

KEYNOTE INTERVIEW

Tomorrow's infrastructure should reflect the society it will serve



Diverse perspectives are key to building a more sustainable and inclusive future, says Stonepeak managing director Carolyn Pearce

Q When did you join the infrastructure industry and what changes have you seen since?

I joined the infrastructure industry around 12 years ago, having previously held a more broad investment banking role at Goldman Sachs. At that time, I was told I was moving into the most sleepy and boring sector in private equity. With a massive societal increase in emphasis on combatting climate change, as well as rapid digitalisation, however, infrastructure has

SPONSOR
STONEPEAK

undoubtedly become one of the most exciting spaces within private markets. It has been a fascinating evolution.

Investors have been growing their allocations to the asset class significantly during that period, providing the funding necessary to fuel this investment need. Infrastructure has also proved its resilience over the past 10 years. It is a great diversifier and so, as

we look ahead to a more challenging economic environment, I fully expect that investor appetite to continue. Indeed, I certainly feel vindicated in the decision I took to move into infrastructure over a decade ago.

Q And what led you to join Stonepeak?

I joined Stonepeak in 2021. In my previous role at Infracapital, I was initially focused on raising capital for investment in existing operational infrastructure. As the sector evolved, I was

able to lead the establishment of a new strategy for greenfield sustainable infrastructure. Alongside that, I assumed responsibility for developing the firm's ESG strategy and management thereof.

Then, when I was introduced to Stonepeak, I saw an interesting opportunity to bring more of the European investor perspective to the firm, as well as to deepen its sustainability and ESG capabilities. It felt like a good fit from a cultural point of view and a great platform for me to continue to help create strategies designed to match European investors with European investment opportunities.

Q What is particularly attractive about the European opportunity set and why is Stonepeak focused on the region?

The European Commission, in my view, has helped drive some really attractive new investment opportunities around its green agenda, through directives and commitments such as net zero. At the same time, you have a large base of traditional operational assets requiring significant capital in order to transition or to embrace digitalisation.

Stonepeak has been active in Europe for many years, having made a number of investments in the region as well as having partnered with European investors since the firm's founding. The firm generally takes a very deliberate approach to geographical or product expansion, with equal importance placed on investors' requirements, Stonepeak's capabilities and the investment opportunity set.

In this context, it is clear that Europe's sustainable and classic core infrastructure investment opportunities are substantial and growing, and that investors – both in Europe and globally – want more of that exposure. We believe that Stonepeak is ideally placed

Q What changes have you seen over the years in terms of the importance LPs place on ESG in their decision-making?

I have spent a lot of time over the past couple of months speaking with investors and, in particular, trying to understand how they are viewing ESG. And there are two sides to it. Firstly, how are investors looking to put their money to work in sustainable strategies? It is evident that they are starting to move beyond just renewables and explore new sustainable technologies, including greenfield opportunities. This represents a very different risk profile to traditional infrastructure, but there is undoubtedly widespread support for investing behind a decarbonised and inclusive future.

The other aspect of ESG to consider is how it is being deployed in evaluating managers. Investors are becoming increasingly sophisticated in their thinking about ESG and are looking carefully at the substance behind those materials. They want to identify whether ESG is really embedded in the way a firm operates and in its culture. They want to understand what employees think about the role that ESG plays.

In short, investors are assessing whether managers are making smart decisions based on an awareness of how their investments will impact the wider planet and community for both good and bad.

“It is a really exciting time for this industry. We are confronted with the opportunity to have a huge impact across a wide range of stakeholder groups”

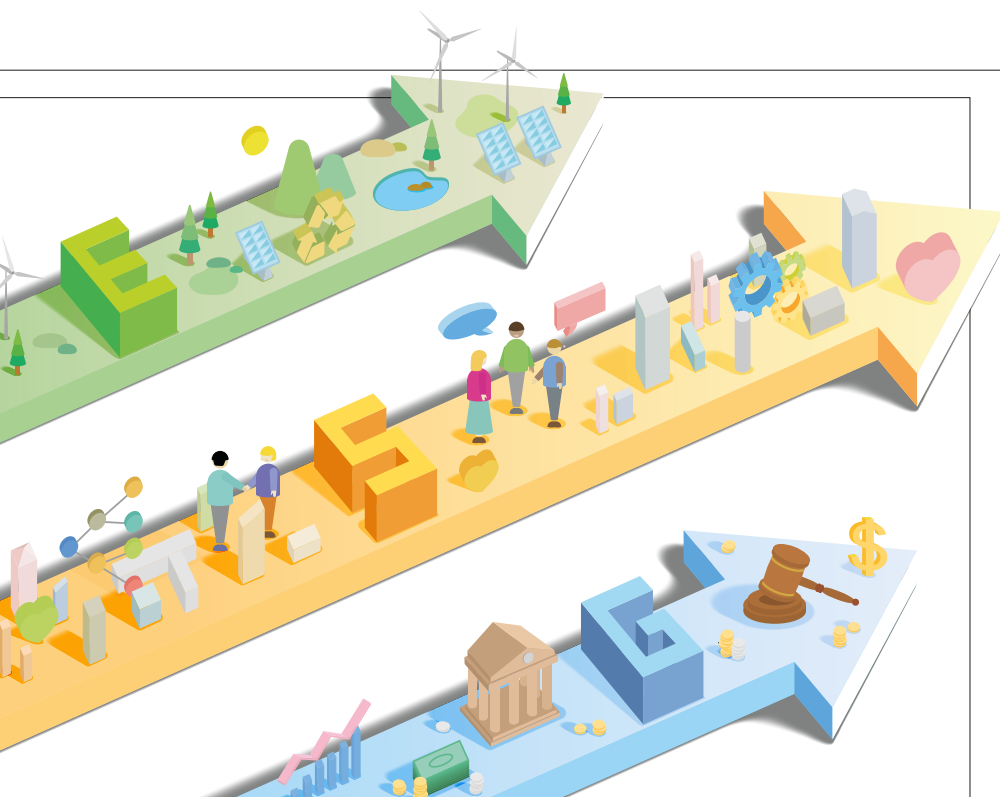
to help deliver those opportunities as a long-term partner.

It's an exciting time for me to join, with Daniel Wong also joining recently to lead Stonepeak's activity in Europe. Dan was previously global co-head of Macquarie Capital and has a clear commitment to sustainable investing, particularly in infrastructure.

Q Can you talk a little about your role in the Infrastructure Industry Foundation's Social Mobility Initiative and why you feel that is important?

The Foundation is a perfect example of being aware of our industry's potential impact on the wider community. It was originally set up in 2019 when a colleague, and close friend, of mine was diagnosed with a rare form of cancer. We organised a fundraising initiative and the industry got right behind it. It was such a success that, collectively, we then decided that this shouldn't be a one-off.

Together with a number of my peers, we came up with the idea of a



permanent foundation that would support a different cause every year. And the strong consensus was that this year we should focus on social mobility. As infrastructure investors, we are responsible for assets that are essential to keeping society running. It is therefore important that our industry should reflect the society that we serve while also serving the needs of our investors.

Furthermore, as an asset class, we are now so large that we really could have a meaningful impact when it comes to a cause such as social mobility. The problem is so systemic that while firms may have their own individual DE&I commitments, it is by pooling our resources that we will be able to have the most significant effect.

My role as trustee has involved leading our most recent event, where around 500 members of the industry came together, raising close to £500,000. We are now looking to establish a permanent social mobility initiative, initially working with the UK charity Sutton Trust.

Ultimately, we would like to broaden the programme across geographies,

partnering with different charities and universities to provide students from underprivileged circumstances with access to the industry through everything from mentoring to skills sessions and summer placements. Eventually, of course, we hope to see these students join the asset class in graduate roles. We already have around 50 firms who have expressed interest in supporting the initiative. And while it is currently Europe-centric, I am very optimistic that it will become global over time.

Q How far would you say the asset class has come in terms of diversity and inclusion more broadly?

Generally speaking, I would say that the asset management industry acknowledges that it has a long way to go in terms of diversity and inclusion. However, I do think that there has been progress. There is definitely far greater awareness of the issue, largely driven by our investor partners, who have helped increase focus and are really holding managers to account.

Certainly, we are seeing a lot of

organisations setting diversity targets. However, the work also needs to be done with school-age and university-age young people. That is how you expand the talent pool from which we are recruiting as an industry, and it's one reason why we have decided to make the Foundation a permanent initiative. This isn't something that can be fixed overnight. But, on a positive note, there is undoubtedly now a commitment to apply resources to solve this problem, and that makes me optimistic.

Q Looking to the future, what excites you most in terms of the asset class's development and your own career?

It is a really exciting time for this industry. We are confronted with the opportunity to have a huge impact across a wide range of stakeholder groups, driving the important mega-trends of energy transition and digitalisation. As far as Stonepeak is concerned, I am excited to be joining a firm that is committed to doing its part to create the infrastructure of tomorrow in a sustainable fashion and by bringing diverse perspectives to the table.

On a personal level, I am excited by the fact that my role allows me to bridge between Stonepeak, where I get to learn from colleagues who I believe are some of the smartest infrastructure investors in the market, and also outwards, into a diverse investor community.

I look forward to continuing to help design and evolve strategies that can allow all of those investor groups to access infrastructure assets in a way that is sustainable and inclusive. And I hope that, in some way, my role in the industry will help our economies meet their net-zero carbon commitments and pave the way for a greener future. In this way, I am very lucky that my personal passion is perfectly aligned with my career. ■