

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.

Macquarie’s ESG approach is structured around focus areas considered to be material to our business. Building on our principles of opportunity, accountability and integrity, these focus areas reflect the risks and opportunities identified by the business and the issues of interest to our stakeholders.

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.

Our focus areas include:

- business conduct and ethics⁽¹⁾
- ESG risk management
- investments, markets and products
- sustainability in direct operations
- people and workplace.

To gain a complete view of Macquarie’s ESG approach, this ESG report should be read in conjunction with other sections of this Annual Report.



More detailed information is also available at macquarie.com/ESG

FY2019 ESG highlights

\$A7.9b

invested or arranged in renewable energy and energy efficiency projects in FY2019



13,530 MW

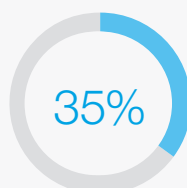
of renewable energy assets in operation or under management as at 31 March 2019⁽²⁾



top-three rating for Australian ESG research by Australian Institutional Investors

273

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



Scope 2 direct emissions reduced by 35% from FY2009 baseline



over 4,000 classroom events and 300,000 online courses and knowledge tests delivered to our staff



9m

energy meters (installed and awaiting installation) in the UK⁽³⁾



\$A60m

provided over the life of our electric vehicle finance program⁽³⁾

~500
stakeholders

attended Macquarie Green Investment Group (GIG) Green Conference held in London

(1) Business conduct and ethics are discussed further in the Corporate Governance Summary in this Annual Report and in the Corporate Governance Statement on the Macquarie website at macquarie.com/leadership-corporate-governance

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

(3) Since the beginning of the program.

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.

Macquarie's Environmental and Social Risk (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.

ESG risk management

Macquarie recognises that failure to manage ESG risks could expose the group to commercial, reputational and regulatory impacts and affect communities, the environment and other external parties. 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 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, as well as through access to ESG research and specialist training.



More detailed information is available at macquarie.com/ESG

ESR in transactions

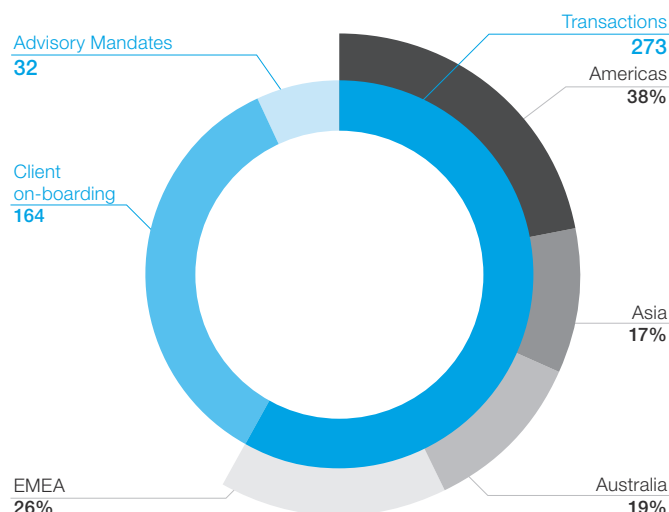
Environmental and social risks are managed through the implementation of the *ESR* and *Work Health and Safety (WHS) Policies*.

Macquarie's *ESR Policy* describes our approach to ESR management in client on-boarding 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.

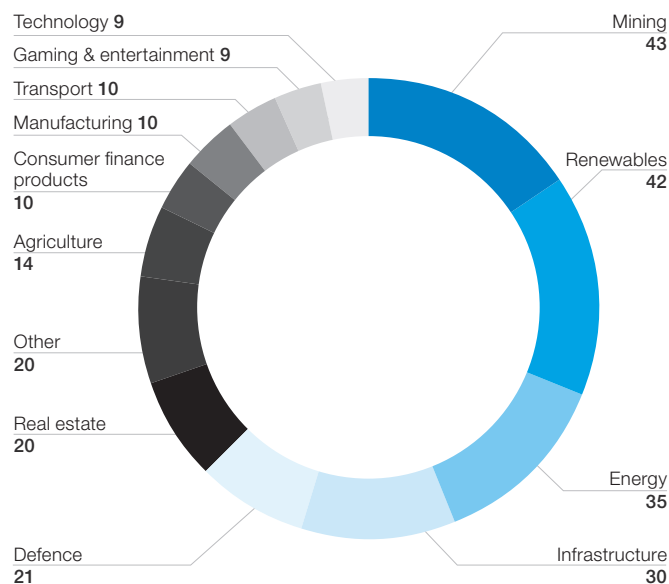
The ESR team oversees the operation of the *ESR Policy*, reviewing transactions and providing specialist advice and training. In FY2019, in-person training was delivered to over 580 risk managers and those in specific business groups with greatest potential exposure to environmental and social risks (250 in FY2018).

In FY2019, 273 transactions were assessed under the *ESR Policy* (264 in FY2018), and 32 advisory mandates (50 in FY2018) and 164 client on-boarding cases (64 in FY2018) were referred to the ESR team for review.

ESR Policy referrals



Transactions assessed under the ESR Policy by sector



For operating assets in which Macquarie has an equity interest, Macquarie continued to facilitate work health, safety and environmental management improvements through the implementation of the *WHS* and *ESR Policies* and associated frameworks, which are based on international standards.⁽⁴⁾

The Policies are updated periodically to respond to identified opportunities for improvement and emerging issues.

(4) '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.

Environmental, Social and Governance

Continued

Climate-related risk disclosures

Climate change and the associated legislative and regulatory responses present significant challenges for society and the global economy. They generate both risks and opportunities for Macquarie's business and stakeholders.

Macquarie supports the important work of the Task Force on Climate-related Financial Disclosures (TCFD) and is actively implementing the TCFD recommendations.

Climate change governance

Climate change risks are overseen at the highest level of the organisation through our ESG governance framework. Macquarie's CRO is responsible for embedding climate change risks into the risk management framework.

Macquarie's internal Green Committee, reporting to Senior Management, promotes and coordinates business development opportunities related to the low carbon economy. Senior Management and the BGCC receive regular reports on climate-change related risks and opportunities.

Strategy

The financial sector has a critical role to play, alongside government, business, investors and the community in the transition to a low-carbon and climate resilient economy.

Our climate change approach seeks to support this transition by:

- identifying and leveraging opportunities for low carbon and climate resilient investment and trading for Macquarie and our clients
- assessing and managing the risks arising from climate change and future carbon constraints
- collaborating with industry, government and other stakeholders to share knowledge and build capacity
- managing our own carbon footprint.

Private capital is critical to delivering the scale of response necessary to meet the Paris Agreement. Macquarie uses its expertise to support the mobilisation of capital to meet this demand by:

- developing assets, investing and providing asset financing solutions in the renewable energy, clean technology and energy efficiency sectors
- making principal investments that will support the increase in volume and value of low carbon and clean assets in both established and emerging markets
- providing clients and staff with research on the economic, policy and business impacts of climate change and emerging technologies
- assisting industry participants to prepare for compliance with carbon regulation and providing carbon risk management products.

Further information on our investment activity to support the transition to a low-carbon economy is provided in the Investments, markets and products section of this report.

Scenario analysis

In FY2019, we sought to use scenario analysis to assess potential risks and impacts to our business from climate-related risks. We built on the portfolio heat-mapping conducted in the prior year for our lending and equity portfolio, focusing on the oil, gas, coal and power generation sectors.

We selected two divergent scenarios representing plausible transition pathways that were based on the International Energy Agency (IEA) Sustainable Development Scenario and IEA New Policies Scenario.

Scenario	Key assumptions
Decarbonise Scenario (based on IEA Sustainable Development Scenario)	<ul style="list-style-type: none">– reflects a pathway to reduce emissions in line with the Paris Agreement to limit warming to <2°C by 2100– by 2040 renewables make up 63% of global electricity generation– emissions peak in 2020 and decline thereafter– carbon price is implemented that varies across regions, reaching \$US140 per tCO₂ in Europe and North America by 2040.
Business as Usual (BAU) Scenario (based on IEA New Policies Scenario)	<ul style="list-style-type: none">– reflects a pathway where emissions continue to rise, resulting in warming reaching 3–4°C by 2100– by 2040 renewables make up 40% of global electricity generation– carbon price is implemented that varies across regions, reaching \$US48 per tCO₂ in Europe by 2040.

The methodology developed to assess transition risk used a combination of qualitative and quantitative analysis. We mapped the climate scenarios to risk impact pathways to assess potential financial implications for the coal, oil and gas, and power generation sectors. The sector level modelling indicated potential for increased default rates for coal sector counterparties under both scenarios in the short, medium and long term. However, the impact on Macquarie is not considered material given the limited exposure of our lending portfolio to this sector.

The oil and gas sector modelling indicated potential for marginally increased default rates under both scenarios. Potential impacts were assessed to be slightly higher for the Decarbonise Scenario across the short, medium and long term. However, the impact across both scenarios is limited and would not be considered material to Macquarie. Across coal, oil and gas any potential impacts would be further mitigated by the relatively short tenor of the exposures in these sectors.

Risk management

Consistent with our strong risk management focus, Macquarie considers climate change and future carbon constraints within the existing risk framework. Climate-related risks, including physical risks and transition risks such as changes to laws and regulations, technology developments and disruptions, are factored into the credit and ESR analysis for transactions and counterparties in exposed sectors.


Climate-related metrics

Macquarie acknowledges that conventional energy sources will continue to deliver capacity to the global energy system for some time, but anticipates that our businesses will adapt, adjust and continue to seek new opportunities to drive the decarbonisation of the global economy.

The table below provides Macquarie's equity and loan portfolio exposures to the coal, oil and gas and renewables sectors as at 31 March 2019. Our exposure to the coal and oil and gas sectors account for 1% of our total funded loan assets and 4% of our total funded equity investments.

Sector	Loan assets ⁽⁵⁾ \$Ab	Equity investments ⁽⁶⁾ \$Ab
Oil and gas	0.7	0.2
Coal	0.2	-
Renewables	-	0.9

Macquarie's operational emissions are presented within the Sustainability in direct operations section of this report.

 More detailed information on our TCFD approach is available at [macquarie.com/ESG/climate-change-approach](https://www.macquarie.com/ESG/climate-change-approach)

(5) Total funded loan assets include 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. In addition, loan assets at amortised cost per the statutory balance sheet are adjusted to include fundable assets not classified as loans on a statutory basis (e.g. assets subject to operating leases). Total funded loan assets amount to \$A83.0 billion as at 31 March 2019 (\$A75.3 billion as at 31 March 2018). Coal related loan assets reported in FY2018, were \$A0.1 billion, this reflects a restatement due to previous inclusion of collateralised prepayments and leases that are not assessed to be resource exposed.

(6) Equity investments are reported on a funded balance sheet basis and therefore exclude equity hedge positions and non-controlling interests. Total funded equity investments amount to \$A5.9 billion as at 31 March 2019 (\$A6.8 billion as at 31 March 2018).

Investments, markets and products

Macquarie continues to pursue opportunities for innovative investments, markets and products that support clients seeking to manage and respond to sustainability challenges and capitalise on emerging opportunities.

Drawing on our global network, sector expertise and strong record, Macquarie provides a diverse range of products and services with an ESG focus to corporate, government and institutional clients. Our activities span the investment cycle from research on alternative energy to tailored capital solutions for the development and construction of renewable assets.



Principal investment

- 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



Asset management

- real asset management, including green infrastructure
- securities investment management and structured access to funds
- equity-based products and alternative assets



Advisory

- financial advisory
- debt and equity arrangement
- green financial institution advisory
- green impact assessment, reporting and ratings



Trading

- emission allowances and renewable energy certificates
- inventory financing for environmental markets
- derivative financing for renewable energy projects
- environmental risk management solutions



Research

- specialist ESG and alternative energy research
- corporate and investor ESG engagement programs

Environmental, Social and Governance

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Renewable energy

Macquarie has a substantial and longstanding commitment to the renewable energy sector, supporting the transition to a lower carbon economy by servicing clients across various renewable energy technologies including solar, wind, waste to energy, bioenergy and energy efficiency.

Macquarie offers a full range of financial services and products across the group that target investments in green infrastructure projects across all stages of the project lifecycle: development, construction and operations.

Onshore wind



As the cost of renewable energy continues to fall, governments around the world look to maintain investment and capacity growth while reducing reliance on traditional subsidies. In this challenging environment, Macquarie's GIG was able to bring two Swedish onshore wind developments to financial close, utilising innovative corporate power purchase agreements (PPAs).

Markbygden Ett is Europe's largest single-site wind farm under construction, with a capacity of 650 MW. GIG secured a 19-year fixed volume PPA with a subsidiary of Norsk Hydro, one of the largest aluminium producers in the world, to provide commercial underpinning for the project. The PPA is understood to

currently be one of the largest corporate wind energy PPAs in the world.

The Överturingen wind farm (under construction), also in Sweden, is underpinned by another GIG secured PPA with Norsk Hydro. A 29-year fixed volume agreement, this PPA is believed to be one of the longest corporate wind PPAs globally.

The structuring applied to these projects allows renewable energy generated from intermittent sources to not only compete with fossil fuel generation on cost, but also on reliability. It is one way in which commercial PPAs can improve the attractiveness of renewable generation, helping to support efficient investment in new infrastructure as subsidy revenues diminish.

Solar



The falling cost of solar is making the technology increasingly competitive and attractive to utilities, independent power producers and corporates. Innovations, such as co-location with storage, are also increasing the flexibility of our energy system, enabling an ever-higher integration of solar power.

Macquarie Principal Finance, in collaboration with various installation partners, is in the process of delivering more than 45 MWp of solar installations for two major corporate clients in the UK.

In June 2018, GIG announced a joint venture with solar company Candela to create Candela Renewables. Candela Renewables will target the creation of more than 1 GW of new solar capacity by developing greenfield solar projects across the US.

In August, GIG acquired a significant solar development portfolio and expert team from Conergy Asia and Middle East. The portfolio includes solar development assets in the Asia Pacific region, commercial, technical and energy storage capabilities and an asset monitoring facility. Following the acquisition, GIG's first in Asia, Conergy has established a technical centre of excellence to assist Macquarie's global solar business.

Macquarie Infrastructure Debt Investment Solutions (MIDIS) made two Spanish solar allocations during the year. It participated in a €140 million bond issuance for a portfolio of 12 operational solar plants owned by Sonnedix and also provided €67 million of long-term debt to a portfolio of 10 operational solar plants owned by Eliantus Energy.

Waste to energy



Providing investment capital and finance, Macquarie has supported more than 30 waste and bioenergy projects globally. In the UK, GIG has been central to the expansion of the waste and bioenergy sectors over the past five years.

Macquarie Capital advised, co-developed and invested in Australia's first large-scale waste to energy (WtE) facility which is scheduled to open in Kwinana, Western Australia, by the end of 2021. When the facility is operating at capacity it is estimated to be able to process 400,000 tonnes of waste per year and prevent more than 400,000 tonnes of carbon dioxide emissions each year.

In December 2018, GIG and partner Covanta also announced financial close on the acquisition of a 50% stake in the

Earls Gate Energy Centre, a 21.5 MWe WtE facility in Scotland. This combined heat and power project will divert 216,000 tonnes of waste from landfill per year. Construction commenced in 2019 and the project is anticipated to become operational in late 2021, creating up to 500 jobs during construction.

In February 2019, Macquarie Infrastructure Partners (MIP) acquired Wheelabrator Technologies Inc., which currently has a platform of 25 strategically located assets in the US and the UK, including 19 WtE facilities (three under construction), two waste fuel facilities and four ash monofills. Wheelabrator also recovers metals for recycling at two advanced metals recovery systems and is in the process of developing a central upgrade facility.

Social infrastructure

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

Social and affordable housing



Social infrastructure offers investors long-term opportunities in regulated not-for-profit sectors, and provides added societal benefits.

With the introduction of the National Disability Insurance Scheme (NDIS), the Australian Federal Government has reformed the disability sector. Part of the reform is to stimulate construction and supply of Specialist Disability Accommodation (SDA) properties. In response, Macquarie Specialised Investment Solutions has partnered with Summer Housing to fund disability accommodation. Ten dwellings in Fairfield, Victoria, were completed in December 2018, enabling people with disability to live in high-quality, accessible housing integrated in the community.

In the UK, the shortage of affordable homes, coupled with high property prices relative to wages, continues to drive the need for social housing. Housing associations increasingly look to raise private sector finance to address the housing crisis. MIDIS is supporting Alliance Homes Group's ambition to improve the situation by providing debt facilities of £150 million to support development of over 1,000 new homes while they continue to provide support services to their communities, own care facilities, and undertake programs to support tenants back into employment. MIDIS has completed two transactions in the UK not-for-profit social housing sector this year, with debt commitments of £140 million and uncommitted facilities of £160 million.

Environmental, Social and Governance

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Asset management

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

Macquarie's experienced teams offer clients specialised investment products tailored to their particular ESG requirements. Examples include:

- **Macquarie Investment Management (MIM) Socially Responsible Investing (SRI) products:** MIM has longstanding experience in investing in companies that incorporate positive ESG behaviour into their business operations. MIM offers specialised products to investors that, in addition to focusing on positive ESG behaviour, also exclude companies whose business participates in specifically identified negative ESG practices. Total assets managed under these SRI strategies was \$US750 million as at 31 March 2019 (\$US703 million as at 31 March 2018).
- **MIM** offers wholesale clients customised investment solutions aligned to their specific ESG goals or screening preferences. Wholesale clients investing in these strategies have access to a research process that includes embedded ESG-focused factors. The combined funds under management covered by these strategies were \$A500 million as at 31 March 2019 (\$A600 million as at 31 March 2018).
- **MIM Austria** provides ESG fixed income investing, offering products managed according to a disciplined ESG selection process with total assets managed of €506 million as at 31 March 2019 (€201 million as at 31 March 2018).
- **Macquarie Infrastructure and Real Assets (MIRA)**, in conjunction with the Clean Energy Finance Corporate (CEFC) and CSIRO, has formed a committee to promote actions which reduce energy use and emissions in agriculture in a manner that is consistent with the Paris Agreement. This first-of-its-kind initiative was catalysed by the CEFC's investment of \$A100 million in an agricultural portfolio managed by MIRA, which is targeting improved on-farm energy efficiency and reduced carbon emissions. The initiative aims to directly influence the sector through its on-farm work and demonstrate that low emissions and climate-adapted farming can be conducted without compromising objectives and returns.



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

Sustainability in direct operations

Macquarie's direct environmental and social impacts predominantly relate to the operation of our tenanted offices and data centres, air travel and the resources consumed by these activities.

Macquarie strives to integrate resource efficiency and sustainability into the day-to-day operations of our offices and corporate operations through the implementation of our Environmental Management Plan (EMP). The EMP reflects the initiatives to be implemented to reduce resource usage, maintain carbon neutrality, occupy and invest in sustainable buildings and improve the sustainability of Macquarie's supply chain.

Emissions from energy use

Whilst Macquarie's absolute emissions increased by 15% in FY2019, attributed to an increase in Scope 3 emissions, our total Scope 2 emissions decreased by 10% from FY2018. Scope 1 emissions are not considered to be material, comprising 0.6% of Macquarie's total emissions.⁽⁷⁾

The reduction in Scope 2 emissions is the result of a continued focus on energy use in all Macquarie premises globally, including retrofit and fit-out projects that have delivered more energy efficient premises and our IT cloud transformation strategy that enables rationalisation of servers. 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 FY2019, Macquarie's New York City headquarters began sourcing 100% renewable energy.

Macquarie's Scope 3 emissions increased by 38% compared with FY2018 due to an increase in flight miles with 56% of our staff based offshore. We continue to encourage the use of virtual conferencing that facilitates collaboration and helps reduce the need for business travel.

(7) PwC has provided limited assurance over selected information for the FY2019 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 FY2019 as well as a definition of the different scopes.

Carbon neutrality

Since 2010, Macquarie has maintained our carbon neutral commitment by working to reduce and offset emissions. In FY2019, to meet this commitment, Macquarie purchased and retired a portfolio of voluntary carbon offsets focusing on project quality and verifiable emissions reductions. Carbon credits that met Verified Carbon Standards and Climate, Community and Biodiversity Standards were purchased from projects in Peru and Zimbabwe. These projects, supported by the sale of carbon credits on international markets, provide solutions to reduce carbon emissions in the countries and communities in which they operate.

Resource efficiency

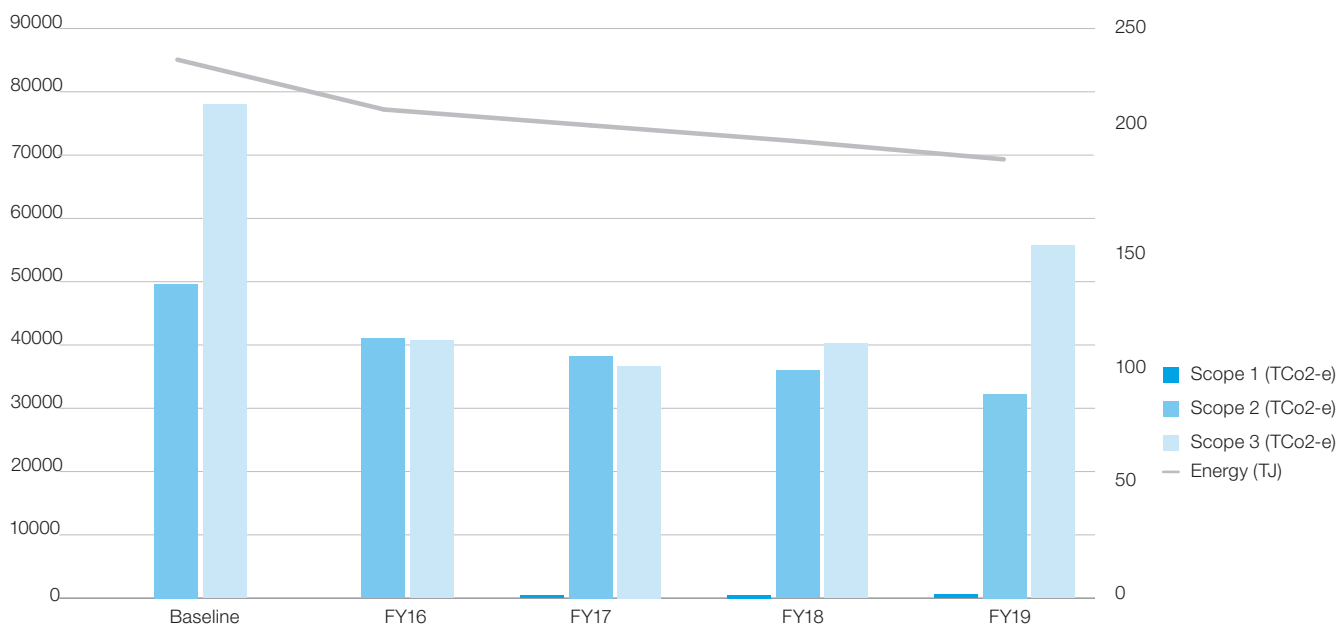
We continue to implement initiatives to raise staff awareness and improve recycling rates across our regional headquarters, including the successful completion of a program to eliminate single use cups at 1 Martin Place, Sydney. In all major Sydney offices and our London headquarters, we reached an average recycling rate of 47%.

In FY2019, paper use decreased by 15% compared to FY2018. Paper use data is collected across the majority of Macquarie's offices, representing approximately 90% of Macquarie staff. The environmental impacts of paper use are also being addressed through an ongoing commitment to use certified sustainable or recycled paper stock.

Carbon and energy data for FY2019

Carbon emissions in TCo2-e

Energy use in TJ



Sustainable procurement

As part of our procurement strategy, Macquarie includes sustainability requirements within tender documents, including consideration of human rights, safe, fair and ethical working conditions, environmental performance and supplier diversity.

In FY2019, all critical and 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 ongoing 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. We engaged indigenous and minority suppliers in Australia and the Americas and updated processes to track the amounts spent with these suppliers.



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

Macquarie responded to the transparency requirements of the UK's *Modern Slavery Act 2015*, producing our third slavery and human trafficking statement that sets out the steps taken to identify and mitigate the risk of modern slavery within the supply chain and business operations.



The statement is available at macq.co/MSA18

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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. We provide a broad range of programs that reflect our *What We Stand For* principles and support the development and wellbeing of our staff. This ensures the business continues to meet the highest standards and serves the evolving needs of our stakeholders.

Diversity and inclusion

Macquarie's ongoing commitment to workforce diversity and 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.

 More detailed information on our approach to diversity and inclusion is provided in the [Diversity Report](#).

Learning and development

Macquarie strives to create an environment where continuous learning is part of an employee's development and progression. This focus on learning and development drives leadership capability and is an important channel through which Macquarie's culture is embedded and reinforced across the organisation. This includes a focus on equipping our leaders with the required mindsets, skills and behaviours needed to successfully lead their people and businesses now and into the future.

Macquarie has a key focus on ensuring our people reach their full potential. Learning opportunities are provided to 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. A holistic approach to learning is taken, blending a mix of formal classroom courses, on-the-job learning, informal coaching, feedback and mentoring, and an array of online resources and training modules.

Commencing with the employee onboarding and orientation process, Macquarie recognises the importance of early employee engagement. This is reflected in 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.

Since 1 April 2018, over 4,000 classroom sessions have been delivered globally to Macquarie staff. A further 300,000 online courses and knowledge tests have been completed by staff, including compliance-related training for new and existing staff (focusing on appropriate workplace behaviour, fraud awareness, anti-bribery, anti-money laundering and counter-terrorism financing and other financial services compliance matters) as well as leadership courses and materials on financial services products.

Leadership development remains a high priority within Macquarie. The *Macquarie Director Program* has continued to see strong demand with 400 Directors completing the program since April 2018, and more than 1,500 Associate Directors and Division Directors having completed the program since its inception in 2014. In addition, almost 50% of Macquarie's top 340 leaders have completed Macquarie's *Executive Director Leadership Program* since its launch in February 2017. Workshop focus areas include self-awareness and leadership impact, wellbeing, cultivating environments of inclusion and innovation, and building networks to identify opportunities and support each other.

Macquarie also continues to focus on developing management capability more broadly through its manager program and investment in executive coaching and mentoring initiatives. In addition to Macquarie-delivered programs, many staff benefit from sponsored education and can pursue career development opportunities at independent institutions such as business schools and through professional bodies.

Regular appraisals, including goal setting and ongoing career development, are a key part of performance measurement and management, and support Macquarie's merit-based culture. As well as encouraging regular and ongoing feedback with managers, Macquarie requires all staff to have at least one formal appraisal session with their manager. During these appraisals, staff are encouraged to raise, discuss and respond to matters relating to training, further education and development of leadership capabilities.

In addition to the annual appraisal, Macquarie's businesses use a range of tools and models to ensure an ongoing focus on performance and development throughout the year. These include the use of 360-degree feedback surveys, personal scorecards and real-time feedback applications, all aligned to the specific needs and context of Macquarie's diverse businesses.

Alongside the structured learning and development curriculum, Macquarie recognises and encourages the social and developmental benefits of skilled volunteering and wider community engagement by staff. During 2018, reciprocal development initiatives between staff and not-for-profit organisations have been built through the Macquarie Group Foundation.



Read Ahead, Foundation Week 2018, New York

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 harm-free 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.

Macquarie has a global WHS management framework that aims to prevent workplace incidents and injuries. This framework allows for the identification and assessment of hazards and application of appropriate control measures to prevent health and safety risks arising from work activities. Macquarie uses forums with health and safety representatives and staff to consult and communicate relevant information on health and safety matters. Macquarie also provides staff with appropriate training on safe work practices.

Macquarie's commitment to providing a safe work environment for all staff is reflected in our consistently low prevalence and severity of workplace incidents. In the year ended 31 March 2019, the Lost Time Injury Frequency Rate (LTIFR) across Macquarie's global workforce was 0.2.⁽⁸⁾

Macquarie's wellbeing program, *Macquarie Plus*, provides a range of benefits and initiatives to optimise the physical and psychological health and wellbeing of staff, including:

- confidential counselling services (Employee Assistance Program)
- educational seminars on a variety of health topics
- health screenings, assessments and flu vaccinations
- fitness classes and sports teams
- psychological wellbeing training

Macquarie Plus is reviewed annually to ensure it continues to promote good health and meet the needs of staff.



Further information is available at macquarie.com/macquarie-plus

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 macq.co/FY19taxtransparency

Political contributions and engagement

Macquarie supports democratic systems of government and believes it needs to be engaged and understand the evolving policy and regulatory environments in Australia and other jurisdictions in which we operate as these impact our business, as well as our clients' businesses.

As a listed financial institution operating in highly-regulated industries, 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 industries, expect us to have detailed current knowledge of public policy issues and drivers when we provide advice and services to them.

Ways in which Macquarie participates in policy engagement include:

- making submissions to inquiries and industry consultation processes where appropriate. These may be processes established by parliaments or government agencies such as regulators, and submissions may be made by Macquarie directly or as part of a broader industry group
- engaging with parliamentarians and policy makers through avenues such as formal meetings, 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. In Australia, industry groups of which Macquarie is a member include the Australian Financial Markets Association, the Australian Banking Association, the Financial Services Council and the Business Council of Australia.

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 political contributions 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.

In the year ended 30 June 2018, Macquarie's political contributions in Australia totalled \$A252,910: Liberal Party \$A128,400, Australian Labor Party \$A113,180, and National Party \$A11,330. Contributions were memberships of political party business forums, attendance at events and party conference corporate days, and sponsorship of events.

About these disclosures

Macquarie's FY2019 ESG disclosures have been prepared in accordance with the GRI Standards: Core option. The ESG disclosures comprise relevant sections of Macquarie's 2019 Annual Report and Macquarie's website. The content of the disclosures is based on Macquarie's ESG focus areas, which have been reviewed and updated in FY2019 through desktop based research, market benchmarking, media analysis and engagement with a range of internal stakeholders across the business.



A GRI index is available at macquarie.com/ESG

(8) LTIFR is the number of lost time injuries per one million hours worked and excludes staff in operationally segregated subsidiaries.