

Environmental, Social and Governance

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

ESG approach

Macquarie’s ESG approach is structured around 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) and *Code of Conduct*, Board oversight, ESG risk management

External stakeholder interests
Risks and opportunities identified by the business

ESG focus areas



Environmental and social risk management

612
transactions

assessed under our *Environmental and Social Risk (ESR) Policy*



Climate change

Alignment to net zero by 2050

\$A6.64

invested in renewable energy for every \$A1 invested in conventional energy⁽¹⁾



Environmental and social financing

30 GW

of green energy assets in development as at 31 March 2021⁽²⁾

14 GW

of green energy assets in operation or under management as at 31 March 2021⁽²⁾



Sustainability in direct operations

100%

renewable electricity by 2025

Emissions per capita reduced by

84%

from FY2010 baseline (71% reduction from FY2020)

Carbon neutral since 2010⁽³⁾

(1) Includes (i) banking book equity investments fair valued through profit or loss; and (ii) investments in which Macquarie has significant influence or joint control (investments in associates and joint ventures). Excludes investments held through consolidated subsidiaries and 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) Covers scope 1 and scope 2 emissions, and business travel.

About these disclosures

Macquarie's FY2021 ESG disclosures have been prepared in accordance with the GRI Standards: Core option. The ESG disclosures comprise relevant sections of Macquarie's 2021 Annual Report and Macquarie's website.

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 the focus areas and a GRI Index table are available at [macquarie.com/esg](https://www.macquarie.com/esg)



Client experience

Partnerships Gold Award 2020 for **Financial Advisor of the Year and Sponsor/ Developer of the Year**

2020 MFAA Excellence Awards for **Major Lender of the Year**

Mozo Experts Choice Awards 2021 for **Everyday and Savings Bank of the Year, Kick Start Savings, No Strings Savings, Excellent Banking App, Internet Banking and Exceptional Everyday Account**

2020 Energy Risk Asia Awards for **Environmental Products House of the Year, Asia**



People and workplace

2,428

learning events⁽⁴⁾

>98%

of our people working remotely during COVID-19 (at peak)



Business conduct and ethics

Tailored training, workshops and leadership sessions provided to over

9,000
staff⁽⁵⁾



Community

Over

\$A64m

donated by Macquarie staff and the Foundation in FY2021 (\$A475 million since inception in 1985)⁽⁶⁾

\$A20m

allocated to Foundation to combat the effects of COVID-19
Further information can be found on pages 72 to 75 of this Annual Report

(4) Including virtual and face-to-face forums.

(5) 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.

(6) Comprises Macquarie employees' donations and fundraising; Foundation matching support for employees' donations and fundraising; Foundation donations to commemorate employees 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 (including Year 2 donations for the 50th Anniversary Award and COVID-19 donation fund) in the 12 months to 31 March 2021.

Environmental, Social and Governance

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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.

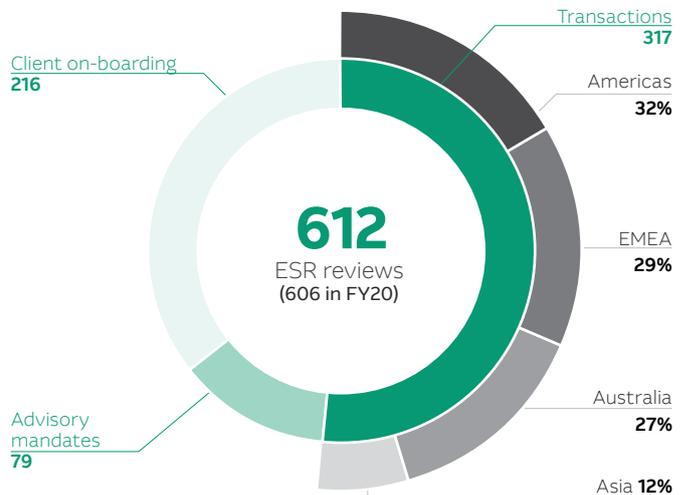
The ESR team coordinates a diverse range of ESG activities across business groups and regions, including developing and implementing Macquarie wide and business-specific policies, conducting transaction reviews, providing advice on ESG risks and opportunities and facilitating training. The ESR team sits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

ESR in transactions

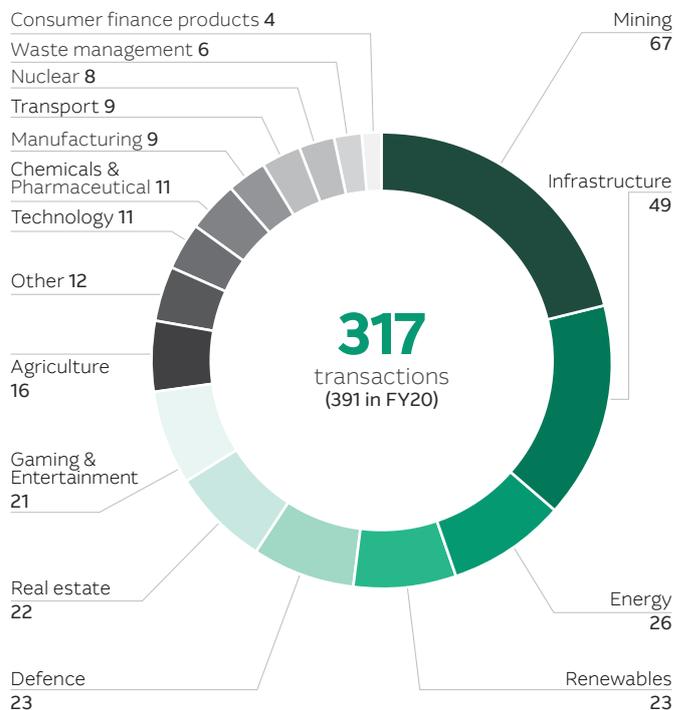
Environmental and social risks are managed through the implementation of the *ESR* and *Work Health and Safety (WHS)* policies, which are based on international standards.⁽⁷⁾ These are updated periodically to address opportunities for improvement and emerging issues.

Macquarie's *ESR Policy* describes our approach to ESR management in client onboarding 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.

ESR Policy referrals



Transactions assessed under the ESR Policy by sector



(7) '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.

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



144

staff received ESR and WHS training in FY2021⁽⁸⁾



1,499

staff received specialist Human Rights training in FY2021

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 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.

This year, we produced our fifth modern slavery and human trafficking statement, and first joint statement under the *UK Modern Slavery Act 2015* and the *Australian Modern Slavery Act 2018 (Cth)*.

Work health and safety in investments

Macquarie acknowledges that WHS risks are inherent in our investments and recognises, supports, and promotes the right of every worker to return home safely from their workplace. We have zero tolerance for loss of life or serious injuries or illnesses sustained in, or resulting from, the work environment, as set out in our *WHS Policy*.

In line with our updated Macquarie-wide WHS vision, we continued to facilitate WHS improvements for operating assets in which Macquarie has an equity interest or manages on behalf of a fund. Our comprehensive safety framework is built around culture and leadership, governance and assurance. It involves:

- promoting clear WHS expectations with our business partners
- identifying key WHS risks and conducting due diligence prior to investment
- training our people to support the governance of WHS risks
- monitoring and reviewing WHS performance regularly
- investigating incidents that did or had the potential to result in serious injuries
- sharing lessons learnt and best practices across our business groups and regions
- ongoing reviews and audits.

COVID-19 has had a significant impact on the health and safety risk in our investments and on the way Macquarie engages with their management. Examples of how we have responded to these challenges include:

- investment of significant resources in the immediate response and on an ongoing basis to support the implementation of additional precautions required to protect the workforce and public (e.g. social distancing and hygiene factors)
- maintaining awareness of COVID-19 restrictions and their impact on front-line delivery by sharing best practices and lessons learned across regions and business groups
- introduction of virtual site visits to show support and engage with the workforce in the absence of face-to-face meetings and ability to travel to site.

Macquarie will continue to regularly discuss best practices and lessons learnt in the ongoing response to COVID-19.



More detailed information is available at macquarie.com/esg



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

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

Environmental, Social and Governance

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Climate change

Climate change is one of the most complex and critical challenges facing the world, and the finance sector has a vital role to play in efforts to limit global warming. For almost two decades, Macquarie has worked with governments and clients to drive the energy transition and advance solutions to climate challenges.

Supporting the transition to a net zero economy

We are committed to reaching net zero operational emissions by 2025 and aligning our financing activity with the global goal of net zero emissions by 2050.⁽⁹⁾ This is consistent with our purpose of 'Empowering people to innovate and invest for a better future'.

We have built expertise in investing directly in climate mitigation and adaptation and in supporting our clients and portfolio companies to decarbonise their activities. Our activity spans the supply and financing of renewable energy, including green Power Purchase Agreements (PPAs), storage, firming, transmission and distribution solutions; risk and capital solutions in transition, green and lower carbon fuels and metals; asset finance for zero emission transportation, smart meters, energy efficiency and onsite generation; precision agriculture; and carbon offsetting. Our leading advisory business supports clients to raise capital, invest and align their portfolios with the transition to a net zero economy.

In the past year, we have made further progress in partnership with our clients. Our asset management business announced plans to manage its portfolio in line with global net zero emissions by 2040. Our principal investment business is developing over 30 GW of new renewable energy projects across four continents. And our commodities and global markets business has created new products to offset the carbon impact of commodities like oil and gas.

As global commitments to tackling climate change accelerate, and in keeping with our culture of innovation and evolution, we are strengthening our own commitment on climate in four key areas.

First, we are strengthening our support for clients and portfolio companies to manage the transition to net zero and achieve their decarbonisation ambitions.

In our asset management business, we have started work with portfolio companies to consistently measure greenhouse gas emissions and identify emission reduction opportunities. Where we have sufficient influence, we will work with these businesses to develop plans that will put them on a pathway to reduce emissions in line with a net zero economy by 2040.

More broadly, we are working with our clients to achieve a managed transition to net zero. We recognise that much of the world will depend on oil and gas to power economies and that until new, commercially viable technologies become available, these fuels will have a continued role in the provision of essential energy. We will continue to support clients in these sectors, and we are engaging with them to design both finance and technology solutions that will

help them deliver a managed transition to decarbonise and reduce the emissions intensity of their activities.

Second, we are increasing our investment in climate mitigation and adaptation solutions.

This builds on our leading position as a global developer, investor, financier, and manager of renewable energy projects. In addition to our leading role in established technologies like wind and solar, we expect to increase investment in important emerging transition opportunities including zero emissions transport, hydrogen, carbon sequestration, nature-based solutions, and climate resilient infrastructure.

Third, we will align the emissions of our financing activities with the objective of enabling and accelerating the world's pathway to net zero by 2050. As part of this commitment, we will measure and set interim and long-term science-based emissions targets for our financing activities, prioritising our efforts on clients and partners in high emission sectors and the role that Macquarie will play in accelerating their pathways to net zero.

We recognise that the financial sector does not currently have fully established methodologies and tools to measure and manage emissions across all types of financing activities and sectors. We will work to expand our approach as industry practice develops and continue to collaborate with our peers to evolve and shape measurement standards.

As previously indicated, we have reduced our limited remaining equity and lending exposures to the coal sector, which are expected to run off by 2024.

Finally, we will continue to reduce the emissions of our own business operations. We have maintained carbon neutrality across our offices, data centres and business travel since 2010 and, consistent with our 2025 Sustainability Plan, we are committed to reaching net zero operational emissions by 2025, including targets to reduce energy use and meet all of our operational needs from renewable sources.

We will outline more detail in each of these four areas by publishing a Macquarie Net Zero Plan by the end of 2022, and annual progress reports thereafter.

Advocacy and engagement

Macquarie continues to support global efforts to better understand the impact of climate change on society, our clients and our business. This involves a diverse range of activity including engaging clients and assets; research projects into areas such as reducing agricultural emissions with CSIRO; active engagement in initiatives like the Task Force on Climate-related Financial Disclosures (TCFD); and collaborating with other financial institutions through the Climate Finance Leadership Initiative (CFLI), Sustainable

⁽⁹⁾ Operational emissions include scope 1 and scope 2 emissions, and emissions from business travel.

Markets Initiative (SMI) and broader multi-stakeholder initiatives like the Global Commission on Adaptation (GCA). Throughout FY2021 Macquarie took part in a range of global and national initiatives including: the Global Adaptation Summit, the Australian Government's Technology Investment Roadmap, and the launch of the UK Government's ten-point plan to tackle climate change and deliver the UK's ambitious net zero commitments.

Through these and other engagements, Macquarie is working to pursue opportunities to advance mitigation and adaptation solutions and improve our understanding of the risks associated with climate change.

More broadly, our industry experts continue to work with governments, non-government organisations and industry groups to build international capacity in the green finance sector and promote confidence among investors to finance green assets. Globally, last year, we took an active role in over 120 industry initiatives and conferences, and advisory groups establishing common international standards for Sustainable Finance.

FY2021 energy sector exposures

\$A6.64 invested in renewable energy for every \$A1 invested in conventional energy as at 31 March 2021.⁽¹⁰⁾

In supporting clients and economies through a managed transition, we also note that global projections of power generation indicate an ongoing role for gas to complement renewable energy. 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 FY2021 these efforts continued globally, see pages 60–63 of this Annual Report.

Task Force on Climate-related Financial Disclosures (TCFD)

Alongside the action being taken by our businesses, Macquarie continues to support the important work of the TCFD and is actively implementing its recommendations.

In July 2020, we published a detailed report outlining our progress towards TCFD implementation. The report provides details of the transition and physical risk heat mapping and scenario analysis that was completed in 2020.

Scenario analysis

We continue to build on the physical and transition risk heat mapping undertaken in FY2020 for our lending and equity portfolios under 1.5°C and 3–4°C scenarios. Our approach for FY2021 focuses on better understanding the physical climate risk impacts (chronic and acute) to our infrastructure equity investments in the utilities, oil and gas sectors. We continue to evolve our approach to scenario analysis to support integration into our existing stress testing activities.

We have also commenced an assessment of the operational resilience of our business operations to physical climate risks. This analysis of our strategic locations will support long-term business continuity and resilience planning.

This section includes a summary of our climate-related disclosures. A more detailed report will be published as analysis progresses during the FY2022 year.

The table below provides Macquarie's equity and loan portfolio exposures to the coal, oil, gas and renewables sectors as at 31 March 2021.

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

	FY20		FY21	
	Loan assets ⁽¹¹⁾ \$Ab	Equity investments ⁽¹⁰⁾ \$Ab	Loan assets ⁽¹¹⁾ \$Ab	Equity investments ⁽¹⁰⁾ \$Ab
Oil	0.5	0.1	0.3	0.1
Gas	0.4	-	0.2	-
Coal	0.2	-	0.1	-
Renewable energy	-	1.0	-	0.6



More detailed information is available in our TCFD report which can be downloaded from [macquarie.com/esg](https://www.macquarie.com/esg)



More detailed information on our approach to Climate Change is available at [macquarie.com/esg](https://www.macquarie.com/esg)

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

(11) 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.

Environmental, Social and Governance

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TCFD Implementation Summary

	Climate change governance	Strategy
Progress to end of FY2020	<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. Internal Global Green Committee, established in 2017 and led by Senior Management, promotes and coordinates climate change mitigation and adaptation opportunities. Climate Risk Steering Committee reporting to CRO, oversees approach to climate scenario analysis. 	<ul style="list-style-type: none"> Engaged in activities related to climate change and the low carbon transition for over a decade (refer pages 60–63 for key milestones). Pursued a sustainability strategy in direct operations, including a commitment to operate on a carbon neutral basis since 2010 and a commitment to source 100% renewable energy for our offices 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.
Progress during FY2021	<ul style="list-style-type: none"> Evolved governance structures to support relevant regulatory guidelines on climate-related risks. 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, carbon capture and storage, combined heat and power, smart meters and ultra-low emission transport. Macquarie Asset Management (MAM) announced a plan to manage its portfolio in line with net zero emissions by 2040. Green Investment Group (GIG) published its third Progress Report announcing that it had arranged or invested over £6.9 billion in green projects since the business was acquired by Macquarie in 2017 and is developing a 30 GW portfolio of new projects. Commodity and Global Markets (CGM) further extended its leadership in environmental markets with the world's first shipment of carbon-neutral oil. Hosted annual Green Energy Conference attended by 1,000 stakeholders and clients.
Focus beyond FY2021	<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. Engage in a range of cross industry initiatives leading up to the UN COP26 summit. Continue to build internal expertise and capacity to support the global energy transition into new markets and across new technologies. Evolve approaches for integration into business strategy planning. Source 100% renewable energy for Macquarie premises by 2025 in line with our RE100 commitment. Establish a new Climate Intelligence Unit to support and inform Macquarie's engagement and growth in issues related to climate change and the energy transition.

(12) Covers scope 1 and scope 2 emissions, and business travel.

(13) The reduction in investment in FY21 is a reflection of fewer large projects reaching final investment decision (FID) during the year. This is in part a timing issue and also reflects GIG's growing focus on earlier stage investment during the development phase.

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

(15) LEED Gold, BREEAM Good, 5 Star Green Star or equivalent.

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.
- Included climate change risk within Macquarie's *Risk Appetite Statement* and *Risk Management Strategy*.
- Generated physical and transition climate risk vulnerability heat maps for lending and equity portfolios across sectors and geographies.
- Conducted scenario risk analysis of lending and equity portfolios for the oil, gas, coal and power generation sectors, representing transition pathways to 1.5°C, 2°C and 4°C warming by 2100.
- Analysed physical risk of Macquarie's mortgage portfolio, representing pathways to 1.5°C and 4°C warming by 2100.

- Analysing physical risk of Macquarie's equity portfolio for the utilities, oil and gas sectors, representing pathways to 1.5°C and 4°C warming by 2100, in progress.
- Assessing vulnerability and resilience of our business premises to physical climate risks, 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 renewable energy and energy efficiency: \$A9.0b in FY2020, \$A7.9b in FY2019, \$9.5b in FY2018.
- Carbon neutral since 2010⁽¹²⁾.

- \$A3.1 billion invested or arranged in green energy projects in FY2021⁽¹³⁾.
- 30 GW of green energy assets in development as at 31 March 2021⁽¹⁴⁾.
- 14 GW of green energy assets in operation or under management as at 31 March 2021⁽¹⁴⁾.
- FY2021 emissions per capita reduced by 84% from FY2010 baseline (71% reduction from FY2020).
- FY2021 absolute emissions reduced by 82% from FY2010 baseline (69% reduction from FY2020).

- A further 20% reduction in electricity use by 2023 (from 2014 baseline).
- Source 100% renewable energy for Macquarie premises by 2025 in line with our RE100 commitment.
- 80% of employees in sustainably rated premises by 2025⁽¹⁵⁾.
- Ongoing enhancement of TCFD disclosures to be consistent with all relevant Task Force recommendations.

Environmental, Social and Governance

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Environmental and social financing

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

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

Our capabilities



Finance and develop

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



Advise

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



Manage

- 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.



Research

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



Trade

- Emission allowances, compliance and voluntary carbon offsets and renewable energy certificates.
- Equity and debt financing of carbon offset generating projects with Sustainable Development Goal co-benefits.
- Inventory financing for environmental markets.
- Derivative financing for renewable energy projects.
- Environmental risk management solutions.

Finance, develop and advise

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

When Macquarie acquired the Green Investment Bank in 2017, forming the Green Investment Group (GIG), we made a commitment to invest £3 billion in green energy projects by 31 December 2020. Since the acquisition, the GIG has remained true to its original mission, with £4.7 billion invested or arranged in green energy projects in the UK and Europe and £6.9 billion invested globally by the target date.

Through the GIG, a signatory to the UN Principles for Responsible Investment (PRI) and Equator Principles, Macquarie is dedicating a growing proportion of our resources to early-stage project development to help bridge the gap of development stage funding and accelerate the global energy transition. Currently, GIG is progressing 30 GW of development projects and is focused on delivering that pipeline into construction and expanding on it.

We are a leader in green impact reporting for public disclosure and our Carbon Score methodology has been combined with BloombergNEF's (BNEF) renewable energy project data to assess the positive carbon impact of wind and solar assets on the BNEF platform.

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

Manage

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

This year, MAM has announced its commitment to invest and manage its portfolio in line with global net zero emissions by 2040, ten years ahead of the deadline to achieve the goals of the Paris Agreement. This announcement included a range of commitments that will reduce emissions across the MAM portfolio and build sustainable long-term value for the benefit of portfolio companies, clients and the communities in which it operates.

To support this, Macquarie Infrastructure and Real Assets (MIRA) implemented initiatives including training and actions to improve carbon and energy reporting from its fund portfolio companies.

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

\$A23.2b renewable energy assets under management as at 31 March 2021⁽¹⁶⁾

\$A3.1b assets managed under MIM's targeted Responsible Investment strategies

\$A6.0b funds managed in line with MIM's clients' specific ESG goals and screening preferences

Research

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, corporate governance, reporting season and climate change.

We also hosted virtual investor calls focused on climate change, forced labour, divestment, hydrogen, cybersecurity, circular economy as well as other sustainability themed events.



Top three rating for Australian ESG research by institutional investors in 2020 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. In 2020, we expanded our proprietary corporate governance screens across our entire Asian coverage, and we are currently in the process of rolling out our sector based sustainability scores across Asia.

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

Trade

The trading business within CGM provides wholesale energy market access and hedging for a wide range of renewable energy suppliers, retailers and producers, such as waste to energy and biomass power plants. CGM enables clients to hedge their increasing exposure to global carbon emissions products. It actively implements sustainability and decarbonisation solutions for clients and assets.

In late 2020, CGM arranged and executed on behalf of Oxy Low Carbon Ventures, LLC the world's first major petroleum shipment for which greenhouse gas emissions associated with the entire crude lifecycle were offset.

The business has made several investments in renewable projects, such as Xpansiv CBL Holding Group, the first significant data and commodities platform that generates data on several factors including human and natural capital, enabling greater transparency to support trading in sustainable commodities.



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

(16) Includes equity and debt investments.

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Our work in action

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

This year, in response to the growing interest in green investment across Japan, we issued a \$US300 million Samurai loan facility, including a \$US150 million green tranche. Proceeds from the green tranche will support eligible green projects globally that provide clear green benefits under Macquarie's Green Finance Framework. The green tranche will adopt the four pillars identified in the Green Loan Principles published by the Asia Pacific Loan Market Association (APLMA).



More detailed information is available in the latest [Green Finance Impact Report](#) which can be downloaded from [macquarie.com/esg](https://www.macquarie.com/esg)

Developing and managing renewable energy projects

Macquarie had 13,800 MW of green energy assets in operation or under management at 31 March 2021, spanning established technologies like wind, solar and energy-from-waste.⁽¹⁷⁾ New projects are also integrating emerging technologies like utility scale storage, floating offshore wind and hydrogen.

For example, GIG recently launched a new European solar energy company, Cero Generation, which will develop and construct utility-scale and on-site generation projects, as well as integrated energy storage solutions, across Europe.⁽¹⁸⁾ Its current 8 GW portfolio containing over 150 projects makes it one of the largest solar development portfolios in the region.

In Korea, GIG has partnered with Total to develop a portfolio of floating offshore wind projects totalling an initial 2.3 GW. The portfolio will support the delivery of the Korean Government's New Deal plan and target to deliver 12 GW of offshore wind by 2030 and represents GIG's first major investment in floating offshore wind technology.

In February 2021, another partnership with Total successfully secured the seabed lease rights to develop a 1.5 GW offshore wind project located off the UK's east coast. This represents a significant early-stage investment which will enable GIG's considerable expertise and technical capability to support the project's full development lifecycle.

CGM has taken a minority equity stake in Storegga Geotechnologies Limited (Storegga), which has been established to deliver carbon capture and storage (CCS), hydrogen and other energy transition projects. With deep sector expertise, CGM provides strategic support to Storegga's ongoing projects, including one of the UK's first CCS projects known as Acorn CCS. This project will repurpose existing oil and gas infrastructure and a depleted gas reservoir to store carbon dioxide from the St Fergus Gas Terminal in Northern Scotland and other emitter customers.

Building on this, the next stage, known as the Acorn Hydrogen project, will include the infrastructure to remove the carbon from natural gas supplied from the North Sea and introduce hydrogen to the UK gas supply, cutting carbon emissions from homes, transportation, and industry.

In early 2021, CGM executed a market first power derivative by entering into a virtual storage contract with Hydro Tasmania, one of the largest owners and operators of hydro generation in the east coast Australian power market. The transaction involved the execution of a derivative designed to hedge hydro generation by guaranteeing a minimum spread between the high and the low spot prices on any given day in Victoria, Australia. Providing price spread certainty for assets which can both discharge and recharge in the market at their discretion, the transaction paves the way for standardised instruments designed to hedge a broader class of storage assets, be it pumped hydro or utility scale batteries, unlocking further wind and solar development within the grid.

GIG is actively driving solutions for decarbonisation by aggregating demand and capital to develop projects involving hydrogen and other clean fuel technologies. For example, GIG, together with gas network company SGN, have commissioned an engineering consultancy to prepare a feasibility study for a hydrogen super-hub in the Port of Southampton, UK.

MIRA raised more than €1.6 billion for investment in renewable energy with the final close of Macquarie GIG Renewable Energy Fund 2 (MGREF2), exceeding its target of €1 billion. MGREF2 will invest in a diversified portfolio of assets including platforms and construction and operational stage wind and solar projects in Western Europe and other core markets. The fund's contribution to the low carbon transition was a key driver of investor interest in the strategy, with many seeking exposure to assets that drive positive environmental change.

Financing affordable housing in the UK

An undersupply of housing, coupled with high property prices relative to wages, continues to drive the need for affordable and social housing in the UK. MAM has been financing the UK's affordable housing sector and local authorities, with approximately £700 million invested in these sectors on behalf of our clients over the past five years.

MAM recently completed a transaction that delivers 50 affordable homes for rent in south-east London.

The properties, which Beehive Affordable Homes acquired with financing provided by MAM, are a mixture of sizes and are located across the London Borough of Bromley and the surrounding areas. The London Borough of Bromley has agreed to rent the properties from Beehive Affordable Homes on a long-term basis to help meet local affordable housing needs with an option to acquire them for £1 at the end of the agreement. Beehive Affordable Homes and MAM are exploring opportunities to replicate the model across the country, working closely with local authorities to help meet their affordable housing needs.

(17) MW of green energy assets in operation or under management reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie.

(18) Cero is a GIG portfolio company, operating on a stand-alone basis.



Adapting infrastructure for climate resilience

As a global leader in infrastructure and energy, supporting the long-term climate resilience of our projects and businesses is central to our approach to investment and asset management.

In January, Macquarie co-hosted a session on infrastructure at the Climate Adaptation Summit organised by the Global Commission on Adaptation, of which Macquarie CEO, Shemara Wikramanayake, is a founding Commissioner.

Additionally, Macquarie is designing climate resilience into new infrastructure and investing in operating procedure changes, physical enhancements, and specialised resiliency features to manage climate-related risks at our assets and those of our clients.

Following a successful pilot, Macquarie's UK Climate Investments (UKCI) and its co-shareholders approved a £1.2 million investment to install robotic waterless cleaning technology at the vehicle's Bhadla Solar park in Rajasthan. The technology will adapt the plant, which is located in a water-stressed region, for the expected future impacts of climate change. By reducing the plant's reliance on already scarce water, this innovative technology will ensure that the solar farm continues to operate efficiently whilst increasing the availability of water for use by local communities and farmers.

In Australia, bushfires have long been a natural hazard and can pose a significant danger to the environment, property and people. MIRA is supporting Endeavour Energy in utilising geospatial analysis from light detection and ranging (LiDAR) data, to assess and quantify the risk of bushfires from vegetation near its network. This enables a more targeted and efficient vegetation maintenance program and as a result a more proactive management of bushfire risk.

In Europe, Macquarie is supporting the resilience of major infrastructure. MIRA is supporting Finland's second largest electricity network operator, Elenia, to bury 25,000km of its power line network to protect it from more severe and frequent weather events, while Macquarie Capital acted as sole financial advisor and debt arranger to the Blankenburg Connection. The project involves construction of a 950m-long immersed tunnel below the Scheur River, which crosses the area's main flood protection dam. The team assists its construction partners to meet strict legal requirements, reinforce existing flood prevention infrastructure and ensure that the project will be able to resist future water level rises.

Helping our clients on their decarbonisation pathways

Macquarie provides sustainability and decarbonisation solutions for clients and assets. As part of MAM's commitment to invest and manage its portfolio in line with global net zero emissions by 2040, a decarbonisation project was launched for Australian portfolio companies which saw several of them establish their baseline greenhouse gas emissions footprint and identify initiatives to achieve sustained emissions reductions over time. Endeavour Energy, for example, has identified an initiative with the potential to reduce a significant portion of its scope 2 emissions which are largely due to line losses. The initiative would involve the installation of Ecojoule Energy's EcoVAR units that would help regulate voltage swings on the network, thereby lowering line losses and its carbon emissions footprint.

In late 2020, Macquarie arranged and executed the world's first major petroleum shipment for which greenhouse gas emissions associated with the entire crude lifecycle were offset. The delivery of two million barrels of carbon-neutral oil was arranged for Oxy Low Carbon Ventures, LLC, a US-based international energy company focused on advancing low-carbon technologies. The bundling of high-quality carbon offsets with crude oil is an immediately executable solution that Macquarie hopes will catalyse a market for climate-differentiated commodities and drive investments in longer-term, industrial-scale decarbonisation strategies.

GIG has partnered with Siemens to launch Calibrant Energy, a joint venture that offers comprehensive onsite Energy as a Service (EaaS) solutions at no up-front cost for its customers. Calibrant Energy offers a unique combination of technical, operating, and risk management expertise that enables customers to access the benefits of on-site energy systems with a new level of simplicity. Calibrant's on-site energy solutions seek

to deliver immediate cost savings, cost certainty, resilience and low-cost energy grid augmentation. Calibrant's technologies will include solar, integrated solar-battery solutions, hybrid systems, standalone batteries, microgrids, combined heat and power and centralised heating and cooling infrastructure upgrades.

The Energy, Renewables and Sustainability (MERS) division within CGM's Specialised and Asset Finance business has deep expertise across metering, distributed energy, zero emission mobility and sustainable waste solutions. Supporting a major Australian real estate trust, MERS developed a Solar Power Purchase Agreement to design, install, and manage solar systems for a number of retail shopping centres across Australia. Installations commenced in December 2019 with the last site in the initial tranche due to come online in mid-2021. The installed capacity will total 2.8 MW in size, generating 4 GWh of zero-carbon, renewable electricity and reducing the client's carbon emissions by approximately 2,800 tonnes per year. In addition to achieving emission reduction targets, the solution is also significantly reducing electricity costs compared to sourcing from traditional energy retailers.

MERS has also delivered more than five million and funded over ten million smart and advanced meters to date in the UK. The roll-out of smart meters in the UK is a key enabler to a more efficient energy system, allowing customers to reduce their energy costs and emissions by managing their own energy consumption. By working with partners, Macquarie provides an end-to-end service solution for the provision, installation and funding of smart gas and electricity meters – enabling smaller suppliers to roll out this energy saving technology.

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.

Emissions from energy use and business travel

This year, Macquarie’s absolute emissions decreased by 69% from FY2020 attributed to a reduction in Scope 2 and 3 emissions. This is largely due to the impact of the COVID-19 pandemic on our global office occupancy levels as well as our business travel. Scope 1 emissions are not considered to be material, comprising less than 2% of Macquarie’s total operational emissions.⁽¹⁹⁾

FY2021 Scope 2 emissions reduced 26% from FY2020. While this can be largely attributed to reduced occupancy levels due to COVID-19, we have also continued our focus on energy use in all Macquarie premises globally. This included retrofit and new full fitout projects that have delivered more energy efficient premises and our IT cloud transformation strategy that enables rationalisation of servers.

Macquarie’s RE100 commitment is to source 100% of global electricity from renewable power by FY2025. In FY2021, we reached 34% of global electricity from renewable power, up from 18% in FY2020. We expect to see a more significant increase in FY2022 and FY2023.

Macquarie’s FY2021 Scope 3 emissions decreased by 99% compared with FY2020 due to travel restrictions in place since March 2020. In FY21, we adopted more sophisticated

virtual conferencing and collaboration tools and will continue to encourage their use to help reduce the need for business travel.

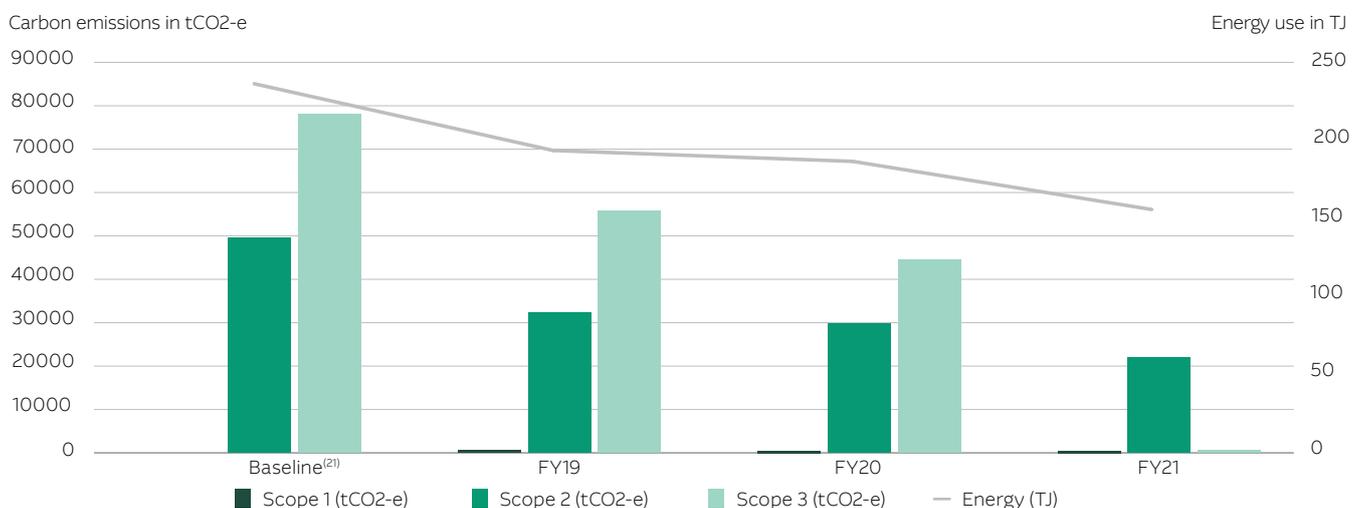
Sustainable buildings

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. In FY2021, Macquarie’s Seoul office achieved a LEED Gold rating for its fitout. Macquarie’s new global headquarters, currently being developed in Sydney, achieved a 6-Star Green Star Design rating. At the end of FY2021, 69% of Macquarie staff occupied a sustainability rated office.⁽²⁰⁾

Carbon neutrality

Since 2010, Macquarie has maintained our carbon neutral commitment by working to reduce and offset emissions. In FY2021, to meet this commitment, Macquarie purchased and retired a portfolio of Australian Carbon Credit Units (ACCUs) and other voluntary carbon offsets that meet the Verified Carbon Standard and Climate, Community and Biodiversity Standard. The projects were selected based on quality and verifiable emissions reductions. Supported by the sale of carbon credits on international markets, they provide solutions to reduce carbon emissions in each of the regions in which Macquarie operates.

Carbon and energy data for FY2021⁽²¹⁾



(19) PwC has provided limited assurance over selected information for the FY2021 reporting period as detailed in its independent assurance report available on Macquarie’s website.

The assurance report includes a table outlining Macquarie’s carbon and energy data for FY2010 to FY2021 as well as a definition of the different scopes.

(20) Minimum 5 Star Green Star, LEED GOLD or BREEAM GOOD rating.

(21) 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.

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 35%. Office closures and reduced occupancy during FY2021 have impacted our waste data collection and verification. This is scheduled to resume as our people return to office.

In FY2021, paper use decreased by 82% compared to FY2020 due to an increase in remote working. Paper use data is collected across the majority of Macquarie's offices, representing approximately 90% of Macquarie staff. Managed print has been implemented in 100% of Macquarie's offices. In FY2021, electronic signatures were enabled for our supplier contracts. The environmental impacts of paper use are also being addressed through an ongoing commitment to use certified sustainable or recycled paper stock.

In FY2021, we initiated a review of global electronic waste providers and introduced requirements for certifications to ensure electronic waste is managed in a responsible manner.

Sustainable procurement

In FY2021, Macquarie continued to implement a risk-based approach to environmental and social due diligence in our supply chain. We refreshed Macquarie's *Principles for Suppliers* and published them in seven languages to better enable Macquarie to engage across our supply chain. In addition, Macquarie includes environmental and social risk requirements within commercial agreements and tender documents.

Over the last three years, over 1,300 strategic suppliers responded to Macquarie's ESG questionnaire developed to assess their ESG credentials. We continued to communicate our *Principles for Suppliers* and implemented an independent risk-based assurance programme which involved an in-depth assessment and onsite meetings with suppliers exposed to high human rights risks based on country of operation and service category.

Macquarie is committed to maintaining collaborative supplier relationships. In FY2021, this included engaging with key suppliers on the impacts of COVID-19 on their operations and where possible, seeking mutually beneficial outcomes for both parties. This involved, but was not limited to, extending contracts, supporting suppliers during lockdowns and ensuring COVID-19 impacts to workers were considered in the independent assurance programme.

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 55.

In FY2021, Macquarie spent over \$A12 million with minority-owned businesses in our tier one and two supply chain.⁽²²⁾



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

The Principles for Suppliers are available at [macquarie.com/suppliers](https://www.macquarie.com/suppliers)



Macquarie's Modern Slavery Transparency Statement can be downloaded from [macquarie.com/esg](https://www.macquarie.com/esg)

(22) 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.

Client engagement

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

Macquarie Capital's diverse mix of advisory, capital markets and principal investing capabilities results in a broad array of client and stakeholder interactions, ranging from close and collaborative relationships with partners and co-investors to more intermittent and transaction-focused contact. The team regularly collates formal and informal feedback to help us evaluate the strength of our client relationships and identify opportunities for improvement and innovation.

CGM is a client focused business, concentrating on deepening relationships through a continued understanding of our clients' changing needs. We regularly engage clients to seek feedback and gain insights with the intention of adapting our offering where required. An example of this is the outreach program initiated in May 2020, when CGM undertook a series of conversations with clients to understand their experiences during COVID-19, bringing the voice of the clients to CGM's strategy development.

To deliver an enhanced client experience and drive further collaboration, MAM reorganised its business into four global divisions and announced its intention to transition to a single MAM brand. These changes will enable MAM's integrated client solutions team to further simplify how its suite of alternatives, equities, and fixed income capabilities are presented to clients. MAM's operations, technology, and data teams were also brought together, with the new function providing greater global coordination to ongoing investments designed to enhance the client experience.

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

This year we have rolled out online cultural competency training for some client-facing people in BFS across Australia. The program, which was developed by an Australian Indigenous business specialising in cultural competency training, is designed to introduce participants to Indigenous people, culture and history while providing practical knowledge and skills to work more effectively with Indigenous people.

Supporting clients in times of need

To build staff capability in responding to clients who may be experiencing personal challenges, BFS has delivered workshop training on dealing with difficult situations to all our client facing people in the past year. We have also partnered with an external outreach service provider offering holistic support to referred clients.

Our response to COVID-19

From the outset of the COVID-19 outbreak, Macquarie responded quickly to implement a series of comprehensive measures to support clients, partners and communities impacted by the pandemic.

BFS delivered relief to impacted clients by implementing a lending product payment pause, temporarily ceasing collections activity, reducing rates on business loans and participating in Early Release of Super and SME Guarantee Scheme support initiatives by the Australian Government. This was enabled by broad communication with our clients and a focus on reducing manual processes through digitising forms, removing manual signatures and improving secure online self-service options for clients. BFS' Agile practices allowed our people to transition to remote working without disruption to client service. Following these enhanced support measures, most clients have now resumed regular payments.

MAM continues to adapt its client engagement strategy in response to the pandemic to ensure its clients remain informed about the performance of their investments and the broader investment landscape. Regular reporting for the majority of MAM's infrastructure and real asset funds continued to be supplemented with additional briefing calls, fund updates, direct engagement, thought leadership, and a new regular webinar series. Key client engagement activities, such as the Annual General Meetings for MAM's flagship strategies, were also held in a virtual format.

CGM's businesses adapted to the changing environment by supporting clients and looking for enhanced ways to help clients restructure their businesses and rebalance their portfolios. CGM worked closely with clients in the most challenged sectors on their long-term resilience and response to disruption. The Specialised and Asset Finance business provided access to lending relief to over 30,000 SME clients globally to help support business cash flows and sourced computer equipment for North American educators.

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. In addition to adapting to the pandemic, some of our portfolio companies are also directly contributing to the fight against COVID-19, from vessels delivering essential supplies and supporting hospital ships to our online education companies providing free access to millions of children during the height of the pandemic. In the US, Macquarie Capital's portfolio company Dovel Technologies directly participated in government research initiatives to fight COVID-19 through its support of the National Institutes of Health (NIH). It also ran one of the US government's grants programs which helped to deliver billions of emergency dollars to citizens and organisations in need.

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.

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 FY2021, 97% of BFS complaints were resolved within five business days, up from 91% in the previous year.

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

- promote fair and reasonable customer complaint outcomes
- 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
- provide a customer-centric voice when making recommendations to improve customer experience.



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)

Environmental, Social and Governance

Continued

People and workplace

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

Leadership, talent and culture

In FY2021, an initiative to review and reconsider Macquarie's purpose statement was undertaken. Over an 11-week period, 800+ staff shared perspectives to inform this refreshed purpose. Following this extensive consultation, Macquarie's revised purpose statement was articulated, endorsed by the CEO, the Executive Committee and Board, and launched during the 2020 Annual Staff Meetings. The new purpose, 'Empowering people to innovate and invest for a better future', has now been embedded throughout the organisation, and feedback from staff has shown that it resonates with and inspires our people.

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

86% of Macquarie's 325 Executive Directors are currently completing or have completed the Macquarie Executive Director Leadership Program (EDLP)

The EDLP builds the capability of leaders to better understand their impact and to inspire and develop others. It also equips them to address the pace and complexity of change and to cultivate and support a culture of innovation. While the ongoing delivery of EDLP was paused for the majority of 2020 due to the impact of the pandemic, delivery has continued in a virtual format in 2021.

To meet the evolving needs of our leaders, a new series of virtual Masterclasses was launched in FY2021. The Masterclasses focus on equipping our Executive Directors with the skills and tools needed to navigate the opportunities and challenges associated with leading through COVID-19. A series of complementary virtual Masterclasses was subsequently launched for our Division and Associate Directors.

244 attendees across the six Masterclasses offered to Executive Directors in FY2021, and

1,725 attendees across the four Masterclasses offered to Associate and Division Directors in FY2021

Following a FY2020 project analysing the attributes and experiences required by our future leaders, the new Macquarie Leadership Standards were launched in FY2021. These Standards were developed based on extensive research and incorporated feedback from our people, our Executive Directors, Macquarie's Board and our Executive Committee. These Standards provide greater consistency and transparency in our expectations of Executive Directors and have been adopted as the new criteria for Executive Director promotions.

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

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

The global pandemic and the rapid move to remote working has accelerated the use of technology to deliver virtual classroom learning. Our Learning and Development teams were able to offer over 119 courses in a new virtual format in FY2021. This was achieved through the onboarding of new suppliers and the conversion of existing course content to virtual formats, which provided a more accessible learning and development experience for our staff.

2,428 learning events in FY2021⁽²³⁾, with

89% delivered virtually

During the employee onboarding and orientation process, Macquarie offers a series of learning and development activities (including events hosted by the CEO) designed to communicate and embed the Macquarie culture and reinforce the ongoing importance of meeting behavioural expectations and effective risk management across all our businesses and regions. Globally, over 2,000 staff completed *Success at Macquarie* virtually as part of Macquarie Orientation in FY2021.

(23) Including virtual and face-to-face forums.

Goal setting, providing ongoing feedback, and having regular performance and career development discussions are a key part of performance measurement and talent management at Macquarie. In addition to providing regular feedback throughout the year, Macquarie requires all staff to have at least one formal Year in Review, or appraisal session, with their manager.

Workplace health, safety and wellbeing

Macquarie recognises the value of effective WHS performance as an integral part of how we successfully manage our business. We seek to operate zero harm environments through maintaining high WHS standards and performance across all our activities globally. We promote an integrated approach to safety and wellbeing matters and encourage our staff to speak up on any actual or potential health and safety issues, including matters relating to inappropriate behaviour such as sexual harassment or other form of harassment, discrimination, bullying or victimisation.

Our recently updated WHS vision seeks to build and promote safe workplaces which enable and empower people to do their best work. This commitment is underpinned by a comprehensive safety framework built around culture and leadership, governance, and assurance. Staff are provided with training and resources to promote positive safety practices. Staff consultation forums inform the implementation and effectiveness of these policies, systems, and risk controls.

0.2 Lost Time Injury Frequency Rate (LTIFR) in the year ended 31 March 2021⁽²⁴⁾

The safety and wellbeing of our people remains at the centre of our response to COVID-19. Through our security operations we continuously monitor and assess changes in government regulations to inform decision-making. Our Crisis Management Teams evaluate local health information and legal and regulatory obligations to ensure our policies and practices remain compliant. Our people are informed of our safety requirements through staff briefings and office-specific communications.

In response to the external changing environment, we offer financial support to all staff for ergonomic office chairs and technology peripherals to enhance their remote working environment. We provide resources to assist people leaders to manage remote working teams. Additional online training provides staff with education on "Work Health and Safety While Working from Home", including strategies to support both physical and mental wellbeing.

Macquarie's holistic wellbeing program, *Macquarie Plus*, provides a comprehensive range of initiatives and benefits designed to equip our people with the tools and resources to own their wellbeing. The delivery of wellbeing initiatives pivoted to provide equitable opportunity to staff, with the program maintaining its focus through digitalised and in person content allowing for flexible engagement. With a strong focus on encouraging our people to balance all aspects of their lives, *Macquarie Plus* comprises four key elements:

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

7.5% global voluntary turnover rate⁽²⁵⁾

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

Diversity & Inclusion

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

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



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



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

(24) 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.

(25) Rolling 12-month voluntary turnover with leavers for the 12 month period divided by average headcount for the same period.

Environmental, Social and Governance

Continued

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 revised 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.

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/fy21-tax-transparency](https://www.macquarie.com/fy21-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.

In the year ended 30 June 2020, Macquarie's political contributions in Australia totalled \$A251,230 comprising: \$A127,680 to the Liberal Party of Australia; \$A112,550 to the Australian Labor Party; and \$A11,000 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.

It is not Macquarie's practice to contribute monies to political parties in other jurisdictions.

Data privacy and security

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



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



Our policies are available at [macquarie.com/esg](https://www.macquarie.com/esg)