

# Environmental, Social, Governance (ESG) and Impact Policy

JUNE 2023

# Our Firm

GCM Grosvenor (Nasdaq: GCMG) is one of the world's largest and most diversified alternative asset management firms. We invest on behalf of clients who seek allocations in, private equity, infrastructure, real estate, absolute return strategies, credit, and multi-asset class solutions.

GCM Grosvenor has offered alternative investment solutions since 1971. The Firm is headquartered in Chicago and serves a global client base of institutional and high net worth investors.

## What Defines Us

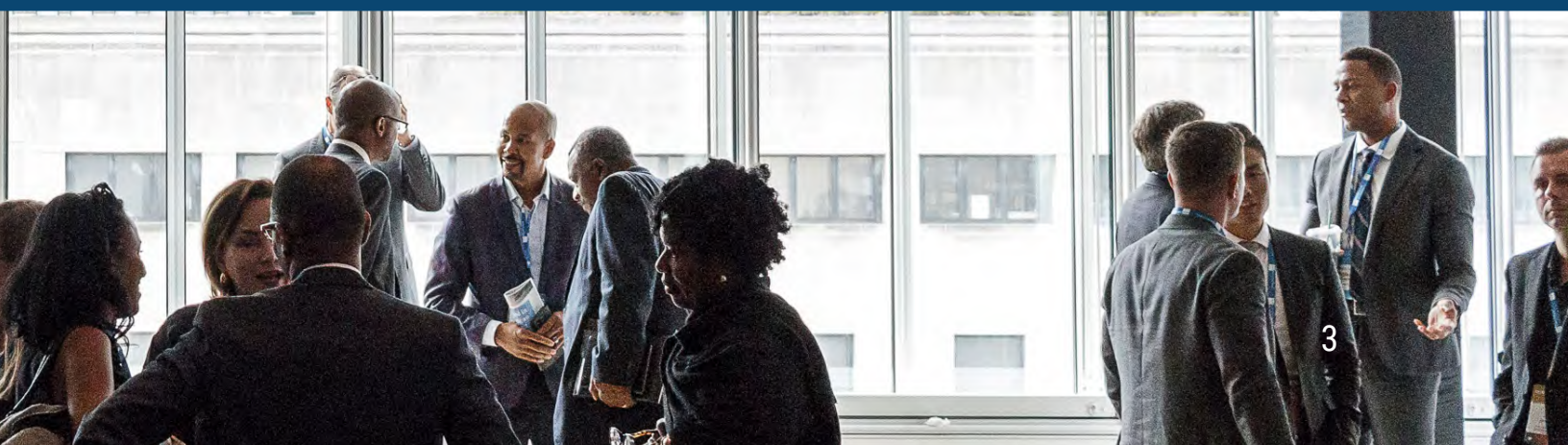
- + Delivering comprehensive alternative investment solutions
- + Global investment experience that spans alternative asset classes
- + Partnering with institutional clients worldwide
- + Our position as a leader in customized solutions
- + Our breadth of turn-key investment products
- + Seeking to align our interests with clients by investing alongside them
- + Ongoing commitment to the community, to diversity and inclusion, and to responsible investing





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# 1. ESG and Impact Mission Statement

GCM Grosvenor is committed to investing responsibly, operating our business with integrity, supporting environmental responsibility, and building a diverse and inclusive workplace where our employees can thrive. Since 1971 we have been dedicated to acting in the long-term interests of our stakeholders; this has been a cornerstone of our culture for decades and this core value continues to shape our Firm. This philosophy also motivates us to volunteer and provide resources for organizations that strengthen the communities where we live and work as well as our global community. By focusing on these guiding principles, we believe we are contributing to a successful future – for our clients, our employees, the industry, and our communities. We illustrate our commitment to impact investing, responsible business practices, and industry leadership in our annual [Impact Report](#).

We define Environmental, Social, and Governance (ESG) and Impact criteria as a set of standards for a company's operations.



## ENVIRONMENTAL

Assessing how a firm's activity overlaps with broader environmental considerations



## SOCIAL

How firms manage relationships with a variety of stakeholders (employees, suppliers, customers)



## GOVERNANCE

Monitoring factors such as firm leadership, executive pay, internal controls, and shareholder rights

# 2. Policy Scope

The GCM Grosvenor ESG and Impact Policy (the Policy) is intended to provide a framework for how we apply ESG considerations to how we operate our business, how we engage with the communities in which we do business and the way in which we pursue, evaluate, and implement investments. The Firm takes into account ESG considerations at the Firm level, fund manager level, and investment level.



### 3. Policy Governance

GCM Grosvenor's ESG and Impact Committee (the Committee) develops and regularly reviews the Policy. Given that ESG is a top Firm priority, the Firm's executive management is responsible for managing key strategic and tactical decisions for the Committee. Members of the Committee include the Chief Investment Officer (CIO), senior investment professionals representing the firm's investment strategies, and other key leaders.

The Committee also engages in the following activities to support the Firm's ESG framework:

1. Developing a Firm-wide ESG strategy in collaboration with executive management and other key leaders
2. Overseeing ESG activities at the Firm in accordance with the Policy and encouraging continual improvement in the integration of ESG factors in Firm-wide decision-making
3. Working closely with reporting and investment teams on ESG reporting
4. Supporting collaboration with other organizations to drive forward the industry's integration of, and transparency with respect to, ESG factors
5. Evaluating and monitoring ESG factors for investments across the firm with a focus on programs or strategies that formally include ESG or impact as part of their investment mandate
6. Providing regular ESG training and guidance for employees
7. Preparing an annual Impact Report





## 4. Firm Principles and Philosophy

ESG considerations are a core value, which the Firm embraces across the organization. Specifically, the Firm integrates ESG through (i) responsible investment practices, (ii) responsible business practices, and (iii) industry leadership and external collaboration.

The Firm believes that incorporating ESG factors into our business management and investment decision-making can help mitigate risk and enhance quality. However, the Firm recognizes that there is not a one-size-fits-all approach to ESG integration; rather, the Firm strives to employ best practices and encourage others in the industry to do the same. Similarly, the Firm continually strives to enhance the ways to evaluate and incorporate ESG factors in our Firm and investment decision-making.

While the Firm tries to avoid too narrowly defining ESG as it evolves and improves its integration of these factors, generally, the Firm evaluates ESG considerations as follows:

### ESG Areas of Focus

| Environmental  | Social   | Corporate Governance   |
|--|--|--|
| <ul style="list-style-type: none"><li>+ Climate change</li><li>+ Natural resource utilization</li><li>+ Pollution and waste</li><li>+ Clean technology and energy efficiency</li><li>+ Signatory to PRI and active engagement with industry groups</li><li>+ Consideration of ESG impact on investment decisions</li><li>+ Workforce standards and protections</li></ul> | <ul style="list-style-type: none"><li>+ Civil and human rights</li><li>+ Diversity and equitable opportunities</li><li>+ Access to capital</li><li>+ Education</li><li>+ Global health and medical technologies</li><li>+ Affordable housing</li><li>+ Government and community relations</li><li>+ Labor management relations</li></ul> | <ul style="list-style-type: none"><li>+ Board composition, accountability, and executive compensation</li><li>+ Business ethics and compliance</li><li>+ Shareholder rights and stakeholder dialogue</li><li>+ Cyber security</li><li>+ Internal Control</li></ul> |

## 5. Responsible Investment Principles

The Firm views ESG factors as key elements of investment return, volatility, and risk mitigation. We believe the consideration of such factors is an important aspect of our fiduciary responsibility to clients. Therefore, we reasonably ensure that ESG is considered during our due diligence on an investment and is monitored throughout an investment's lifespan, as appropriate. Depending on the type of investment, we will have differing levels of control and transparency during the underwriting process and after an investment has been made, which change the way we assess and integrate ESG factors.

ESG is often used interchangeably with sustainable, ethical, responsible, or impact investing, all of which represent a societal lens by which to assess investment opportunities beyond traditional financial reporting considerations. There are several different ways that organizations choose to approach ESG investing. According to the Global Sustainable Investment Alliance (GSIA), these different approaches include:

1. Negative/exclusionary screening
2. Positive/best-in-class screening
3. Norms-based screening
4. ESG integration
5. Sustainability themed investing
6. Impact/community investing
7. Addressing lack of capital access for underrepresented investors
8. Corporate engagement and shareholder action

### Investment and Operational Due Diligence

From the initial screening and sourcing stages of the investment process, the Firm has upfront awareness of, and internal discussions with respect to, potential ESG issues. During due diligence, the Firm discusses its ESG process and requirements with managers and sponsors, and examines the way ESG issues are addressed by the manager/sponsor we are evaluating. An ESG template is included as part of our standard due diligence package, and an ESG section is also included in our standard annual manager questionnaire. Investment analysts present key ESG findings and considerations to the Investment Committee for evaluation, and any potential ESG issues are discussed by the Investment Committee.

The Firm evaluates investments based on the level of incorporation of ESG factors as part of investment due diligence and underwriting process according to a multi-tier framework as illustrated below. We define ESG criteria as a set of standards for a fund manager, company, or asset's operations; hence, specific ESG factors considered may include:

- + Formal ESG investment policy
- + Consideration of ESG impact on investment decisions
- + Signatory to PRI or similar organizations
- + Workforce standards and protections
- + Diversity policy and diversity of employees

| ESG incorporation level   | Criteria   |
|---------------------------|--|
| Limited / none            | Not factoring ESG principles into processes, at firm level or extremely limited attention paid to ESG principles                                 |
| Some incorporation        | Awareness of ESG principles at firm level and/or has begun some initiatives but lacks institutionalized processes                                |
| Substantial incorporation | ESG principles incorporated into the investment process and at the firm level but manager may not follow through on all levels (e.g., reporting) |
| Complete incorporation    | ESG principles fully integrated into firm culture and investment process; directly impacts investment decisions made                             |

The nature of ESG integration will vary by strategy and investment type.

**Fund Investments.** The Firm considers the level of integration of ESG factors by a fund manager as part of our manager due diligence process. This includes the ESG factors and criteria as well as the degree to which the manager assesses ESG factors in its investment due diligence and decision-making and the level of ongoing portfolio oversight and governance with respect to ESG factors.

**Co-Investments / Direct investments.** The Firm looks at the company or asset in which it is investing and assesses the degree to which it incorporates ESG factors. This may include evaluating a company's corporate governance, reviewing the company's ESG and Impact policy, or identifying the business's social or environmental impact.





The investment team generally compiles ESG findings and incorporates those findings into investment materials (e.g., memos, presentations, etc.) to present to the applicable Investment Committee. In addition, as part of our standard due diligence process, the Firm conducts operational due diligence, which focuses on an investment's governance and controls. The Investment Committees consider ESG and impact considerations when contemplating investments for approval.

## Portfolio Construction

Because the Firm's business largely focuses on developing customized portfolios for our clients, the parameters for portfolio construction will vary based on our clients' needs. While the Firm factors ESG considerations into investment underwriting, the degree of ESG integration into a given portfolio will depend on the client mandate, investment strategy, and portfolio structure. For example, our portfolios implement ESG integration in a variety of ways from negative screening to impact-oriented, in a manner consistent with both the portfolio's objectives and constraints and our fiduciary duty to the client. In addition, we manage certain strategies and funds for which ESG and measurable impact are guiding principles alongside investment returns.

## Monitoring and Engagement

Once an investment is made, the Firm monitors that investment on an ongoing basis from an ESG perspective. For managers, this takes the form of asking specific questions regarding ESG considerations in the Firm's annual Year End Questionnaire, distributed to managers. Throughout the monitoring process, the Firm evaluates progress and enhancements made by managers in their ESG efforts. For direct and co-investments, the Firm regularly monitors the performance of the underlying business on a variety of operational and financial metrics, including relevant ESG factors. The Firm tries to use its influence to encourage further integration of ESG considerations in our investments.

# 6. Responsible Business Practices

The Firm is committed to incorporating ESG into how we manage our business. The Firm's strategy is governed by executive management, which, in collaboration with the Firm's ESG and Impact Committee as well as its Diversity, Equity and Inclusion Committee (DEIC), reasonably ensures that ESG and impact considerations are factored into how the Firm is managed. The DEIC manages our diversity and inclusion initiatives, sets strategic direction, and coordinates the Firm's actions globally.

The Firm is committed to assessing the environmental, social, and governance factors that impact our business, managing the risks associated with such factors, and striving to improve the way the Firm operates its business in accordance with these factors. This includes identifying opportunities to reduce the Firm's own environmental footprint, enhancing the diversity of the organization, having a positive impact on the communities in which the Firm operates, and operating with a strong culture of compliance.



## 7. Industry Leadership and External Collaboration

The Firm believes it is uniquely placed within the industry given the size and scale to drive broader integration of ESG factors among investors in alternatives. Therefore, the Firm is engaged in multiple partnerships with organizations committed to enhancing integration of ESG factors and driving greater industry transparency.



A Founding Signatory  
Since 2012

**Sustainable Finance  
Disclosure Regulation  
(SFDR)**

Architected Article 8 Customized  
Separate Accounts and  
Specialized Funds



Founding Signatory  
to ILPA's Diversity in  
Action Initiative



Serves as Foundation of  
Proprietary ESG Framework



- Firm Strategy Aligned  
with TCFD
- Inaugural TCFD Report  
Released in 2022



- Alliance Membership
- Utilizing Materiality Mapping  
in Certain Investment  
Frameworks

### Additional Affiliations





We have partnered with AAAIM since 2009 and support their goal to provide opportunities for investment managers of Asian descent. In 2022, AAAIM released “Beyond the Glass Ceiling 2022,” which explores the challenges of being an AAPI woman in financial services.



By providing education, mentorship, and internships, GCM Grosvenor continues to partner with Girls Who Invest to help bring more women into the investment management industry.



We have partnered with NASP for nine years in support of its mission for a more inclusive financial services industry.



As a Silver Sponsor of Rock the Street, Wall Street, we participated in financial literacy training for female high school students, which includes mentoring during both school semesters and a field trip to our office.

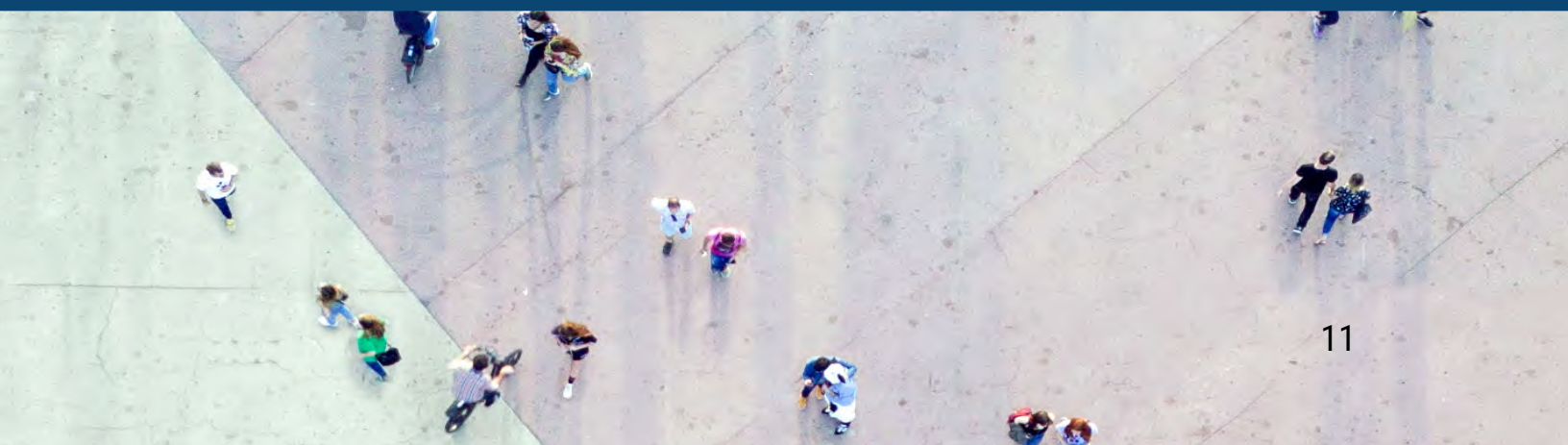


We are proud to have partnered with Toigo since 2004 as part of its pursuit of a more diverse and inclusive investment industry. For nearly two decades we have been involved in many ways including board memberships, conference participation, and sponsorship.



THE EXECUTIVE LEADERSHIP COUNCIL  
The Power of Inclusive Leadership

The Investment Diversity Exchange





# GCM Grosvenor Impact Report

Read about our commitment to making an impact through how we invest, how we manage our business, and how we serve our communities.

DOWNLOAD THE REPORT



## Main Offices



## Contact

**Headquarters**  
**Chicago**  
900 North Michigan Ave., Suite 1100  
Chicago, Illinois 60611  
(312) 506 6500

**New York**  
(646) 362 3700

**Toronto**  
(647) 417 7361

**London**  
+44 (0) 20 3727 4450

**Frankfurt**  
+49 69 5899 6526

**Tokyo**  
+81 3 5573 8110

**Hong Kong**  
+852 2452 9400

**Seoul**  
+82 2 2158 8500



**Website:**  
[gcmgrosvenor.com](https://gcmgrosvenor.com)



**Email:**  
[inquiries@gcmlp.com](mailto:inquiries@gcmlp.com)



**LinkedIn:**  
[@gcmgrosvenor](https://www.linkedin.com/company/gcmgrosvenor)

GCM Grosvenor (Nasdaq: GCMG) is a global alternative asset management solutions provider across private equity, infrastructure, real estate, credit, and absolute return investment strategies.

For any questions, please contact GCM Grosvenor Investor Relations at [investorrelations@gcmlp.com](mailto:investorrelations@gcmlp.com).

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