



# Modern Slavery Act

## Transparency Statement 2020

### Introduction

Macquarie Group Limited (“Macquarie”) is a global financial services group operating in 31 markets in asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, investment banking and principal investment.

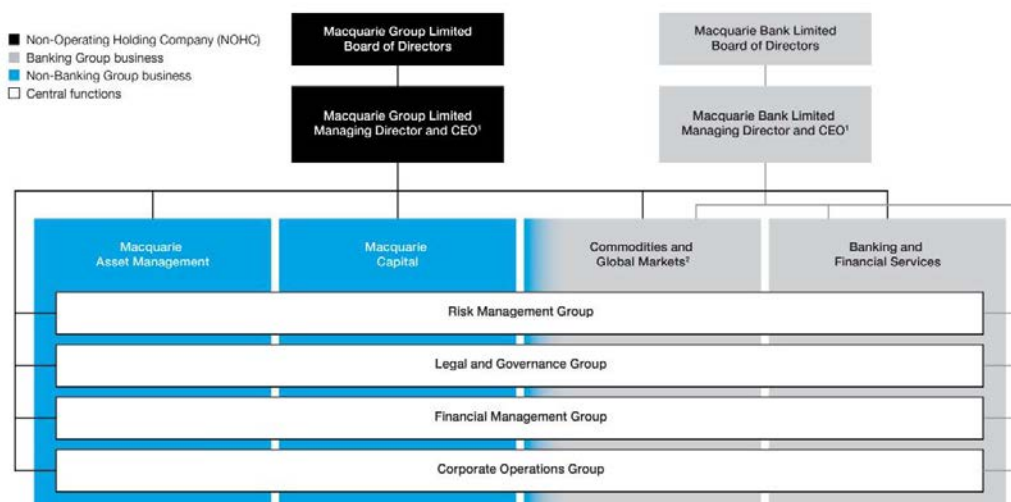
This statement outlines the actions undertaken by Macquarie to identify and mitigate the risk of modern slavery and human trafficking occurring in its business operations and supply chain for the year ending 31 March 2020. This is the fifth report under the *UK Modern Slavery Act 2015* and the first report under the *Australian Modern Slavery Act 2018* (Cth). It has been prepared as a joint Statement.<sup>1</sup>

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 as well as the fundamental responsibility of businesses to respect human rights.

Modern slavery involves the most serious forms of human exploitation and takes many forms, including: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour.<sup>2</sup> Macquarie is committed to identifying and mitigating the risk of modern slavery and human trafficking occurring within its business operations or supply chain.

### Macquarie’s business and supply chain

For internal reporting and risk management purposes, Macquarie is divided into four Operating Groups and four Central Service Groups. The risk management framework applies to all Operating and Central Service Groups.



As at 11 February 2020.

1. The MGL CEO has senior executive responsibility for the management of the business activities of the Banking Group. The MBL CEO has senior executive oversight of the Banking Group's position in order to protect MBL's interests and fulfil its responsibilities as an ADI. The MBL CEO assists the MGL CEO in fulfilling her responsibilities to MBL.

2. Certain assets of the Credit Markets business, certain activities of the Cash Equities business and the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking group.

<sup>1</sup> This statement has been prepared in accordance with the requirements of Section 54 of the *UK Modern Slavery Act of 2015* (“the UK Act”) and Section 16 of the *Australian Modern Slavery Act 2018* (Cth) (“the Australian Act”). The statement applies to all entities within the Macquarie Group that are within scope of the respective Acts (refer to the In-Scope Entities List).

<sup>2</sup> In accordance with the International Labour Organisation Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

Macquarie acts primarily as an investment intermediary for institutional, corporate, government and retail clients and counterparties around the world, providing a diversified range of products and services to its clients.

As at 31 March 2020, Macquarie employed 15,403 people globally, of which 96% were active permanent staff. A complete breakdown of employees by region is provided in the [FY2020 Employee Composition Data](#). Further detail on Macquarie's approach to addressing modern slavery risk across its employees is provided in the *Employees* section below.

Macquarie's global corporate procurement in FY2020 involved over 21,000 suppliers across 30 countries and a spend of \$A2.6 billion. Its business is primarily office-based with the main supply chain categories comprising technology, premises, financial services, professional services and business travel. Further detail on Macquarie's approach to addressing modern slavery risk in its supply chain is provided in the *Suppliers* section below.

As a financial services provider the risk of modern slavery within Macquarie's direct business operations is considered to be low however Macquarie recognises that it can be indirectly exposed to these risks, for example through its supply chain or client relationships. Macquarie takes a risk-based approach to modern slavery risk in its supply chain, business operations and client relationships. Further detail on Macquarie's approach is provided in the *Business operations and clients* section below.

Further information on Macquarie's business is available in the [FY2020 Annual Report](#) and the [FY2020 Environmental Social Governance \(ESG\) Report](#).

## Governance and policies

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 business operations and supply chain. These include:

- Macquarie's [Code of Conduct](#) which incorporates the principles of *What We Stand For: Opportunity, Accountability and Integrity*. These principles guide Board, management and staff conduct. The Code of Conduct outlines what is expected of employees in relation to managing environmental and social risks in all business activities and outlines mechanisms to raise concerns, including through Macquarie's Whistleblower Program;
- [Principles for Suppliers](#) which 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 labour<sup>3</sup> or any form of forced or involuntary labour under any circumstance;
- An internal *Supplier Governance Policy* and associated framework, which outlines risk triggers and due diligence requirements for Macquarie when engaging with suppliers in industries and jurisdictions considered high risk for human rights breaches;
- Financial Crime Risk Framework, which incorporates the [Anti-Money Laundering and Anti-Bribery and Corruption policies](#), including procedures for detecting, mitigating and managing the risk of financial crime, including those potentially linked to human rights violations. Recognising that human rights violations often occur in the context of other governance and regulatory failures, Macquarie seeks to ensure that its modern slavery efforts are integrated into its broader ESG program;
- [Environmental and Social Risk \("ESR"\) Policy](#) which establishes processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks across the business. The environmental and social risk areas covered by the ESR Policy include labour and employment practices such as child labour, forced and compulsory labour, freedom of association and collective bargaining. The Policy also seeks to ensure the consistent identification and responsible management of environmental and social risks across investment decision-making, client onboarding and approval processes;
- [Work Health and Safety Policy](#) which outlines Macquarie's commitment to operating harm-free environments through maintaining high work, health and safety ("WHS") standards and performance across its activities globally; and
- [Whistleblower Policy and Program](#) which outlines circumstances under which a person may raise genuine concerns in relation to improper conduct, the avenues for doing so, the protections that are available to those who report improper conduct, and the investigation process. Improper conduct includes any instance or suspicion of modern slavery or human trafficking.

The Board is responsible for approving Macquarie's ESG framework. In accordance with its Charter, the Board Governance and Compliance Committee ("BGCC") assists the Board in adopting appropriate governance standards

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<sup>3</sup> In accordance with the International Labour Organisation Convention No. 138 concerning the Minimum Age for Admission to Employment.

and reviewing the operation of environmental and social risk management policies. Responsibility for implementation of the ESG framework and related board approved policies resides with Management.

All staff share responsibility for identifying and managing ESG issues as part of normal business practice. Staff are supported by the Environmental and Social Risk team which sits within the Risk Management Group and has Group-wide oversight of the ESR Policy.

Macquarie staff and external parties, including suppliers, 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. The Whistleblower Program incorporates the Whistleblower policy, guidelines and procedures and provides support and protections to those who report concerns to ensure that they do not suffer detriment as a result of speaking up. In FY2020, there were no reports of slavery or trafficking through the Whistleblower Program.

## Employees

Macquarie is committed to maintaining a safe workplace that values equal opportunity and is free from discrimination, harassment and victimisation. During the employee onboarding and orientation process, Macquarie offers a series of learning and development activities (including events hosted by the CEO) designed to communicate and embed the Macquarie culture and reinforce the ongoing importance of meeting behavioural expectations and effective risk management across all of Macquarie's businesses and regions.

Macquarie operates in a highly regulated environment and has robust policies and procedures concerning employment screening (including work eligibility checks), employment conditions (including fair pay and hours) and appropriate workplace behaviour. These policies and procedures apply across all employment types. These policies and procedures are reviewed on a regular basis and explained to staff through regular training.

All staff are expected to abide by the spirit, as well as the strict requirements, of the Code of Conduct and applicable policies and procedures.

In FY2020, Macquarie:

- Updated standard recruitment agreement templates with service providers to include enhanced provisions on ESR, including specific clauses on human rights and modern slavery compliance. The standard recruitment agreement template extends to service providers who provide Macquarie's contingent workforce. Macquarie's contingent workforce consists of independent contractors/consultants, secondees and agency workers, across a variety of professional roles.

## Suppliers

In 2018, Macquarie engaged third-party consultants to complete a detailed supply chain human rights risk diagnostic and used this diagnostic to guide its global approach. The diagnostic was aligned to the *UN Guiding Principles on Business and Human Rights*, Sedex Members Ethical Trade Audit ("SMETA") Best Practice Guide and the Ethical Trade Initiative Human Rights Due Diligence Framework. It assessed the implementation of Macquarie's human rights policy, management systems and controls, and remediation procedures. Based on Macquarie's supply chain profile, the risk of modern slavery remains relatively low. Recommendations from the diagnostic included further due diligence on suppliers in higher risk jurisdictions and in higher risk industries. This approach is addressed in detail below.

In FY2020, Macquarie:

- Launched the *Supplier Governance Policy* and associated framework, which superseded the previous Procurement and Outsourcing policies, and established a systematic approach to ESR assessment across Macquarie's global supply chain. To focus due diligence efforts, the Policy established high-risk jurisdictions and industries based on the Global Slavery Index and externally recognised ESG risk databases. Jurisdictions considered high-risk where Macquarie's direct suppliers operate included Brazil, China, Hong Kong, India, Indonesia, Malaysia, Mexico, Philippines, Singapore, South Africa, Taiwan, Thailand United Arab Emirates. Construction, facilities management, hospitality, and IT hardware were examples of industries considered high-risk. Macquarie reviews external data sources on a regular basis to ensure the lists of high-risk jurisdictions and industries remain up to date. Under the *Supplier Governance Policy*, suppliers in both a high-risk jurisdiction and high-risk industry are required to be centrally procured and undergo risk assessment and due diligence with internal approval obtained prior to contract execution. They are also required to provide written acknowledgement of Macquarie's Principles for Suppliers;
- Completed a review of existing suppliers to identify 138 in scope of the *Supplier Governance Policy* for enhanced ESR diligence. These suppliers were required to complete the supplier ESR questionnaire, acknowledge the Principles for Suppliers, and were subject to regular adverse media screening to identify any potential allegations of human rights issues. A risk-based sample was shortlisted for ESR onsite assurance in FY2021;

- Updated standard commercial agreement templates to include enhanced ESR provisions;
- Initiated a comprehensive review of Macquarie's Principles for Suppliers to further integrate human rights risk management into Macquarie's supplier engagement processes;
- Revised the supplier ESR questionnaire with additional human rights questions, now completed by over 800 suppliers; and
- Ensured that all critical and strategic suppliers and other suppliers considered to be of heightened environmental and social risk had responded to the supplier ESR questionnaire.

Macquarie is committed to maintaining collaborative supplier relationships. In FY2020, this included engaging with key suppliers on the impacts of COVID-19 on their operations and where possible, seeking mutually beneficial outcomes for both parties in response to the pandemic. This involved, but was not limited to, extending contracts and supporting suppliers during lockdowns.

As outlined above, since 2018, Macquarie has implemented a risk based ESR assurance programme which involves in-depth onsite assessments with suppliers in high-risk jurisdictions and high-risk industries to test alignment with Macquarie's Principles for Suppliers. Site visits have been completed to date with suppliers delivering office products, facilities management, construction and technology services in Asia and Australia. Issues identified during the onsite assessments are reviewed and corrective actions with agreed timeframes are issued as part of a remediation plan. Process and documentation gaps identified during the onsite assessments are included as time-bound corrective actions within a remediation plan. To date, no instances of modern slavery have been identified through the completed onsite assessments. However, COVID-19 has impacted planned site visits and existing remediation processes during FY2020. These plans will be reinstated as restrictions ease. Further, Macquarie will continue to take steps to monitor and address the impacts of COVID-19 across its supply chain over the course of the year.

## Business operations and clients

Macquarie manages human rights related issues in transactions and client onboarding under its ESR Policy and Financial Crime Risk Framework.

Macquarie's ESR Policy establishes processes for identifying, assessing, managing, mitigating and reporting material environmental and social risks, including modern slavery risks, across the business. The ESR Policy includes a due diligence approach intended to identify and manage potential and actual human rights risks, including the risk of modern slavery, in investment decision-making and in the screening of new client relationships. The Policy is based on international guidelines including the International Finance Corporation ("IFC") Performance Standards and utilises Macquarie's Environmental and Social Risk Assessment Tool ("ESR Tool") to guide due diligence requirements, including IFC aligned assessment of human rights, labour and employment practices.

Similar to the supplier approach outlined above, the ESR Policy and ESR Tool outline high-risk jurisdictions and sectors based on a range of data sources and indices. Potential human rights issues, including modern slavery risk, are assessed at jurisdiction, sector, client and project levels. Risk categorisation is based on the IFC typology and drives due diligence requirements, impact assessments, escalated decision-making, and implementation of mitigation plans. The ESR Policy requires:

- Screening of new clients for material environmental and social risks (including modern slavery risks);
- Assessment, categorisation, mitigation and management of environmental and social risks (including modern slavery risks) in new transactions, investments and products;
- Due diligence guided by the ESR Tool, including enhanced due diligence on a case-by-case basis where a human rights risk is identified;
- Escalated decision-making and approval processes, alongside the credit approval process, for clients and transactions in relation to which material environmental and social risks are identified. Transactions or clients flagged as heightened risk may be reviewed by Macquarie's Chief Risk Officer, Executive Committee or Macquarie Board;
- Identification and compliance with all applicable environmental and social laws and regulations; and
- Monitoring and reporting requirements.

As mentioned above, the ESR Tool provides due diligence support mechanisms designed to assess and manage environmental and social risks (including modern slavery risks) associated with clients and transactions. This includes:

- Assessing and categorising jurisdiction, sector, client and project risk levels;
- Determining appropriate levels of environmental and social due diligence by reference to, for example, jurisdiction and sector;
- Managing and monitoring risks associated with particular transactions and clients identified as being higher risk; and
- Tracking and reporting environmental and social risks.

The ESR Policy and ESR Tool set out the approach to structuring due diligence to align with jurisdiction and sector-specific risk. A detailed breakdown of ESR reviews by jurisdiction and sector is provided in the ESG section of Macquarie's [FY2020 Annual Report](#).

Where applicable, Macquarie's asset management business also confirms that relevant Macquarie Infrastructure and Real Assets ("MIRA") portfolio companies within the UK and Australian funds are in compliance with the reporting requirements of the respective Modern Slavery Acts. More information on Macquarie's human rights approach is available in the ESR Policy summary.

Macquarie's Financial Crime Risk 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 Risk Framework.

In FY2020, Macquarie:

- Reviewed 391 transactions, 41 advisory mandates and 174 client onboarding cases under the ESR Policy. Onboarding cases are reviewed in consultation with the Financial Crime Risk team.

## Training

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 built technical knowledge of human rights and modern slavery due diligence and risks within the financial services context. It also reinforced Macquarie's commitment to managing these issues within its businesses and supply chain. This training was updated and continued in FY2020 however COVID-19 has impacted scheduled deliveries as the sessions are interactive and delivered in person.

In FY2020, Macquarie:

- Developed and delivered specialised human rights and modern slavery training to an additional 80 staff across risk, onboarding and vendor management functions;
- Delivered Macquarie's ESR and WHS training to over 500 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; and
- Developed and delivered *Supplier Governance Policy* training to over 1,800 staff globally across risk, procurement and supplier relationship management roles.

## External Engagement

Macquarie is 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](#), which works to understand the investment implications of ESG factors and support the incorporation of these factors into investment decision-making;
- Accredited UK Living Wage Employer by the [Living Wage Foundation](#), which seeks to lift the minimum wage for all workers in the UK;
- Member of the [Mekong Club](#) and the Justice Centre Hong Kong Corporate Change Makers, both organisations seeking to end modern slavery and human trafficking;
- Member of the Asia Pacific Banks Alliance, an organisation that published the [Asia Pacific Banks Alliance's](#) whitepaper and toolkit on factors to assess human trafficking risk in the financial services sector;
- Member of the [Fintel Alliance](#), a public-private partnership managed by the Australian Transaction Reports and Analysis Centre ("AUSTRAC") to bring together a range of organisations involved in the fight against money laundering and other serious crime.

In FY2020, Macquarie:

- Continued these engagements and supported *Seefar* to release the research paper "[Making Migration Work: Understanding forced labour amongst migrant domestic workers in Asia](#)".

## Measuring effectiveness

Macquarie monitors and reports a range of indicators to assess the effectiveness of its approach, seeking to review and enhance measurement indicators in line with continuous improvement.

Focus area	Indicator	FY2020
Human rights training	# of staff completing human rights training (cumulative)	480
	# of assigned staff completing ESR and WHS training	509
	# of staff completing <i>Supplier Governance Policy</i> training	1,800
	% of central sourcing and third-party risk management staff completing ESR training	97
Supplier due diligence	# of suppliers completing the supplier ESR questionnaire (cumulative)	800
	# of suppliers subject to ESR onsite assurance (cumulative)	18
Transaction due diligence	# of ESR reviews of transactions, client onboarding and advisory mandates	606
Reports	# of reports of slavery or trafficking through the Whistleblower Program	0

## 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:

- Implementing Macquarie's updated Principles for Suppliers;
- Continuing to assess new suppliers through the onboarding process and monitor existing suppliers as contracts are renewed;
- Continuing to implement supplier onsite assurance programme, including tracking corrective actions;
- Continuing to assess human rights and modern slavery risks as part of the ESR Policy and Financial Crime Risk Framework, including supporting businesses to develop tailored approaches;
- Continuing to train all staff on Macquarie's Code of Conduct and key staff on ESR, Supplier Governance and Financial Crime Risk Framework requirements, including expanding delivery of the human rights and modern slavery training to online modules;
- Formalise a multi-jurisdictional working group to drive continuous improvement efforts;
- Continuing to expand external reporting in relation to transactions in jurisdictions or sectors with heightened exposure to modern slavery risk; and
- Ongoing consultation with reporting entities throughout FY2021.

## Consultation

Macquarie took a cross-functional approach to preparing and drafting this *Modern Slavery Act Transparency Statement*. The Board of each reporting entity was given an opportunity to consider and provide comments on the statement prior to publication.

## Approval

This *Modern Slavery Act Transparency Statement* was approved by the Macquarie Group Limited Board and will be updated annually. As set out above, the Board of Macquarie Group Limited is ultimately responsible for Macquarie's risk management framework which applies across the Group.

The Board or governing body of each reporting entity has considered and approved this statement prior to publication.



**Peter Warne**  
Chairman  
September 2020