

Modern Slavery Act Transparency Statement 2019



Introduction

Macquarie Group (“Macquarie”) is a diversified financial group headquartered in Sydney that provides asset management, leasing and asset financing, retail banking and wealth management, market access, commodity trading, investment banking and principal investment. As at 31 March 2019, Macquarie employed over 15,700 employees in 30 markets. For internal reporting and risk management purposes, Macquarie is divided into five Operating Groups and four Support Groups.

This statement outlines the actions undertaken by Macquarie Group and the Macquarie Group entities that are within the scope of Section 54 of the UK Modern Slavery Act of 2015 (“the Act”) in relation to activities undertaken to identify and mitigate the risk of modern slavery and human trafficking occurring in their supply chains or business for the year ending 31 March 2019. This is the fourth report under the Act.

Policies and processes

Macquarie supports fundamental human rights as set out in the *Universal Declaration of Human Rights* and core *International Labour Organisation* conventions. In line with the *UN Guiding Principles on Business and Human Rights*, Macquarie recognises the duty of States to protect human rights and the responsibility of businesses to respect human rights.

Macquarie aims to identify and mitigate the risk of modern slavery and human trafficking occurring within its supply chain or business operations. Macquarie has an established set of policies and procedures that govern the way it operates. These are relevant to how Macquarie manages potential human rights related issues with regard to its employees, supply chain and business operations and include:

- *Code of Conduct*;
- *Equal Employment Opportunity Policies*;
- *Procurement Policy and Principles for Suppliers*;
- *Financial Crime Compliance framework*;
- *Environmental and Social Risk Policy*; and
- *Whistleblower Program*

Macquarie manages human rights related issues under its Environmental and Social Risk (ESR) Policy and Financial Crime Compliance framework. Macquarie’s ESR Policy establishes processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks across the business. The ESR policy includes a due diligence approach which is intended to identify and manage potential and actual human rights risks, including the risk of forced and child labour or unfair working conditions, in investment decision making and in the screening of new client relationships. The policy is based on international guidelines including the International Finance Corporation Performance Standards and utilises an ESR tool developed to assist assessment. Where applicable, Macquarie’s asset management business also confirms that relevant portfolio companies within the UK funds are in compliance with the reporting requirements of the Act. More information on Macquarie’s human rights policy position is available in the ESR Policy summary.

Macquarie’s Financial Crime Compliance framework, incorporating *Anti-Money Laundering* and *Anti-Bribery and Corruption* policies, includes procedures for detecting, mitigating and managing the risks of financial crime, including those potentially linked to human rights violations. Any proceeds arising from instances of human trafficking would be classified as the proceeds of crime and managed under the Financial Crime Compliance framework.

Macquarie staff and external parties can confidentially report concerns about improper conduct by Macquarie or suppliers to the Integrity Office, an internally independent and confidential function that oversees Macquarie's Whistleblower Program. In 2018, there were no reports of slavery or trafficking through the Whistleblower Program.

Macquarie is also active in a number of external initiatives relevant to addressing modern slavery in the financial sector, including:

- Signatory to the UN Principles for Responsible Investment
- Accredited UK Living Wage Employer
- Mekong Club and the Justice Centre Hong Kong Corporate Change Makers initiatives to combat modern slavery
- Asia Pacific Banks Alliance's whitepaper and toolkit on factors to assess human trafficking risk in the financial services sector

Employees

Macquarie is committed to maintaining a safe workplace that values equal opportunity, is free from discrimination, harassment and victimisation. Macquarie operates in a highly regulated environment and has robust policies and procedures concerning employment screening (including work eligibility checks), employment conditions and appropriate workplace behaviour. All staff are expected to abide by the spirit, as well as the strict requirements, of those policies and procedures outlined in the Macquarie Group Code of Conduct.

Suppliers

Macquarie's global corporate procurement process involves over 17,000 suppliers across 30 countries. The business is primarily office-based with the main supply chain categories comprising technology, premises, financial and other professional services and business travel. Based on sector and supply chain profile, the risk of modern slavery is considered to be relatively limited.

Macquarie endeavours to support human rights through the supply chain by encouraging supplier practices that actively identify, assess and manage human rights issues.

Macquarie's Principles for Suppliers articulate expectations for suppliers, including that suppliers respect human rights, provide safe, fair and ethical working conditions; seek opportunities to improve environmental performance; promote supplier diversity; and not to use child labour¹ or any form of forced or involuntary labour under any circumstance.

Macquarie takes a risk-based approach to supplier management and governance. Suppliers are segmented and classified based on inherent risk and business criticality. Approximately 97% of Macquarie's direct corporate suppliers are in countries and categories considered low risk for modern slavery. The remainder of suppliers are assessed for negative news and will be required to respond to Macquarie's Supplier ESR questionnaire during onboarding. A sample of high-risk suppliers are subject to detailed onsite reviews and where relevant, provided recommendations for improvement.

In the year to 31 March 2019, Macquarie:

- Completed a Supply Chain Environmental and Social Risk Strategy, including a risk-based approach and a maturity model for human rights risk management;
- Deployed a Supplier ESR questionnaire, completed by over 500 suppliers (including all critical suppliers) developed to assess their responsible business credentials including their approach to managing human rights;
- Continued to socialise the Principles for Suppliers;
- Implemented an ongoing risk based ESR assessment programme which involved in-depth onsite assessments with suppliers in high risk jurisdictions and service categories including remediation recommendations;

¹ In accordance with the International Labour Organisation Convention No. 138 concerning the Minimum Age for Admission to Employment

- Established targeted watch lists to monitor potentially higher risk suppliers for negative news using externally recognised ESG risk databases. Macquarie identified potentially non-compliant suppliers and escalated concerns appropriately.

Training and capacity

Environmental and social risk training is provided to staff in key risk functions and business groups and covers the ESR policy and the use of the ESR tool to support the identification of labour and human rights issues. Environmental and social risk and anti-money laundering requirements are also integrated into online compliance and Code of Conduct training. In FY2019 Macquarie developed and delivered specific training on human rights and modern slavery. The training builds technical knowledge of human rights and modern slavery diligence and risks within the financial services context. It also reinforces Macquarie's commitment to managing these issues within our businesses and supply chain.

In the year to 31 March 2019, Macquarie:

- Developed and delivered human rights and modern slavery to over 400 staff across risk, onboarding and vendor management functions;
- Delivered Macquarie's ESR policy training to over 180 risk managers and specific business groups with potential exposure to environmental and social risks to support identification and escalation of human rights risks;
- Continued to provide all new employees with face-to-face and/or online training in relation to the Code of Conduct.

Continuous improvement

Macquarie will review and enhance its approach to addressing modern slavery risks within its supply chain and parts of its business operations by:

- Including clauses within commercial agreement templates which specify compliance requirements regarding modern slavery;
- Updating Macquarie's Principles for Suppliers to reflect current best practice;
- Continuing to assess new suppliers through the onboarding process and monitor existing suppliers as contracts are renewed;
- Continuing to implement onsite assessments with suppliers in high risk categories and jurisdictions;
- Engaging with suppliers to ensure they understand and assist them to meet the requirements;
- Continuing to assess human rights and modern slavery risks as part of the ESR policy and Financial Crime Compliance framework, including enhancement of screening data for human rights issues and real time screening of internal and external watchlist/s; and
- Continuing to train all staff on Macquarie's Code of Conduct and key staff on ESR and Financial Crime Compliance framework requirements including expanding delivery of the tailored human rights and modern slavery training modules.

Governance

This *Modern Slavery Act Transparency Statement* was approved by the Macquarie Group Limited Board and will be updated annually.



Peter Warne

Chairman

September 2019