

Environmental and Social Risk Policy



ESR Policy Summary

Macquarie's purpose is to "Empower people to innovate and invest for a better future". Macquarie's approach to environmental and social risk identification, assessment and management supports this purpose statement.

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

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

What is the ESR Policy?

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

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

We are committed to complying with environmental and social laws, regulations and recognised international standards:

Macquarie is committed to conducting its business in accordance with all environmental and social laws, regulations, and recognised international standards, and in a way that enhances our reputation in the market.

Where local legislation conflicts with the principles and processes described in this policy, Macquarie will comply with the law, while also seeking ways to uphold environmental protection and human rights principles within its sphere of influence.

We support fundamental human rights:

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

- Non-discrimination and equal opportunity
- Freedom from child labour, forced and compulsory labour
- Freedom of association and collective bargaining
- Community health, safety and security practices
- Indigenous peoples and cultural heritage

Macquarie endeavours to identify and prevent or mitigate potential and actual adverse human rights impacts resulting from its business activities and the relationships connected to those activities through the application of the ESR Policy.

We manage environmental risk and seek to improve environmental performance:

Macquarie applies a precautionary approach to environmental risk, and seeks to make a positive contribution to environmental performance, including considering our direct and indirect impacts on:

- Resource efficiency and pollution prevention
- Biodiversity and natural resource management
- Environmentally sensitive or protected areas
- Climate risk and energy transition

The requirements in the ESR Policy are designed to ensure consistent identification and responsible management of environmental and social risks in our business.

The ESR Policy requirements include:

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

Business application

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

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

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

Governance and reporting

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

A Whistleblower Policy and Program enable Macquarie staff and external parties, including suppliers, to confidentially report concerns about improper conduct by Macquarie or suppliers to the Integrity Office, an internally independent and confidential function that oversees Macquarie's Whistleblower Program. Improper conduct includes breaches of laws, breaches of Macquarie's internal policies including the ESR policy, as well as conduct that endangers (or may endanger) the health and safety of any persons (for example, any instance or suspicion of modern slavery or human trafficking).