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## ESG risk management

### Group wide ESG risk management

Macquarie views management of material ESG risks as a component of broader risk management. Macquarie has well established ESG-related policies and practices including:

- corporate governance
- selection and management of investments and undertaking new business activities
- ethical conduct by staff, including support from Integrity Officers
- sustainable management of Macquarie's business premises
- greenhouse gas 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.

In the year to 31 March 2014, Macquarie evolved its ESG framework formalising the approach to integrating assessment of environmental and social issues into investment decision-making across the business.

For operating assets in which Macquarie has an interest, Macquarie continued to facilitate work health, safety and environmental (WHSE) management improvements. In FY2014 key improvements to the management framework included: implementation of a new work health safety (WHS) management system (based on OHSAS 18001)<sup>(1)</sup>, revised reporting requirements, bespoke WHSE training and enhancement of the due diligence requirements. For controlled assets the WHSE management framework specifies minimum requirements based on international management system standards. For non-controlled assets, Macquarie encourages application of the framework.

Macquarie's risk management approach also incorporates business-specific policies that address ESG issues in a manner appropriate to each business line. Businesses employ independent impact assessments, develop compliance plans and regularly report on ongoing environmental and WHS risk management. In certain instances, transactions may be reviewed by key business decision makers, the Risk Management Group or the Executive Committee.

All staff share responsibility for identifying and managing ESG issues as part of normal business practice. They are supported by the Risk Management Group and Sustainability and Environment Office, as well as access to specialist ESG research and training.

### 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 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 to achieve a high level of integrity in all business dealings.

The framework includes policies and procedures, training, governance standards, escalation protocols and assurance activities, and ensures that Macquarie:

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

All 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. Risk assessments are undertaken periodically across all businesses to identify business activities which are more susceptible to abuse, with additional training and oversight efforts directed accordingly.

Regulatory requirements and expectations continue to evolve in the areas of anti-money laundering, counter-terrorist financing and anti-corruption. Macquarie is committed to meeting new regulatory requirements.

A more detailed overview of these policies and procedures is available on the Macquarie website.

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<sup>(1)</sup> Occupational health and safety assessment series. Occupational health and safety management systems – Requirements 18001:2007