Stonepeak

Our approach to managing climate-related risks

Stonepeak is a global investor specializing in infrastructure and real assets with 100+ investments across 60+ countries spanning the energy, transportation and logistics, and digital infrastructure sectors. Given the scale and asset-intensive nature of our portfolio, we recognize that climate-related risks can have a potential impact on the business continuity, risk profile, return expectations, or future valuation of the businesses that we invest in.

As a fiduciary for our partners, we believe that the identification and management of material[i] climate-related risks help us build better, more resilient businesses that deliver long-term value to our investors[ii], and therefore, we view it as a key tenet of our Sustainable Value Creation framework[iii].

On the following pages are the potential climate-related risks to which Stonepeak and our fund investments may be exposed. Given the typical hold period of our investments, we use our best judgment to prioritize the most relevant physical and transition risks based on our understanding of their potential to affect the pricing, growth, operational resilience, and exit value of a business.

i For the purposes of this document, "material" climate-related risks are defined as those factors determined to have—or have the potential to have—a material impact on the performance and risk-return outcomes of our investments. The term "material" should not be equated to or taken as a representation with respect to the "materiality" of such sustainability factors under the US federal securities laws or any similar legal or regulatory regime globally.

ii Please note that this reflects Stonepeak's approach from January 2025 to date.

iii Stonepeak views sustainability as a part of its broader value creation toolkit, and refers to its framework of integrating financially, operationally, and reputationally material sustainability-related risks and opportunities into its corporate processes and the investment lifecycle as Sustainable Value Creation ("SVC").

Physical climate risks

Physical climate risks can be acute (e.g., sudden event-driven hazards) or chronic (e.g., effects driven by longer-term shifts in climatic patterns like the increased severity of heat and cold stress, water scarcity, etc.).

Given the nature of the assets we invest in, we recognize that severe natural hazards may directly affect the financial and operational performance of our investments through:

- Damage to property, equipment, or inventory
- Operational disruption (e.g., service downtime, power outages, SLA breaches, and delivery failures)
- Supply chain disruption causing increased input costs or operational slowdown
- Increased occupational safety risks (e.g., due to extreme heat)
- Higher operating expenses (e.g., utility costs, insurance premiums)

Where material and applicable, during the diligence phase, Stonepeak may assess the exposure of the target investment to those physical climate risks that could impact the potential value or operations of the investment. This is done through a range of methods depending on the nature of the transaction, including through Stonepeak's use of climate risk analytics tools, or due diligence advisors for the environmental, health and safety, technical, or insurance workstreams. The intent is to identify and assess the financial and operational exposure, as well as potential mitigation measures (e.g., sufficiency of insurance coverage, structural defenses, disaster response, and business continuity planning) to be actioned post-close. Stonepeak also seeks to continually enhance how we monitor the risk exposure and resiliency of our investments through our asset management activities.

For example, as providers of mission-critical communication services, network disruptions from natural hazards are a key business risk for Stonepeak's digital infrastructure portfolio companies. Natural hazards can lead to network outages, loss of revenue, high repair and replacement costs, operational disruption, as well as directly impact customer trust and the ability to meet emergency response obligations.

To maintain service uptime and reliability, certain Stonepeak digital infrastructure portfolio companies, for instance, are adopting proactive, multi-pronged approaches to identifying, monitoring, and mitigating physical climate risks, reinforcing their ability to deliver reliable communication services, and respond to developing events to support service restoration where required. This includes dedicated surveillance and real-time monitoring of severe weather events, business continuity and disaster recovery capabilities, designing core networks with geographic redundancy, as well as integrating natural hazard exposure into long-term infrastructure planning by informing site selection, choice of cooling technology or network design, etc.

Geophysical	Meteorological	Hydrological	Other
Earthquakes	Tropical cyclone	River flood	Wildfire
Subsidence	Extratropical storms	Flash flood	Heat stress
Tsunami	Lightning	Storm surge	Cold stress
	Tornado		Water scarcity

Climate-related transition risks

Transition risks, such as those detailed below, arise from global efforts to transition to a lower-carbon future. These risks may affect our investments through:

- Unanticipated or premature devaluation of assets or write-downs (i.e., stranded asset risk)
- Increased compliance costs and regulatory scrutiny
- Increased operating costs (e.g., energy prices)
- Capital expenditure, product or service redesign or innovation, or changes to operations and supply chains to meet regulatory obligations or changing market demand

Given the relevance of these factors to the financial and operational performance of our investments, we consider the exposure to transition risks in developing our investment theses. This may include assessing potential demand curves under various policy scenarios (particularly for conventional energy), the underlying contractual structure of investment (i.e., offtake agreements and creditworthiness of contracted counterparties), opportunities for feedstock transition, and detailed reviews of regulatory and policy developments which may affect business operations and growth. Additionally, we recognize that the transition to a low-carbon future can present a business opportunity for some companies, which we seek to capitalize on through our investment and asset management activities.

For example, as part of our diligence for a few recent opportunities in the conventional energy sector related to transport fuels and petroleum-derived products, we stress-tested the resiliency of product demand across a range of adoption scenarios for lower carbon alternatives relevant to the business model (e.g., EVs, biodiesel, etc.) during and beyond Stonepeak's ownership period. We also assessed the continued relevance of the products in the energy transition (e.g., potential to deliver higher fuel economy), infrastructure readiness for handling lower-carbon fuels in case of a market or regulatory shift (e.g., biodiesel, sustainable aviation fuel, AdBlue, etc.), as well as growth opportunities from additional product applications in adjacent markets (e.g., thermal management in battery storage systems and data centers).

Policy and regulatory

- Cap and trade regulations *(e.g., EU Emissions Trading Scheme, Germany's Fuel Emissions Trading Act)*
- Carbon pricing *(e.g., Austria's EUR 55/ton carbon price for transport fuels)*
- Product stewardship laws *(e.g., Extended Producer Responsibility laws in EU, Canada, California, APAC, etc.)*
- Disclosure obligations and related litigation exposure *(e.g., EU, US Greenwashing regulations)*

Technological

- Substitution of products and services towards lower emissions options *(e.g., Electric vehicles, renewable energy technologies)*
- Cost associated with investing in new technologies

Market trends

- Shift of demand patterns due to changing customer preferences
- Market sentiment
- Increased cost of raw materials