

# ESG Policy

*Good governance and sustainability have been Mesirow's guiding principles since 1937*

## Long-term commitment

Mesirow Private Equity (the “Firm”) is focused on acting in the best long-term interests of its clients. As such, we believe that environmental, social, and corporate governance (“ESG”) considerations are fundamental to risk management and operational excellence, and businesses that consider ESG issues are often well positioned to create long-term value and demonstrate sustainable growth. While we are proud of our increasing commitment to ESG principles, we recognize there is continued room for improvement. We strive to adopt industry best practices as we evolve and advance the integration of ESG considerations into our investment due diligence process, post-investment monitoring activities, and corporate culture.

## Responsible investing

### PRI SIGNATORY

Mesirow proudly became a signatory to the Principles for Responsible Investment (“PRI” or the “Principles”) in 2019, pledging to put the following six Principles for Responsible Investment into practice:

**Principle 1:** Incorporate ESG considerations into investment analysis and decision-making processes

**Principle 2:** Adopt ESG policies and best practices

**Principle 3:** Seek appropriate disclosure on ESG issues by the general partners that we invest with

**Principle 4:** Encourage the general partners that we invest with to accept and implement the Principles

**Principle 5:** Commit to continuous improvement

**Principle 6:** Report progress associated with implementing the Principles

## DUE DILIGENCE PROCESS

### Partnership Investments

As part of Mesirow Private Equity’s partnership investment due diligence process, an ESG analysis is conducted to broaden the view of potential risks that could impact a general partner’s organization and their portfolio. This ESG analysis supports a more refined understanding of an investment. Specifically, when evaluating general partners for inclusion in the Firm’s private equity fund-of-funds program, the deal team reviews several ESG factors, including:

- Evidence that ESG factors were considered during investment due diligence and as part of the underwriting process to assess value
- Whether the general partner is a signatory to PRI or other ESG initiatives and frameworks, such as the ESG Data Convergence Project, TCFD, the United Nation’s Sustainable Development Goals (SDGs) or the International Sustainability Standards Board’s (ISSB) standards
- How a manager engages with portfolio companies to address ESG deficiencies or issues post-investment
- Evidence that ESG factors are being regularly monitored (at least annually)
- Publication of an ESG annual report, detailing the relevant metrics for investments

Underlying managers’ ESG policies are reviewed for completeness. Any questions or concerns are directed to the manager. If a manager does not have a formal ESG policy, we discuss their general consideration of these risks and attempt to influence a more formal approach. Furthermore, we actively review all prior private equity investments in a prospective manager’s relevant track record prior to any new capital commitment. Based on materials provided to us by the prospective managers and

information included in the offering materials, we screen prior portfolio companies for obvious ESG risks or lapses. As appropriate, we discuss identified ESG factors with the prospective managers to better understand their risk mitigation strategy. Qualitative and quantitative data is tracked in Mesirow Private Equity's ESG Scorecard, a proprietary tool to track and assess risk factors related to the environment (i.e. managers' consideration of climate-related risks, tracking of sustainability-related KPIs at the portfolio company level, firmwide sustainability initiatives); society (i.e. diversity and inclusion metrics, worker safety, community engagement) and corporate governance (i.e. compliance policies and procedures, transparency, formalization of ESG oversight). ESG analyses are formally documented in investment memos, which are presented to the Investment Committee.

Any question of integrity, evidence of ESG negligence, or otherwise questionable conduct by a manager would generally result in rejection from our investment process. Our partnership investment selection process specifically emphasizes commitments to established managers with leading industry reputations. We believe that effectively managing ESG risk factors ensures sound governance (alignment of interests, ownership and compensation structures, accounting practices, transparency and accountability), and is the bedrock of best-in-class general partners. Therefore, most of the managers selected for inclusion in our portfolio have formally incorporated ESG principles into their investment and ownership practices.

### **Co-Investments**

In addition to evaluating a sponsor's ESG policies and procedures, as described above, we also assess company-specific ESG considerations as part of our co-investment due diligence process. Our co-investment due diligence process includes a thorough assessment of ESG risks and potential benefits. We review target portfolio companies approach to ESG, transparency in reporting and operations, governance practices, industry and geographical location, among other factors. In some cases, this incorporates ESG metrics from a GP-provided Data Convergence template, ILPA DEI template, and extensive third-party reviews of a target company's relevant environmental, employment, and compliance practices. An

analysis of ESG factors, focusing on risk, is documented in an investment memo, which is presented to the Investment Committee for review and approval. We maintain an extremely low tolerance for any "red flags". Any concerning findings would generally result in a rejection from our investment process.<sup>1</sup>

### **MODERN DAY SLAVERY STATEMENT**

Mesirow Private Equity will exclude from consideration investments in companies that knowingly support child labor, human trafficking, prostitution or forced labor across our commingled products to the extent it is aware of such activities.

### **EXCLUSION LISTS / ADHERENCE TO INTERNATIONAL CONVENTIONS**

In addition to excluding investments in companies that knowingly support child labor, human trafficking, prostitution or forced labor across our commingled products, the Firm will also exclude from consideration investments primarily engaged in or identified as deriving the majority of their revenue from in (a) manufacturers and distributors of Indiscriminate Weapons or any strategic part specifically designed for an Indiscriminate Weapon; (b) companies engaged directly in the production or sale of firearms or ammunition; and (c) companies involved in the production or extraction of thermal coal or the production or extraction of oil by Arctic or tar sands drilling; and (d) companies that violate UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises or that is out of compliance with OFAC rules and regulations, or applicable sanctions. For purposes of this policy, "Indiscriminate Weapon" means any weapon for military purposes that is, through its design or function, incapable of distinguishing between a civilian and military target (e.g., nuclear weapons, anti-personnel landmines, balloon-borne bombs, biological weapons, chemical weapons and cluster munitions).

<sup>1</sup> As a co-investor, Mesirow Private Equity does not have direct control or direct involvement in the management of the portfolio companies.

## POST-INVESTMENT MONITORING

As a limited partner and as a minority co-investment shareholder, Mesirow Private Equity does not have direct control or involvement in the management of portfolio investments, but continually monitors the ESG risks associated with both the sponsoring general partners and underlying companies. Underlying portfolio company investments are monitored on a quarterly basis and findings are documented in Mesirow Private Equity's iLevel database and proprietary ESG Scorecard. This process provides an opportunity for Investment Team personnel to identify "red flags" early and engage sponsor general partners. Regular attendance at annual investor meetings, participation on LP Advisory Committees, board observer rights for co-investments, and regular informal dialogue with general partners provide additional insight into managers' ESG programs and how they integrate ESG considerations and best practices into their investment strategies. Should a negative ESG-related event arise, we will engage with the general partner to ensure they are working with the portfolio company towards a resolution. Given our experience as a fund-of-funds manager and investing in dozens of what we view to be best-in-class private equity managers demonstrating good governance, transparency and a commitment to continuous improvement, we believe that we are uniquely positioned to share and promote best practices with our network of general partners.

## OVERSIGHT

As part of the Firm's ongoing commitment to evolve and advance the integration of ESG considerations into our investment due diligence process, post-investment monitoring activities and corporate culture, Mesirow Private Equity established an interdisciplinary ESG Committee. The ESG Committee is comprised of representatives from each of the Firm's functional teams: Investments, Investor Relations and Operations. The ESG Committee is responsible for reviewing the Firm's ESG Policy at least annually and adjusting it as needed. As of December 31, 2022, the ESG committee is comprised of Kristina Pierce (Managing Director, Investments), Emanuel Williamson (Associate, Investments) Martha Payne (Senior Vice President, Investor Relations) and Jessica Marta (Senior Vice President, Operations).

The Committee's broader responsibilities include:

- Monitoring ESG considerations of existing investments
- Seeking opportunities to continuously enhance integration of ESG factors into the Firm's investment due diligence and decision-making processes
- Applying industry frameworks to share and learn ESG-related best practices
- Connecting with industry peers to support the broader acceptance of PRI's Principles for Responsible Investment, TCFD's recommendations to increase transparency on climate-related risks and opportunities, adoption of Data Convergence's standardized ESG template and to apply best practices to advance diversity and inclusion
- Connecting with clients to ensure we meet their evolving ESG objectives

## CORPORATE CULTURE

### DIVERSITY, EQUITY AND INCLUSION

Mesirow (the “Company”) believes that diversity of opinion facilitates better discussion, unique solutions and ultimately, greater client and employee satisfaction, and is essential to the Firm’s continued growth.

Mesirow’s diversity, equity and inclusion (“DEI”) strategy is formed by the Company’s Head of DEI and a consortium of a diverse group of Mesirow employees, which together comprise the Mesirow DEI Council. The Mesirow DEI Council is responsible for implementing the Company’s DEI strategy across Mesirow’s diverse business units, applying best practices and ensuring strategic alignment with shareholder value.

Mesirow’s objectives focus on advancing DEI within its workforce, its suppliers and across the industry.

#### Workforce

Mesirow fosters an inclusive workplace environment that is focused on engaging and retaining diverse employees.

- **Rotational Analyst Program:** A pillar of Mesirow’s efforts to increase workforce diversity is its rotational analyst program initiated in 2018. The program focuses exclusively on minority college graduates interested in pursuing careers in financial services, allowing young professionals an opportunity to gain exposure to various areas of investment management, and helping to identify a specific career path upon completion of the program. Analysts in the program participate in four six-month rotations across Mesirow’s alternative direct, multi-manager and traditional investment management businesses. Upon completion of the program (dependent on business needs and analysts’ performance) analysts have an opportunity to continue their careers at Mesirow in a permanent position. The Company welcomed its third cohort of analysts in 2022. This program is unique in the investment management industry and critical in helping identify and retain talented minority finance and investment professionals at the beginning of their careers.

### Mesirow’s Six-Point Commitment to Diversity, Equity & Inclusion

1. **Converse** | We support **learning and open dialogue** through programming, events and mandatory training for managers and employees on issues such as unconscious bias, microaggressions and cross-cultural communications.
2. **Diversify** | We work to **increase the presence** of professionals of color, LGBTQ community members, women, individuals with disabilities, and veterans at all levels of our firm.
3. **Engage** | We engage as a **resource and advocate to underserved communities**, putting our resources to work—financial contributions, employee volunteering, mentoring and in-kind services.
4. **Align** | We align with organizations that **advance diversity in our industry**, including the Chicago Urban League, Chicago United and Financial Services Pipeline.
5. **Champion** | We continuously **diversify our suppliers and vendors** and champion organizations and initiatives driving positive change such as the Chicago United Five Forward.
6. **Participate** | We support **diversity & inclusion platforms** and initiatives within our industry and specific to our lines of business.

- **Employee Resource Groups:** The Company offers and promotes participation in WomenConnect, PrideConnect, PeerConnect and ParentsConnect, which enable employees to work with peers and colleagues to create networking events, informational sessions and other activities that promote collaboration, innovation and inclusion.
- **Training and Education:** Mesirow requires all employees to participate in ongoing DEI training and education.
- **Recruitment:** Mesirow champions the recruitment, retention and advancement of women, employees of color and of other marginalized communities and seeks to expand its pool of diverse candidates through its participation and network with professional, business and academic partnerships. For example, Mesirow is an original member and actively participates in the Financial Services Pipeline, a consortium of 16 financial services institutions in the greater Chicago area, founded to promote the hiring and retention of African American and Latino employees in the financial services industry. Mesirow Private Equity also serves as a sponsor to Women’s Association of Venture & Equity’s (WAVE) annual Career Forum, which serves as a resource for women interested in private equity to learn about the breadth of available career paths.
- **Measuring Success:** Mesirow engaged a leading DEI professional services firm to conduct a comprehensive DEI assessment, the findings of which serve as the Company’s DEI roadmap and as a baseline to measure growth. Additionally, Mesirow participates in independent third party administered employee engagement surveys, the aggregate results of which are generally made publicly available. These surveys have resulted in numerous Workplace awards include Crain’s 2022 Best Places to Work in Chicago, Chicago Tribune’s Top Work Places in 2021, Human Right’s Campaign as a Best Place to Work in 2022, a perfect score on the Corporate Equality Index over the last three years (as of 8.31.22) and Pensions & Investment’s (P&I) 2022 Best Places to Work in Money Management based on workplace policies, practices, philosophy, and demographics. While we recognize that there is continued room for improvement, we are extremely proud of these results.

## Suppliers

Working with third-party agencies such as Chicago United Five Forward program, Business Leadership Council, LGBT Chamber of Commerce, and Financial Services Pipeline, Mesirow aims to thoughtfully expand the Company’s work with Minority, Women and Disadvantaged Business Enterprise (“MWDBE”) suppliers. As an example, Mesirow contracted with a women-owned, Chicago-based mailroom and production center partner, EverSource, aligning with Mesirow’s business needs and culture.

## Industry

Mesirow believes its commitment to DEI must extend beyond its own policies and procedures and include advocating for diversity and inclusion across the financial industry. As such, in 2021, Mesirow Private Equity became a signatory to ILPA’s Diversity in Action initiative, pledging to apply best practices to advance diversity and inclusion, and, in 2018, Mesirow’s CEO joined more than 1,600 CEOs of the world’s leading companies and business organizations in signing the PwC CEO-Action Pledge leveraging individual and collective voices to advance diversity, equity and inclusion in the workplace, as well as contribute to and learn from actions other companies are taking.

## COMMUNITY ENGAGEMENT

Through deep civic engagement in Chicago and the communities where our clients live and work globally, Mesirow professionals seek to spark positive and lasting change. Mesirow's work in the community focuses on causes that are important and special in our homes, the lives of people we serve and the communities where we live and work. Through partnerships with various nonprofit agencies (anchor partners) listed below, Mesirow is committed to giving back with both human capital and financial investment, focusing engagement on three categories:

**Neighborhoods:** Mesirow supports organizations providing vital family, youth, and wrap-around support services in the neighborhoods where we, and our clients, live and work; Anchor partners include Metropolitan Family Services, Children's Place Association/ChildThrive, Mercy Home for Boys and Girls, Big Brothers Big Sisters, Cradles to Crayons, CPS Children First Fund and Brighton Park Neighborhood Council

**Education & Inclusion:** Mesirow seeks to advance opportunities for young people and individuals with disabilities through partnerships focused on education, financial literacy and careers and professional development; Anchor partners include ChiArts, Chicago Aldermanic Black Caucus Foundation, LINK Unlimited Scholars, After School Matters, Cristo Rey Work-Study, POSSE Foundation, Big Shoulders Fund and Anixter Center

**Social Justice:** Mesirow promotes equal economic, political, and social rights through its support of organizations working to advance tolerance, gun safety, and racial equity; Anchor partners include Giffords | Courage to Fight Gun Violence, The Anti-Defamation League, US and Illinois Holocaust museums and education centers, Greenwood Project, Thrive Scholars, Chicago Sky Beyond Basketball and other partners of Mesirow's DEI Council

## ENVIRONMENTAL AND SUSTAINABLE PRACTICES

Conscious of our environmental footprint, Mesirow Private Equity proudly operates out of a LEED Platinum Certified building, which is home of our corporate headquarters in Chicago. In 2015, the building was awarded LEED Platinum Certification—the highest level of distinction awarded by the U.S. Green Building Council (USGBC) for best-in-class building strategies and practices, including its implementation of two green roofs, beehives, vermicomposting and a rain harvesting system. The building also utilizes hybrid employee shuttle vans and follows several environmental best practices that we believe improve sustainability and minimize the environmental impact of our operations.