
Macquarie's *Goals and Values* and *Code of Conduct* provide the foundation for Macquarie's strong risk management focus which is detailed in the Risk Management Report. The approach to risk management includes a well established framework of ESG-related policies that apply across all Macquarie's divisions and entities and cover the following areas:

- corporate governance
- identification and management of environmental risk
- oversight and management of Work Health and Safety (WHS)
- selection and management of investments and new business activities
- ethical conduct by staff, including support from Integrity Officers
- sustainable management of Macquarie business premises
- greenhouse and energy management and reporting
- 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
- management of business and staff conflicts of interest
- engagement by Macquarie and its staff in the wider community, including volunteering, capacity building and matched donations.

All staff share responsibility for identifying and managing ESG issues as part of normal business practice. They are supported by the ESG governance structure and specifically the Risk Management Group, Sustainability Advisory Committee and Sustainability and Environment Office. In addition, staff have access to specialist research and training on ESG issues.

Macquarie's risk management approach also incorporates business-specific policies that address ESG issues in a manner appropriate to each business line. For example, managing environmental and social issues in asset selection, integration of ESG factors into quantitative analysis or ESG engagement in private equity portfolios. Business lines also employ independent impact assessments, develop compliance plans and regularly report on environmental risk management consistent with Macquarie's Environmental Risk Management Framework. For the financial year to 31 March 2012, Macquarie is not aware of any material environmental issues or penalties within businesses it controls.

Public policy and political engagement

Macquarie supports strong and vibrant democracies and contributes to public policy reviews on a range of matters both directly and through its membership of industry associations. Macquarie's Government Relations team has lead responsibility for maintaining relationships with key government and public sector stakeholders and engaging in policy development through government and parliamentary consultations and inquiries.

Political donations

Importantly, any requests for financial assistance are assessed with the aim of ensuring that multi-party systems deliver both good government and good opposition. In Australia, Macquarie achieves this objective by providing equal financial support to both major political parties. Macquarie has also made political donations in New Zealand and Canada using the same policy approach. Australian political donations account for over 97 per cent of Macquarie Group's total global political donations. Macquarie discloses all of its political contributions in Australia to the Australian Electoral Commission on an annual basis.

Preventing money laundering, terrorist financing and corruption

Macquarie is committed to conducting its business in accordance with all applicable laws and regulations and in a way that enhances its reputation in the market.

Macquarie is committed to being a responsible participant in the financial markets in which it operates. It maintains a risk management framework that is designed to minimise the risk of its products and systems being used to facilitate the crimes of money laundering and terrorist financing.

The framework also supports Macquarie's anti-corruption and anti-bribery initiatives. This includes policies and procedures, training, governance standards, escalation protocols and assurance activities.

The framework ensures that Macquarie:

- meets its ethical obligations to the economies in which it does business
- contributes to the stability, integrity and strength of the global financial system
- establishes the core principles that guide the way Macquarie identifies, mitigates and manages the risk of money laundering, terrorist financing and corruption.

Macquarie employees are required to undertake training to understand their obligations under the relevant laws and regulations governing anti-corruption, anti-bribery and anti-money laundering. In the year to 31 March 2012, Macquarie staff completed mandatory annual compliance training, which supported ongoing knowledge of obligations in these areas.

Regulatory requirements and expectations continue to evolve in the areas of anti-money laundering, counter-terrorist financing and anti-corruption. Macquarie is committed to being at the forefront of adopting new regulatory requirements, ensuring the highest ethical standards are maintained for the benefit of its stakeholders including shareholders, clients and employees.