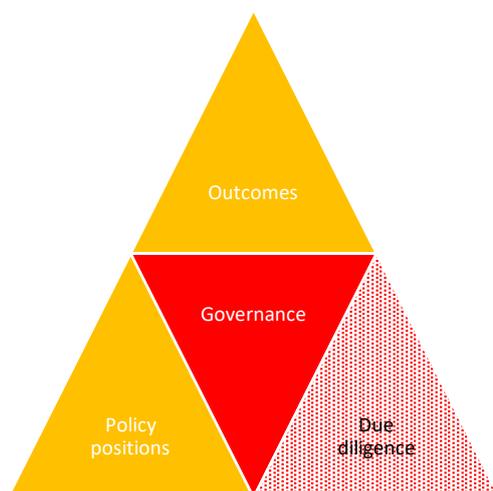


MACQUARIE GROUP YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

Company Name	MACQUARIE GROUP LIMITED
Industry	investment banking, funds management
FY end	31 March 2019
Revenue FY19	\$12.754 bn
Employees	15,061
Retail divisions	banking and financial services (retail clients)
CLIS divisions	banking and financial services (corporate), Macquarie Asset Management, Corporate and Asset Finance
Law reform contributions	15
Overall level of disclosure	Moderate disclosure

Our overall rating of Macquarie Group’s human rights performance for each domain is set out below



RETAIL: AMBER

Macquarie Group doesn’t appear to recognise how its relationships with its retail clients present a source of human rights risk.

We found little in the policy positions that we could see to indicate that it considers our six human rights categories and commits to respecting these rights through its banking and investment products and services for retail clients. While there is likely some form of due diligence that takes place for some retail customers (we had less clarity on this issue than we did for our next area of the benchmark), we found no evidence to indicate any feasible human rights due diligence occurs as part of that process.

In terms of outcomes, we observed good outcomes in terms of external ratings of some of its banking products and funds for customers. We note that its AFCA disputes totalled 762 for the period 1 October 2018 to 31 December 2019, with most arising in Macquarie Leasing. We found little information on Macquarie Group’s internal dispute resolution processes for its retail customers, nor any evidence of the deployment of a hardship policy. However we also observed outcomes relating to regulator attention to

activities in Macquarie Securities which highlighted weaknesses in systems configuration and integration. We also note Macquarie Bank Ltd’s enforceable undertaking accepted by ASIC on problems in its FX program went through a number of iterations over 2019 before finally reaching an acceptable outcome.

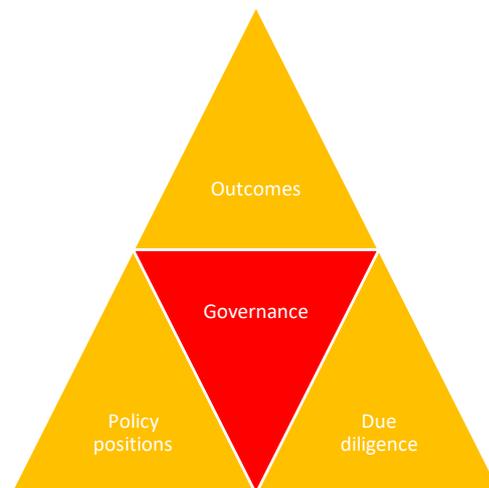
COMMERCIAL LENDING INVESTMENT AND SERVICES (CLIS): AMBER

This is a core area of Macquarie Group’s operations. We include its investment activities in this area of our benchmark even where they relate to products offered to retail clients.

In terms of its asset management activities, we note Macquarie Group’s Environmental and Social Risk Policy (ESR Policy) while also noting the broad discretion that each investment manager has to incorporate their own ‘stance’ on the extent to which labour standards or environmental social or ethical consideration are taken into account when making investment decisions.

It is not clear how the Group manages the human rights risks associated with this approach. We appreciate that there is an investment due diligence process that occurs, and that includes processes linked with AML/CTF and Sanctions Policies. We also found descriptions that an ES due diligence assessment occurs (even though that may be outsourced). We note its disclosure that the ESR team reviewed 32 client mandates and 164 client on-boarding events during FY19. We further note its disclosure that 273 transactions were assessed against the ESR Policy. We have no information to determine whether these resulted in good outcomes because all possible mandates, on-boarding events and transactions were assessed, or poor outcomes because it is only a small fraction of transactions that are assessed using this framework. It is also unclear whether such ‘transactions’ would also include the routine investment decisions made over the course of a year in relation to its investment funds, as opposed to new financing transactions.

In terms of other outcomes we note its activities in the area of renewable energy and energy efficiency projects, although the scope of emissions from its investment activities is not clear. There may well be ‘good news’ human rights outcomes but it is difficult to see these when they can only be evaluated at the individual fund or project level.



This report is presented for the purpose of disseminating information and research findings for the benefit of the public. It has been prepared on the basis of evaluation of human rights performance based on publicly available material for the 22 ASX listed entities included in the sample.

The University of Sydney (“University”) makes no representations or warranties as to the accuracy, completeness, or reliability of the information contained in the report, and accepts no legal liability whatsoever arising from, or connected to, the material contained in this report.

The information contained in this report is not intended to constitute legal, tax, financial or investment advice and nothing in the report is intended to imply any recommendations or opinions. The University recommends that users make their own independent judgements or seek independent advice with respect to the information contained in this report.

MACQUARIE GROUP YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

EMPLOYEES: AMBER

Macquarie Group is one of the larger employers in our FSE sample, with a workforce spread across the globe.

We found some evidence of respect for aspects of human rights for employees, with an emphasis on diversity and inclusion, health and safety, and we note its reputation for generous remuneration policies for its employees.

We found evidence of a broad suite of policies in this area, although we were only able to view very few of these, even in summary form.

There was less evidence of a feasible due diligence process in relation to all of our six human rights categories. There was evidence of attention to diversity and inclusion, as well as health and safety. It was less clear around employee grievances and dispute resolution.

We observed some good outcomes for employees, again in the area of gender diversity and gender pay gap management. We note our inability as outsiders to access data on anti-discrimination and harassment complaints because of the

confidentiality of such matters. Neither were we able to access data on the numbers of Code of Conduct violations and what the consequences of these violations were.

SUPPLY: AMBER

Macquarie Group has been reporting since the start of the UK Modern Slavery Act reporting requirements. Our ratings rely on its 2019 disclosures under that Act, though we also considered Macquarie Group's FY20 Modern Slavery Statement, which comprises a joint statement under the UK and Australian requirements. Macquarie Group has around 30,000 suppliers globally and a multi-billion dollar annual supply spend.

The Group has a clear statement of respect for human rights in its supply chain regarding its expectations of suppliers. We note its Principles for Suppliers identifies key human rights obligations and outlines an accompanying due diligence process.

In its overall relationship with suppliers the information is less clear. While it seeks diverse suppliers to become part of Macquarie Group's supplier network, it is unclear how successful this strategy has been. Nor is it evident how Macquarie approaches privacy and information issues, or its processes for ensuring prompt payment or handling disputes with suppliers, especially SME suppliers.

Our code for outcomes is common across our FSE sample.

SOCIETY: RED

There is no recognition at Board level of public policy advocacy as a source of human rights risk. We found no evidence of adequate governance or policy positions to address this source of human rights risks. We found evidence of media and continuous disclosure policies, as well as a policy for staff aimed at managing the relationship with regulators. However, none of these policies - which we could only view in brief summaries, if at all - appear to address public policy advocacy.

The only submissions made by Macquarie to our law reform inquiries in this year's study were in response to ASIC's call for submissions on responsible lending conduct (consultation paper 309). Its comments reflect support for guidance to consider the challenges of 'low budget' consumers and those with limited historical expense data, advocating that ASIC's guidance should address what would be acceptable in relation to the use of benchmarks for these consumers. Its submission also noted that full verification of fixed and variable living expenses is

disproportionate to the limited link between understated expenses and a higher risk of substantial hardship. We note disclosures in its 2019 UN PRI Transparency Report (by way of an example on US drug pricing) that suggests Macquarie Investment Management team members may 'express continued support' for advocacy undertaken by its investee companies on public policy debates (in this instance US healthcare costs). This, however, is not the same as the Group or its subsidiaries directly contributing to these public policy debates.

