

Stonepeak

# Responsible Investment Policy

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**Stonepeak is a New York headquartered, management owned and operated investor in and manager of infrastructure assets across subsectors including transport, telecommunications, power generation, energy transition, and midstream energy.**

**Across geographies, sectors, and industry groups, Stonepeak’s investment approach emphasizes partnering with sector leading management teams and contractor partners to responsibly build, operate and grow businesses and assets that provide products and services essential to the everyday functioning of society.**

Stonepeak considers the understanding and implementation of responsible investment principles – within its own operations as well as those of its investee companies – as being inextricably linked to good business practices and the exercise of its fiduciary duties, as the application of responsible investment principles strengthens both the understanding and mitigation of investment risks, and leads to the identification of value creation opportunities.

## **Policy scope**

Stonepeak considers the understanding and implementation of responsible investment principles – within its own operations as well as those of its investee companies – as being inextricably linked to good business practices and the exercise of its fiduciary duties, as the application of responsible investment principles strengthens both the understanding and mitigation of investment risks, and leads to the identification of value creation opportunities.



# 1

## Responsible investment principles

Stonepeak has a longstanding commitment to responsible investment principles and in August, 2020, became a signatory to the United Nations Principles for Responsible Investment (“UNPRI”). Stonepeak thus adopts UNPRI’s six principles – as set out below – as a frame of reference in the design of its own responsible investment program:

1. We will incorporate ESG issues into investment analysis and decision making processes;
1. We will be active owners and incorporate ESG issues into our ownership policies and practices;
1. We will seek appropriate disclosure on ESG issues by the entities in which we invest;
1. We will promote acceptance and implementation of the Principles within the investment industry;
1. We will work together to enhance our effectiveness in implementing the Principles; and
1. We will each report on our activities and progress towards implementing the Principles.

# 2

## Responsible investment factors

In adhering to UNPRI’s six guiding principles, Stonepeak endeavors to consider material environmental, social, and governance (ESG) matters for all investments during diligence, asset management, monitoring, and reporting activities to the extent reasonably practicable.

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.

## 3

### Infrastructure sector specific approach

Stonepeak invests across infrastructure subsectors including renewable energy and energy transition, midstream energy, transport, telecommunications, and water; moreover, Stonepeak invests in standing (or operational) assets, construction projects, and startup platforms. Stonepeak recognizes that the ESG considerations applicable to each sector and investee company or project vary – in recognition of this, Stonepeak among other things:

- Makes available to transaction teams detailed, sector-specific ESG and sustainability guidelines;
- Utilizes a pre-transaction ESG diligence tool that refers users to sector-specific standards; and

- Shapes its diligence and stewardship priorities to the investee company or opportunity at hand, utilizing its investment team’s combined decades of sector-specific investment experiences.

## 4

### Supply chain integrity and human rights

Stonepeak invests across infrastructure subsectors including renewable energy and energy transition, midstream energy, transport, telecommunications, and water; moreover, Stonepeak invests in standing (or operational) assets, construction projects, and startup platforms. Stonepeak recognizes that the ESG considerations applicable to each sector and investee company or project vary – in recognition of this, Stonepeak among other things:

- Enforcing its Supplier Code of Conduct;
- Enforcing (where practicable) its Responsible Contractor Policy;
- Implementing or refining extant procurement policies and procedures so as to minimize the potential for direct or further upstream supply chain links to child or forced labor;
- Raising awareness of these matters among investee company and project partners and, where doing so is within Stonepeak’s control, influencing procurement decisions in accordance with this policy and the Supplier Code of Conduct; and
- Providing the necessary resources and ensuring appropriate reporting and governance mechanisms are in place.

# 5

## Integration of responsible investment

Stonepeak seeks to integrate responsible investment principles within all facets of its investment and asset management operations in a practical and tangible way – among other things, this means:

- Focusing diligence and underwriting efforts on the most material ESG matters, noting that:
  - » Stonepeak considers its management team partners in every case to be critical to the longer-term ESG performance of investments;
  - » Public sustainability disclosure frameworks (such as SASB) are considered as a starting point for understanding materiality, but the firm’s transparent investment committee process encourages the contribution of the experiences and insights of its entire investment team; and
- Internal work is frequently supplemented by third party advisors, the opinions of which are subjected to analysis and debate.
- Working with management team partners post acquisition to both resolve matters identified in diligence and refine 100-day operating plans into which ESG matters are embedded;
- Making available to partners throughout the fund lifecycle ESG reporting that is transparent, relevant, and responsive to evolving requirements and standards; and
- Reinforcing across its investment teams a responsible investment mindset by regularly disseminating information, and discussing and staying current with ESG best practices.

# 6

## Internal ESG governance and oversight

Ultimate responsibility for Stonepeak’s ESG oversight and performance rests with the firm’s Executive Committee (ExCo), which is comprised of the Founder & CEO and certain other Senior Managing Directors. In addition to frequent ad hoc meetings and discussions, ExCo meets quarterly with Stonepeak’s CFO and COO, General Counsel, and ESG Officer, to discuss among other things:

- Climate change-related risks, opportunities, staff development, reporting, and progress across the business as well as those of certain of its investee companies; and
- Other ESG matters across the business.

Individual investee company ESG oversight and responsibility is led by the relevant company’s board of directors, which is responsible for defining strategy and policy. Stonepeak engages and stewards its investee companies as described above in Stewardship and engagement approach, and the most senior Stonepeak investee company board nominee is responsible for that company’s ESG performance.

# 7

## Outside engagements and political influence

Stonepeak maintains internal policies and governance procedures with respect to interactions (such as speeches, seminars, publications, or submissions) or engagement activities its staff may have with public personnel or policymakers, the key elements of which include:

- A requirement for staff to pre-clear any such activities via a compliance portal, with requests subjected to review and clearance by the Legal and Compliance team to ensure such requests are consistent with Stonepeak policies – including this Responsible Investment policy – and procedures;
- Frequent staff legal and compliance training; and
- Programmatic staff attestations and reviews of outside business interests.

As a general matter, under no circumstance is any Stonepeak employee directly or indirectly contribute to any political candidate running for state or local office, or any political fundraising organization or event intended to support state and local office candidates, nor will any of the Firm's resources be provided to any form of political fundraising at any level. Certain contributions for political candidates seeking Federal-level office (e.g., the U.S. House of Representatives, the U.S. Senate or the U.S. Presidency, and where said candidate is not currently an office holder at the state or local level) as well as political fundraising organizations supporting Federal candidates or issue-specific causes may be approved after review by the Legal and Compliance Team to ensure consistency with this Responsible Investment policy.

Starting in 2021, Stonepeak intends to publicly disclose details of its engagement activities or trade memberships and associations annually via its ESG reporting in accordance with PRI transparency principles.

# 8

## Reporting and approach to sustainability outcomes

Stonepeak incorporates into its quarterly investor reporting both ESG information at the portfolio company level, as well as broader ESG trends and market commentary. In addition, ESG matters are reported to investors during the Stonepeak Annual General Meeting as well as via ad hoc communications. Stonepeak publicly discloses key aspects of its ESG policies and reporting – such as its responsible investment policy and ESG report – via its website.

Stonepeak adopts internal controls with respect to the reporting of ESG matters – information collected from investee companies is reviewed by members of the deal team, and subjected to internal and in certain cases external legal review prior to distribution to investors.

As an investor in infrastructure businesses and assets that provide products and services essential to the everyday functioning of society, Stonepeak acknowledges the importance of linking ESG reporting with sustainability outcomes. To that end, Stonepeak's inaugural annual ESG report for its Global Renewables Fund (May 2021) linked portfolio company and fund sustainability outcomes to the UN Sustainable Development Goals (SDGs) via Impact Reporting and Investment Standards ("IRIS") metrics, as produced by the Global Impact Investing Network ("GIIN"). Stonepeak believes the SDG framework to be a widely accepted sustainability outcome reporting framework and intends to align its own ESG reporting accordingly, and to that end encourages its investee company management team partners to map their companies' activities to sustainability outcomes where feasible.

# 9

## Climate change

Stonepeak acknowledges the threats to society posed by anthropogenic climate change and supports the objective of the Paris Agreement – as adopted at COP 21 in December 2015 – to limit global warming to well below 2°C, and believes the near and longer-term impacts of climate change to asset performance and values will vary markedly across sectors, industries and geographies. As an investor in and steward of infrastructure assets serving critical needs, Stonepeak intends to play its part in addressing risks and opportunities associated with climate change via an integrated approach which:

- Provides transparent reporting conforming to the Taskforce on Climate-Related Financial Disclosures (“TCFD”) guidelines, noting that Stonepeak became a supporter of TCFD in May, 2021;
- Incorporates into its asset diligence and underwriting procedures consideration of both risks and opportunities related to physical, transition, and regulatory challenges;
- Stewards and supports its investee companies’ management team partners in adopting business plans that seek to address the challenges and opportunities posed by climate change through:
  - i. Establishing comprehensive greenhouse gas emissions inventory reporting systems, calculated and documented according to recognized industry standards;
  - ii. Encouraging and challenging management team partners to incorporate into investee business plans practical and tangible projects designed to (a) contribute to the decarbonization of business operations over time (with a preference for gross

emissions reductions in lieu of offsets), and (b) capture opportunities or mitigate risks potentially resulting from the impacts of climate change; and

- iii. Having regard to (i)-(ii) above, setting appropriate and science-based emissions reduction targets.
- Leverages in an integrated way the expertise across Stonepeak’s renewable and traditional energy investment teams to maximize opportunity capture resulting from the complex and interrelated nature of the global energy transition; and
- Favors working to address and capture opportunities to decarbonize and transition carbon intensive businesses over time, in lieu of exclusion or divestment, in recognition that the global decarbonization challenge will take place over decades, with varying sectoral pathways requiring differing approaches.

# 10

## Exclusions

The scope of Stonepeak’s investment activities is governed principally by provisions within limited partner, investment advisory, and investor side letter agreements (“Agreements”) pertaining to each of its funds.

As of May, 2021, Stonepeak’s investment activities were limited to investments in infrastructure assets and businesses – as such, while Stonepeak does not maintain an explicit exclusions policy, it is prohibited from investing in weapons and arms, tobacco, alcohol, gambling, and any other industries beyond the scopes of its various Agreements.

Furthermore, Stonepeak seeks to exclude investments that it believes to be inconsistent with (a) the provisions of this policy, (b) the reputation and good standing of its investor partners, and (c) the reputation and good standing of Stonepeak.