Stonepeak Opportunities Fund (Lux) SCSp

Sustainability-related disclosures

Product Name	LEI Number
Stonepeak Opportunities Fund (Lux) SCSp	6354009PMC1VJHY6UO12

Version	Date	Comment
v1.0	20 October 2022	Original disclosures uploaded to Carne Group website in compliance with obligation under Article 10 of the SFDR
v2.0	1 January 2023	Disclosures updated to conform to relevant provisions of SFDR RTS (Commission Delegated Regulation (EU) 2022/1288)

IMPORTANT NOTICE

THIS DISCLOSURE IS PROVIDED PURSUANT TO EUROPEAN UNION REGULATORY REQUIREMENTS AND IS NOT INTENDED FOR USE BY INVESTORS OUTSIDE OF THE EUROPEAN UNION.

This disclosure is made in respect of Stonepeak Opportunities Fund (Lux) SCSp (the "**Fund**") pursuant to Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**") as supplemented by the Commission Delegated Regulation 2022/1288 of 6 April 2022.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR AN INVITATION TO SUBSCRIBE TO INTERESTS OF THE FUND OR ANY OTHER ALTERNATIVE INVESTMENT VEHICLE FOR WHICH STONEPEAK (AS DEFINED BELOW) SERVES AS INVESTMENT ADVISOR, AND THE INFORMATION PRESENTED IN THIS DOCUMENT SHOULD NOT BE RELIED UPON BECAUSE IT IS INCOMPLETE AND MAY BE SUBJECT TO CHANGE

In case of any inconsistency between this document and the Offering Documents of the Fund, the Offering Documents shall prevail. Defined terms not otherwise defined have the meaning given to them in the Offering Documents.

Carne Global Fund Managers (Luxembourg) S.A., an alternative investment fund manager, organized under the form of a Luxembourg public limited company (société anonyme) (the "**AIFM**"), has been appointed as the external alternative investment fund manager of the Fund.

The AIFM is responsible for the risk management function of the Fund, but it has delegated entirely the portfolio management function of the Partnership to Stonepeak Opportunities Fund Advisors LLC, a Delaware limited liability company and a relying adviser to Stonepeak Partners LP (together with its affiliates, "**Stonepeak**"). The AIFM will be responsible for the proper and independent valuation of the assets of the Fund.

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(a) Summary

Stonepeak Opportunities Fund (Lux) SCSp (the "**Fund**", "**SOF**") promotes environmental or social characteristics, but does not have as its objective sustainable investments. No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the Fund.

The Fund will seek to generate attractive returns primarily through privately-negotiated equity and equity-related control or control-oriented investments in infrastructure and infrastructure-related assets, businesses and companies primarily located in countries that are members of the Organization for Economic Co-Operation and Development (OECD), or any successor organization thereto, with a strong focus on North America and Europe.

The Fund will focus on identifying solutions and opportunities with the aim of helping transition businesses towards improved sustainability profiles. The Fund will seek out businesses that Stonepeak (the "**Firm**", "we", "us", "our") believes either meets exemplary ESG practices today or offers the ability for meaningful improvement under Stonepeak's ownership or management, in line with the themes: *Carbon*, *Stewardship*, and *People* (detailed in section c below). The Fund intends to finance assets displaying positive characteristics that meet or contribute to certain UN Sustainable Development Goals ("SDGs"), including but not limited to: Affordable and Clean Energy (SDG 7); Decent Work and Economic Growth (SDG 8); Infrastructure (SDG 9); Sustainable Cities and Communities (SDG 11); Responsible Consumption and Production (SDG 12); and Climate Action (SDG 13).

SOF expects to continue to focus on Stonepeak's traditional target sectors where we believe the Firm has significant depth of experience, knowledge, and relationships: digital infrastructure, transportation & logistics, energy transition and social infrastructure.

As part of the investment decision making process, all investment committee memoranda are required to include a standard ESG questionnaire which synthesizes the environmental, social and governance components of each investment opportunity. While the ESG considerations for each investment differ by sector, asset type, stage in asset life cycle, geography, etc., the ESG questionnaire seeks to capture and present a consistent set of ESG-related diligence findings in one place for review.

Where feasible and particularly where ESG performance is believed to be of heightened importance to the financial performance of the underlying investment, Stonepeak will seek to have ESG considerations embedded in deal documents, corporate governance, and post-acquisition management plans.

Stonepeak will seek to establish board-level oversight of controlled portfolio companies of Key ESG considerations at the outset of an investment with a commitment to drive the ESG approach and performance, recognizing that aligned and empowered management teams deliver the best results. Boards may, in turn, form designated subcommittees or working groups empowered to implement and operate the company's ESG strategy.

Stonepeak views control governance as a way to both seek to mitigate downside risks if / as they eventuate, and to be able to "control your own destiny" on the investment (including on exit). Stonepeak will generally continue to seek majority ownership rights in most circumstances. Where this is not possible, Stonepeak will seek significant approval rights or influence on exit, key financing decisions and major business and financial decisions for any common-equity, minority ownership investment. In the case of minority stakes with governance rights, the Fund expects to typically seek consent, veto, and / or consultation rights on certain key decisions that may impact companies.

The Fund undertakes to attain that a minimum of 50% of the Fund's investments will be aligned to one or more of the environmental and social characteristics promoted by the Fund. The Fund does not commit to a minimum share of its investments being in sustainable investments (including sustainable investments with an environmental objective aligned with the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy**")).

Stonepeak will seek frequent, in-depth data collection and analysis from all of the Fund's portfolio companies across financial, operational and ESG key performance indicators. To this end, particularly during portfolio company onboarding, Stonepeak will work with management team partners to align their sustainability KPI tracking to best-in-class standards, with reference to public and private benchmarks. We believe improved data also supports more in-depth reporting, aligning well with our focus on transparency.

Stonepeak works with portfolio company management to capture and report relevant ESG metrics. Stonepeak generally seeks to use its board position in control investments to observe, monitor, and assist with the development and implementation of investee company ESG-related policies and procedures. Stonepeak will generally seek to take a "hands-on", intensive approach for assets with heightened risks (e.g. construction projects, environmentally sensitive operations, etc.), and can call upon a deep bench of industry expert Operating Partners to supplement Stonepeak executives on boards.

Stonepeak intends to use data sourced from its internal research or from third parties to evaluate how the environmental and social characteristics promoted by the Fund are attained.

Stonepeak will rely on information collected by management reporting systems within the Fund's investee projects and companies, and that is provided to Stonepeak in its capacity as a lender, debtholder to, or equity owner of, the relevant project. The percentage of the data that is estimated will vary depending on the investee company and KPI.

Stonepeak will rely on the data provided by investee companies to monitor the KPIs and assess that the investee companies further the environmental and social characteristics promoted by the Fund, which may weaken the reliability of the data.

Stonepeak seeks to operate a 'bottom up' rather than 'top down' approach to due diligence as Stonepeak believes that deal teams act as the firm's first and best filter on ESG. Diligence is summarized, presented, and transparently debated in an Investment Committee forum. This process may be iterative as Stonepeak will not move forward with an asset until it fully understands the ESG considerations and build them into the investment case.

We are consultative in our stewardship approach, and believe aligned and empowered management teams deliver the best results. We seek to be active owners and direct the approach to ESG at each portfolio company according to our governance rights, focusing on matters most relevant to each company.

This summary was prepared in English and may be translated to other official languages of the European Union. In case of any inconsistencies or conflict between different versions of the summary, the English language version shall prevail.

(b) No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Fund will seek to generate attractive returns primarily through privately-negotiated equity and equity-related control or control-oriented investments in infrastructure and infrastructure-related assets, businesses and companies primarily located in countries that are members of the Organization for Economic Co-Operation and Development (OECD), or any successor organization thereto, with a strong focus on North America and Europe.

The Fund will focus on identifying solutions and opportunities with the aim of helping transition businesses towards improved sustainability profiles. The Fund will seek out businesses that Stonepeak believes either meets exemplary ESG practices today or offers the ability for meaningful improvement under Stonepeak's ownership or management, in line with the following themes.

Carbon

We believe the impact to society of anthropological climate change is among the most pressing of the shared challenges we face today. Carbon emissions and the transition from fossil fuels to renewable energy are therefore a major focus for us, both in where we choose to invest and how we steward our portfolio companies.

Stewardship

It is our belief that we have thoroughly integrated ESG considerations into our asset selection and asset management, recognizing that companies with strong ESG profiles tend to enjoy a lower cost of capital and generate higher risk-adjusted returns We therefore seek out sectors and assets with opportunities to reposition and improve ESG performance, as well as those that benefit from structural ESG tailwinds, in support of our aim to contribute to the transition to a more sustainable future. We believe our choice of management teams and project partners is critical in realizing this aim and we therefore aim to partner with management and project teams who share our views on the importance of ESG performance and are open to our input. We aim to provide capital, guidance, and collaborative feedback to support our management teams in introducing new policies, business processes and reporting that enhances the sustainability performance of our investee businesses.

People

We believe the success of every business depends in large part on attracting and retaining high-quality people. We are therefore acutely focused on supporting our portfolio companies to maximize the potential of their people. In addition, we recognize that we have a moral and legal responsibility to help ensure our portfolio companies provide a safe workplace for their employees.

Sustainable Development Goals

The Fund intends to finance assets displaying positive characteristics that meet or contribute to certain UN Sustainable Development Goals ("SDGs"), including but not limited to the following:

- Affordable and Clean Energy (SDG 7)
    - We believe a growing global population needs access to affordable energy that mitigates or slows the impacts of anthropological climate change, as well as the adverse impacts to human health caused by airborne pollutants released by the burning of coal and oil. We believe this requires investment in new technologies and infrastructure. We believe our renewables and energy transition businesses directly contribute to the advancement of this goal.
- Decent Work and Economic Growth (SDG 8)
    - We believe improving living standards requires economic and employment growth, alongside greater productivity and technological innovation. As growth-oriented investors, we seek to deploy capital expenditure to expand businesses and construct assets, which creates both permanent and temporary jobs.
- Infrastructure (SDG 9)
    - We believe infrastructure is a key enabler of economic growth and as the global population becomes increasingly urbanized and digitalized, more people rely on services provided by telecommunications, energy and transport infrastructure. We believe, as specialist infrastructure investors, this SDG is at the heart of our business.

- Sustainable Cities and Communities (SDG 11)
  - We believe transport infrastructure investments may, for example, contribute to SDG 11.2 by providing access to safe, affordable, accessible and sustainable transport systems which improve road safety. We believe energy transition and waste infrastructure investments may, for example, contribute to SDG 11.6 by reducing the adverse per capita environmental impact of cities through improvements to air quality and municipal and other waste management.
- Responsible Consumption and Production (SDG 12)
  - We believe optimizing the use of limited resources contributes to the sustainability of economic activity. We seek to invest in and grow businesses that have responsible consumption and production embedded into their operations.
- Climate Action (SDG 13)
  - We believe we are helping to protect the climate by supporting the transition from fossil fuels to renewable energy generation, and by guiding our portfolio companies in their efforts to reduce their carbon emissions and meet new reporting standards, such as those set out in the recommendations of the Task-Force for Climate-related Financial Disclosures (TCFD).

(d) Investment strategy

Investment strategy

As set out further in section 4 (*Investment Strategy*) of the Memorandum, Stonepeak expects the investment strategy for SOF to employ the same key tenets that the Firm has successfully executed on since 2011 across the Flagship Funds. SOF expects to continue to focus on Stonepeak's traditional target sectors where we believe the Firm has significant depth of experience, knowledge, and relationships: digital infrastructure, transportation & logistics, energy transition and social infrastructure. SOF will seek to invest in high-quality, defensive infrastructure assets with significant right-skew to the distribution of potential returns, and will actively seek to drive operational value-add through an engaged, hands-on, and tailored local and sector-led thematic approach to portfolio management.

While the private infrastructure investment landscape has both grown significantly and matured over the last decade-plus, Stonepeak believes that there continues to be a clear "white space" of infrastructure investment opportunities that are less competitive in today's market by virtue of size, complexity, or the overlooked nature of certain niche assets/subsectors. Stonepeak expects SOF to execute on these opportunities by leveraging the Firm's investing DNA in the middle-market, in complex structured transactions, and track record of early identification of emerging infrastructure themes.

Stonepeak expects SOF to draw on many of the key strengths and differentiators of the Firm's investment approach as consistently demonstrated across the Flagship Funds, which we view as equally applicable to successful investing within the proposed strategy.

SOF will seek to focus on what we believe are highly defensible investment opportunities with strong, durable cash flows, provision of essential services, and high barriers to entry. Stonepeak expects to primarily focus on investments with the following characteristics:

Category	**SOF focus**
Geography	OECD Countries, with primary focus on North America and Europe
Risk	Preservation of invested capital in severe downside case
Asset Profile	Primarily core-plus, build-to-core, or value-add assets

Sectors	Digital infrastructure, transport & logistics, energy transition, and social infrastructure
Ownership	Primarily control or significant minority positions (with commensurate governance); SOF may also opportunistically invest in preferred or structured equity with reduced control-governance but stronger structural protections
Target Equity Check	$75 million – $250+ million

In executing the Fund's investment strategy, Stonepeak will seek to maintain a diligent approach to ESG in an effort to both mitigate risk (protect downside), as well as create value.

Investment Process

The Fund's investment process is set out in more detail in the Fund's Confidential Private Placement Memorandum.

We believe Stonepeak's investment process is designed to screen most deals out very early, ensuring efficient use of resources and minimizing unnecessary transaction costs. For deals that proceed past the initial deal review, discussions and rigorous debate at Review Committees are intended to ensure that investments are appropriately structured and investment risks are mitigated prior to the time when final Investment Committee approvals are considered. We believe Stonepeak specifically employs a rigorous and disciplined diligence process so as to maintain an absolute focus on downside protection. Stonepeak expects to apply the same disciplined underwriting standards to the Fund that the Firm has refined since inception.

Once all relevant due diligence has been assembled and reviewed, the deal team will synthesize its findings in an Investment Committee memo ("**ICM**"), along with a final view on valuation and the final proposed terms and structure of the deal.

All ICMs are required to include a standard ESG questionnaire which synthesizes the environmental, social and governance components of each investment opportunity. While the ESG considerations for each investment differ by sector, asset type, stage in asset life cycle, geography, etc., the ESG questionnaire seeks to capture and present a consistent set of ESG-related diligence findings in one place for review. This also allows the Investment Committee to assess the current position of each prospective investment against the Firm's key commitments (such as greenhouse gas (GHG) emission reductions and Net Zero Asset Managers initiative (NZAM)) and to consider how the business and underwriting case aligns with our targets in these areas.

As with the Review Committee process, ICMs are distributed in advance of the weekly Investment Committee discussions. Similarly, all members of the Firm's broader investment team, as well as members of the finance, operations, legal and compliance, ESG and investor relations teams are included on the distribution of the ICMs and are invited to participate in the Investment Committee discussion itself, which features a similar comprehensive and inclusive Firmwide dialogue and Q&A process. Ultimately, final approval to proceed with legal documentation and final execution of the deal rests on a vote of the Investment Committee itself.

Where feasible and particularly where ESG performance is believed to be of heightened importance to the financial performance of the underlying investment, Stonepeak will seek to have ESG considerations embedded in deal documents, corporate governance, and post-acquisition management plans.

Stonepeak views ESG to be a critical component of the Fund and expects the Fund to continue to build upon the Firm's efforts in this area. In particular, we view key ESG considerations within this global mandate to be market- and asset-specific – we will therefore seek to capitalize on the intricate understanding of local customs and operating norms that our global investment team involved with SOF possesses, ensuring best-in-class operating standards and delivery vis-à-vis our ESG commitments.

Active asset management

Stonepeak will seek to establish board-level oversight of controlled portfolio companies of Key ESG considerations at the outset of an investment with a commitment to drive the ESG approach and performance, recognizing that aligned and empowered management teams deliver the best results. Boards may, in turn, form designated subcommittees or working groups empowered to implement and operate the company's ESG strategy.

Stonepeak's ESG team will seek to engage directly on priority initiatives and facilitate cross portfolio sharing of best practice.

Stonepeak will seek to work with management teams to actively monitor progress/performance through tailored reporting, recognizing that inherent risks vary by asset.

Policy to assess good governance of investee companies

Stonepeak seeks to ensure that it partners with top-quality management teams (either those already in place with an asset or seeking to install management teams with which Stonepeak has an existing relationship post-acquisition), as Stonepeak believes that the quality of the on-the-ground management team is equally important as the quality of the physical and operating assets themselves. Should the management team at initial investment not prove effective at driving results at a portfolio company, Stonepeak will, as it has in the past, aim to proactively replace or augment management teams to ensure that poor day-to-day management of the Fund's assets doesn't introduce additional risk.

Stonepeak views control governance as a way to both seek to mitigate downside risks if / as they eventuate, and to be able to "control your own destiny" on the investment (including on exit). Stonepeak will generally continue to seek majority ownership rights in most circumstances. Where this is not possible, Stonepeak will seek significant approval rights or influence on exit, key financing decisions and major business and financial decisions for any common-equity, minority ownership investment.

Target governance rights in Stonepeak investments typically include Stonepeak representatives holding a majority of the board seats, or otherwise sufficient representation on the board or equity voting rights to exercise discretion over key decisions of the investment, including:

- The appointment or replacement of key company management;
- Key financing or capital structure decisions (e.g., incurrence or pay down of debt, issuance of preferred or common equity, etc.);
- Decisions regarding material acquisitions, divestitures or sale of the business as a whole;
- Major changes to the strategy of the business;
- Execution of any substantial hedging contracts;
- Execution of key customer or supplier / vendor contracts; and
- Review and approval of annual operating and capital budgets.

In the case of minority stakes with governance rights, the Fund expects to typically seek consent, veto, and / or consultation rights on most or all of the decisions described above.

Stonepeak will also seek to ensure good governance practices are followed by investee companies by:

- Initiating thorough dialogue with project constituents (e.g., local authorities, landowners, economic stakeholders) and taking regional customs and practices into consideration with each investment;
- Upholding sound corporate governance principles particularly with respect to alignment of interests between company executives and Stonepeak, including specifically on material ESG matters;
- Engaging Operating Partners with deep local expertise, who are aligned with the Stonepeak investment rigor and standards and who undergo extensive diligence with regards to prior operating history, political associations, background checks, etc.; and

- Establishing appropriate governance controls to execute Stonepeak's strategy and ensure appropriate financial, audit, conflicts, and other control procedures are in place.

(e) Proportion of investments

We believe ESG is fundamental to how Stonepeak sources, invests in, and stewards businesses, and Stonepeak has sought to embed material ESG considerations into each phase of the investment lifecycle.

Accordingly, in each of the investments made by the Fund there will be an opportunity to contribute to one or more of the environmental and social characteristics promoted by the Fund, and the extent of the contribution of the Fund's investments to the attainment of these characteristics will be measured by the sustainability indicators set out below.

In relation to majority controlling investments made by the Fund, Stonepeak expects that it will be possible to pursue the environmental or social characteristics promoted by the Fund in the majority of cases; however, in relation to minority or structured investments, or in circumstances where there is inadequate non-financial information relating to the target investment, it may not be possible to pursue the environmental or social characteristics in all cases (in which case, such investments will be classed as "#2 Other").

Nonetheless, the Fund undertakes to attain that a minimum of 50% of the Fund's investments will be aligned to one or more of the environmental and social characteristics promoted by the Fund.

The Fund does not commit to a minimum share of its investments being in sustainable investments (including sustainable investments with an environmental objective aligned with the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy**")).

For completeness, investors should be aware that the Fund is permitted to and may enter into certain non-core activities such as derivatives for hedging arrangements to mitigate interest rate or currency risk, or the impact of stock price movements. Stonepeak expects the use of derivatives to indirectly assist with promoting environmental and/or social characteristics to the extent that they are used as part of the financing and management of investments made by the Fund on an ongoing basis but will not be used for the purpose of promoting environmental and/or social characteristics. The potential use of these instruments is not included in the planned asset allocation described above.

(f) Monitoring of environmental or social characteristics

For each asset in the Fund's portfolio, Stonepeak's deal teams will typically perform quarterly reviews with the relevant fund's investment committee taking a "warts and all" approach. These reviews will include ESG performance and establish continuity between asset acquisition, onboarding, management and exit. We believe this process also ensures accountability for delivering on agreed objectives, including ESG initiatives.

Stonepeak's senior investment professionals will seek to actively exercise formal governance rights, where applicable, allowing Stonepeak to observe and influence the Fund's portfolio companies' ESG performance and enabling Stonepeak to discuss and report on material issues.

Stonepeak will seek frequent, in-depth data collection and analysis from all of the Fund's portfolio companies across financial, operational and ESG key performance indicators. To this end, particularly during portfolio company onboarding, Stonepeak will work with management team partners to align their sustainability KPI tracking to best-in-class standards, with reference to public and private benchmarks. We believe improved data also supports more in-depth reporting, aligning well with our focus on transparency.

(g) Methodologies

Across the Fund's portfolio, Stonepeak will – depending on the materiality of metrics to underlying investments – measure the following indicators to demonstrate the extent to which the Fund's investments have contributed to relevant UN SDGs and the extent to which we have advanced outcomes related to *Carbon*, *Stewardship*, and *People*:

- *Carbon*
  - Lifetime carbon emissions avoided from renewables portfolio
  - Lifetime Kilowatt hours produced
  - Number of homes powered
  - Portfolio companies with a developed GHG footprint
  - Portfolio companies with a carbon reduction strategy
- *Stewardship*
  - Number of board seats held across portfolio companies
  - Stonepeak attendance rate at portfolio company board meetings
- *People*
  - Total employees (controlled portfolio companies)
  - Construction labor hours in previous 12 month period
  - Number of controlled portfolio companies with established diversity, equity and inclusion (DE&I) policies, goals and plans

Stonepeak works with portfolio company management to capture and report relevant ESG metrics.

Stonepeak generally seeks to use its board position in control investments to observe, monitor, and assist with the development and implementation of investee company ESG-related policies and procedures. Stonepeak will generally seek to take a "hands-on", intensive approach for assets with heightened risks (e.g. construction projects, environmentally sensitive operations, etc.), and can call upon a deep bench of industry expert Operating Partners to supplement Stonepeak executives on boards.

Ongoing monitoring and reporting approach is tailored, recognizing that inherent risks vary by asset, for example:

- Construction and contract worker safety critically important for large-scale construction works; or
- Spills and contamination for assets involved in transportation of environmentally sensitive materials.

(h) Data sources and processing

Stonepeak intends to use data sourced from its internal research or from third parties to evaluate how the environmental and social characteristics promoted by the Fund are attained, as further described below:

Internal research

- Review of the Investment's historical operating performance with respect to relevant ESG factors;
- Review of policies pertaining to procurement, supply chain management, labor and worker safety, and construction practices of the Investment or relevant project contractor(s),

engineering, procurement and construction providers, and other contractors and subcontractors;
- Where relevant, review of relevant contractors' and developer's track record with regard to the delivery of similar projects in similar markets;
- Where relevant, review of the relevant project's development history and standing vis-à-vis impacted and potentially impacted economics or other stakeholders, as well as the relevant project's and developer's standing with relevant local and other governmental authorities, and
- Review of company's or developer's safety and workforce management policies

Third Party research
- Industry averages and benchmarks for gender diversity;
- Industry averages and benchmarks for workforce reportable incident rates and safety practices;
- Paris Accord or Net Zero-aligned decarbonization pathways for the applicable industry or asset type, having reference to standards such as Science Based Targets and Climate Bonds Initiative;
- Topological and geographical technical surveys, where relevant; and
- Third party disclosure frameworks (such as Sustainability Accounting Standards Board ("**SASB**") and Global Reporting Initiative ("**GRI**")), having reference to the most material and impactful ESG metrics as pertains to each project.

In addition, Stonepeak will rely on information collected by management reporting systems within the Fund's investee projects and companies, and that is provided to Stonepeak in its capacity as a lender, debtholder to, or equity owner of, the relevant project.

The percentage of the data that is estimated will vary depending on the investee company and KPI.

At the date of these disclosures, Stonepeak intends to ensure data quality by setting up direct communication channels on ESG matters (and more particularly on reporting sustainability indicators) with the management teams of the investee companies and by monitoring the sustainability data coming up from the investee companies (as well as internal research and third party research) for reasonableness.

Stonepeak may also provide guidance and training to the management teams in the investee companies on how to report under each specific metric of the KPIs and any updates required to ensure data quality and consistency in reporting by the investee companies. To conclude, Stonepeak will reach out directly to investee companies to confirm reliability of data provided or require further information when deemed appropriate.

Moreover, investee companies generally have some well-defined procedures around their data collection – so for example, historically investee companies in other funds managed by Stonepeak with similar investment strategies may have consultants prepare KPIs such as GHGs, internal automated databases for social metrics (e.g. hours logged, injuries etc.), engage third parties such as banks and third party reporting systems to monitor ESG KPIs. Additionally, some investee companies (although less common) may have their financial auditor opine on part of their ESG data.

(i) Limitations to methodologies and data

In general, we believe the data collection and information management systems for non-financial data are not as well-developed as those for financial data. In addition, we believe non-financial data often is not verified, accounted, or audited. Investee companies may also not be in a position to report on the sustainability indicators set out in above during the initial years of ownership. The investee companies may not be subject to ESG disclosure requirements (such as the European Union Corporate Sustainability Reporting Directive) or have in place internal ESG reporting mechanisms at the moment of investment, and may need some time to build these processes. In such instances, Stonepeak intends to work with the management teams at investee companies to strengthen their practices to enable engagement and reporting but it may take some time for the investee company to build these additional systems and procedures.

Moreover, Stonepeak will rely on the data provided by investee companies to monitor the KPIs and assess that the investee companies further the environmental and social characteristics promoted by the Fund, which may weaken the reliability of the data.

To conclude, Stonepeak may rely on estimates for the data used to assess certain KPIs. So for example, with respect to data related to carbon reporting, as it is common and best practice to use a materiality approach for calculating Scope 3 emissions, this may lead to non-material emissions not being included as part of the calculations.

However, Stonepeak intends to engage with the management teams of portfolio companies to understand levels of uncertainty and any potential gaps such as that in time, and through continuous engagement, data quality is expected to increase and the instances of data gaps to decrease.

(j) Due diligence

Stonepeak seeks to operate a 'bottom up' rather than 'top down' approach to due diligence as Stonepeak believes that deal teams act as the firm's first and best filter on ESG.

The initial deal screening typically involves a senior member of the deal team assessing a potential opportunity to determine whether it warrants further review.

Should a transaction warrant further review, Stonepeak will typically execute a non-disclosure agreement and receive additional (confidential) information on the opportunity.

Additional deal team resources may also at this time be allocated to conduct preliminary desktop-level due diligence, with Stonepeak quickly determining which opportunities should be pushed further in the investment process and significantly narrowing down the universe of deals to be actively pursued.

Deals that pass the initial deal review stage are presented at a weekly meeting of Stonepeak. This is the forum in which all active potential investments are typically discussed, focusing on an overview of the transaction, likely timing, key due diligence questions, approach, and next steps – such to any considerations in relation to conflict of interest and other regulatory requirements.

A determination of the initial interest and viability of the deal is made and, in positive instances, results in the assignment of additional team resources and / or approval of further due diligence tasks.

Diligence is summarized, presented, and transparently debated in an Investment Committee forum. This process may be iterative as Stonepeak will not move forward with an asset until it fully understands the ESG considerations and build them into the investment case.

Diligence informs onboarding and ESG business planning and Stonepeak will prioritize critical issues and discuss longer-term ESG initiatives, which are phased according to the company's needs.

Due diligence includes: expert third party technical diligence, deep engagement with key stakeholders (e.g. management, relevant public entities, shareholders), consultation with industry experts (Operating Partners and consultants), detailed scenario and precedent case study analysis, and understanding of asset operating intensity

Diligence findings inform immediate post-acquisition management plan – key risks typically viewed as opportunities to bring to bear operational expertise to mitigate risks and improve asset performance.

Opportunities are generally rejected if there are too many "unknown unknowns" – Stonepeak will seek to invest only where there is a complete understanding of and ability to appropriately manage the inherent risks of an asset.

While each investment presents its own unique set of circumstances and considerations, set out below is a non-exhaustive list of material ESG factors and objectives in respect of which Stonepeak commits to both performing diligence prior to acquisition, and engaging with and monitoring its investee companies during Stonepeak's ownership:

- Environmental
    - Complying with applicable environmental regulations;
    - Encouraging the efficient use of natural resources, reducing waste, and recycling;
    - Minimizing the potential impacts to biological diversity and ecosystems, where relevant;
    - Implementing robust spill and contamination prevention and remediation procedures;
    - Reducing air and other pollutants; and
    - Encouraging decarbonization through investment into energy transition initiatives, reduced energy use, switching from fossil hydrocarbons to low carbon intensity energy sources, offset programs, and other viable means
- Social
    - Promoting workforce diversity;
    - Avoiding unjust discrimination (based on gender, age, race, religion, sexual orientation or disability);
    - Engaging proactively with relevant community stakeholders to understand concerns, and build consensus as to how to both address concerns and minimize potential localized impacts of commercial operations; and
    - Respecting human rights (see "Supply chain integrity and human rights," below).
- Governance
    - Abiding by applicable anti-corruption and anti-bribery laws and regulations;
    - Upholding sound corporate governance principles particularly with respect to alignment of interests between executives and ownership, and appropriate reporting structures and divisions of responsibility between executive management and the Board of Directors; and
    - Ensuring appropriate financial, audit, conflicts and other control procedures are in place.

Stonepeak has sought to instill a detail-oriented, conservative approach to the due diligence process. Stonepeak attempts to identify the truly critical issues up-front and deep dives on these so as to validate the fundamental thesis at the core of the proposed investment. To scrutinize these issues, Stonepeak conducts its own research and typically engages with multiple subject-matter experts as required to obtain a comprehensive, exhaustive grasp of the issues at hand and assess the associated risk. Stonepeak tends to shun general consultants in favor of individual subject-matter experts who are genuinely close to the issues being examined. It is Stonepeak's belief that half an hour with such an expert can cover more ground and provide greater insight than months of independent research by the Firm or a third-party generalist consultant. While Stonepeak routinely uses outside experts during due diligence, the Firm's culture is to "own" its due diligence, not to outsource it.

(k) Engagement policies

We are consultative in our stewardship approach, and believe aligned and empowered management teams deliver the best results.

We seek to be active owners and direct the approach to ESG at each portfolio company according to our governance rights, focusing on matters most relevant to each company.

We seek to actively influence our portfolio companies to have written policies pertaining to supply chain management, which regulate supplier selection, define procurement governance, and establish procedures for material procurement decisions. We also seek to steward our portfolio companies towards adopting a range of other policies, such as an employee code of conduct or ethics policy, an anti-sexual-harassment policy, and a worker health and safety policy.

To further drive the ESG performance of portfolio companies consistent with the ESG performance incentive structure, Stonepeak will endeavor to align the interests of management teams by linking discretionary C-suite compensation (as commercially warranted) to the achievement of certain ESG related key performance indicators.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the Fund.

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