

Macquarie Asset Management

Our approach to sustainability

October 2023



About this document

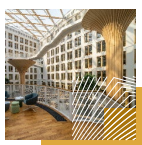
This document provides a summary of how we integrate environmental, social and governance (ESG) factors into our day-to-day business and the various tools we use.



Barley nearing harvest at Viridis Ag's dryland row cropping asset Tantanoola, in the Western Australian wheatbelt. Barley is grown in rotation with wheat and canola crops to improve soil health.



Xiaoyu Zhu works as a sustainability expert at Currenta and plays a vital role in several transformation projects. She is pictured examining an industrial switchbox at the Dormagen site in North Rhine-Westphalia, Germany.



EDGE Suedkreuz Berlin, the most sustainable office building in Germany, according to the German Sustainable Building Council's DGNB system.¹

1. Christine Schröder, 'Truly outstanding: the Edge Suedkreuz office complex in Berlin', 14 September 2022, <https://blog.dgnb.de/>.

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01

Overview



The Lower Baker Dam, with a generating capacity of 111 MW, is part of the Baker River Hydroelectric Project in Washington, Puget Sound Energy's largest hydropower facility.



Sustainability at MAM

Our vision

Investing to deliver positive impact for everyone.

At Macquarie Asset Management (MAM), our work has a real impact on people. As an integrated asset manager, we are trusted by institutions and individuals to invest their savings. Through our investments, we also manage critical services and infrastructure that more than 280 million people rely on every day.² Our team recognises and embraces this responsibility.

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

Our ambition

We aim to be a global leader in sustainable asset management.

We assess a range of commercial factors, including material environmental, social and governance (ESG) risks and opportunities, before actively investing in companies and managing our portfolios over their holding period. This is part of our fiduciary responsibility to clients. From our experience in the sectors in which we operate, ESG integration can improve operational performance and contribute towards reduced risk, improved productivity, increased cash flow and better long-term value. As such, a disciplined approach to ESG is fundamental.

We are continuously seeking ways to improve our approach to sustainability, including developing tools, targets and investment performance standards, improving our systems for measurement and reporting, as well as enhancing our culture, resources and governance. We also recognise that the scale of the issues at hand requires a broader understanding of how ESG is being addressed within our industry. By working with others, we can identify opportunities to improve our sustainability practices and desired outcomes.

A large photograph of a wind turbine with a worker on a platform. The worker is wearing a white hard hat, a blue shirt, and a yellow safety harness. The background shows a clear blue sky and a flat landscape.

~280m
people rely on
MAM-managed
essential services
every day

2. As at 31 March 2023. Asset metrics for MAM Private Markets only.

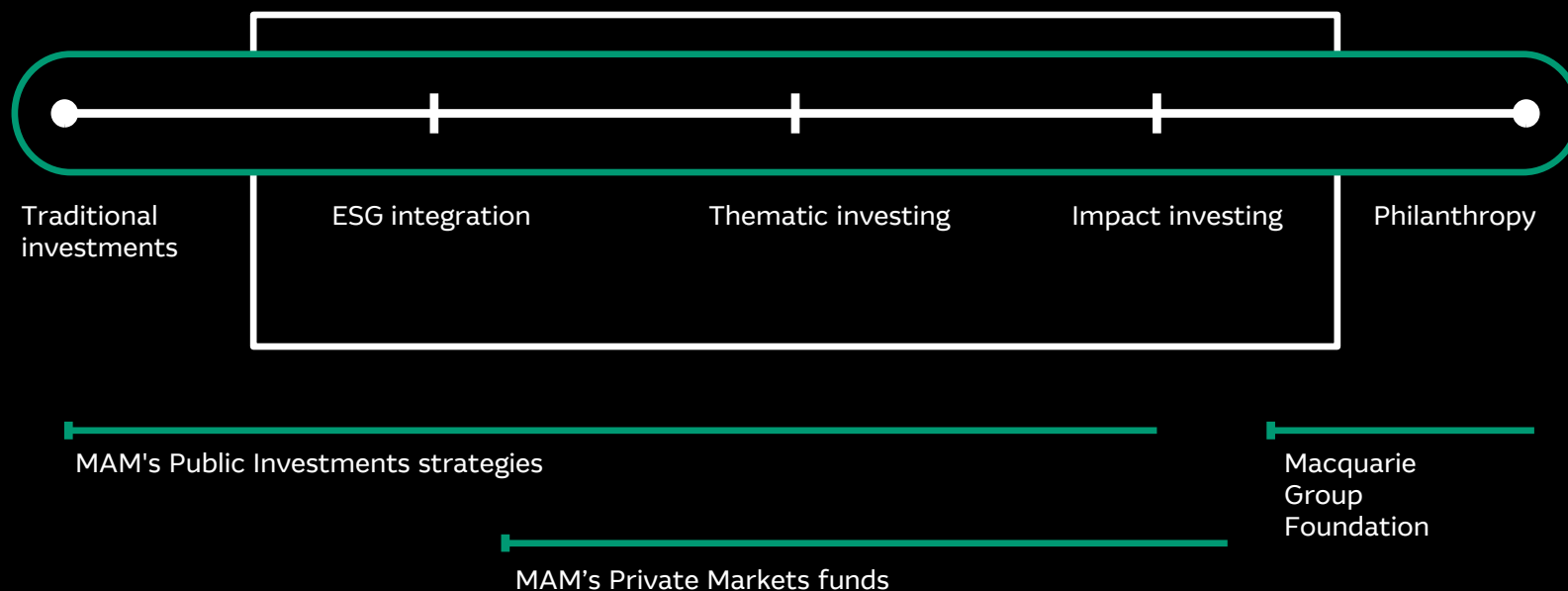
Our investment spectrum³

Our diverse range of products and asset classes covers a full spectrum of investments.

We have an increasing portion of our assets under management (AUM) invested in funds that aim to contribute to positive global environmental and/or social objectives, as well as create financial value for our clients. This includes funds that seek to support the global energy transition, such as our climate solutions strategy within our Public Investments business, or dedicated core renewables and emerging climate solutions strategies within our Private Markets business.

Our corporate giving, philanthropy and social impact investing activities are undertaken at the Macquarie Group level through the Macquarie Group Foundation, with a mission to support the communities within which we live and work. The Foundation regularly matches MAM staff donations and supports MAM staff in volunteering their time and expertise to non-profit organisations around the world.

3. This spectrum is provided for illustrative purposes only and has been adapted from industry sources, including the Responsible Investment Association Australasia's responsible and ethical investment spectrum, <https://responsibleinvestment.org/>.



📷 Paraway Pastoral Company, Australia

ESG integration

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

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

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

Some examples of ESG factors we may consider in our investments are set out below. We also recognise their interconnectedness.

Environmental

- Climate change risks
- GHG emissions
- Biodiversity and ecosystems
- Resource efficiency
- Water usage
- Land use
- Waste and pollution

Social

- Workplace health and safety (WHS)
- Community engagement and inclusion
- Diversity, equity and inclusion (DEI)
- Labour rights
- Human rights, modern slavery
- Privacy and data protection
- Animal welfare

Governance

- Business ethics and conflicts of interest
- Regulator/government relations
- Cyber security
- Anti-bribery and corruption, fraud prevention
- Sanctions
- Executive remuneration
- Supply chain

Approach to materiality

We focus on the most material ESG issues when evaluating a company's business model, as it helps us understand the company more comprehensively and allows us to make better investment decisions for clients.

This commercial focus means there's no compromise between our fiduciary obligations and seeking out attractive, sustainable investments. Once invested, we often engage with company management to enhance value creation and manage risk, focusing on the most material impacts to the business model.

Across our public and private businesses, we use a variety of tools and processes to assess the materiality of ESG issues and opportunities.



📷 Cubbie Station, Australia

Public Investments

Each investment team has access to ESG-related tools and resources, including the Sustainable Accounting Standards Board (SASB) standards, to assist them in identifying and integrating material ESG factors into their investment decisions.

These decisions are governed by our [Public Investments ESG Policy](#) and monitored through our oversight framework.

Private Markets

We apply processes tailored to each asset class to assess the areas most important to each business and the communities in which it operates.

This includes consideration of the industry, type of operations, physical location, legal jurisdiction and stage in the asset cycle, as well as asset-specific risks and opportunities identified through due diligence.

Across MAM

We also consider the recommendations and research of industry organisations working to set global benchmarks and standards for assessing and reporting on the materiality of ESG risks, such as the Principles for Responsible Investment (PRI), the SASB standards, and GRESB's real estate and infrastructure assessments.

Stakeholder engagement

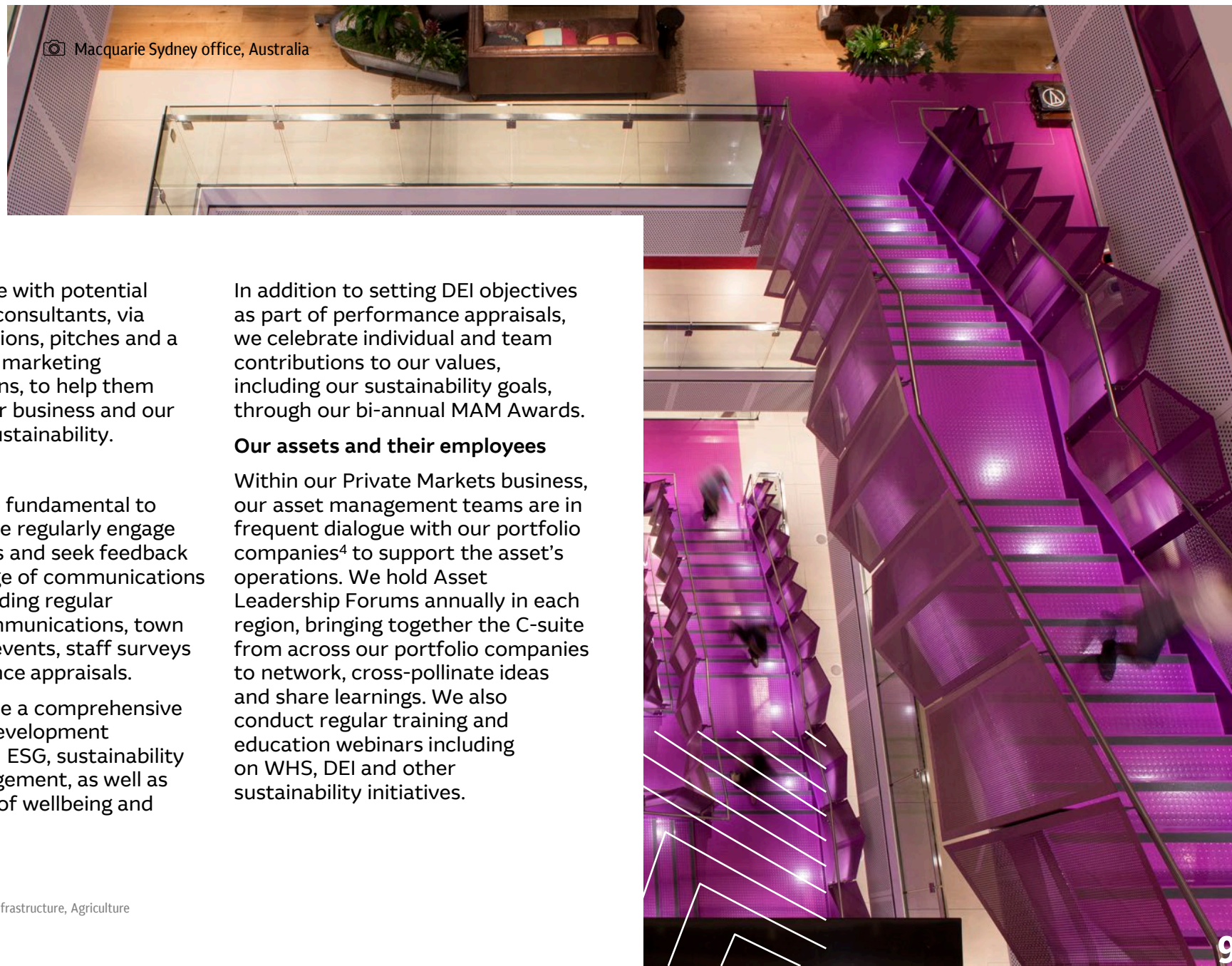


Delivering a positive experience for our stakeholders is central to our vision and to create sustainable long-term value.

Across MAM, we recognise the importance of stakeholder collaboration and continuously engage with clients, investee companies, governments, regulators, industry groups, communities and other stakeholders on ESG matters. By doing so, we aim to refine our own approach, share knowledge and collaborate on global ESG challenges, such as climate change, to create value for our clients.

While managing investments in our Private Markets business, we focus on providing customers with reliable services, keeping employees safe, delivering on the needs and expectations of communities and regulators, and generating consistent results for our investment partners.





Key stakeholders

Our clients

Our teams engage with clients on our sustainability activities through a variety of channels, including:

1. **Dedicated client relationship managers** for all MAM institutional financial products
2. **Regular updates on fund or investment activity** and performance through quarterly reporting
3. **A range of client marketing communications**, including knowledge-based events and webinars and sharing important announcements and thought leadership, including our [‘Pathways’](#) and [‘Navigating to Net Zero’](#) series
4. **Encouraging continuous client feedback** through client surveys, workshops and meetings.

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

Our people

Our people are fundamental to what we do. We regularly engage with our teams and seek feedback through a range of communications channels, including regular leadership communications, town halls, internal events, staff surveys and performance appraisals.

We also provide a comprehensive learning and development programme on ESG, sustainability and risk management, as well as a broad range of wellbeing and DEI initiatives.

In addition to setting DEI objectives as part of performance appraisals, we celebrate individual and team contributions to our values, including our sustainability goals, through our bi-annual MAM Awards.

Our assets and their employees

Within our Private Markets business, our asset management teams are in frequent dialogue with our portfolio companies⁴ to support the asset's operations. We hold Asset Leadership Forums annually in each region, bringing together the C-suite from across our portfolio companies to network, cross-pollinate ideas and share learnings. We also conduct regular training and education webinars including on WHS, DEI and other sustainability initiatives.

4. MAM defines 'portfolio companies' as equity investments in its Real Assets businesses (across Infrastructure, Agriculture and Natural Assets, and Green Investments) within Private Markets.

Key stakeholders

Regulators and governments

Through direct engagement with regulators and local governments in the jurisdictions in which we operate and invest, we seek to understand their evolving policy, political and regulatory environments. We also actively monitor and assess regulatory developments and policies which could impact our asset or fund operations to ensure we remain compliant with all applicable laws and regulations.

Industry bodies

We engage with industry groups in relevant sectors around the world through corporate memberships and participation in working groups and taskforces to advance our understanding of ESG issues and opportunities, as well as contribute to the development of industry best practices.

Communities

Through our Private Markets business, we partner with our portfolio companies on their ESG policies and frameworks intended to support the communities in which they operate, including with respect to a green and just transition, and the protection of biodiversity and ecosystems affected by their businesses. We also forge partnerships with community groups, customers, partners and tenants across our business through funding and in-kind support.

Supply chain

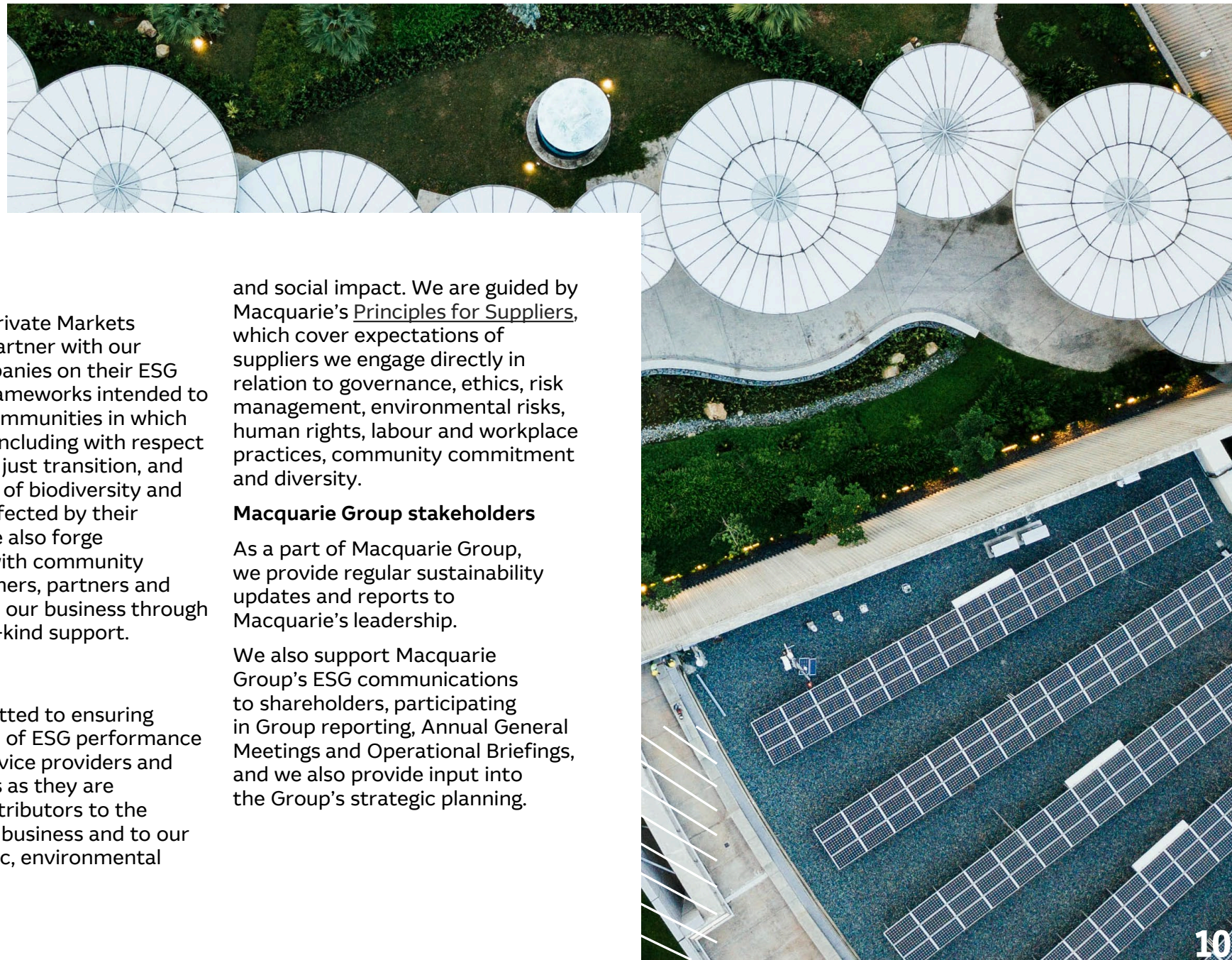
We are committed to ensuring high standards of ESG performance among our service providers and other suppliers as they are important contributors to the success of our business and to our wider economic, environmental

and social impact. We are guided by Macquarie's [Principles for Suppliers](#), which cover expectations of suppliers we engage directly in relation to governance, ethics, risk management, environmental risks, human rights, labour and workplace practices, community commitment and diversity.

Macquarie Group stakeholders

As a part of Macquarie Group, we provide regular sustainability updates and reports to Macquarie's leadership.

We also support Macquarie Group's ESG communications to shareholders, participating in Group reporting, Annual General Meetings and Operational Briefings, and we also provide input into the Group's strategic planning.



Partnerships and advocacy

By working with others, we can harness the power of collective action to drive better outcomes for our clients.

As participants in some of the world’s leading industry alliances and advocacy groups, we work to continuously advance our understanding of ESG issues and opportunities and to improve our own approach to sustainability. In areas where we believe we can meaningfully contribute to the understanding and development of industry best practice, our people participate in industry working groups and advisory committees.

Further information

Further detail is provided under Principle 10 in [MAM’s 2022 Stewardship Report](#).

Macquarie Group affiliations:



Signatory since 2008



Founding member 2018



Member since 2019



Founding member 2019



Member since 2022



Founding member 2021



Supporter since 2019



Member since 2020



Member since 2022

MAM affiliations:



Member since 2010



Signatory since 2015



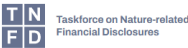
Signatory since 2021



Member since 2020



Supporter since 2020



Founding member 2021



Member since 2017



Signatory since 2020



Ally since 2021



Member since 2016



Member since 2020



Signatory since 2021



Signatory since 2021



Member since 2021



Member since 2022



Member since 2009



Member since 2023



We have been a signatory to the Principles for Responsible Investment (PRI) since August 2015 and, during the past year, were represented on the PRI's Infrastructure Advisory Committee. The PRI is the world's leading proponent of responsible investment. As signatories, we use the principles as a framework to incorporate ESG issues into our investment practices and transparently share details around our approach, performance and progress.

We receive an annual assessment report from the PRI which we use as a measure of the effectiveness of our policies and processes and as a guide for further improvement. Results from our most recent Transparency Report are available on the [PRI website](#).



We have been a member of GRESB Infrastructure since it was launched in 2016 and GRESB Real Estate since 2019.

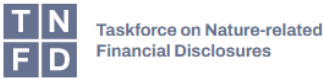
We are also represented on both the GRESB Foundation Board and its Infrastructure Standards Committee. GRESB is an investor-led organisation which provides a framework to measure the ESG performance of infrastructure and real estate assets and portfolios.

GRESB annual assessments, available on its [website](#), provide us with valuable insights as we develop sustainability strategies for our assets and opportunities to share best practice within our portfolios.

The Net Zero Asset Managers initiative

Further to our net zero commitment, we joined the Net Zero Asset Managers (NZAM) initiative in March 2021. The initiative comprises an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to less than 1.5°C.

Our participation is enabling us to learn how we can enhance the implementation of our net zero strategy and deliver better outcomes for our clients.



In 2021, our Head of Agriculture and Natural Assets, Elizabeth O'Leary, joined the Taskforce on Nature-related Financial Disclosures (TNFD) as one of 35 global founding members. The TNFD was established in 2021 to develop a risk management and disclosure framework organisations to report and act on evolving nature-related risks.

Through our contribution to the development of the TNFD framework, we aim to support the shift in global financial flows toward nature-positive outcomes while also improving the way we manage and report on nature-related risks and opportunities within our own portfolio.



We joined the World Benchmarking Alliance (WBA) in 2021, working to shape the private sector's contributions to achieving the UN SDGs through the use of benchmarks and cross-sector partnerships.

We leverage the WBA's research and findings in our own proprietary UN SDG Database, which we use to measure our portfolios' SDG alignment. We regularly engage with the WBA to gain insight into its evaluation processes and we have engaged with companies to encourage their participation in the WBA's benchmarks.

Public Investments ESG Framework

Our Public Investments ESG Policy details our approach to integrating ESG factors into our investment processes, proxy voting and company engagements.

Our investment teams recognise that ESG factors are important for assessing investment risk and that positive ESG performance may be an indicator of management quality, operational performance and the potential to create long-term value. Each specialist investment team has access to a variety of ESG-related analytical tools and resources to help them identify, measure and track material ESG factors associated with investee companies or issuers and to integrate these considerations into their investment decisions.

Through direct engagement and proxy voting, we also encourage investee companies and issuers to enhance their ESG disclosures and take action on their sustainability risks and opportunities. While the integration of sustainability initiatives in the investment process varies by team, material ESG risks are considered throughout the investment process in accordance with our Public Investments ESG Framework, as illustrated below.⁵

In addition to the integration of ESG risks, we offer specific products that intentionally seek to promote and drive environmental and social goals framed by the UN SDGs.

5. To understand the extent to which ESG factors may be considered in the investment process for managed funds offered in our Public Investments business, please refer to the relevant offer document for the fund, available via our website.

ESG training and knowledge sharing

Investment teams have access to internal and external ESG training opportunities. The ESG Working Group is a forum for teams to share best ESG practices and to discuss market developments

Analysis and research

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

Risk mitigation

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

Divestment

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

Ongoing monitoring

Investment teams continue to monitor material sustainability risks of their investments

Further information

Further detail is provided in our [2022 Stewardship Report and Public Investments ESG Policy](#).

Oversight committee framework

Our Public Investments business is supported by a number of committees which oversee the application of our framework



Investment stewardship

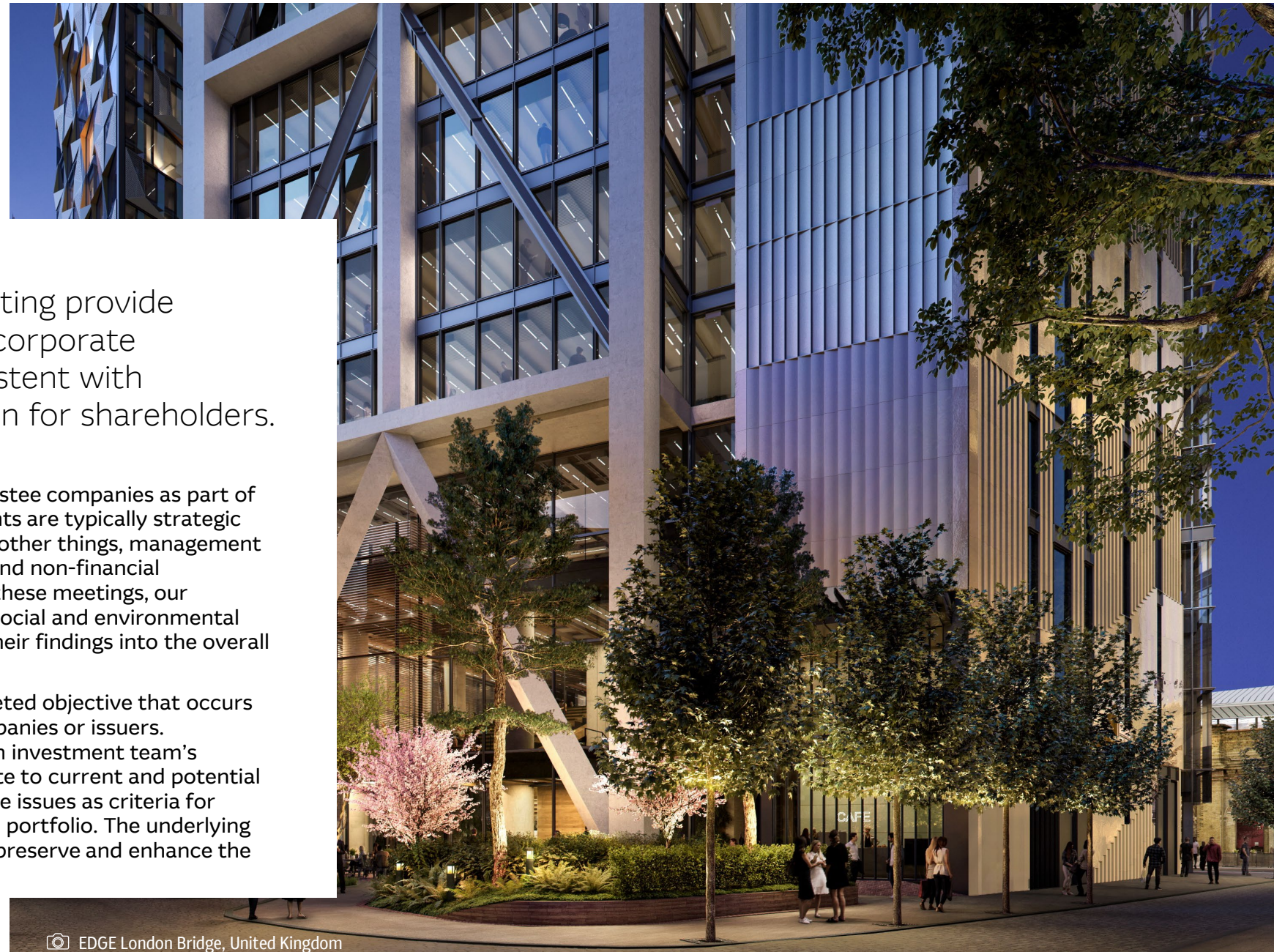
Company engagement and proxy voting provide us with an opportunity to promote corporate governance practices that are consistent with encouraging long-term value creation for shareholders.

Company engagement

Our Public Investments teams often engage with investee companies as part of their regular investment processes. These engagements are typically strategic in nature and provide additional insights into, among other things, management quality, business drivers, financial strategy, financial and non-financial performance and risks, and capital structure. During these meetings, our investment teams may discuss ESG issues, including social and environmental impact and corporate governance, and incorporate their findings into the overall assessment of the management teams.⁶

We define engagement as active dialogue with a targeted objective that occurs between MAM and current or potential investee companies or issuers. ESG engagement objectives entail the furthering of an investment team's understanding of material ESG issues and demonstrate to current and potential investee companies or issuers the importance of these issues as criteria for inclusion or retention of the company's securities in a portfolio. The underlying aim of the engagement dialogue should always be to preserve and enhance the value of assets on behalf of beneficiaries and clients.

6. For our managed funds that are sub-advised or have an external investment manager, those advisers and managers are not subject to the Macquarie Public Investments Engagement Policy and may or may not have their own engagement policies or frameworks.



📷 EDGE London Bridge, United Kingdom

Investment stewardship

Proxy voting

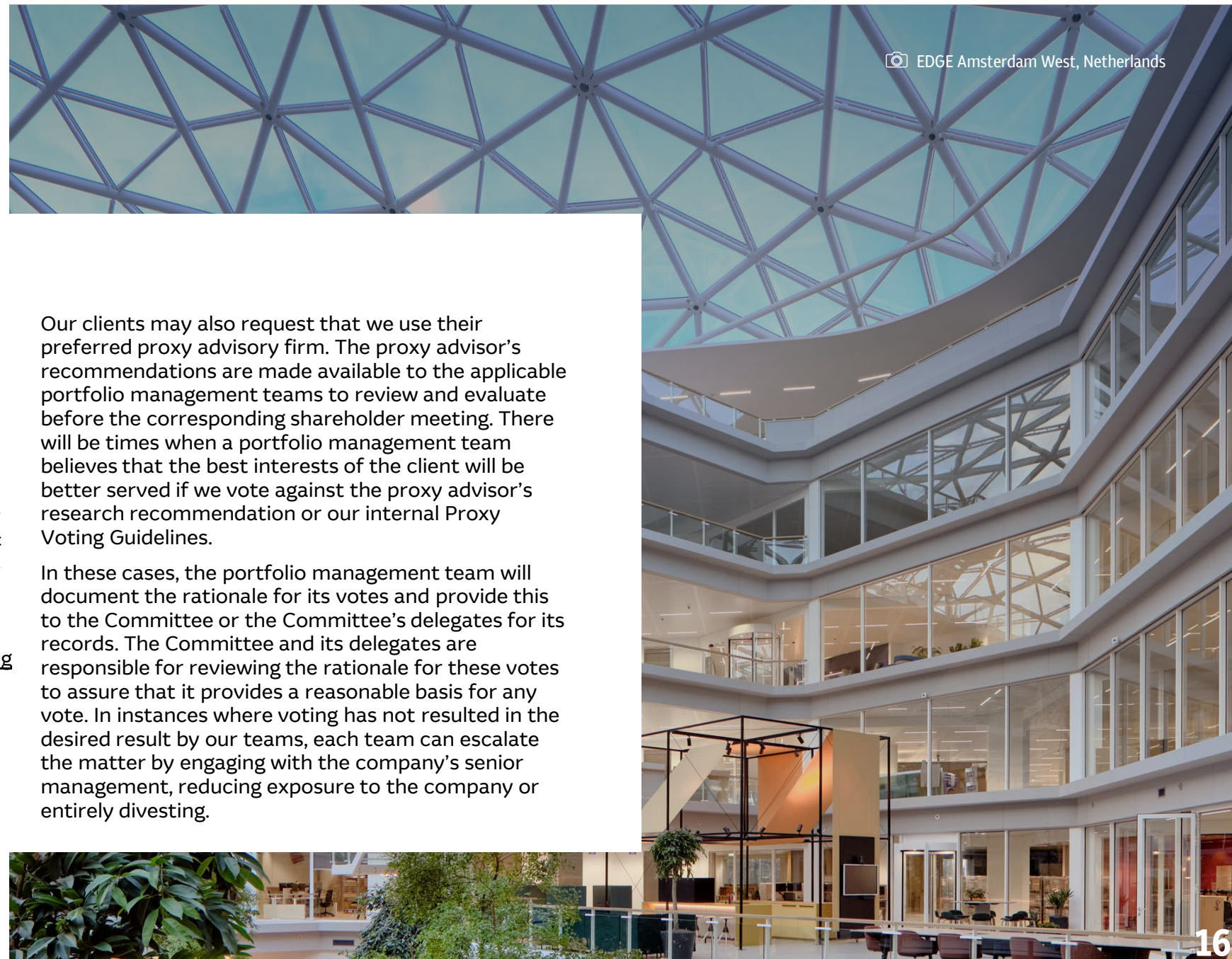
Proxy voting is another important opportunity for us to express, on behalf of our clients, our views on company and shareholder resolutions.

Our Global Proxy Voting Committee is responsible for overseeing the proxy voting process across our Public Investments business. When voting, we act as owners and seek to ensure that proxies are voted in the best interests of our clients and that our proxy voting activities adhere to the requirements of all applicable rules and general fiduciary principles. Our [Proxy Voting Guidelines](#)⁷ summarise our position on various issues and give a general indication as to how we will vote proxies on each issue where we are an active investor and have been delegated the responsibility to vote or provide advice on proxies. To facilitate the proxy voting process, we retain third-party proxy advisors, including Institutional Shareholder Services (ISS), Glass Lewis & Co. and Ownership Matters.

7. For our managed funds that are sub-advised or have an external investment manager, those advisers and managers are not subject to the Macquarie Public Investments Proxy Voting Guidelines and may or may not have their own voting policies or guidelines.

Our clients may also request that we use their preferred proxy advisory firm. The proxy advisor's recommendations are made available to the applicable portfolio management teams to review and evaluate before the corresponding shareholder meeting. There will be times when a portfolio management team believes that the best interests of the client will be better served if we vote against the proxy advisor's research recommendation or our internal Proxy Voting Guidelines.

In these cases, the portfolio management team will document the rationale for its votes and provide this to the Committee or the Committee's delegates for its records. The Committee and its delegates are responsible for reviewing the rationale for these votes to assure that it provides a reasonable basis for any vote. In instances where voting has not resulted in the desired result by our teams, each team can escalate the matter by engaging with the company's senior management, reducing exposure to the company or entirely divesting.



Public Investments ESG tools

In addition to company engagement and proxy voting, we have implemented a number of initiatives to support our sustainability practices.

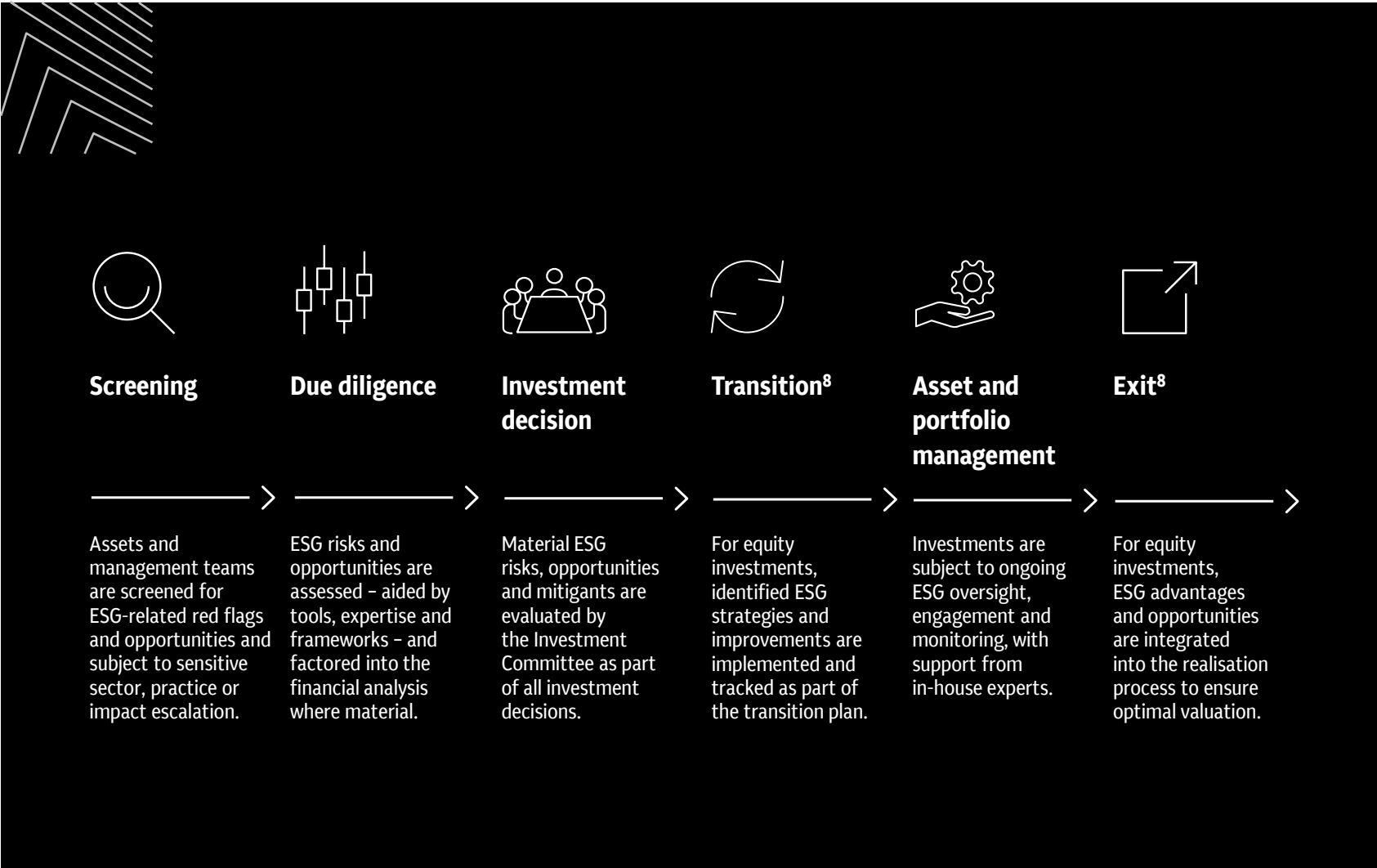
UN SDGs database	<p>We developed a proprietary UN SDG database and scoring system in 2019 that holds over 150 data points for more than 10,000 companies. Each data point serves to identify the degree to which a company's products, services and actions are aligned with one of the 17 UN SDGs. The database also contains harm metrics, which indicate a negative impact on the UN SDGs.</p> <p>Data points are assigned a score based on the perceived relative importance of the metric, with every company in the database receiving a cumulative score. Scoring also allows companies to be rewarded for specific actions such as charitable donations, environmental footprint reductions or collaborative initiatives. The process and scoring system are overseen by a committee of internal and external ESG experts. This tool is available to investment teams to help inform the degree of alignment of their portfolio or potential investments with the SDGs.</p>
ESG engagement tracker	<p>We have established a proprietary central tracker of ESG-related engagements with Public Investments portfolio companies and prospective investments. It collates the ESG issues discussed during investment and Sustainability team engagements, the outcomes of discussions and whether follow-up is needed. The tracker serves as an effective communication tool to allow investment teams to gather insights from other engagement efforts and to foster collaboration among investment teams focusing on similar issues.</p>
ESG proxy alert notifications system	<p>To enhance our ESG proxy voting processes, we implemented a proactive proxy alert system across Public Investments in 2021, assisted by ISS. This system alerts investment teams when an ESG-identified issue comes up for a proxy vote at a company they hold. We have received positive feedback from investment teams about this new system, which has prompted investment teams to re-evaluate their proxy vote on several occasions to seek to deliver a more positive outcome.</p> <p>Issues raised under the system include climate change action, GHG emissions, renewable energy, biodiversity (such as deforestation and water scarcity), human rights risk assessment, DEI issues (such as the gender pay gap), labour rights, anti-social proposals and executive compensation.</p>
Fixed Income scorecards	<p>Our Fixed Income teams utilise ESG scores when assessing corporate and sovereign issuers. The scoring is driven by the issuer's ability to manage and respond to existing or possible ESG risk events. By using our own ESG ratings, we can evaluate ESG issues purely from the perspective of a bondholder and ensure our portfolios reflect the most recent information available, rather than solely relying on external ESG ratings.</p> <p>Our Emerging Markets Debt team has developed a proprietary macro scorecard to rank countries based on their attractiveness for investment. The scorecard considers 20 variables, including ESG-related matters.</p>
ESG data portal	<p>In 2021, we initiated an extensive project to implement a Public Investments-wide ESG data portal, through collaboration between our Sustainability and our Global Insights and Analytics team. This centralised hub will improve the ability of our teams to assess the effectiveness of stewardship activities, as well as to report more efficiently and consistently on portfolio-level ESG metrics to clients. The ESG data portal is expected to be introduced in the coming year.</p>
External ESG resources	<p>In addition to our internal ESG tools, we engage a number of external service providers to assist with ESG-specific data, opinions, ratings and research. These include: SASB standards, Aladdin by Blackrock, Sustainalytics, FactSet, MSCI, Bloomberg and RepRisk. We also retain proxy advisory firms to help with the process of voting proxies, including research and opinions on proxy voting issues. These tools are available to the investment teams to help inform how ESG factors may be considered in the investment process.</p>



Private Markets ESG Framework

Our Private Markets ESG Policy and supporting guidance set out a framework for systematic due diligence, management and reporting of material ESG risks and opportunities associated with the operations of our Private Markets businesses – across Real Assets, Real Estate, Private Credit and Asset Finance.

The policy defines ESG-related escalation requirements, related policies, processes and minimum sustainability standards for the businesses in which we invest and allows us to monitor sustainability and ESG outcomes. Through this framework, ESG considerations are embedded in our investment decision-making process and integrated throughout the investment lifecycle.



8. Not applicable within Private Credit.

Our ability to influence

Engaging with our assets' management teams is a core part of our sustainability practices.

Dialogue with company management on ESG issues enables us to reduce risk and increase economic, environmental and social benefits on behalf of our clients.

In our role as manager of portfolio companies, we may nominate senior MAM employees for appointment as non-executive directors (NEDs) to serve on the boards of our portfolio companies.

Our NEDs, along with other directors and officeholders of the board and management team, are responsible for overseeing portfolio company operations, including ensuring that portfolio company management has appropriate ESG commitments, systems, procedures and practices in place. When we nominate board representatives, we seek to ensure both sectoral and geographical experience, together with any skillsets important for each particular business.

We work closely with our portfolio companies, where we have control or significant influence,⁹ to build sustainable, adaptable and resilient businesses. This may include ensuring that they report and verify key ESG data including relating to DEI, WHS and GHG emissions; set emissions reduction and other targets; and implement business plans that will contribute to a net zero economy by 2040 or sooner.

Further, where we invest directly into real estate businesses, our asset management teams focus on building asset-specific ESG action plans, taking into consideration portfolio-level targets and MAM requirements outlined above.

For private credit investments, we engage with our borrowers on a range of ESG considerations through information requests throughout the life of our investments. Where possible, we seek to enforce the provision of such information upfront in loan agreements, such as data on our borrowers' GHG footprints and their plans to address climate risk, and other ESG considerations.

📷 Currenta, Germany



9. MAM generally only has influence over scope 1 and 2 emissions. However, to the extent possible, in line with the Net Zero Asset Managers initiative guidance, MAM intends to support assets where it has control or significant influence to reduce their scope 3 emissions.

Our approach across asset classes

Infrastructure

Using our proprietary System 7 Asset Management Framework, we work closely with the management of our infrastructure portfolio companies to drive ESG and sustainability performance.

We apply minimum sustainability standards that are initially established during the transition of the asset to MAM management and which are enhanced over the asset management lifecycle to ensure assets integrate appropriately high ESG and sustainability standards and objectives. We also ask that our infrastructure portfolio companies complete annual GRESB assessments.

Agriculture and Natural Assets

Our funds’ wholly-owned portfolio companies each adopt a tailored set of ESG policies. These set out a statement of intent for the operation of each portfolio of assets and cover topics such as biodiversity, local community engagement and animal welfare, together with MAM’s broader ESG policy requirements.

We track and measure sustainability performance against the UN SDGs and MAM Agriculture and Natural Assets’ Sustainability Indicators to demonstrate positive impact over time.

Green Investments

In addition to applying the System 7 Asset Management Framework, our specialist Green Investments team is focused on investing in companies and assets that contribute to specific environmental objectives.

Related investments¹⁰ must be considered reasonably likely to deliver ‘green impact’, i.e., contribute to one or more of the following five Green Purposes:

- 1. the reduction of GHG
- 2. the advancement of efficiency in the use of natural resources
- 3. the protection or enhancement of the natural environment
- 4. the protection or enhancement of biodiversity
- 5. the promotion of environmental sustainability.

Please refer to page 27 for further information.

Driving investment performance through MAM’s System 7 Asset Management Framework¹¹



Further information

Green Investments: Further information on our approach to assessing, monitoring and reporting green impact can be found on www.greeninvestmentgroup.com.

10. Applies to Private Markets infrastructure equity funds managed by MAM for which commitments have been made to investors that the product will target investments seeking to make contributions to the green purposes.
11. MAM’s System 7 Asset Management Framework applies to our Private Markets’ Real Assets businesses (covering Infrastructure, Agriculture and Natural Assets, and Green Investments). It is not applicable within Real Estate or Private Credit.

Our approach across asset classes

Real Estate

Our investment and asset management teams leverage sector-specific guidance, frameworks and tools to ensure sustainability is embedded across the investment lifecycle. When we invest in specialist operators, we partner with them to establish management standards, including data collection and ESG reporting processes, design or operational standards, and net zero pathways.

To assess progress, we regularly conduct ESG maturity assessments of our specialist operators. We use these assessment findings in our reporting and we work through the results with our investments to determine evolving ESG objectives and priorities.

We also encourage our specialist operators and partners to complete annual GRESB assessments.

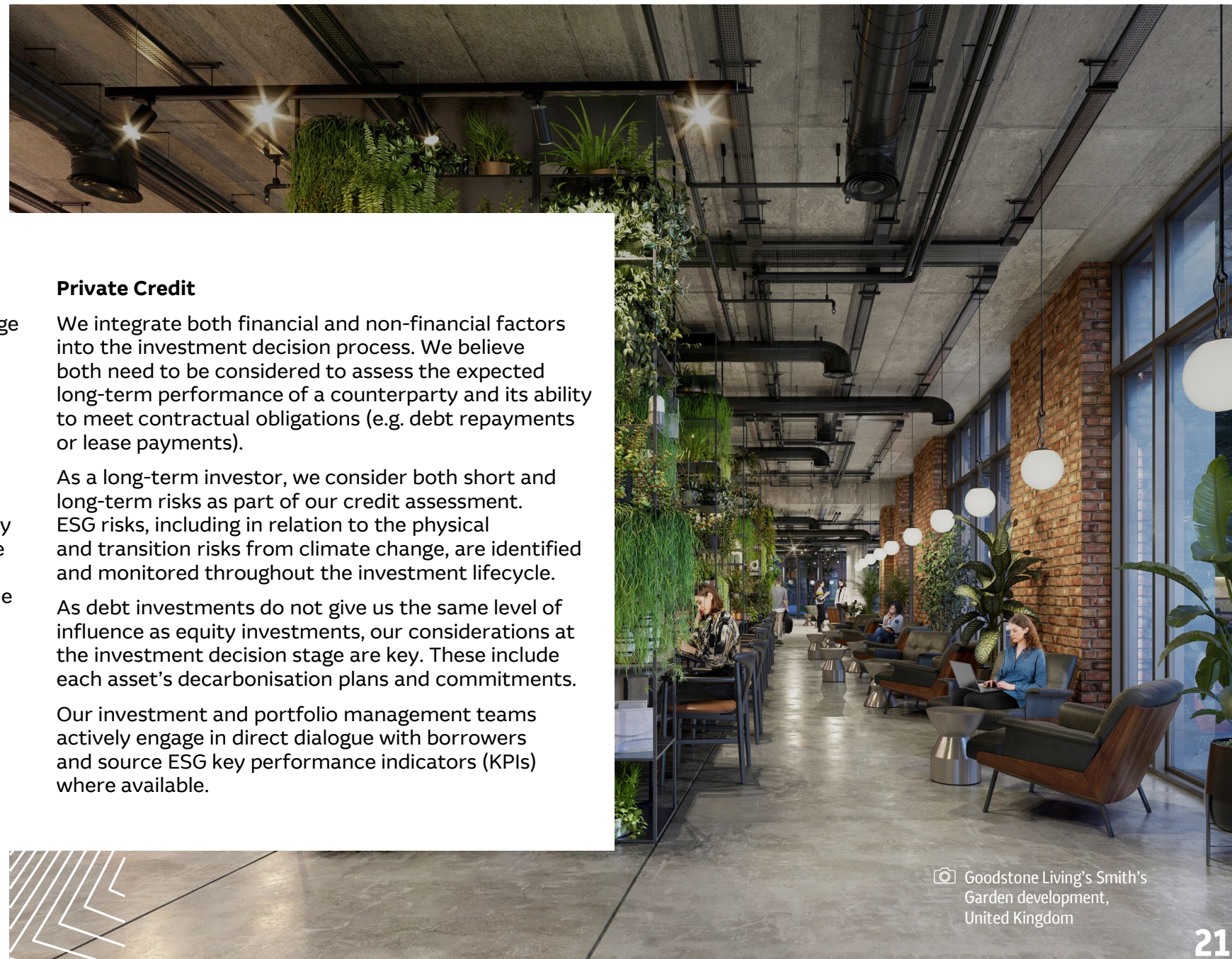
Private Credit

We integrate both financial and non-financial factors into the investment decision process. We believe both need to be considered to assess the expected long-term performance of a counterparty and its ability to meet contractual obligations (e.g. debt repayments or lease payments).

As a long-term investor, we consider both short and long-term risks as part of our credit assessment. ESG risks, including in relation to the physical and transition risks from climate change, are identified and monitored throughout the investment lifecycle.

As debt investments do not give us the same level of influence as equity investments, our considerations at the investment decision stage are key. These include each asset's decarbonisation plans and commitments.

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



Private Markets ESG tools

We use a variety of tools to support our sustainability practices.



Overview		Environmental	Social	Governance
GRESB	We use GRESB assessments across our infrastructure and real estate businesses to engage with assets and identify opportunities for improvement. Assessments cover a range of ESG issues, including WHS, DEI, climate change and human rights matters such as modern slavery risk. GRESB's scores also allow us to benchmark ESG performance year on year and against our peers. Participating assets are demonstrating improved performance, underlining the progress in ESG management across our portfolio and increasing the quantity and quality of ESG information made available to our clients.			
ESG reporting	We actively engage with asset management teams to monitor their performance against relevant ESG metrics. Our infrastructure equity and agricultural investments are required to report ESG information to us on a quarterly basis, including WHS performance, Scope 1 and 2 GHG emissions, energy consumption and other ESG-related updates. Where the availability of ESG metrics is limited, such as in our Private Credit portfolio, we aim to leverage the annual review of the asset to engage and understand its plans regarding the provision of ESG data. Key sustainability indicators and initiatives are reported to clients quarterly, providing transparency as to how our management practices generate positive sustainability outcomes.			
Asset deep dives	<p>For equity investments, we undertake periodic 'deep dives' on each asset. These involve the asset management and relevant specialist teams convening to discuss its performance and make recommendations for future initiatives and other ESG uplifts. These reviews include assessments of ESG management and performance, alignment with minimum standards and progress on key initiatives.</p> <p>For debt investments, we undertake annual reviews of each investment that include ESG risks and considerations. This is also an opportunity to engage with the asset and discuss progress towards commitments and other developments. Our Private Credit team also performs regular deep dives on trends impacting our investments, which may also relate to ESG issues. Where relevant, these may be discussed with the borrowers.</p>			
Training and guidance	We provide training on a wide range of ESG issues, including climate change, WHS and DEI. We host offsite conferences for Real Assets portfolio companies' management teams, which include training, shared learning and discussion of sustainability topics. We engage external consultants to provide additional ESG training, support and guidance to our assets in establishing baseline inventories, developing targets and identifying GHG reduction projects. We also provide a range of specific tools to support our assets in delivering on our net zero commitment. Across our industry, we actively participate on panels, working groups and in other cross-sector leadership forums to share ESG outcomes, learnings and new initiatives.			
UN SDG Alignment Framework	Our UN SDG Alignment Framework seeks to demonstrate and ensure the alignment of our strategic ESG initiatives with positive social and environmental goals framed by the UN SDGs. The framework uses a logic model to define MAM's potential contribution at the outset and link initiatives to expected effects and potential longer-term outcomes. To enable transparent monitoring and reporting, progress KPIs are selected with reference to common metric standards, including the GHG Protocol, GRESB assessment results and the Global Impact Investing Network's IRIS+ catalogue of impact metrics. The framework has been rolled out across our Real Assets investment strategies, including our dedicated green energy funds, launched over the reporting period. We intend to extend it to other applicable funds, subject to data availability.			
MAM Impact Principles	We have developed a set of four principles (Essential, Inclusive, Scalable and Quality) to articulate and report on how we seek to contribute and deliver impact and sustainability outcomes. MAM's Impact Principles are aligned with the Impact Management Project's Five Dimensions of Impact (What, Who, How Much, Risk and Contribution) and are currently used by specific Real Assets strategies.			

02

Environmental



Barley nearing harvest at Viridis Ag's dryland row cropping asset Tantanoola, in the Western Australian wheatbelt. Barley is grown in rotation with wheat and canola crops to improve soil health.

Net zero

As an active manager, and a fiduciary, we're focused on decarbonising our existing portfolio not only to manage the transition risks of climate change, but also to seize the opportunities presented by the energy transition.

Our net zero commitment

In December 2020, we announced a commitment to invest and manage our portfolio in line with global net zero emissions by 2040.

The implementation of our net zero commitment is inherently complex, and we are in the early stages of making progress on our goals. There have been significant developments in this area over the past three years, including new methodologies that were not available in 2020, along with a deeper understanding of the various pathways to net zero and their associated challenges across the sectors and asset classes in which we invest.

In light of these developments, we confirm our commitment to invest and manage our portfolio in line with global net zero scope 1 and 2 greenhouse gas (GHG) emissions by 2040, where we have control or significant influence.¹² Where we do not have control or significant influence, such as in our managed portfolio of public securities, we will continue to support the goals of the Paris Agreement¹³ in a manner consistent with our client-guided fiduciary and regulatory responsibilities.

Over the coming months, we will provide more detail on how we are implementing our net zero strategy across our various asset classes. We will also disclose further information on our interim targets, the assumptions we have made and the methodologies we are using.

12. MAM generally only has influence over scope 1 and 2 emissions. However, to the extent possible, in line with the Net Zero Asset Managers initiative guidance, MAM intends to support assets where it has control or significant influence to reduce their scope 3 emissions.

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



Our approach

Where we have control or significant influence

As part of our net zero roadmap, we set a goal in December 2020 to establish net zero business plans across our portfolio, where we have control or significant influence, by the end of 2022.

This has involved partnering with our infrastructure and agriculture portfolio companies and real estate properties that were in-scope¹⁴ to complete the following steps:

- measure and verify their scope 1 and 2 GHG emissions
- set interim targets, with a net zero scope 1 and 2 GHG emissions target for 2040;
- identify abatement measures (both short and long-term) and integrate them into a net zero business plan; and
- revisit their net zero business plan at least annually, as part of the budget and business planning process.

As at the end of 2022, almost 85 per cent of our in-scope portfolio companies had established scope 1 and 2 net zero plans that were approved by their boards, as did around 400 properties within our Core/Core-Plus real estate business.

For the remaining in-scope portfolio companies and properties, we are working towards establishing scope 1 and 2 net zero plans by the end of 2023. Once approved, we will work with them to support their progress against their emissions reduction goals.

For new investments, where we have control or significant influence, we are targeting completion of these steps within 24 months of acquisition.

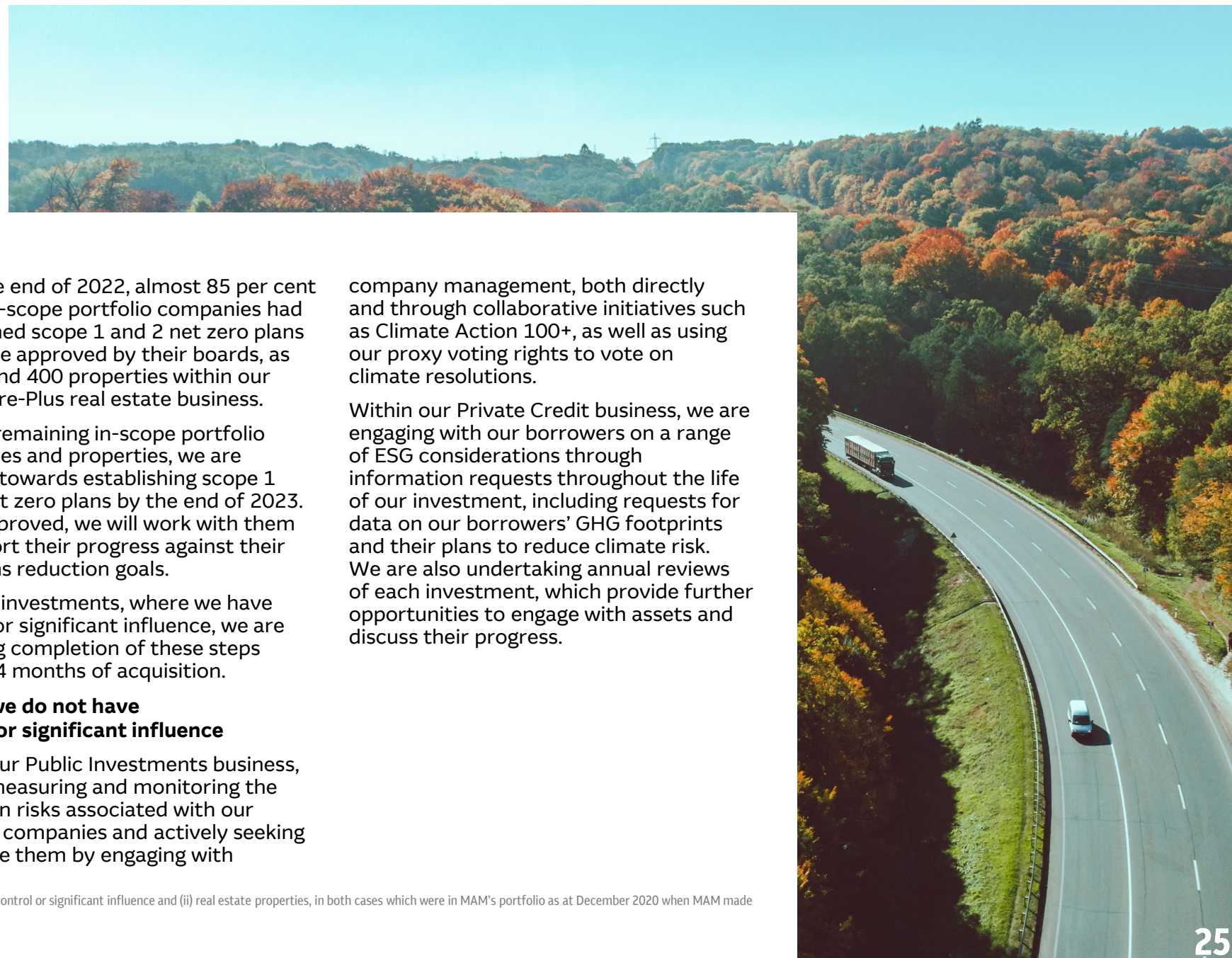
Where we do not have control or significant influence


Within our Public Investments business, we are measuring and monitoring the transition risks associated with our investee companies and actively seeking to reduce them by engaging with

company management, both directly and through collaborative initiatives such as Climate Action 100+, as well as using our proxy voting rights to vote on climate resolutions.

Within our Private Credit business, we are engaging with our borrowers on a range of ESG considerations through information requests throughout the life of our investment, including requests for data on our borrowers' GHG footprints and their plans to reduce climate risk. We are also undertaking annual reviews of each investment, which provide further opportunities to engage with assets and discuss their progress.

14. In-scope assets include (i) infrastructure and agriculture portfolio companies where MAM has control or significant influence and (ii) real estate properties, in both cases which were in MAM's portfolio as at December 2020 when MAM made its net zero commitment.



A large-scale solar farm in France, featuring rows of blue photovoltaic panels installed in a grassy field. In the background, there are rolling green hills and a line of trees under a clear blue sky. The solar panels are arranged in long, parallel rows, following the contours of the land.

Reden Solar, France

Net Zero Asset Managers

We joined the Net Zero Asset Managers (NZAM) initiative in 2021.

NZAM signatories commit to manage their assets in line with net zero emissions by 2050 or sooner, considering scope 1 and 2 emissions and, to the extent possible, material scope 3 emissions.

As of May 2022, we have committed to manage 43 per cent of our assets in line with NZAM criteria, as disclosed in [NZAM's Initial Target Disclosure Report](#).

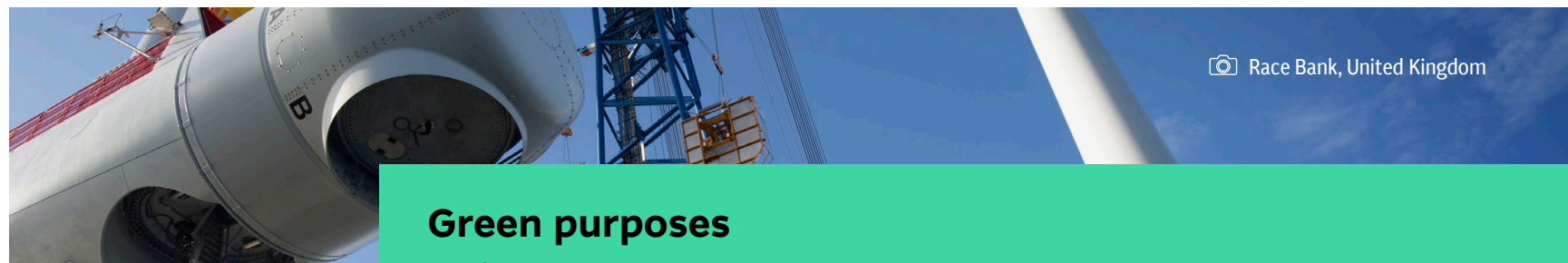
- In our Private Markets business, this includes 100 per cent of our infrastructure and agriculture portfolio, and more than 80 per cent of our real estate portfolio.
- In our Public Investments portfolio, it includes certain listed equity and corporate bond investments.

Assets that are yet to be covered by NZAM's criteria are those where:

- actions that can influence change (proxy voting and engagements) are not yet widely available;
- companies currently have limited capacity to adopt a net zero framework;
- portfolios must be aligned to an external benchmark; and
- explicit client approval must be sought for select segregated mandates.

Where possible, we are incorporating aspects of our net zero framework and continue to collaborate with peers and industry bodies to improve methodologies and data availability.

Green Investments



We're committed to finding and creating compelling climate solutions for our clients, portfolio companies and communities.

Green Objective

Our specialist Green Investments team has a specific focus on deploying capital into solutions to address environmental sustainability challenges, such as climate change. The team's approach to delivering this – while safeguarding against greenwashing – is underpinned by its unique green impact¹⁵ governance framework and centred around its Green Objective.

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

1. all investments where the Green Objective applies¹⁶ must be reasonably likely to contribute to one or more of our five green purposes
2. the total sum of our activities will (or are reasonably likely to) contribute to an overall reduction of GHG emissions.

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

16. Applies to Private Markets infrastructure equity funds managed by MAM for which commitments have been made to investors that the product will target investments seeking to make contributions to the green purposes.

Green purposes

The five green purposes are to:



Reduce GHG emissions

Reduction of GHG emissions means reducing emissions of atmospheric gases responsible for causing global warming and climate change from human-caused sources to the atmosphere.



Advance efficiency in natural resource use

Natural resources are those renewable and finite naturally occurring assets that can be used for economic production or consumption. These include mineral and energy resources, soil resources and water.



Protect or enhance the natural environment

Protection or enhancement of the natural environment means managing the effects of human activity on our physical environment – land, water and air – in a way that does not degrade the environment over time but maintains or improves environmental quality and functions.



Protect or enhance biodiversity

Protection or enhancement of biodiversity means retaining or restoring the variability among living organisms and the ecological complexes of which they are part, including diversity within species, between species and of ecosystems.



Promote environmental sustainability

Promotion of environmental sustainability means actively and visibly supporting, encouraging or facilitating the transition to a greener global economy through the indirect effects of our investments.

Further information

Further information can be found in the [Green Investment Policy](#).

Green analytics capability and approach

Our Green Analytics team, supported by external technical experts as required, ensures that relevant investments¹⁷ meet the requirements of the Green Impact Governance Framework.

The Green Impact Reporting Criteria set out how we calculate the green impact of relevant investments and activities.

17. Applies to Private Markets infrastructure equity funds managed by MAM for which commitments have been made to investors that the product will target investments seeking to make contributions to the green purposes.
18. Applies to Private Markets infrastructure equity funds as above.
19. Applies to Private Markets infrastructure equity funds as above.



Applying this framework

Alongside the System 7 Asset Management Framework, we apply the green investment principles throughout each stage of making and managing an investment:

Pre-investment due diligence – we assess investments’ potential green impact with reference to relevant qualitative and quantitative technical information, defined baselines, performance forecasts and/or market analyses








Investment approvals – investments by funds where the Green Objective applies¹⁸ must receive a positive green opinion from our Green Analytics team confirming alignment with the Green Investment Policy in order to proceed; where necessary, conditions may be applied to safeguard delivery of green impact

Monitoring and engaging with assets – we actively engage with assets to help them manage risks and opportunities. Further detail on our approach to engagement is provided in MAM’s 2022 Stewardship Report

Reporting to our stakeholders – as well as reporting evidence-based green impact to investors in our funds, we publicly report on the activities of our specialist Green Investments team in our annual Progress Report

Green investment principles and policy

The Green Investment Policy sets out how we ensure that relevant investments¹⁹ deliver green impact, and is framed around seven key principles.

-  **1. Positive** contribution to a recognised green purpose
-  **2. Reduction** of global GHG emissions
-  **3. Enduring** green impact
-  **4. Clear** and firm investment criteria
-  **5. Robust** green impact evaluation
-  **6. Effective** covenants, monitoring and engagement
-  **7. Transparent** reporting

Further information

Please see www.greeninvestmentgroup.com for further details of our governance arrangements and how we apply them.

Biodiversity and nature-based solutions

The role of natural assets in reaching net zero is critical - encompassing issues around air and water quality, sustainable food and fibre production, biodiversity and conservation of natural ecosystems, and large-scale carbon capture and storage.

This requires careful consideration as to how we maximise value from our natural resources, while protecting natural ecosystems and biodiversity.

Across our business we are evolving our approach to identify, consider and limit impacts on biodiversity from our assets and investment activities - including land regeneration, water efficiency and the conservation of native flora and fauna.

MAM's Head of Agriculture and Natural Assets, Elizabeth O'Leary, is a founding member of the TNFD. Through our contribution to the development of the TNFD framework, we aim to support the shift in global financial flows towards nature-positive outcomes.

Private Markets

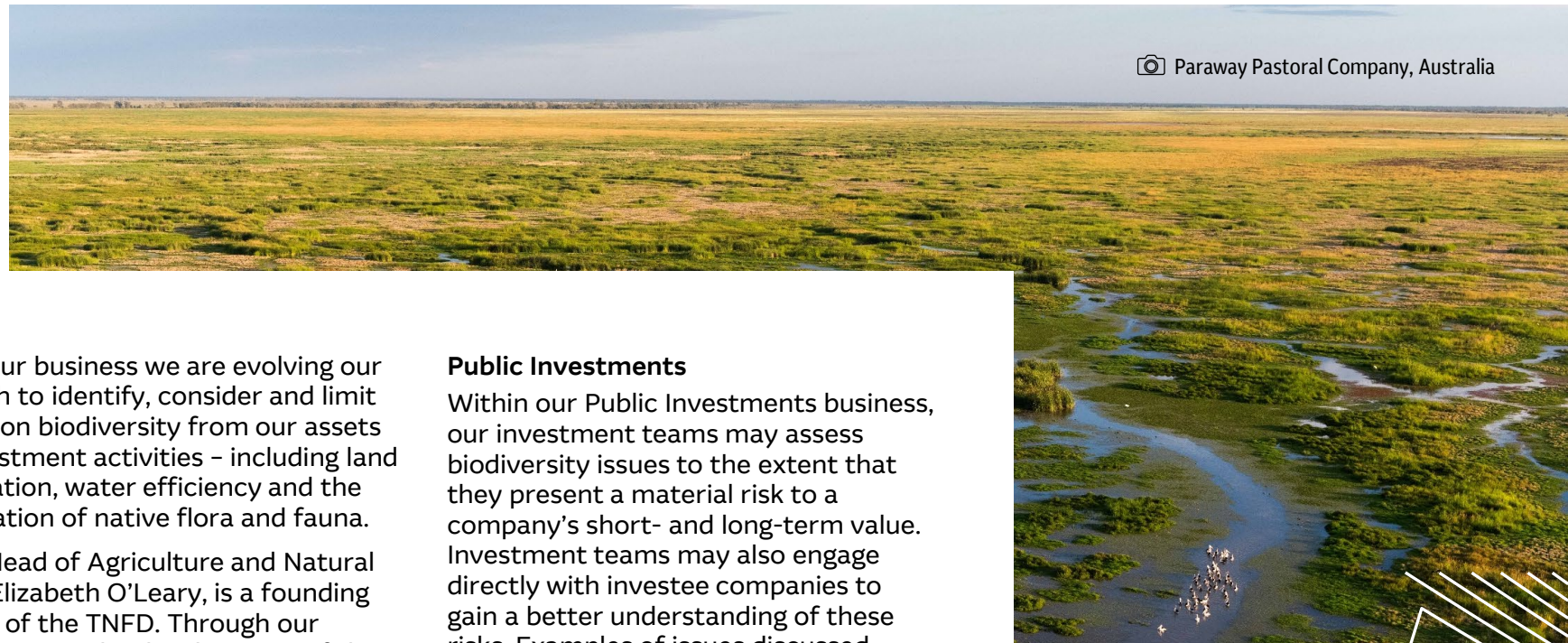
With more than 4.7 million hectares of farmland,²⁰ our Private Markets' portfolio provides potential for large-scale, cost-effective, nature-based carbon sequestration. We participate in a number of registered carbon, biodiversity and conservation projects across our farmland portfolio in Australia, at both the state and federal government level.

Public Investments

Within our Public Investments business, our investment teams may assess biodiversity issues to the extent that they present a material risk to a company's short- and long-term value. Investment teams may also engage directly with investee companies to gain a better understanding of these risks. Examples of issues discussed during these engagements include deforestation, water conservation, and regenerative agriculture.

Public Investments' proprietary SDG database incorporates biodiversity metrics as indicators of a company's potential alignment with the SDGs. Such metrics include rankings on the WBA's Nature benchmark and Global Canopy's Forest 500 ranking.

📷 Paraway Pastoral Company, Australia



3,000
hectares of land
registered under
**carbon, biodiversity
and conservation
projects²¹**

20. As at 31 March 2023.

21. As at 31 March 2023. Projects include approximately 2,340 hectares of land registered under the New South Wales Biodiversity Conservation Trust, 600 hectares under the Clean Energy Regulator Emissions Reduction Fund, and 60 hectares with the Department of Climate Change, Energy, the Environment and Water's Carbon + Biodiversity (C+B) Pilot.

Climate adaptation and resilience

The world is already seeing widespread climate disruption, affecting the lives of billions of people, and we can expect increasingly severe climate impacts.²²

As the custodian of critical transport, utilities and communications infrastructure, we understand the importance of adapting to a changing climate.

Private Markets

We consider climate adaptation and resilience across our infrastructure and agriculture portfolio companies and real estate platforms, and throughout the investment lifecycle.

At the screening stage, our sustainability team works with the deal team to identify high-level climate risks based on our knowledge of the asset's location, region and industry. If a deal moves forward into formal due diligence, we produce a physical climate risk assessment – applying scenario analysis with reference to projected future climate scenarios, proportionately and where appropriate – for consideration in the bid process.

Once invested, we work with the management team to create or refine climate resilience measures and integrate them into the business continuity planning process. Over our holding period, we will continue to invest in measures to improve early detection of potential risks, strengthen climate mitigation plans, and prioritise the safety of the people at the asset, its customers and local community.

Over recent years, many of our portfolio companies have been installing back-up power supplies to strengthen their networks, and are using sensors, drones and geospatial technologies to anticipate extreme weather events. They have also produced updated safety plans and trainings for employees to ensure they are adequately prepared for exposure to intensifying climate risks.

Public Investments

We invest in companies that provide products and services needed to adapt to a warming climate. As an example, our Emerging Markets Debt team participates in bonds issued by the European Investment Bank (EIB). As part of its €1 trillion commitment to climate finance this decade, the EIB is supporting sustainable use and protection of water resources.




22. IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegria, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

03

Social



Xiaoyu Zhu works as a sustainability expert at Currenta and plays a vital role in several transformation projects. She is pictured examining an industrial switchbox at the Dormagen site in North Rhine-Westphalia, Germany.



Green jobs program
participants, United Kingdom.
Supplied by Generation UK

Community

We recognise we must earn our licence to operate every day.

As a custodian of vital businesses that touch people's daily lives, we have both a responsibility and opportunity to ensure we are driving positive change through our investments to deliver value for our clients and the communities in which we operate.

Custodianship

In our Private Markets business, we actively support our portfolio companies and their teams to ensure their business continuity plans are robust and that appropriate precautions are being taken to safeguard their employees and customers.

We also forge partnerships with community groups, customers, partners and tenants across our business through funding and in-kind support, not least during the COVID-19 pandemic.

Macquarie Group Foundation

The Foundation carries out social impact work for Macquarie Group, helping its people, businesses and communities build a better future.

Recognising that many people around the world face systemic barriers to employment, the Foundation focuses on breaking down these barriers and building effective pathways to employment. Around the world, the Foundation supports more than 30 employment-focused grant partners, which are helping underrepresented people overcome barriers to employment, education, and training.

Macquarie volunteers further support these organisations by participating in mentoring, training, knowledge sharing and employability programs.

To expand the scope and scale of the Foundation's social impact in this area, Macquarie Group allocated \$A20 million to social impact investments, in addition to its philanthropic grants program. Together, these funds support non-profit organisations globally to create more equitable employment opportunities for underserved communities.

The Foundation is also partnering with Macquarie's Operating Groups, including MAM, to deliver social impact through shared valued initiatives, which align commercial value with impact. The green jobs program, created in partnership with Generation UK, is one example.

Diversity, equity and inclusion

We believe a culture that supports diversity, equity and inclusion in everything we do – in MAM and across our assets and investments – is essential to our role as an employer and steward.

The varied experiences, skills and views of our people allow us to make better decisions, deliver a broad range of services to clients around the world, and gain a stronger understanding of the communities in which we operate.

In May 2022, we hired a Global Head of DEI whose sole focus is helping MAM, our portfolio companies, and the boards that serve them become more diverse, inclusive and equitable.

As part of these efforts, we have a greater focus on DEI dimensions beyond gender, such as race, ethnicity and sexual orientation.

Our strategy is underpinned by metrics and analytics, which now include demographic data on disabilities, race and sexual orientation (where data privacy rules allow). Our DEI reporting aligns with and, in many cases, goes beyond industry standards such as those set by the Institutional Limited Partners Association and the Investment Company Institute.

Macquarie
London office,
United Kingdom

In November 2022, we refreshed MAM's DEI Strategy and created a three-year roadmap, focused on:



Bold leadership: Each of our staff understands our role, sets mandatory DEI objectives and is held accountable for making MAM more diverse, equitable and inclusive at the end of the year. Everyone understands their role and accountability in making MAM more inclusive.



Equitable people processes: These aim to deliver greater equity within MAM's talent processes of hiring, developing and promoting our people. Ultimately, they ensure that everyone can thrive based on the contribution they make.



Inclusive culture: We seek to bolster our already inclusive culture through training and by embedding DEI in our daily practices.



Clients, portfolio companies and partners: We partner with our clients, advisors and portfolio companies, many of which now have strong DEI strategies, to drive greater equity in our communities.



DEI at our portfolio companies

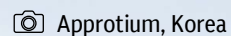
Our efforts also extend to our Real Assets portfolio companies, where we have further enhanced our focus on DEI through the investment lifecycle.

We've expanded our minimum requirements by, for example, requiring each portfolio company to have a DEI policy and strategy, with progress reviewed annually by the company board. We are also collecting more workforce data on diversity demographics (such as on race and sexual orientation) and practices.

We continue to upskill Real Assets portfolio company nominee directors, human resources directors and investor-facing teams to enhance the progress of DEI efforts. Similarly, we continue to advise our portfolio companies on their DEI goals, and have created various toolkits to help them make progress.



Goal: Portfolio companies to establish **board-approved DEI strategies** within 18 months of acquisition



Workplace health and safety

Investing for a better future starts with everyone going home each day in the same condition they arrived. It's about making sure our operations are safe for workers, users, customers and communities.

We believe a safe workplace is also a productive workplace, with a more engaged workforce and a better relationship with the broader community. We are committed to building and promoting safe workplaces which enable and empower our people to do their best work. To achieve this, we build and maintain a safety-positive workplace culture and manage our WHS risks effectively.

WHS at our portfolio companies

In our Real Assets business, our approach to safety starts with a thorough understanding of the portfolio companies we are investing in.

For portfolio companies where we have control or significant influence, we prepare a comprehensive transition plan to embed the standards that we know will reduce safety risks to an acceptable level and improve the reliability of the business.

We then focus on establishing an open and transparent culture where employees are encouraged to raise issues and speak up.

We seek to ensure WHS frameworks are implemented by portfolio company management and specialist operators, including, where relevant:

- regular training and competency assessment of employees
- rigorous due diligence, selection and management of contractors and their sub-contractors thorough induction training for new employees, contractors and visitors
- an open culture for reporting of near misses and non-compliant working practices
- reward and recognition for employees and contractors setting exceptional standards
- fair consequence management reviews for employees and contractors where compliance concerns are identified
- measuring, monitoring and governing the progress of WHS performance to effectively manage WHS risks and drive continuous improvement (e.g., through audits, inspections, etc.)
- management and board meetings held at regional operating facilities to allow opportunities for the management and directors to discuss WHS matters directly with company employees.

To provide support and leadership on WHS issues, our in-house specialists work with MAM-nominated NEDs. This includes training to support them in seeking the adoption of best practice in their roles on asset boards and advice and guidance on specific business issues.

Further information

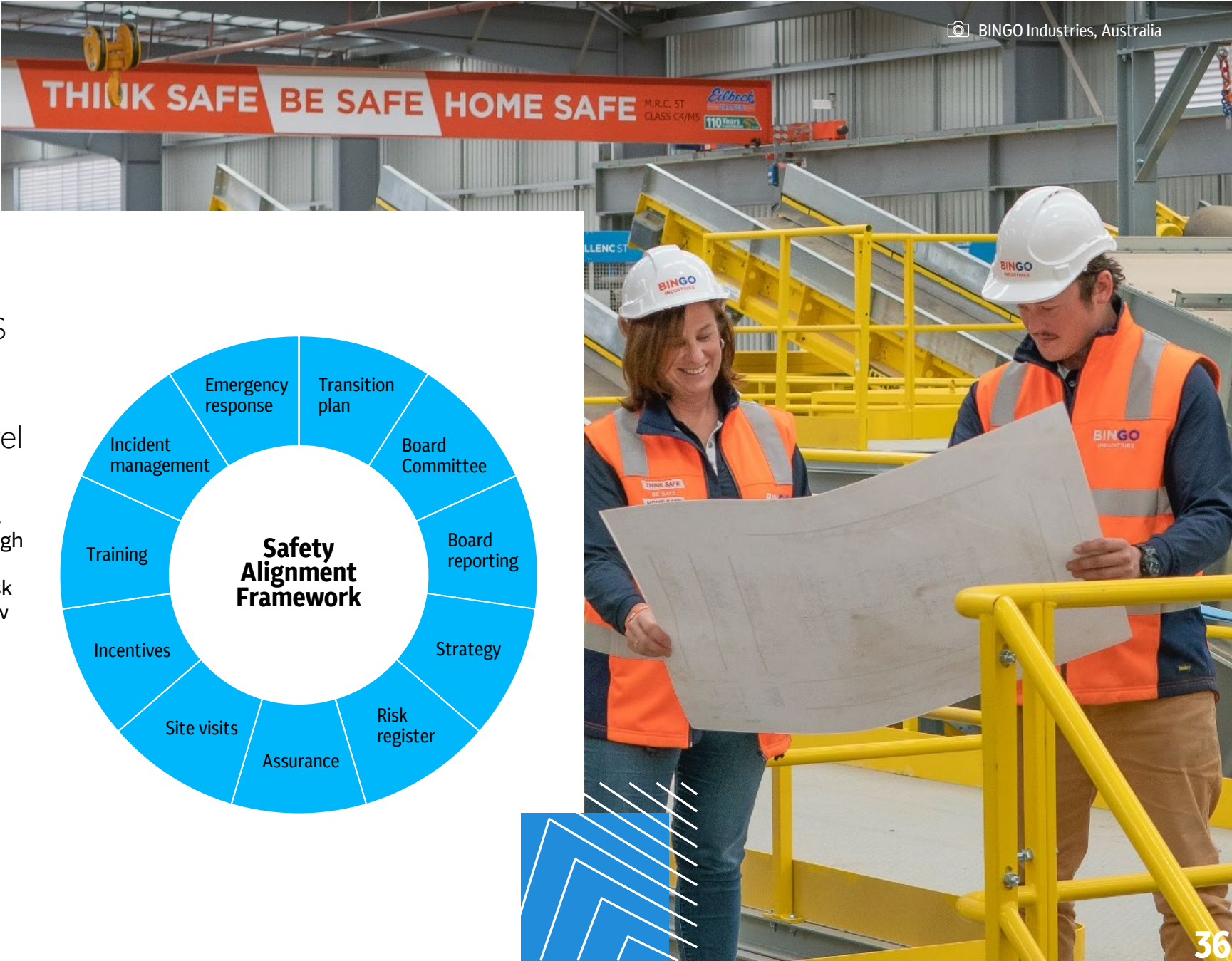
See Macquarie Group's [Work Health and Safety Policy](#) for further information.

WHS at our portfolio companies

Our proprietary Safety Alignment Framework (SAF) establishes the WHS expectations for nominated NEDs in our infrastructure, agriculture and real estate businesses and deepens the level of accountability for WHS outcomes.

The SAF has 11 elements that set key areas for action, from initial due diligence and transition planning through to operations. The SAF defines and assesses progress against minimum standards, covering areas such as risk management, board reporting, training, incident review and emergency response.

In recent years, the SAF has increased the confidence and capability of our directors to understand how to reduce WHS risk across the platform. It has added structure to the care that directors have always exercised – setting standards for how safety is to be governed in portfolio companies. Semi-annual SAF assessments provide an opportunity for directors to reflect on their successes and challenges, and to set goals for the next six months.



Human rights and modern slavery

In recent years, the COVID-19 pandemic, armed conflicts and climate change have heightened the risk of modern slavery.²³

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

We support fundamental human rights as set out in the Universal Declaration of Human Rights and core International Labour Organization conventions. In line with the UN Guiding Principles on Business and Human Rights, we recognise the duty of states to protect human rights

and the fundamental responsibility of businesses to respect these rights.

Macquarie's Modern Slavery Act Transparency Statement outlines the actions we undertake to identify and mitigate the risk of modern slavery and human trafficking occurring in our business operations and supply chain. Many of our Private Markets assets report in respect of their human rights policies and practices annually via the GRESB assessment and periodically during our portfolio company deep-dives. At a minimum, the modern slavery framework they adopt must be adequate to ensure compliance with relevant regulations and standards in the countries and industries in which the portfolio company operates.

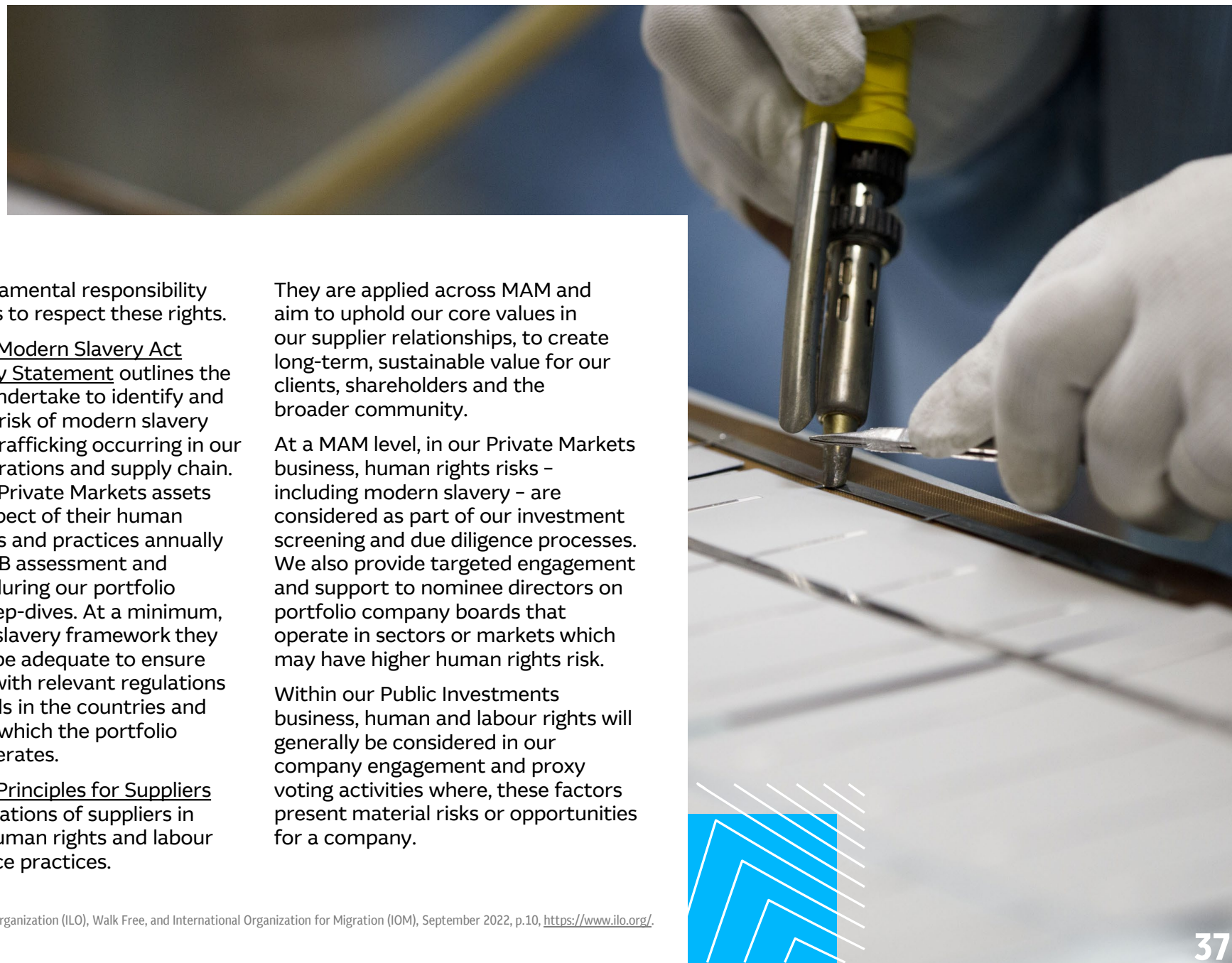
Macquarie's Principles for Suppliers cover expectations of suppliers in relation to human rights and labour and workplace practices.

They are applied across MAM and aim to uphold our core values in our supplier relationships, to create long-term, sustainable value for our clients, shareholders and the broader community.

At a MAM level, in our Private Markets business, human rights risks – including modern slavery – are considered as part of our investment screening and due diligence processes. We also provide targeted engagement and support to nominee directors on portfolio company boards that operate in sectors or markets which may have higher human rights risk.

Within our Public Investments business, human and labour rights will generally be considered in our company engagement and proxy voting activities where, these factors present material risks or opportunities for a company.

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



04

Governance

EDGE Suedkreuz Berlin, the most sustainable office building in Germany, according to the German Sustainable Building Council's DGNB system.²⁴

24. Christine Schröder, 'Truly outstanding: the Edge Suedkreuz office complex in Berlin', 14 September 2022, <https://blog.dgnb.de/>.

Corporate governance

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

Governance framework

A sound risk culture has always been integral to Macquarie’s approach to risk management. Business ownership of risk is an essential element in understanding and managing risk. Each business team is responsible for identifying risks within its business and ensuring they are managed appropriately.

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

Our Risk Management Framework is based on a ‘three lines of defence’ model, which sets risk ownership responsibilities functionally independent from oversight and assurance.

Macquarie Sydney office, Australia

Risk Management Group (RMG)

Provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie’s material risks

MAM

Primary responsibility for risk management lies with the business

Risk owner is the first line of defence

All staff are expected to manage risks in accordance with the Risk Management Framework

RMG internal audit

Provides independent and objective risk-based assurance on compliance with, and effectiveness of, Macquarie’s financial and risk management framework

ESG Framework

ESG risk identification and mitigation are core components of our Risk Management Framework.

MAM's ESG Framework comprises our business-aligned ESG policies, as detailed in the overview section of this document, together with supporting guidance specific to each business.

MAM ESG-related policies are also aligned with the broader Macquarie approach set out in its Environmental and Social Risk (ESR) Policy, which establishes group-wide processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks.

MAM reports at least semi-annually to Macquarie's board on our compliance with the Macquarie ESR Policy and other Macquarie requirements.

Macquarie Sydney office, Australia

Further information

Macquarie Group's ESG-related policies and practices can be [found here](#).



Organisational structure

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

Our Group Head is responsible for ownership of MAM's material risks (including ESG-related risks) that arise in, or because of, our business operations. Our Executive Committee has ultimate responsibility for approving MAM's ESG Framework, including major ESG policies. Our Chief Sustainability Officer, appointed in June 2022, reports to the MAM Group Head and is a member of MAM's Executive Committee. A simplified organisational chart of the key teams involved in supporting and integrating our ESG Framework across MAM is shown on the following page.

Our Sustainability team is responsible for setting MAM's overall sustainability strategy and ESG Framework. It provides specialist expertise on environmental and certain social issues, as well as supporting investment and asset management teams in harnessing ESG opportunities across MAM's portfolios. The team works with other MAM specialist teams including Investment Performance, DEI, WHS, Technology and Innovation, and Human Capital as well as a number of ESG-related committees and working groups.

Each of our Private Markets businesses – Real Assets, Real Estate and Private Credit – has a governance structure to address sustainability considerations as they pertain to their specific asset classes and relevant ESG challenges. For example, MAM Private Credit has an ESG Working Group that is responsible for implementing and monitoring the application of ESG principles, policies and procedures throughout our Private Credit business. The working group includes subject matter experts in debt products – including from across our risk, sustainability, legal and operations teams – to ensure the framework is fit for purpose.

Relevant specialists aligned with each business also work in close collaboration with our Risk team, which is responsible for ensuring all risks, including ESG risks, are identified and managed across MAM.

MAM's Chief Risk Officer reports directly to MAM's Group Head, ensuring independence between MAM's Risk and transaction or portfolio management teams.

Our Risk team has an escalation line into Macquarie's Head of Operational Risk.

The Environmental and Social Risk (ESR) team within Macquarie's Risk Management Group (RMG) assists Macquarie staff in identifying and managing environmental and social risks. RMG ESR supports MAM with a range of specialists to provide guidance and oversight in our collective approach towards ESG. RMG Compliance works closely with MAM and RMG ESR to advise on the regulatory aspects of ESG-related risk.

Further information

See [MAM's 2022 Stewardship Report](#) for more information on our ESG governance practices

Representation of key functions relevant to sustainability in MAM



Regulation and reporting

We aim to go beyond reactive compliance to future-proof our business and our investments by proactively considering the impact of existing and future regulations on our portfolios and investors. Where possible, we also help shape the industry response to emerging requirements.

Regulatory change

We are actively tracking more than 50 current and forthcoming sustainable finance regulations and taxonomies globally that may impact our business. These regulations seek to encourage capital flows into sustainable activity, ensure appropriate management of climate and other sustainability related risks, and minimise greenwashing.

To ensure we are prepared to meet regulations as they come into force, we have taken a number of actions, including:

- **strengthening** our expertise with a dedicated sustainability legal team
- **establishing** cross-disciplinary working groups to ensure the requirements of new regulations are met
- **investing** in systems and data and developing processes and governance to operationalise the required reporting
- **training** our teams across MAM on emerging regulations and their implications
- **conducting** teach-in sessions for investors and preparing briefing materials to explain the regulations and their practical implications for our funds
- **adapting** investment strategies and structuring specific products to meet client needs and expectations, such as in alignment with the EU Taxonomy for Sustainable Activities.

Macquarie Sydney office, Australia

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

For example, MAM is a member of the UK's Investment Association, through which we have provided feedback on various regulatory consultations, including the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy, and we participate in the association's SFDR and Task Force on Climate-Related Financial Disclosures (TCFD) regulatory forums. We also regularly participate in industry roundtables on sustainable finance-related regulatory change and legal developments.

Reporting

Transparency and accountability through improved disclosure are important means of addressing greenwashing risk.

We continue to enhance our sustainability reporting to clients. For example, in MAM's Real Assets business, we are reporting more data points and providing deeper insights into the sustainability performance of fund portfolios to clients, including reporting in line with TCFD recommendations and reporting contributions to the UN SDGs.

Data quality and coverage also remain a focus. In FY23, we established a new Sustainability Data and Reporting team, alongside an ESG data platform, to centralise and enhance our governance and insights.

At the MAM level, we report annually on our activities and progress on implementing the PRI's six principles, in accordance with the PRI reporting framework. In addition, in 2022 we submitted our second [MAM Stewardship Report](#), after having been accepted as a signatory to the UK Stewardship Code.

This report sets out our approach to investment stewardship across our global portfolio and how we meet the Code's 12 principles. It has since been approved by the Financial Reporting Council.

Our reporting is complementary to Macquarie's ESG reporting. Macquarie also reports annually on its sustainability progress, including MAM's activities, within the [Macquarie Group ESG Report](#). This report is prepared in accordance with the Global Reporting Initiative's standards and is complemented by selected SASB standards and accounting metrics.

Macquarie also regularly reports on its progress implementing the TCFD recommendations.

Further information

[MAM PRI disclosure](#)

[MAM 2022 Stewardship Report](#)

[GIG 2022 Progress Report](#)

[Macquarie Group FY23 GRI Index Table](#)

[Macquarie Group FY23 SASB Index Table](#)

[Macquarie Group Net Zero and Climate Risk Report](#)

[MAM SFDR Principal Adverse Sustainability Impacts Statement](#)

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For more information, please contact us

MAMsustainability@macquarie.com