

Macquarie's Board and management view the commitment to sustainability and Environmental, Social and Governance (ESG) performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

To gain a complete view of Macquarie's approach to environmental, social and governance issues, these pages should be read in conjunction with other sections of this Annual Report including: Macquarie Group Foundation, Corporate Governance Statement, Diversity, Risk Management, Remuneration and the Financial Reports.

The year to 31 March 2011 saw a continued increase in sustainability and ESG activity by Macquarie. During this period Macquarie:

- met its commitment to neutralise emissions from office energy use and corporate air travel, including a cumulative reduction in electricity emissions per staff member of more than 15 per cent since 2009, despite a number of acquisitions
- published 26 specialist ESG research publications for clients, investors and staff
- relocated London staff to its new BREEAM Excellent rated Ropemaker Place premises
- implemented its global Environmental Management Plan (EMP) and completed sustainability audits of Macquarie offices worldwide
- developed a bespoke ESG training program for staff
- continued to build business in global carbon markets, clean technology and renewable energy
- made an ongoing contribution to public policy reviews
- supported staff-driven sustainability initiatives across its offices from local conservation efforts to participation in events such as Earth Day and Earth Hour.

Policy and governance

Macquarie has a framework of ESG-related policies that apply across all divisions and entities of Macquarie, covering the following areas:

- corporate governance
- identification and management of environmental risk and Occupational Health and Safety (OHS)
- selection and management of investments and business activities
- ethical conduct by staff, including support from Integrity Officers
- sustainable management of Macquarie business premises
- provision of a safe, diverse and appropriate workplace, including a network of Equal Employment Opportunity Officers
- dealings with external parties such as regulators and public officials
- whistle blowing, anti-corruption and anti-money laundering policies
- greenhouse and energy management and reporting
- management of business and staff conflicts of interest
- engagement by Macquarie and its staff in the wider community through volunteering and pro bono activity, capacity building and staff donations matched by the Macquarie Group Foundation.

This framework is underpinned by Macquarie's *Goals and Values* and *Code of Conduct*. It is also supported by business-specific policies addressing ESG issues in a manner appropriate to their operations. For example, environmental and social responsibility management in asset selection, integration of ESG factors into quantitative analysis and ESG engagement in private equity portfolios.

All Macquarie staff share a responsibility for identifying and managing ESG issues as part of normal business practice. They are supported by Macquarie's:

- Board and Management
- Risk Management Group
- Integrity Officers and Equal Employment Opportunity Officers
- Sustainability Advisory Committee comprising senior executives from across the businesses
- Sustainability and Environment Office
- Research, training and seminars on sustainability and ESG issues.

Where appropriate this involves the use of independent assessments, development of compliance plans and regular reporting of environmental risk management and compliance consistent with Macquarie's Environmental Risk Management Framework. For the financial year to 31 March 2011 Macquarie is not aware of any material environmental issues or penalties within businesses it controls.