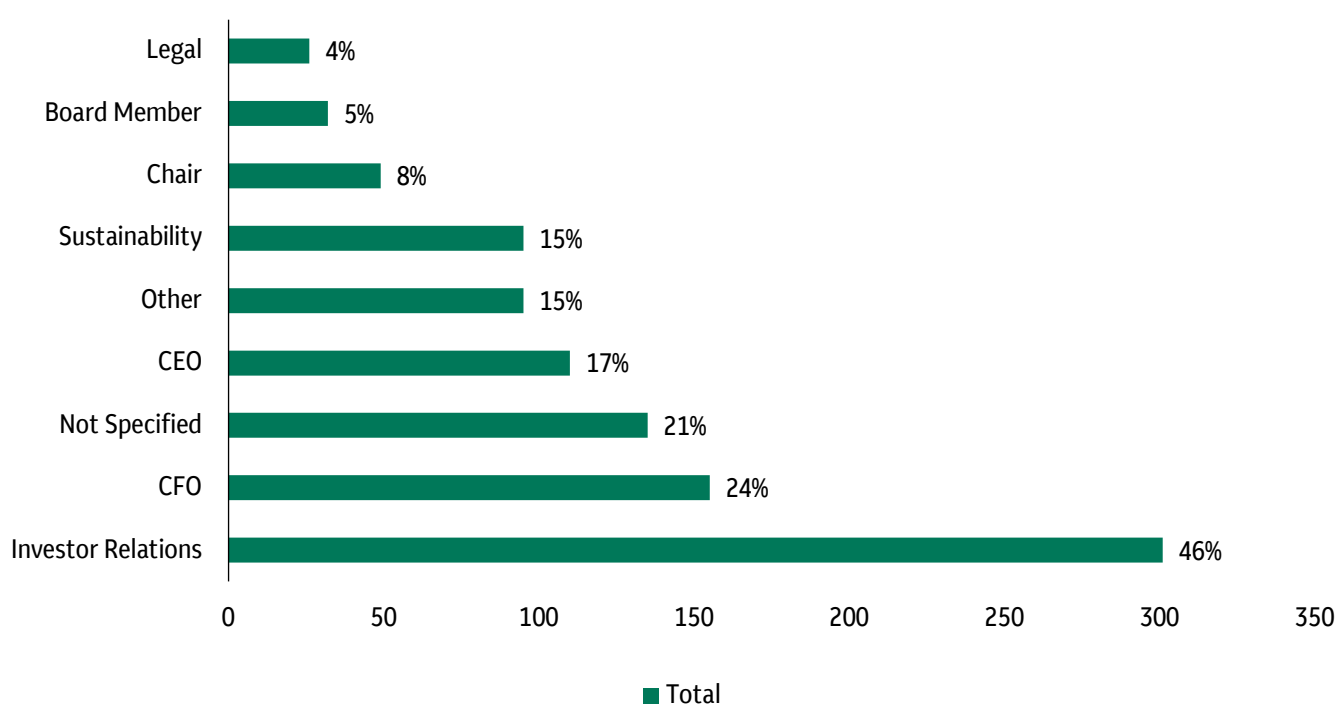
As active managers, through investor engagement, our investment teams ensure that corporate management teams are monitored and held accountable for their actions. When assessing investments, investment teams seek to understand how management teams acknowledge, manage, and reduce ESG-related risks and engage with investee companies on how these risks are being managed. Our 2022 engagements involved communication with multiple layers of corporate management, as shown in the table below.

It is a central belief that the investment teams, as the primary decision-makers on whether a security is added to or remains in a portfolio, are integral to engagements with corporate management teams. Factors such as the type of investment instrument held, degree of ownership stake, and relative

investment style will influence the ability to gain access to and influence company management. MAM Public Investments' Sustainability team fosters cooperation amongst the independent teams and encourages joint engagements when engagement priorities are similar across teams. The Sustainability team will participate in engagements in conjunction with the investment teams as an added level of assessment of a company's ESG risks and opportunities.

Companies that have been targeted for engagement are typically identified and prioritised by geography (see below for geographic breakdown), sector, size, and materiality in order to ensure that a diverse cross-section of engagements are undertaken and a variety of ESG issues are addressed.

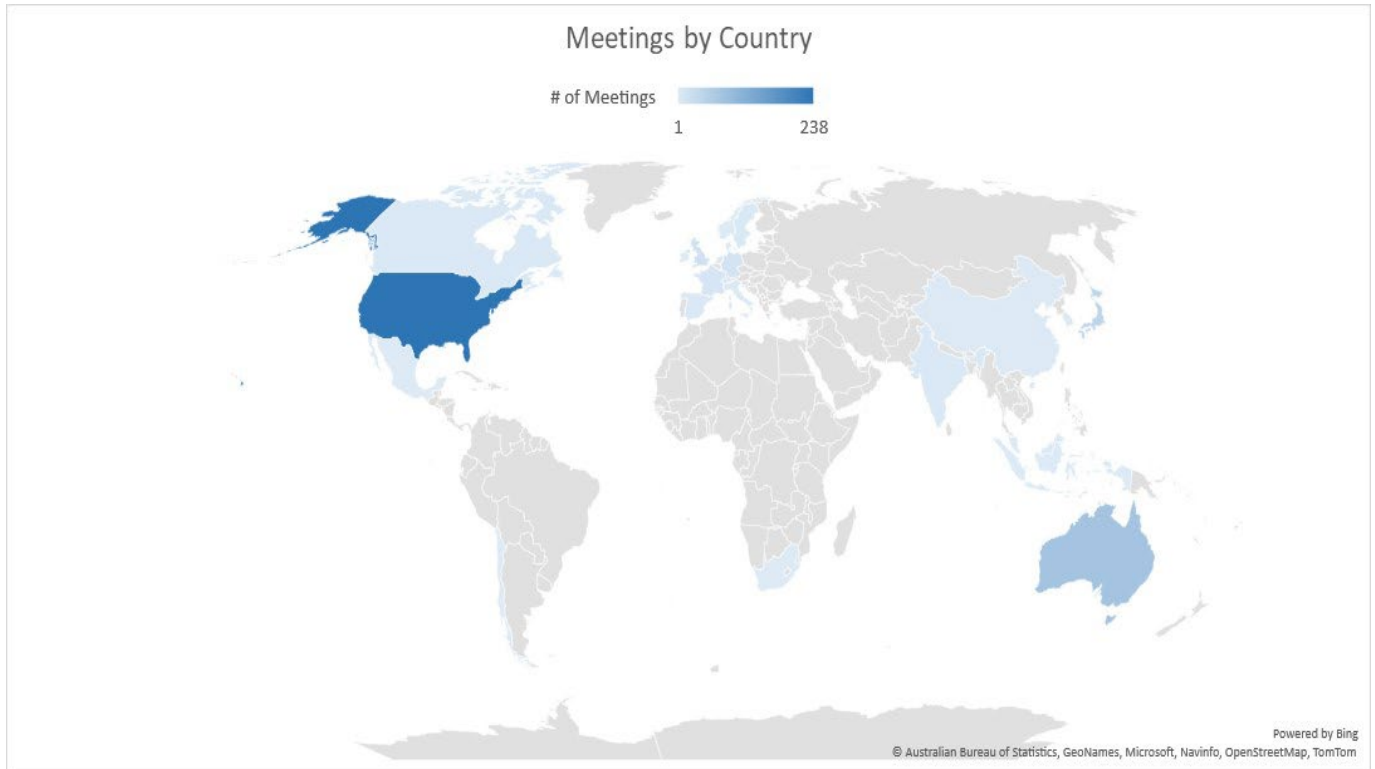
Company Representatives



Note: %'s add to greater than 100% as a result of more than one company representative attending some meetings.

650	Total recorded engagements
6	Recorded engagements with the Sustainability Team only
41	Recorded engagements with both the Sustainability and Investment Teams
603	Recorded engagements with Investment Teams

Geography



Engagement Topics

To be included in the central engagement tracker, the team participating in the engagement is required to have discussed at least one material ESG issue. These issues are broad-ranging, and often pertinent to the investment team’s overall assessment of the company. MAM also has identified specific focus areas that we encourage our investment teams to raise with companies. Following are the E, S, and G issues that were most often discussed and case studies describing engagements on focus issues that are of particular importance.

Environmental issues - discussed in 57% of all engagements



- Environment - Climate change (mitigation and adaptation efforts)
- Environment - Natural resource use/impact (e.g. water, biodiversity)
- Environment - Net Zero Commitments
- Environment - Pollution, Waste

Social issues -discussed in 39% of all engagements



- Social - Human and labour rights (e.g. supply chain rights, community relations)
- Social - Human capital management (e.g. inclusion and diversity, employee terms, safety)
- Social - Inequality
- Social - Public health

Governance issues - discussed in 46% of all engagements



- Governance - Board effectiveness - Diversity
- Governance - Board effectiveness - Independence or Oversight
- Governance - Board effectiveness - Other
- Governance - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)
- Governance - Leadership - Chair/CEO
- Governance - Remuneration
- Governance - Shareholder rights

Public Investments Case Studies: Environmental issues

Climate Change - Mitigation and Adaptation Efforts

Number of 2022 Public Investments recorded engagements where issue discussed: 230

Public Investments' Climate Solutions Strategy seeks to contribute to the reduction of GHG emissions by targeting investments in companies that are either actively working toward reducing, displacing and/or sequestering their GHG emissions (referred to as "Reducers"), and/or helping others to do so through development of products and services designed to reduce GHG emissions (referred to as "Facilitators").

Engagements are often conducted to assess Reducers' intentions to reduce their greenhouse gas emissions, ability to accomplish their stated goals, and adherence to previously stated GHG emissions reduction goals. During these engagements, the Climate Solutions team will often encourage additional carbon-related disclosures through initiatives such as reporting to CDP and the adoption of science-based targets to align their carbon reduction goals with industry standards. For facilitators, engagements are often conducted to assess a company's available and proposed solutions for addressing climate change, the capital investment necessary to provide these solutions, and the potential customer demand.

During the past year, members of the Climate Solutions team participated in almost one hundred meetings with portfolio holdings and prospective holdings where climate change and mitigation efforts were discussed. Although it is difficult to make a direct connection between the team's engagements and the target companies' actions, in the past year the team's holdings have shown progress on various measures where carbon change mitigation and adaptation efforts are tracked:

Over the past year, 47% of the Climate Solutions team's holdings that they've targeted for engagement have announced increased carbon reduction goals.

Net Zero Commitments

Number of 2022 Public Investments recorded engagements where issue discussed: 215

MAM has committed to invest and manage its portfolio in line with global net zero emissions by 2040, 10 years ahead of the deadline to achieve the goals of the Paris Agreement. In 2021, we joined NZAM, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, reinforcing our existing commitment to invest and manage our portfolio in line with this target. By 2030, MAM is targeting 50% of its committed listed equity and corporate bonds to have net zero targets in place.

In an effort to act on our net zero commitments, MAM participates in industry engagements led by the Sustainability team and respective investment teams. One such example is our participation in CA 100+, an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We became a member of CA 100+ in July 2020, and as a member, have committed to engage with greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and achieve the goals of the Paris Agreement. Since joining CA 100+, we have participated as a co-lead on an engagement with a major transportation company and have been seeing improvement over the course of our engagement in their public disclosures on carbon reduction plans in line with the CA 100+ framework.

Public Investments' investment teams engaged in net zero discussions with 59% of the firm's financed emissions holdings, either directly by our teams or indirectly through the CA 100+ initiative.

Public Investments Case Studies: Social issues

Human Capital Management

Number of 2022 Public Investments recorded engagements where issue discussed: 132

Wesfarmers has diverse operations including several retail businesses e.g., Kmart, Bunnings which sell home improvement, hardware, office, technology, apparel, health and beauty and general merchandise products. With more than 25,000 suppliers across 10 geographic locations, ethical sourcing and modern slavery risks exist in the multitude of Wesfarmers' supply chains and their own operations.

While modern slavery legislation in Australia provides a framework for reporting requirements, it is important to understand additional steps being undertaken to manage risks, hence our engagement with Wesfarmers in September 2022. Over time Wesfarmers have demonstrated a willingness to improve industry standards as well as desire to better understand and therefore manage their own risks. This has seen Wesfarmers enact an ethical sourcing programme which includes having a significant sized team based in Asia, allowing greater oversight and transparency over the supply chain. Wesfarmers continue to provide good disclosure on reportable breaches with the majority being health, safety and hygiene.

Public Investments' Macquarie Systematic Investments (**MSI**) team will undertake regular engagements with Wesfarmers to ensure that the company continues to meet their commitment to disclose reportable breaches. Whilst the majority of breaches are related to health, safety and hygiene and excessive working hours, Wesfarmers has an ambition for all the breaches to be remediated. During MSI's engagements with Wesfarmers, MSI will often gain insight into the protocols and processes Wesfarmers have put in place to try to ensure ethical sourcing. During the past year, MSI has participated in more than 35 meetings with portfolio holdings where modern slavery and mitigation strategies were discussed. Whilst it is difficult to draw a direct correlation between the team's engagements and the target companies' actions, MSI's holdings have shown progress on various measures where modern slavery efforts are tracked.

Inequality - Just Transition in the Utility Space

Number of 2022 Public Investments recorded engagements where issue discussed: 55

Utilities operate regulated monopolies, offering electric, gas and water to all residents and businesses within a given service territory. Regulators review spending and set rates to ensure recovery of costs and provide a return that incentivizes equity and debt capital. To ensure full recovery of spending and to retain their operating licenses, utilities need to promote environmental stewardship in their communities and provide reliable/affordable service to all customers.

As cleaner power generation becomes more economic than traditional fossil fuels, the electricity grid will emit less greenhouse gases, become more affordable and provide more reliable service with energy storage and grid enhancements. However, while the system will be beneficial on the whole, the energy transition could create inequalities that have an outsized impact on lower income communities, such as those that are dependent on the coal industry for their local economy and tax base. As such, we focus on just transition plans to mitigate these inequalities. Company management focus on just transition will not only support each utility's social license to operate, but utilities will also benefit from an improved economy with superior demand growth, a greater ability to attract and retain talented employees, and strong political support to ensure fair returns and timely recovery on investments.

In December 2022, we engaged with American Electric Power's Chief Sustainability Officer to understand management's evolving plans for upcoming coal plant shutdowns. This was the latest in a series of meetings we have had with their management team, as their just transition strategy is refined. As a case study, we discussed management plans to retire the Pirkey Power Plant in East Texas, which will negatively impact the local tax base of two communities. Since 2021, the company has partnered with Just Transition Fund to engage the communities to develop plans to address the impacts. We were encouraged by management's progress in relieving the socio-economic impacts, as they've taken steps to leverage local/state relationships, created a workforce transition team and applied lessons learned from previous experiences. We will continue to follow-up on developments surrounding the plant's retirements to understand progress and lessons learned from this experience that may be applied to future coal retirements.

Public Investments Case Studies: Governance issues

Board Effectiveness

Number of 2022 Public Investments recorded engagements where issue discussed: 49

The US Large Cap Value Equity Strategy manages a concentrated, low-turnover portfolio with a team-based investment process focused on in-depth fundamental research. The team seeks to capitalize on divergences between intrinsic value and market price, buying at times of excessive pessimism and selling at times of undue optimism.

In researching both new ideas and current portfolio holdings, the team engages with company management and periodically with boards of directors. Engagements revolve around a variety of topics, including corporate governance, that the team views as important to investor value creation. The team looks favorably upon existing strength or targeted improvement in governance principles, board effectiveness, and management incentive structures that align with investor interests.

In 2022, a holding in the Large Cap Value Strategy faced significant pressure from an investor looking to refresh the board, hire a specific executive into a leadership position at the company, and review current company strategy and governance. The investor nominated a slate of board members to fully replace the incumbent company board of directors. Given the unique situation, the Large Cap Value team engaged separately with management, independent members of the company's board and the investor proposing to replace the existing board.

The team was tasked with determining if, and how, the investor-proposed board slate would be a more effective steward of the company for shareholders than the current board. The team did this by assessing each party's motivations, gaining better understanding of points of contention between the two parties, and identifying potential changes to the company's governance framework. Issues discussed included board oversight, board independence, board and management incentive compensation, along with strategy. The Large Cap Value team was also asked for feedback from both parties on these topics.

This engagement proved valuable on multiple fronts. First, it allowed the team to better analyze the situation. With potential for a proxy battle and board turnover, in-depth governance analysis was required. Second, it allowed the team to voice its opinion to both parties from the perspective of a long-term shareholder. The team thought a mutually beneficial and shareholder-friendly outcome was possible if a proxy battle was avoided and certain investor demands were met. Third, it gave the team clarity that the board understood change was likely needed to improve both shareholder value and corporate governance.

Through proxy voting, our votes were in line with management recommendations 90% of the time, with 10% contrary to management recommendations.

Risk Management

Number of 2022 Public Investments recorded engagements where issue discussed: 40

ESG Engagements have specifically focused on risk management issues that seek to ensure that the governance framework of current and potential investments is sufficiently strong enough to ensure sound decision making and create sustainable growth. One particular area of focus within Public Investments' Fixed Income team is in the non-bank financial institutions. Recent engagements have included recent start-ups where our team focused on ensuring the target investment has implemented full scale risk management framework with clear risk tolerance set from the board down, and sufficient processes to make sound and consistent lending decisions. In addition, our team looked at governance frameworks, including committees, to monitor lending performance, the economic environment, and processes to adjust lending criteria as needed to meet board objectives.

Over the past year, we engaged with several non-bank lenders by undertaking a deep dive into their corporate governance structure from top to bottom, covering a broad range of topics including major shareholder governance, board committees and oversight, executive management experience, risk management frameworks, process and frequency for reviewing key policies, cyber security readiness, and handling of exceptions to policy. Our teams found an increased focus on cyber security readiness from boards, though

often smaller institutions rely on third party service providers to protect system access from attacks. Our team found one example where a legacy system slated for replacement had fallen behind update cycles and flagged this as a potential weak point to the management team.

ESG Opportunities

Number of 2022 Public Investments recorded engagements where issue discussed: 50

Sustainable Innovation is an important part of our growth algorithm. You lose market share if you don't change, you grow if you do¹⁰.

While sustainability is becoming more and more mainstream, companies and investors have made headway from perceiving sustainability and ESG as merely a risk to focussing on identifying opportunities where sustainability has the ability to influence the development of products and processes and potentially increase company revenue. Where a company can identify their sustainable edge and meet customer demands, real opportunities exist.

As part of the 2022 proxy and engagement season, the Global Equity team reached out to portfolio companies to understand how companies are considering sustainability factors in their innovation processes, whether sustainable innovation is a strategic priority, and how the companies consider sustainability as a value-driver in their products, services, and processes. From March to December 2022, the team approached 54 companies and received feedback from 50 companies, either through written dialogue or a call.

Through engagement dialogue it became clear that the vast majority of companies agree that sustainability is an opportunity, and that innovation is needed in order to remain relevant – especially for consumer facing businesses. This collective awareness however results in companies moving in the same direction, towards lower emissions, less plastic, more renewables, less waste. The key is hence to focus on what differentiates you from competitors.

Although there are different approaches to sustainable innovation and how this is embedded in the organisations of the portfolio companies, one thing is certain: innovating for sustainability or with sustainability in mind creates opportunities. The focus should be on how these opportunities can create growth by differentiating you from competitors and being resilient and adaptive to new technologies and consumer demands in order to gain market share.

For the Global Equity team, the engagement efforts on sustainable innovation and the resulting opportunities have highlighted the importance of companies and investors focussing on ESG opportunities, not only risks. By mapping the initiatives of the portfolio companies, the team will use the results as a catalyst for further engagement dialogue and also as a tool in the ESG investment process, where the investment team (portfolio managers and the ESG team) works together to identify which questions to ask from an ESG point of view in order for the engagement dialogue to be used as a tool to better understand the economic consequences of the ESG agenda.

¹⁰ Quote from an engagement dialogue with a portfolio company on sustainable innovation.

Private Markets

Engaging with the management teams of the assets and portfolio companies we invest in in our Private Markets business is a core part of our sustainability practices. Dialogue with management on ESG issues enables us to reduce risk and increase economic, environmental and social benefits on behalf of our clients.

How MAM's Private Markets funds engage with portfolio companies is set out under **Principle 2**. Given the long-term nature of our Private Markets investments, our engagement with assets and portfolio companies is also long term in nature and focuses on integrating the relevant sustainability and stewardship practices into the given business, as described in **Principle 7**.

Board-level engagement: As detailed in **Principle 2**, in our role as manager of portfolio companies, we nominate senior employees and operating partners for appointment as NEDs to serve on company boards. These NEDs, along with other directors and officeholders of the board and management team, are responsible for overseeing portfolio company operations, including ensuring that portfolio company management has appropriate ESG commitments, systems, procedures and practices in place. When we nominate board representatives, we seek to ensure both sectoral and geographical experience, together with any skillset that is important for the business.

In our **Real Assets** business, where we exercise control or significant influence, we work closely with our portfolio companies and assets to build sustainable, adaptable and resilient businesses. This may include ensuring that they: report and verify key ESG data including DEI, WHS and emissions; set emissions reduction and other targets; and implement net zero business plans.

Further, where we invest directly into **Real Estate**, asset management teams focus on building asset-specific ESG action plans, taking into consideration portfolio-level targets and MAM requirements outlined above.

For **Private Credit** investments, our goal is to understand our borrowers' GHG footprints by establishing an ongoing dialogue to collect and monitor this data, and to understand their plans to address climate risk. We seek to engage with borrowers to encourage both action and transparency in relation to climate risk.

Manager engagement: In addition to board positions, each portfolio asset has a dedicated asset manager and analyst that interact with the asset management teams regularly throughout the year. This engagement will, amongst other duties, focus on

meeting minimum standard expectations, improving operational and sustainability performance as well as addressing any risks or improvement opportunities identified during due diligence.

Portfolio Performance Group (PPG) engagement: During 2022, MAM's Real Assets established PPG comprised of highly experienced functional experts within MAM to support to our portfolio companies and investment teams.

PPG is focused on managing key areas of risk and delivering value for our clients through the industrial transition and transformation of our portfolio companies, supporting the investment teams with functional capabilities including Sustainability, Transformation & Operations, Human Capital, Workplace Health & Safety, Construction, Enterprise IT & Cyber and Procurement. MAM has made a significant investment in resources to both enhance the depth of coverage and expand our functional capabilities with relevant operational experience to support our teams to deliver positive outcomes across our portfolio.

A key objective of establishing the PPG is to provide investment teams with additional capacity and specialist skills to deliver positive outcomes for our portfolio companies, and clients, more effectively.

Training and learning forums: MAM regularly engages with its fund portfolio companies, providing training on a wide range of ESG issues including climate change, GHG emissions and net zero. MAM hosts offsite conferences, including regional Asset Leadership Forums, for portfolio companies to discuss operational efficiency, workplace health and safety as well as sustainability topics. MAM has also engaged external consultants to provide additional ESG training, support and guidance to its infrastructure fund portfolio companies. This has included assisting fund portfolio companies to establish baseline GHG emissions inventories, develop emissions reduction targets, and identify emissions reduction projects.

Data collection and reporting: MAM is actively engaged with portfolio companies in monitoring their performance against certain ESG metrics. Infrastructure portfolio companies are requested to report ESG information to us on a quarterly basis, including their scopes 1 and 2 GHG emissions, their energy consumption and other ESG-related updates.

MAM's sustainability standards specify minimum requirements for all infrastructure assets. Specifically, portfolio companies are also encouraged to report on their near-term and long-term plans to address climate risk (including physical and transition risks) and opportunities and other ESG issues material for their business.

Private Markets Case Study: Engaging on MAM's Net Zero Commitment

In December 2020, MAM committed to manage and invest its portfolio in line with global net zero emissions by 2040 – 10 years ahead of the deadline to achieve the Paris Agreement goals. As part of our pledge, we set out a roadmap which included a goal to have net zero aligned business plans in place by the end of 2022 across our Private Markets portfolios where we exercise control or significant influence.

This business plan process involved partnering with our infrastructure, agriculture and real estate assets to measure and verify their Scope 1 and Scope 2 GHG emissions, set interim targets, identify abatement measures (both short and long-term) and integrate them to a net zero aligned business plan and revisit their business plans at least annually, as part of the budget and business planning process.

Our sustainability and asset management teams actively partnered with our infrastructure, agriculture and real estate assets to align on our net zero expectations and support the development of their business plans. This also required navigating varying levels of influence, ownership stakes and governance structures, as well as the differing priorities of portfolio company management teams, co-investors and clients.

MAM's global awareness and education campaign began in the first half of 2021, shortly after announcing our 2040 pledge in December 2020. We hosted 14 net zero workshops in three languages, that were attended by more than 500 portfolio company and in-house asset management teams.

To support our assets in delivering on our commitment, we have:

- Provided guidance and tools to help portfolio companies understand the importance of net zero and to deliver against these requirements
- Supported the review of baseline measures and abatement strategies, in preparation for third-party verification
- Provided business planning materials and workbooks to streamline the development process and provided support with board presentation preparations and adjusting plans based on feedback
- Connected portfolio companies to more than 60 technical experts and consultants to help them identify abatement strategies and develop their net zero plans
- Connected businesses in similar industries across the portfolio to facilitate knowledge sharing and best practice
- Provided ongoing one-on-one feedback and review on abatement mapping and plans.

Where net zero business plans have been adopted, we are now focused on supporting our portfolio companies and real estate properties to make their decarbonisation plans 'business as usual' – firmly embedded into annual budgeting and business planning processes and supported with the right resources.

We will continue to proactively share our perspectives, learnings and best practices from across our global portfolio with our portfolio companies and real estate businesses, and remain focused on ensuring robustness in our approach.

We are also committed to report annually to clients on our progress, this will be undertaken through multiple channels including fund-specific annual reporting, in our Sustainability Report and via disclosure to the NZAM initiative.

Private Markets Case Study: Engaging on Safety

To provide support and leadership on WHS issues within our Private Markets businesses, our in-house specialists work with MAM-nominated NEDs to provide appropriate training to support them in seeking the effective adoption of best practice in their director duties and to provide advice and guidance on specific business issues.

Our proprietary **Safety Alignment Framework (SAF)** establishes WHS expectations across our infrastructure, agriculture and real estate businesses. SAF has 11 elements that set key areas for action, from initial due diligence and transition planning through to operations. SAF defines and assesses progress against minimum standards, covering areas such as risk management, board reporting, training, incident review and emergency response.

Our approach to safety starts with a thorough understanding of the business we are investing in – through to a comprehensive transition plan to embed the standards that we know will reduce safety risks to an acceptable level and improve the reliability of the business. We then focus on establishing an open and transparent culture in the business – where employees are encouraged to raise issues and concerns to top management and, where appropriate, to the board.

In recent years, the SAF has deepened the confidence and capability of our directors to understand how to reduce WHS risks across the platform. It has added structure to the care that directors have always exercised – setting standards for how safety is to be governed in portfolio companies. Semi-annual SAF assessments provide an opportunity for directors to reflect on their successes and challenges, and to set goals for the next six months.

We seek to ensure WHS practices and frameworks are implemented by asset management and specialist operators, including where relevant:

- regular training and competency assessment of employees
- rigorous due diligence, selection and management of contractors and their sub-contractors
- thorough induction training for visitors
- an open culture for reporting of near misses and noncompliant working practices
- reward and recognition for employees and contractors setting exceptional standards
- fair consequence management reviews for employees and contractors where compliance concerns are identified by in-depth reviews by independent third parties of operational and WHS frameworks
- auditing of Permit to Work and Safe Operating Procedures
- frequent third-party safety audits
- management and board meetings held at regional operating facilities to allow opportunities for management and directors to discuss WHS matters directly with company employees.

Private Markets Case Study: Supporting safety and decarbonisation expenditure in social housing

In the UK, MAM has been engaging with Shepherds Bush Housing Association (**SBHA**) to manage their increased Health and Safety, and decarbonisation costs.

To be compliant with the UK government's net zero targets, SBHA identified the needs and forecasted expenditure for its properties to achieve EPC rating C or better by the end of 2030. In addition, government measures to regulate health and safety of Housing Association properties has been increasing to ensure the safety of residents and therefore an acceleration of SBHA's plan to invest in properties to comply with the Decent Homes Standards (**DHS**) and Fire Safety related works is expected. As a result, SBHA have forecasted significant capital expenditure cost increases across their property portfolio over the next ~10-year period.

MAM has been highly supportive of SBHA's outlook on additional expenditure in relation to Health and Safety and decarbonisation given the benefits to the tenants and the alignment with UK government regulations and decarbonisation aspiration. Therefore, we are in the process of finalising a waiver with SBHA in which we have provided some adjustments to the ICR covenant so that it gives them the flexibility required to spend on this necessary expenditure. In addition, the improvement in the safety and energy efficiency standards of the portfolio, along with achieving the DHS will support the attractiveness of the borrower's properties, and better living conditions for its tenants.

As part of the waiver, MSM has also negotiated enhanced monitoring conditions to ensure we are able to keep track of their performance and plans throughout the waiver period. MAM will be closely monitoring SBHA's progress through various reporting to ensure that they align with their forecasted expenditure and property improvements.

Further case studies can be found in our 2021 [Sustainability Report](#).

Continuous improvement

In an effort to be more thorough and transparent about our engagement activities and outcomes and in response to increased demand from clients and consultants, the Sustainability team is working on a targeted effort with the investment teams to increase the uptake of the Public Investments central tracker of ESG-related engagements. Not only have we undertaken a targeted and systematic push to increase this as part of our overall ESG best practices project across the organisation, but we have also improved the ease and efficiency by which teams can log their engagements. We have implemented a standardised engagement form which all investment teams can access to systematically log their activities into our newly revamped tracker. This should allow for increased use and more consistent, thorough reporting overall.

Similarly, we have implemented a shared calendar of upcoming engagement activities, in an effort to increase collaboration amongst teams for not only improved knowledge sharing, but also more meaningful impact for outcomes with portfolio companies.

As part of the ESG best practices project, we will explicitly communicate our expectations for best practices on active engagement. This will include a focus on incorporation into the investment process, collaboration for greater impact, and tracking and recording of outcomes.

We have at least one investment team which is targeting an engagement programme regarding deforestation this year, and we continue to be involved in external collaborative engagements with groups such as CA 100+ and the WBA on a case-by-case basis. We encourage our investment teams to get involved with these engagements where appropriate and we continue to track our progress here.

Within Private Markets, we continue to enhance our guidelines for investment and asset management teams including minimum standard expectations for portfolio companies on key ESG topics and more consistent tracking of engagements in Private Credit.

Through continuous engagement with Private Market investors MAM seeks to ensure that key topics of interest are factored into MAM's assessment of material ESG topics and where appropriate integrated into our engagement mechanisms and programmes set out in **Principle 7** and **Principle 9**.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

At MAM, we recognise that many of the stewardship issues we face we share with other financial institutions. We also recognise that, by collaborating with other investors, we can amplify our voice. Where we deem appropriate, we collaborate with other investors to address ESG issues of common concern.

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

The disclosures described under this **Principle 10** specifically detail how MAM collaboratively engages to influence Public Investments issuers.

For further details relating to Macquarie and MAM's industry collaboration engagements and outcomes, refer to **Principle 4**. Our collaborative engagement methods and outcomes in Private Markets (conducted through ownership and influence mechanisms) are set out under **Principle 2**.

Public Investments

MAM entities have been signatories to the **PRI** since 2010; MAM's Engagement Policy is part of the process of moving towards achieving the aspirational goals set out in the PRI's six principles. MAM's investment teams may use the PRI platform to collaborate with other shareholders, including engaging with investee companies.

In addition, MAM became a member of CA 100+ in July 2020. As a member, we have an obligation to collaboratively engage with systemically important GHG emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and achieve the goals of the Paris Agreement. At MAM, we have been dedicated to combating climate change and continue to increase our efforts on this issue by pulling various levers available to us within Public Investments. Namely, since joining the CA 100+ movement, we have taken the role of co-lead on two separate

ongoing engagements, one being a major transportation company, and one a major electric utility. In our role as co-lead, we have collectively had ten meetings with company management, and more planned for 2023. We have also actively participated in two CA 100+ engagements, joining four CA 100+ meetings with management since joining. These are in addition to climate focused meetings with these companies directly between our Sustainability team and/or investment teams and the target companies over the years. We plan to continue our current involvement to advocate for the goals of CA 100+, leveraging both our investments and sustainability expertise, for effective collaboration. We have already seen progress from our target companies and hope to see this reflected in the 2023 release of the CA 100+ scorecards.

Participation in these engagements is coordinated by the Sustainability team. They are often performed in conjunction with investment personnel who have a material interest in the policies of the targeted companies. Participation is prioritised based on the potential to enhance knowledge of ESG issues through other investors, have greater impact on ESG issues, and add value to the collaboration. We also target a mixture of geographies and markets where our teams invest.

MAM joined the NZAM initiative in March 2021. The initiative is an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. The initiative emphasises collaboration among members to meet their commitments through, for example, access to best practice, robust and science-based approaches and standardised methodologies, and improved data.

In May 2022, [NZAM's Initial Target Disclosure Report](#) disclosed our commitment to manage our assets in line with NZAM's criteria. Further details of our NZAM disclosures are provided in **Principle 6**.

MAM is an Ally of the WBA, which represents organisations working to shape the private sector's contributions to achieving the SDGs. As an Ally, MAM is committed to WBA's mission, vision and values, and belief in the power of benchmarks and cross-sector partnerships to drive systematic progress on the SDGs. Since joining the WBA, MAM has engaged with several of the most influential global companies in the food and agricultural benchmark to urge them to work with the WBA and the G7 on their Sustainable Supply Chain Initiative and has also taken part in its Responsible AI efforts.

Outcomes of collaborative engagements

In our involvement with the various collaborative groups, MAM sets timelines, milestones and KPIs for the engagement's objectives. It uses these to track progress and, if necessary, revises those objectives.

MAM's participation in these collaborative engagements does not imply that every investment team agrees with the engagement's objectives; all investment teams maintain independent beliefs regarding material issues that affect a given investment.

Any cooperation by MAM's investment teams with other shareholders or communication with other stakeholders will always be undertaken in line with Macquarie's principles of Opportunity, Accountability and Integrity.

Proxy voting

Through proxy voting, the investment teams may also collaborate with other shareholders by voting on shareholder resolutions. See **Principle 12** for more details, including the number of votes cast. As set out in our Proxy Voting Guidelines, voting proxies should be in the best interests of the client and should align with the goal of maximising the value of the client's investment.

If the management of a portfolio company or another company shareholder seeks to engage with MAM on a particular proxy statement, the company or shareholder should reach out to the investment team who holds the applicable company security on behalf of its clients. MAM will consider any additional information provided by the company or shareholder regarding an upcoming proxy and analyse such information along with prior research provided by its proxy advisor, before coming to a decision on how to vote an applicable proxy.

Case Study: The World Benchmarking Alliance



As mentioned in the 2021 report, as an ally of the WBA, MAM engaged with several of the most influential global companies targeted in the food and agricultural benchmark to urge them to work with the WBA and the G7 on their Sustainable Supply Chain Initiative (**SSCI**).

As part of this work, the WBA assessed the performance of 350 of the largest food and agricultural companies and aims to influence companies to apply sustainable business practices throughout their operations and supply chain.

On October 12, 2022, the WBA hosted the "From commitment to action: An assessment of food and agriculture companies participating in the G7 Sustainable Supply Chain Initiative" event with participation from MAM's Global Equity team.

At the event, the team represented the investor voice, addressing the importance of reporting and corporate accountability. The Global Equity team was happy to see six portfolio companies pledge and join the initiative after the engagement efforts conducted in 2021.

When addressing major societal challenges, collaborative initiatives like the G7 SSCI and corporate reporting play an essential role. Investors need tools that allow them to follow company progress and evidence that companies not only pledge ambitious goals, but also work to achieve them.

While monitoring is one aspect of accountability - collaboration is key.

We are pleased to have been able to use our influence to help the WBA advance its goals. We look forward to continuing our work with it to encourage companies to participate in the initiative.

Continuous improvement

In the coming year, MAM will look to expand our collaborative engagement efforts beyond climate by targeting additional environmental issues such as biodiversity and social issues such as modern slavery. Consistent with our current collaborative engagement efforts, we would expect future collaborative engagements to be supported by active participation

of the Sustainability team as well as investment teams that hold the securities of the companies being targeted for engagement to ensure shareholder interests are being met. In addition to increasing our collaborative engagements with our industry peers, we will also continue to expand our efforts to increase internal MAM collaboration amongst our different investment teams.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

In setting out to deliver positive economic, environmental or social impact, MAM's stewardship activities aim to influence corporate behaviour. When initial efforts are not successful, MAM can escalate the methods we use.

The following section sets out how we escalate stewardship activities to influence Public Investments issuers. The nature of escalation differs for our **Private Markets** business, where our relationships with management and through the seats we hold on company boards, as discussed under **Principle 2**, enable direct discussions at the most senior levels of the organisations in which we invest.

Our Public Investments teams retain the ability to discuss upcoming proxy votes with company management. In those instances where we vote against the recommendations of management and the proxy result is contrary to our vote, the portfolio management team that manages the security may escalate the matter. Each portfolio management team is responsible for determining whether there is a need to escalate, based on the facts and circumstances of the proxy vote. Options available to the portfolio management team include:

- directly contacting the company's senior management
- using the Sustainability team to engage with the company on the team's behalf
- reducing the team's holdings in the company or entirely divesting.

For funds disclosing under Articles 8 or 9 of SFDR, if poor governance practices are identified via the quarterly reports with respect to any relevant investment, this will be flagged to the Investment Risk team and investment teams, which then work with the Sustainability team to pursue remediation actions.

These may include direct engagement with the investee company, exercising proxy votes against company management and/or in support of changing specific practices, and/or divestment of the relevant security. The actions expected during different phases of the remediation are summarised as follows:

Period	Actions expected
Zero-90 days	Initial engagement with company/issuer and the preparation of a remedial action plan as soon as possible and not later than 90 days
90-180 days	A medium level of engagement and formulation of a detailed plan, if remediation is not expected within 180 days
180-365 days	High level of engagement with company/issuer with progress required by the end of the period

Remediation plans are monitored by the Investment Risk and Sustainability teams, with investment teams required to provide quarterly feedback on their progress.

If, after 12 months, the remediation actions are not effective, or less effective than intended, investment teams must divest.

MAM's chosen method of escalation varies depending on the fund, asset or geography. For example:

- funds that are subject to Articles 8 or 9 of the EU's Sustainable Finance Disclosure Regulation are subject to the MAM Public Investments Good Governance remediation framework that calls for a phased remediation timeline.
- escalation may also vary based on the extent of our holdings and the type of security through which our investment is made. For example, companies in which we have a more significant ownership stake may be more receptive to requests for engagement than those where our ownership is minimal. Fixed income-related engagement requests may also have a lower response rate; unlike shareholders, investors in an issuer's debt typically have no formal ownership or voting rights, which can make company management less willing to engage.

Case Study: Good Governance Remediation

Issue: In 2022, a Latin American financial institution in one of our portfolios was flagged under our Good Governance framework due to poor disclosures and a lack of formal policies related to its material ESG issues.

Actions: The company was put on a 180-day remediation plan while the investment team pursued direct engagement to gain additional insight and comfort that the issues surrounding their governance practices were being addressed.

Outcome: Through different engagement opportunities, the company was unable to provide the additional information needed to deem them in compliance with the Good Governance requirements and ultimately the team decided to divest from the position.

Case Studies: Engagement Escalations

Transportation Sector

Issue: In 2021, MAM became co-lead for a CA 100+ focus company in the transportation sector. The previous lead had been unsuccessful to date in connecting with the company and helping advance their climate disclosures.

Actions: Through our existing relationship as a significant shareholder of the targeted company, MAM was able to coordinate a meeting with the company's investor relations group and the two CA 100+ co-leads. We have continued to engage with the company on their climate disclosures and pathway towards net zero, with half a dozen subsequent meetings that have included representatives from the company's investor relations, legal, and sustainability teams.

Outcome: Since the beginning of our engagement with the company, they have shown improvement on one-third of CA 100+'s nine indicators, including explicitly sign-posting TCFD aligned disclosures in its annual reporting. More progress remains, however, and we continue to work with the company to further demonstrate progress in their climate mitigation efforts. We will further escalate our efforts if progress appears to be stagnating.

Industrials Sector

Issue: MAM's Climate Solutions strategy focuses on investing in two "buckets" of companies: High-emitting companies actively working toward reducing, displacing and/or sequestering their GHG emissions ("Reducers") and companies who are helping others to reduce emissions through development of products and services ("Facilitators"). In late 2022, we became concerned that one of the companies that we had identified as a facilitator was not advancing their efforts to further direct capital towards solutions to reduce carbon emissions.

Actions: MAM arranged a meeting with the company's Chief Financial Officer and Investor Relations and Sustainability staff to gauge the company's commitment towards developing products that will help drive reduction in GHG emissions.

Outcome: We discussed the main areas of the company's business and their impacts on emissions savings. Although the company does offer products, such as towers for wind turbines, that ultimately assist in the reduction of GHG emissions we reached the conclusion that the company was not investing capital to substantially grow the business nor looking to develop new products and services to promote GHG emissions reduction. As a result, we exited from the position in early 2023.

Consumer Staples Sector: Clorox

Issue: In 2018, the Global Equity team identified CEO duality on the Board of Directors of Clorox¹¹. Clorox is an US-founded manufacturer of Household & Personal Products¹². The Global Equity team believes in the separation of the Chair of the Board and CEO of a company. The team believes that the separation of roles will ensure ultimate responsibility for the Chair of the Board in guiding the company's strategy, monitoring management, and promoting shareholder's interests and further, that the CEO is responsible for implementing the company's strategy and for the day-to-day management of the company. The team will hence suggest separating the roles when CEO duality is identified on the Boards of portfolio companies¹³.

An installation of an independent Lead Director will be seen as a transitory step to the ultimate separation of the roles of Chair of the Board and CEO.

In 2020, the team further identified an underrepresentation of gender diversity on the Board of Directors of Clorox. The team encourages diverse leadership that is varied in every way - in gender, race, economic background, and ideology. Scholarly research suggests that companies perform better when they are led by a group of diverse Board members who complement each other. The Global Equity team agrees with research and studies that describe the positive impact of gender diversity and supports the premise that a minimum of three women on a Board / at least 30% representation reflects positively on financial performance¹⁴. The team will hence encourage portfolio companies to appoint additional women directors when underrepresentation is identified on Boards.

Actions: The Global Equity team met with Clorox for the first time in 2018 and has engaged with the company at least annually since. Engagement topics have included gender diversity, CEO duality, carbon emissions reduction targets, ESG metrics in incentive plans, as well as sustainable innovation.

By engaging with Clorox, the team expressed its concerns regarding gender diversity and strongly encouraged Clorox to appoint additional women directors to ensure gender diversity on the Board. Further, the team expressed its concerns regarding the CEO duality on the Board and encouraged Clorox to separate the roles of CEO and Chair of the Board.

Outcome: In the time following the Global Equity team's engagement dialogue with Clorox, the company has appointed additional women directors, including a woman CEO. In addition, the team received a letter from Clorox, thanking the team for feedback regarding the separation of CEO and Chair and confirmed that stakeholder input was considered when the Board moved to separate the roles of CEO and Chair of the Board in 2020¹⁵.

Since 2020, the company has had more than a 30% women representation on the Board of Directors as well as independent and separated roles of CEO and Chair.

The Global Equity team has since then acknowledged the Board's willingness to address shareholders' concerns and shared its appreciation with the Board of Directors of Clorox.

Continuous improvement

MAM's efforts to enhance collaboration amongst our different investment teams is anticipated to allow us to exert more influence with companies who we believe need to take further actions on improving certain environmental, social, or governance issues.

Using a collective voice (when agreement exists) from each of our investment teams will present company management with a larger footprint of investors raising concerns, which is more likely to result in company management initially responding to our calls for engagement, and possibly addressing these concerns to satisfy the demands of a significant stakeholder.

¹¹ The roles of CEO and Chair is combined.

¹² Refers to GICS definition of sectors.

¹³ MAM Public Investments Global Proxy Guidelines.

¹⁴ "Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance" by Vicki W. Kramer, Alison M. Kondrad and Sumru Erkhut (2006). The view is corroborated in an MSCI report, "The Tipping Point: Women on Boards and Financial Performance" published December 2016, concluding "that having three women on a corporate board represents a "tipping point" in terms of influence, which is reflected in financial performance".

¹⁵ Letter received from Clorox, 01/02/2021.



07

Exercising rights and responsibilities

Principle 12

Signatories actively exercise their rights and responsibilities

As stewards of our clients' investments, we have an obligation to actively exercise their rights and responsibilities as investors to protect and enhance the value of those investments.

The ability to actively exercise our rights and responsibilities as stewards varies across our public and private businesses, reflecting the different ownership interests and levels of influence in those businesses.

The following section outlines how we exercise rights and responsibilities for **listed equity securities**.

MAM provides investment advisory and portfolio management services to various types of clients, such as registered and unregistered commingled funds, defined benefit plans, defined contribution plans, private and public pension funds, foundations, endowment funds and other types of institutional investors. We are often given the authority and discretion to exercise the securityholder's right to vote on company and shareholder resolutions relating to the underlying securities held in the client portfolios we manage. In some circumstances, clients may ask us to give voting advice on certain proxies without delegating full responsibility to us to vote proxies on their behalf. Clients also have the option to retain the responsibility to vote proxies for their portfolio securities and occasionally a client will ask us to vote proxies in line with its proxy voting policy. Typically, the investment management agreement between MAM and a client will disclose the terms of our role in proxy voting and such agreement will demonstrate the client's informed consent on such proxy voting authority.

Where we have been delegated the responsibility to vote or provide advice on proxies, we have developed the following **Procedures** to ensure that we vote proxies or give proxy voting advice that we believe is in the best interests of our clients.

Procedures for voting proxies

MAM has established a Proxy Voting Committee that is responsible for overseeing the proxy voting process. As outlined under **Principle 2**, the Committee includes representatives from the Portfolio Management, Fund Administration, Client Solutions Group, Compliance and Legal teams. The Committee meets as necessary, usually quarterly, to ensure MAM fulfils its duties to vote proxies for our clients.

One of the Committee's main responsibilities is to review and approve the Procedures on a yearly basis or as necessary. When reviewing the Procedures, the Committee considers whether they are designed to allow MAM to vote proxies in the best interests of our clients and with the aim of maximising the value of the underlying shares being voted on. The Committee also reviews the Procedures to make sure that they comply with any applicable regulations. After the Procedures are approved by the Committee, MAM will vote proxies or give advice on voting proxies generally in accordance with such Procedures and the Proxy Voting Guidelines, which provide specific guidance on how to vote certain issues, as outlined in further detail below.

To facilitate the actual process of voting proxies, MAM retains several third-party proxy advisors, including ISS, Glass Lewis & Co., and Ownership Matters. Clients may request that MAM use the client's preferred proxy advisory firm.

The proxy advisor and/or the client's custodian monitor corporate events in connection with MAM's client accounts. After receiving the proxy statements, the proxy advisor will review the proxy issues and recommend a vote in accordance with MAM's Guidelines.

The proxy advisor’s recommendations are made available to the applicable portfolio management teams to review and evaluate before the corresponding shareholder meeting. As described below in the Proxy Voting Guidelines section, there will be times when a portfolio management team believes that the best interests of the client will be better served if MAM votes a proxy counter to the proxy advisor’s research recommendation. In these cases, the portfolio management team will document the rationale for its votes and provide its rationale to the Committee or the Committee’s delegates for its

records. The Committee and its delegates are responsible for reviewing the rationale for these votes to assure that it provides a reasonable basis for any vote.

After a proxy has been voted, the proxy advisor will create a record of the vote to help us comply with our duties. If a client provides us with its own instruction on a given proxy vote for its portfolio, we will forward the client’s instruction to the proxy advisor, who will vote the client’s proxy in line with the client’s instruction.

Proxy voting statistics (for the 12 months to 31 December 2022)

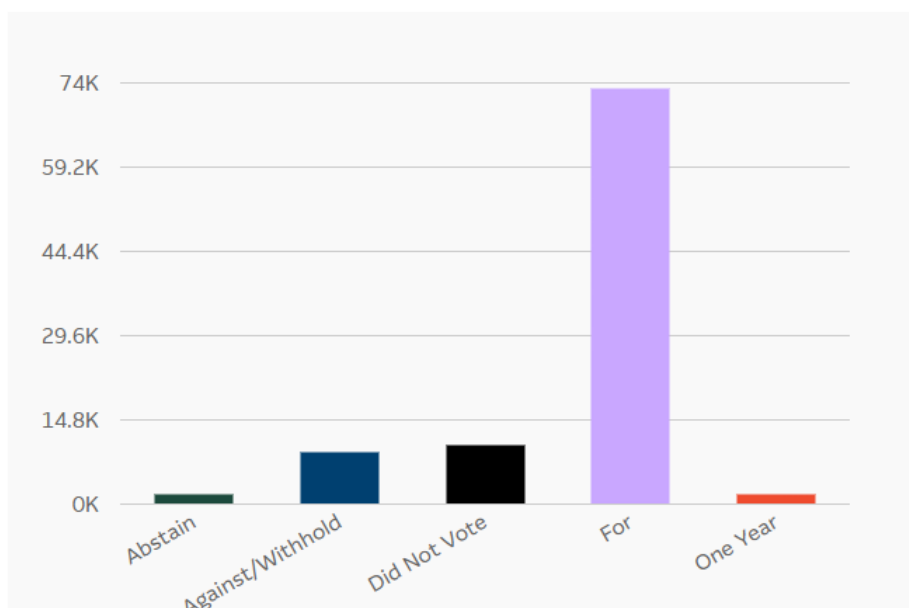
Source: ISS Proxy Manager

MAM has recently launched a publicly available [website](#) which provides detailed statistics regarding our proxy voting activities as well as our proxy voting policies. Below are samples of information that is available from the site:

[MAM Proxy Voting Dashboard](#)

Voting Statistics

Across 85,032 unique proposals available to vote, we voted 82,807 for which 415 proposals were voted in varying ways for the same meeting agenda item.



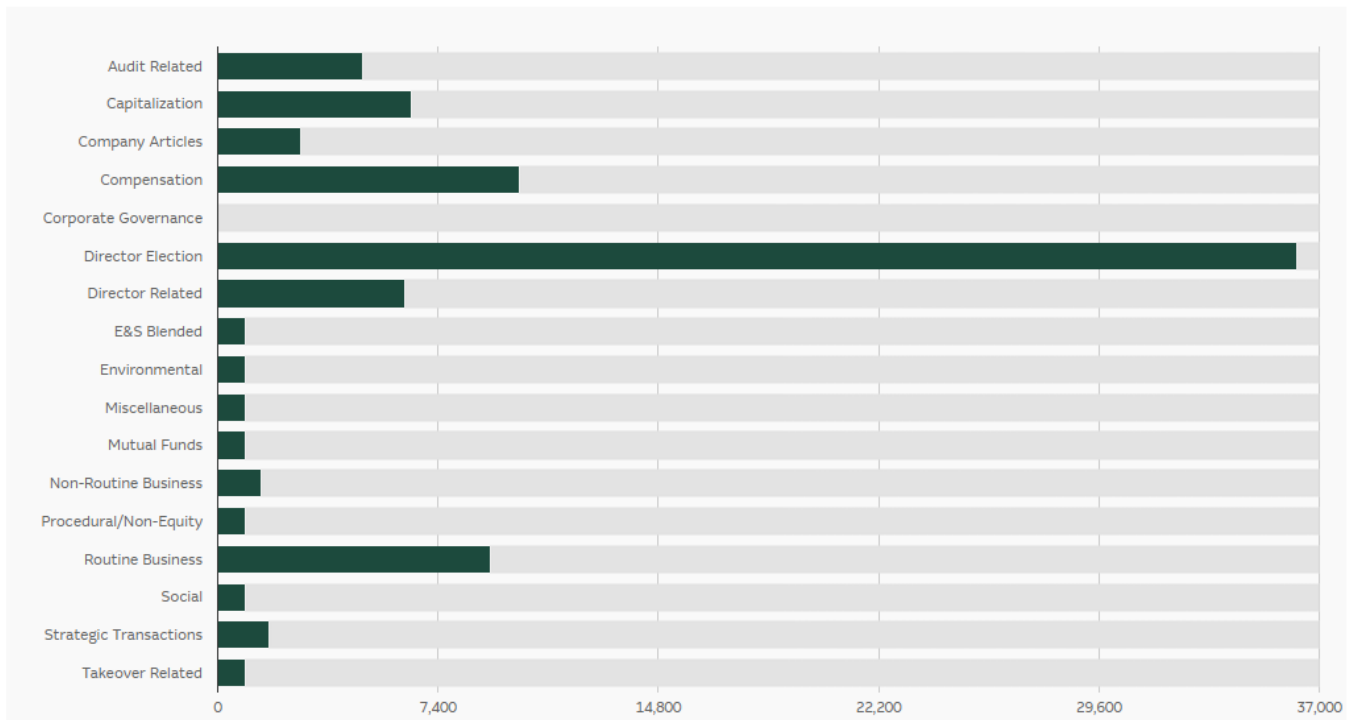
Alignment with Management



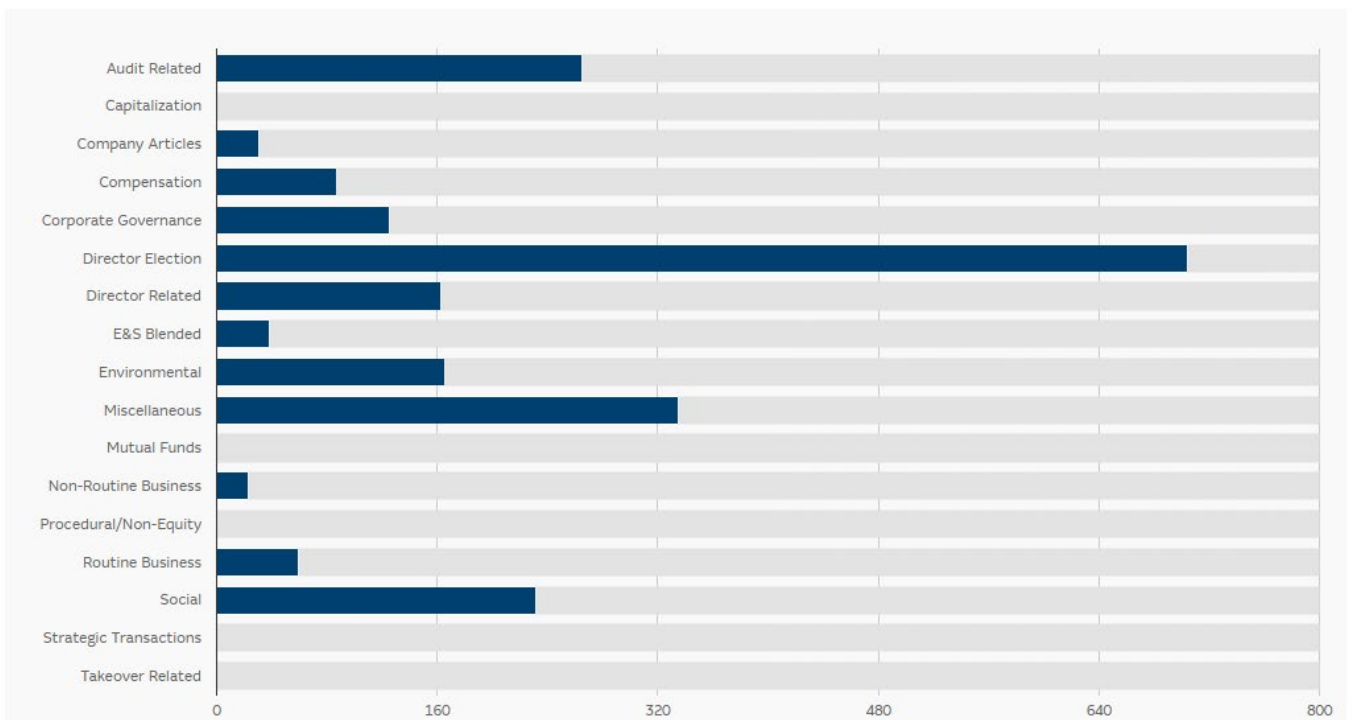
Votes Cast by Proposal Category

Management sponsored 80,579 proposals during the period where shareholders sponsored 2,228 proposals with Director Election representing the category with the most proposals.

Management



Shareholder

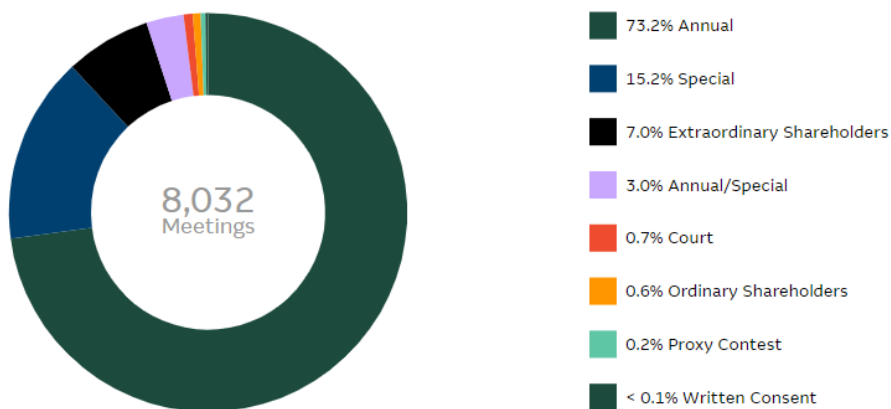


Meetings by Market

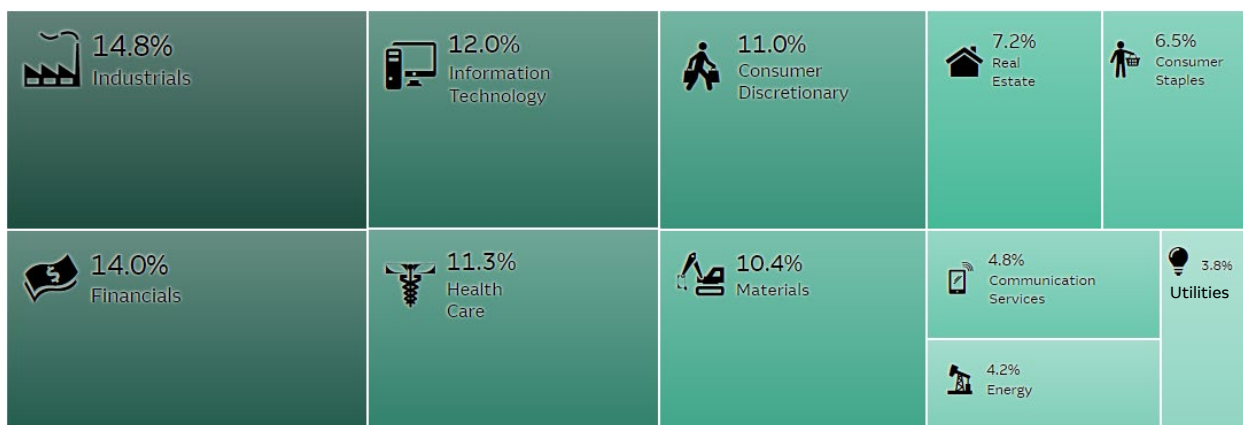


Meetings by Meeting Type

With 8,032 distinct company meetings available to vote, 7,895 were voted, leaving 137 unvoted.



Meetings by Sector



Proxy Voting Guidelines

The Proxy Voting Guidelines summarise MAM's positions on various issues and give a general indication as to how we will vote proxies on each issue. The Proxy Voting Committee reviews the Guidelines and determines that voting proxies following the Guidelines should be in the best interests of the client and should align with the goal of maximising the value of the client's investments.

Securities lending

Securities lending is the practice of loaning shares of stock to other investors. Securities lending generates interest income for the lender and allows the borrower to short sell the shares of a company while also transferring to the borrower the right to vote proxies for the underlying company.

MAM's portfolios may lend their securities if a security lending agreement is in place. At the time a security is loaned, the borrower must post collateral equal to the required percentage of the market value of the loaned security, including any accrued interest. Investment teams have the right under the lending agreement to recover the securities from the borrower on demand. MAM does not currently have any specific guidelines connecting proxy voting to securities lending, but the issue will be raised for discussion by the Proxy Voting Committee in the upcoming year.

Case Study: MAM's ESG proxy alert system

In November 2022, MAM shareholders of Microsoft were alerted of a vote which requested that "the board provide a report assessing how the Company's 401(k) retirement funds manage the growing systemic risk to economy created by investing retirement plan funds in companies contributing significantly to climate change." MAM's Proxy Voting Guidelines are generally supportive of votes that call for increased climate-related disclosures, and this resulted in our proxy voting advisory firm recommending a vote in favour of the proposal.

Upon receipt of the proxy vote alert and after conducting additional research, the portfolio manager of the Delaware Ivy Core Equity Fund requested that the recommended vote be changed from "for" the proposal to "against" the proposal. They felt that actions targeting Microsoft's 401k plan were unrelated to Microsoft's laudable efforts to fight climate change within their own operations, and instead were part of a broad effort to promote divestment from fossil fuels in Microsoft's retirement plans, which may be in violation of the company's fiduciary responsibilities. MAM's Proxy Voting Committee reviewed the portfolio manager's rationale for the recommendation and agreed to change the vote to "against". MAM's other shareholders of Microsoft stock were notified of the vote change, and all except one agreed to change their votes to "against" as well.

The proposal was rejected by shareholders, with 11.2% voting in favour.

ESG proxy alert notifications system

As described under **Principle 7**, we implemented a proactive proxy alert system across MAM in 2021. Through this process, investment teams are alerted directly when an ESG-identified or corporate strategic issue comes up for a proxy vote for a company which they hold.

The issues are listed below:

ESG issue	
Report on climate change	Renewable energy
Climate change action	Improve human rights standards or policies
GHG emissions	Report on sustainability
Human rights risk assessment	Energy efficiency
Board diversity	Publish two-degree scenario analysis
Gender pay gap	Anti-social proposal
Link executive pay to social criteria	
Corporate strategic issue	
Adopt or increase supermajority vote requirement for mergers	Approve reorganisation/restructuring plan
Amend articles/bylaws/charter to remove anti-takeover provision(s)	Approve request for bankruptcy protection
Amend right to call special meeting	Approve sale of company assets
Approve acquisition or issue shares in connection with acquisition	Approve special-purpose acquisition company transaction
Approve merger agreement	Approve spin-off agreement
Approve merger by absorption	Elect director (proxy contest-related)
Approve liquidation plan	Grant authority to board to implement anti-takeover measures during a takeover

Continuous improvement

Our Public Investments business is in the process of creating regional sub-committees as delegates of the Global Proxy Voting Committee. Regional sub-committees would be established for the Americas, Asia-Pacific, and EMEA regions and would comprise investment team and legal/risk/operations representatives. The sub-committees will allow for the consideration of regional factors in analysing proxy voting issues and also provide more timely responses in certain instances where immediate decisions need to be made.

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