MACQUARIE





Macquarie Asset Management

Our Approach to Sustainability and Stewardship



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1. Who we are and what we stand for

1.1 About MAM

Macquarie Asset Management (MAM), also referred to in this report as “we”, “our” or “us”, is a leading global asset manager, trusted by institutions, individuals and communities to responsibly manage assets on their behalf. MAM provides clients with a diverse range of investment solutions that seek to deliver superior risk-adjusted returns.

MAM is part of the Macquarie Group (Macquarie), a diversified global financial services group operating in asset management, retail and business banking, wealth management, as well as advisory, and risk and capital solutions across debt, equity, financial markets and commodities. Macquarie was founded in 1969 and is listed on the Australian Securities Exchange.

MAM operates through a number of regulated legal entities, each with their own Board. These Boards are responsible for overseeing the material risks within their firm's activities, using Macquarie's group-level risk management framework alongside MAM's own environmental and social risk framework.

As an integrated asset manager, we are trusted by institutions and individuals to invest their savings. Our clients include public and private pension plans, public institutions, insurers, endowments, universities, charities, family offices, wealth managers, and individual investors. MAM's assets under management (AUM) are predominantly attributable to institutional clients, with a minority proportion managed on behalf of wealth clients. Our client base is global, spanning Australia and New Zealand (ANZ), Europe, the Middle East and Africa (EMEA), the Americas and Asia.

MAM operates across four investment divisions:

- **Real Assets**, spanning Infrastructure, Green investments, Agriculture, Private Equity and Adjacencies;
- **Real Estate**, investing in specialist operators across sectors backed by structural, long-term trends;
- **Credit & Insurance**, an integrated platform spanning Private Credit, Liquid Credit and Insurance; and
- **Solutions**, comprising External Manager Solutions, Investment Solutions, Systematic Investments and Wealth Solutions.

For the purposes of this report, we group parts of our business as "private markets" and "public markets" to describe where our stewardship approach aligns across asset classes with similar characteristics, reflecting our level of influence or control, and the different investment lifecycles involved. This is a descriptive lens for explaining our stewardship approach, not a formal classification of our business.

On this basis, references to MAM's private markets business refer to the Real Assets and Real Estate divisions, the Private Credit capability of the Credit & Insurance division, and the Investment Solutions capability of the Solutions division. References to MAM's public markets business refer to the Systematic Investments (MSI) listed equities, External Manager Solutions and Wealth Solutions capabilities of the Solutions division, and the MAM Liquid Credit (MAM LC) capabilities of the Credit & Insurance division. The Insurance capability of the Credit & Insurance division invests across these same public and private markets products, rather than constituting a distinct capability for these purposes.

Our AUM is weighted towards private markets, reflecting our heritage and scale in Real Assets and Real Estate, and is concentrated in Australia and New Zealand, with significant assets across Europe, Middle East and Africa (EMEA) and the Americas and a smaller presence in Asia.

Within private markets, infrastructure represents the largest share, and the business is entirely actively managed, by nature of our direct ownership and origination strategies. Within our public markets business, the substantial majority of assets are actively managed, with a smaller allocation to passive, index-tracking strategies.

We primarily manage client assets directly. A small minority of AUM, principally within the Solutions division's External Manager Solutions and Wealth Solutions capabilities, is managed by external sub-advisers.

A breakdown of our AUM by asset class and geography for the current period is set out in our *Sustainability and Stewardship in Action* report.

1.2 Our purpose and principles

Stewardship, as defined under the UK Stewardship Code, is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries. At MAM, we apply this by considering long-term risks and opportunities with regard to the economy, environment and society on which our clients and beneficiaries depend.

This reflects Macquarie's purpose to empower people to innovate and invest for a better future, and MAM's vision to invest to deliver positive impact for clients, investee companies and the communities in which we operate. Considering material sustainability factors better positions our investee companies to adapt and lead across market cycles, improving performance and resilience while reducing risk, making a disciplined stewardship approach fundamental to how we invest.

Our approach to stewardship reflects the shape of our business and our position in the investment chain. As one of the world's largest managers of infrastructure and real assets, a substantial part of what we manage is held through positions where we have significant influence or control. Our stewardship in those portfolios is therefore exercised primarily through direct asset management, board representation and operational engagement. In public markets, where our holdings are typically smaller and non-controlling, we exercise influence principally through engagement, with voting rights exercised as an additional mechanism within our Systematic Investments business.

We resource stewardship to reflect this variation. Where our influence over assets is greatest, sustainability resourcing is organised by individual thematic, with dedicated leads for areas including work health and safety and cybersecurity. Elsewhere, dedicated sustainability leads cover these thematics collectively, or they are integrated directly into the responsibilities of our investment professionals, depending on the nature of the business. This allows the stewardship tools we use, and the depth of practice we apply, to be tailored to each part of the business. The chapters that follow set out how this works in practice: how we govern sustainability and stewardship, the policies and frameworks that support them, how they are integrated across our businesses, and how we engage with the companies we invest in.

Our global teams apply their unique expertise and insights to create investment opportunities, helping facilitate economic activity, address unmet community need and advance long-term prosperity, enabled by our culture of entrepreneurialism. Three long-held principles explain how we do business and What We Stand For:

- **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.
- **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.

1.3 About this Report

This 'Our Approach to Sustainability and Stewardship' report (the "Report") sets out MAM's approach to governance, risk management and stewardship of financially material sustainability and climate-related matters within our portfolios. It explores how these considerations are integrated into MAM's investment processes, and discusses a selection of the sustainability topics, including climate, that MAM considers most significant across our portfolio.

This Report constitutes MAM's Policy and Context Disclosure (PCD) under the Financial Reporting Council's (FRC) UK Stewardship Code (the "Code"). MAM includes UK entities regulated by the Financial Conduct Authority that are required to make public disclosures regarding the nature of their commitment to the Code. These entities form part of MAM, which is a signatory to the Code.

It also voluntarily and partially aligns with several other external frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD), the FCA's Sustainability Disclosure Requirements (SDR), and the Sustainability Accounting Standards Board (SASB) standard for Asset Management and Custody Activities, as indexed in the appendices. This voluntary alignment does not constitute a formal regulatory disclosure under TCFD or SDR for MAM or our FCA-regulated entities. Those disclosures are made separately. Where content from this Report is incorporated by reference into a regulated entity's own regulatory reporting, that content forms part of that entity's regulatory disclosure to the extent so incorporated.

Published in October 2026, this Report is intended to remain current for up to four years, consistent with the Code's requirements for Policy and Context Disclosures, unless a material change to our business or approach requires it to be updated sooner.

Further detail on MAM's annual stewardship engagement activity, sustainability-related case studies and performance data is addressed in MAM's *Sustainability and Stewardship in Action* report. Entity-specific detail for MAM's regulated entities is addressed in their own annual regulatory reporting as required.

The consideration of sustainability and climate-related risks and opportunities within MAM's own operations has been incorporated into Macquarie Group's own assessment of these matters across its value chain. For further information, please see the Macquarie Group Sustainability Report, available here.

This Report has been reviewed and approved in accordance with MAM's governance arrangements and is signed on behalf of Macquarie Asset Management by its Group Head.



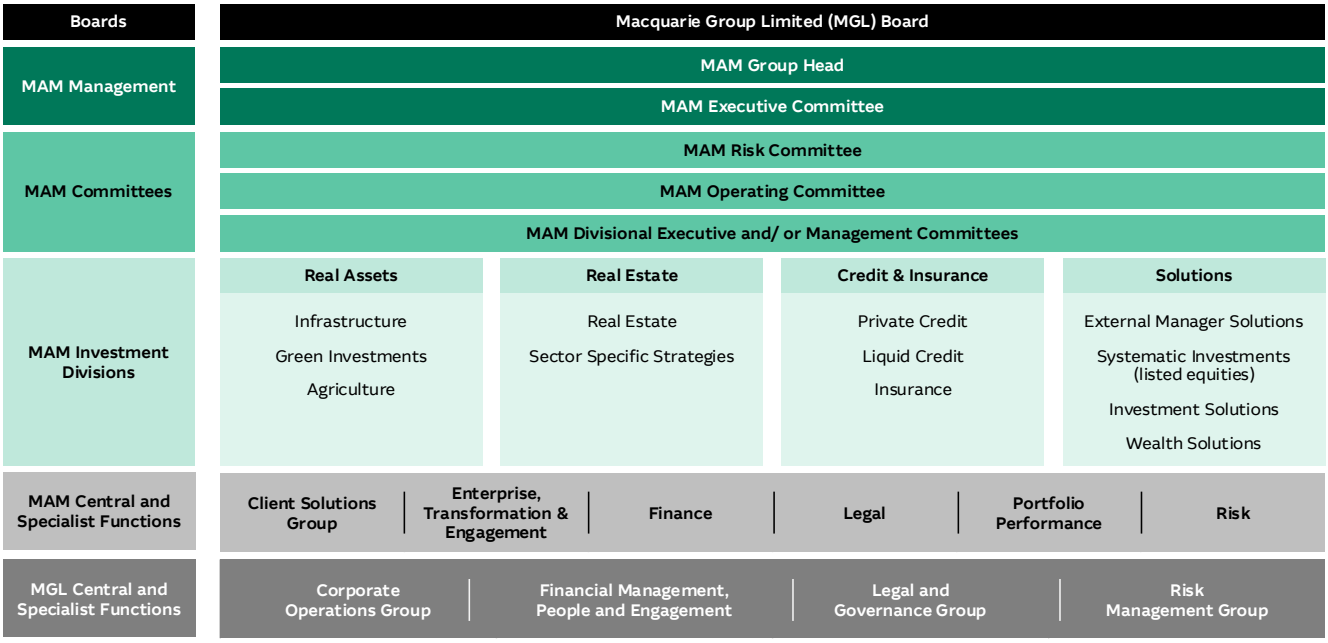
Ben Way

Group Head,
Macquarie Asset Management

2. Corporate governance

Putting our purpose and principles into practice depends on having the governance structures and accountability in place to uphold them. This chapter sets out how MAM's governance and resourcing structures support the integration and accountability of stewardship principles across our global portfolio.

A simplified organisational chart of the key structures, committees and teams involved in supporting the governance of sustainability, stewardship and climate-related risks and opportunities across MAM is shown below.



In addition to the governance structure shown above, certain regulated MAM entities maintain their own boards and governance arrangements. Further information is provided in the relevant entity-level regulatory disclosures.

2.1 Board and Management oversight

Macquarie's Risk Appetite Statement and Risk Management Strategy, which address environmental and social risk (ESR), including climate risk, are reviewed and approved annually by the Macquarie Group Limited (MGL) Board.

To support this oversight, the Board and its Committees engage internal and third-party advisors on an as-needed basis for briefings and workshops on climate-related matters. For further information on Macquarie's approach to sustainability and climate risk, please see the Macquarie Group Annual Sustainability Report.

The MAM Executive Committee is the global leadership body that defines and governs MAM's strategic direction, including our approach to sustainability and stewardship, and has accountability for the management of material risks (including sustainability-related risks) that arise in our portfolio of assets under management.

The Executive Committee meets fortnightly and receives regular sustainability updates covering stewardship and asset management initiatives, regulation and reporting. MAM's Chief Sustainability Officer (CSO) also presents dedicated sustainability and climate updates to the Executive Committee semi-annually, covering risks, opportunities, and progress against targets.

The Executive Committee is supported by a number of management committees (see table below) and teams across MAM that provide oversight and escalation pathways for sustainability and climate-related matters as they arise. While they do not consider all sustainability or climate-related issues as a standing agenda item, these are the committees to which any sustainability or climate-related issue arising would be escalated as required. The specific committee selected would depend on the investment division and issue in question and would be determined on a case-by-case basis.

Committees	Meeting cadence	Purpose, roles and responsibilities
MAM Risk Committee	Quarterly	The MAM Risk Committee provides a dedicated forum for the oversight of the identification, measurement, evaluation, monitoring and control or mitigation of material risks, including reputational risks, that arise in, or because of, the operations of MAM. The committee provides strategic guidance and acts as an escalation forum for key issues to ensure that MAM appropriately and proportionately manages its material risks and complies with obligations under the relevant laws, regulations and Macquarie policies.
MAM Operating Committee	Quarterly	The MAM Operating Committee provides strategic oversight of MAM's operations, key initiatives and risks, acting as an escalation forum to support effective decision making and alignment with business objectives and risk appetite. This includes oversight of operational matters relevant to the delivery of MAM's sustainability objectives.
MAM Divisional Executive Committee and/or Management Committee	Varies for each investment division; at least bi-monthly	Each MAM investment 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. 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, either at fund level or divisional/regional level, dependent on the product strategies. This committee acts as the decision-making body responsible for overseeing the various stages of the investment life cycle. For some portfolios, investment decision-making responsibilities have been delegated to the relevant Investment Committee. The Investment Committee reviews asset papers and due diligence reports that may contain climate-related risk and opportunities put to the committee by the investment teams for consideration in investment decisions.
MAM Proxy Voting Committee	Semi-annually, and as required	The Proxy Voting Committee oversees MAM's proxy voting process. It comprises representatives from portfolio management, the MAM Solutions COO team, Operations, Transformation & Engagement, Compliance and Legal. The Committee considers proxy voting matters, including any reported conflicts of interest and any updates or incidents relating to proxy voting. Where a vote departs from the proxy advisor's recommendation, the relevant team records its rationale for the Committee's review. The Committee also reviews the Proxy Voting Guidelines and is responsible for reviewing and approving the MAM Proxy Voting Policy on an annual basis.

2.2 Specialist resourcing for sustainability and stewardship

2.2.1 Internal resourcing

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 professionals, as well as other specialists across MAM, Macquarie Group and external service providers.

MAM's CSO is responsible for the firm's sustainability strategy and coordinates cross-functional working groups to execute the strategy. The CSO is supported by sustainability professionals who are responsible for the day-to-day implementation of our sustainability and climate approach across our functions and portfolios. How this is resourced reflects the nature of each division.

Our Real Assets, Real Estate and Private Credit capabilities each have a dedicated sustainability lead, and within Real Assets and Real Estate, our Portfolio Performance Group (PPG) team additionally covers thematics including inclusion, work health and safety, cybersecurity, tax and human capital. In our MSI and Liquid Credit capabilities, the responsibility for implementing sustainability and climate approaches across portfolios lies with the investment professionals themselves.

We consider the skills and experience required for stewardship when appointing to these roles and on an ongoing basis. MAM supports the ongoing development of our investment teams and the non-executive directors (NEDs) we nominate to investee company boards, equipping them to identify, manage and oversee material sustainability risks and opportunities at that investee company. This includes training on engagement practice, sustainability data and tools, evolving regulatory requirements, and sector-specific matters such as work health and safety, alongside specialist legal support. More broadly, Macquarie-wide e-learning modules covering greenwashing, sustainability reporting, and climate risk and the energy transition are available to all staff.

Our stewardship activities are also supported by internal systems, including an order management system that enforces client-directed restrictions and exclusions across relevant trading activity. MSI and Liquid Credit teams maintain records of engagement activity, and of any relevant outcomes and follow-ups (see section 6.2).

2.2.2 External service providers

We engage external service providers to support our investment teams with sustainability-specific data, technology, research and insights, including providers of controversy and adverse media exposure assessments, and climate risk screening.

Where MAM appoints external investment managers or sub-advisors, MAM maintains an external sub-advisor oversight policy. This policy sets standards for governance, approval, ongoing oversight, management of policy breaches, and exit arrangements for such relationships.

For proxy voting, MAM retains proxy advisory firms to provide research, voting recommendations and administrative support for our MSI team's listed equities activities.

MAM also draws on a suite of trusted technical, environmental and social advisors to support private markets assets throughout the investment lifecycle, where specialist support may be provided on decarbonisation, energy transition, climate risk and environmental and social risk management. Asset data and performance information is principally sourced directly through engagement with investee company management, with sustainability performance monitored as a normal course of business. Where third-party providers are used during asset due diligence, outputs are reviewed by MAM's in-house sustainability specialists, and technical subject matter experts are appointed where required to support specific sustainability programmes.

2.3 Sustainability governance within our investee companies

Engagement with investee companies on sustainability issues seeks to reduce risk and increase economic, environmental and social benefits on behalf of our clients. How we do that differs across our portfolios. Approaches range from exercising voting rights in listed markets as described in section 4.1, to board representation where we have significant influence or control, described below. However, accountability for sustainability governance lies ultimately with the investee company's own board and executive management teams.

Our ability to influence environmental and social matters varies across our activities and investments, and is limited to the level of control we hold. We generally have significant influence or control only where a MAM-managed fund holds significant shareholdings and board representation, which is principally the case within our Real Assets and Real Estate businesses.

Within these businesses, where this is the case, we may nominate senior MAM employees for appointment as non-executive directors (NEDs) to serve on the boards of our investee companies. These NEDs perform a key role in monitoring the management of key sustainability risks and opportunities at the investee company, alongside the rest of the investee company board. As part of this, NEDs may encourage investee company management to identify and undertake measures beyond compliance, looking to international and industry best practice, and aim to ensure that each business establishes and maintains its own risk management framework which incorporates sustainability issues and supporting policies and procedures. Engagement is an integral part of our active management approach.

When nominating board representatives, MAM considers both sectoral and geographical experience, together with any skillsets important for the particular business.

3. Managing risk: sustainability policies and frameworks

Translating the governance structures set out in Chapter 2 into day-to-day practice depends on clear policies and defined accountability for managing sustainability-related risk.

MAM views 'sustainability risk' as the broad set of commercial, strategic, and client considerations in relation to environmental and social factors, and how these factors intersect with long-term value creation, our fiduciary duty, regulatory compliance, and client expectations. Sustainability considerations may inform investment decision-making, product design, stakeholder engagement, and reporting, reflecting our commitment to managing assets in a manner that is resilient and responsible, consistent with our fiduciary duty to clients.

This chapter sets out how MAM embeds sustainability and climate considerations within our broader risk management architecture, and the policies and structures that support this in practice.

3.1 Accountability: three lines of defence

As set out in section 2.3, our investee companies are responsible for sustainability and climate-related risks arising within their own operations. MAM's role is to monitor and engage with investee companies on the management of such risks, and, where our governance rights and the specific arrangements for an investment allow, to seek to influence their approach.

In MAM's own operations, staff share responsibility for identifying and managing environmental and social risks as part of normal business practice, as described in section 2.2.

MAM formalises this accountability through a 'three lines of defence' model, with risk ownership held functionally independent from oversight and assurance:

- **First line:** MAM's investment and asset management teams, supported by the sustainability professionals and specialist functions described in section 2.2, own day-to-day identification and monitoring of risk within their portfolios, and are accountable for implementing appropriate controls.
- **Second line:** Macquarie's Risk Management Group (RMG), including its Compliance, specialist Environmental and Social Risk (ESR) and Climate teams, provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks.
- **Third line:** Macquarie's Internal Audit Division provides independent and objective risk-based assurance on the compliance with, and effectiveness of, Macquarie's risk management framework.

3.2 Policies and frameworks

MAM operates within Macquarie's risk management framework - the systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate material risks – which sets the group-wide appetite for managing environmental and social risks.

Macquarie's Environmental and Social Risk (ESR) Policy establishes group-wide processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks. In addition, MAM has developed a Sustainability Policy that is commensurate with our risk profile and fiduciary responsibilities. MAM's own risk management policies reflect the investment, credit, liquidity, operational, legal and reputational risks specific to our business, applied proportionately to the nature, scale and potential impact of each risk. MAM's key sustainability-related policies and frameworks are listed in Appendix A.

MAM's risk appetite is aligned with Macquarie's risk management framework, supplemented by MAM specific risk triggers, thresholds and metrics, including environmental and social risk metrics more pertinent to our funds management and fiduciary business. For certain risks, MAM may adopt a risk-based approach reflecting our business strategy and fiduciary duties to investors in setting the appetite.

MAM maintains a suite of policies, frameworks and procedures within this structure to manage sustainability risks and regulatory expectations appropriately and align to our strategic vision. These support stewardship through separation and independence of oversight from investment teams, clear accountability and conduct expectations. Their application varies across public and private markets, reflecting different ownership interests and levels of influence.

Group-wide policies apply to MAM as an operating group and are reviewed at least annually by the relevant Group function, with out-of-cycle reviews triggered by regulatory or market developments, or by internal restructuring or changes to our business activities. Approval sits with the accountable owner aligned to the specific Policy.

MAM-specific policies follow the same approach. Each is reviewed at least annually or updated on an ad hoc basis where regulatory, market or portfolio developments require it. The MAM Sustainability Policy is owned by MAM Risk.

Every policy has a designated accountable owner who acts as approver and responsible oversight body for that policy, with review cadence and approval routes consistent across the MAM policy suite. No stewardship-related policy is subject to a materially different standard of review. Subject matter experts from across risk, compliance, legal and the relevant investment and distribution teams are engaged during each annual and ad hoc review cycle, and approval is formally recorded in an internal document approvals system. Policy review and approval is undertaken internally. We do not obtain external assurance over the policies themselves, although certain Group sustainability disclosures and reports are subject to external assurance.

3.3 Conflicts of interest

As part of Macquarie Group, we are required to manage conflicts of interest fairly, in accordance with Macquarie's Code of Conduct and applicable laws and regulations. Macquarie's public Conflicts of Interest Policy sets out the approach to identifying, managing and mitigating conflicts of interest, whether potential, perceived or actual, and applies to all staff employed or engaged by Macquarie and its related entities, including MAM, as the first line of defence (see section 3.1).

Our approach is founded on a set of key principles: acting in the best interests of clients, treating clients with similar circumstances fairly and equitably, maintaining independence of judgement free from personal interests, proactively identifying and managing conflicts, providing full and transparent disclosure where appropriate, and maintaining records of conflicts identified and how they were managed.

Conflicts of interest can arise in a number of circumstances across our business. In public markets, examples include allocation of trades (governed by policies on allocation of investment opportunities, IPO allocation, aggregated trades and side-by-side management), best execution (where conflicts can arise through arrangements such as directed brokerage or order aggregation), and proxy voting.

A conflict of interest in proxy voting may also arise where we have competing interests that could compromise our ability to vote in our clients' best interests. Where a potential or actual conflict of interest in voting a particular proxy is identified, the conflict and proxy vote will be escalated to certain members of the Proxy Voting Committee for consideration. For other asset classes, conflicts will be escalated to representatives in the same or substantially similar roles for that asset class.

MAM also faces potential conflicts arising from other Macquarie divisions' commercial relationships with companies MAM may invest in. These are managed through policies and procedures including information barriers between MAM and other Macquarie divisions.

In private markets, examples include related-party transactions and deal allocation between our funds. For unlisted funds, related-party transactions are overseen by independent Limited Partners Advisory Committees (or equivalent) and require approval from Investors' Prudential Review Committees or confirmation within a pre-approved fee range; for listed funds, such transactions are typically approved by a majority of independent directors. Related-party transactions are tested by reference to market standards and, where necessary, reviewed by independent third-party experts, to confirm that terms are commercially reasonable and consistent with those that would apply between independent, unrelated parties.

Deal allocation is governed by division-specific policies: Real Assets allocations are approved unanimously by the Real Assets Allocation

Committee and evidenced in a Deal Allocation Certificate; Real Estate allocations reflect fund investment criteria, portfolio composition, vendor requirements and contractual or regulatory factors; Private Credit follows a pro-rata allocation rule based on committed ticket size, with a defined waterfall for co-investment opportunities; and Wealth and Investment Solutions allocations consider mandate fit, transaction size, diversification limits and priority rights. Where an opportunity spans two or more divisions, a MAM Deal Allocation Forum determines allocation.

Within Private Credit, our debt and equity investment teams sit within separate information barriers and are physically separated, addressing conflicts and commercial sensitivities that can arise between borrowers or sponsors and businesses that may hold relevant information about them.

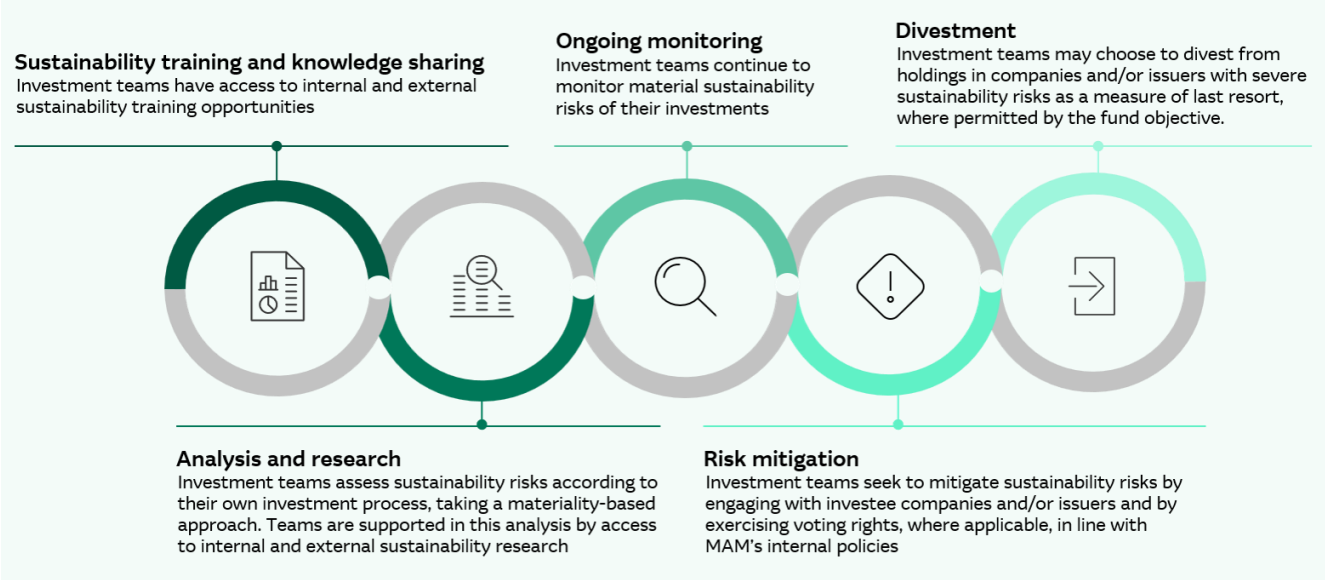
Where an actual, potential or perceived conflict is identified, staff are required to escalate it to RMG Compliance, and Compliance approval is required before the relevant activity is undertaken. Once escalated, conflicts are managed through methods including avoidance, disclosure, waivers and consent, supported by systems and controls such as conflict checks prior to certain business arrangements, information barriers restricting the flow of confidential or price-sensitive information, restrictions on personal investments by staff, maintenance of a restricted securities list, training on conflicts management, and requirements to declare external directorships and outside business interests.

4. An integrated approach to sustainability

Policies and frameworks only take effect once applied to real investment decisions. This chapter sets out how sustainability is integrated across our portfolios, and why our approach differs across our business.

MAM manages a diverse suite of products and asset classes on behalf of clients, with varying levels of ownership, influence and typical investment horizon. As a result, our approach to stewardship and sustainability integration throughout the investment lifecycle is tailored and resourced to reflect this, applying engagement-based approaches where MAM's ownership or influence is more limited, and deeper engagement where we hold control or significant influence, such as in our Real Assets portfolio.

4.1 Public Markets



Sustainability and climate-related considerations are incorporated into the investment process where in line with our fiduciary responsibilities and when identified as financially material, by the relevant research analysts or investment professionals. How this is applied varies by team and may inform position sizing, credit assessment, investment approach or portfolio construction. This is supported by ongoing investment in training and dedicated expertise, including specialist legal support, to remain apprised of regulatory and market developments relevant to stewardship.

Our MSI and Liquid Credit funds generally make small, non-controlling investments in a wide range of listed securities and other financial instruments.

Investment teams apply our sustainability frameworks and guidelines to allow for differences in investment styles between asset classes, while still aligning to the broader MAM approach. These asset class specific frameworks and guidelines detail the asset class's respective approaches to the consideration of sustainability risks, where deemed material to credit risk or investment performance.

It is important to note that MAM has exposure to investments for which it does not, or it is not possible to, consider material sustainability risks, such as cash securities, currency, derivatives or indirectly held securities, passively managed portfolios that aim to replicate or closely align with a reference benchmark, or where we have appointed

external managers that have not integrated sustainability considerations into their investment processes.

Exercising voting rights

Engagement and voting are our primary tools for mitigating sustainability risks where we act as an active owner, and the two are closely linked. Engagement builds our understanding of a company's practices and allows us to provide constructive feedback. Voting gives that engagement weight and allows us to signal where our expectations have not been met. Our approach to engagement is set out in section 6.2. This section describes how we exercise voting rights on behalf of clients.

We are often given authority and discretion to exercise the right to vote on company and shareholder resolutions relating to the securities held in the client portfolios we manage. In some circumstances, clients may retain responsibility for voting their own proxies and may request MAM to provide vote recommendations on certain proxies without delegating voting authority. The terms of our role in proxy voting are typically set out in the investment management agreement between MAM and the client.

The Proxy Voting Guidelines summarise the positions on various voting issues and provide a general indication of how MSI's listed equity team is governed by these guidelines will vote proxies, where they have been delegated the authority to vote or to advise on voting. Under the MAM Proxy Voting Policy, the Guidelines are reviewed by the Proxy Voting Committee to confirm votes made in accordance to the Guidelines are submitted in the best interests of clients, consistent with protecting and/or enhancing the long-term value of clients' investments.

Voting activity of MSI are informed by, but not determined by proxy advisor's recommendations. When conducting proxy votes, the team reviews proxy advisor recommendations against the Guidelines and retains discretion to vote counter to the advisor's recommendation where they consider it in clients' best interests. Rationales for deviations to advisor's recommendations are recorded for the Committee's review.

Where a fund is sub-advised or managed by an external investment manager, voting is exercised under that manager's own arrangements rather than ours. How we select and oversee external managers is set out in section 2.2.2.

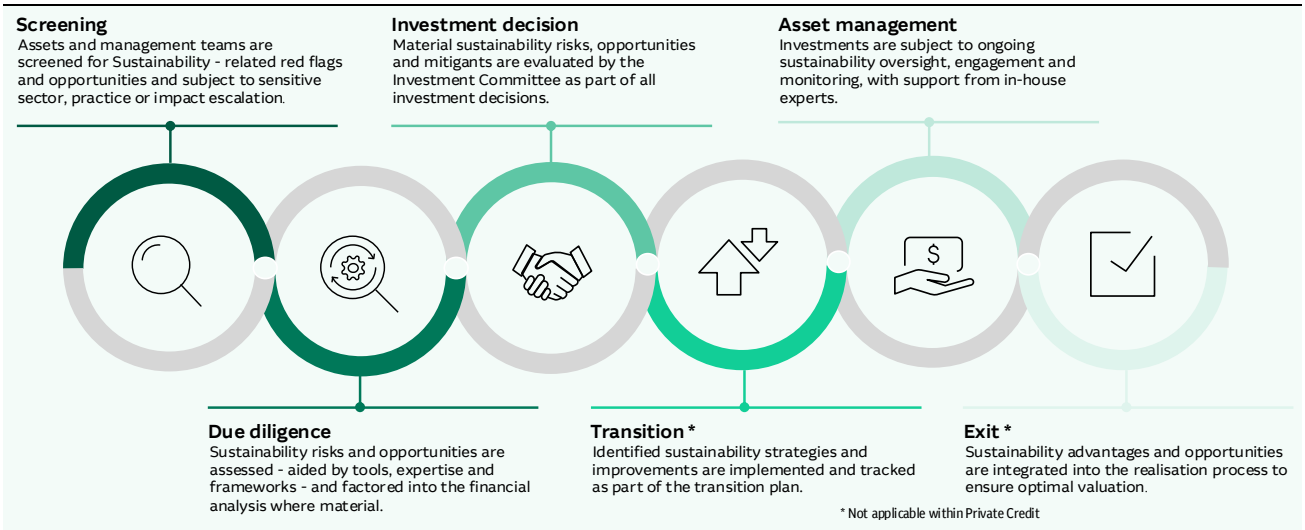
Most credit securities do not carry voting rights. Where voting or consent rights do arise, they are exercised under the same Proxy Voting Policy, with the relevant investment team considering each on its merits, having regard to the terms of the vote and any applicable client mandate.

Our portfolios may lend their securities where a securities lending agreement is in place. Securities lending transfers the right to vote to the borrower for the period of the loan. Where teams consider it in clients' best interests to vote, they may seek to recall loaned securities in line with the terms of the relevant lending agreement, in an effort to guard against "empty voting", where voting rights sit with a party that no longer carries the economic interest in the shares.

Where engagement has not achieved the intended outcome, teams may escalate further in line with the approach that applies to their asset class, reflecting the level of influence they have, the materiality of the issue and any relevant client agreements. Escalation may include closer monitoring or additional engagement with a company's senior management or board. Where a sustainability-related risk is assessed as financially material, and if permitted by the mandate, teams may also reduce exposure or, as a measure of last resort, divest.

4.2 Private Markets

Sustainability engagement reflects both the nature of the asset class and the degree of influence available to us.



To inform our sustainability priorities and practices, we refer to recommendations and research from established organisations that set benchmarks and standards for risk assessment, management and reporting, including the International Finance Corporation's Environmental and Social Performance Standards. These standards inform practices, training and restrictions across our global private markets activities.

During investment screening and due diligence of new investment opportunities, we seek to assess a range of sustainability-related risks. Any material risks identified, along with the level of control and influence over the new investment, are considered when making the investment decision and where appropriate these are sought to be addressed during the transition phase, where relevant (not applicable within Private Credit).

Once invested, our engagement continues throughout the investment lifecycle, though its form differs by asset class. Within our Real Assets and Real Estate investment divisions, asset management and specialist teams undertake periodic reviews, assessing the management and performance of material sustainability-related factors against minimum standards and recommending future initiatives.

Within Real Assets, where we have significant influence or control (see section 2.3), we apply our proprietary System 7 Asset Management Framework to work with investee company management teams across the asset lifecycle, setting minimum requirements spanning stakeholder engagement, strategic vision, leadership and governance, operational focus, capital structure, and risk management. Investee companies report key sustainability performance data to MAM on a regular basis, and investment teams also conduct asset deep-dives, which include a review of material sustainability topics. We combine this bottom-up investment-level approach with analysis of sustainability thematics that represent meaningful sources of potential risk and opportunity across our portfolios, drawing on the specialist resource described in section 2.2. For more detail on these material risk thematics, see Chapter 5.

Within Real Estate, we partner with specialist operators to establish management standards, including data collection, reporting processes and net zero pathways, assessed through regular sustainability maturity assessments and encouraged participation in GRESB.

Across both Real Assets and Real Estate, sustainability advantages and opportunities are integrated into the realisation process at exit to help support optimal valuation.

Within Private Credit, sustainability-related factors, including climate risk, are considered as part of the investment decision itself, given debt investments do not carry the same influence as equity. Our investment and portfolio management teams conduct annual reviews of each investment, engaging directly with borrowers and sourcing sustainability-related data where available to discuss progress.

5. Material sustainability topics within our portfolios

While our approach to the integration of sustainability varies both across and within our investment divisions, consistent across all businesses is our materiality-based approach.

Through this investment-level approach, we seek to focus on the sustainability matters that are most material to each investee company, its employees and customers, alongside the jurisdictions, industries and communities in which it operates. This helps focus effort where issues are most likely to affect financial outcomes or an investee company's licence to operate.

Some examples of the broad, and often inter-connected, sustainability thematics we may consider across our investments are set out below, presented alphabetically rather than by relative significance.

Environmental	Social	Governance
Biodiversity and ecosystems	Animal welfare	Anti-bribery and corruption, fraud prevention
Climate-related risks	Community engagement	Business ethics
Greenhouse Gas (GHG) emissions	Human rights, modern slavery	Cybersecurity
Land use	Inclusion	Executive remuneration
Resource efficiency	Labour rights	Regulator / government relations
Waste and pollution	Privacy and data protection	Sanctions
Water usage	Work health and safety (WHS)	Supply chain

This chapter takes a closer look at a selection of these thematics. For some, particularly where MAM holds significant influence or control within our Real Assets portfolio, this reflects the depth of practice that level of influence enables. For others, including climate, our approach extends more broadly across MAM's portfolios.

5.1 Environmental

5.1.1 Biodiversity

Natural assets play an important role in the transition to a low-carbon economy, including through large-scale carbon sequestration. They are also central to broader sustainability issues, including air and water quality, sustainable food and fibre production, and conservation of biodiversity and natural ecosystems.

This requires careful consideration as to how we maximise value from our natural resources, while protecting natural ecosystems and biodiversity. Biodiversity risk is localised and context-specific, varying by geography, ecosystem and species. Within our private markets portfolios, biodiversity risk and opportunities, including land regeneration, water efficiency and the conservation of native flora and fauna, are assessed and managed in line with our materiality-based approach to asset management, across the investment lifecycle.

We participate in a number of registered carbon, biodiversity and conservation projects, particularly within our Agricultural portfolios.

MSI's listed equities portfolios are diverse, and a data-driven approach is used to identify themes that are material across the portfolio, although data availability across diverse holdings can make consistent assessment more challenging at scale. Where relevant, biodiversity considerations may be captured through existing engagement and stewardship processes, such as where a company is

associated with a controversy. Biodiversity may also be considered on a case-by-case basis, where identified as material to a company within the stewardship program.

5.1.2 Climate change

Of all the sustainability thematics MAM considers, climate-related risks and opportunities are the most consistently assessed, cutting across every asset class, geography and investment horizon in which MAM operates.

MAM's approach to climate is focused on four key actions which reflect how MAM invests across our portfolio having regard to material climate risks and opportunities, and our role in supporting the transition to a low-carbon economy:

- **managing climate risks:** action to support the identification, assessment, monitoring, management and reporting of physical, transition and liability climate risks;
- **decarbonisation:** adopting appropriate methodologies, targets and implementation strategies across asset classes;
- **investing in climate solutions:** facilitating client investment in technologies, services and solutions that mitigate climate impacts and enhance adaptation and resilience;
- **stakeholder engagement:** engaging with clients, industry and government to address challenges and barriers to drive an orderly and just transition to a low-carbon economy. (See Chapter 6).

Given its potential materiality, climate is explored in more depth below than other topics in this chapter and is the subject of MAM's standalone Decarbonisation Strategy.

5.1.2.1 Identifying and managing climate risk and opportunity

As a global asset manager, our fiduciary duty to act in the best interests of our clients requires us to consider financially material climate-related risks and opportunities in our investment decisions, with a focus on supporting long-term value creation. Our approach reflects the way in which we invest across our portfolios.

Within our portfolio management activities, we consider the financial and non-financial risks arising from physical, transition and liability climate risk drivers.

- **physical** climate risk includes the chronic risk arising from progressive shifts in climate patterns and the acute risk presented by changes to the frequency and magnitude of extreme weather events;
- **transition** climate risk includes risk arising directly or indirectly from the process of (orderly or disorderly) adjustment towards a lower-carbon and more environmentally sustainable economy, including changes in policy and regulatory settings, technological innovation, social adaptation and market changes; and
- **liability** climate risk arises from the potential for litigation or regulatory enforcement due to the failure to adequately consider or respond to the impacts of climate change.

Should these risks not be adequately managed, exposure could lead to fair value volatility, increased credit risk and negative impacts on the profitability of investee companies, particularly where assets are less prepared to adapt to changing conditions or to the pace of transition.

While these drivers are described separately, they do not operate independently. The pace of transition affects physical and transition risk in different ways. A faster transition is generally expected to limit physical risk over the longer term while bringing transition risk forward, though a delayed or disorderly transition can increase both, as delayed policy action can require stronger subsequent policy responses. How this plays out varies by sector, geography and asset. Managing these risks well can protect value and may also create it.

Physical risk

Physical risk takes two forms. Acute risk arises from individual events such as flooding, storms, wildfire and extreme heat; chronic risk from gradual change, including rising sea levels, higher average temperatures and shifts in rainfall and water availability. The two are connected, because gradual change can make individual events more frequent, more severe, or both. Both are already affecting assets and borrowers, in ways specific to each location, through operational interruptions, increased maintenance requirements, insurance-related cost pressures and variability in cash flows.

As one of the world's largest private markets infrastructure managers with assets across critical transport, utilities and communications infrastructure, we seek to support our investee companies in addressing and mitigating the impacts of climate change. An asset does not need to be damaged to be affected, as assets depend on the networks and businesses around them and disruption elsewhere can stop them operating normally. When an asset is not operating, or is operating below capacity, value is eroded. Understanding where assets are exposed and improving their resilience is how MAM seeks to protect that value. In private credit portfolios, where we do not control the underlying assets, our investment teams engage with borrowers where physical risk is deemed material.

Within MSI's listed equities business, given the size and volume of holdings and the breadth of their sectoral and geographical characteristics, our consideration of physical risk is influenced by the quality, availability and granularity of data and its financial materiality to both the investee company and the broader investment universe. Where climate-related physical risks are deemed material, they may be addressed through engagement with investee companies. MSI's objectives in conducting stewardship engagement activity are detailed in section 6.2.

Our analysis of third-party data continues to evolve as insights into the impacts of climate-related risks and opportunities upon investee companies mature.

Transition and liability risk

Transition pathways can evolve in different ways as change may be gradual or may accelerate at certain points in time. Sudden shifts, such as rapid changes in carbon pricing, technology cost curves or industry standards, can influence short-term market conditions and affect the valuation and operational environment of certain companies.

In private markets, where we may have significant influence or control, transition risk is assessed at asset level through due diligence and ongoing asset management and addressed through the decarbonisation approach set out in section 5.1.2.2.

In MSI's listed equities business, our consideration of transition risk is shaped by the same factors described for physical risk above. Where identified as material, climate-related transition risks may be addressed through stewardship engagement with investee companies, as described in section 6.2.

Liability risk arises where a failure to consider or respond adequately to climate change leads to litigation or regulatory enforcement and impacts MAM in two main ways: how climate factors are taken into account in investment decisions and stewardship undertaken on behalf of clients, and the accuracy of what MAM says publicly about climate, including the sustainability characteristics of our products. Investee companies face comparable exposure in their own operations and reporting.

Climate scenario analysis

Our understanding of climate risk draws on both the conditions observed across our portfolios and modelling of how those conditions may develop. For the latter, we undertake climate scenario analysis, in a way that reflects the nature of our holdings, to help us understand the resilience of our portfolios under different climate futures.

A scenario is a plausible account of how the future might unfold, not a forecast of what will happen. Because no single view of the future is reliable, in our private markets portfolios we assess exposure under several scenarios, spanning faster and slower transitions to a lower-carbon economy and the differing physical conditions that follow from each, drawing on asset-level data to support analysis at both asset and portfolio level over short, medium and long-term horizons.

In MSI, portfolios are generally diversified across a large number of issuers. Climate scenario analysis is therefore primarily informed by issuer-level disclosures and other externally sourced data. Where relevant data is available and considered material, we may draw on third-party datasets to review portfolio exposure and alignment under different climate scenarios

Results depend on the models, data and assumptions chosen, and become less certain the longer the horizon. They are nonetheless useful, helping to identify where risk may be concentrated across sectors, asset types and geographies, and to focus due diligence, monitoring and engagement. MAM revisits its approach as climate science, policy and modelling practice develop.

5.1.2.2 Decarbonisation

Supporting the transition to a low-carbon economy is a complex challenge, where policy, technologies and frameworks continue to be developed and refined. As one of the largest global infrastructure managers, MAM continues to support carbon-intensive industries, including those in the electricity, water, gas, agriculture, transport, mining, oil and waste sectors, in recognition that these are industries providing 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, our approach is to engage with investee companies rather than divest, on the basis that engagement can support the development of sustainable long-term solutions.

Consistent with Macquarie's climate strategy, MAM's ambition[1] is to support the goals of the Paris Agreement by managing our portfolio of assets under management in line with our Decarbonisation Strategy. We apply our strategy consistent with our fiduciary duties, client mandates, fund investment objectives and other legal obligations.

How we pursue our Decarbonisation Strategy differs across our portfolio, and progress with individual assets is dependent on the degree of our control or influence (see Chapter 4), our fiduciary duties, and technological and regulatory developments. Under MAM's Decarbonisation Strategy:

- we encourage investee companies across all asset classes within our portfolio to implement emissions reduction strategies
- for assets within our Real Assets and Real Estate portfolios where we have control or significant influence[2], we aim to manage those assets in line with net zero Scope 1 and 2 emissions by 2040.

In our public markets businesses, our approach to decarbonisation differs by asset class, reflecting the nature of our holdings and the tools available to influence outcomes. In listed equity, where holdings are typically small and non-controlling, within benchmark-aware strategies, our approach is informed by the Net Zero Investment Framework (NZIF) and centres on two levers: engagement with investee companies and the exercise of proxy voting rights. In Liquid Credit, where deemed material to the credit risk of an issuer, we may apply a proprietary ESG risk rating framework which may include an assessment of the climate-related risks of an issuer, such as GHG emissions and carbon intensity as part of credit analysis.

For further detail on our decarbonisation methodologies, targets and implementation strategies, see Our Approach to Decarbonisation.

[1] MAM is made up of multiple legal entities that are subsidiaries of Macquarie. Such entities have not set their own decarbonisation strategy or any climate-related targets. Such entities may take actions to support MAM's ambition by applying the implementation strategy for relevant asset classes in their respective portfolios, as set out in 'Our approach to decarbonisation' 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 decarbonisation strategies nor climate-related 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

[2] For the specific purpose of determining whether an asset is managed in line with MAM's net zero Scope 1 and 2 targets, MAM applies more precise criteria to assess control or significant influence for those assets within its Real Assets and Real Estate businesses where it has significant shareholdings and board representation. MAM has adopted the following concepts to determine whether it has 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. This approach is consistent with the *Net Zero Investment Framework* Infrastructure guidance published by the Paris Aligned Investment Initiative
- **Real Estate:** MAM has control or significant influence over assets within band 1a of the *Net Zero Investment Framework* Private Equity guidance (which MAM interprets as having a shareholding of more than 50 per cent and more than 50 per cent of board voting seat appointments)

5.1.2.3 Investing in climate solutions

Alongside managing the risks associated with the transition to a low-carbon economy, we also seek to identify and invest in the growing opportunities this transition presents.

These opportunities arise across a range of MAM investment capabilities and strategies, including dedicated climate and energy-transition investment strategies. Macquarie has invested significantly in the development and deployment of climate solutions over the past two decades. As global demand for energy and the parallel need to decarbonise increase, this opportunity continues to grow, driving new requirements for renewable energy generation, storage and distribution infrastructure.

MAM's Green Investments team, within the Real Assets investment division, is MAM's largest dedicated climate solutions capability. This team develops companies, assets and technologies that support the transition to net zero, investing across the asset lifecycle from development through to operations. This covers core renewables, such as onshore and offshore wind and solar, and next-generation solutions such as battery storage, sustainable aviation fuel, e-mobility, green hydrogen and biogas, as well as broader environmental opportunities including the circular economy and pollution prevention.

Investments made by the Green Investments team are subject to MAM's Green Impact governance approach, requiring each investment to contribute to one or more of five defined Green Purposes:

- **Reduce GHG emissions:** reducing emissions of atmospheric gases responsible for causing global warming and climate change from human-caused sources.
- **Advance efficiency in natural resource use:** supporting efficient use of renewable and finite naturally occurring assets used for economic production or consumption, including mineral and energy resources, soil resources and water.
- **Protect or enhance the natural environment:** managing the effects of human activity on land, water and air in a way that does not degrade the environment over time, maintaining or improving environmental quality and functions.
- **Protect or enhance biodiversity:** retaining or restoring the variability among living organisms and the ecological complexes of which they are part, including diversity within species, between species, and of ecosystems.
- **Promote environmental sustainability:** actively and visibly supporting, encouraging or facilitating the transition to a greener global economy through the indirect effects of MAM's investments.

Further detail can be found in Macquarie's Green Investment Policy.

5.2 Social

5.2.1 Inclusion

Across our portfolio, inclusion-related risks and opportunities are considered where material, alongside the boards and management teams that oversee investee companies.

Within Real Assets specifically, where MAM has significant influence or control, this extends further. MAM works with deal teams and investee company nominee directors to embed inclusion considerations throughout the investment lifecycle, recognising there is no "one size fits all" approach.

Through our proprietary Real Assets System 7 framework, we have established minimum standards that ask investee companies to embed inclusion practices into their business strategies by establishing an inclusion strategy with board oversight of execution. Investee companies are also expected to report workforce composition information annually, where legally permissible. This information is used to monitor progress against company-specific objectives, inform cross-portfolio engagement priorities, and support the development of practical toolkits.

Within MAM Private Credit, inclusion related datapoints are included in the Sustainability Questionnaire completed annually for each borrower. Following review of this data, we may engage with the borrower to seek confirmation of compliance with regulatory requirements. These datapoints are also considered as part of the broader good governance assessment for borrowers in funds that are subject to the EU's Sustainable Finance Disclosure Regulation (SFDR).

In MSI's listed equities business, diversity and inclusion is considered as part of a broader human capital thematic, which also covers work health and safety. Where deemed material, human capital management may be considered as part of our investment research, and stewardship activities, including company engagement and proxy voting where applicable (see sections 4.1 and 6.2). Considerations may include workforce engagement and safety, inclusion at both workforce and leadership levels, issuer governance and oversight, controversy exposure and the effectiveness of policies and processes designed to manage these risks. These may inform our broader sustainability risk consideration of investee companies and may inform engagement priorities.

5.2.2 Modern slavery and human rights

Macquarie respects fundamental human rights as set out in the Universal Declaration of Human Rights and core United Nations and International Labour Organization conventions, in line with the UN Guiding Principles on Business and Human Rights.

Macquarie has a framework of policies, programs, and processes in place (together, our human rights framework) to identify, prevent, mitigate, and where relevant, remediate potential and actual human rights impacts, including modern slavery, in our value chain, including within our portfolios.

Within our public markets business, human rights and modern slavery risk may be considered where deemed material, as part of our investment research, and stewardship activities, including company engagement and proxy voting where applicable (see sections 4.1 and 6.2). Considerations may include industry, supply chain and geographic exposures, issuer governance and oversight, controversy exposure, and the effectiveness of policies and processes designed to manage these risks. Such factors may form part of our broader sustainability risk considerations for an investee company and may inform engagement priorities.

In private markets, we assess a range of sustainability-related risks, including modern slavery risk, during investment screening and due diligence of new investment opportunities. Potential investee companies are also assessed at acquisition stage to determine whether they may be exposed to heightened human rights risks arising from their industry or jurisdiction. Where they are, the Macquarie Investee Company Human Rights Good Practice Principles and Guidance apply, which provides guidance to investee company Boards on good practice human rights risk management ('Good Practice Principles') and on overseeing human rights risks.

Where applicable, we aim to support the management teams of investee companies in establishing and operating appropriate risk management frameworks that address these risks on an ongoing basis, and investee companies may be subject to reporting requirements under modern slavery legislation in their respective regions.

For more detail on MAM's approach to human rights and modern slavery, see the Macquarie Modern Slavery Statement.

5.2.3 Work health and safety

MAM recognises, supports, and promotes the right of every worker to return home safely from their workplace, and work health and safety (WHS) may be a material sustainability consideration across a range of sectors in which we invest. Within infrastructure investments in particular, where operational risks are significant and our influence is often greatest, we have integrated WHS into the Real Assets investment lifecycle as we consider effective management of WHS risk to be an indicator of operational quality which can in turn support investment returns.

Our proprietary Safety Alignment Framework (SAF) sets out our minimum expectations to address the specific WHS risk profiles within our Real Assets investments, where we have control or significant influence. The framework is regularly reviewed and enhanced to drive consistent WHS principles and expectations for investee companies, seeking to eliminate fatalities and serious injuries.

This framework supports our MAM-nominated NEDs in their WHS governance practices, assuring that adequate resources are in place within our investee companies to manage WHS risks and regularly promoting intra-industry WHS forums to share lessons learned between organisations and across regions.

Within Private Credit specifically, WHS-related data points, including the presence of adequate policies and incident reporting, are included in our Sustainability Questionnaire completed annually for each borrower, and form part of our proprietary

scoring methodology for certain identified sectors in our direct lending strategies. These datapoints also inform the broader good governance assessment for borrowers in funds that are subject to SFDR. The identification of material negative findings requires escalation and may result in engagement with the borrower or sponsor to understand the nature of the incidents and to confirm that remediation action has been taken.

Within MSI, work health and safety is captured under the broader theme of human capital management, as addressed in section 5.2.1. Where deemed material, human capital management may be considered as part of our investment research, and stewardship activities, including company engagement and proxy voting where applicable (see sections 4.1 and 6.2).

For more information see Macquarie Group's WHS Policy.

5.3 Governance

5.3.1 Business ethics

As part of our duty to be a responsible asset manager, MAM provides an external, dedicated Escalation Hotline for Real Assets investee company staff, reflecting the depth of oversight MAM's board representation and non-executive director involvement provides within that business.

The Hotline allows staff to confidentially report concerns about C-suite level and senior management misconduct and should only be used for investee company matters which have not been appropriately addressed at the company level, or where the investee company employee feels uncomfortable raising them directly.

As reflected in Macquarie's Code of Conduct, we share a responsibility in ensuring investee company employees who speak up can do so without detriment or being personally disadvantaged.

5.3.2 Cybersecurity

Cybersecurity has become an increasingly important consideration across many of the sectors in which we invest, as reliance on digital systems and operational technology continues to deepen. Within infrastructure businesses in particular, cybersecurity threats - including data breaches, fraud and unauthorised access to information assets - have the potential to disrupt essential services, impact supply chains and third parties, and create operational, safety, reputational and financial risks.

As an asset manager, MAM takes a proactive approach to supporting investee companies to manage these risks across our Real Assets investment lifecycle. This is operationalised through MAM Real Assets' Cyber Governance Framework (CGF), which provides a consistent standard for identifying, assessing and improving cyber maturity across investee companies. The CGF is aligned to the National Institute of Standards and Technology (NIST) Cybersecurity Framework. It supports NEDs in focusing on the most material aspects of cyber governance, with risk-mitigating controls implemented and monitored at board level.

Within MAM Private Credit specifically, cyber incidents are included during initial screening as part of the Sustainability Escalation Framework. The framework is completed for every deal, and the identification of any material cyber incidents requires escalation to the Private Credit Sustainability Lead. Following identification, an assessment of the incident is conducted and, if required, engagement with the borrower or sponsor takes place to understand the specifics of the incident and confirm that remediation action has been taken.

MSI's listed equities business considers cybersecurity where deemed material, as part of investment research, and stewardship activities including company engagement and proxy voting where applicable (see sections 4.1 and 6.2). Cybersecurity topics considered include cyber risk exposures, issuer governance and oversight of responsible technology and data use, controversy exposure and the effectiveness of policies and processes designed to manage risks associated with digitalisation. Such aspects may form part of our broader sustainability risk consideration of investee companies and may inform engagement priorities.

6. Engaging our stakeholders

Addressing the material sustainability topics set out in Chapter 5, and delivering effective stewardship more broadly, requires collaboration well beyond MAM alone. We know that it will take global collaboration to effect change and tackle some of the world's most pressing sustainability issues.

As an asset manager and fiduciary, MAM recognises the importance of stakeholder collaboration and frequently engages with clients, investee companies, governments, regulators, industry alliances, communities and other groups across a broad range of risk and value drivers relevant to our investee companies and issuers, including sustainability matters.

By doing so, we aim to refine our own approach, share knowledge and collaborate on global sustainability challenges such as the transition to a low-carbon economy, to create value for clients. Where sustainability issues are shared across the market, MAM also works alongside other investors, recognising that acting collectively can amplify our voice and influence beyond what we could achieve alone.

6.1 Engaging with clients

Our teams engage with clients on our sustainability activities through a range of channels: dedicated client relationship managers for all our institutional financial products, regular updates on fund or investment activity through quarterly reporting, and client marketing communications including knowledge-based events, webinars and thought leadership.

We also engage with potential investors and consultants through education sessions and pitches to help them understand our business and approach to sustainability. For prospective clients, we proactively disclose information regarding our approach to stewardship and reporting.

For prospective MSI clients, this includes a summary of MAM's proxy voting approach at the outset of the relationship, with complete voting procedures and records available on request. We also incorporate these client-directed restrictions and exclusions into our order management system, ensuring these are enforced across relevant trading activity in line with each client's mandate.

MAM encourages continuous client feedback through surveys, workshops and meetings. These interactions provide clients with an opportunity to share their perspectives, including any updates to their own stewardship and investment policies and expectations. Our sustainability professionals also regularly complete periodic questionnaires and surveys issued by clients and other third parties on our approach to sustainability and stewardship, using the insights gained to understand the issues most important to clients and, where appropriate, to inform our stewardship approach, product offering and reporting.

Clients across MAM hold differing sustainability and climate-related preferences for their portfolios, including differing views on approaches to the transition to a low-carbon economy. We carefully consider these preferences when developing new products and bespoke solutions.

We provide clients with regular sustainability reporting alongside our standard fund and investment reporting where applicable. Within private markets, this includes fund and investor reporting incorporating sustainability performance data requested from investee companies, and, for in-scope infrastructure and real estate assets, participation in the GRESB benchmark, giving clients access to comparable, third-party-assessed sustainability performance data. Where applicable, we also provide clients with periodic disclosures under the SFDR, and, for certain funds, dedicated impact reporting distributed directly to that fund's investors, in addition to its broader publicly available sustainability reporting, which includes MAM's Green Investments Green Impact Reports.

6.2 Engaging with investee companies

Engaging with the management of the companies in which we invest is a core part of our stewardship practices. The underlying aim of our engagements is to encourage our investee companies to effectively identify and manage the material risks and opportunities associated with their own businesses. We do this on behalf of our beneficiaries and clients, whose capital is invested in those companies. Engagement may take different forms and can differ both across and within investment divisions. Examples range from addressing a specifically identified risk at an individual company, to prioritising companies presenting the most material risk within a portfolio, engaging across multiple companies to gauge responses to a common theme, or engaging to support a company's existing positive actions.

In our MSI and Liquid Credit businesses, we define engagement as active dialogue with a targeted objective, occurring between MAM and current or potential investee companies or issuers, with the aim of preserving and enhancing asset value and/or better understanding how issuers identify, assess and manage the risks and opportunities that may affect their long-term financial resilience, credit quality and ability to create value over time.

A materiality-based approach underpins the MSI team's approach to engagement. Given the diverse universe of holdings, this approach is data-driven. Where data identifies material risks or opportunities, engagement is used to understand how a company is managing these matters. In line with best practice, investment teams may then consider specific asks, where relevant, or ongoing monitoring, as appropriate. We recognise that the time required to address sustainability considerations with a company will vary, and that engagement outcomes may develop over multiple time periods. Voting rights are exercised as part of that engagement and are described in section 4.1. Through proxy voting, teams may also collaborate with other shareholders by voting on shareholder resolutions, a further way of exercising influence collectively where doing so is in clients' best interests.

Within Liquid Credit, engagement reflects the team's role as a debt investor with more limited influence over issuers in the absence of voting rights. Sustainability factors discussed through this engagement, where material, are incorporated into our overall assessment of a company's management team and/or credit risk profile.

Each team maintains its own sustainability framework setting out how engagement is integrated into its investment approach, and keeps a record of engagement activity, the sustainability factors discussed, outcomes and any follow-up required.

In private markets, our asset management teams are in frequent dialogue with investee companies. We hold Asset Leadership Forums annually in each region, bringing together investee company leadership to network, cross-pollinate ideas and share learnings, alongside regular training and education webinars on topics including workplace health and safety and inclusion.

Where we partner with investee companies on their own sustainability-related policies and frameworks, we support them in extending this work to the communities in which they operate, for example, on just transition and biodiversity matters relevant to their businesses.

6.3 Engaging with industry, government and regulators

MAM participates in industry working groups, advisory committees and advocacy groups where it believes it can contribute to shared objectives, seeking to develop and promote guidance, tools and standards that support the development of industry best practice and the effective management of market-wide and systemic risks.

This includes providing feedback on sustainable finance regulatory and legislative developments, both directly to regulators and through industry bodies such as the UK's Investment Association, the Australian Financial Services Council, and the Responsible Investment Association of Australasia.

MAM also participates in industry conferences and webinars covering sustainable infrastructure, private credit, real estate, agriculture and listed markets issues.

Appendices

Appendix A: Policy Inventory

As part of the Macquarie Group, MAM operates within Macquarie's well-established framework of sustainability-related policies and practices covering the below topics. Where appropriate, MAM supplements these with our own policies, strategies and frameworks. Where a policy is publicly available, its name below is linked to the published version.

Environment and Social Macquarie-wide	Governance
Global WHS Policy Summary	Code of Conduct
Environmental and Social Risk Policy Summary	What We Stand For
Macquarie Principles for Suppliers	Macquarie Group Privacy Policy
Macquarie Greenwashing Standard	Whistleblower Policy
	Anti-bribery and corruption policy
	Anti-money laundering and counter-terrorism financing policy statement
	Political contributions and engagement
	Sanctions Compliance Policy Statement
	Risk management
	Tax transparency
	Macquarie Conflicts of Interest Summary Policy
	Macquarie Risk Appetite Statement
MAM specific	
Green Investment Policy	Proxy Voting Policy
MAM Sustainability Policy	MAM Risk Appetite
	MAM Conflicts of Interest Policy

Appendix B: Framework alignment indices

This Report has been structured to tell our own sustainability and stewardship story, rather than being organised around the requirements of any single external framework. In doing so, its content naturally aligns with, and in some cases forms the actual disclosure for, several external frameworks.

This Report constitutes MAM's Policy and Context Disclosure under the Financial Reporting Council's UK Stewardship Code.

Alignment within this Report to the Task Force on Climate-related Financial Disclosures (TCFD) and the FCA's Sustainability Disclosure Requirements (SDR) is voluntary and partial; this Report does not constitute MAM's, nor any of its regulated entities, regulatory reporting against either framework. Entity-specific detail, and content addressing MAM's specific activities and their outcomes during the year, is addressed in MAM's UK regulated entities' own annual regulatory reporting, and in MAM's Sustainability and Stewardship in Action report. Where content from this Report is incorporated by reference into a regulated entity's own regulatory reporting, that content forms part of that entity's regulatory disclosure to the extent so incorporated.

The indices below map each framework's disclosure requirements to their location in our reports. References to this report are shown as 'OATSS' (Our Approach to Sustainability and Stewardship). Where an element is addressed in our companion report, Sustainability and Stewardship in Action ('SSIA'), which reports on in-year activity rather than our enduring approach, the reference points to that report generally, rather than to a specific section, given SSIA's structure is refreshed annually.

Appendix B.1: Stewardship Code index

The table below sets out where this Report aligns to the FRC Stewardship Code's 2026 framework for the Policies and Context Disclosure.

	Pillar	Disclosure requirement	Section Reference
A	Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.	What our organisation does	1.1
		The clients we serve	1.1 *Sustainability and Stewardship in Action*
		Our portfolios and how they are managed	1.1 *Sustainability and Stewardship in Action*
		Our investment beliefs	1.2
		Appropriateness of approach	1.1
B	Describe how your resources enable effective stewardship.	Corporate governance structure and accountability for stewardship	2.1
		Stewardship resourcing	2.2
		External service providers	2.2.2 *Sustainability and Stewardship in Action*
		Systems and technology	2.2.2
C	Describe your stewardship policies and processes, and how you review them.	Organisational policies and policies related to stewardship	3.2
		Policy reviews and approvals	3.2
D	Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.	Conflict of interest policy	3.3 Appendix A
		Examples of conflicts	3.3
E	Describe how you maintain a dialogue with clients and/or beneficiaries	Engagement methods	6.1
		How feedback informs our stewardship approach	6.1

Appendix B.2: TCFD and SDR index - voluntary partial alignment

Alignment within this Report (OATSS) and its companion report, Sustainability and Stewardship in Action (SSIA), to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the FCA's Sustainability Disclosure Requirements (SDR) is voluntary and partial. Neither report constitutes regulatory reporting by MAM or any of its regulated entities against either framework. The table below indexes all four pillars of the framework, spanning both OATSS and SSIA where relevant.

Separately, MAM does have regulated entities in scope of TCFD and SDR. As MAM legal entities, these adopt MAM's, and where applicable Macquarie Group's, governance structures, sustainability strategies, policies and risk management frameworks, which are set out in this Report. These entities report against those requirements through their own Sustainability Entity Reports, which may draw on the voluntarily aligned information set out in this report.

Pillar	Reg	Disclosure requirement	Section reference
Governance	SDR	The manager's approach to governance, with respect to managing sustainability risks and opportunities	• OATSS: 2.1, 2.2
	TCFD	a) Board's oversight of climate-related risks and opportunities.	• OATSS: 2.1
		b) Management's role in assessing and managing climate-related risks and opportunities.	• OATSS: 2.1, 3.1
Strategy	SDR	The actual and potential impacts of any material sustainability-related risks and opportunities on the manager's businesses, strategy and financial planning	• OATSS: 4 (intro), 5.1, 5.2, 5.3
	TCFD	a) Climate-related risks and opportunities identified over the short, medium, & long term.	• OATSS: 5.1.2, 5.1.2.1
		b) Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	• OATSS: 5.1.2.1, 5.1.2.2, 5.1.2.3
		c) Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• OATSS: 5.1.2.1
Risk management	SDR	How the manager identifies, assesses and manages sustainability-related risks	• OATSS: 3 (intro), 4.1, 4.2 • SSIA
	TCFD	a) Processes for identifying, assessing and managing climate-related risks.	• OATSS: 3 (intro), 4.1, 4.2, 5.1.2.1 • SSIA
		b) Integration of these processes into the organisation's overall risk management.	• OATSS: 3 (intro), 3.1 • SSIA
Metrics & Targets	SDR	Metrics and targets used to assess and manage sustainability-related risks and opportunities	• SSIA
	TCFD	a) Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process	• SSIA
		b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	• SSIA, • Sustainability Entity Reports (regulated entities)
		c) Targets used to manage climate-related risks and opportunities and performance against targets	• OATSS: 5.1.2.2; • SSIA

Appendix B.3: SASB alignment

Our primary activity, and the subject of this Report, is asset management. In preparing this Report, we have considered the Sustainability Accounting Standards Board (SASB) Standard for Asset Management and Custody Activities. Industry-specific standards relevant to the operations of individual investee companies are a matter for those companies' own reporting. Any alignment is voluntary and partial. The table below identifies SASB metrics for which our reports contain relevant content, spanning both OATSS and SSIA where relevant. It does not represent full disclosure against each metric cited, nor a complete index of the Standard.

Given the diverse nature of our portfolios, applying the Standard's own metrics uniformly and precisely across every underlying investment is not always practical. Where this is the case, SASB's disclosure topics have been considered in light of their overall intention, focused on their relevance to portfolio management and investment decision-making, rather than through the Standard's specific quantitative metrics.

Topic	Metric	Code	Interpretation of metric	Section reference
Employee Diversity & Inclusion	Gender and diversity group representation across employee levels	FN-AC-330a.1	We do not report aggregated workforce diversity metrics across our portfolio, as jurisdiction-specific legal definitions and reporting requirements are not applied consistently across regions. Instead, MAM discloses our approach to inclusion within our Real Assets portfolio, where our influence enables this practice.	• OATSS: 5.2.1
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	AUM by asset class employing ESG integration, sustainability themed investing and screening	FN-AC-410a.1	MAM's private markets businesses assess sustainability-related risks during screening and due diligence and integrate sustainability throughout the investment lifecycle where material risks or opportunities are identified. Within public markets, this applies where sustainability risks are identified as material, noting some exposures, including cash, derivatives, passive strategies and certain externally managed assets, are outside the scope of this assessment.	• OATSS: 4.1, 4.2
	Approach to incorporation of ESG factors in investment processes	FN-AC-410a.2	Our approach to incorporating sustainability factors varies by asset class and division, reflecting differences in ownership, influence and available data.	• OATSS: 4.1, 4.2
	Proxy voting and investee engagement policies and procedures	FN-AC-410a.3	MAM's approach to proxy voting and investee engagement includes how voting rights are exercised on behalf of clients, how engagement is used to identify and respond to material sustainability risks, and how these approaches differ between our public and private markets businesses.	• OATSS: 4.1. 6.2 • SSIA: 4.1, 4.2, 5.3, 6.4

Topic	Metric	Code	Interpretation of metric	Section reference
Financed emissions	Absolute gross financed emissions, AUM included in the disclosure and the methodology used	FN-AC-410b1 to b4	Financed emissions are not reported in this Report. We expect to report financed emissions covering MAM's portfolios in the FY27 Macquarie Group Annual Report under Australian mandatory climate reporting requirements, and in our Sustainability and Stewardship in Action report.	• MGL Sustainability Report • SSIA
Business ethics	Whistleblower policies and procedures	FN-AC-510a.2	MAM staff are covered by Macquarie's Group-wide Whistleblower Policy. As part of our duty to be a responsible asset manager, MAM has an external, dedicated Escalation Hotline which is available for investee company staff to confidentially report any concerns they may have about C-suite level and senior management misconduct.	• OATSS: 5.3.1 • Whistleblower Policy
Activity metrics	Total AUM	FN-AC-000.A	We describe the composition of our assets under management qualitatively in this Report, by asset class, management style and geography. Our total AUM figure is reported annually.	• SSIA: 1.1 • MGL Sustainability Report

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