



Macquarie Asset Management

Our approach to net zero

November 2024



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01

Introduction

1. Introduction

1.1 About MAM

Macquarie Asset Management (**MAM**) 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 \$A938.3¹ billion in assets with a team of over 2,400 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 providing new strategies and initiatives for MAM).

Refer to 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. Refer to Macquarie's website for further information at www.macquarie.com.

1.2 About this document

This document provides additional information regarding MAM's approach to net zero with respect to our financed emissions, which are the greenhouse gas (**GHG**) emissions attributed to our off-balance sheet lending and equity investment activities undertaken on behalf of clients. The emissions arising from MAM's own business operations and those pertaining to on-balance sheet investments fall under Macquarie's net zero commitments. For further information on Macquarie's net zero commitment, scope and progress, please see macquarie.com/esg.

MAM organisational chart

Macquarie Asset Management			
Real Assets	Real Estate	Credit	Equities & Multi-Asset
<ul style="list-style-type: none">InfrastructureGreen InvestmentsAgriculture	<ul style="list-style-type: none">OpportunisticFIBRA Macquarie	<ul style="list-style-type: none">Fixed IncomeLeveraged CreditPrivate Credit	<ul style="list-style-type: none">EquitiesMulti-Asset / Other
Solutions			
Impact Solutions, Wealth Solutions, Investment Solutions, Insurance Capital Solutions, Macquarie Insurance Facility			
Client Solutions Group			
Sustainability			
Enterprise			
Risk	Finance	Legal	Human Resources
MAM Central			

¹ As at 31 March 2024. Assets under management (AUM) within our Real Assets, Real Estate, and Private Credit businesses includes equity yet to deploy and equity committed to assets but not yet deployed. It also includes assets owned or managed by specialist real estate platforms in which MAM may hold a minority interest or otherwise have limited governance rights.

1.3 Overview

In 2023, the Intergovernmental Panel on Climate Change (IPCC) noted that “human-caused climate change is already affecting many weather and climate extremes in every region across the globe.”²

With the world still well short of meeting a pathway to 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.

In late 2020, MAM set the foundations for our net zero journey by publicly announcing our net zero commitment. There have since been significant developments in this area, including new methodologies that were not available in 2020, a deeper understanding of the various pathways to net zero and their associated challenges across the sectors and asset classes in which we invest, and evolving regulations and reporting standards.

In light of these developments, we have reviewed our net zero roadmaps across MAM’s asset classes to help ensure that our approach remains in line with the market and utilises the latest methodologies and guidance available. Subsequently, we have refined our net zero commitment by:

- aligning our definitions of control and significant influence to the available industry guidance
- where not already established, specifying the methodologies, interim targets and metrics by

which we will measure our progress across additional asset classes

- clarifying our approach to material Scope 3 financed emissions.

As detailed further in Section 3, 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.

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.

Supporting the transition to a low-carbon economy is a complex challenge, where policy, technologies and frameworks continue to be developed.

We will provide updates on areas of improvement, enhancements to our methodologies and targets, and our progress through our annual sustainability reporting.

² 'Climate Change 2023: Synthesis Report', IPCC, 2023, pp. 35-115, <http://www.ipcc.ch/>



02

Foundations

2. Foundations

2.1 MAM's Net Zero Commitment

In supporting the transition to a low carbon economy, MAM³ has made the following commitments:

- where we have control or significant influence⁴, we will invest and manage our portfolio in line with net zero Scope 1 and 2 financed emissions by 2040 subject to limited exclusions, as outlined in Section 2.1.2 below; and
- where we do not have control or significant influence, such as in our managed portfolio of public securities, we will continue to support the goals of the Paris Agreement⁵ in a manner consistent with our client-guided fiduciary duties and regulatory responsibilities. Accordingly, where we do not have control or significant influence, we will invest and manage our portfolio in line with net zero financed emissions by 2050.

Throughout this document, we refer to these commitments as MAM's **Net Zero Commitment**.

References to "portfolio" in MAM's Net Zero Commitment refer to its global portfolio of assets under management (not to individual investments, fund portfolios or portfolios of legal entities within MAM).

Investments owned by MAM that are not managed by MAM for its clients, such as MAM balance sheet investments, are excluded from MAM's Net Zero Commitment.

Further, not all assets owned or managed by MAM are currently managed in line with our Net Zero Commitment. Further details of these exclusions by asset class are set out in Section 3.1.

As part of our ongoing reporting, we will disclose our progress against our net zero by 2040 commitment.

2.1.1 Control or significant influence

Whether or not MAM has control or significant influence over an asset is a critical determinant of whether we are targeting management of that asset to net zero by 2040 or 2050 under our Net Zero Commitment.

MAM generally only has control or significant influence for those assets within our Real Assets and Real Estate businesses and a portion of our Solutions business where we have significant shareholdings and may also have board representation. We have adopted the following concepts in our different businesses to determine if we have control or significant influence:

- **Real Assets:** MAM has control or significant influence over assets in which MAM has a shareholding of 25 per cent or more and board representation.⁶ This approach is consistent with Institutional Investors Group on Climate Change (IIGCC) [Infrastructure Component of the Net Zero Investment Framework](#).
- **Real Estate:** MAM has control or significant influence over assets within band 1a of the IIGCC [Private Equity Industry Component of the Net Zero Investment Framework](#) (which MAM interprets as having a shareholding of more than 50 per cent and board control).
- **Solutions:** Our Solutions business comprises multiple different asset classes, each with their own unique characteristics. We have adopted different methodologies to tailor the implementation of our Net Zero Commitment to these businesses – refer to Section 3.1.6 for further information.

2.1.2 Exclusions to net zero by 2040

There are circumstances where, despite MAM having control or significant influence over an asset

³ MAM is made up of multiple legal entities that are subsidiaries of Macquarie. Such entities have not set their own net zero commitment or any interim targets. Such entities may take actions to support MAM's Net Zero Commitment by applying the implementation strategy for relevant asset classes in their respective portfolios as set out in Section 3, where appropriate and in line with applicable legal and regulatory obligations. Unless otherwise specified within fund offering documents, MAM's investment funds have also not set their own net zero commitments or interim targets and there is no guarantee that a fund's portfolio will achieve net zero emissions during the life of the fund or an individual investment in a fund's portfolio will achieve net zero emissions by a certain date.

⁴ Please refer to Section 2.1.1 for more information on how MAM defines control or significant influence.

⁵ The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by maintaining a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. The IPCC concluded the need for net zero emissions by 2050 to remain consistent with 1.5°C.

⁶ IIGCC uses the terminology "meaningful influence or control influence."

applying the methodologies described above, MAM nevertheless is not in a position to set a 2040 net zero target.

Assets with the following characteristics are excluded from our 2040 commitment:

1. Assets where it is not reasonably practicable to set a 2040 net zero target or to set such a target would be inconsistent with MAM's fiduciary obligations, including for the following reasons:
 - a. due to the impact of governmental, legal or regulatory requirements or guidance
 - b. due to a reasonably foreseeable risk of litigation
 - c. assets in sectors where there are limited credible pathways to achieve net zero emissions by 2040
 - d. assets whose decarbonisation efforts are adversely impacted by technological limitations
 - e. due to the impact of public commitments, shareholder agreements or other contractual arrangements which were established prior to MAM's investment in the relevant asset.
2. Assets which, prior to MAM's investment, had committed to a science-based (or equivalent) net zero emissions target with a target date later than 2040.
3. Assets where shareholder or board approval is required to set a 2040 net zero emissions target and the requisite majority declines to approve (or otherwise advise that they will not approve) setting such a target.

Currently, these exclusions apply to less than 10 per cent of our Real Assets portfolio companies. Across our Real Estate platform, these exclusions do not yet apply to any assets. We will continue to review these exclusions as we make progress on our commitment.

MAM typically does not have control or significant influence over assets in our Credit and Equities & Multi-Asset businesses.

2.1.3 Scope 1 and 2 emissions

MAM generally only has the ability to influence an asset's impact on its Scope 1 and 2 emissions, therefore our 2040 commitment only applies to Scope 1 and 2 emissions. However, to the extent possible, in line with Net Zero Asset Managers (**NZAM**) requirements, MAM intends to support our Real Assets and Real Estate portfolio companies to reduce their material Scope 3 emissions in line with net zero emissions by 2050.

Net Zero Asset Managers initiative

In further support of our Net Zero Commitment, MAM joined the NZAM initiative in 2021. The initiative comprises an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner in line with global efforts to limit warming to 1.5°C, considering Scope 1 and 2 emissions and, to the extent possible, material Scope 3 emissions. As part of joining the NZAM initiative, MAM has committed to:

- Working in partnership with asset owner clients on decarbonisation goals, consistent with our Net Zero Commitment to reach net zero emissions by 2050 or sooner across all assets under management (**AUM**).
- Set an interim target for the proportion of our assets to be managed in line with net zero emissions by 2050 or sooner.

Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100 per cent of assets are included.

2.2 External dependencies and challenges

The pathway to net zero is unlikely to be linear, and while we have set our approach based on the currently available information and methodologies, we have identified external dependencies outside of our control that may impact our ability to deliver on our Net Zero Commitment, and challenges we face in relation to the methodologies and information available.

The external dependencies we have identified include:

- governments will make further legislative and regulatory changes to meet their own commitments under the Paris Agreement and to create the enabling financial environment that will make net zero possible
- existing government targets will be met, including but not limited to climate adaptation targets and targets relating to the decarbonisation of energy supplies (such as developing efficient ways to deliver variable renewable energy to the grid and the introduction of appropriate grid stability mechanisms)
- changes to the regulatory environment for asset managers will support the integration of net zero considerations in investment decision making
- client demand for net zero-aligned portfolios will increase over time as government policy and regulatory change is implemented
- credible net zero methodologies will be developed for asset classes or investment strategies where agreed methodologies do not currently exist. For example, currently, no credible net zero methodologies exist for several sub-asset classes, such as derivatives and swaps
- there will be further development and adoption of Paris-aligned benchmarks for index-tracking investment strategies
- consumer demand and investor pressure will encourage companies to adopt net zero plans where not already in place
- there will be technological advancements that will assist with reducing GHG emissions, including currently available technologies becoming commercially viable
- companies in which we are invested will meet the net zero targets that they set.

Should some of these key external dependencies not be realised by 2050 or sooner, it will become

increasingly harder for us to meet our Net Zero Commitment and the NZAM objective of having 100 per cent of our AUM managed in line with net zero GHG emissions by 2050 or sooner.

Please see Section 3 for further information on how we intend to address some of these dependencies over the coming years.

One of the most significant challenges to developing our approach to net zero at this stage is the uncertainty in many of the areas we are seeking to address. Climate data, models and methodologies used are often relatively new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles.

Given the uncertainty as to the nature of future policy and market responses to climate change, including between regions, and the effectiveness of any such response, we may have to re-evaluate our approach to net zero in the future.

2.2.1 Our net zero priorities

As we work to deliver on our Net Zero Commitment, we believe that it is important to be realistic about the challenges we face and our ability to initiate change. As such, we are focused on:

- reviewing baselines across our asset classes to improve consistency, comparability, and relevance of reported data, such that progress against our targets can be better assessed
- implementing additional key performance indicators and improving data capabilities in order to track progress against targets across asset classes, including measuring material Scope 3 emissions to the extent possible
- supporting our Real Assets portfolio companies and Real Estate specialist operators to make their decarbonisation plans 'business as usual' – firmly embedded into annual budgeting and business planning processes and supported with the right resources. We are also focused on improving the monitoring of progress against their plans
- engaging with and encouraging borrowers of our Private Credit business to set net zero targets and develop decarbonisation strategies
- in our public markets businesses, actively engaging with investee companies, index providers, and relevant industry and trade bodies to address climate-related issues as a means of enhancing shareholder value.

Please see Section 3.1 for further information on our assets that are currently managed in line with net zero.



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Our Approach

3. Our approach

MAM manages a diverse suite of products and asset classes on behalf of our clients, with different levels of ownership in, and influence over, the assets in which we invest. As a result of this, the way we exercise our fiduciary responsibilities varies between our business divisions (and within each division) and, accordingly, so does the way we implement our Net Zero Commitment.

Our efforts are currently focused on three core actions to support our Net Zero Commitment:

1. **Decarbonising our portfolio:** adopting appropriate methodologies, targets, and implementation strategies across asset classes to support the decarbonisation of our portfolio.
2. **Investing in climate solutions:** facilitating client investment in decarbonisation and climate adaptation.
3. **Stakeholder engagement:** engaging with clients, industry and government to address challenges and barriers to reaching net zero.

3.1 Decarbonising our portfolio

In line with MAM's obligations under NZAM, MAM has adopted methodologies and set interim targets that are tailored to each asset class in which we invest. In doing so, we have considered the methodologies, tools and resources currently available in the market. Our approach is likely to evolve as the industry gains a deeper understanding of the various pathways to net zero and their associated challenges across the sectors and asset classes in which we invest.

Overall, MAM has used the NZAM-endorsed Paris Aligned Investment Initiative (PAII) [Net Zero Investment Framework \(NZIF\)](#) and supporting asset class-specific guidance to inform our approach to net zero across each of our asset classes, as we believe it most closely aligns with MAM's existing investment approach.

Further detail is provided by asset class below.

3.1.1 NZAM in-scope portfolio holdings

As detailed in Section 2.1, MAM is a signatory to NZAM.

In May 2022, MAM disclosed that 43 per cent of assets were managed in line with NZAM criteria as detailed in [NZAM's Initial Target Disclosure Report](#). Further detail on the remaining 57 per cent of assets that were excluded from being managed in line with NZAM criteria is set out below.

As a signatory of NZAM, we are committed to working to address barriers over time with the goal of having 100 per cent of our AUM managed in line with net zero by 2050 or sooner. Where possible, we are still applying aspects of our net zero framework in our management of assets that are not currently included in our AUM managed in line with net zero (for example, through engagements with investee companies on climate change) and we continue to collaborate with peers and industry bodies to improve methodologies and data availability. Further detail on how we intend to increase our in-scope portfolio holdings over time is detailed below.

In this document, "in-scope portfolio holdings" refers to assets in our portfolio that we have committed to manage in line with net zero under NZAM.

As outlined in Section 2.2, there are external dependencies and challenges which may mean we are not able to manage our whole portfolio in line with net zero under NZAM.

3.1.2 Real Assets

Methodology and targets

Methodology

Infrastructure Component of the Net Zero Investment Framework issued by IIGCC

Interim targets	Year ⁷	Description
Asset Alignment Target	2030	By 2030, we aim to have 100 per cent of in-scope portfolio holdings ⁸ aligned or aligning with net zero by 2050 or sooner (Scope 1 and 2 emissions only) using the specified methodology. In-scope portfolio holdings may exclude assets acquired within a 24-month period prior to 31 December 2030 that may not be aligned or aligning with net zero by the target date due to their recent acquisition.

Metrics used to measure progress⁹

Asset Alignment Metric	Percentage of in-scope portfolio holdings by AUM aligned or aligning with net zero (Scope 1 and 2 emissions only) per the specified methodology.
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Implementation strategy

Since making our Net Zero Commitment, MAM has engaged with our portfolio companies to complete the following steps:

- measure and verify their Scope 1 and 2 GHG emissions
- set interim targets
- identify abatement measures (both short and long-term) and integrate them into a net zero business plan
- revisit their net zero business plan at least annually, as part of the budget and business planning process.

For portfolio companies that fall under our 2040 commitment, the net zero business plans and targets will be managed in line with net zero by 2040 rather than 2050.

We have conducted workshops with third-party experts to outline our Net Zero Commitment and expectations of each portfolio company, together with guidance and tools to help them deliver against these.

Our portfolio companies have access to the expertise and capabilities in our MAM Green Investments division to support them with installing

onsite renewables, as well as procuring green energy through Power Purchase Agreements. Furthermore, sustainability experts within our Sustainability team support our investment teams in engaging with our portfolio companies on their net zero pathways.

Where MAM portfolio companies are supported by service providers, our Sustainability team may monitor the outputs provided and engage with them to seek to ensure services provided are in line with our expectations.

Utilising MAM's proprietary [System 7 Asset Management Framework](#), we work closely with the management of our portfolio companies to seek to ensure their net zero business plans are firmly embedded within their organisations and supported by the right resources.

We seek to apply minimum sustainability standards with our portfolio companies. These standards are initially established on acquisition, during the transition of the asset to MAM management. They are reviewed over the asset management life cycle to help ensure assets integrate appropriate standards and objectives, including reporting on their near-term and long-term plans to address climate-related risks (including physical and transition risks) and opportunities through their net zero business plans.

⁷ Across all tables, where MAM has set interim targets for the year 2030, we intend to reach these by 31 December 2030.

⁸ Refer to Section 3.1.1 for MAM's definition of in-scope portfolio holdings.

⁹ MAM will report on this metric at a portfolio level across relevant asset classes.

3.1.3 Real Estate

Methodology and targets

Methodology

Private Equity Industry Component of the Net Zero Investment Framework issued by IIGCC

Interim targets	Year	Description
Asset Alignment Target	2030	By 2030, we aim to have 100 per cent of in-scope portfolio holdings in influence band 1a aligned or aligning with net zero by 2050 or sooner (Scope 1 and 2 emissions only) in line with the specified methodology. In-scope portfolio holdings may exclude assets acquired within a 24-month period prior to 31 December 2030 that may not be aligned or aligning with net zero by the target date due to their recent acquisition.
Engagement Threshold Target	2030	By 2030 we are targeting that 100 per cent of in-scope portfolio holdings in 1b and 1c influence bands are either assessed as net zero, aligned or aligning with a net zero pathway or are subject to engagement. ¹⁰

Metrics used to measure progress

Asset Alignment Metric	Percentage of in-scope portfolio holdings by AUM managed in alignment with net zero (Scope 1 and 2 financed emissions only) per the specified methodology.
Engagement Threshold Metric	Percentage of financed emissions in material sectors that are either assessed as net zero, aligned or aligning with a net zero pathway, have committed to setting a science-based net zero target or are subject to engagement. ¹¹

Implementation strategy

Since making our Net Zero Commitment, MAM has engaged with our specialist operators to complete the following steps:

- measure and verify their Scope 1 and 2 GHG emissions
- set interim targets
- identify abatement measures (both short and long-term) and integrate them into a net zero business plan
- revisit their net zero business plan at least annually, as part of the budget and business planning process.

For portfolio companies that fall under our 2040 commitment, the net zero business plans and targets will be managed in line with net zero by 2040 rather than 2050.

We have conducted workshops with third-party experts to outline our Net Zero Commitment and expectations of each specialist operator, together with guidance and tools to help them deliver against these.

Our specialist operators have access to the expertise and capabilities in our MAM Green Investments division to support them with installing onsite renewables, as well as procuring green energy through Power Purchase Agreements. Furthermore, MAM's Sustainability team support our investment teams in engaging with our specialist operators on their net zero pathways.

Where our specialist operators are supported by service providers, our Sustainability team monitors the outputs provided and engages with them to seek to ensure services provided are in line with our expectations.

¹⁰ MAM has chosen to adopt the IIGCC Net Zero Investment Framework (NZIF) - Component for the Private Equity Industry methodology which outlines the 'Influence bands approach'. Band 1b: ≤ 50 per cent of board voting seat appointments (usually a significant minority shareholder). Band 1c: 'No board votes'.

¹¹ MAM will report on this metric at a portfolio level across relevant asset classes.

To assess progress, MAM conducts a semi-annual assessment of our specialist operators. We use these assessment findings in our reporting and work

through the results with our investments to determine evolving objectives and priorities.

3.1.4 Credit

Methodology and targets

Fixed Income

Methodology

PAII NZIF, adapted as outlined below.

Interim targets	Year	Description
Asset Alignment Target	2030	By 2030, we are targeting 50 per cent of in-scope portfolio holdings in listed equity and corporate bond investments to have committed to setting a science-based net zero target of 2050 or sooner, based on established third-party criteria.
Engagement Threshold Target	2030	By 2030, in line with the NZIF methodology, we are targeting that at least 90 per cent of our in-scope portfolio holdings in material sectors ¹² have been engaged with or are assessed as net zero, aligned or aligning with a net zero pathway, or have committed to setting a science-based net zero target of 2050 or sooner, based on established third-party criteria.

Metrics used to measure progress

Asset Alignment Metric	Percentage of in-scope portfolio holdings by AUM that have committed to setting a science-based net zero target or equivalent.
Engagement Threshold Metric	Percentage of financed emissions in material sectors that are either assessed as net zero, aligned or aligning with a net zero pathway, have committed to setting a science-based net zero target or are subject to engagement.

The following assets are excluded from our in-scope portfolio holdings in Fixed Income:

- passively managed portfolios that are linked to a benchmark that does not have a climate objective
- investments in cash, derivatives, duration overlay and securitisations (e.g. asset-backed securities and mortgage-backed securities) are excluded as there is no credible net zero methodology available for these assets. While there is nascent net zero guidance on sovereign, sub-sovereign and municipal debt, these are currently excluded until a widely accepted, credible methodology becomes available. We will continue to monitor the development of net zero methodologies across these asset classes
- portfolios where clients do not wish to have their portfolio managed in line with net zero
- portfolios that are managed or advised by third-party asset managers.

MAM has adapted the NZIF alignment maturity scale which is used to assess whether issuers are in

alignment with a net zero pathway. MAM's approach is to assess whether underlying investee companies have committed to setting a science-based net zero target, including with respect to Scope 3 emissions where material, which follows established third-party criteria, for example, the Science Based Targets initiative (SBTi), or an equivalent.

Private Credit

With respect to our Private Credit business, the IIGCC has only recently released its net zero methodology for Private Credit and as such, our Private Credit portfolios are not currently managed in line with net zero.

MAM will review the new methodology and consider whether to adopt it.

Leveraged Credit

To the extent the Leveraged Credit business invests in fixed income securities, it will apply the fixed income methodology.

¹² The NZIF recommended definition of material sectors is NACE code categories A-H and J-L.

To the extent the Leveraged Credit business invests in private credit markets, they will not be managed in line with net zero for the reason given above.

Implementation strategy

Fixed Income

Within our Fixed Income portfolios, where applicable, we assess climate-related factors through our proprietary environmental, social and governance (**ESG**) assessment framework. This contributes to our overall investment decision-making process.

While we remain focused on the integration of climate considerations across our portfolios where applicable, gaps in policy and frameworks remain across the industry for fixed income investors. Current and planned future activities are focused on data collection, the tracking of our portfolios against the net zero targets set out above, and broadening our engagements with issuers.

Private Credit

Across our Private Credit business, we are taking steps to increase the net zero data that we collect from borrowers to better understand the baseline which we will be starting from when it comes to setting net zero targets in the future. Recent and

planned future activities are focused on increasing data collection and engagement with both borrowers and clients.

We are engaging with our borrowers on a range of ESG considerations through information requests throughout the life of our investment, including requests for data on our borrowers' GHG footprints and their current and future decarbonisation strategies. We are also undertaking annual reviews of each investment, which provide further opportunities to engage with borrowers and discuss their progress.

We are also incorporating net zero considerations into our fund investment strategies and reporting, including targeting investment towards assets supporting the energy transition and those with net zero targets. For each new investment, we assess if the borrower has a net zero target and identify key components of this target, such as interim targets, coverage and key decarbonisation actions. For more specialised investment strategies within our Private Credit business, such as asset finance, we seek to engage with external consultants to identify the most appropriate net zero methodology.

3.1.5 Equities & Multi-Asset

Methodology and targets

Methodology

PAII NZIF, adapted as outlined below.

Interim targets	Year	Description
Asset Alignment Target	2030	By 2030, we are targeting 50 per cent of in scope portfolio holdings in listed equity and corporate bond investments to have committed to setting a science-based net zero target of 2050 or sooner, based on established third-party criteria.
Engagement Threshold Target	2030	By 2030, in line with the NZIF methodology, we are targeting that at least 90 per cent of our in-scope portfolio holdings in material sectors ¹³ have been engaged with or are assessed as net zero, aligned or aligning with a net zero pathway, or have committed to setting a science-based net zero target of 2050 or sooner, based on established third-party criteria.

Metrics used to measure progress

Asset Alignment Metric	Percentage of in scope portfolio holdings by AUM that have committed to setting a science-based net zero target or equivalent.
Engagement Threshold Metric	Percentage of financed emissions in material sectors that are either assessed as net zero, aligned or aligning with a net zero pathway, have committed to setting science-based net zero targets, or are subject to engagement.

The following assets are currently excluded from our in-scope portfolio holdings in Equities & Multi-Asset:

- passively managed portfolios that are linked to a benchmark that does not have a climate objective
- investments in swaps, cash and derivatives as there is no credible net zero methodology available for these assets
- investments in fund of funds strategies where MAM does not have control over investment decisions regarding assets held by the underlying funds
- investments in small and microcap securities where limited GHG emission data is available
- portfolios where clients do not wish to have their portfolio managed in line with net zero
- portfolios that are managed or advised by third-party asset managers.

MAM has adapted the NZIF alignment maturity scale which is used to assess whether issuers are in alignment with a net zero pathway. MAM's approach is to assess whether underlying investee companies

have committed to setting a science-based net zero target, including with respect to Scope 3 emissions where material, which follow established third-party criteria, for example, the SBTi, or an equivalent.

Implementation strategy

Within our Equities & Multi-Asset business, our efforts to implement our Net Zero Commitment focus on two core activities - engagement with investee companies and exercising proxy voting rights.

Our investment teams engage with investee companies, either directly or in conjunction with other investors, encouraging them to adopt net zero targets to address the risks of climate change where we believe that this will bring enhanced shareholder returns.

Our proxy voting guidelines generally support climate-related proposals unless a vote against a proposal is more favourable in enhancing shareholder returns.

¹³ The recommended definition of material sectors is NACE code categories A-H and J-L.

3.1.6 Solutions

Methodology and targets

MAM's Solutions division comprises multiple businesses, including Secondaries, Wealth Solutions, Insurance Solutions, Impact Solutions, and Insurance Facility. Each business is different, and therefore a tailored approach to the implementation of our Net Zero Commitment is required.

The majority of the businesses in the Solutions division do not have control or significant influence over their investments as defined in Section 2.1.1. One exception sits within the Impact business, and is the My Specialised Accommodation Solutions (**MSAS**) business. MSAS provides specialist disability accommodation for people with profound disability in Australia, and has set a net zero by 2040 target.

Investments where we do not have control or significant influence as defined in Section 2.2.1 do

not currently form part of our in-scope portfolio holdings as they comprise:

- portfolios that are managed or advised by third-party asset managers. This includes our Secondaries business which provides liquidity solutions to MAM's infrastructure limited partners (**LPs**) and the establishment of new general partner (**GP**) relationships through the secondary market and our Wealth Solutions business, which provides access to alternatives for the high-net-worth and mass affluent market managed by third-party asset managers.
- portfolios where clients do not wish to have their portfolio managed in line with net zero.

In addition, MAM businesses or investments that do not form part of MAM's AUM (for example, Macquarie balance sheet investments and the Macquarie Insurance Facility, which is an insurance broker) are excluded from MAM's Net Zero Commitment.

Solutions: My Specialised Accommodation Solutions (MSAS)

Methodology

PAII NZIF - IIGCC [Addressing whole life carbon in real estate portfolios: A step-by-step guide](#)

Interim targets

Year

Description

Asset Alignment Target

2030

By 2030, we aim to have 100 per cent of in-scope portfolio holdings in MSAS to be aligned or aligning with net zero by 2050 or sooner (Scope 1 and 2 emissions only) using the specified methodology.

Metrics used to measure progress

Asset Alignment Metric

Percentage of in-scope portfolio holdings by AUM aligned or aligning with net zero (Scope 1 and 2 emissions only) per the specified methodology.

Implementation strategy

Where we exercise control or significant influence, we will partner with the asset to adopt an appropriate industry methodology which reflects the characteristics of that asset to implement our Net Zero Commitment. For example, our MSAS platform seeks to improve the emissions and efficiency of eligible dwellings through initiatives such as:

- measuring, or estimating where measurement is not possible, GHG emissions, and waste production and water usage
- installing rooftop solar across eligible dwellings, and smart meters across dwellings to measure annual tenant electricity consumption.

Where we do not have control or significant influence, we will take a bespoke approach tailored to the unique requirements of the business. For example, in our Secondaries and Wealth Solutions businesses we are intending to introduce voluntary ESG monitoring to better engage with managers on ESG matters.

3.1.7 Our approach to carbon offsets

MAM recognises the role high-quality and credible carbon offsets play in achieving net zero goals.

MAM believes, in line with the current climate science, that offsetting in this context should only be used in relation to residual emissions.

Our efforts to decarbonise remain focused on reducing emissions where there are technologically and financially viable ways to do so.

Assets may opt to compensate or to neutralise emissions that are still being released into the atmosphere as part of their net zero pathway. While these emission reductions associated with offsets may not count towards net zero targets, MAM recognises they can play a role in driving action. As such, use of offsets for these purposes is supported.

3.1.8 Our approach to coal

Coal represents the largest single source of GHG emissions from energy¹⁴ globally. However, given its ongoing significance in the energy mix, the necessary phase-out will require careful management, in coordination with other forms of supply, to help ensure energy security and affordability. We believe long-term solutions lie in collaboration with companies in affected industries,

rather than divestment from businesses with exposure to coal without consideration of energy transition solutions. MAM has policies in place to govern its coal exposures in different areas of its activity and recognises the intersection of climate and social outcomes, and seeks to support a just and orderly transition.

We are currently undertaking a review of our Coal Policy¹⁵ and intend to provide further information in due course.

3.2 Investing in climate solutions

Climate solutions are those activities, goods or services that contribute substantially to, and/or enable emissions reductions to support decarbonisation in line with Paris aligned pathways towards net zero, or that contribute substantially to climate adaptation.

Macquarie has invested significantly in the development and deployment of climate solutions for nearly 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.

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 its 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.

¹⁴ IEA "Greenhouse Gas Emissions from Energy Data Explorer," 2023, www.iea.org.

¹⁵ Please see our 2021 Sustainability Report for further information on our current approach to Coal.

For further detail on MAM's investments in climate solutions, please see the latest [MAM Sustainability Report](#).

3.3 Stakeholder engagement

As an asset manager and fiduciary, MAM recognises the importance of stakeholder collaboration and frequently engages with clients, governments, regulators, industry alliances, communities and other stakeholders on ESG matters, including climate change.

3.3.1 Engagement with clients

Across MAM, our teams provide information and engage with clients on our sustainability activities through a variety of channels, including:

- dedicated client relationship managers for all MAM institutional 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 marketing communications, including knowledge-based events and webinars and sharing important announcements and thought leadership, including our “[Pathways](#)” and “[Navigating to Net Zero](#)” podcast series
- encouraging continuous client feedback through workshops and meetings.

We also engage with potential investors and consultants through education sessions, pitches and a range of client marketing communications to help them understand our business and our approach to sustainability and climate change.

3.3.2 Engagement with third-party managers

MAM has a number of investment products where we have delegated portfolio management to third-party asset managers. The majority of such products are currently not included within our in-scope portfolio holdings and so are not managed in line with net zero under NZAM.

Over time, we plan to engage with these managers to determine their own net zero ambitions and whether the portfolios they manage on our behalf could be managed in line with net zero and included within the scope of our commitment. This engagement will be particularly important for certain parts of our business, including our Macquarie Professional Series, Secondaries, and Wealth Solutions businesses.

To bring these businesses in scope of our AUM managed in line with net zero under NZAM now would severely restrict the investment opportunities open to them. Our intention is to track the AUM managed by third-party managers with net zero targets in place to assess developments over time, and to enhance our due diligence and engagement across MAM regarding the net zero ambitions of potential and appointed third-party managers.

3.3.3 Industry engagements and advocacy

The transition to a low carbon and climate resilient economy will involve the development of new technologies and overcoming complex challenges across a range of sectors.

There are a range of industry working groups and advisory committees that seek to promote guidance, tools and standards that support effective management of climate change risks and identify solutions to some of the major transition challenges of the financial sector and the real economy.

We participate in industry working groups and advisory committees where we believe we can contribute to their objectives.

Refer to the latest [MAM Stewardship Report](#) for further information about the industry bodies and initiatives that MAM engages with.

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.

3.3.4 Engagement with government and regulators

MAM recognises the importance of sustainable finance policy advocacy in accelerating the transition towards a low carbon and climate-resilient economy.

MAM has provided feedback on sustainable finance regulatory and legislative proposals through our membership with industry associations such as the UK's Investment Association and the Australian Financial Services Council. We have also contributed feedback on the EU Taxonomy, EU Sustainable Finance Disclosure Regulation, and Australian Sustainable Finance Strategy via such bodies.

4. Appendix

Glossary of terms

Term	Definition
AUM	Assets under management
ESG	Environmental, social and governance
Financed emissions	Greenhouse gas emissions attributed to our off-balance sheet lending and equity investment activities undertaken on behalf of clients
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
GIG	Green Investment Group, now known as MAM Green Investments
GP	General Partner
IIGCC	Institutional Investors Group on Climate Change
IPCC	Intergovernmental Panel on Climate Change
LP	Limited Partners
MAM	Macquarie Asset Management
MSAS	My Specialised Accommodation Solutions business
NZAM	Net Zero Asset Managers initiative
NZIF	Net Zero Investment Framework
PAII	Paris Aligned Investment Initiative
SBTi	Science Based Targets initiative
Scope 1 emissions	Direct emissions from sources owned or controlled by a company.
Scope 2 emissions	Indirect emissions from the generation of purchased energy that is consumed by the company.
Scope 3 emissions	All other indirect emissions that occur in a company's value chain, including both upstream and downstream emissions.

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