

Environmental, Social and Governance

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

ESG approach

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

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

ESG governance

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

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

External stakeholder interests
Risks and opportunities identified by the business

ESG focus areas

 <p>Environmental and social risk management</p> <p>431 transactions assessed under our <i>Environmental and Social Risk (ESR) Policy</i></p>	 <p>Climate change</p> <p>Alignment to net zero by 2050</p> <p>\$A6.40 invested in renewable energy for every \$A1 invested in conventional energy⁽¹⁾</p>	 <p>Environmental and social financing</p> <p>Over 30 GW of green energy assets in development or construction as at 31 March 2022⁽²⁾</p> <p>16 GW of green energy assets in operation or under management as at 31 March 2022⁽²⁾</p>	 <p>Sustainability in direct operations</p> <p>100% renewable electricity sourced globally in FY2022⁽³⁾</p> <p>Emissions per capita reduced by 91% from FY2010 baseline (43% reduction from FY2021)⁽⁴⁾</p> <p>Carbon neutral since 2010⁽⁵⁾</p>
--	--	--	--

(1) Includes (i) banking book equity investments fair valued through profit or loss; (ii) investments in which Macquarie has significant influence or joint control (investments in associates and joint ventures); and (iii) investments held through consolidated subsidiaries. Excludes off balance sheet equity commitments.
 (2) GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.
 (3) The equivalent of 100% of our FY2022 electricity consumption was sourced from renewable sources through a combination of green tariffs (43%) and energy attribute certificates (57%) which have been retired or will be retired by 30 June 2022. Due to a lack of availability, we were unable to source renewable energy certificates within the South Korean market, which is a requirement of the RE100 market boundary criteria. All other renewable energy purchases were sourced in line with the criteria and we are 98.4% compliant at this time. We are working towards full RE100 compliance by FY2023, ahead of our FY2025 commitment.
 (4) FY2022 emissions per capita are calculated as total operational market-based emissions of 14,238 tCO₂e (covers Scopes 1 and 2 emissions, and Scope 3 business travel) divided by the total headcount of 17,556 (based on total global workforce excluding staff employed in operationally segregated subsidiaries as at 31 March 2022). Unless otherwise stated, all operational emissions in this report have been calculated using the market-based method. From FY2022, Macquarie has expanded Scope 3 definitions related to business travel. See page 60 for detail.
 (5) Covers Scope 1 and Scope 2 emissions, and business travel.

About these disclosures

Macquarie's FY2022 ESG disclosures comprise relevant sections of Macquarie's 2022 Annual Report and Macquarie's website. They have been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For the first time, this year Macquarie is also reporting under select Sustainability Accounting Standards Board (SASB) standards and accounting metrics.

The content of the disclosures is presented to align with Macquarie's ESG focus areas, which are reviewed annually and selected as most relevant to Macquarie based on business insights, secondary research, market benchmarking, and stakeholder analysis.



Full details of how the focus areas have been defined and how Macquarie engages with our stakeholders are available at macquarie.com/esg



GRI and SASB Index tables can be downloaded from macquarie.com/esg



Client experience

2021 MFAA Excellence Awards for Major Lender of the Year
 2022 CANSTAR Outstanding value award for Savings and Transaction Accounts
 #1 IPE Real Assets Top 100 Infrastructure Investment Managers since 2017
 2021 Financial Standard Investment Leadership Awards Investment Manager of the Year
 Top rating for Australian ESG research by institutional investors in 2021 Peter Lee survey



People and workplace

Australian Workplace Equality Index
Platinum Employer
No. 1
 among Stonewall's 2022 most inclusive UK employers
100%
 on the US Corporate Equality Index 2022



Business conduct and ethics

Tailored training, workshops and leadership sessions provided to over
8,000
 staff⁽⁶⁾



Community

Over \$A520m
 donated by Macquarie staff and the Foundation since inception in 1985 (\$A44 million in FY2022)⁽⁷⁾
 Further information can be found on pages 68 to 71 of this Annual Report

(6) Tailored content focused on conduct, supervision in a hybrid working environment, integrity, speaking up and psychological safety. Macquarie also requires all staff globally to undertake mandatory online Code of Conduct training.

(7) Contribution comprises Macquarie Group Foundation matching support for staff donations and fundraising; Foundation donations to commemorate staff attaining 10 year and 25 year anniversaries at Macquarie; Foundation grants to non profit organisations to recognise 12 months of board service by a Macquarie employee; and Macquarie and Foundation grants to community organisations.

Environmental, Social and Governance

Continued

Environmental and social risk management

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

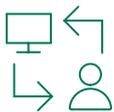
Under the *Code of Conduct* all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the ESR team.

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

ESR in transactions

Environmental and social risks are managed through the implementation of the *ESR* and *Work Health and Safety (WHS)* policies, which are based on international standards.⁽⁸⁾ These are updated periodically to address opportunities for improvement and emerging issues.

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



590

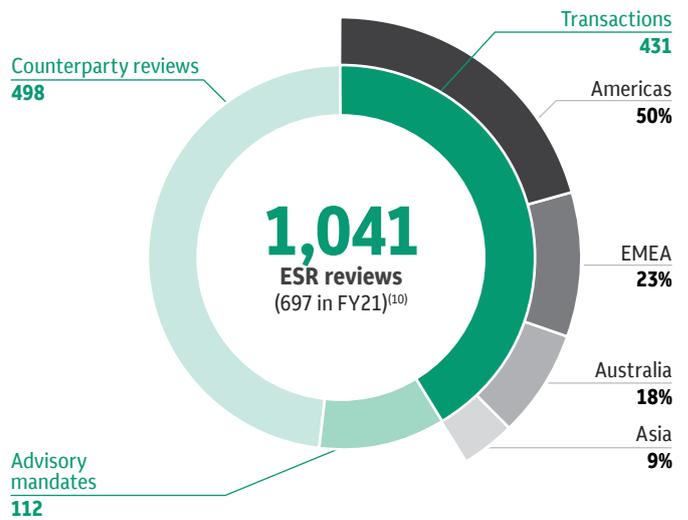
staff received ESR and WHS training in FY2022⁽⁹⁾



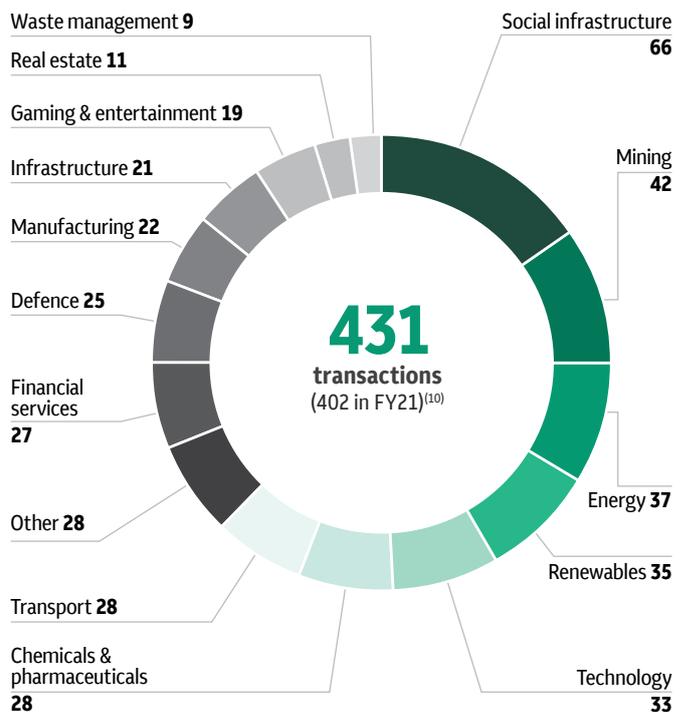
4,400

staff received specialist Human Rights training in FY2022

ESR Policy referrals



Transactions assessed under the ESR Policy by sector



(8) 'Occupational health and safety management systems - Requirements with guidance for use' ISO 45001:2018 and 'Environmental management systems - Requirements with guidance for use' ISO 14001:2016.

(9) Includes risk managers and those in specific business groups with greatest potential exposure to environmental, social and WHS risks.

(10) The number of transactions reviewed under the *ESR Policy* in FY2021 has been restated from 317 to 402 transactions, bringing the total number of reviews under the *Policy* in FY2021 from 612 to 697 reviews.

Our approach to Work Health and Safety



At Macquarie we are committed to providing a zero-harm environment where our people, contractors and visitors can work and collaborate without loss of life or risk of serious injury or illness.

Our WHS vision, "Safe workplaces that enable and empower people to do their best work", is designed in connection with our purpose to empower people to invest and innovate for a better future. Our strong culture of leadership, governance and assurance is integral to how we bring this vision to life.

Our WHS practices are supported by:

- clear expectations and behaviours agreed with Macquarie staff, contractors, visitors and business partners
- incorporation of WHS into our investment and business decision-making processes
- adequate WHS management frameworks and controls to manage safety-critical risks effectively; comply with laws, regulatory obligations and standards; select, contract with and govern Third Party Suppliers; and enable effective consultation and communication of relevant WHS matters and information
- sufficient resourcing to manage material WHS risks
- measuring, monitoring and managing the progress of our WHS performance.

Macquarie staff

All staff are encouraged to speak up on the potential and actual workplace health and safety risks including matters relating to inappropriate workplace behaviour such as sexual harassment, discrimination, bullying or victimisation.

Staff are provided with opportunities to engage in safety forums and consultation

committees to address local and regional safety matters and assist in shaping our focus for future wellbeing initiatives and strategies for injury prevention.

The safety and wellbeing of our staff continues to be at the centre of our response to the global pandemic. To enable staff to work efficiently, effectively and safely in a hybrid working environment, we have been providing:

- an additional wellbeing leave day to proactively support overall wellbeing and work-life balance
- ongoing access to financial support to suitably equip a home-office environment with appropriate technology and an ergonomic chair to assist in the prevention of work-related injuries or incidents
- ongoing access to training, information and on-demand resources in injury prevention
- annual global Health, Safety and Resilience at Macquarie online training to address the current and emerging risks within a hybrid way of working.

0.1

Lost Time Injury Frequency Rate (LTIFR) in the year ended 31 March 2022⁽¹¹⁾

Macquarie's holistic wellbeing program, *Macquarie Plus*, provides a comprehensive range of wellbeing benefits and initiatives to equip our people with the tools and resources to invest in their wellbeing.

Complimenting the existing annual program offerings are targeted initiatives and key areas of focus within the four dimensions of wellbeing: physical, psychological, financial and social.

Health and safety in our investments

Macquarie has integrated WHS into the investment lifecycle from due diligence prior to investment through to divestment. We believe there is a strong correlation between actively managing WHS risk and improving investment returns.

Macquarie Operating Groups have a tailored Safety Alignment Framework to drive consistent WHS principles and expectations for portfolio companies.

WHS is the responsibility of management within each portfolio company. The portfolio company board oversees the management of WHS. In FY2022, 140 Macquarie Nominee Directors received WHS governance training. Portfolio companies regularly monitor and report on WHS performance and risk management to Macquarie, including outcomes of incident investigations where there was a fatality or serious injury, or the potential for a fatality or serious injury.

During FY2022, there has been a strong focus on regularly discussing WHS best practices and sharing of lessons learnt across our regions and Operating Groups. 23 safety alerts were shared across our business.

Human rights

Macquarie recognises the duty of States to protect human rights and the responsibility of businesses to respect human rights. Macquarie supports fundamental human rights as set out in the Universal Declaration of Human Rights and core International Labour Organization (ILO) Conventions.

Macquarie has a framework of policies and processes in place to identify and mitigate potential and actual human rights, including modern slavery, impacts resulting from our business activities and the relationships connected to those activities.



More detailed information, including examples of how we put WHS into practice, is available at [macquarie.com/esg](https://www.macquarie.com/esg)



Macquarie's modern slavery and human trafficking statement prepared under the *UK Modern Slavery Act 2015* and the *Australian Modern Slavery Act 2018 (Cth)* can be downloaded from [macquarie.com/esg](https://www.macquarie.com/esg)

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

Environmental, Social and Governance

Continued

Climate change

Climate change is one of the most complex and critical challenges facing the world. Meeting the goals set out in the Paris Agreement requires the private and public sectors to work together to deliver the transition to a low-carbon future at unprecedented scale and pace, and in a socially inclusive manner. Macquarie is committed to playing a leading role in driving this global transition to net zero.

For two decades, we have used our deep capabilities in energy, infrastructure, transportation, technology, agriculture and commodities to work with clients to deliver practical climate solutions. Our approach to driving climate action is founded on five key areas.

Developing and investing in green energy

Investing and deploying green energy is at the core of our contribution to the net zero transition. Macquarie is committed to growing renewable energy capacity and is already developing, constructing, operating and financing over 50 GW of green energy projects around the world.

Our Green Investment Group (GIG) has more than 250 green energy projects in development or construction (either directly or through operating platforms) totalling over 30 GW of predominantly solar and wind projects. FY2022 was a landmark year, as GIG further established capabilities in the development of new clean technologies like floating offshore wind, utility scale storage and hydrogen, all of which will play a critical role in enabling deep decarbonisation.

Overall, Macquarie has invested and arranged \$A2.3 billion into green energy projects in the past five years alone. While some of the investments are no longer on our balance sheet they continue to generate green energy every year, and will continue to do so well into the future.

Creating climate resilient infrastructure

As the world's largest infrastructure manager and a major developer of new greenfield infrastructure, our focus on climate resilience and adaptation is helping prepare communities for a changing world.

With over 160 portfolio companies, 530 properties and 4.7 million hectares of farmland in its global portfolio, Macquarie Asset Management (MAM) is investing in climate-specific risk assessments, revised operating procedures, physical enhancements, industrial technologies, and training, all of which contribute to greater climate resilience.

Macquarie Capital is also designing climate resilience into new infrastructure projects from the start, to deal with a higher frequency of extreme weather events and rising sea levels.

Enabling the decarbonisation of our customers, clients and portfolio companies

There is broad societal consensus on the need to decarbonise, the goals that the world needs to reach, and the steps needed to get there. As a result, we are increasing our efforts, working with our customers, clients and portfolio companies to help them take action to decarbonise their activities. Macquarie is committed to continued expansion of our capabilities to help clients and customers navigate the transition to net zero. Building on our track record in renewables financial advisory and in helping businesses procure clean energy for their operations, we have developed financing and risk management solutions in areas including batteries, renewable fuels and clean transportation, and built a dedicated team that helps companies enhance their sustainability commitments with carbon offsets.

Aligning our activities to net zero

In 2021, Macquarie made a commitment to align its business operations and financing activities with the objective of enabling and accelerating the world's pathway to net zero by 2050.

Last year, we established a dedicated cross-group Net Zero Program team to assess our lending and equity clients' existing climate footprint, and we are on track to release our first net zero plan by the end of 2022. Granular analysis of our exposures within the oil, gas and coal sectors is well progressed. Our initial work has highlighted significant data challenges, with many clients unable to provide estimates of their emissions. Given the gaps, and to ensure appropriate quality, we are augmenting our analysis with estimates using industry standards such as the Partnership for Carbon Accounting Financials to guide our approach.

We recognise that the availability and robustness of emissions data continues to evolve and have sought to establish approaches that can be adjusted over time as more companies compile and report their emissions footprint. We welcome moves by regulators to increase transparency with regard to company level emissions. These initiatives are likely to see data availability and quality improve materially in coming years.

Detailed analysis is also underway to assess the emissions associated with our retail vehicle lending portfolio, focused on the vehicle make, model and estimated distance travelled.

Over the coming months, we will continue to evolve this in-depth analysis to support the establishment of interim and long-term science-based goals for these sectors. This is in addition to our existing commitment on coal, where we expect our limited remaining equity and lending exposures to run off by 2024. We will expand the analysis to further sectors in 2023.

In addition, GIG also committed to achieving net zero emissions from financing activities associated with renewable energy generation projects by 2030, while MAM committed to invest and manage its portfolio in line with global net zero by 2040. During FY2022, MAM has been working with its portfolio companies to report and verify their emissions, set targets for emissions reduction, and develop business plans that contribute to a net zero economy by 2040 or sooner.

To accelerate our efforts, effective 1 April 2022, GIG has moved to operate as part of MAM. The need for investment in the energy transition continues to grow substantially. The combined teams will significantly enhance Macquarie's capacity to mobilise institutional capital for the transition and provide greater scale of decarbonisation solutions for clients, portfolio companies, communities, and the environment.

Working in partnership to raise ambition

Across the world, we work in close partnerships with stakeholders in the public and private sectors to raise ambitions on achieving global climate targets.

These partnerships take different forms, focusing on the many challenges ahead – including accelerating the deployment of mature technologies, driving the commercialisation of emerging climate solutions and technologies, mobilising capital to support the transition of emerging markets and developing countries, or rapidly scaling up investment in adaptation.

We are working on several industry-led UN-convened projects to accelerate the transition to a net zero economy. Macquarie's CEO, Shemara Wikramanayake, sits on the CEO Principals Group of the Glasgow Financial Alliance for Net Zero (GFANZ) and is leading a workstream to mobilise private capital for the transition in emerging markets. Our efforts in finding solutions for emerging markets are complemented through our role in co-chairing the Climate Finance Leadership Initiative's India country pilot with the Tata Group. We are signatories of the UN-convened Net Zero Asset Managers initiative and Net Zero Banking Alliance. Macquarie is also a member of His Royal Highness The Prince of Wales' Sustainable Markets Initiative and the Global Commission on Adaptation.

Climate-related financial disclosures

Macquarie continues to support the important work of the Task Force on Climate-Related Financial Disclosures (TCFD) and is actively implementing its recommendations.

In July 2021, we published a detailed report outlining our progress towards TCFD implementation. The report provides details of the transition and physical risk scenario analysis that was completed in 2021, including:

- physical risk analysis of prototypical equity investments, representing pathways to 1.5°C and 4°C warming by 2100
- vulnerability and resilience of our business premises to physical climate risks.

FY2022 energy sector exposures

\$A6.40 invested in renewable energy for every \$A1 invested in conventional energy as at 31 March 2022.⁽¹²⁾

In supporting clients and economies through a managed transition, we note that significantly increased investment is required in renewables for the world to reduce its reliance on fossil fuels. Macquarie has played a leading role in increased deployment of renewables and the wider decarbonisation of the global economy.

Particular focus was placed on trying to address the various challenges that remain to full transition including energy storage, land use, the need for a greater number of investible projects and greater levels of investment in adaptation and resilience projects. In FY2022 these efforts continued globally, see pages 52 to 59 of this Annual Report.

Macquarie's equity and loan portfolio exposures to the oil, gas, coal and renewables sectors as at 31 March:⁽¹³⁾

	FY21				FY22			
	Loan assets ⁽¹⁴⁾	Equity investments ⁽¹²⁾			Loan assets ⁽¹⁴⁾	Equity investments ⁽¹²⁾		
		Non-consolidated	Consolidated	Total		Non-consolidated	Consolidated	Total
	\$Ab	\$Ab	\$Ab	\$Ab	\$Ab	\$Ab	\$Ab	\$Ab
Oil	0.3	0.1	<0.1	0.1	0.2	0.1	<0.1	0.1
Gas	0.2	<0.1	0.1	0.1	0.2	<0.1	0.2	0.2
Coal	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Renewable energy	<0.1	0.6	0.7	1.3	<0.1	0.9	0.7	1.6

(12) Includes (i) banking book equity investments fair valued through profit or loss; (ii) investments in which Macquarie has significant influence or joint control (investments in associates and joint ventures); and (iii) investments held through consolidated subsidiaries. Excludes investments off balance sheet equity commitments.

(13) Renewable energy assets under management are disclosed separately on page 57.

(14) Includes drawn loan assets held at amortised cost adjusted to exclude certain items such as assets that are funded by third parties with no recourse to Macquarie, operating leases, asset finance and short-term financing such as inventory financing. Exposure in Credit Facilities can fluctuate based on timing of projects and working capital requirement of counterparties. With high commodity prices some loans have been paid down ahead of schedule and may have the ability to be redrawn.

Environmental, Social and Governance

Continued

Scenario analysis

Each year, we have built on the prior analysis, refining our understanding of the potential vulnerabilities to climate change risks for Macquarie. This year, our analysis is focusing on the physical risks of Macquarie's Australian residential real estate lending portfolio and the transition risks of parts of Macquarie's Australian business lending and residential real estate lending portfolios, as part of APRA's Climate Vulnerability Assessment. In carrying out this assessment, we are also performing more detailed assessments of selected counterparties, and balance sheet projections over a 30-year timeframe.

In addition, we have undertaken preliminary work to understand the risks associated with the commodity trading activities within our European regulated entity.

The capabilities developed through these activities support us in evolving our understanding of climate risk and integration into existing stress testing activities.

This section includes a summary of our climate-related disclosures. A more detailed report will be published with our net zero plan by the end of 2022.



More detailed information is available in our TCFD report which can be downloaded from macquarie.com/esg



More detailed information on our approach to climate change is also available at macquarie.com/esg

Our work in action



Supporting renewable energy projects globally



Making sustainable choices more affordable

Investing in renewable energy

Over the past year, our GIG business' operationally segregated subsidiaries (OSS) have been supporting solar projects across Europe, with projects in Greece, Italy, the UK and France. In Asia, our OSS Blueleaf Energy is developing solar and onshore wind projects in Japan, Taiwan, India, the Philippines and other markets in Southeast Asia.

GIG has continued to build out its offshore wind portfolio by securing opportunities in development projects off the coasts of Scotland, Sweden and Ireland, and establishing partnerships to bid for offshore wind projects in France and Norway. GIG recently launched Corio Generation, its new dedicated offshore wind business, which will take that portfolio forward. Together with TotalEnergies, GIG has obtained an electricity business licence for its floating offshore wind project located off the coast of Ulsan, Korea. With a maximum installed capacity of 1.5 GW the project is one of the largest floating offshore wind developments in the world and aims to help deliver the Korean government's 'Green New Deal', revitalise local economies and support high-skilled employment opportunities.

In January 2022, another of GIG's joint ventures successfully secured the rights to develop the 2 GW West of Orkney Windfarm project off the coast of Scotland. As part of this development, the partners will unlock a £140m initiative to support the development of the local supply chain to actively promote employment and innovation in the region. Once built, the windfarm could also deliver renewable power to the Flotta Hydrogen Hub, a proposed large-scale green hydrogen production facility in Orkney, Scotland.

The International Energy Agency suggests the use of hydrogen will need to double over the course of this decade to meet net zero. To help meet this demand, we are working to advance a number of projects with partners globally. This includes feasibility studies into the production of green hydrogen in Orkney, Scotland, the Port of Newcastle in New South Wales, Australia and the Port of Southampton in the UK.

Together with Nobian, GIG has formed the Hydrogen Chemistry Company (HyCC), a company focused on producing green hydrogen from renewable power at an industrial scale. This includes a



“

Macquarie is the first Australian banking group to provide a specialised electric vehicle buying service, Macquarie Vehicle Select, that supports customers transitioning to an electric vehicle.”

planned 60 MW facility in the north of the Netherlands to supply green hydrogen for renewable methanol and aviation fuels, a 100 MW project near Amsterdam to enable sustainable steel production, and a 250 MW project in Rotterdam to replace fossil-based hydrogen. The deal will allow HyCC to grow this pipeline and expand further into the European market.

In FY2022, Macquarie Capital also launched Aerogy, a platform that develops, operates and invests in renewable natural gas infrastructure projects that convert waste into low-carbon energy.

With greater electrification, and a growing share of renewables in generation, comes a greater need for system flexibility through technologies like battery storage. In June 2021, GIG acquired its first utility-scale battery storage development portfolio. We are now working to co-develop that portfolio of projects, which are strategically located across congested areas of the UK grid network. In late 2021, GIG entered a partnership to deliver Australia's largest privately funded and owned utility-scale battery. The project is fully committed and will connect to existing network infrastructure to support the transition to renewable energy at the site of the former Hazelwood Power Station in the Latrobe Valley, Victoria.

Driving transport decarbonisation

In recognition of our role to make sustainable choices more affordable for households, Macquarie is the first Australian banking group to provide a specialised electric vehicle buying service, Macquarie Vehicle Select, that supports customers transitioning to an electric vehicle. In addition to helping navigate the electric vehicle landscape in Australia, customers financing a new electric vehicle through Macquarie will access a discounted, car loan which has a lower interest rate than what is offered for internal combustion engine vehicles. Although Macquarie's direct car business remains a small part of its overall car loan portfolio, the business directly financed more EVs than ICE vehicles in the six months to 31 March 2022 and expects this trend to continue over the coming years.

As EV adoption rises, significant investment is needed to accelerate the roll-out of charging infrastructure. To support this, GIG has partnered with Heliox to create one of the first 'charging-as-a-service' offerings for fleet electrification in Europe.

By constructing and maintaining charging facilities on behalf of our customers, the service removes up-front costs whilst providing assurance around the design, operations and maintenance of the facilities, hence reducing the main barriers to fleet electrification. At the same time, MAM has invested in Roadchef, one of the UK's largest motorway service area operators. MAM has committed to develop and accelerate the rollout of fast-charging infrastructure for EVs at its 30 locations across the UK motorway network.

In the US, our Commodities and Global Markets (CGM) business is part of a consortium that was awarded grant funding by the California Air Resources Board and the California Energy Commission's Clean Transportation Program to deliver 30 XCIENT Class 8 hydrogen fuel cell electric trucks and the associated refuelling infrastructure in California. The advancement of the transition to zero emissions in this region marks an important milestone for the business as they look to progress similar zero emission vehicle rollouts across the commercial transportation sector in the future.

Environmental, Social and Governance

Continued

TCFD Implementation Summary

	Climate change governance	Strategy
Progress to end of FY2021	<ul style="list-style-type: none"> Board responsibility for approving ESG framework and key ESG policies. BGCC oversight and monitoring of effectiveness of ESG framework, including approach to climate change risk management. Governance structures to support relevant regulatory guidelines on climate-related risks. 	<ul style="list-style-type: none"> Engaged in activities related to climate change and the low carbon transition for over a decade. Announced a commitment for Macquarie to align our business operations and financing activities with the global goal of net zero emissions by 2050. MAM announced a plan to manage its portfolio in line with net zero emissions by 2040. GIG committed to achieving net zero emissions from financing activities associated with renewable energy generation projects by 2030. Pursued a sustainability strategy in direct operations, including a commitment to operate on a carbon neutral basis since 2010 and to source 100% renewable energy for Macquarie premises by 2025. Supported a range of global and national strategies on climate, led by third parties, including the Climate Finance Leadership Initiative and the Global Commission on Adaptation. Issued £500 million and \$US150 million in accordance with the APLMA Green Loan Principles.
Progress during FY2022	<ul style="list-style-type: none"> Established Net Zero Program team to coordinate Macquarie-wide climate risk and net zero activity, reporting to CRO and Executive Committee. Global Green Committee reconfigured to become an action-oriented Climate Solutions Taskforce, led by Senior Management to promote and coordinate climate change mitigation and adaptation opportunities across Macquarie. Improved Board, executive and staff knowledge of net zero and climate-related risks through training. Enhancing and embedding climate considerations within existing risk management framework. 	<ul style="list-style-type: none"> Made a series of new investments in climate mitigation and adaptation spanning established and new technologies, including: onshore and offshore wind, solar, waste-to-energy, battery storage, hydrogen, smart meters and ultra-low emission transport. Established Global Carbon business to provide integrated carbon offsetting solutions across voluntary and compliance carbon markets. Established a Climate Intelligence Unit to support and inform Macquarie's engagement and growth in issues related to climate change and the energy transition. Macquarie senior leaders attended COP26, engaging with government, business and industry leaders. Hosted annual Green Energy Conference with participation from 2,795 stakeholders and clients. Grew our internal employee network on sustainability issues, Green@Macquarie, which now has over 2,500 members, and introduced a new weekly briefing on Climate Matters, distributed across Macquarie. Provided all staff with a briefing programme, 'The road to COP', on the energy transition that delivered eight hours of training on seven topics including carbon markets, decarbonisation for emission intensive corporates and hydrogen.
Focus beyond FY2022	<ul style="list-style-type: none"> Continue to enhance and embed climate considerations within existing risk management framework. Continue to enrich Board and executive insight into and visibility of climate-related risks and opportunities. 	<ul style="list-style-type: none"> Align our business operations and financing activities with the global goal of net zero emissions by 2050. Deploy balance sheet and funds under management to develop and invest in projects that support the energy transition. Provide a range of products and services to support our clients to make progress towards their decarbonisation goals. Support our clients and portfolio companies to strengthen the climate resilience of infrastructure assets. Continue to build internal expertise and capacity to support the global energy transition into new markets and across new technologies. Continue to evolve integration into business strategy planning. Continue to source 100% renewable energy and work towards full RE100 compliance by FY2023 ahead of our FY2025 commitment.

(15) Covers Scope 1 and Scope 2 emissions, and business travel.

(16) GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.

(17) The equivalent of 100% of our FY2022 electricity consumption was sourced from renewable sources through a combination of green tariffs (43%) and energy attribute certificates (57%) which have been retired or will be retired by 30 June 2022. Due to a lack of availability, we were unable to source renewable energy certificates within the South Korean market, which is a requirement of the RE100 market boundary criteria. All other renewable energy purchases were sourced in line with the criteria and we are 98.4% compliant at this time. We are working towards full RE100 compliance by FY2023, ahead of our FY2025 commitment.

(18) FY2022 emissions per capita are calculated as total operational market-based emissions of 14,238 tCO₂e (covers Scopes 1 and 2 emissions, and Scope 3 business travel) divided by the total headcount of 17,556 (based on total global workforce excluding staff employed in operationally segregated subsidiaries as at 31 March 2022). From FY2022, Macquarie has expanded Scope 3 definitions related to business travel. See page 60 for detail.

(19) Minimum LEED Gold, BREEAM Good or 5 Star Green Star.

Risk management

- Incorporated climate-related risks into environmental and social risk and credit analysis for carbon intensive sectors.
- Established approaches to transition risk analysis in the oil, gas, coal and power generation sectors of our lending and equity portfolios.
- Generated physical and transition climate risk vulnerability heat maps for lending and equity portfolios across sectors and geographies.

- Included net zero and climate change as causes within Macquarie's *Risk Appetite Statement* supporting consideration as a systemic risk issue.
- Conduct physical and transition climate scenario analysis as part of APRA Climate Vulnerability Assessment, in progress.
- Conduct screening level climate scenario analysis of commodity trading for Macquarie's European regulated entity, in progress.

- Continue integration of climate-related risks through our risk management framework.
- Refine climate scenario analysis and evolve approaches to integrate into broader stress testing.
- Evolve strategic response to vulnerability and resilience of our business premises to physical climate risks.

Metrics

- Consistently invested and arranged capital into green energy projects: \$A3.1 billion in FY2021, \$A9.0 billion in FY2020, \$A7.9 billion in FY2019, \$9.5 billion in FY2018.
- Carbon neutral since 2010.⁽¹⁵⁾

- \$A2.3 billion invested or arranged in green energy projects in FY2022.
- Over 30 GW of green energy assets in development or construction as at 31 March 2022.⁽¹⁶⁾
- 16 GW of green energy assets in operation or under management as at 31 March 2022.⁽¹⁶⁾
- Sourced 100% renewable energy for Macquarie premises.⁽¹⁷⁾
- FY2022 emissions per capita reduced by 91% from FY2010 baseline (43% reduction from FY2021).⁽¹⁸⁾
- FY2022 absolute emissions reduced by 89% from FY2010 baseline (38% reduction from FY2021).⁽¹⁸⁾

- 20% reduction in electricity use by 2023 (from 2014 baseline).
- Continue to source 100% renewable energy and work towards full RE100 compliance by FY2023 ahead of our FY2025 commitment.⁽¹⁷⁾
- 80% of employees in sustainably-rated premises by 2025.⁽¹⁹⁾
- Ongoing enhancement of TCFD disclosures to be consistent with all relevant Task Force recommendations and regulatory requirements.

Environmental, Social and Governance

Continued

Environmental and social financing

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

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

Our capabilities



Financing and developing

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



Advising

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



Managing

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



Researching

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



Trading

- Environmental risk management solutions
- Access to wholesale energy markets for renewable energy suppliers, retailers and producers
- Access to voluntary and compliance carbon markets.

Financing, developing and advising

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

Our GIG business is helping drive the fast-growing renewables power purchase agreement market and Macquarie Capital has been advising clients on over \$A30 billion of renewable transactions in the last three years.⁽²⁰⁾ Macquarie Capital's cash equities team is able to help asset owners in substantially reducing the carbon intensity of their portfolios through their trading expertise. Our CGM business invests in and finances a variety of decarbonisation projects globally as well as a trading platform for ESG inclusive commodities. We also provide emission inventory financing and derivative financing for renewable energy companies and offer a range of specialist asset finance solutions from zero emission transport fleets to smart meters, peaking and flexible power, and sustainable waste solutions.

Macquarie continues to support housing, education and healthcare sectors by advising, sponsoring and investing in social infrastructure, and assisting public and private entities to deliver essential services. By combining advice and capital, Macquarie is helping clients expand access to education and healthcare around the world.

Managing

Macquarie is committed to evaluating ESG factors in investment decision-making and engaging with its clients on ESG issues as part of its asset management activities.

MAM has established specific ESG policies and approaches that reflect the ESG considerations associated with the breadth of its activities across its Public Investments and Private Markets activities. MAM is also a signatory to the UN-supported Principles for Responsible Investment (UN PRI).

This year, MAM has continued to work closely with companies in its Private Markets portfolio to report and verify their emissions, set targets for emissions reduction, and develop business plans that contribute to a net zero economy by 2040 or sooner. MAM also supported a growing number of these companies to participate in the GRESB sustainability assessment process. Participating portfolio companies continue to see an improvement in their performance, underlining the progress in ESG management across MAM's portfolio and the increasing quantity and quality of ESG information made available to its clients.

(20) Value as disclosed by Inframation.

MAM has also continued to enhance its sustainability efforts in relation to its Public Investments activities.

MAM's Equity and Fixed Income Investment teams have access to ESG analytical tools that provide insight into the carbon footprint of individual investments and portfolios. The tools enable these teams to identify companies aligned with the UN Sustainable Development Goals via MAM's proprietary database and offer guidance regarding material ESG factors that affect a given industry.

MAM is also focused on stewardship, as demonstrated by its proxy voting and engagement efforts. MAM has implemented an updated proxy voting policy and guidelines to explicitly support more favourable ESG resolutions and implemented a pro-active ESG proxy alert system. MAM has also established a centralised ESG engagement tracker and enhanced its participation in collaborative engagements to collectively strive for change across its Public Investments portfolio.

\$A24.3b renewable energy assets under management as at 31 March 2022⁽²¹⁾

\$A3.6b assets managed under Public Investment's targeted Responsible Investment strategies

\$A6.9b funds managed in line with Public Investment's clients' specific ESG goals and screening preferences

MAM continues to participate actively with industry bodies, in working groups and other collaborative initiatives to promote and advance sustainability best practice.

Researching

It is important to us to keep our clients informed about emerging ESG trends. Macquarie has made ESG a standard component of all Australian stocks initiations and issued specialist ESG reports this year covering topics such as human capital management, company ESG ratings, COP26, sustainable finance and reporting season.

We also hosted virtual investor calls focused on biodiversity, climate litigation, carbon offsets, ethical supply chains, corporate governance as well as other sustainability themed events.



Top rating for Australian ESG research by institutional investors in 2021 Peter Lee survey

In Europe, Macquarie has a strategic partnership with Kepler Cheuvreux, a UN PRI signatory. The partnership provides our clients with access to a larger pool of alternative energy research.

In Asia, we are responding to increased client demand for ESG research with an expanded ESG team that works alongside our existing equity and macro research teams. This year, we rolled out sector specific ESG scores for our coverage of approximately 800 companies across 11 Asian markets. Our scoring system layers analysts' impressions of covered companies on top of a rich set of company-reported and third-party data. We provide more context for the scores and company-level ESG performance through sector thematic reports and investor calls on a wide range of topics, from labour rights in Malaysia, to green steel in India, fossil fuel divestment in Japan to EV supply chains in China, and many more.

Trading

Our CGM business provides risk management and trading solutions to support clients' varying energy transition needs.

We provide wholesale energy market access and hedging for a wide range of green energy suppliers, retailers and producers, such as waste-to-energy and biomass power plants.

We also provide access for corporations, including those operating in hard-to-abate sectors, to both voluntary and compliance global carbon markets to help manage their emission-related risks and achieve their climate goals. Our Global Carbon business, launched in 2021, builds on our voluntary carbon and wider commodity market expertise to provide a range of carbon offsetting solutions. As part of this, the business is developing a portfolio of high-quality offset projects that can be brought to market. For example, together with C-Quest Capital and partners, we have developed a sub-Saharan Africa cookstove program that is expected to result in the abatement of more than 220 million tonnes of carbon over the next 10 years, which are jointly marketed by Macquarie and C-Quest Capital. The program will distribute cookstoves to approximately 3.7 million households, not only providing verified emissions reductions, but also meaningful social and health improvements in these communities.

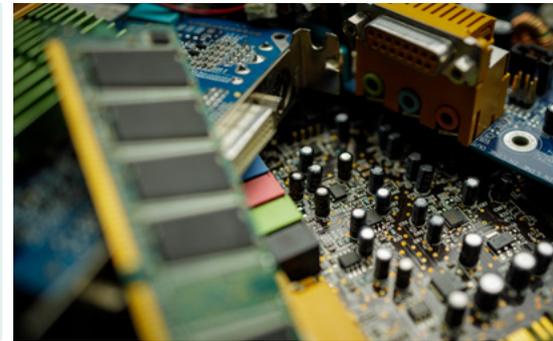


More detailed information is available at macquarie.com/esg and mirafunds.com/sustainability

(21) Includes equity and debt investments.



Our work in action



Enhancing biodiversity

Biodiversity and ecosystem services underpin our society and economies. Exacerbated by climate change, biodiversity loss is accelerating globally. We are evolving our approaches to consider biodiversity and climate change in our investment activities.

As a major agriculture investment manager, MAM is implementing a range of sustainable farm management practices across its portfolio to promote biodiversity, conservation and carbon capture. In FY2022, a MAM-managed fund registered two new environmental planting projects under the Australian Federal Government's Carbon + Biodiversity Pilot initiative. As part of these projects, 67,000 native trees and shrubs will be planted within a 175-hectare conservation area to enhance biodiversity and carbon sequestration, with 28,000 tCO₂e projected to be sequestered over the 25-year life of the project.

Similar biodiversity and carbon projects have been implemented across other parts of the portfolio, including two soil carbon sequestration projects registered with the Emissions Reduction Fund. At Steam Plains Station, MAM has commenced the restoration of a former irrigated rice farm to a native grassy-woodland, typical of what would have existed prior to European settlement. Land-use change from an annual cropping system to perennial grasses and native woodland is a well-established method of sequestering carbon in the soil and the project will help

the business towards carbon neutrality while enhancing biodiversity. Similarly, at Merrimba Station, New South Wales, a soil carbon project has been established across country suitable for growing multi-species cover crops. Careful management by the station manager has enabled a diverse pasture containing grasses, legumes and forbs to establish, helping to boost soil organic carbon and stimulate life below the soil. Livestock have also been introduced to graze the paddock to maximise vegetative growth and soil carbon sequestration. Preliminary analysis has presented encouraging results, with an estimated 2.9 tCO₂e per hectare being sequestered so far.

In New York and New Jersey, Macquarie-managed container terminal operator, Maher Terminals, has repurposed 151 reinforced concrete platforms, initially designed to elevate containers off the ground for screening by US Customs & Border Protection, as artificial reefs. After confirmation from the New Jersey Department of Environmental Protection (NJDEP) that the platforms were ideally suited to serve as foundation material for artificial reefs, Maher committed all necessary funding and coordinated with the NJDEP, longshore labour, and a contractor to relocate the platforms to a designated location where it is creating a new reef ecosystem.

Funding the circular economy

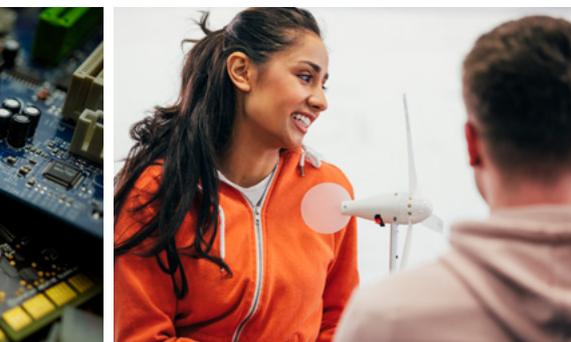
The circular economy reflects a need for society to rethink its approach to the use of products and raw materials, prevent waste and pollution while supporting the regeneration of natural systems. This is an area of focus for our own operations as well as an area of past and future investment opportunity.

Macquarie's CGM business has recently launched a sustainable device lifecycle program for telecoms corporate customers, enabling more sustainable device management services and increased circularity in the smart device economy. The program aims to do this by extending the useful life of a device through a 'return, refurbish, redeploy' approach, embedding an e-waste recycling solution and offsetting the carbon footprint of the entire device lifecycle.

CGM also provided a construction-to-permanent loan to Camston Wrather, a science and engineering company specialising in the recovery of sustainable resources from e-waste. The loan will support the development of Camston Wrather's production facility in allowing them to fulfil their long-term expansion plans of economically and efficiently lowering the carbon intensity of precious metals, plastics, and other metal products through recycling.



67,000 native trees and shrubs will be planted within a 175-hectare conservation area to enhance biodiversity and carbon sequestration.”



Helping communities transition towards more sustainable economies

The global transition to net zero will bring significant changes and opportunities to communities, and in some cases that will have an effect on people's jobs, especially those employed in high emissions sectors. This is why Macquarie and Generation UK have this year launched a pioneering green jobs programme. The initiative is the first of its kind offering profession-specific training to people facing barriers into employment to help them enter the green sector. The programme has been developed with guidance from experts across Macquarie, GIG, and with catalytic funding from the Macquarie Group Foundation. As at 31 March 2022, 12 learners have completed the course and are accredited.

In Korea, GIG and TotalEnergies have offered scholarships to three outstanding students from the Ulsan Institute of Science and Technology. The scholarships form part of the Ulsan floating offshore wind farm's cooperation programme with the university. In addition to the scholarships, the program fosters the development of local talent through internship programmes and industry-led lectures.

Investing in social housing

An undersupply of housing, coupled with high property prices relative to wages, continues to drive the need for affordable and social housing across the UK. Recognising this challenge, MAM has been helping to finance the UK's affordable housing sector and local authorities, with more than £800 million invested in these sectors on behalf of clients over the past five years.

This year, MAM provided a long-term debt facility of £50 million to Melin Homes, a charitable registered social housing association in Wales. The financing provides Melin Homes with both flexibility and certainty as it seeks to deliver 1,000 new homes by 2025 and meet its long-term growth ambitions. MAM also provided £80 million of long-term debt financing to not-for-profit association Havebury Housing Partnership. MAM's investment features a minimum 30-year term and a bespoke drawdown and repayment profile tailored to the housing association's investment needs. The debt financing, which forms part of a broader £210 million package, will enable Havebury Housing Partnership to maintain the quality of its existing portfolio and support its goal for all homes to achieve an Energy Performance Certificate of Level C by 2030. The financing will also support the development of 250 new homes per year to 2028.

As the impacts from climate change become more apparent, integrating sustainability and wellbeing into the design of affordable homes has become increasingly important. To support green affordable housing projects in Kenya, UK Climate Investments – a joint venture between Macquarie's GIG and the UK Government – has committed £30 million to help deliver approximately 10,000 new

green homes that will provide affordable ownership and rental opportunities for low-income families in the country.

In Australia, a joint venture managed by MAM is launching Local, a new build-to-rent platform designed to create positive change in the Australian housing market. The platform, which incorporates impact housing and targets zero carbon emissions, will seek to provide sustainable housing at an attainable price in an inclusive community for residents. All Local projects will incorporate a targeted component of impact housing with accommodation to create positive social impact, focusing on three groups – key workers such as nurses and hospitality workers, people living with a disability and women over the age of 55 who are at risk of homelessness.

In addition, MAM has launched an impact investing platform focused on specialist disability accommodation dwellings in Australia. The platform intentionally seeks to deliver secure, integrated and sustainable homes to tenants eligible under Australia's National Disability Insurance Scheme. MAM has been engaged in the sector since 2017 and its new venture represents a scaled, institutional-grade investment platform. MAM uses a bespoke framework to manage, measure and report the impact of the portfolio. In addition to social impact, the platform seeks to minimise the environmental impact of its operations through energy saving initiatives and offsets to produce net zero emissions. MAM's involvement – with its housing partners, government and other market players – has helped raise institutional awareness and understanding of the sector as an asset class and its potential for delivering both social and environmental impact.

Environmental, Social and Governance

Continued

Sustainability in direct operations

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

Macquarie’s 2025 Sustainability Plan articulates our corporate sustainability commitments with specific and measurable targets across environmental and social pillars. In FY2022, the Plan was updated in line with current technical guidance, industry trends and Macquarie’s ambition to achieve Net Zero emissions.

Emissions from energy use and business travel

Macquarie’s FY2022 absolute emissions decreased by 38% from FY2021.⁽²²⁾

Last year, Macquarie committed to reaching net zero operational emissions by 2025.⁽²³⁾ This was supported by existing targets to reduce electricity use and meet all of our operational electricity needs from renewable sources.

This year, Macquarie has sourced the equivalent of 100% of our electricity consumption from renewable sources through a combination of green tariffs (43%) and energy attribute certificates (57%).⁽²⁴⁾ Due to a lack of availability, we were unable to source renewable energy certificates within the South Korean market, which is a requirement of the RE100 market boundary criteria. All other renewable energy purchases were sourced in line with the criteria and we are 98.4% compliant at this time. We will continue to work towards full RE100 compliance by FY2023, ahead of our FY2025 commitment. Our FY2022 electricity consumption was 40,996 MWh, which is a decrease of 5% from the previous year due to premises upgrades and our cloud transformation strategy that enables rationalisation of servers.

Macquarie has expanded its definition of Scope 3 emissions relating to business travel to include air travel, ground transportation, hotels

and food and beverages.⁽²⁵⁾ Additionally, the air travel emission calculation methodology has matured to be more comprehensive and now reflects the class of ticket flown (for example economy, business class).

Business travel emissions continue to be affected due to ongoing travel restrictions in place since March 2020. In FY2022, we continued to adopt virtual collaboration and conference tools to support effective working from home and to help reduce the need for business travel.

In FY2022, we initiated a review of the additional Scope 3 categories of emissions resulting from upstream operational activities.⁽²⁶⁾ We will assess the materiality of the emissions from each activity and establish data strategies and calculation methodologies to support baselining and prioritisation of reduction efforts.

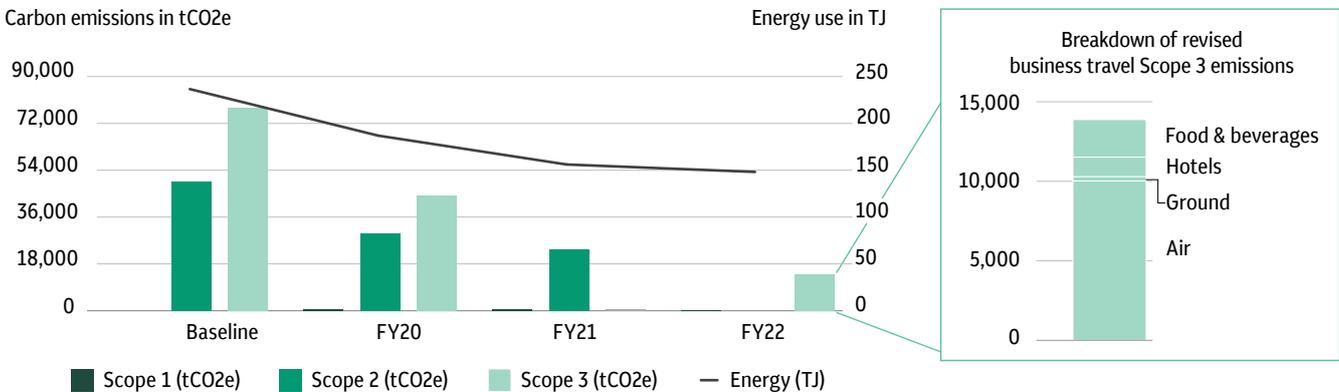
Scope 1 emissions are not considered to be material, comprising 2.5% of Macquarie’s total operational emissions.

Carbon neutrality

Since 2010, Macquarie has maintained our carbon neutral commitment by working to reduce and offset emissions.⁽²⁷⁾ In FY2022, to meet this commitment, Macquarie purchased and retired a portfolio of Australian Carbon Credit Units and other voluntary carbon offsets that meet the Verified Carbon Standard. The projects were selected based on quality and verifiable emissions reductions. Supported by the sale of carbon credits on international markets, they provide solutions to reduce carbon emissions in each of the regions in which Macquarie operates.

Carbon and energy data for FY2022⁽²⁸⁾

Carbon emissions in tCO2e



(22) Unless otherwise stated, all operational emissions in this report have been calculated using the market-based method. PwC has provided limited assurance over selected information for the FY2022 reporting period as detailed in its independent assurance report available on Macquarie’s website. The assurance report includes a table outlining Macquarie’s carbon and energy data for the last 10 years as well as a definition of the different scopes.
 (23) Operational emissions include Scope 1 and Scope 2 emissions, and emissions from business travel.
 (24) Energy Attribute Certificates have been retired or will be retired by 30 June 2022.
 (25) Food & beverages include entertainment and business travel.
 (26) As defined in the Greenhouse Gas Protocol.
 (27) Covers Scope 1 and Scope 2 emissions, and business travel.
 (28) Note that the baseline for Scope 2 electricity emissions is FY2009 while, due to data availability, the baseline for Scope 3 business travel emissions is FY2010. As highlighted in the text, FY2022 Scope 3 emissions are not comparable to previous periods due to a change in methodology.

Sustainable buildings

Macquarie's corporate offices are fitted with water and energy efficient fittings and fixtures and are continually monitored for energy performance, environmental quality and staff comfort. Macquarie's new global headquarters, currently being developed in Sydney, achieved a 6-Star Green Star Design rating. The design of the public spaces in the development are informed by community consultation and will integrate public amenities, First Nations design principles, native plants and public art. At the end of FY2022, 71% of Macquarie staff occupied a sustainably-rated office.⁽²⁹⁾

Resource efficiency

We continue to raise staff awareness and improve recycling rates across our regional headquarters. In all major Sydney offices and our London headquarters, we reached an average recycling rate of 45%. Office closures and reduced occupancy during the pandemic have impacted our waste data collection and verification. This is scheduled to resume as our people return to office.

In addition, in FY2022, we committed to divert a minimum of 75% of the construction and demolition waste from landfill, and the elimination of single use plastic in premises operations by FY2025.

In FY2022, paper use remained the same as FY2021. Paper use data is collected across most of Macquarie's offices, representing approximately 97% of Macquarie staff. In addition, we have increased our commitment to a 60% reduction target by FY2025 from a 2019 baseline. The environmental impacts of paper use are also being addressed through an ongoing commitment to use certified sustainable or recycled paper stock for 100% of office paper needs.

Following a review in FY2021, we have committed to managing all our electronic waste through sustainably-certified suppliers to ensure it is managed in a responsible manner.

Sustainable procurement

Macquarie is enhancing its procurement strategy to drive positive environmental, social and economic impacts across our supply chain. A sustainable procurement framework is in development to integrate sustainability considerations throughout the procurement lifecycle. This will bring our approach in closer alignment to global best practice as outlined in the ISO 20400: 2017.⁽³⁰⁾

This will support our revised commitment to increase spend on environmentally and socially sustainable products to 80% of our global purchasing needs for prioritised goods by 2025 and 100% by 2030.

Macquarie continues to implement a risk-based approach to environmental and social due diligence in our supply chain. Macquarie includes environmental and social risk requirements within relevant commercial agreements and tender documents. Since the inception of the *Supplier Governance Policy* in mid-2019, over 1,250 suppliers have responded to Macquarie's ESG questionnaire developed to assess their ESG credentials, and over 1,050 have acknowledged our *Principles for Suppliers*. Our risk-based independent assurance programme involves an in-depth assessment and onsite meetings with suppliers exposed to heightened environmental and social risks based on the country of operation and service category. Border and office closures due to the ongoing COVID-19 pandemic continue to impact our ability to fully execute the intended assurance plan. Macquarie remains committed to this process and focussed on expanding it as offices reopen.

In FY2022, we developed a more extensive "Responsible Supply Chain" contractual clause which requires relevant suppliers to comply with our *Principles for Suppliers*, maintain written records documenting their compliance with the Principles and allow Macquarie to assess the suppliers' compliance. This will be incorporated as a standard clause for any new suppliers exposed to heightened environmental or social risk, whilst contracts for existing suppliers will be revised at the point of renewal.

Macquarie's approach towards identifying and mitigating the risk of modern slavery within our supply chain and business operations is set out in our *Modern Slavery Transparency Statement* as described on page 49.

In FY2022, Macquarie spent over \$A16.5 million (or 0.5% of global spend) with minority-owned businesses in our tier one and two supply chain.⁽³¹⁾

We continue to be committed to sourcing 1% of our global spend from diverse suppliers and have now expanded our strategy to include 10% of small suppliers by 2025.



Further information is available at macquarie.com/esg

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



Macquarie's *Modern Slavery Transparency Statement* can be downloaded from macquarie.com/esg

(29) Minimum LEED Gold, BREEAM Good or 5 Star Green Star.

(30) The International Standard for Sustainable Procurement that provides guidance to organisations, independent of their activity or size, on integrating sustainability within procurement.

(31) Includes qualified businesses from traditionally under-represented groups such as companies owned and operated by minorities, women, Indigenous Australians and small business. Tier 1 is defined as spend incurred via diverse suppliers directly contracted by Macquarie. Tier 2 is spend incurred via fourth parties meeting the diverse supplier definition, indirectly supporting goods and services delivered to Macquarie.

Environmental, Social and Governance

Continued

Client experience

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

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

Our specialist teams engage with our clients through a variety of channels including one-to-one contact, video and online, knowledge-based conferences and events, and other insight-based communications. We collect formal and informal feedback and use client and data insights to help shape our products and services.

Supporting clients

As part of our ongoing program of work to support our clients, Macquarie has continued to build staff capability.

Macquarie's Banking and Financial Services (BFS) business has introduced an online First Nations cultural competency training program for relevant BFS client-facing teams, which was developed by an Australian Indigenous business specialising in cultural competency training. The program is designed to enhance participants' understanding of Indigenous people, culture and history while providing practical knowledge and skills to serve and support First Nations people more effectively.

BFS also delivers quarterly virtual workshop training for specialist teams assisting clients experiencing heightened vulnerability and continues to deliver a support program providing bespoke assistance tailored for client needs. This may include a direct paid referral to an external specialist holistic community support services provider with whom BFS partners to support our clients.

In addition, BFS has continued to offer financial support to clients impacted by natural disaster events. The business has recently streamlined and enhanced its natural disaster response processes.

Our response to COVID-19

Amidst the changing external environment of the pandemic, Macquarie has continued providing tailored support to clients impacted by COVID-19. BFS delivered relief via its existing financial assistance service and Business Banking relationship managers worked closely with SME clients to provide personalised care and support. Since the beginning of the pandemic, CGM has continued to look for ways to help clients with their long-term resilience and response to disruption and has recently shifted its focus to supply and demand challenges triggered by the pandemic that have contributed to market volatility. CGM's expertise and strong market position enables the business to work closely with clients to help them navigate the challenges of the current environment. Macquarie Capital has also been providing expertise, advice and capital solutions to help our clients and partners to navigate COVID-19 and the related market disruption - from strategic advisory and capital raising to supporting our clients' continued growth and transformation in key sectors reshaped by COVID-19, such as healthcare and education.

Throughout the pandemic, we have been evolving how we partner and engage with our clients. We are now enhancing and embedding many of the changes trialled at the beginning of the pandemic. For example, MAM held its Annual Meetings virtually again this year, making it easier for investors to access the events, and resulting in significantly higher client attendance compared with prior in-person and virtual events. We also continue to invest in the quality of our digital client experience, with thought leadership webinars, virtual knowledge sharing forums and tools such as MAM's client portals, which enable easy and timely access to key investment information.

As the pandemic has presented new opportunities for fraud attempts and phishing scams, BFS initiated a proactive campaign to educate clients on fraud protection and provide a range of educational resources. This campaign, combined with leading digital security features such as the Macquarie Authenticator mobile app, is a key part of our proactive approach to keeping clients' information safe.

Fair and efficient resolution of issues

Reflecting our commitment to our clients, Macquarie Bank Limited subscribes to the Australian Banking Association *2019 Banking Code of Practice* (as amended).

Macquarie has a robust complaint management framework across our retail banking business to ensure client complaints are resolved quickly and fairly. BFS teams analyse complaint data to understand the root causes of complaints so they can be addressed at their source, with oversight from senior management. In FY2022, 44% of BFS complaints were resolved within the same business day and 90% within five business days. For the second year running BFS external complaints with the Australian Financial Complaints Authority were lowest in the sector relative to loan and deposit funds under management.

Macquarie's Customer Advocate is separate to the operating, risk and support groups including our internal dispute resolution teams and reports directly to the CEO. The Customer Advocate's role is to:

- listen to our customers and provide a customer-centric voice when making recommendations to improve customer experience
- minimise the risk of future problems by reviewing key customer themes and new product approvals to identify opportunities to enhance products, services, systems and processes
- work with Macquarie complaint teams to promote fair and reasonable customer outcomes.



Further information is available at [macquarie.com/bank](https://www.macquarie.com/bank)

Further information on the Customer Advocate office is available at [macquarie.com/customer-advocate](https://www.macquarie.com/customer-advocate)



The *Banking Code of Practice* can be downloaded at [macquarie.com/banking-code](https://www.macquarie.com/banking-code)

People and workplace

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

Evolution of the Macquarie Leadership Standards

In FY2022, new Leadership Standards were launched for all Macquarie director-level staff. The Standards were used this year to establish promotion criteria for all director-level staff, following last year's successful pilot for Executive Director promotions. Further, as part of broader succession planning efforts, the Executive Committee have all undertaken personal development planning aligned to, and grounded in, the Macquarie Leadership Standards. The Standards also underpin the design of the new Director Leadership Program (DLP). This program was designed and built for Macquarie's Associate and Division Directors globally, and the learning outcomes are mapped to each of the standards. DLP was piloted in FY2022 with 23 Associate Directors from ANZ. The pilot received favourable feedback, delivering on its objective to build leadership capability, and will now scale and launch globally. By participating, director-level staff will deepen their understanding of what it means to be a leader at Macquarie, and further develop a sense of personal responsibility to lead in alignment with the Macquarie Purpose and Leadership Standards.

Future-skilling

Acknowledging the industry demand for certain future-focused skills along with competition for talent in the marketplace, Macquarie, like many organisations, has been investing in and growing these skills for many years. In FY2022, a cross-functional team used a human centred design approach to undertake a review of how the current and future needs of our people and our businesses continues to evolve. Based on the early outcomes of this review, the team launched a data capability future-skilling pilot. Learnings from this pilot will inform further evolution of the global approach to addressing future-skilling needs across Macquarie.

Training

During FY2022, 2,683 instructor-led courses were delivered globally, 503 of these sessions were on Management and Leadership, 271 on Personal Effectiveness and 85 on wellbeing. As well as instructor-led offerings, 1,587 web-based training sessions were completed.

Recognising the ongoing impact the global pandemic has on the wellbeing of our people, Macquarie made a non-mandatory masterclass available to all director-level staff (globally 867 director-level staff attended). The masterclass specifically focused on the topic of burnout and provided tools for attendees as individuals, and as leaders to support their teams.

Early career pipelines

Empowering and investing in early career talent is a global priority aligned to our purpose.

Macquarie's CEO, Shemara Wikramanayake, is an advocate for the Girls Who Invest vision that 30% of the world's investable capital is managed by women by 2030. Macquarie participates in the Girls Who Invest internship program in the Americas, hiring two sophomore interns each year. In FY2022, the Americas also launched two new early careers partnerships, sourcing interns from Sponsorship for Educational Opportunity and BLK Capital Management.

In EMEA, the Early Careers Team have refined the eligibility criteria and recruitment process for the Junior Associate Program to ensure positive diversity outcomes. The Junior Associate program is a partnership between Macquarie, London Works and the Social Mobility Foundation to provide careers access to social mobility candidates who are currently studying at a London University. Students gain valuable experience by working with Macquarie two days per week whilst they complete their degree.

In Australia, 36 individuals from asylum seeker and refugee backgrounds and 14 First Nations interns completed paid summer internships via the Career Seekers and Career Trackers programs. These programs provide students with the experience and skills development they need to launch their careers.

Talent and performance management

Macquarie's approach to identifying and developing talent continues to evolve into a more integrated, developmental approach focused on generating strategic talent insights and a positive employee experience.

FY2022 saw all Operating and Central Service Groups formalising a new Macquarie-wide consistent, technology-enabled performance management approach that promotes ongoing performance and development check-ins and at least one annual career development conversation, in addition to an annual performance appraisal. In FY2022, the number of career development conversations doubled, and feedback collected from our people via human centred design empathy interviews indicates these conversations are highly valued and are felt to be effective tools to support career progression.

Macquarie's approach to performance assessment has also evolved to more clearly distinguishing what someone achieved and how they achieved it. This distinction leads to greater emphasis on assessing whether behaviours are aligned to our cultural expectations and our *Code of Conduct*.

Environmental, Social and Governance

Continued

As Macquarie continues to grow, the continued focus on strong talent and performance management practices has enabled managers to effectively hire and integrate new colleagues in record numbers in FY2022. The majority of new hires joined to take on new roles that support Macquarie's strong performance, although at 14.8%, voluntary turnover is higher than it was during the pandemic, reflecting global industry trends.

Hybrid working

Around the world, our people have continued to work in a hybrid manner, balancing time spent in the office (where permitted by local regulations) with time working from home. Throughout the pandemic, Macquarie has provided people with the tools and technology to enable them to collaborate effectively. This year, Macquarie reaffirmed our ongoing commitment to flexible and hybrid working and provided all people with a common definition and guiding principles for leading hybrid teams. All teams have been encouraged to work together to develop and iterate hybrid working arrangements that enable them to achieve positive outcomes on wellbeing, relationship building, risk, regulatory requirements, learning, career progression and innovation.

Diversity, Equity and Inclusion

Macquarie's ongoing commitment to workforce Diversity, Equity and Inclusion ensures that our business remains innovative and sustainable and continues to meet the evolving needs of our clients.

The diversity of our people and the unique ideas they bring are key strengths and critical to the wide range of services we deliver across a global operating environment.



Information on our approach to diversity, equity and inclusion is provided in the [Diversity, Equity and Inclusion](#) section of this Annual Report



Further information is available at macquarie.com/esg and macquarie.com/careers

Business conduct and ethics

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

Macquarie's purpose 'Empowering people to innovate and invest for a better future' represents *why* we exist and *what* we do. We believe that by empowering people – our colleagues, clients, communities, shareholders and partners – we will achieve our shared potential.

Macquarie's Risk Culture and Conduct team is responsible for developing and maintaining frameworks for risk culture and conduct risk, and monitoring and reporting on the implementation of those frameworks across Macquarie. As part of their role, the team:

- assesses the risk culture across the group and provides oversight of its alignment to Board expectations
- challenges and advises Macquarie teams on how to enhance risk culture maturity
- assesses, challenges and advises on the effective identification, evaluation, and management of conduct risk.

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

64 Disclosures to the Integrity Office in FY2022⁽³²⁾

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



Information on our risk culture and approach to conduct risk is provided in the [Risk Management](#) section of this Annual Report

Tax transparency

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



More detailed information on Macquarie's approach to tax transparency is available at macquarie.com/fy22-tax-transparency

Political engagement and public policy

Macquarie believes we need to be engaged and understand the evolving policy, political and regulatory environments in Australia and other jurisdictions in which we operate, as these factors impact our business as well as our clients' businesses.

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

Macquarie contributes to public policy in the markets in which we operate in the following ways:

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

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

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

(32) Covers all disclosures made to the Integrity Office, including whistleblower disclosures, and includes disclosures made through the anonymous reporting channel.

Environmental, Social and Governance

Continued

In the year ended 30 June 2021, Macquarie's political contributions in Australia totalled \$A230,400 comprising: \$A108,064 to the Liberal Party of Australia; \$A110,961 to the Australian Labor Party; and \$A11,375 to the National Party. Contributions were to meet the costs of memberships of political party business forums, attendance at events and party conference corporate days, and sponsorship of events. Macquarie did not make any direct donations.

Macquarie does not generally make political donations in other jurisdictions.

Cybersecurity

Macquarie recognises that cyber and information security risk is inherent in the use of the technology platforms that support our business activities. We manage cyber and information security risk through Macquarie's operational risk management framework, detailed in the Risk Management section of this Annual Report.

Macquarie complies with cybersecurity regulations and laws in the countries in which it operates.

In FY2022, Macquarie has observed the increasing adoption of hybrid working arrangements, and high profile external ransomware attacks that are impacting company supply chains. In response Macquarie has performed assessments to ensure controls implemented are appropriate and staff are adequately trained to operate securely and can respond to specific threats such as ransomware.

Data Privacy

Macquarie has a *Group Privacy Policy* that sets out why we need to collect personal information, how we collect it, what we do with it, how it is stored and who we might share it with. The policy also describes how individuals can access or correct information about themselves and how to ask further questions or make a complaint. The policy is available on Macquarie's website. It is administered by a dedicated privacy and data function and is supported by privacy and data training and awareness activities.

Macquarie has processes in place to investigate data breaches involving personal information and will notify clients, customers, regulators, and other appropriate stakeholders of a data breach that has a material impact where we are required to do so under local legislation or as is otherwise appropriate in the circumstances.

Macquarie has had one data breach that has been required to be reported under any data protection regimes in which Macquarie operates for the year ended 31 March 2022.⁽³³⁾



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



Our policies are available at macquarie.com/esg

(33) For example, as per section 26WE of the *Australian Privacy Act 1988* (Cth) and reportable under Part IIIC of the Act.