



## Letter from MAM Group Head, Ben Way

### Protecting and growing assets

At Macquarie Asset Management (MAM), we view sustainability as part of our fiduciary duty to protect and grow our clients' assets. This focus also helps us generate positive outcomes for our investee companies and the communities they serve.

As an integrated asset manager, we are trusted by institutions and individuals to invest their savings. Through our investments, we manage critical services and infrastructure that is relied upon by more than 280 million people every day.<sup>1</sup> It is therefore fundamental that we understand how these businesses deliver on their responsibilities to shareholders and the communities in which they operate. This includes through sound environmental, social and governance (ESG) policies and practices.

We know from experience that considering ESG risks and opportunities across the investment life cycle can improve operational performance and resilience. Importantly, it also creates long-term value. We're seeing this play out as businesses prepare themselves to manage the physical and transition risks of climate change. In most cases, the energy transition is creating significant opportunities for businesses to preserve and create value. Those who aren't adapting or evolving risk being left behind.

### Our role as an asset manager and investor

Global investment in the energy transition exceeded \$US1 trillion for the first time in 2022<sup>2</sup> and investment in new renewable energy supply now surpasses investment in fossil fuels.<sup>3</sup> We are seeing a significant acceleration in change across all sectors and geographies. Supported by the economics of green technologies and bolstered by transformative policy initiatives, including the United States' Inflation Reduction Act and the European Union's RePowerEU, we believe the energy transition will lead to even greater investment opportunities for our clients.

That is why we're positioning ourselves to be at the forefront of the energy transition. In 2022, we integrated Macquarie's Green Investment Group (GIG) into our asset management business. In doing so, we are delivering asset creation and investment opportunities to our clients - spanning mature and emerging sectors, in all regions, across the entire project life cycle. The same imperatives also compel us to invest in the transition of our existing portfolio.

Across our infrastructure and real estate assets, we're seeing net zero pathways create commercial opportunities, beyond reducing emissions. In many cases, decarbonisation is driving energy efficiencies and cost reductions. And in other cases, it's creating secondary product streams and services along value chains. It's the reason why we've increased company engagements on climate change undertaken by our Public Investments business. In doing so, we can better understand how our investee companies are responding to these risks and opportunities, and share learnings across our portfolio.

### Supporting a managed and just transition

Alongside scaling green investments, we continue to support carbon-intensive industries and companies to decarbonise, including those in the electricity, water, gas, agriculture, transport, mining, oil and waste sectors. These industries provide products and services that communities rely on, which is why we believe long-term solutions lie in collaboration, rather than divestment. We have a role to play in supporting decarbonisation pathways that are well-managed and inclusive of workforces and local communities.

We also recognise that the impacts of a changing climate will not be evenly distributed, with lower-income communities and countries more at risk and with fewer resources to adapt. Active and continued engagement between communities, companies, employees, governments, multilateral organisations and investors will be critical to ensure we're striving towards shared outcomes. Supporting emerging markets in their transition is one of many areas where we're focused on delivering measurable social and environmental outcomes, as well as financial value for clients.

### Commitment to continuous improvement

In all areas of our work, we are committed to reflecting, learning and applying those lessons as we strive to do better. This is especially important when we're working on complex challenges that affect many of our stakeholders. We place a high priority on listening and welcome your feedback on any of the issues touched on in this report.

Thank you for taking the time to read our report. We look forward to reporting on our future progress and remain committed to enhancing our transparency.

A handwritten signature in black ink, appearing to read 'Ben Way', written in a cursive style.

**Ben Way**  
Group Head  
Macquarie Asset Management

1. As of March 2023, the number of people reached is calculated by taking an estimate of the number of users for all MAM Real Assets portfolio companies. For example, for a specific toll road, the number of vehicles per day has been multiplied by the average number of passengers in a vehicle (two). Portfolio company data is collected from MAM's asset management teams on a bi-annual basis.  
2. 'Global low-carbon energy technology investment surges past \$1 trillion for the first time', BloombergNEF, 26 January 2023, <https://about.bnef.com/>.  
3. 'World Energy Investment 2023', International Energy Agency, 2023, [www.iea.org](http://www.iea.org).