Sustainable Finance Disclosure Regulation

Principal Adverse Sustainability Impacts Statement and disclosures in relation to Sustainability Risks and Remuneration Policies

June 2021

The following disclosures are made by Macquarie Capital France S.A. including its branches ("MCF") pursuant to Articles 3, 4 and 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR").

1. Introduction

Macquarie Capital ("MacCap", "we" or "our") acts through MCF as an authorised and regulated entity in the European Economic Area. MacCap combines specialist expertise, innovative advice and flexible capital solutions to help our clients and partners make opportunity reality. Our global corporate M&A, advisory, investing, development and equities capabilities are underpinned by deep sector expertise and a full spectrum of capital solutions from debt, equity, and private capital raising and financing to investing our own capital to enable new opportunities.

Across MacCap we partner with our clients to bring ideas, insights and capital to transform their businesses over the long term. We recognise that Environmental, Social and Governance ("ESG") factors are important for assessing investment risk. Where we determine ESG factors to be relevant to our investment advice, we will consider them.

MacCap operates within Macquarie Group Limited's ("MGL") operational and risk management framework. MGL recognises the importance of identifying, assessing and managing material environmental and social risks as an integral part of conducting business. ESG risk management is a component of the MGL risk management approach and includes a framework of group-wide ESG-related policies which can be accessed at MGL's website here, including the MGL Corporate Governance Statement and a summary showing how MacCap forms part of the MGL ESG Governance structure.

MacCap is governed by the MGL Environmental and Social Risk Policy ("ESR Policy") which is reviewed annually. The ESR Policy provides a robust framework for embedding environmental and social risk management into our processes for providing investment advice through MCF, as well as a framework for considering the principal adverse impacts of our investment advice on sustainability factors. The ESR Policy establishes processes for identifying, assessing, managing, mitigating, monitoring and reporting material environmental and social risks across the business. The ESR Policy details requirements for client on-boarding and a broad range of transactions including advisory mandates.

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

MacCap is required to maintain business specific due diligence and approval processes consistent with the ESR Policy. Businesses with direct and indirect equity interests in operating businesses are also required to have, at a minimum, a procedure to manage and report on environmental and social risks and escalate and report on environmental and social incidents. Aligned with MacCap's risk management approach, the Risk Management Group ("**RMG**") provides oversight of ESR Policy operation and compliance. Within RMG, the Environmental and Social Risk Team ("**ESR Team**") provides MacCap with specialist advice and support on ESR Policy application.

2. Sustainability Risks

Sustainability risks are those environmental, social or governance events or conditions that, if they were to occur, could cause an actual or a potential material negative impact on the value of an investment.

Sustainability risks are integrated into the investment advice provided by MacCap, acting through MCF, and are taken into account throughout the investment process as follows in accordance with the ESR Policy. The ESR Policy approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of MacCap clients' investments.

As part of its broader risk management processes when advising MCF clients, MacCap has implemented procedures to (i) identify, (ii) measure, (iii) manage, (iv) monitor and (v) report sustainability risks in line with the ESR Policy. This includes incorporating an environmental and social risk management procedure ("**ESR Procedure**") into MCF approval policies and procedures for advisory mandates to assess associated material environmental and social risks, including sustainability risks, by considering whether the mandate involves:

- activities requiring mandatory or reputation risk escalations
- if known, an underlying project or use of proceeds with potential significant environmental and social impacts

If the mandate involves any of the activities identified above, MacCap will work with the ESR Team to understand the potential exposure to environmental and social risk, including sustainability risks, complete a risk assessment, and escalate internally where required in accordance with the ESR Procedure.

MacCap is required under the ESR Procedure to establish appropriate monitoring and reporting processes for approved advisory mandates involving mandatory or reputation risk escalations, or significant environmental and social impacts, along with maintaining related records.

3. Principal Adverse Sustainability Impacts

SFDR requires us to make a "comply or explain" decision whether to consider the principal adverse sustainability impacts ("**PASI**") of investment decisions on sustainability factors in our investment advice. Sustainability factors under SFDR are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

MacCap, acting through MCF, has decided currently not to comply with that SFDR PASI regime in light of the reasons set out below. SFDR requires that we publish and maintain on our website information as to why we do not consider PASI of investment decisions on sustainability factors in our investment advice and information as to whether and when we intend to comply with the SFDR PASI regime.

MacCap has carefully evaluated the requirements of the SFDR PASI regime and is supportive of the policy aims to improve transparency to clients, investors and the market, as to how financial advisers integrate consideration of the adverse impacts of investment decisions on sustainability factors in their investment advice. However, taking account of the limited scope and instances of investment advice we give, and the nature and scale of the activities and the types of products advised on, we consider that it would currently be disproportionate to comply with the SFDR PASI regime.

We note that our investment advice and client relationships do not support adoption of the SFDR PASI regime, since the client may have instructed us not to comply with the regime and that for certain mandates it is not possible to conduct detailed diligence on the principal adverse impact on sustainability factors.

We will keep our decision not to comply with the SFDR PASI regime under regular review. Notwithstanding our decision not to comply with the PASI regime, we also wish to re-affirm MacCap and MGL's overall commitment to ESG matters as further described here.

4. Remuneration

Macquarie's longstanding and consistent approach to remuneration continues to support the overarching objective of delivering strong company performance over the short and long-term, while prudently managing risk and reinforcing Macquarie's Code of Conduct and What We Stand For. Macquarie's Board of Directors recognises that to achieve this objective, we must attract, motivate and retain exceptional people with deep industry expertise while aligning their interests with shareholders to meet the needs of clients and customers while ensuring that regulatory requirements are upheld. Further information on Macquarie's remuneration framework can be found in the most recent Macquarie Group Corporate Governance Statement at https://www.macquarie.com/au/en/about/company/corporate-governance.html.

MCF is subject to Macquarie Group's remuneration framework and the Macquarie Group Remuneration Policy. Macquarie's remuneration policies are consistent with and promote effective risk management and form part of Macquarie's risk management framework. The risk management framework promotes active management and monitoring of a range of risks (both financial and non-financial), for all business activities within Macquarie globally and particularly does not encourage excessive risk-taking with respect to sustainability risks.

Under the remuneration framework, MacCap employees receive fixed remuneration and performance-based remuneration in the form of discretionary annual profit share.

a) Fixed remuneration

Fixed remuneration consists of base salary and local country employee benefits. Individual fixed remuneration is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements. Fixed remuneration is structured to be sufficient to avoid inappropriate risk taking.

b) Performance-based remuneration

The company-wide profit share pool is determined through a bottom-up assessment at both the business and individual level and is assessed for overall reasonableness, including consideration of an internal reference based on Macquarie's after-tax profits and its earnings over and above the estimated cost of capital. The Board retains discretion to amend the final pool determined in accordance with the bottom-up assessment to ensure that all relevant factors, including risk and conduct matters (and, where appropriate, sustainability risk), have been appropriately taken into consideration.

The profit share pool allocated to the MacCap business considers overall remuneration levels in the market in which the business operates, reflects the business' contribution to company-wide profits taking into account capital and funding usage and considers the risk profile of each business.

Profit share allocations to individuals consider individual remuneration levels in the market in which the MacCap business operates, and are primarily based on business profits and individual contribution to profits for MacCap revenue generating employees, and contributions to high quality control functions for risk management and financial control staff.

Risk management and compliance, business leadership, people leadership and professional conduct are also considered in determining allocations. Allocations may be adjusted downwards based on an assessment of both financial or non-financial risks (where appropriate this may include sustainability risk) and conduct issues that have arisen during the year.

5. Contact

For any queries, please contact compliancemaccap-london@macquarie.com.

This document is published for information purposes only.

In the event of any inconsistency between this document and either (i) the ESR Policy, or (ii) the terms of any agreement between MCF and any of its clients, such other document shall prevail.

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