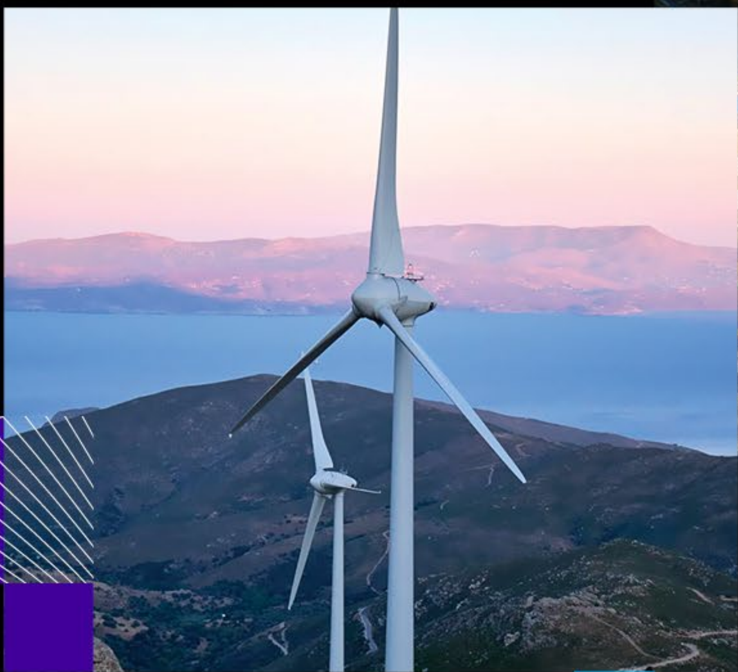
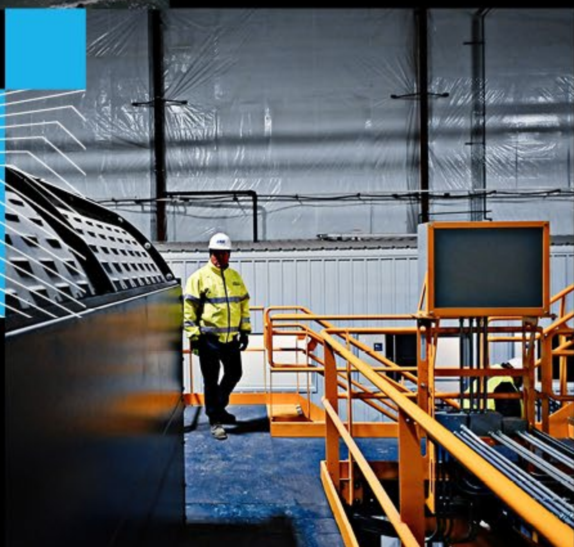
Macquarie Asset Management

2023/24 Stewardship Report





Important information

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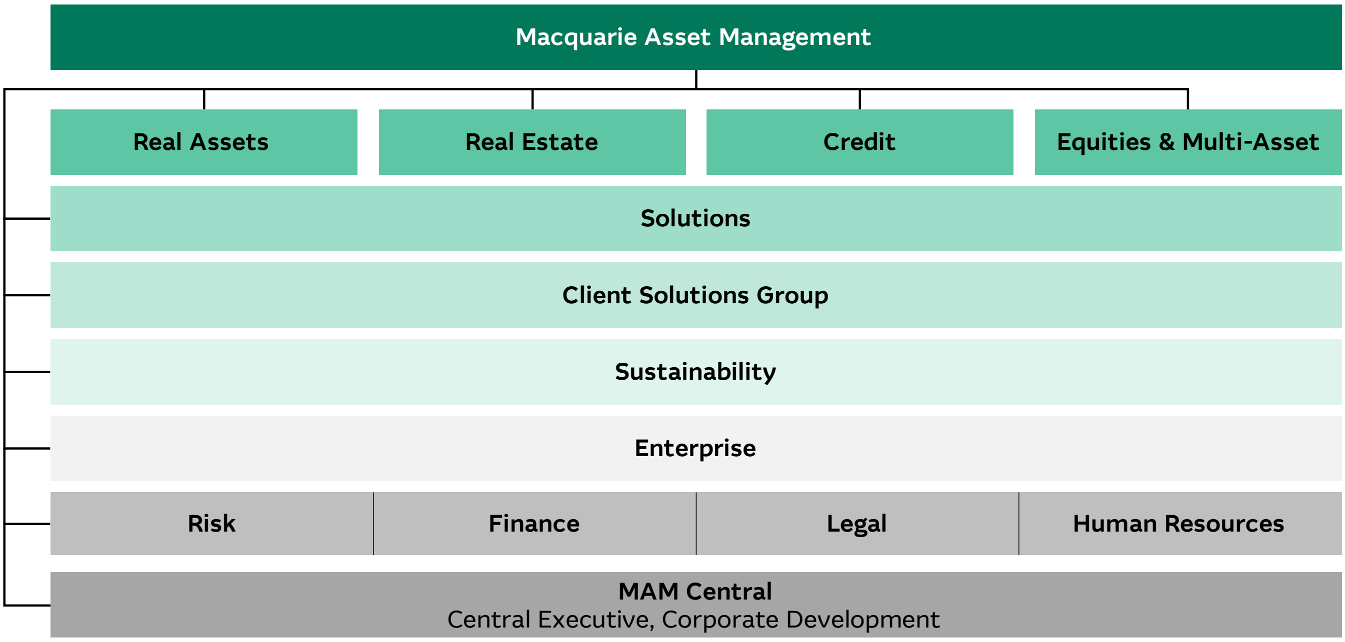
Introduction

About MAM

Macquarie Asset Management (**MAM**, also referred to in this report as **we**, **our** or **us**) is a global asset manager integrated across public and private markets. We focus on generating positive outcomes for our clients, portfolio companies and communities. This starts with understanding their needs and providing solutions that seek to deliver superior results over the long term.

Managing approximately £484.8 billion in assets,[1] with a team of more than 2,450 people operating in 25 markets, we provide a diverse range of investment solutions across Real Assets (Infrastructure, Green Investments, Agriculture), Real Estate, Credit, Equities & Multi-Asset, and Solutions (a cross-MAM business group that provides new strategies and initiatives for MAM). See MAM's website for further information at www.macquarie.com/mam.

MAM is part of Macquarie Group (**Macquarie**), a diversified financial services group operating in 34 markets. Macquarie was founded in 1969 and is listed on the Australian Securities Exchange. See Macquarie's website for further information at www.macquarie.com.



About this report

MAM's Stewardship Report for the period 1 January 2023 to 31 March 2024 provides a detailed overview of the policies, frameworks, activities and outcomes related to the responsible investment and stewardship philosophy that is applied to all our assets under management (**AUM**). Throughout this document, the 'public markets businesses' of MAM refer to the Equities & Multi-Asset division and the Fixed Income and Leveraged Credit capabilities of the Credit division. The 'private markets businesses' refer to the Real Assets and Real Estate divisions, and the Private Credit capability of the Credit division. Typically, we have used 'investee companies' to refer to the assets held across our public markets businesses and 'portfolio companies' to refer to the assets held across our private markets businesses.

[1] As at 31 March 2024. Private markets assets under management (AUM) include equity yet to be deployed and equity committed to assets but not yet deployed.

This Report is complementary to MAM's Sustainability Reporting, including MAM's latest Sustainability Report, available here. Additionally, this is separate from Macquarie Group's environmental, social, and governance (ESG) reporting that can be found here.

MAM's ESG policies and frameworks set out our approach to ownership and the governance of companies in which we invest, and how we manage environmental and social risk and opportunity. The application of our policies and frameworks varies across our business divisions, reflecting the different ownership interests and levels of influence in those asset classes.

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

For more information on our stewardship activities, please visit our website here.

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

Ben Way
Group Head
Macquarie Asset Management

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Purpose and governance

Principle 1

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

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

Our vision

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

In MAM, we do this by aiming to **invest to deliver positive impact**. We recognise our work has a real impact on people. As an integrated asset manager, we are trusted by institutions and individuals to invest their savings. Through our investments, we also manage critical services and infrastructure that more than 290 million people rely on every day.[2] Our team recognises and embraces this responsibility.

We seek to invest sustainably because we believe it leads to better outcomes for our clients, investee companies and communities over the long term. By supporting businesses to reduce their greenhouse gas (GHG) emissions and transition to a low-carbon economy, we believe our efforts can help to preserve and create value, while delivering positive outcomes for communities and the environment.

We assess a range of commercial factors, including material ESG risks and opportunities, before actively investing in companies and managing our portfolios over their holding period. This is part of our fiduciary responsibility to clients.

From our experience in the sectors in which we operate, ESG integration can improve operational performance and contribute towards reduced risk, improved productivity, increased cash flow and better long-term value. As such, a disciplined approach to ESG is fundamental. We seek ways to improve our approach to sustainability, including developing tools, targets and investment performance standards, improving our systems for measurement and reporting, as well as enhancing our culture, resources and governance. We also recognise that the scale of the issues at hand requires a broader understanding of how ESG is being addressed within our industry. By working with others, we can identify opportunities to improve our sustainability practices.

Our culture

We believe that by empowering people – our colleagues, clients, communities, shareholders and partners – we will achieve our shared potential. Macquarie's purpose is enabled by three long-held What We Stand For principles, Opportunity, Accountability and Integrity, that explain how we do business.

- **Opportunity:** We seek to identify opportunity and realise it for our clients, communities, partners, shareholders and people. We start with real knowledge and skill. We encourage innovation, ingenuity and entrepreneurial spirit balanced with operational discipline. We support our people to learn, achieve and succeed. Our success is built on this. We value the opportunity to be part of the Macquarie team, actively seeking out and respecting different ways of thinking and the contribution of others.
- **Accountability:** With opportunity comes accountability. We are accountable for all our actions, to our stakeholders and each other. We do not compromise our standards. We take responsibility for our actions and everything we say and do is on record. We analyse and manage risk, and we make decisions we are proud of and that stand the test of time.

[2] Number of people reached is calculated by taking an estimate of the number of users for all MAM Real Assets portfolio companies. Examples include: a specific toll road where the number of vehicles per day has been multiplied by the average number of passengers in a vehicle (average passengers in a vehicle is ~2, not dependent on country); a particular power generation asset where the amount of GWh it generates per year is divided by the average power consumption in the country where the asset is located. Portfolio company data is collected from MAM's asset management teams on a bi-annual basis.

- **Integrity:** We act honestly and fairly. We honour our promises. We earn the trust of our stakeholders through the quality of our work and our high ethical standards. We have the courage to speak up when we make a mistake or see something that doesn't seem right.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success and a key factor in our long record of unbroken profitability. Our corporate governance practices reflect this balance.

Our approach to stewardship

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

ESG integration

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

Consistent across all businesses, however, is our materiality-based approach, where we seek to focus on ESG matters that are most material to each company, its employees and customers, alongside the jurisdictions, industries and communities in which it operates.

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

Net zero

As an active manager and a fiduciary, we support the decarbonisation of our portfolio, to the extent possible and subject to client preferences, to mitigate and manage the risks of climate change and enhance the long-term value of the businesses we invest in on behalf of our clients.

For information on MAM's net zero commitment, scope and progress, please see MAM's latest Sustainability Report, available here.

For information on Macquarie's net zero commitment, scope and progress, please see macquarie.com/esg.

Investing in climate solutions

Macquarie has invested significantly in the development and deployment of climate solutions over the past two decades, including through the purchase of the Green Investment Group (GIG) from the UK Government in 2017. To further support Macquarie's ambition, GIG moved into MAM in April 2022 forming MAM Green Investments as a sub-division of Real Assets.

This move has enabled us to combine the renewables project development and finance expertise of MAM Green Investments and its portfolio of specialist development platforms with the fiduciary capital resources entrusted to MAM, thereby providing access to larger pools of capital and finance that in turn will allow us to facilitate further development of renewables projects.

Alongside scaling green investments, MAM also continues to support carbon-intensive industries and companies to decarbonise, including those in the electricity, water, gas, agriculture, transport, mining, oil and waste sectors. These industries provide products and services that communities rely on, and MAM's approach recognises that long-term solutions lie in collaboration, rather than divestment.

Across MAM we are seeing many clients are now expressing their climate-related preferences, both in favour and against MAM managing their portfolio in line with our Net Zero Commitment. We carefully consider those preferences when developing new products and bespoke solutions for our clients.

To this end, we seek to facilitate increased client investment in climate solutions through the introduction of new investment products dedicated to the energy transition across both public and private markets. For further detail on MAM's investments in climate solutions, please see the latest MAM Sustainability Report here.

Stakeholder engagement

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

As an asset manager and fiduciary, we recognise the importance of stakeholder collaboration and frequently engage with clients, investee companies, governments, regulators, industry alliances, communities and other stakeholders on ESG matters. By doing so, we aim to refine our own approach, share knowledge and collaborate on global ESG challenges such as the transition to a low-carbon economy, in order to create value for our clients. We also benefit from understanding how the wider market evaluates certain ESG and stewardship issues.

A selection of our industry affiliations, accreditations and commitments are detailed later in this document, under **Principle 4**.

Principle 2

Signatories' governance, resources and incentives support stewardship

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

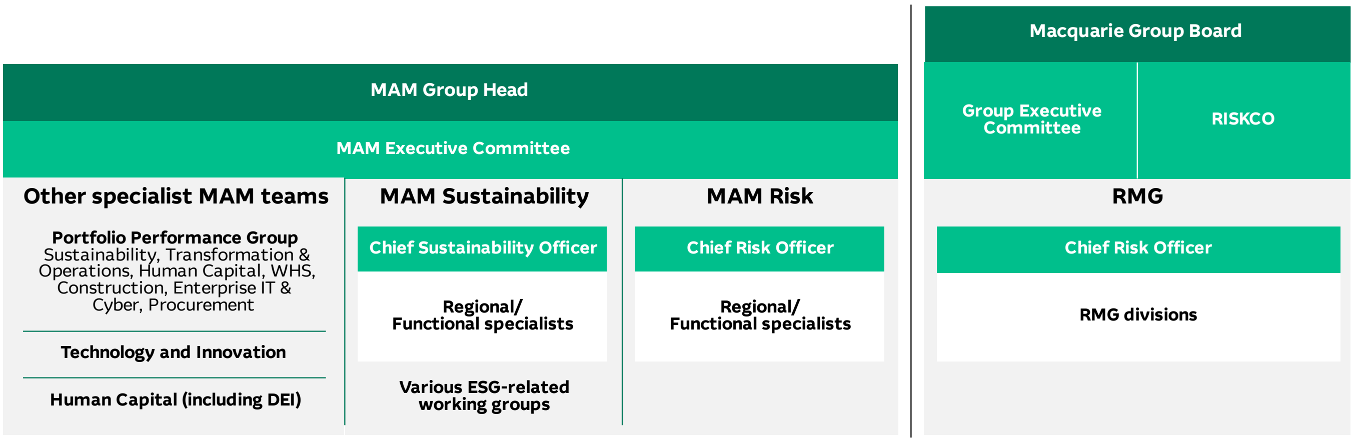
Governance framework

Robust and comprehensive corporate governance practices are intrinsic to our investment philosophy and to delivering long-term value.

The MAM Executive Committee sets the overall strategic direction of MAM's approach to responsible investment and has accountability for MAM's management of material risks (including ESG-related risks) that arise in, or because of, our business operations. It also has ultimate responsibility for approving MAM's ESG frameworks, including MAM's ESG policy and other related ESG-related policies. MAM's Chief Sustainability Officer reports to the MAM Group Head and is a member of the MAM Executive Committee.

The committee comprises MAM's Group Head, Chief Sustainability Officer, Chief Risk Officer, Chief Operating Officer, Chief Financial Officer, Chief Commercial Officer, General Counsel, Head of Human Resources, Head of Client Solutions Group, Head of Real Assets, Head of Real Estate, Head of Credit and Head of Equities & Multi-Asset.

The MAM Executive Committee meets fortnightly and receives regular sustainability reporting that includes updates on climate initiatives and MAM's Net Zero Commitment. A simplified organisational chart of the key teams involved in supporting governance across MAM is shown here.



In addition to the MAM Executive Committee described above, MAM management is supported by a number of committees, as summarised in the following table:

Committee	Frequency	Roles and responsibilities
MAM Risk Committee	Quarterly	The MAM Risk Committee's primary objective is to provide a dedicated forum for the oversight of the identification, measurement, evaluation, monitoring and control or mitigation of material risks that arise in or because of the operations of MAM. The MAM Risk Committee comprises the MAM Executive Committee, with MAM-aligned leads from Risk Management Group (**RMG**) Compliance and RMG Operational Risk, and leads within the MAM Sustainability team as standing invitees to the committee. The committee provides strategic guidance and acts as an escalation forum for members to raise key issues so that MAM can appropriately

Committee	Frequency	Roles and responsibilities
		and proportionately manage its material risks and comply with obligations under relevant laws, regulations and Macquarie policies. The committee also provides a forum for Macquarie's RMG and other Central Services Groups to provide updates on Macquarie-wide risk themes, risk management priorities and learnings.
MAM Operating Committee	Monthly	The MAM Operating Committee's key objective is to provide a forum to prioritise MAM initiatives and resources, govern change, optimise the MAM operating model and operational expenditure, monitor and manage key risks, influence Macquarie activities that impact MAM and to share information that is essential and/or high value across MAM. The MAM Operating Committee provides strategic guidance and acts as an escalation forum for key issues to ensure that MAM operates effectively to meet its business objectives, internal and external obligations, and to manage risk in line with established policies, standards, and risk appetite thresholds of MAM and Macquarie. Effective functioning of the MAM Operating Committee provides the MAM Executive Committee and the MAM Group Head with the required oversight on MAM's performance, key initiatives and compliance with our internal and external obligations. These key initiatives may include any operational matters relating to the delivery of processes, systems and resources to meet MAM's sustainability goals.
MAM Divisional Executive Committee and/or Management Committee	Varies for each asset class; at least bi-monthly	Each MAM asset class division has an Executive Committee and/or Management Committee. While the terms and scope of each committee may differ across the different divisions of MAM, the committees are typically chaired by the divisional or business heads and are forums for them to receive updates from the key representatives of the relevant business lines and specialist functions. The committees will typically discuss new business strategies, staff matters, operational updates, risk management and other organisational matters. Matters discussed may include sustainability and/or climate-related risks and opportunities, and sustainability-related projects and initiatives.
MAM private markets investment committees	As required	Each private markets fund has an investment committee, whether at fund level or divisional/regional level, dependent on the product strategies. This committee acts as the ultimate decision-making body responsible for overseeing the various stages of the of the investment life cycle. The investment committee reviews asset papers and due diligence reports that may contain climate-related risks and opportunities put to the committee by the asset teams for consideration in investment decisions. Members of the MAM Sustainability team may attend an investment committee meeting at the request of the MAM Risk team on an ad-hoc basis, should material ESG factors arise for discussion during MAM's management of an asset.

A sound risk culture has been integral to Macquarie's risk management framework since inception. Macquarie sets, promotes, monitors and reflects on the effectiveness of our risk culture. All staff have a role in managing risk. Ownership of risk, including risk culture, is at the business level. The Macquarie Board, assisted by the Board Risk Committee, is responsible for forming a view on Macquarie's risk culture and the extent to which it supports the ability of Macquarie to operate consistently within its risk appetite. The Board also identifies and monitors any necessary or desirable actions to change the risk culture.

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

Macquarie's Risk Management Framework is based on the 'three lines of defence' model, which sets risk ownership responsibilities functionally independent from oversight and assurance as described below.

MAM's ESG framework

Our investment and asset management teams seek to focus on the most material ESG issues when evaluating a potential investment's business model. This helps us understand the risks and opportunities more comprehensively and allows us to make better investment decisions for clients.

The application of our frameworks and policies varies across our public and private businesses, reflecting the different ownership interests and levels of influence in those asset classes:

- Across our private markets businesses, these outline a framework for embedding the management and reporting of material ESG risks and opportunities across the investment lifecycle for portfolio companies.
- Across our public markets businesses, these outline our approach to the integration of ESG factors into our investment processes, proxy voting and engagement with investee companies.

MAM's ESG Policy was created to establish minimum standards to integrate ESG into our investment processes, outlining the different integration and engagement approaches across our public and private and public markets businesses.

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

- corporate governance
- oversight and management of workplace health and safety (**WHS**)
- identification, assessment and management of environmental and social risks
- selection and management of investments and undertaking new business activities
- ethical conduct by staff, including support from Macquarie's Integrity Officers
- GHG emissions and energy management and reporting
- provision of a safe, diverse and appropriate workplace, including a network of Equal Employment Opportunity officers
- whistle blowing, anti-corruption, anti-money laundering and dealings with external parties such as regulators and public officials
- management of business and staff conflicts of interest
- engagement by Macquarie and its staff in the wider community, including volunteering, capacity building and matched donations.

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

1. MAM	2. Risk Management Group	3. Internal Audit
Primary responsibility for day-to-day risk management lies with the business. The risk owner is the first line of defence. All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework.	The RMG forms the second line of defence and provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks.	The Internal Audit Division, as the third line, provides independent and objective risk-based assurance to the Board Audit Committee, other relevant Boards or Board Committees, and senior management on the compliance with, and effectiveness of, Macquarie's financial and risk management framework, including its governance, systems, structures, policies, processes and people for managing material risks.

Macquarie Group's ESG-related policies are:

- Work Health and Safety Policy
- Environmental and Social Risk Policy Summary
- Principles for Suppliers
- 2025 Sustainability Plan
- Code of Conduct
- What We Stand For
- Privacy Policy
- Whistleblowing Policy
- Anti-Bribery and Corruption Policy
- Anti-Money Laundering and Counter-Terrorism Financing Policy Statement
- Political contributions and engagement
- Sanctions Compliance Statement

Further details are available at macquarie.com/esg.

Our policies and frameworks support stewardship across MAM's activities through robust separation and independence of oversight from investment teams, clear accountability and conduct expectations, as well as consistency through the application of detailed policies across MAM's organisation.
With this robust risk framework in place, MAM is well-positioned to be a good steward in maximising overall long-term value for our clients.

Public markets

As relevant to MAM’s public markets businesses, MAM’s ESG Policy details our approach to the integration of ESG factors into our investment processes, proxy voting and engagement with companies. Our frameworks for integrating ESG into our investment processes and supporting stewardship is described below.

ESG training and knowledge sharing

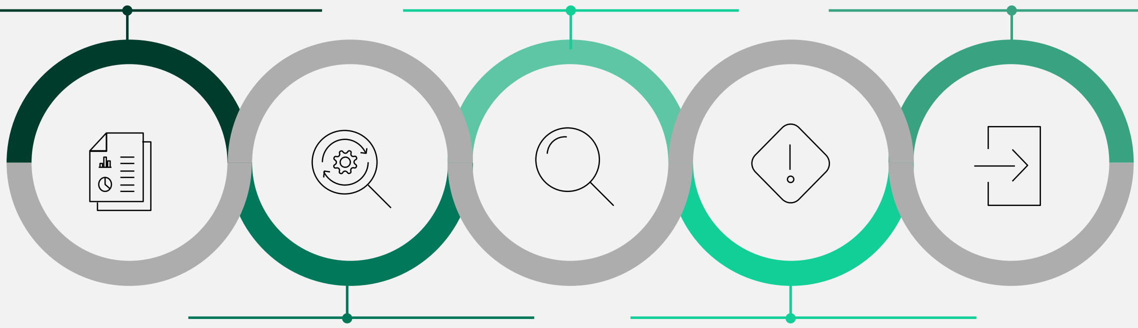
Investment teams have access to internal and external ESG training opportunities. Sustainability team supports best practice through engagement with investment teams

Ongoing monitoring

Investment teams continue to monitor material sustainability risks of their investments

Divestment

Investment teams may choose to divest from holdings in companies and/or issuers with severe sustainability risks as a measure of last resort



Analysis and research

Investment teams assess sustainability risks according to their own investment process, taking a materiality-based approach. Teams are supported in this analysis by access to internal and external ESG research

Risk mitigation

Investment teams can mitigate sustainability risks by engaging with investee companies and/or issuers and by exercising voting rights, where applicable, in line with MAM’s internal policies, with support from the Sustainability team

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

Investment teams are supported in their stewardship efforts by the Sustainability team and the businesses ESG working groups that cover different regions and investment bases, as well as with internal and externally generated ESG resources.

Material ESG-related issues are escalated to the relevant Executive Committee via ESG working groups, which comprise professionals from across the public markets businesses of MAM, including representatives from the Sustainability team, Legal, Risk and Compliance teams, the Client Solutions Group, and product and investment teams. These ESG working groups aim to manage sustainability risks in real-time.

The Global Proxy Voting Committee is responsible for overseeing the proxy voting process across our public markets activities. MAM has adopted Proxy Voting Guidelines that summarise our position on various issues and give a general indication as to how we will vote shares.

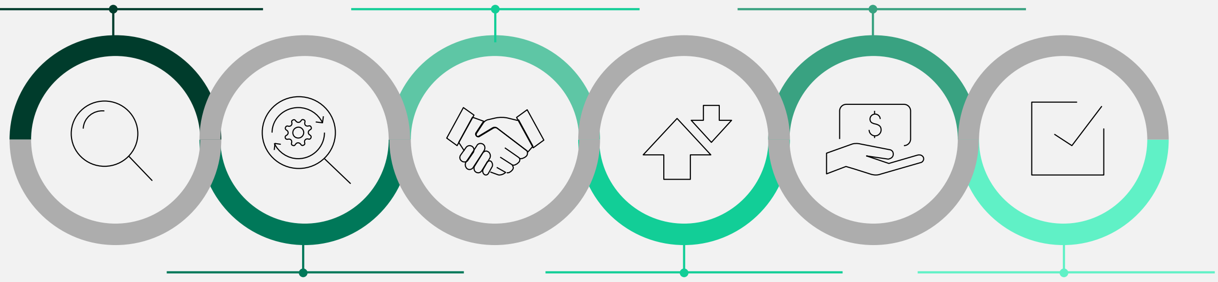
Private markets

As relevant to MAM's private markets businesses, MAM's ESG Policy outlines a framework for embedding the management and reporting of material ESG risks and opportunities across the investment lifecycle and is described below.

Screening
Assets and management teams are screened for ESG-related red flags and opportunities and subject to sensitive sector, practice or impact escalation

Investment decision
Material ESG risks, opportunities and mitigants are evaluated by the Investment Committee as part of all investment decisions.

Asset management
Investments are subject to ongoing ESG oversight, engagement and monitoring, with support from in-house experts.



Due diligence
ESG risks and opportunities are assessed – aided by tools, expertise and frameworks – and factored into the financial analysiswhere material.

Transition*
Identified ESG strategies and improvements are implemented and tracked as part of the transition plan.

Exit*
ESG advantages and opportunities are integrated into the realisation process to ensure optimal valuation

*Not applicable within Private Credit

MAM's ESG Policy and supporting guidance set out a framework for systematic due diligence, management and reporting of material ESG risks and opportunities associated with the operations of our private markets businesses. The policy defines ESG-related escalation requirements, related policies, processes and minimum sustainability standards for the businesses in which we invest and allows us to monitor sustainability and ESG outcomes. Through this framework, ESG considerations are embedded in our investment decision-making process and integrated throughout the investment lifecycle.

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

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

Specialist resources

Under Macquarie's Code of Conduct, our people share responsibility for identifying and managing environmental and social risks as part of normal business practice in all our activities. Our investment teams are supported by dedicated Sustainability and Risk teams, as well as other specialists across MAM and Macquarie Group.

MAM Sustainability

MAM's Sustainability team comprises over 20 sustainability professionals located across three regions. It is responsible for setting MAM's overall sustainability strategy and ESG frameworks, providing specialist expertise on environmental and certain social matters, as well as supporting investment and asset management teams in harnessing ESG opportunities across MAM's portfolios. The team works with other MAM specialist teams, including Investment Performance, Diversity, Equity and Inclusion (DEI), WHS, Technology and Innovation, and Human Capital, as well as a number of ESG-related committees and working groups.

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

During the reporting period, MAM has continued to invest in its reporting capabilities by expanding the scope of its ESG data platform. This platform facilitates the digital delivery of sustainability metrics and allows for stronger governance and controls over sustainability data to be implemented.

MAM Risk

MAM has a dedicated global risk team (**MAM Risk**) which seeks to ensure that all risks, including ESG risks, are identified and managed across MAM.

The MAM Risk team works closely with other specialist teams, including MAM's Sustainability team and Macquarie's RMG.

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

Macquarie's Risk Management Group

Macquarie's Risk Management Group (**RMG**), which forms the second line of defence, is a centralised function independent of MAM responsible for independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks. RMG designs and oversees the implementation of the risk management framework. RMG is structured into specialist functional divisions including RMG Central, Compliance, Credit (including Environmental and Social Risk), Financial Crime Risk, Internal Audit, Market Risk, Operational Risk and Prudential Risk.

RMG's Operational Risk division reports to Macquarie's Chief Risk Officer and reviews the design, implementation and operating effectiveness of controls. It is responsible for:

- ensuring there are effective mechanisms in place to identify, record and assess operational risks
- providing assurance that controls are working; monitoring and reporting on operational issues, errors and breakdowns within Macquarie; and
- escalating and reporting issues, where appropriate, outside of Macquarie.

The Environmental and Social Risk team within RMG Credit assists Macquarie staff in identifying and managing environmental and social risks, including climate-related risks. The RMG ESR team comprises subject matter experts who coordinate a diverse range of ESG activities across Operating and Central Service Groups and regions, including developing and implementing Macquarie-wide and Operating Group-specific policies, reviewing transactions, providing advice on climate risks and opportunities, and facilitating training.

RMG's Internal Audit Division provides independent and objective risk-based assurance to the Board Audit Committee, other relevant Boards or Board Committees, and senior management on the compliance with, and effectiveness of, Macquarie's financial and risk management framework, including its governance, systems, structures, policies, processes and people for managing material risks.In consultation with senior management and the relevant Board or Board Committee, IAD must develop an Audit Plan at least annually, which must include an assessment of the appropriateness, effectiveness and adequacy of the risk management framework, with coverage of all material elements of the framework over a three year period.

RMG's assessment and monitoring of risks involves a collaborative effort across the divisions to ensure detailed analysis takes place at both the individual and aggregate risk level.

Training and development

Good stewardship requires the integration of ESG practices across MAM's organisation. ESG-related training is an important requirement of this integration. Regular training and education webinars are run for both MAM staff and our private markets portfolio company management teams on a variety of key ESG areas, including sustainability risk management, WHS, DEI, regulatory updates, net zero and other sustainability initiatives.

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

- Code of Conduct training, which has been completed by all MAM staff, and the Ethical Leadership Programme, run in conjunction with The Ethics Centre, which all of our directors have begun. The Ethics Centre is a not-for-profit organisation developing and delivering innovative programmes, services and experiences designed to bring ethics to the centre of personal and professional life.
- Mandatory training, including compliance, WHS, human rights, cyber safety, privacy, data management, fraud awareness and financial crime risk.
- Modern slavery training, provided by The Mekong Club during the reporting period to teams from MAM Credit, Equities & Multi-Asset, Compliance and Legal, as well as product teams. Topics covered included red flags to look for when assessing a company's modern slavery disclosures, key questions to ask when engaging with the company, and case studies.
- Practical welfare, health, safety and environment training, undertaken by all directors nominated by MAM to the boards of portfolio companies or assets.
- Training related to our Net Zero Commitment and progress across MAM. In conjunction with industry experts and portfolio companies, we have provided tools, training and resources to assist our Real Assets portfolio companies with establishing GHG emissions baselines, setting targets and developing business plans that seek to achieve to achieve those targets.
- Climate risk awareness training to provide staff with education on climate change, the energy transition and climate risk at Macquarie.
- DEI training across all MAM staff, as well as continued education and upskilling of portfolio company senior leadership, including CEOs, human resources directors and nominee directors, on DEI strategy and best practice.
- Specific training for investment team members of public markets ESG working groups to help them pass along key information, including on effective stewardship practices, to their teams. Over the past year, we have held several training sessions on ESG ratings, data providers and broader ESG integration for our investment teams to help them execute their own bespoke ESG strategies, as guided by our overarching commitment to ESG integration.
- Direct engagement by the Sustainability team with investment teams and their representatives in our ESG working groups to help integrate ESG considerations into each team's investment process. These interactions range from regularly scheduled quarterly meetings to review our public markets portfolios and holdings to ongoing impromptu discussions where working group representatives request assistance from the Sustainability team on issues such as: effective deployment of ESG resources; responses to client and prospect inquiries; and overall questions about effective ways to assess ESG risks and opportunities.
- Training to support the management of legal, regulatory, reputational and environmental and social risks associated with greenwashing. For example, all MAM staff have access to the training, which is hosted by MAM Sustainability and RMG Compliance.
- Cyber security training for select Real Asset portfolio company boards during the reporting period. It aims to raise cyber awareness, provide an understanding of the cyber threat landscape, regulatory trends and cyber best practices, including engaging specialist operating partners with deep cyber expertise in assets where data is core to the business.

Remuneration framework

Macquarie's longstanding and consistent approach to remuneration continues to meet our remuneration objectives and align with our *What We Stand For* principles. Macquarie's remuneration approach has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational consequences.

This approach has been fundamental in attracting, motivating and retaining exceptional, entrepreneurial people across the global markets in which we operate.

Macquarie's remuneration framework works as an integrated whole. An individual's remuneration comprises fixed remuneration, profit share and for Executive Committee members, Performance Share Units. Fixed remuneration is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements. Profit share allocations are determined through a principles-based approach, which considers individual, business group and company-wide performance. Individual profit share allocations reflect their performance against a range of financial and non-financial factors that may include ESG considerations where relevant to the responsibilities of a role.

For further details regarding Macquarie's remuneration framework, refer to the Remuneration section of the Macquarie FY24 Annual Report.

Diversity, equity and inclusion

We believe that a culture that embraces DEI across everything we do – in MAM and across our Real Asset portfolio companies – is essential to our role as stewards.

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

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

1. **Leadership**
   Each of our staff understands our role, sets mandatory DEI objectives and is held accountable for making MAM more diverse, equitable and inclusive.
2. **Equitable people processes**
   We aim to deliver greater equity within MAM's talent processes, namely hiring, developing and promoting. Ultimately, we want to ensure that everyone can thrive based on their contributions.
3. **Inclusive culture**
   Bolstering our already inclusive culture through training and by embedding DEI in our daily practices.
4. **Clients, portfolio companies and partners**
   Continuing to drive greater equity in our communities by partnering with our clients, advisors and portfolio companies, many of which now have strong DEI strategies.

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

As part of our commitment to transparency, we have also expanded our own DEI reporting to include demographic data on staff with disabilities, race and sexual orientation (where data privacy rules allow). Our DEI reporting aligns with and, in many cases, goes beyond industry standards such as those set by the Institutional Limited Partners Association and the Investment Company Institute.

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

We have also continued to provide training to portfolio company nominee directors, human resources directors and investor facing teams to enhance the progress of DEI strategies and efforts. Similarly, we continue to advise portfolio companies on DEI and we have created various toolkits to help them make progress on their DEI goals.

Further details on Macquarie's DEI objectives, approach and commitments can be found in the Diversity, Equity and Inclusion report as part of Macquarie Group's broader annual reporting and in Macquarie's Workforce Diversity Policy.

Stewardship resources: external service providers

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

Examples of resources available to our teams are provided below:

IFRS – SASB Standards	• internal MAM public markets portal, which provides a lookup reference to find material ESG factors by industry group
Aladdin, by BlackRock	• MSCI ESG data available to add to portfolio profile • carbon footprint/carbon intensity report • MSCI, Sustainalytics and Refinitiv ESG risk ratings
FactSet	• MSCI ESG data available for screening • access to MSCI ESG research reports • ESG-related performance attribution available in Portfolio Analysis module
MSCI	• MSCI ESG data available for screening • MSCI ESG research reports
Bloomberg	• snapshot of a company's ESG profile and ESG ratings • portfolio carbon footprint tool
Sustainalytics	• Sustainalytics ESG data available for screening • Sustainalytics ESG Risk Ratings, Carbon Footprint, SFDR PAI and Controversy research reports • EU Taxonomy Solution
ISS	• proxy voting research • ESG data available for screening • tools to assess portfolios for climate scenario alignment and physical climate and transition risk
RepRisk	• research tools to support transaction and norms-based screening.

MAM also retains the following proxy advisory firms to facilitate proxy voting, including research and opinions on proxy voting issues, as well as proxy voting administrative support across our public markets activities:

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

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

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

We may also appoint external investment managers to act as investment managers or sub-advisors for our funds. Each investment manager or sub-advisor has its own approach to stewardship.

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

Principle 3

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

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

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

Our Conflicts of Interest Policy sets out Macquarie's approach to identifying, managing and mitigating conflicts of interest – whether potential, perceived or actual. This policy applies to all staff employed or engaged by Macquarie and its related entities.

Conflicts identification

We have systems and protocols in place to identify potential conflicts of interest. They do not provide an exhaustive list of all conflicts of interest that may arise, so any new potential conflicts must be escalated for assessment prior to undertaking the new activity. All staff have a role to play in the identification and management of conflicts of interest. When an actual, potential or perceived conflict of interest is identified, staff must escalate to RMG Compliance so that the situation can be managed appropriately.

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

- Macquarie has confidential knowledge about our clients that could be used to advance Macquarie's or another client's interests
- Macquarie may make a financial gain or avoid a financial loss at the expense of a client, customer, unit holder or counterparty
- Macquarie may have a business that competes with that of a client
- Macquarie may have an incentive to favour the interests of one client or group of clients over those of another client or group of clients.

Conflicts management

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

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

- requirements to undertake a conflict check prior to entering into certain business arrangements
- systems and controls which restrict the flow of confidential or non-public price-sensitive information (inside information) within Macquarie, including, where applicable, physical separation and system access restrictions
- segregation of duties and supervision for staff engaged in different business activities, including procedures for appropriate communication between businesses, for example restricting communications between research analysts, who may recommend to clients that they buy or sell an asset, and sales and trading staff

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

Conflicts disclosure

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

Conflicts of interest can arise in a number of circumstances across our public and private markets businesses. Below we outline some examples and how we deal with them.

Public markets

Allocation of trades: MAM's policies and procedures, such as those governing allocation of investment opportunities among clients, allocation of initial public offerings, allocation of aggregated trades, consistency of portfolios, and side-by-side management, help ensure the equitable treatment of clients across all styles of investment management within the firm, with embedded controls to manage conflicts of interests. The Compliance Department periodically reviews client trading activity and order execution on the trading desk as part of the annual compliance monitoring programme.

Best execution: MAM has established policies, procedures and disclosures designed to ensure the achievement of best execution and to mitigate certain conflicts of interest that may result from certain brokerage arrangements. Examples of brokerage arrangements that have the potential to cause conflicts of interest include: directed brokerage agreements provided to MAM by a client; the aggregation of orders for certain clients with similar investment objectives; and disparities between the trading activity for various MAM clients. MAM's policies and procedures are designed to address these potential conflicts of interest and ensure that all client accounts are treated in a fair and equitable manner.

Proxy voting: In certain instances, conflicts of interest can arise in proxy voting. Our Proxy Voting Policy addresses such potential conflicts and requires that the Proxy Voting Committee and any other MAM personnel may not be influenced when voting proxies by outside sources who have interests which conflict with the interests of clients. To ensure that proxies are voted in the best interests of clients, we have established various systems to properly deal with any material conflict of interest. Our Proxy Voting Policy and corresponding Proxy Guidelines are approved by MAM's Proxy Voting Committee at least on an annual basis and proxy votes are made pursuant to these Proxy Guidelines. If MAM becomes aware of a conflict of interest in an upcoming proxy vote, the vote will generally be referred to the committee or the committee's delegates for further review outside of the portfolio management team.

Private markets

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

Deal allocation between Macquarie funds: The allocation of deal opportunities is made in accordance with the relevant MAM Global Allocation policies. MAM seeks to allocate investment opportunities in a fair and equitable manner, having regard to MAM's high standards, investment mandates, reputation, legal, contractual and regulatory requirements, including managing conflicts of interest appropriately. MAM's practices in relation to deal allocation are driven by the following key principles:

- any priority protocols or rights disclosed to investors in governing documentation (e.g., limited partnership agreements, offering memorandums, prospectuses, etc.) must be given precedence
- all products should be treated in a fair and equitable manner.

Where potential transactions fall within the investment mandate of two or more products, a formal process is undertaken to allocate the transaction equitably. If products within two or more divisions of MAM seek to invest in the relevant opportunity, a MAM Deal Allocation Forum is convened to determine the allocation of the transaction, consisting of the Head of MAM, the heads of the relevant divisions, and appropriate members of the MAM Legal, Risk and Compliance functions, alongside representatives from the relevant investment committee(s), product heads or equivalent.

Case study: Conflicts between Macquarie business groups and divisions

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

When a transaction involving a Macquarie business group becomes public by official market announcements or a public filing (such as when Macquarie is acting in an advisory role involving a publicly listed company), RMG is notified and places the company's securities on a restricted list. RMG approval is required prior to trading any security on the restricted list. RMG may refuse authorisation depending on the type of restriction in place.

Principle 4

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

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

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

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

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

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

Macquarie's risk management framework is the totality of systems, structures, policies, processes and people within Macquarie that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk. Macquarie maintains a single risk management framework that is applied appropriately throughout Macquarie Group.

In determining those risks that are material to Macquarie, we assess the potential for a risk to affect our earnings resilience and financial strength across market cycles, our ability to meet regulatory obligations, our stakeholders, and our reputation.

Macquarie's approach to risk management is based on stable and robust core risk management principles:

- we all have a role in managing risk
- ownership of risk at the business level
- understanding worst-case outcomes
- requirement for an independent sign-off by RMG.

Further information on the risk management framework is available here.

The risk management framework helps MAM to address the following risks:

Transition to a low-carbon economy

With the world still well short of meeting net zero emissions by 2050, global asset managers have an important role to play in supporting the investment in, and transition to, a low-carbon and climate-resilient economy. MAM seeks to contribute to this transition while delivering sustainable long-term value for clients through MAM's Net Zero Commitment as outlined in **Principle 1**.

As an active manager and a fiduciary, we support the decarbonisation of our portfolio, to the extent possible and subject to client preferences, to mitigate and manage the risks of climate change and enhance the long-term value of the businesses we invest in on behalf of our clients. We are also engaging with a wide range of stakeholders to help refine our approach, share knowledge and collaborate on the challenges and opportunities presented by the transition to a low-carbon economy. Additionally, Macquarie has invested significantly in the development and deployment of climate solutions over the past two decades, including through our Green Investments business.

We continue to support carbon-intensive industries, including those in the electricity, water, gas, agriculture, transport, mining, oil and waste sectors. These industries provide products and services that communities rely on. We also recognise that the impacts of a changing climate will not be evenly distributed, with lower-income communities and countries more at risk and with fewer resources to adapt. For these reasons, we believe long-term solutions lie in collaboration, rather than divestment.

Regulatory change

The rapid introduction of climate and sustainability-related reporting requirements globally reflects growing pressure from governments, regulators and investors to address environmental and social risks. Frameworks like the Task Force on Climate-related Financial Disclosures, the International Sustainability Standards Board disclosure standards, and the EU's Corporate Sustainability Reporting Directive have standardised how companies disclose their ESG impacts, risks and opportunities. These frameworks and regulations also enhance transparency and accountability, and guide businesses towards more sustainable practices, as stakeholders increasingly prioritise ESG performance in decision-making processes.

Additionally, the rise of sustainability labels and disclosure requirements for investment funds highlights the increasing demand for transparency in sustainable investing. Regulations such as the EU's Sustainable Finance Disclosure Regulation (**SFDR**) and the UK's Sustainability Disclosure Requirements regime aim to help investors identify funds that align with ESG principles. By providing standardised information, investors are more empowered to make informed choices and support the shift towards responsible and impact-driven investment strategies.

We have taken a number of actions to assist in preparing for these new disclosure requirements, including:

- expanding our dedicated sustainability legal team to advise on an increasingly broad scope of legal and regulatory issues
- establishing cross-disciplinary working groups as necessary
- investing in systems and data and developing processes and governance to operationalise the required reporting
- training teams across MAM on emerging regulations and their implications
- conducting teach-in sessions for investors and preparing briefing materials to explain the regulations and their practical implications for our funds
- adapting investment strategies and structuring specific products to meet client needs and expectations, such as alignment with the EU Taxonomy for Sustainable Activities.

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

For example, MAM has provided feedback on sustainable finance regulatory and legislative proposals through our membership with industry affiliations such as the UK's Investment Association and the Australian Financial Services Council. We have also contributed feedback on the EU Taxonomy, SFDR, and the Australian Sustainable Finance Strategy, either directly to regulators or via such bodies.

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

Greenwashing

There are longstanding regulatory requirements in relation to treating customers fairly and prohibiting misleading statements. Recently, attention on greenwashing as a regulatory, litigation and reputational risk is increasing. Greenwashing is defined at Macquarie as a false, misleading, unsubstantiated, ambiguous or overstated representation of the ESG attributes of an organisation, product or service. This definition is intended to incorporate similar concepts such as impact-washing and social-washing. While the regimes that govern greenwashing vary between jurisdictions, and good practice continues to evolve, we recognise the importance of mitigating this risk for our stakeholders. Pervasive greenwashing raises the risk of investors not being able to rely on financial products delivering on their intended benefit and leads to overall scepticism towards asset managers' efforts to provide societal benefits through their ESG offerings.

In 2023, Macquarie implemented a group-wide Greenwashing Standard to support the management of legal, regulatory, reputational and environmental and social risks associated with greenwashing. It provides information on communications with potential for greenwashing risk, and review considerations and requirements in managing greenwashing risk. During 2023, 3,275 employees completed an online training module that accompanies this standard. Within MAM, additional targeted training was provided to specialist teams, including Legal, Risk, Compliance and Marketing, to support the roll-out of the standard within our business.

Human rights and modern slavery

In recent years, the COVID-19 pandemic, armed conflicts and climate change have heightened the risk of modern slavery.[3]

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

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

Macquarie's 2024 Modern Slavery Act Transparency Statement outlines the actions we undertake to identify and mitigate the risk of modern slavery and human trafficking occurring in our business operations and supply chain.

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

At the MAM level, across our private markets businesses, our investment screening and due diligence of new investment opportunities includes modern slavery in broader ESG risk assessment. Any deficiencies identified, along with the level of control and influence over the new investment, are considered when making the investment decision and sought to be addressed during the transition phase for new investments.

We also provide targeted training to nominee directors on portfolio company boards that have been assessed as operating in sectors and/ or jurisdictions that exhibit comparatively higher human rights risk. Separately and where applicable, many of our Real Assets and Real Estate assets are also subject to reporting requirements under modern slavery legislation in their respective regions.

Within our public markets businesses, human and labour rights may be considered in our company engagement and proxy voting activities, where these factors present material risks or opportunities for a company.

Cyber security and data governance

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

Cyber security, data breaches and fraud threats are increasing worldwide. High-profile cybersecurity breaches over the past year have highlighted the prevalence and impact of cyberattacks on organisations and individuals. Cyber security threats have the potential to impact supply chains, clients and third-parties or manifest in operational, reputational or financial crime impacts.

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

As part of a listed business and as an asset manager, we take a proactive approach to cyber security protection, including:

- actively assessing cyber security risks of potential acquisitions during asset due diligence of portfolio companies, considering their cyber security programmes and policies, cyber security controls and risk assessments, cyber security awareness and training programmes, and incident response plans
- post acquisition of a portfolio company, we build cyber security assessments into the transition plans, and maintain open lines of communication with its technology team to understand the impact of cyber issues
- commencing a global cyber governance framework programme to assess and mitigate cyber risks across select portfolio companies in various regions and sectors. The programme is aimed at creating a portfolio-level view on cyber risk,

[3] Global Estimates of Modern Slavery Forced Labour and Forced Marriage, International Labour Organization (ILO), Walk Free, and International Organization for Migration (IOM), September 2022, p.10, https://www.ilo.org/.

supporting non-executive Directors in focusing on the most impactful elements of cyber governance, and ensuring that risk-mitigating controls are consistently implemented

- engaging with cyber industry and government groups to continually evolve practices based on lessons learned from industry cyber-attacks. In conjunction with Macquarie's central Corporate Operations Group Technology team, we continue to improve the risk landscape of privileged access management, vulnerability management, user access management and third party/supplier assessments and oversight. Cyber security at our service providers is reviewed as part of our standard annual review process
- increasing cyber-focused training to raise cyber awareness, provide an understanding of the cyber threat landscape, regulatory trends and cyber best practices, including engaging specialist operating partners with deep cyber expertise in assets where data is core to the business.

Artificial intelligence

Artificial intelligence (AI) is transforming industries by creating new markets and enhancing productivity and customer engagement, but it also necessitates responsible governance and an understanding of its ESG risks and opportunities.

Macquarie is committed to investing in generative AI technologies and making them available to our people to unlock productivity, enhance creativity, mitigate risk and improve business and client outcomes. In the reporting period, we piloted a range of generative AI products and commenced the roll-out of enterprise tools to help our staff with everyday activities. Within MAM, we appointed a Chief Data Officer to strengthen our data management and governance across the platform alongside bringing a wealth of experience in developing and effectively scaling generative AI technologies in complex business operations to drive and deliver MAM's global data strategy.

We also recognise the need to have appropriate guardrails in place to protect our people, our business and our clients. As our businesses explore the use of targeted generative AI solutions to business processes, we continue to enhance our AI governance and risk management.

Over the reporting period, some of the actions we have taken to reduce these risks to help preserve and create long-term value include:

- actively monitoring prospective changes in government and potential outcomes to maximise the benefit of sustainability-related policies. To support us in this regard, we have engaged external public affairs advisors with specialist expertise in sustainability policy change to keep abreast of developments
- supporting our portfolio companies within our Real Assets business to secure grant funding pursuant to climate-related legislation
- actively engaging with government representatives, including in the EU and the UK, to understand priority areas for new governments, including with respect to sustainable finance.

Industry engagement

MAM engages with and actively participates in industry bodies and organisations, including:

- Climate Action 100+
- Transition Pathway Initiative
- Principles for Responsible Investment
- Net Zero Asset Managers
- Institutional Investors Group on Climate Change
- The Climate Pledge
- World Benchmarking Alliance
- GRESB
- FAST-Infra
- Taskforce on Nature-related Financial Disclosures.

Further details are available here.

In areas where we believe we can contribute to their objectives, we participate in industry working groups and advisory committees. In doing so, we seek to develop and promote guidance, tools and standards which support effective management of ESG risks impacting the financial system, which we believe will also contribute to enhanced value for our investors.

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

MAM also collaborates with and supports Macquarie's participation with some of the world's leading industry alliances and advocacy groups across a wide range of sectors, including the Glasgow Financial Alliance for Net Zero and the Sustainable Markets Initiative, alongside attending global climate events such as the United Nations Climate Change Conference. Further details are available at macquarie.com/esg.

Please see **Principle 10** for further detail on our engagements with investee companies.

Case study: Aligned Data Centres

Meeting data centre cooling demands in the AI era

Opportunity: Data centres supporting artificial intelligence (AI) currently consume around 4 per cent of US electricity, which is expected to double by the end of the decade.[4] Core to this energy demand are cooling systems, which account for at least 40 per cent of energy consumption.[5] Cooling systems play a pivotal role in managing the heat produced by servers.[6] This challenge underscores the need for more robust and efficient cooling solutions to help manage the intense energy required to support high-performance computing. Advanced cooling technologies are proving to be one solution to help reduce energy consumption and lower emissions.[7]

Approach: In 2018, a Macquarie Asset Management (MAM) managed fund invested in Aligned Data Centers (Aligned), a data centre developer and operator serving large enterprise and hyperscale customers in the Americas. Through its investment, MAM has been supporting the business in the development of highly adaptive and sustainable infrastructure, including advancements in its air and liquid cooling technologies. Unlike conventional data centre cooling methods that push cold air into a data hall, Aligned's patented air cooling technology, Delta^3, effectively captures and removes heat directly at its source. This system requires less energy, less water, and can significantly reduce infrastructure costs in certain high-density deployments. More recently, Aligned has launched a new liquid cooling technology, DeltaFlow~, designed for next-generation, high-density computing applications, such as AI, machine learning and deep learning, which is expected to result in further energy efficiencies than the Delta^3.[8] Liquid can absorb and transfer heat more efficiently than air, allowing for improved energy efficiency and more effective cooling of densely packed servers. These solutions create a hyper-scalable and efficient environment that dynamically adapts to the IT load demands of customers. By facilitating the shift from traditional air-cooled to liquid-cooled systems, or enabling hybrid setups that combine both, Aligned can help reduce the energy required for cooling. Aligned's growth has been further accelerated through strategic sustainability-linked loans (SLLs). In 2020, the company received the first-ever data centre sustainability-linked financing in the US.[9] Building on this, Aligned has successfully increased its SLLs to ~$US4 billion and issued more than $US3 billion in green asset-backed securitised notes.[10]

Outcome: MAM is supporting Aligned to meet escalating computing needs, while integrating its proprietary cooling technologies into their operations to deliver scalable and adaptive solutions that aim to improve sustainability outcomes. Aligned's advanced cooling technologies are designed to support computing densities up to 350 kilowatts per rack – a standard unit for organising computing equipment. This wide range allows Aligned to efficiently manage heat output, catering to the intensive computing requirements of next-generation applications. This is achieved while adhering to a commitment to sustainability, through more effective power usage and implementing water-efficient, closed-loop systems in its data centres, significantly reducing the reliance on local water supplies. Aligned's growth strategy has also included the acquisition of ODATA, a key data centre provider in Latin America. In addition to introducing Aligned's efficient cooling technologies and designs that minimise energy and water consumption to Latin America, ODATA is also the first hyperscale data centre company in Brazil to become an independent producer of renewable energy, ensuring that 100 per cent of its consumption in Brazil comes from sustainable sources.[11]

[4] World Economic Forum, 'How power-positive data centres can unlock AI's potential while transforming communities', 19 September 2024.
[5] World Economic Forum, 'How power-positive data centres can unlock AI's potential while transforming communities', 19 September 2024.
[6] Data Centre Dynamics, 'Meeting data center cooling demands in the AI era', 20 July 2024.
[7] https://www.aurecongroup.com/insights/towards-sustainable-infrastructure/liquid-cooling-data-centres
[8] Data Centre Dynamics, 'Aligned Data Centers launches liquid cooling system' 16 January 2024.

[9] Aligned Data Center, 'Aligned Closes $1 Billion Credit Facility and First-Ever U.S. Data Center Sustainability-Linked Financing', 16 September 2020.
[10] Data Center Dynamics, 'Aligned extends sustainability linked loan by more than $1 billion', 19 May 2022.
[11] Aligned Data Center, 'ODATA Revolutionizes Data Center Cooling in LATAM with the Introduction of Aligned's Delta Cube, Proudly Manufactured in Brazil', 3 October 2024.

Principle 5

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

Policy review

MAM maintains a suite of policies, frameworks and procedures designed to ensure sustainability risks and regulatory expectations are managed appropriately. For further details regarding MAM's policies, processes and efficacy, please refer to **Principle 2**.

MAM is supported by specialists in the MAM Business Compliance and RMG Regulatory Risk teams, who monitor, assess and advise on implementation of regulatory change to help ensure our policies and frameworks are designed to manage the risk arising from MAM's business operations. Controls monitoring and assurance is performed by RMG Compliance to help determine if processes and procedures are effectively designed and implemented in accordance with regulatory requirements. In conjunction with RMG's Regulatory Risk team, MAM's Business Compliance team provides quarterly reports to the boards of directors of MAM entities detailing any regulatory change or guidance published which may impact the implementation of MAM's ESG policies.

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

The MAM Sustainability Team is responsible for setting MAM's overall sustainability strategy and ESG frameworks, providing specialist expertise on environmental and certain social matters, and supporting investment and asset management teams in harnessing ESG opportunities across MAM's portfolio. MAM Sustainability partners with Risk, Compliance, Legal and Investment teams to help ensure accuracy of, and compliance to, sustainability-related legal disclosures, MAM ESG policies and frameworks, sustainable finance regulations, commitment obligations, and market-driven requirements. This monitoring is performed throughout the year as market and regulatory movement occurs in the industry or following updates to reporting and legal disclosures. Additionally, within the Sustainability team, MAM has a dedicated Sustainable Finance Legal Counsel who is responsible for providing strategic advice on sustainability-related legal and regulatory matters that may impact MAM's global business, including the implementation of sustainable finance regulations, mitigating greenwashing risks, and the structuring of green financial products.

To assist MAM appropriately manage greenwashing risk, a Macquarie-wide Greenwashing Standard was implemented that enables greater and more stringent review of MAM's sustainability-related reporting and disclosure. Refer to **Principle 2** for more information.

MAM's ESG policies and frameworks are updated annually, and reviewed by all relevant support groups and investment teams to help ensure they address regulatory guidelines and align to MAM's strategic vision.

Assessment of the effectiveness of policies and processes

MAM's external reporting, including on its stewardship activities and their outcomes, is also aligned with industry reporting initiatives and frameworks, including the PRI and GRESB. These third-party initiatives provide a mechanism to help ensure that MAM's policies enable effective stewardship, and that MAM issues a complete and broad range of relevant information to its stakeholders as expected under fair, balanced and understandable reporting principles.

Principles for Responsible Investment

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

GRESB

GRESB provides an annual assessment of the sustainability framework and performance of infrastructure and real estate funds and businesses. These assessments provide us with valuable insights as we develop sustainability strategies for our portfolio company assets and opportunities for best practices within our portfolio to be shared across industry sectors. In 2023, 25 funds and 112 assets completed GRESB Infrastructure Assessments, and eight real estate funds completed the GRESB Real Estate Assessment.

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

MAM 2023 PRI Assessment Results[12]	% AUM		MAM (stars)	MAM (points)	MEDIAN (all signatories)
Policy, governance and strategy	100	★★★★☆	4	80	60
Confidence building measures	100	★★★★☆	4	87	80
		average	**4**	**84**	**70**
Direct - Listed equity - Active quantitative	<10	★★★★☆	4	76	65
Direct - Listed equity - Active fundamental	10-50	★★★★☆	4	77	71
Indirect - Listed Equity - Active	<10	★☆☆☆☆	1	19	57
Direct - Listed equity - Passive	<10	★☆☆☆☆	1	0	42
Direct - Fixed income - SSA	<10	★★★★☆	4	77	59
Direct - Fixed income - Corporate	<10	★★★★☆	4	81	68
Direct - Fixed income - Securitised	<10	★★★★★	5	96	64
		average	**3**	**61**	**61**
Direct - Infrastructure	10-50	★★★★★	5	97	79
Direct - Fixed income - Private debt	<10	★★★★☆	4	88	69
Direct - Real estate	<10	★★★★★	5	91	62
		average	**5**	**92**	**70**
** all averages are not weighted by AUM*		**overall average**	**4**	**72**	**65**

[12] The Assessment Results are an export of the scores for all the assessed indicators and modules MAM responded to in the PRI Reporting Framework for the 12 months to 31 March 2023.

02

Investment approach

Principle 6

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

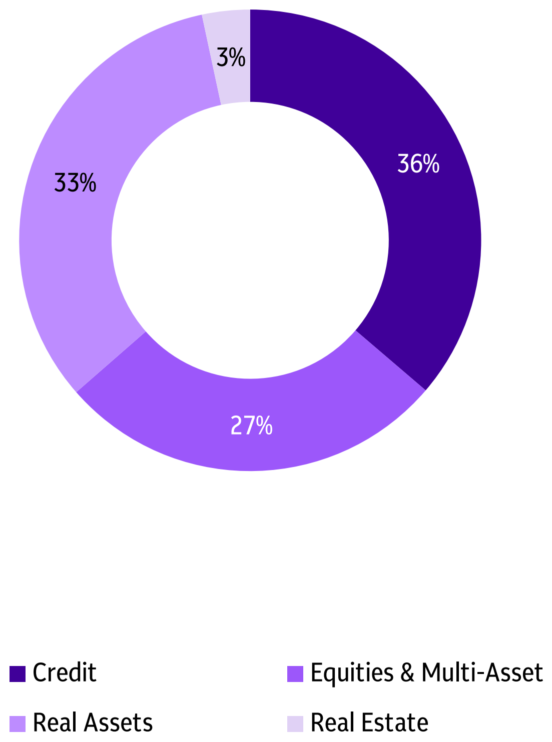
MAM aims to invest to deliver positive impact. To do so, we need to understand our clients and their needs and objectives. We also need to communicate how we deliver that impact, whether economic, social or environmental.

Our clients

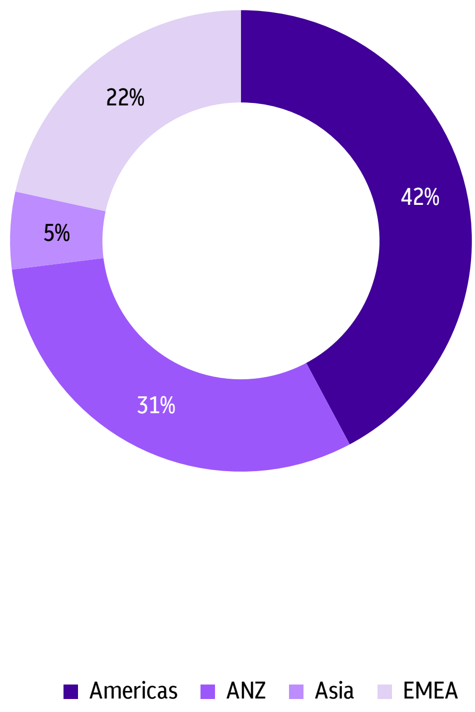
MAM's **AUM** as at 31 March 2024 across asset classes, geographies, and client type is as follows:

AUM by asset class:

AUM by asset class: (as at 31 March 2024)

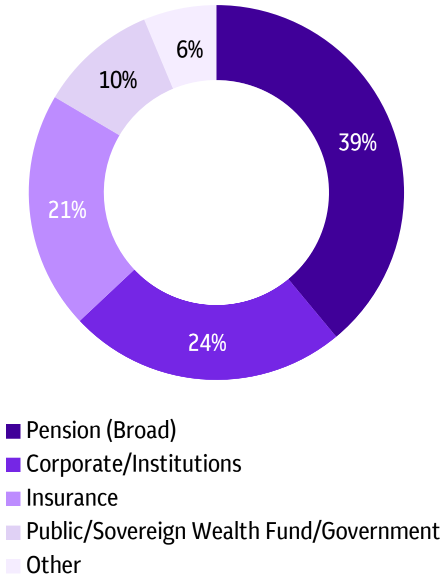


AUM by geography of investment product:

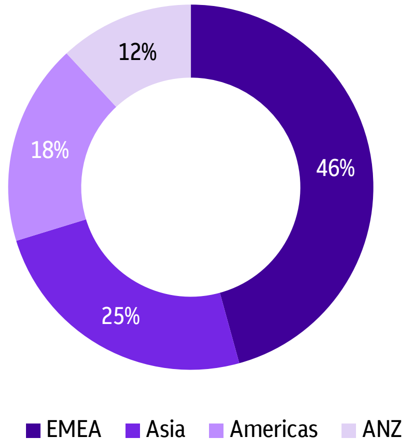


Private markets equity under management (EUM) by client type and region:

Investors in private markets by client type:

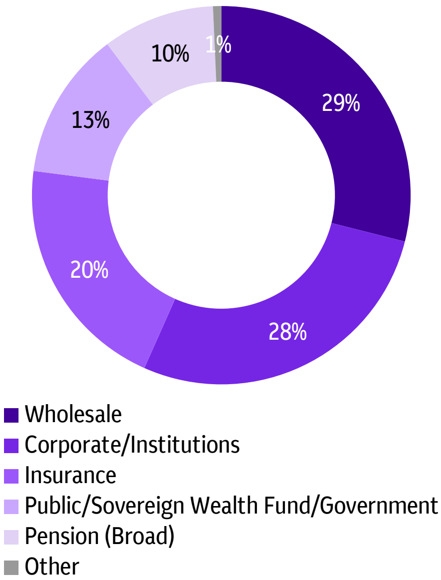


Investors in private markets by region:

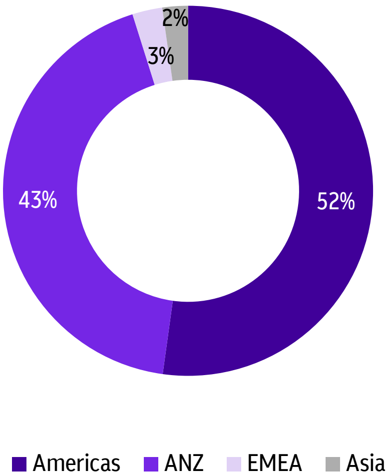


Public markets AUM by client type and region:

Investors in public markets by client type:



Investors in public markets by region:



Investment horizon

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

Understanding and communicating with our clients

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

- dedicated client relationship managers across all MAM financial products
- regular updates on fund or investment activity and performance through quarterly reporting, including reporting on portfolio emissions data where possible
- a range of client communications, including hosting knowledge-based events and webinars, sharing important announcements and thought leadership, such as our "Pathways" and "Navigating to Net Zero" podcast series
- encouraging continuous client feedback through workshops and meetings.

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

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

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

With prospective clients, we provide upfront disclosure of MAM's approach to stewardship and reporting.

Public markets

Our public markets businesses will typically provide clients an overview of our stewardship approach, including:

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

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

Exclusions: MAM also incorporates client-directed ESG-related restrictions into our order management system for investment compliance monitoring. Portfolio Managers entering trades in prohibited securities will receive a notification if a specific account is subject to restrictions. The system enforced control will block the order from being generated and the security traded.

Case Study: Progress reporting

Investors in sustainability-focused funds are increasingly seeking information that measures and demonstrates the sustainability contributions made by the underlying investee companies in which they're investing. To satisfy their needs, the Equities & Multi-Asset division has created a Progress Report for its Climate Solutions investment strategy.

The Climate Solutions strategy seeks to target the reduction of GHG emissions through its investments in, and engagement with, investee companies that are capable of contributing to the objectives of the Paris Agreement. The strategy focuses on investing in two types of companies: High-emitting companies actively working toward reducing, displacing and/or sequestering their GHG emissions (Reducers) and companies that are helping others to reduce emissions through development of products and services (Facilitators).

The Progress Report measures the impact of the investee companies on emissions reductions and charts the projected emissions pathway of the Reducers towards 2030 (from a 2010 baseline) as compared with worldwide emissions, and the estimated pathway needed to limit global warming to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit to 1.5 degrees Celsius. The report also provides case studies regarding engagement with the strategy's holdings, as well as examples of how investee companies are contributing to reducing GHG emissions.

Private markets

We provide our private markets clients with regular updates on fund activity and performance through quarterly and annual fund reports, annual fund investor presentations and one-on-one update meetings.

Key sustainability indicators, including WHS performance metrics, DEI data, operational GHG emissions data and other ESG-related updates, are reported to clients annually, providing transparency as to how our management practices generate positive sustainability outcomes.

Our requirement for businesses in our infrastructure and real estate portfolios to complete annual GRESB submissions assists investors with improved access to ESG performance data through the GRESB data platform. Participating assets GRESB scores allow us to assess ESG performance year-on-year, benchmark against our peers and increase the quantity and quality of ESG information made available to our clients. For more detail on GRESB reporting, see **Principle 7**.

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

MAM stewardship and sustainability reporting

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

We also produce annual reporting covering our approach to sustainability, activities and progress across MAM available here.

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

Macquarie Group reporting

MAM's reporting is complementary to Macquarie's ESG reporting. Macquarie reports annually on its sustainability progress, including MAM's activities, within the Macquarie Group ESG Report. Macquarie also published its Net Zero and Climate Risk Report in December 2023. More information on Macquarie's reporting can be found here.

Principle 7

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

For further details regarding our integration of stewardship and investment, please refer to **Principle 2.**

We consider a broad range of ESG factors when assessing the sustainability of our investments.

We manage a diverse suite of products and asset classes on behalf of our clients, with different levels of ownership of and influence over the businesses in which we invest. Because of this, the way we exercise our rights and responsibilities as stewards varies between our public and private markets businesses.

ESG integration in public markets

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

This means that it is essential that stewardship and the assessment of ESG risks and opportunities are integrated across all our investment teams' responsibilities[13].

Below are examples of how our investment teams integrate ESG risks and opportunities into their overall investment processes. Across our public markets businesses, the consideration of material ESG risks will be done alongside other material risks. ESG factors are not the primary objectives of these strategies nor primary considerations in the investment process, unless specified in the relevant fund documentation.

Fixed income – Developed corporate bonds	Emerging markets sovereign debt	Global listed infrastructure
• integrated assessment of relevant material ESG issues as part of credit analysis for directly held corporate bonds • proprietary risk ratings assigned to all issuers • ESG issues considered throughout the credit selection process, alongside other factors • consideration of future likelihood of weakened credit quality, including from ESG factors • ESG factors used for valuable additional insight to investment risk and long-term value.	• proprietary ESG composite scores based on a range of variables sourced from multiple public sources • proprietary framework used to produce income-adjusted composite scores based on individual scores on various environmental, governance and social variables.	• may integrate material ESG risks into valuation models and qualitative assessments for directly held listed public companies • frequent engagement with companies, including on material ESG issues • sustainable Global Listed Infrastructure strategy investee companies required to meet at least one of three sustainable investment objectives.

[13] MAM may also appoint external investment managers to act as sub-advisors or investment managers for our funds. Each sub-advisor or external investment manager has its own approach to sustainability. To the extent a fund strategy encompasses a sustainability component, we will look to perform monitoring of these sub-advisors or external investment managers to help ensure their approaches to sustainability fit within the fund's investment strategy.

Global Listed Real Estate	Global Equity Compounders	Systematic investments
• ESG integrated into investment process • qualitative scoring can be applied for over 24 ESG factors • engagement with senior management and board members on ESG objectives for select companies • Select portfolios target alignment with the UN Sustainable Development Goals.	• invested with the aim of supporting the principles of the UN Global Compact • in-house assessment of ESG issues and proprietary ESG scores applied • screening and exclusions to meet minimum ESG requirements • active ownership key element of investment philosophy, including ESG engagements and proxy voting.	• investment solutions can be tailored to meet client needs, namely ESG considerations for client portfolios • A proprietary ratings framework used to assess material ESG risks, alongside other alpha and risk factors • A company's overall ESG score is calculated using a proprietary scoring model that relies on both internal and external data sources.

It is important to note that, across our public markets businesses, we have exposure to investments for which we do not, or it is not possible to, consider material ESG risks and opportunities, such as cash securities, currency, derivatives or indirectly held securities, or where we have appointed external managers that have not integrated ESG consideration into their investment processes.

Key strategies that may be used by our investment teams are discussed in further detail below.

Management capability

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

Corporate engagement

Our investment teams often engage with companies as part of their regular investment processes, as discussed in more detail under **Principle 9**. These engagements are typically strategic in nature and provide additional insights into management quality, business drivers, financial strategy and future business prospects. During these meetings, we discuss ESG factors where relevant and incorporate our findings into our overall assessment of the management team. The nature and frequency of engagement depends on portfolio weighting, stage of engagement, severity of issue and the willingness of the company to engage. Debt investments do not have attached voting rights, and the level of engagement may be lower than for equity investments.

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

Industry engagements

MAM participates in a number of engagements where we work to address ESG issues. These include CA 100+, an investor initiative launched in 2017 to engage with the world's largest corporate GHG emitters on climate change, and the WBA, which helps shape the private sector's contribution to achieving the SDGs. For more detail, see **Principle 4** and **Principle 10**.

SDG database

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

The database also contains harm metrics, which indicate a negative impact on the SDGs, including exposure to industries such as thermal coal, alcohol and tobacco, recognised violations of UN Global Compact Principles, and heightened exposure to ESG controversies.

ESG engagement tracker

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

Proxy voting

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

ESG proxy alert notifications system

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

To enhance our ESG proxy voting awareness, we implemented a proactive proxy alert system. This system alerts investment teams when an ESG-identified issue comes up for a proxy vote at a company which they hold. The system has resulted in several instances of investment teams changing their votes against management proposals.

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

Case study: Furthering ESG best practice

The MAM Equities & Multi-Asset business has developed a scorecard to assist investment teams in their efforts to systematically integrate stewardship and material ESG issues, including climate change, into their investment processes, where possible. The scorecards focus on six different topics that are material to investors' responsibilities:

- material ESG risks and opportunities
- third-party vendors
- active engagement
- proxy voting standards
- measuring and monitoring of portfolios
- client reporting.

Each section contains minimum standards that investment teams are expected to meet to operate in accordance with MAM's ESG policies and procedures. The scorecards also outline best practices that investment teams can strive for to meet the highest ESG standards.

Over the past year, the Equities & Multi-Asset Chief Investment Officer, in conjunction with the Sustainability team, conducted a series of meetings with each investment team. These meetings initially focused on explaining the best practices and their importance, followed by a meeting to establish adherence to the minimum standards as well as a plan to assist each team with adopting its desired best practices. The focus in the coming year will be to develop 'how to' guides for use across the division that will allow all investment personnel to readily access the tools necessary to implement ESG best practice.

ESG integration in private markets

In addition to our ESG frameworks (**Principle 2**), we take a tailored approach in each of MAM's private markets asset classes to accommodate the specific needs of their business.

Real Assets: Infrastructure: Utilising MAM's proprietary System 7 Asset Management Framework, we work closely with the management of our infrastructure portfolio companies to drive ESG and sustainability performance.

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

These standards are made available to all our staff through our System 7 framework, and are regularly reviewed and updated by our Sustainability team to ensure that they remain aligned with industry best practice.

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

We seek to ensure that each portfolio company's ESG framework includes procedures and processes to:

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

Real Assets: Green Investments: Our specialist Green Investments team has a specific focus on deploying capital into solutions to address environmental sustainability challenges, such as climate change. The team's approach is underpinned by its unique green impact[14] governance framework and centred around its Green Objective.

The Green Objective was inherited from the UK Green Investment Bank, acquired by Macquarie Group in 2017, and retains its two overarching requirements:

1. all investments where the Green Objective applies[15] must be reasonably likely to contribute to one or more of our five green purposes
2. the total sum of our activities will (or are reasonably likely to) contribute to an overall reduction of GHG emissions.

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

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

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

[14] Our definition of 'green impact' relates to the positive contribution to the five 'green purposes' referred to in this document and is fully defined in the Green Investment Policy.

[15] Applies to Real Asset investments by funds managed by MAM for which commitments have been made to investors that the product will target investments seeking to make contributions to the green purposes.

Our investment and portfolio management teams actively engage in direct dialogue with borrowers and source ESG key performance indicators (KPIs) where available.

Quarterly ESG reporting

We request a suite of ESG information from infrastructure portfolio companies on a quarterly basis. This includes WHS performance metrics, Scope 1 and 2 GHG emissions and energy consumption.

GRESB

We ask that our infrastructure portfolio companies complete annual GRESB assessments. Fund-level assessments are completed for Real Assets and Real Estate funds where underlying assets have participated. GRESB requires participants to report their ESG management practices and performance on a range of ESG issues, including WHS, DEI, climate change and human rights matters such as modern slavery risk.

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

Portfolio company deep dives

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

Case Study: Integration through the System 7 Framework

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

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

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

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

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

The 3EAC was established to support MAM Agriculture in actively managing portfolio companies in line with reducing the energy and emissions intensity of their operations, and to promote the adoption of agricultural practices that seek to align with limiting the global temperature rise to 1.5 degrees Celsius.

The aim of the 3EAC is to promote the early adoption of new technologies, to determine potentially viable decarbonisation proof points and thus increase the uptake of climate solutions across the Australian row cropping and livestock sectors.

During the reporting period, the 3EAC met on two occasions to discuss a range of matters across MAM's Agriculture portfolio. These included:

- a review of emissions results across the Viridis Ag and Paraway businesses, including key drivers and performance against baseline and historical outcomes
- a deep dive on the Viridis Ag net zero business plan, including key decarbonisation opportunities and challenges within the Australian dryland row cropping sector
- current live decarbonisation initiatives across the Viridis Ag and Paraway businesses, including key learnings and initial findings
- an assessment of major emissions sources and decarbonisation challenges that the 3EAC can address by leveraging the expertise of the CEFC and CSIRO.

In 2024, the 3EAC will aim to explore data capture, information-sharing and the verification processes required to allow agricultural supply chain participants to verify and report on the emissions intensity of their produce. The aim is to accelerate the process for end-users to verify the emissions intensity of end products and provide a financial incentive for producers to decarbonise their operations.

Continuous improvement

To assist the Equities & Multi-Asset investment teams in their development of ESG best practices (described above), the division's Sustainability team will be forming a best practices working group to create how-to guides for use across the division that will allow all investment personnel to readily access the tools necessary to implement the ESG best practices.

The working group will comprise members of both the Sustainability team and each investment team to ensure that the recommended procedures are conducive to each team's established investment processes and help enhance shareholder value. Upon completion, the guides will be available on the dedicated Sustainability section of MAM's internal web site.

Principle 8

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

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

Principles for Suppliers

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

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

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

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

In FY23, Macquarie launched a new sustainability procurement framework. For further details, please refer to the ESG section of the Macquarie FY24 Annual Report.

Macquarie Asset Management's Suppliers

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

ESG data providers

Our ESG working groups carry out assessments of the quality of research produced by public markets third-party ESG data and research providers. This entails consultation with each provider and review of its research process. The group also periodically assesses other research providers to provide a basis of comparison as well as a source for potential replacements or complements to our existing providers.

Proxy voting advisors

The Proxy Voting Committee is responsible for overseeing all proxy advisors' proxy voting activities for MAM's clients. We conduct periodic due diligence of proxy advisors that includes assessing:

- the proxy advisor's conflict of interest procedures and any other pertinent procedures or representations from the proxy advisor, to ensure that the proxy advisor makes research recommendations for voting proxies in an impartial manner and in the best interests of MAM's clients
- the adequacy and quality of the proxy advisor's staffing, personnel, and technology
- the methodologies, guidelines, sources and factors underlying the proxy advisor's voting recommendations
- whether the proxy advisor has an effective engagement process for seeking timely input from issuers, its clients and other third parties and how that input is incorporated into the proxy advisor's methodologies, guidelines and proxy voting recommendations

- how the proxy advisor ensures that it has complete, accurate and up-to-date information about each proxy voting matter and how it updates its research accordingly
- reviewing whether the proxy advisor has undergone any recent material organisational or business changes
- a review of the proxy advisor's general compliance with the terms of its agreement with MAM.

External sub-advisor oversight policy

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

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

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

Case study: SDG database oversight

We developed a proprietary SDG database and scoring system in 2019 which contains over 150 data points for more than 10,000 companies. Each data point serves to identify the degree to which a company's products, services and actions are aligned with one of the 17 SDGs. The database also contains harm metrics, which indicate a negative impact on the SDGs.

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

Our review process includes engaging with the organisations and entities responsible for developing and implementing the metric so we can better understand the overall impact and alignment towards the SDGs. Many metrics evaluate both the actions and commitments of companies against the SDGs, so we aim to understand how those are weighted to ensure that companies are being appropriately ranked. Our interaction with data providers has allowed us to eliminate some candidates without suitable rigour in the selection process, as well as elevate others whose criteria were more robust than originally thought. Once reviewed by the Sustainability team, data points are presented to our SDG Database Committee, a group of a dozen internal and external subject matter experts who formally vote on the data points. The creation, review and maintenance of our database has proved to be extremely collaborative. Pursuing efforts related to the SDGs is a collective endeavour and engaging with data providers provides us with a unique opportunity to better understand how others are working towards the SDGs.

Case Study: Macquarie Fund Solutions Global Convertible Bond Fund

Over the past year, MAM has worked with its subadvisor, Sand Grove Capital, to reposition our Global Convertible Bond Fund as an Article 8 fund in accordance with the requirements of the SFDR. The process entailed the extensive involvement of MAM's Sustainability, Legal and investment teams to help ensure that Sand Grove has implemented procedures to meet the fund's stated environmental and social objectives. These procedures include a joint review between Sand Grove and the MAM Sustainability team regarding the governance practices of investee companies, on a quarterly basis. This is achieved by pulling reports on governance data from third-party vendors, which are then reviewed and assessed by MAM, with any remediation or escalation actions agreed with the investment team.

Prior to moving forward with the repositioning, Sand Grove's investment process and procedures were reviewed and approved by MAM, including representatives from Sustainability, Legal, Compliance, Investment Risk, Fund Administration and Client Solutions, as well as the Chief Investment Officer and Global Head of MAM's Equities & Multi-Asset division.

Case Study: Data provider due diligence

MAM uses third-party data providers for a variety of reporting requirements, as well as for internal research. Given possible inconsistencies in reported data, as best practice we encourage investment teams to use third-party research services only as inputs into their decision-making process, rather than for actual investment decisions. One of the primary functions of the Sustainability team is to work with our investment teams to integrate these resources into their everyday investment process and to provide reports to teams to help them measure and monitor their portfolios from an ESG perspective.

An aspect of reviewing and monitoring third-party data is identifying potential inaccuracies. While reviewing third-party data, our teams will flag possible issues with the reported data and use these as opportunities to engage with companies or data providers to confirm metrics.

Private markets

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

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

Where required, technical subject matter experts are appointed to support specific ESG programmes.

Continuous improvement

Across MAM's public markets businesses, ESG data, research, ratings and controversies are used by investment teams when evaluating assets as part of their portfolio management responsibilities. Consequently, this data has an increasingly important impact on MAM's operations, portfolio management and performance.

We are continuously developing and refining an oversight framework to establish minimum due diligence requirements for third-party vendors providing ESG data.

MAM is committed to improve its oversight of third-party ESG data providers through increased due diligence meetings and enhanced monitoring of data providers' methodologies and data changes.

03

Engagement

Principle 9

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

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

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

Importantly, while improvements may be observed in investee companies, our public markets businesses generally hold small, non-controlling interests which may limit our ability to draw a direct correlation between the investment team's engagement activities and a company's actions.

Direct engagements: Our investment teams often engage with investee companies as part of their regular investment processes. These engagements are typically strategic in nature and provide additional insights into management quality, business drivers, financial strategy, financial and non-financial performance and risks, capital structure etc. During these meetings, our investment teams may discuss ESG factors, including social and environmental impact and corporate governance, and then incorporate their findings into the overall assessment of the management team. We have established a central tracker of ESG-related engagements with public markets investee companies and prospective investments. It collates the ESG issues discussed during investment and Sustainability team engagements, as well as the outcome of the discussions and whether any follow-up is needed.

The tracker serves as an effective communication tool to allow investment teams to glean insights from other teams' engagement efforts and to foster collaboration among investment teams that may be focusing on similar issues.

Collaborative engagements: We strategically use collaborative engagements with other investors on ESG-related issues. These engagements help expand our reach and communicate investor concerns.

Engagement highlights

During the reporting period, MAM's investment teams conducted over 800 engagements with publicly listed companies.

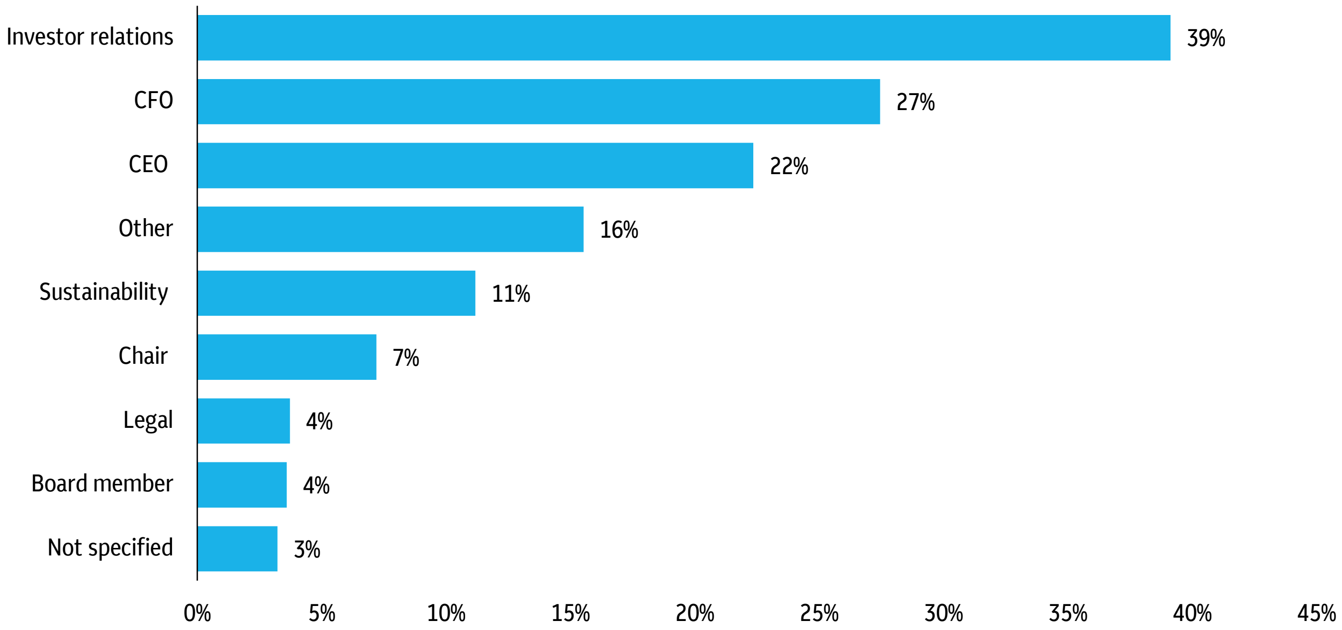
These engagements involve communication with multiple layers of corporate management, as shown in the table below.

It is a central belief that the investment teams, as the primary decision-makers on whether a security is added to or remains in a portfolio, are integral to engagements with corporate management teams. Factors such as the type of investment instrument held, degree of ownership stake and relative investment style will influence the ability to gain access to and influence company management. MAM's Sustainability team fosters cooperation amongst investment teams and encourages joint engagements when engagement priorities are similar across teams. The Sustainability team may participate in engagements in conjunction with the investment teams as an added level of assessment of a company's ESG risks and opportunities.

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

The primary focus of our ESG engagements is to encourage our investee companies to effectively identify and manage the material ESG risks and opportunities that are associated with their businesses as a means of enhancing shareholder value. To accomplish this, our engagements may comprise various elements, including engaging with individual companies to address their management of a specifically identified risk or their capitalising on a specific ESG opportunity, prioritising companies within a portfolio that have been identified as presenting the most material risk to the portfolio, engaging with multiple companies across portfolios to gauge their responses to a common theme, or to engage with companies as a means of supporting their positive actions. Examples of each of these type of engagement prioritisations are presented below.

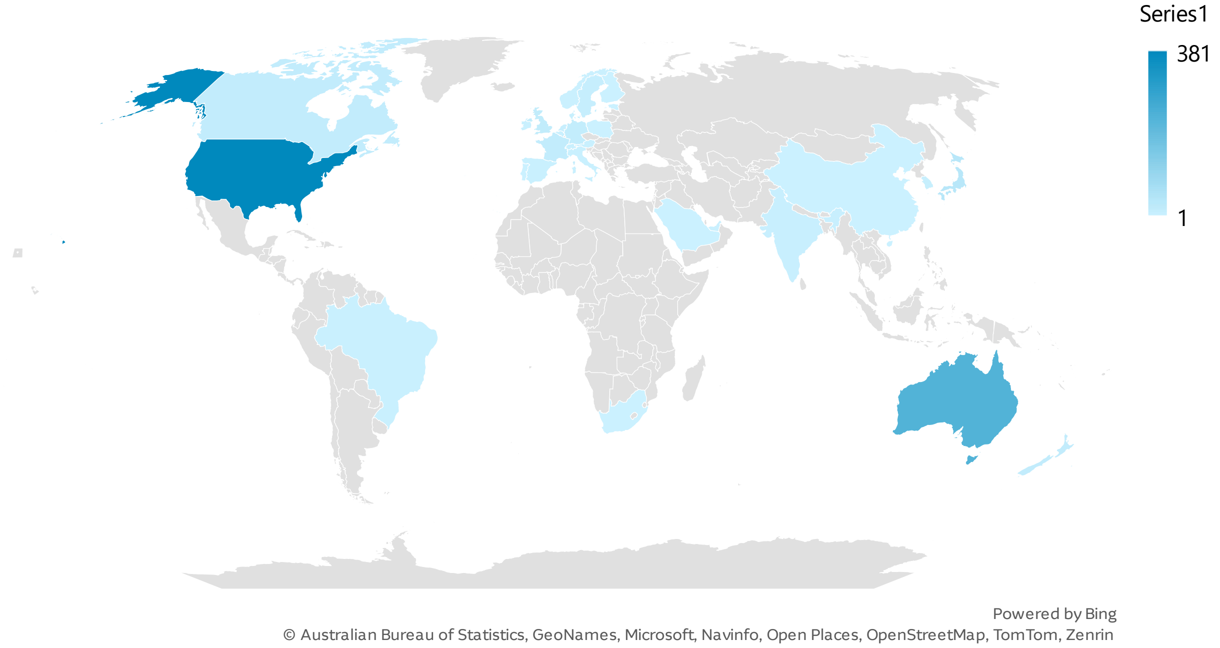
Company Representatives



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

805	**Total recorded engagements**
39	**Recorded engagements with the Sustainability team only**
41	**Recorded engagements with both the Sustainability and investment teams**
725	**Recorded engagements with investment teams**

Geography



Engagement topics

To be included in the central engagement tracker, an engagement must have covered at least one material ESG issue. These issues are wide ranging, and often pertinent to the investment team's overall assessment of the company. MAM also has identified specific focus areas that we encourage our investment teams to raise with companies. Below are the environment, social and governance issues that were most often the topic of engagements, and case studies describing engagements on focus issues that are of particular importance.

Environmental issues - discussed in 61% of all engagements

Social issues - discussed in 38% of all engagements

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

Governance issues - discussed in 57% of all engagements

- Governance - Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying)
- Governance - Board effectiveness - diversity
- Governance - Board effectiveness - independence or oversight
- Governance - Board effectiveness - other
- Governance - Leadership - Chair/CEO
- Governance - Remuneration
- Governance - Shareholder rights
- Governance - Reporting (e.g., audit, accounting, sustainability reporting)
- Governance - Strategy/purpose
- Governance - Risk management (e.g., operational risks, cyber/information security, product risks)
- Other

Engagement case study: Addressing a specifically identified material risk

Labour issues at a US retailer

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

In researching both new ideas and current portfolio holdings, the team engages with company management and periodically with boards of directors. Engagements cover a variety of topics, including labour-related issues in certain sectors, that the team views as important to shareholder value creation. In retail businesses, the team has found that a well-staffed store with content employees drives high customer satisfaction and strong financial results for the business.

In 2023, a holding in the portfolio faced challenges with labour relations that weighed on the company's ability to adequately serve its customers. These labour-related issues seemed to be driving poor sales, profitability and stock performance, while also attracting negative attention from both the national and financial media.

The team was tasked with determining if, and how, the company's labour issues could be improved. Ultimately, the team needed to weigh the extent to which these issues were structural in nature or if they could be fixed without destroying long-term shareholder value. The team wanted to understand the extent to which low individual pay, understaffed stores, poor scheduling and sub-optimal workflow changes were each contributing to lacklustre in-store performance. The team engaged with management, the board, industry experts and former employees to better understand the company's labour practices and any changes made over the last few years. Through alternative data sources, such as Placer.ai and Bloomberg Second Measure, the team looked at foot traffic data to see if changes to improve in-store conditions was driving back customers and if transactions improved. The team also reviewed job listings analysis to get a better understanding of the turnover at the assistant manager level and above. It also conducted in-store checks as part of the process, to hear first-hand from store employees.

This engagement proved valuable on multiple fronts. First, it allowed the team to better analyse the situation. With strong in-store labour being a critical part of business success, the team needed to spend time understanding what could be done to improve the situation, and at what cost. The team developed a better understanding of some changes that appeared subtle but ended up having an outsized negative impact on employee sales execution in store. It also allowed the team to determine if the problem was fixable, and what the cost would be for the company. Lastly, it helped the team verify claims that a new CEO was making on how to improve the productivity and growth prospects of the company.

Engagement case study: Capitalising on an identified ESG opportunity

Helping to finance the energy transition

MAM's Credit team undertook a number of engagements with an Australian regulated electricity transmission company throughout the past year, with a focus on the company's role in facilitating the decarbonisation of the Australian electricity sector. The company's management set an objective for it to be a leader in the energy transition and set ambitious decarbonisation targets. These targets are ahead of many of its peers in the Australian transmission and distribution sector.

We observed that the company's Scope 2 emissions (which account for the bulk of the company's carbon footprint) have exhibited variability that makes forecasting their profile hard to predict; we undertook an engagement with their treasury and sustainability teams to understand their emissions footprint in greater detail.

The company ran through the drivers of its Scope 2 emissions (system losses, distance, high/low voltage mix and type of generation), but affirmed its interim target of a 60% decline in Scope 1 and Scope 2 emissions by 2030, based on a 2021 baseline, and net zero by 2040.

The company remains strongly committed to maintaining its bond ratings and, despite a heavy capital expenditure programme that is largely associated with connecting new renewable generation to the grid, in our view there are enough tools and levers available to the company to achieve its transition, including $A1 billion of equity commitments from shareholders for upcoming projects. By positioning itself to be a leading player in the energy transition, the company should continue to benefit from being an attractive investment for those seeking companies that are making robust net zero commitments.

Engagement case study: Prioritising companies targeted for engagement

Macquarie Systematic Investments engagement framework

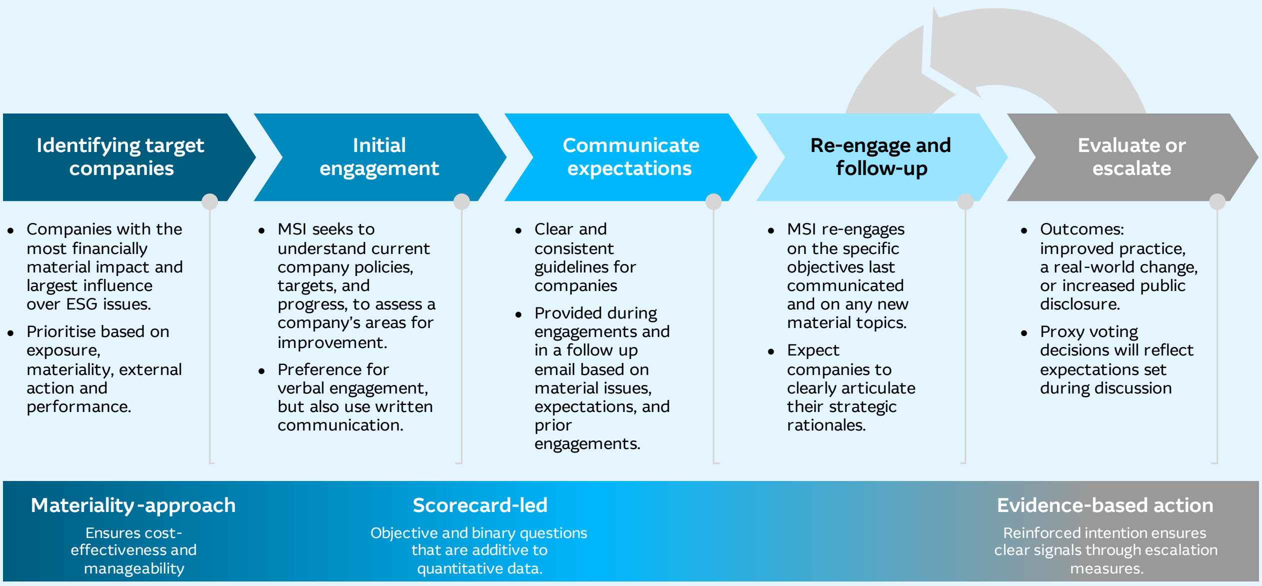
The Macquarie Systematic Investment (MSI) team believes responsible and sustainable investing to be a significant factor in successful long-term investment outcomes. Risk management lies at the heart of the systematic investing approach. We believe that integrating ESG criteria into the investment decision-making and risk management processes, in the context of the overall issuer and security, can help achieve long-term outperformance on equity investments. We also believe that the consideration of ESG factors for investors goes beyond incorporation in a stock selection model. It is for this reason that we also place great emphasis on the practise of responsible investment stewardship, which is implemented through a combination of proxy voting and direct company engagement.

To achieve the greatest impact for the portfolio, engagements must be purposeful and targeted. The MSI team therefore takes a systematic approach to selection, so that companies with the most financially material impact and largest influence over ESG issues are engaged with. This selection methodology involves establishing a universe of stocks for engagement based on portfolio significance and prioritising targets using their material ESG issues and contribution to these issues.

Several factors influence the applicability and urgency of engagement with target companies for MSI:

- **exposure** – measuring the extent that a company is vulnerable to or influenced by an ESG thematic
- **materiality** – measuring the contribution of a company or sector to the economy-wide externality and the time horizon for the realisation of risks and issues associated with an ESG thematic
- **external action** – indicating potential areas for change or greater allocation of resources (e.g., shareholder resolutions or investor-led action through initiatives such as the Australasian Centre for Corporate Responsibility, Market Forces or Climate Action 100+)
- **ESG performance** – measuring the progress of a company towards industry-standard levels of sustainability.

After engagement target companies have been identified, the team follows the structure below.



Engagement case study: Engaging across portfolios on a common theme

Material risks associated with deforestation

Between 2022 and 2024, MAM's Global Equity Compounders team conducted research on relevant portfolio companies' commitments and efforts to eliminate deforestation. It sought to engage those companies with the aim of minimising risks relating to deforestation and encourage potential improvements where necessary.

Topics covered included overall disclosure and transparency, policies, targets, certification, traceability and audits, and initiatives relating to eliminating deforestation, focusing on the actions recommended in industry resources like the OECD-FAO Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains, benchmarks such as Forest 500 and CDP, and the requirements of the EU Deforestation Regulation. In addition, the team reviewed reported controversies and issues relating to deforestation, human rights and labour rights in relation to deforestation, and addressed these with the companies.

As a result of its research, the team reached out to a total of 23 companies across its managed portfolios that were found to be exposed to deforestation risk. Of those, all but three companies were engaged with via direct one-on-one calls or written communication.

Following the research and engagement, the team shared recommendations with each targeted company. These included recommendations relating to overall commitments, implementation of policies, setting measurable targets, reporting on progress, ensuring traceability and auditing suppliers.

The team plans to monitor improvements and progress and follow up on identified recommendations. For the three engagement requests where the team did not receive a reply, it will use potential upcoming engagement opportunities to raise the subject of deforestation.

Engagement case study: Supporting positive action

As mentioned in **Principle 7**, the Sustainability team manages our proprietary SDG database, which assesses companies' alignment with the SDGs. The database contains over 150 data points for more than 10,000 companies and each data point serves to identify the degree to which a company's efforts are aligned with one of the 17 SDGs.

What makes our SDG measurement unique is that, in addition to the typical revenue-based metrics that many managers use to assess SDG alignment (products and services), we also include metrics that take into account a company's actions, such as active participation in public-private partnerships, as well as reputable third-party benchmarks that look at how companies are approaching the SDGs.

As part of our engagement outreach with the investee companies of one of our investment funds, we notified them of their qualification based on SDG alignment score as captured by our database. We believe that successful engagements include encouraging positive actions. Many companies are interested in understanding how they can continue to expand their SDG alignment and will request follow up engagements to learn more about our database methodology.

Continuous improvement

The MAM Equities & Multi-Asset Sustainability team has been developing a guide to be used by all investment teams to help them in their engagement efforts. When completed, the guide will be available on the MAM Sustainability team's internal web page, which is accessible to all MAM personnel. Elements of the guide will include a discussion of MAM's engagement definition, why engagements are important to MAM's stakeholders and as a component of a team's investment process, as well as a step-by-step description of a suggested engagement approach. Included in the step-by-step guide will be links to external sources that help identify material issues on which to engage, suggested questions to ask companies related to these material issues, and links to our internal engagement tracker for use in recording the results of the engagement.

Principle 10

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

At MAM, we recognise that many of the stewardship issues we face we share with other financial institutions. We also recognise that, by collaborating with other investors, we can amplify our voice. Where we deem appropriate, we collaborate with other investors to address ESG issues of common concern. MAM also collaborates with and supports Macquarie's participation with some of the world's leading industry alliances and advocacy groups across a wide range of sectors.

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

For further details relating to Macquarie and MAM's industry engagements and outcomes, see **Principle 4**.

Participation in industry initiatives

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

In addition, MAM became a member of CA 100+ in July 2020. As a member, we collaboratively engage with systemically important GHG emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and achieve the goals of the Paris Agreement.

Participation in these engagements is coordinated by the Sustainability team. They are often performed in conjunction with investment personnel who have a material interest in the policies of the targeted companies and seek to ensure that company actions are taken with the intention of enhancing shareholder value.

MAM is an Ally of the WBA, which represents organisations working to shape the private sector's contributions to achieving the SDGs. As an Ally, MAM is committed to WBA's mission, vision and values, and belief in the power of benchmarks and cross-sector partnerships to drive systematic progress on the SDGs and ultimately enhance shareholder value. Since joining the WBA, MAM has participated in engagements related to the WBA's Digital Inclusion Benchmark, Food and Agriculture Benchmark and Corporate Human Rights Benchmark.

Outcomes of collaborative engagements

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

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

Any cooperation by MAM's investment teams with other shareholders or communication with other stakeholders will always be undertaken in line with our fiduciary responsibilities to our clients.

Proxy voting

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

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

Case Study: World Benchmark Alliance

MAM's strategic partnership with the World Benchmark Alliance

Opportunity: The private sector plays a crucial role in advancing the UN Sustainable Development Goals (SDGs), helping facilitate the transition to a more sustainable future. The WBA was established in 2018 with the understanding that while many companies are making efforts towards sustainability, there is a need for a more coordinated, transparent, and accountable approach to help ensure that the private sector contributes effectively to the SDGs. To achieve this, the WBA has developed a series of benchmarks assessing 2,000 of the world's most influential companies, ranking and measuring them on their contributions to the SDGs.

Approach: MAM joined the WBA in 2021 and leverages their benchmarks to actively engage with companies on material ESG issues. MAM also utilises WBA benchmark data as a valuable input for its proprietary SDG database, a scoring system which holds over 150 data points for over 10,000 companies, aimed at identifying companies' alignment to the 17 SDGs. The range of WBA benchmarks available provides MAM's investment teams with the ability to assess companies' alignment to the SDGs, covering environmental risks such as impact on biodiversity and social issues such as supply chain labour risks.

Outcome: Since joining the WBA, MAM has participated in engagements related to the WBA's Digital Inclusion Benchmark, Food and Agriculture Benchmark and Corporate Human Rights Benchmark. The WBA's collective engagements have met with 97 companies, with MAM actively participating in three of these initiatives. Select sustainability aligned strategies that utilise our SDG database only include investee companies that have achieved a minimum score within our database. We see engaging with investee companies that have received a low benchmark score as an opportunity to increase their score, potentially allowing for inclusion in the investable universe.

Continuous improvement

MAM believes that our stewardship efforts should be connected to enhancing shareholder value and that effective stewardship assists investee companies achieve sustainable, long-term growth.

MAM has been seeking partnerships with academic institutions to develop proprietary research which may assist in the development and enhancement of stewardship activities to support these outcomes.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

MAM has a range of options which we may consider where appropriate to escalate stewardship activities to influence issuers.

The nature of those escalation options differs between our public and private markets businesses.

In our private markets businesses, our escalation options may be developed through direct discussions at the most senior levels of the portfolio companies in which we invest. Those discussions are enabled through our relationships with management and through our nominee directors (as discussed under **Principle 2**).

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

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

MAM's chosen method of escalation varies depending on the fund, asset or geography. For example, funds that are subject to Articles 8 or 9 of the EU's SFDR are subject to the MAM Good Governance Policy that calls for a phased remediation timeline (see further detail below).

Escalation may also vary based on the extent of our holdings and the type of security through which our investment is made. For example, companies in which we have a more significant ownership stake may be more receptive to requests for engagement than those where our ownership is minimal. Fixed income-related engagement requests may also have a lower response rate; unlike shareholders, investors in an issuer's debt typically have no formal ownership or voting rights, which can make company management less willing to engage.

SFDR Good Governance Policy

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

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

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

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

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

Case Study: Good Governance Statistics

The Sustainability Team leads quarterly Good Governance monitoring across all applicable investment products which fall under the EU SFDR Article 8 and 9 classification. The team works with investment risk to monitor and mitigate any negative flags and implement the necessary remediation actions.

Investment teams in scope: 8

Funds in scope: 21

Meetings with investment team to review good governance during reporting period: 31

Companies flagged for poor good governance during reporting period: 114

Case study: Engagement escalations

Materials/Chemical sector

Issue: With increasing regulation and concern around forever chemicals (such as PFAS), MAM engaged with a leading materials/chemicals company to further understand its PFAS exposure and risk management.

Actions: MAM coordinated two meetings over the course of the year to discuss the company's strategy regarding hazardous chemical risk management, to further understand its hazardous chemical portfolio and to discuss its intentions around chemical transparency and disclosure.

Outcome: Over the course of the engagement, company management conveyed that they understand investor concern around PFAS risk management and intend to comply with regulatory requirements as they evolve. They committed to work to meet both customer and industry expectations regarding PFAS.

Energy sector: Woodside Energy Group

Opportunity: Woodside Energy Group (**WDS**) is an Australian-based energy company primarily engaged in the exploration, development, production and sale of liquified natural gas (**LNG**), oil and natural gas. WDS's business activities are highly carbon intensive with the company among the largest greenhouse gas emitters listed on the Australian Stock Exchange (**ASX**).[16] The environmental risk posed to and by WDS's operations needs to be accompanied by strong governance structures and practices to prevent value degradation. Understanding governance factors alongside environmental and social in ESG assessments is critical, as companies with poor governance are more prone to mismanagement and risk their ability to capitalise on business opportunities over time.[17] Often when environmental or social breaches occur it is a result of ineffective corporate governance[18] and therefore, good governance must be established to mitigate this risk.

Approach: As a top ten constituent of the ASX benchmarks,[19] WDS is a significant holding in several of the Macquarie Systematic Investment (**MSI**) team's funds. As a boutique listed equities team within Macquarie Asset Management, MSI believes responsible and sustainable investing to be a significant component in accomplishing successful long-term investment outcomes.[20] Beyond the team's stock selection model, responsible investment stewardship including company engagement and proxy voting is undertaken to preserve and enhance portfolio value.

[16] Australasian Centre for Corporate Responsibility (ACCR), 'Cutting Carbon: What the rush to divest fossil fuels means for emissions reduction and engagement', 31 January 2021.
[17] S&P Global, 'What is the "G" in ESG?', 24 February 2024.
[18] World Economic Forum, 'Defining the 'G' in ESG Governance Factors at the Heart of Sustainable Business', June 2022.
[19] As at 31 March 2024.
[20] This does not apply to the True Index funds which aim to deliver the return of the relevant benchmark.

MSI's ESG engagement framework is underpinned by publicly cited frameworks and standards such as the Principles for Responsible Investing and may involve repeated engagements over time to allow for company implementation of improved policies or practices. Under the framework, governance structures including board composition and remuneration are identified as key influencers on the delivery of sustainability-related goals and progress. Therefore, MSI has undertaken an engagement program with WDS to ensure good governance is being demonstrated. MSI first engaged with WDS in May 2022 and has since met with the company five times. Initial engagements were undertaken to determine the effectiveness of existing governance practice and sustainability strategies.

New skills, particularly in emerging energy and technology, were identified as needing enhancement to balance existing board experience as the company transitions into the future. These were viewed by the team as being complementary to the changing operating environment and valuable in achieving diversity of thought when reviewing climate action initiatives and company strategies.

Following earlier engagements discussing the importance of these new skills on the Board, MSI voted against the election of a new director at the 2023 Annual General Meeting (AGM). This vote was due to the proposed Board member not possessing these credentials and therefore not contributing to greater skills diversity on the board. The vote was not a reflection of their individual capability. The rationale for MSI's vote was communicated to WDS at the time.

Outcome: At WDS's 2024 AGM, a new director was put forward for election with previous experience in roles related to emerging energy, decarbonisation and carbon-neutral technologies. MSI viewed the nominee's skillset as being additive to the existing WDS board skills matrix and, therefore, supported their election.

In this circumstance, the new director was elected to the WDS Board. This result indicates WDS's openness to investor feedback and the role engagement has in supporting businesses with sound governance structures.

While improvement in an investee company may be observed following an engagement, it can be difficult to draw a direct correlation between MSI's engagement activities and a target company's actions as MSI generally makes small, non-controlling investments. However, under MSI's engagement program, the team will continue to work with WDS on its broader governance practices, aiming to secure and maintain effective board oversight of the company's strategy.

Continuous improvement

MAM's efforts to enhance collaboration amongst our different investment teams is intended to support us to more effectively influence companies who we believe should take further action on certain ESG issues.

Using a collective voice (when agreement exists) from each of our investment teams will present company management with a larger number of investors raising concerns. We hope this is more likely to result in company management responding to our calls for engagement and addressing these concerns.

04

Exercising rights and responsibilities

Principle 12

Signatories actively exercise their rights and responsibilities

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

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

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

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

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

Procedures for voting proxies

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

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

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

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

The proxy advisor's recommendations are made available to the applicable portfolio management teams to review and evaluate before the corresponding shareholder meeting. As described below in the Proxy Voting Guidelines section, there may be times when a portfolio management team believes that the best interests of the client will be better served if MAM votes a proxy counter to the proxy advisor's research recommendation. In these cases, the portfolio management team will document the rationale for its votes and provide its rationale to the committee or the committee's delegates for its records. The committee or its delegate(s) are responsible for reviewing the rationale for these votes to assure that it provides a reasonable basis for any vote.

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

Proxy voting statistics (for the period 1 January 2023 to 31 March 2024)

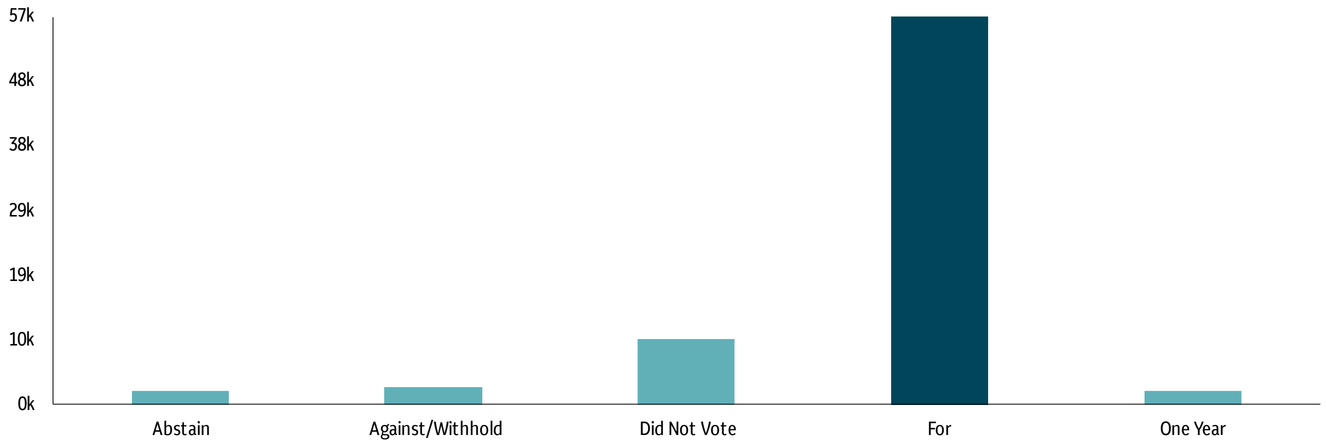
Source: ISS Proxy Manager

MAM has a publicly available website which provides detailed statistics regarding our proxy voting activities and our proxy voting policies. Below are samples of information that is available from the site:

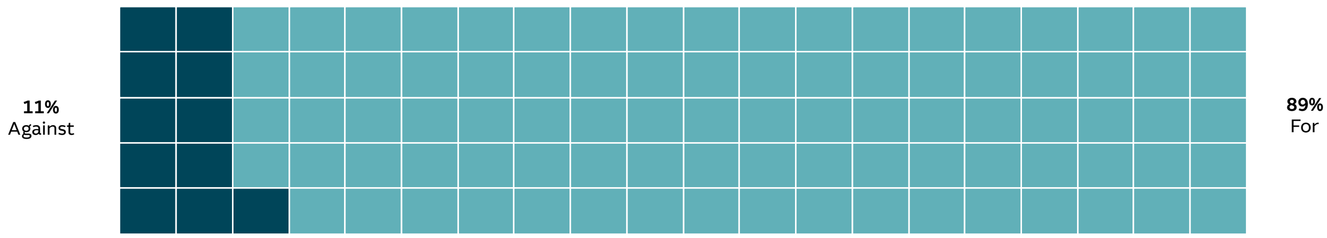
[MAM Proxy Voting Dashboard]

Voting statistics

Across 65,673 unique proposals available to vote:



Alignment with management



+ Expand

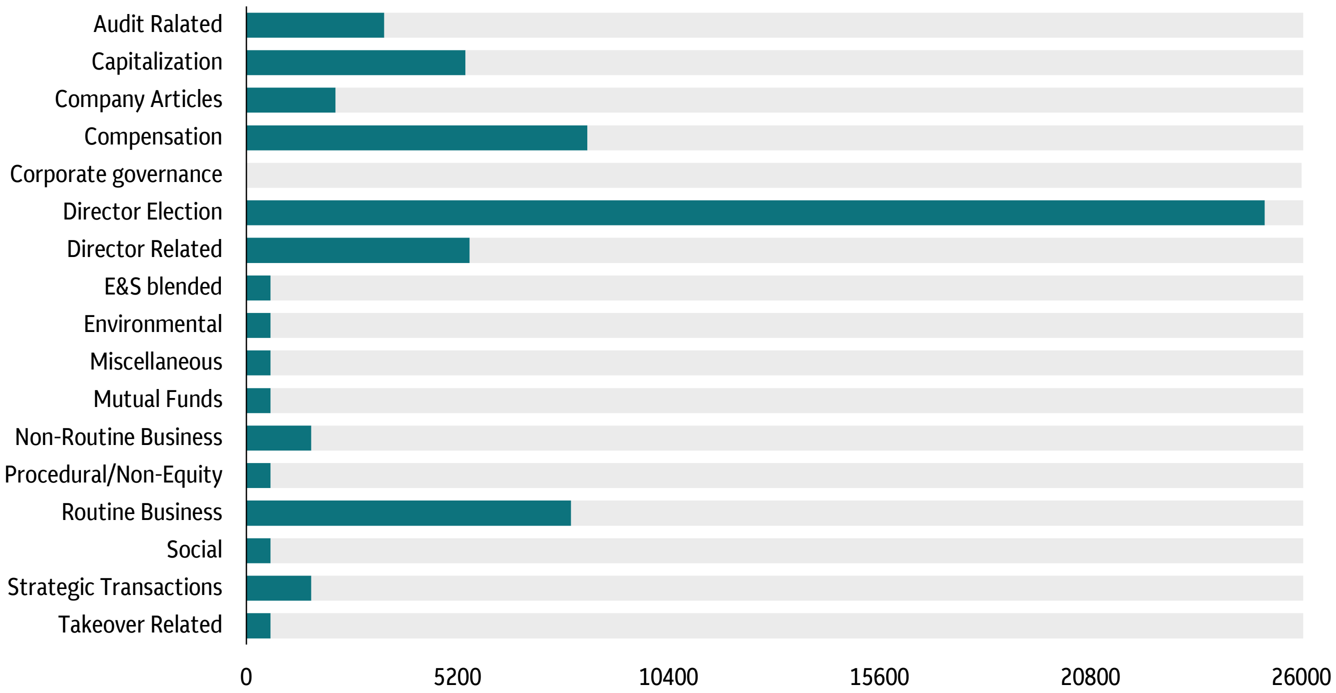
Votes cast were in line with management recommendation 89% of the time, with 11% contrary to management recommendations.

Export

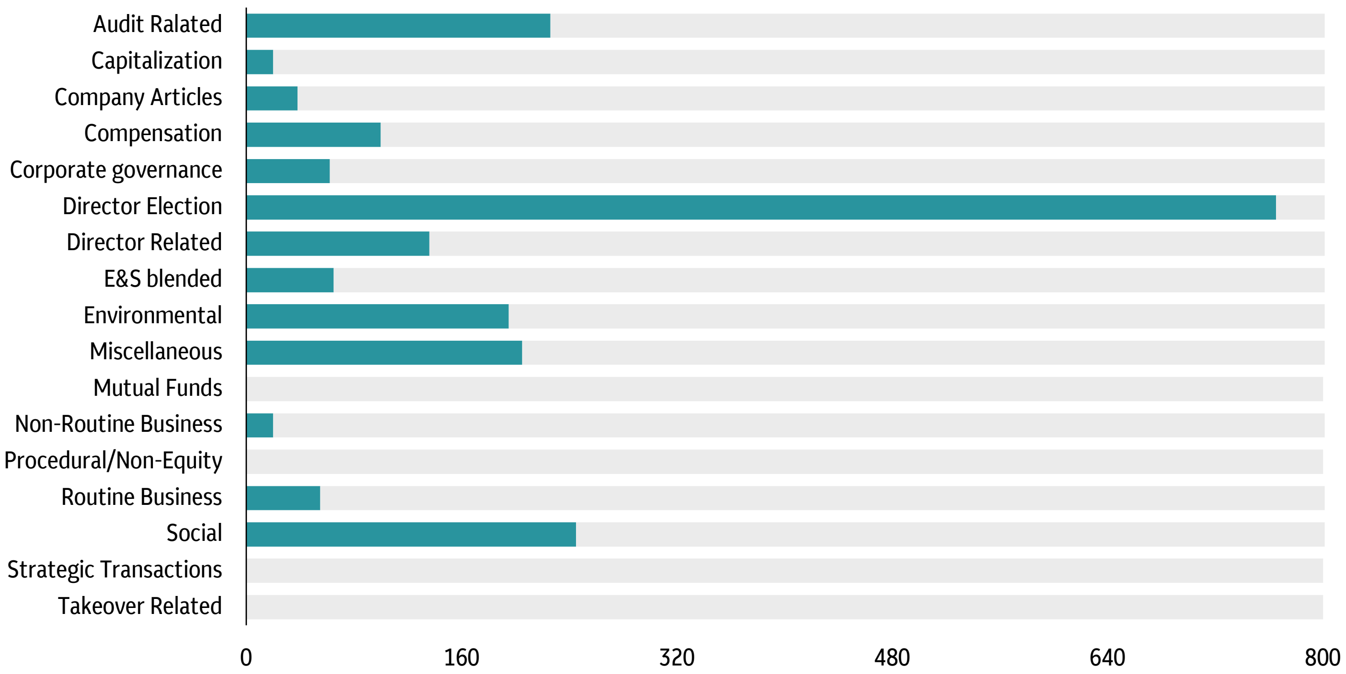
Votes cast by proposal category

Management sponsored 62,480 proposals during the period, while shareholders sponsored 2,119 proposals. Director election was the category with the most proposals.

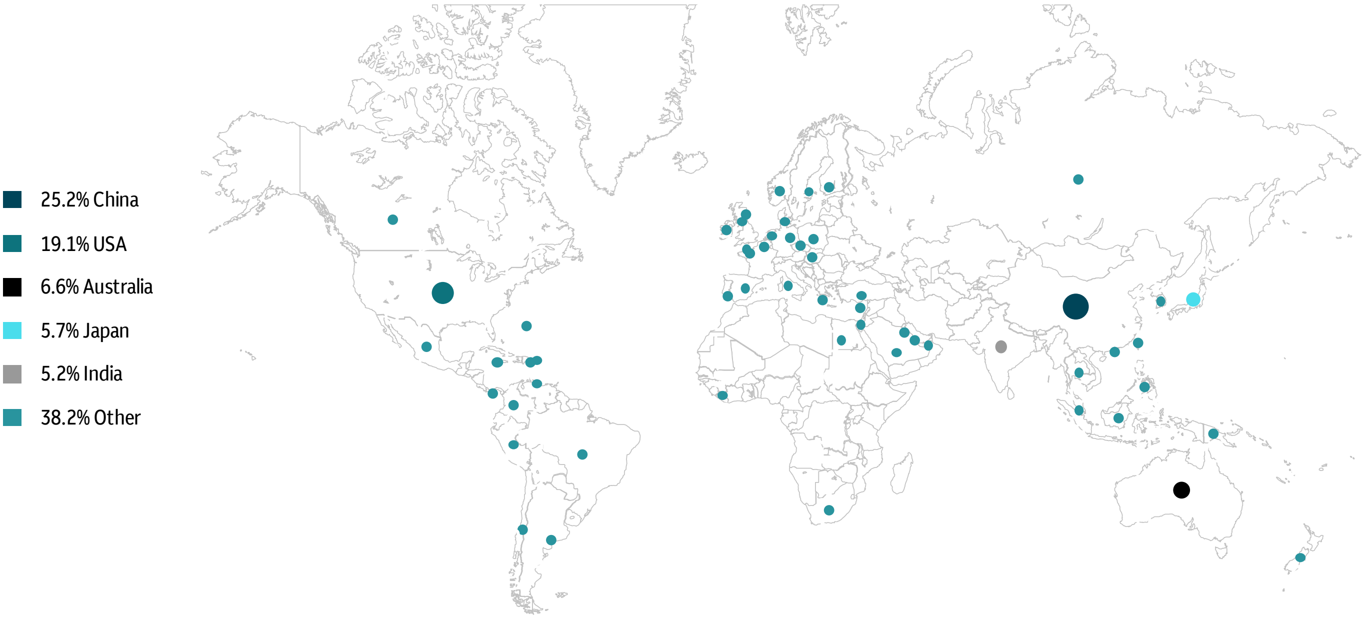
Management



Shareholder

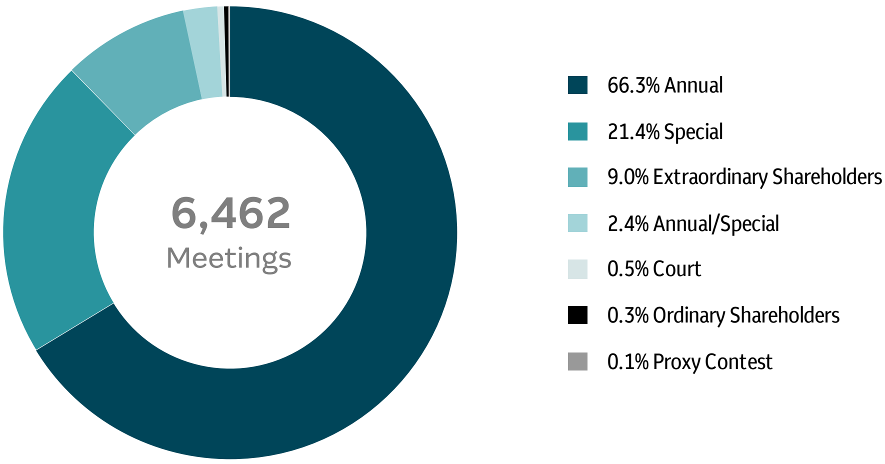


Meetings by market

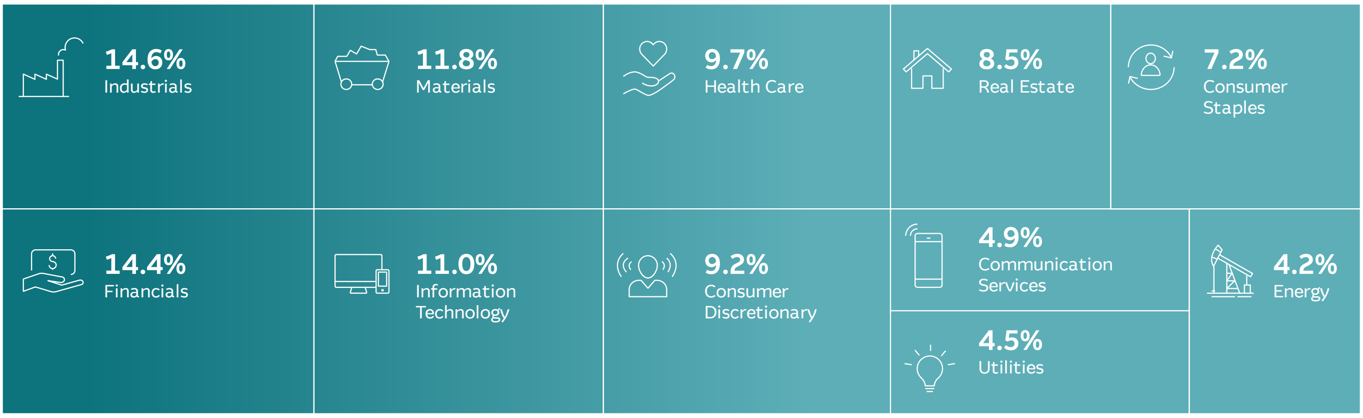


Meetings by meeting type

With 6,462 distinct company meetings available to vote, 6,387 were voted, leaving 75 unvoted.



Meetings by sector



Proxy Voting Guidelines

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

Securities lending

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

MAM's portfolios may lend their securities if a security lending agreement is in place. At the time a security is loaned, the borrower must post collateral equal to the required percentage of the market value of the loaned security, including any accrued interest. Investment teams have the right under the lending agreement to recover the securities from the borrower on demand.

Case study: MAM's ESG proxy alert system

In November 2023, MAM holders of Microsoft were alerted of a vote which requested that "the board provide a report assessing how the company's 401(k) retirement funds manage the growing systemic risk to the economy created by investing retirement plan funds in companies contributing significantly to climate change." MAM's Proxy Voting Guidelines are generally supportive of votes that call for increased climate-related disclosures, and this resulted in our proxy voting advisory firm recommending a vote in favour of the proposal.

Upon receipt of the proxy vote alert and after conducting additional research, one of MAM's portfolio managers who held Microsoft on behalf of clients within its investment strategy requested that the recommended vote be changed from "for" the proposal to "against" the proposal. They felt that actions targeting Microsoft's 401k plan were unrelated to Microsoft's laudable efforts to fight climate change within its own operations, and instead were part of a broad effort to promote divestment from fossil fuels in Microsoft's retirement plans, which may be in violation of the company's fiduciary responsibilities. MAM's Proxy Voting Committee reviewed the portfolio manager's rationale for the recommendation and agreed to change the vote to "against".

The proposal was rejected by shareholders, with 8.9% voting in favour.

ESG proxy alert notifications system

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

The issues are listed below:

ESG issue	
Report on climate change	Renewable energy
Climate change action	Improve human rights standards or policies
GHG emissions	Report on sustainability
Human rights risk assessment	Energy efficiency
Board diversity	Publish 2 degrees Celsius scenario analysis
Gender pay gap	Anti-social proposal
Link executive pay to social criteria	
Corporate strategic issue	
Adopt or increase supermajority vote requirement for mergers	Approve reorganisation/ restructuring plan
Amend articles/bylaws/charter to remove anti-takeover provision(s)	Approve request for bankruptcy protection
Amend right to call special meeting	Approve sale of company assets
Approve acquisition or issue shares in connection with acquisition	Approve special-purpose acquisition company transaction
Approve merger agreement	Approve spin-off agreement
Approve merger by absorption	Elect director (proxy contest-related)
Approve liquidation plan	Grant authority to board to implement anti-takeover measures during a takeover

Continuous improvement

During the reporting period, our public markets businesses have created regional sub-committees as delegates of the Global Proxy Voting Committee. Regional sub-committees have been established for the Americas, Asia-Pacific and EMEA regions, which comprise investment, legal, risk and operations representatives. The sub-committees allow for the consideration of regional factors in analysing proxy voting issues and can provide more timely responses in instances where immediate decisions need to be made. We will continue to review the committee structure.