StepStone Group Climate Policy

Adopted: October 2022

I. Introduction

StepStone Group ('StepStone' or the 'Firm') is a global private markets investment firm focused on providing customized investment solutions and advisory, data and administrative services to our clients. Our clients include some of the world's largest public and private defined benefit and defined contribution pension funds, sovereign wealth funds and insurance companies, as well as prominent endowments, foundations, family offices and private wealth clients, which include high-net-worth and mass affluent individuals. We partner with our clients to develop and build private markets portfolios designed to meet their specific objectives across the private equity, infrastructure, private debt and real estate asset classes. These portfolios utilize several types of synergistic investment strategies with third-party fund managers, including commitments to funds ('primaries'), acquiring stakes in existing funds on the secondary market ('secondaries') and investing directly into companies ('co-investments').

StepStone recognizes the Paris Agreement and supports those of our clients seeking to build Paris Agreement-aligned portfolios that are consistent with reducing global net emissions by 2050. Further, StepStone supports our clients in meeting their institutional responsibilities with respect to sustainable finance initiatives, which may include net zero carbon commitments and related disclosure and reporting requirements. The effects of climate change are far-reaching, posing complex challenges for every industry and requiring a globally coordinated response. StepStone recognizes the risks and opportunities that climate change poses and commits to continually improving its performance on climate change issues both at the corporate operational level and within our investment activities.

In 2019, we became a signatory to the Taskforce on Climate-related Financial Disclosures ('TCFD'), and commit to reporting according to the TCFD. In addition, we became members of the Institutional Investors Group on Climate Change ('IIGCC'), Initiative Climat International ('iCI'), and we participate in a variety of workgroups to actively contribute within these organizations.

This policy is implemented by the Responsible Investment (RI) Committee and applied globally across the firm's asset classes and investment strategies.

II. Commitment

As one of the leading allocators of private capital, StepStone recognizes its role in promoting the consideration of climate change through its investment process and in engagement with its stakeholders.

StepStone commits to considering climate change in its internal operations, with a key focus on reducing our operational greenhouse gas emissions (Scope 1, 2 and 3). StepStone is a verified carbon neutral company and endeavors to commit to carbon neutrality on an ongoing basis.

StepStone seeks to integrate climate change considerations at all stages of our investment processes and throughout our internal operations.

III. Climate Change Considerations in Investments

Philosophy

StepStone fundamentally believes the integration of climate considerations in our investment process will lead to improved and sustainable risk-adjusted returns, as well as protect value for our clients. StepStone believes that markets have not yet fully priced climate-related factors fairly and as such are an externality which requires consideration in due diligence and pricing. This assists in identifying any arbitrage opportunity and risk exposures. Further, climate change is a complex topic and carbon pricing mechanisms are still relatively nascent. Combined with waves of related regulation, the effective pricing of this externality is not expected for an extended period.

Investment Process

StepStone is a formal supporter of TCFD and has implemented due diligence designed around the TCFD framework within our investment process. When StepStone is conducting due diligence on an investment opportunity, deal teams consider how climate risk, both physical and transition, has been evaluated by the investment manager / general partner ("GP") and/or asset management. StepStone expects climate risk to be explicitly factored into financial analysis and operational plans in cases where a GP has the necessary data and/or capability. If this information is available, StepStone teams review track records and conduct asset-level due diligence to evaluate if climate risks and opportunities have been managed. Furthermore, StepStone deal teams focus on physical and transition risks and opportunities caused by climate change and evaluate financial implications (risk and return) of climate change on investments.

StepStone summarizes transition risks, in line with TCFD guidance, as follows:

- Policy and legal risk: policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change
- Technology risk: the risk that technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system will have a significant impact on an organization
- Market risk: shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly taken into account
- Reputation risk: risk tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy

StepStone summarizes the physical risks of climate change, in line with TCFD guidance, as follows:

- Acute: Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods
- Chronic: Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves

Engaging with GPs on climate issues

At the post-investment stage, we actively engage with GPs on climate-related risks and opportunities. StepStone frequently advocates for GPs to measure portfolio-level emissions, set Science-based Targets, increase transparency in their disclosure, and actively supports them in doing so by providing guidance and resources. As a leading allocator of capital in private markets, we believe active engagement is one of the most powerful tools for us to address climate-related risks and opportunities within our portfolio.

Engagement can occur at the GP and / or asset level. Members of StepStone's RI team, RI workgroups and investment teams are involved in such engagements. StepStone highlights issues during due diligence processes and then monitors progress on these issues during our direct one-on-one engagements with the GP and / or asset which occur generally quarterly.

Taking responsibility to implement climate change considerations in our investments, we place significant importance on the post-investment phase. As part of our proactive approach to post-investment, we offer advice and guidance to our GPs on how they can better manage their environmental impact, encouraging them to monitor and report on their emissions and implement climate policies and training. Specifically, StepStone advocates that GPs align with global best practice which includes being a supporter of TCFD and disclosing appropriately, conducting carbon footprinting aligned to greenhouse gas ('GHG') protocols and establishing Science-Based Targets for assets and portfolios. Best practices guidance has been forthcoming from groups like IIGCC, iCI and the Science-based Targets Initiative ('SBTi').

Furthermore, Stepstone has developed detailed post-investment monitoring efforts, which includes data collection on key climate change metrics such as portfolio and asset level carbon emissions. Specifically, StepStone's post-investment monitoring campaign enquires annually about carbon footprinting and emissions reduction targets at the GP, investment fund, and asset level. Where relevant, StepStone aligns with the ESG Data Convergence Initiative.

IV. Corporate Sustainability

At the firm level, StepStone has committed to carbon neutrality and has operated as carbon neutral since 2019. On an annual basis, we measure our firm-wide emissions and offset unavoidable emissions. StepStone is proud to be certified as Carbon Neutral by Pathzero.[1] StepStone commits to reporting operational Scopes 1, 2, and 3 GHG emissions annually and maintaining our carbon neutral status going forward.

StepStone has initiatives to raise awareness around GHG emissions and programs to reduce them. While we are focused on reducing, monitoring and reporting on our corporate emissions, we acknowledge that our most significant climate impact will be reflected in our investment activities. StepStone recognizes the need to

[1] For the period January 1, 2021 – December 31, 2021.

address relevant coverage of Scope 3, Category 15 – Financed emissions. As such, StepStone has ongoing projects to develop processes to collect this information from GPs / assets where available in order to identify reduction opportunities and report Scope 3, Category 15 emissions. While this work is ongoing, through our regular engagement with GPs, StepStone continues to advocate for GPs to align with global best practices as described above. At this point, carbon footprinting at the asset level is conducted by very few GPs. StepStone continues to advocate for this adoption at both the GP and asset levels.

V. Governance and Accountability

The Climate Policy, including the execution of the broader initiatives included within the policy, is under the purview of the Responsible Investment Committee, which is governed by a charter approved by the StepStone Board of Directors. The Responsible Investment Committee comprises senior professionals across asset classes, geographies, and functional areas within the firm. The Responsible Investment Committee through the Responsible Investment Workgroups for each asset class provides guidance on and leadership to the investment team on the implementation of climate change processes in investment activities.

StepStone's executive team regularly updates the StepStone Board of Directors on responsible investments matters, including climate change considerations, underscoring the commitment of leadership oversight on these issues.

VI. Reporting and Transparency

With respect to corporate reporting, in 2022, we published our first TCFD report. StepStone endeavors to publish TCFD reports annually in addition to disclosing environmental responsibility initiatives in our annual environmental, social, and governance ('ESG') reports. As related to annual climate and emissions reporting initiatives, StepStone commits to disclosing operational Scopes 1, 2, and 3 emissions, calendar-year emissions reductions initiatives, and our carbon neutrality status.

With respect to investment activity reporting, StepStone builds our client reporting based on information made available by GPs. While GPs do not systematically report on emissions as standard practice, this practice is developing within private markets. Most GPs remain in the preliminary stages of implementing carbon footprinting across their portfolio companies, and we have tailored our engagements and support of our managers accordingly. StepStone continues to build out a proprietary database that tracks multiple ESG data points, including GHG emissions, as made available by the GP/assets. We support clients in advocating for provision of such information from GPs and look to support GPs in these efforts. We also align with relevant reporting initiatives where relevant.

VII. Reviewing and Amending the Policy

This policy should be reviewed annually and updated as necessary. This policy should be reviewed by the Head of Responsible Investment and the Responsible Investment Committee. The Responsible Investment Committee includes three members of the Board of Directors of StepStone Group Inc.