# Environmental, Social and Governance

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

## ESG approach

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

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

## ESG governance

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

**ESG governance:**

**External stakeholder interests**

**ESG focus areas**

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

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

## About these disclosures

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

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

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

**Risks and opportunities identified by the business**

| Client experience | People and workplace | Business conduct and ethics | Community |
|---|---|---|---|
| Partnerships Gold Award 2019 for Financial Advisor of the Year<br>Mozo Experts Choice Awards 2020 for Excellent Banking App, Internet Banking and Exceptional Everyday Account<br>Canstar Outstanding Value Transaction Account (2018 and 2019) | 3,000 classroom events and 350,000 online courses and knowledge tests delivered to our staff | Tailored training, workshops and leadership sessions provided to over **8,700** staff(3) | The Macquarie Group Foundation is the philanthropic arm of Macquarie.<br>Further information can be found on pages 62 to 65 of this Annual Report |

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

## Environmental and social risk management

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

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

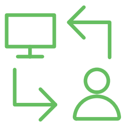
The ESR team coordinates a diverse range of ESG activities across business groups and regions, including developing and implementing Macquarie-wide and business-specific policies, conducting transaction reviews, providing advice on ESG risks and opportunities and facilitating training. The ESR team sits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

### ESR in transactions

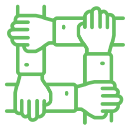
Environmental and social risks are managed through the implementation of the *ESR* and *Work Health and Safety (WHS)* policies.

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

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



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



**80**
staff received specialist Human Rights training in FY2020

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

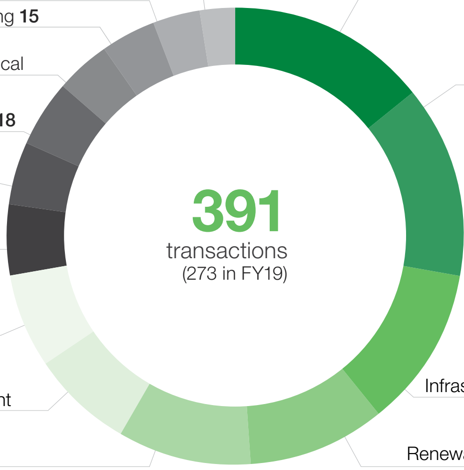
- conducting due diligence prior to investment
- training our staff
- regular monitoring of performance
- sharing lessons learnt and best practices across our portfolio
- ongoing audits.

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

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

### ESR Policy referrals


### Transactions assessed under the ESR Policy by sector




## Safe construction of Formosa 1 wind farm in Taiwan

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

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

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

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

More detailed information is available at **macquarie.com/ESG**

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

# Environmental, Social and Governance

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## Environmental and social financing

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

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

### Our capabilities

**Finance and Develop**

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

**Advise**

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

**Manage**

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

**Research**

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

**Trade**

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

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

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

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

### Finance, develop and advise

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

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

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

## Accelerating the energy transition by bringing innovative projects to life

*Floating LiDAR system*

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

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

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

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

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

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

## BloombergNEF Carbon Score

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

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

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

# Environmental, Social and Governance

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## Manage

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

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

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

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

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

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

## MIRA agricultural fund

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

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

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

## Social and affordable housing

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

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

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

## Research

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

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

3

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

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

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

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

## Trade

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

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

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

# Environmental, Social and Governance

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## Climate change

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

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

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

### TCFD Implementation Summary

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

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

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

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

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

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## FY2020 scenario analysis

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

## FY2020 energy sector exposures

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

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

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

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

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

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

## Transition risk

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

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

### Scenario assumptions

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

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

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

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

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

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

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

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


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

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

| | Oil and Gas | Coal |
|---|---|---|
| Transition risk scenario analysis[12] | By 2050 under both scenarios, lending portfolio average default rates are forecast to double compared to the baseline.<br>Estimated losses for the equity portfolio are similar under both scenarios and could be up to 50% of the current asset value by 2050.<br>The overall impact on Macquarie under both scenarios would be limited and would not be considered material given the size of our existing total lending and equity exposures. We note that the analysis assumes no changes to the portfolio across all time horizons, which would not in practice be the case. | Under both scenarios, lending portfolio average default rates are anticipated to rise by almost five times, peaking in 2030 under the Orderly Scenario and peaking in 2050 under the Disorderly Scenario.<br>Equity portfolio – *De minimis* exposure to this sector.<br>The overall impact on Macquarie would not be considered material given the limited size of our existing lending exposure to this sector. |
| Learnings and next steps | Macquarie acknowledges the benefits of the combined portfolio level (top-down) and company level (bottom-up) analysis that was undertaken in FY2020 and will build on this as we continue to refine our approach to climate-related scenario analysis.<br>The company level approach highlighted limitations with the availability and granularity of data and the need to continue working closely with our clients as part of ongoing relationships to support their plans to reduce their carbon intensity. | |

## Physical risk

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

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

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

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

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

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

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

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

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

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

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

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

## Sustainability in direct operations

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

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

### Emissions from energy use and flights

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

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

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

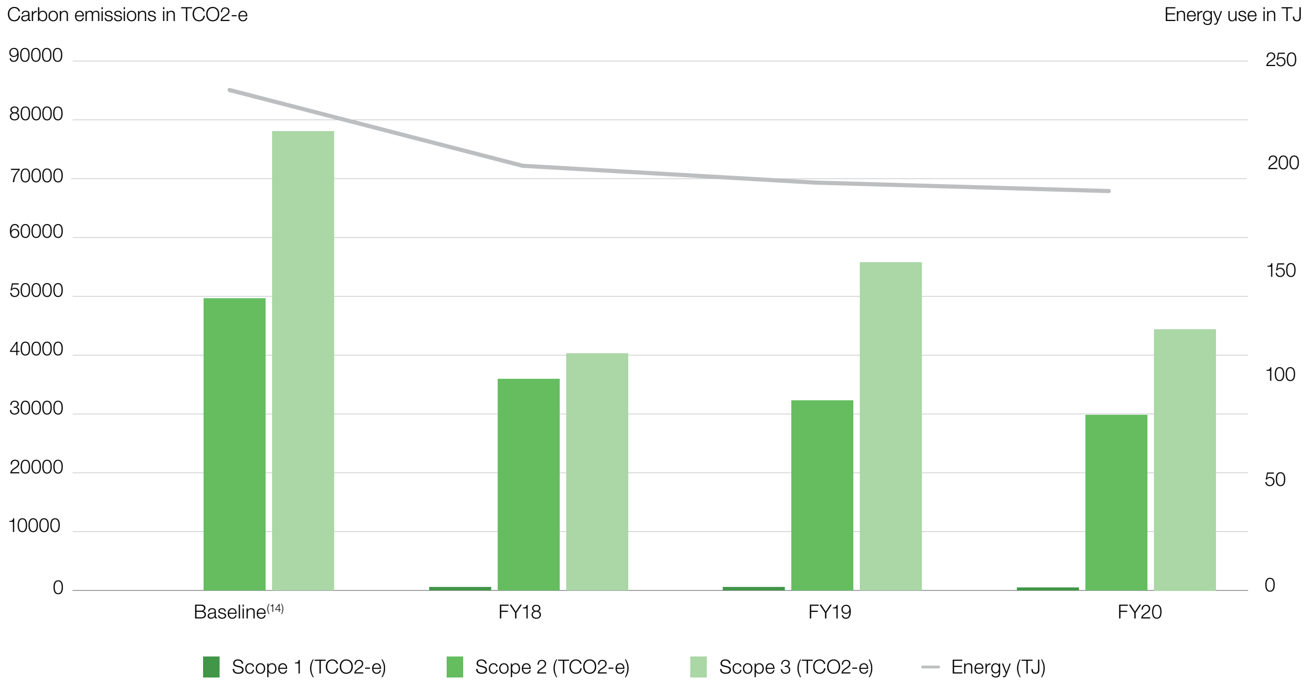
This year, energy audits were completed in EMEA in response to the European Union Energy Efficiency Directive requirements.

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

### Carbon neutrality

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

### Carbon and energy data for FY2020




(13) PwC has provided limited assurance over selected information for the FY2020 reporting period as detailed in its independent assurance report available on Macquarie's website. The assurance report includes a table outlining Macquarie's carbon and energy data for FY2010 to FY2020 as well as a definition of the different scopes.

(14) Note that the baseline for Scope 2 electricity emissions is FY2009 while, due to data availability, the baseline for Scope 3 business air travel emissions is FY2010.

### Resource efficiency

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

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

### Sustainable procurement

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

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

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

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

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

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

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

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

## Client experience

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

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

### Client feedback shapes business decisions

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

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

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

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

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

### Supporting clients in times of need

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

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

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

## Fair and efficient resolution of issues

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

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

## Banking Code of Practice

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

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

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

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

## People and workplace

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

### Leadership, talent and culture

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

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

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

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

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

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

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

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

**3,000** classroom events and

**350,000** online courses and knowledge tests delivered to staff in FY2020

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

Regular appraisals, including goal setting and ongoing career development, are a key part of performance measurement and talent management, and support Macquarie's merit-based culture. As well as encouraging regular and ongoing feedback with managers, Macquarie requires all staff to have at least one formal appraisal session with their manager.

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

## Workplace health, safety and wellbeing

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

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

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

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

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

**10.9%** global voluntary turnover rate[18]

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

## Diversity & Inclusion

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

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

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

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

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

## Business conduct and ethics

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

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

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

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

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

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

### Tax transparency

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

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

### Political contributions and engagement

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

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

Macquarie contributes to public policy in the following ways:

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

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

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

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

### Data privacy and security

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

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

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