Green Finance Framework
June 2019
Contents

1. Introduction ................................................................................................................................. 1
   1.1 Business overview .................................................................................................................. 1
2. Framework concept ...................................................................................................................... 2
3. Macquarie’s Green Finance Framework ....................................................................................... 3
   3.1 Use of Proceeds ..................................................................................................................... 3
   3.2 Project Evaluation and Selection .......................................................................................... 4
   3.3 Management of Proceeds ...................................................................................................... 4
   3.4 Reporting ............................................................................................................................... 5
4. Assurance .................................................................................................................................... 7
1. Introduction

1.1 Business overview

Headquartered in Sydney and founded in 1969, Macquarie Group ("Macquarie") is a global financial group with a presence across 25 countries and assets under management of $A551 billion (as at 31 March 2019). Macquarie’s key activities include asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. These activities are divided among the following five business groups:

1. Macquarie Asset Management
2. Corporate and Asset Finance
3. Banking and Financial Services
4. Commodities and Global Markets
5. Macquarie Capital

Macquarie acts primarily as an investment intermediary for institutional, corporate and retail clients and counterparties around the world. It has established leading market positions as a global specialist in a wide range of sectors, including resources, agriculture and commodities, energy and infrastructure, with a deep knowledge of Asia-Pacific financial markets.

Macquarie's renewable energy commitment

Macquarie - and its managed funds - is one of the world’s largest investors in renewable energy having invested or arranged $A8b in green projects in FY19.

Macquarie has a substantial and longstanding commitment to the renewable energy and clean technology sectors as a fund and project manager, adviser, financier, and participant in environmental markets. We also actively invest in these sectors alongside our clients.

Our support for the renewable energy and clean technology sectors is part of a broader commitment to infrastructure. Macquarie, through its Macquarie Asset Management business, manages over 160 infrastructure and real assets used by ~100 million people every day and co-invests alongside the world’s leading institutional investors including public sector pension funds.

A further example of this commitment is the 2017 acquisition by a Macquarie-led consortium of the UK Green Investment Bank. This acquisition created a global pioneering green investment business, acting as the Green Investment Group ("GIG").
2. Framework Concept

This Macquarie Green Finance Framework ("GFF") has been developed to demonstrate how the Group and its other entities intend to enter into Green Financing Transactions ("GFT") to fund projects that will deliver environmental benefits to support Macquarie’s business strategy and vision.

Green Financing Transactions will include bonds, loans and other debt or financing structures which support Eligible Projects, as defined below. More specifically:

- Bonds issued under the GFF will be in alignment with the Green Bond Principles\(^1\) (GBP 2018) or as they may be subsequently amended.
- Loans issued under the GFF will be in alignment with the Green Loan Principles\(^2\) (GLP 2018) or as they may be subsequently amended.
- Other forms of financing may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

GFT may be raised in any currency or tenor and with other terms and conditions including covenants, to reflect Macquarie’s financing strategy and commercial terms agreed between the Issuer/Borrower and Manager/Arranger/Lender.

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3. Macquarie’s Green Finance Framework

For each GFT, Macquarie asserts that it will adopt the following 4 pillars as described in GBP 2018 and GLP 2018:

1. Use of Proceeds
2. Project Evaluation and Selection
3. Management of Proceeds, and
4. Reporting

3.1 Use of Proceeds

The proceeds of each GFT will be notionally allocated against the financing or the re-financing\(^3\) of “Eligible Projects” that provide clear environmental sustainability and climate change benefits.

The Eligible Projects means projects that comprise financing which fall within the categories below, which are or have been originated by the various business units of Macquarie.

<table>
<thead>
<tr>
<th>Eligible Projects</th>
<th>Alignment with GBP 2018 and GLP 2018</th>
<th>Description and Examples</th>
</tr>
</thead>
</table>
| Renewable Energy  | Renewable energy                     | Development, deployment, and generation of energy from renewable sources including the below and the ancillary infrastructure including but not limited to development of land, transmission lines and sub-stations for each renewable energy project:  
|                   |                                       | Wind (onshore and offshore)  
|                   |                                       | Solar  
|                   |                                       | Sustainably sourced biomass  
|                   |                                       | Tidal |
| Energy Efficiency | Energy efficiency                     | Investment in technology, product or system(s), demonstrating a clear, measurable improvement in energy efficiency appropriate to each asset class |
| Waste Management  | Pollution prevention and control      | Municipal and commercial waste recycling  
|                   |                                       | Waste-to-energy projects:  
|                   |                                       | Solid waste incineration and power generation projects  
|                   |                                       | Organic waste treatment and power generation projects  
|                   |                                       | Landfill gas collection and power generation projects |
| Green Buildings   | Green Buildings                       | Buildings certified in accordance with any one or more of the following standards:  
|                   |                                       | GBCA 6 star  
|                   |                                       | BREEAM Excellent  
|                   |                                       | LEED Gold or above  
|                   |                                       | equivalent regional standards |
| Clean Transportation | Clean Transportation | Investment in:  
|                     |                                       | electric or hybrid vehicles  
|                     |                                       | infrastructure for clean energy vehicles  
|                     |                                       | reduction of harmful emissions reduction |

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\(^3\) Refinancing projects will typically be within 3 years of operation to ensure sufficient additional impact, however limited exceptions may apply.
Exclusionary Criteria:
- Activities and lending to an industry or technology which directly involves:
  - Fossil fuel
  - Nuclear
  - Biomass suitable for food production

3.2 Project Evaluation and Selection

The Green Finance Working Group ("GFWG") will have responsibility for governing and implementing the GFF. The GFWG comprises representatives from Treasury, Credit Risk, Environmental and Social Risk and the GIG Green Investment Ratings Team.

Respective business units will identify potential Eligible Projects based on the criteria in the GFF’s Use of Proceeds section outlined above.

Potential Eligible Projects will be submitted to the GFWG for review and confirmation that they qualify as Eligible Projects based on:
- Description of the project and the engineering approach setting out the environmental benefits to be obtained versus alternative approaches
- Preliminary or final certificates received in respect of compliance with relevant standards
- A suitable Green Opinion provided by the GIG Green Investment Ratings Team where appropriate

In addition to meeting the green loan or bond eligibility criteria, all projects are assessed under Macquarie’s group-wide Environmental and Social Risk (ESR) policy and ESR assessment tool during the investment decision process. The ESR Policy and tool provides a robust due diligence process and evaluates ESR issues including labour and employment practices, climate change, human rights, resource efficiency, pollution prevention, biodiversity and cultural heritage. The approach is based on international guidelines including the International Finance Corporation Performance Standards.

3.3 Management of Proceeds

The proceeds of each GFT will not be credited to a dedicated account and will be deposited in Macquarie’s general funding accounts. The internal governance process to allocate proceeds against Eligible Projects in an appropriate manner (as required in the GLP’s) is described below.

Through the GFWG, Macquarie will maintain a register of GFT and Eligible Projects and implement a monitoring and reporting process to ensure that:
- The total funding required for Eligible Projects is greater than the outstanding principal amounts due on GFT.
- Eligible Projects are owned within the consolidated entity which raises the GFT that is notionally allocated against the Eligible Projects.
- Eligible Projects do not have other financing (a) secured against them, or (b) attributable to them in respect of another ‘use of proceeds’ obligation.

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4 Green Opinion is an opinion provided by the Green Investment Ratings Team on the prospective transaction. It includes information on the anticipated environmental sustainability and/or climate change mitigation benefits of the assets to be financed by the transaction and will be a requirement for any transaction included in the Green Loan Facility

5 This is calculated as the legal commitment Macquarie has agreed to invest in an eligible project as reflected in contractual arrangements entered into by Macquarie, irrespective of whether the commitment is drawn or undrawn. This includes, but is not necessarily limited to, the purchase price for an eligible project, the total committed exposure to an eligible project or an equity contribution to an eligible project.
The register will include the following information:

1. **Type of GFT**: Information including,
   - issuer/borrower entity,
   - transaction date,
   - tranche information including; currency and principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon, where relevant the common identifier number (e.g. ISIN number).

2. **Allocation of Use of Proceeds**: Information including:
   - Name and description of Eligible Projects including; Macquarie entity that has made the investment, total investment made.
   - Amount of GFT proceeds which have been notionally allocated against each Eligible Project.
   - The remaining balance of GFT proceeds yet to be allocated against Eligible Projects (if Eligible Projects ever fell below outstanding principal amount of GFT).

Any balance of issuance GFT proceeds which are not yet allocated to Eligible Projects will be held in accordance with Macquarie’s normal liquidity management policy.

### 3.4 Reporting

Macquarie will publish a Green Finance Report on an annual basis. The Green Finance Report will contain information on allocation and impacts:

1. **Allocation Reporting**
   Macquarie will provide the following information for GFTs raised and outstanding during the period:
   - The amount allocated to Eligible Projects in aggregate
   - The remaining outstanding balance of GFT funds which have not yet been allocated
   - Examples of Eligible Projects (subject to confidentiality disclosures)

2. **Impact Reporting**
   Where possible, Macquarie will report on the anticipated environmental sustainability and/or climate change mitigation benefits resulting from Eligible Projects. This report will be completed by the GIG Green Team using their market leading methodology.

   Subject to the nature of Eligible Projects and availability of information, Macquarie aims to include, but not limit to, the following ‘Impact Indicators’.

<table>
<thead>
<tr>
<th>Eligible Project Categories</th>
<th>Impact Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable Energy</strong></td>
<td>- Renewable energy generation (MWh)</td>
</tr>
<tr>
<td></td>
<td>- CO2 (or other GHG) emissions avoided / reduced (tonnes of CO2e)</td>
</tr>
<tr>
<td></td>
<td>- Fossil fuel consumption avoided (tonnes of oil equivalent)</td>
</tr>
<tr>
<td></td>
<td>- Particulates to air avoided (tonnes)</td>
</tr>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>- Amount of energy saved (MW)</td>
</tr>
<tr>
<td></td>
<td>- CO2 (or other GHG) emissions avoided (in tonnes of CO2e)</td>
</tr>
<tr>
<td></td>
<td>- Fossil fuel consumption avoided (tonnes of oil equivalent)</td>
</tr>
<tr>
<td></td>
<td>- Particulates to air avoided (tonnes)</td>
</tr>
<tr>
<td><strong>Waste Management</strong></td>
<td>- Energy generated from waste (kWh)</td>
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<td></td>
<td>- Waste recycled (tonnes)</td>
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<tr>
<td><strong>Green Buildings</strong></td>
<td>- Certification received or maintained</td>
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<tr>
<td></td>
<td>- Additional energy saving or operational performance data</td>
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<tr>
<td><strong>Clean Transportation</strong></td>
<td>- CO2 (or other GHG) emissions avoided (in tonnes of CO2e)</td>
</tr>
</tbody>
</table>
The Green Finance Report will be publicly available via annual updates on Macquarie’s website.

Macquarie will also make disclosure through other channels where feasible, such as annual reports and corporate social responsibility reports, which will also be published on Macquarie’s website https://www.macquarie.com.
4. Assurance

Macquarie will obtain an external review of this framework from an independent party and annual assurance over compliance with the Framework from an appropriate audit provider. This will be available at https://www.macquarie.com.