

Sustainable Finance Disclosure Regulation - Sustainability Risks and Remuneration Policy Disclosures

Macquarie Asset Management

September 2024

The following disclosures are made by each of the following entities pursuant to Articles 3, 4 and 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”):

- Macquarie Investment Management Europe S.A. (“MIME SA”) (LEI: 222100BG2FQQTASJ7290)
- Macquarie Investment Management Austria Kapitalanlage AG (“MIMAK”) (LEI: 529900ABVEUZ22YQG259)
- Macquarie Asset Management Europe S.à r.l. (“MAMES”) (LEI: 2221008OZQM47X2T599)
- GLL Real Estate Partners Kapitalverwaltungsgesellschaft mbH (“GLL”) (LEI: 549300MDAFVIH9W88247)

(together, the “In-Scope Entities”).

The In-Scope Entities are part of Macquarie Asset Management (“MAM”).

Introduction

About MAM

MAM is a global asset manager integrated across public and private markets. Managing approximately \$US611.7 billion in assets with a team of over 2,400 people operating in 25 markets, we provide a diverse range of investment solutions including real assets, real estate, credit, equities and multi-asset.

MAM is trusted by institutions, governments, foundations and individuals to invest their assets. We focus on generating positive outcomes for our clients, portfolio companies and communities. This starts with understanding their needs and providing solutions that seek to deliver superior results over the long term.

We combine a long-term perspective with deep sector expertise. The portfolios we manage are positioned to benefit from major structural drivers of growth, change, and opportunity across developed and emerging markets.

Refer to MAM’s website at www.macquarie.com/mam for further information.

MAM is part of Macquarie Group (**Macquarie**), a diversified financial group providing clients with asset management, finance, banking, advisory, and risk and capital solutions across debt, equity and commodities. Founded in 1969, Macquarie Group employs approximately 20,600+ in 34 markets and is listed on the Australian Securities Exchange. Refer to Macquarie’s website for further information at www.macquarie.com.

All figures as at 31 March 2024.

In-Scope Entities

MIME SA and MIMAK are authorised and regulated entities in the European Economic Area and act as the manager of certain financial products across public markets. The public markets businesses of MAM comprise the Equities & Multi-Asset division and the Fixed Income and Leveraged Credit capabilities of the Credit division.

MAMES and GLL are authorised and regulated entities in the European Economic Area and act as the manager of certain financial products across private markets. The private markets businesses refer to

MAM's Real Assets, Real Estate, and Solutions divisions, and the Private Credit capability of the Credit division.

Sustainability Risks

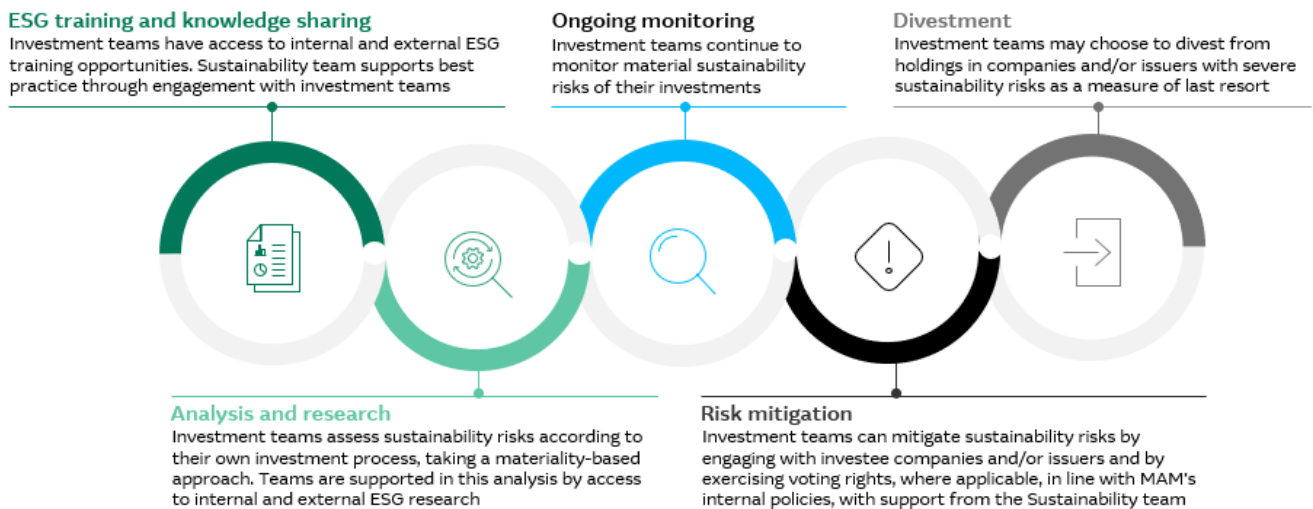
Sustainability risks are those environmental, social or governance events or conditions that, if they were to occur, could cause an actual or a potential material negative impact on the value of an investment.

Our ESG policies, dedicated procedures, systems and in-house experts enable our MAM teams across both our public markets and private markets businesses to effectively address material sustainability risks and opportunities.

Our investment and asset management teams are supported in their application of the relevant ESG policy by the MAM Sustainability Team. The Sustainability Team is responsible for setting the overall sustainability strategy and ESG policies across MAM's businesses, providing specialist expertise on sustainability risks, and supporting asset management teams in harnessing ESG opportunities across the portfolio.

Public markets businesses¹

Sustainability risks are integrated into the investment decisions and investment advice of our investment teams and are taken into account throughout the investment process as follows in accordance with the relevant public markets ESG policy.



Inherent to our investment teams' identification and assessment of securities is an in-depth analysis of economic, competitive, and other factors that may influence future revenues and earnings of the investments. Sustainability risks that have been identified as material are included as part of this analysis.

Private markets businesses²

Sustainability risk analysis is a fundamental component of our private markets investment process and is the responsibility of the investment teams, risk teams and relevant investment committees when making investment decisions.

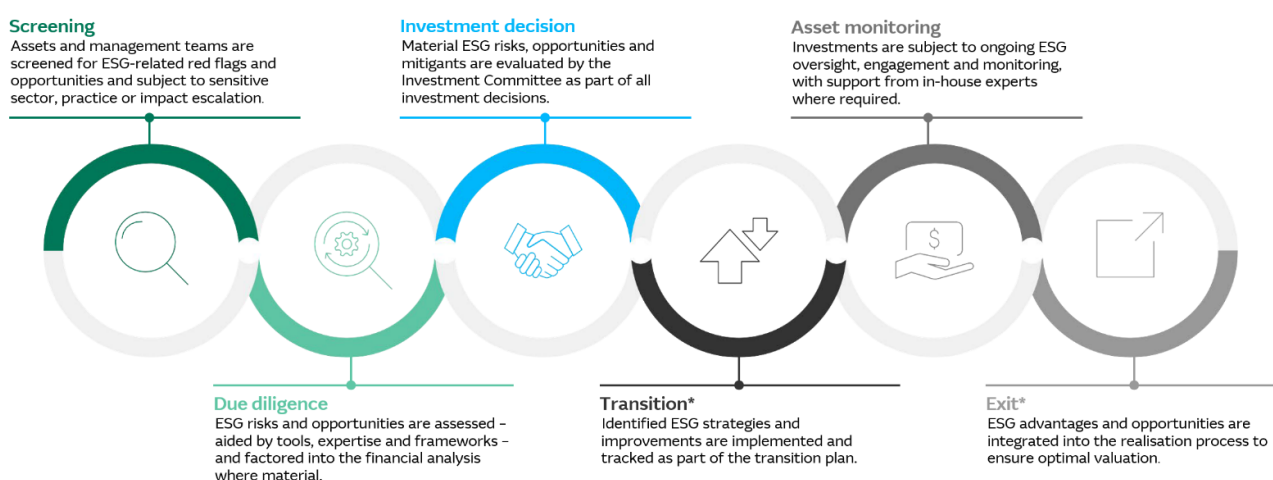
¹ Public markets businesses of MAM comprise the Equities & Multi-Asset division and the Fixed Income and Leveraged Credit capabilities of the Credit division.

² Private markets businesses of MAM comprise the Real Assets, Real Estate and Solutions divisions, and the Private Credit capability of the Credit division.

Our approach is materiality-based. We place emphasis on those sustainability risks that are considered most important and meaningful to each business and its community given the industry and type of asset, its physical location, legal jurisdiction and stage in the asset cycle, as well as asset-specific risks that are identified as a result of our rigorous due diligence process.

Direct investments

Sustainability risks are integrated into our investment decisions and are taken into account throughout the investment process in accordance with the relevant private markets ESG policy, as set out below:



* Only applies to equity investments

We consider a broad range of sustainability risks in assessing potential investments and in ongoing asset management. In investment decision-making, we assess sustainability risks identified in due diligence and our ability to monitor and/or influence the management of those issues.

To help ensure all relevant risks are covered, investment teams have access to tools to support them in their analysis of ESG risks. For example, our Real Assets business uses the Macquarie Environmental and Social Risk Assessment Tool, which was built in collaboration with external advisers and is based on International Finance Corporation Performance Standards.

Indirect investments

Sustainability risks are also integrated into our investment decisions for indirect investments and are taken into account throughout the investment process. When screening an investment, managers of underlying funds and management teams of their underlying assets are screened for ESG-related red flags and subject to sensitive sector escalation. ESG risks are then evaluated internally and may be independently assessed, aided by tools, expertise and frameworks with results factored into the financial analysis. We will use best efforts to periodically secure feedback on various ESG issues from managers of underlying funds.

Remuneration

Macquarie’s longstanding and consistent approach to remuneration, continues to support Macquarie’s purpose statement, ‘Empowering people to innovate and invest for a better future’. Staff interests are aligned with shareholders to meet the needs of clients and customers, while ensuring that the spirit and intent of regulatory requirements are upheld. This broad approach has been in place since Macquarie’s inception and is reviewed regularly to ensure the framework continues to meet our remuneration objectives and aligns with the expectations of our stakeholders. Further information on Macquarie’s remuneration framework can be found in the most recent Macquarie Group Corporate Governance Statement at <https://www.macquarie.com/au/en/about/company/corporate-governance.html> and, for EMEA employees, in the EMEA Remuneration Policy Disclosure at <https://www.macquarie.com/au/en/investors/regulatory-disclosures.html>.

The In-Scope Entities are all subject to Macquarie’s remuneration framework and the Macquarie Group Remuneration Policy.

MAMES, MIME SA, GLL and MIMAK also have standalone Remuneration Policies in order to ensure compliance with local laws.

Macquarie’s remuneration policies are consistent with and promote effective risk management and form part of Macquarie’s risk management framework. The risk management framework promotes active management and monitoring of a range of risks (both financial and non-financial), for all business activities within Macquarie globally and particularly does not encourage excessive risk-taking with respect to sustainability risks.

The table below shows the link between our purpose, What We stand for principles and our remuneration objectives and principles.

Our purpose: Empowering people to innovate and invest for a better future		
What we stand for:		
Opportunity	Accountability	Integrity
Remuneration Objectives	Remuneration Principles	
<p>Macquarie’s remuneration framework is designed to:</p> <ul style="list-style-type: none"> • Attract, motivate and retain exceptional people with deep industry expertise • Deliver strong company performance over the short and long-term whilst prudently managing risk • Promote effective management of financial and non-financial risks, and Macquarie’s long-term soundness • Align the interests of staff and shareholders to deliver sustained results for our customers, clients, and community • Promote innovation and the building of sustainable businesses • Drive behaviours that reflect Macquarie’s culture and the principles of <i>What We Stand For</i> and support the prevention and mitigation of conduct risk • Foster a diverse, equitable and inclusive work environment 	<p>These objectives are achieved by:</p> <ul style="list-style-type: none"> • Emphasising performance-based remuneration • Determining an individual’s variable remuneration based on a range of financial and non-financial factors • Retaining a significant proportion of performance-based remuneration to enable risk outcomes to be considered over a longer period • Delivering retained profit share in equity to ensure the interests of staff and shareholders are aligned over the long-term. • Remunerating high-performing staff appropriately, relative to global peers • Providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives 	

Under the remuneration framework, MAM employees receive fixed remuneration and performance-based remuneration, primarily in the form of discretionary annual profit share.

a) Fixed remuneration

Fixed remuneration consists of base salary and standard country-specific employee benefits in line with the local market practice. Individual fixed remuneration is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements. Fixed remuneration is set at a level to be sufficient to mitigate the likelihood of inappropriate risk taking, and for risk and financial control staff, is generally a higher proportion of total remuneration than for revenue generating staff.

b) Performance-based remuneration

The initial business group profit share pools are determined through a combination of a top-down and bottom-up approach. The company-wide profit share pool is an aggregate of the assessments conducted at both the business group and individual level. The Board retains discretion to amend the final pool determined in accordance with the above process to ensure that all relevant factors, including risk and conduct matters (and, where appropriate, sustainability risk), have been appropriately taken into consideration.

The MAM profit share pool reflects considerations of financial performance, risk management, business-specific considerations and market position and trends.

Profit share allocations to individuals reflect an employee's performance against their objectives, which is formally assessed annually. An individual's performance is assessed against a range of financial and non-financial considerations, which fall under the following four factors: financial/business results; risk management and compliance; business leadership (including outcomes for customer and the community); and people leadership and professional conduct, diversity, equity and inclusion. Three of these factors are non-financial, with considerations given to each in varying proportions to reflect an individual's role and responsibilities. A significant portion of profit share is retained over a long deferral period, with retained profit share invested in a combination of Macquarie equity and Macquarie-managed fund equity.

Individual profit share allocations also consider relativities in the market in which the MAM business competes for talent. Allocations may be adjusted downwards based on an assessment of both financial or non-financial risks (where appropriate this may include sustainability risk) and conduct issues that have arisen during the year.

Contacts and disclaimer

For any queries, please contact:

MAM Sustainability - MAMsustainability@macquarie.com