STEPSTONE

Task Force on Climate-Related Financial Disclosures (TCFD) Report 2022

ABOUT STEPSTONE GROUP

StepStone Group is a global private markets investment firm focused on providing customized investment solutions and advisory, data and administrative services to its clients. With $602 billion of total capital responsibility as of December 31, 2022, including $134 billion of assets under management, we cover the spectrum of opportunities in private markets across the globe. We prudently integrate fund, secondary, direct and co-investments across private equity, infrastructure, private debt and real estate asset classes to create solutions that are customized according to the objectives of any private markets investment program. StepStone has strategically grown across 25 offices in 15 countries to build enduring relationships with our clients and general partners (GPs). Research is carried out by more than 320 of our investment professionals, who are organized by sector and geography to enable broad and deep coverage of the private markets.

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Disclaimer

We have prepared this 2022 TCFD Report for our stakeholders, including our employees, clients, customers, suppliers, shareholders and the communities where we operate. This 2022 TCFD Report and the materials or websites cross-referenced contain statements that are aspirational or reflective of the views of StepStone about our future performance and environmental, social and governance ("ESG") goals that constitute "forward-looking statements" (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended). Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "aspire," "believe," "commit," "endeavor," "estimate," "expect," "goal," "intend," "may," "plan," "seek," "strive," "target," "will" and "work," or similar statements or variations of such terms and other similar expressions. The forward-looking statements in this 2022 TCFD Report and the materials or websites cross-referenced concern StepStone's goals or expectations with respect to corporate responsibility, sustainability, human capital, environmental matters, policy, procurement, philanthropy, data privacy and cybersecurity, and business risks and opportunities. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements.

Forward-looking statements are not guarantees or promises that goals or targets will be met. StepStone undertakes no obligation to update any forward-looking or other statements, whether as a result of new information, future events or otherwise, and notwithstanding any historical practice of doing so. In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

In addition, the information included in, and any issues identified as material for purposes of, this document shall not be considered material for Securities and Exchange Commission ("SEC") reporting purposes. In the context of this 2022 TCFD Report, the term "material" is distinct from, and should not be confused with, such term as defined for SEC reporting purposes. Website references and hyperlinks throughout this 2022 TCFD Report are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this 2022 TCFD Report, nor does it constitute a part of this 2022 TCFD Report.

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FOREWORD FROM OUR GLOBAL HEAD OF RESPONSIBLE INVESTMENT

"Over the past few years, we have observed a growing awareness and commitment among our clients to address climate issues in their investment strategies. Across the past twelve months alone, we have seen a particular acceleration of this trend, as asset owners around the world are increasingly adopting environmental, social and governance (ESG) policies, climate policies and climate commitments."

Suzanne Tavill
Global Head of Responsible Investment

As this momentum builds throughout the entire ownership chain, we are pleased to share our own approach to evaluating the risks and opportunities related to climate change in our investments and operations. This is our second annual Task Force on Climate-Related Financial Disclosures (TCFD) report, reflecting our commitment to aligning with the TCFD framework, evaluating the approach of the GPs we invest in and alongside, and our approach to managing operational emissions.

At StepStone, we deploy $80 billion each year to partner with best-in-class managers. We integrate climate considerations within our investment process, analyzing climate-related risks and opportunities in the pre-investment phase and working with and supporting our managers to address climate change in the post-investment phase. Within our impact investing strategy, we focus on funds and assets that directly align with the goal of addressing climate change. Our investment decisions are made to not only deliver on climate impact but also commercially competitive returns.

We also recognize that addressing climate change and managing environmental impact starts with us. In 2022, we maintained our carbon neutral status within our operations for the fourth year. Across our organization, we continued to implement environmentally responsible practices and assess our vendors' approach to climate risk management.

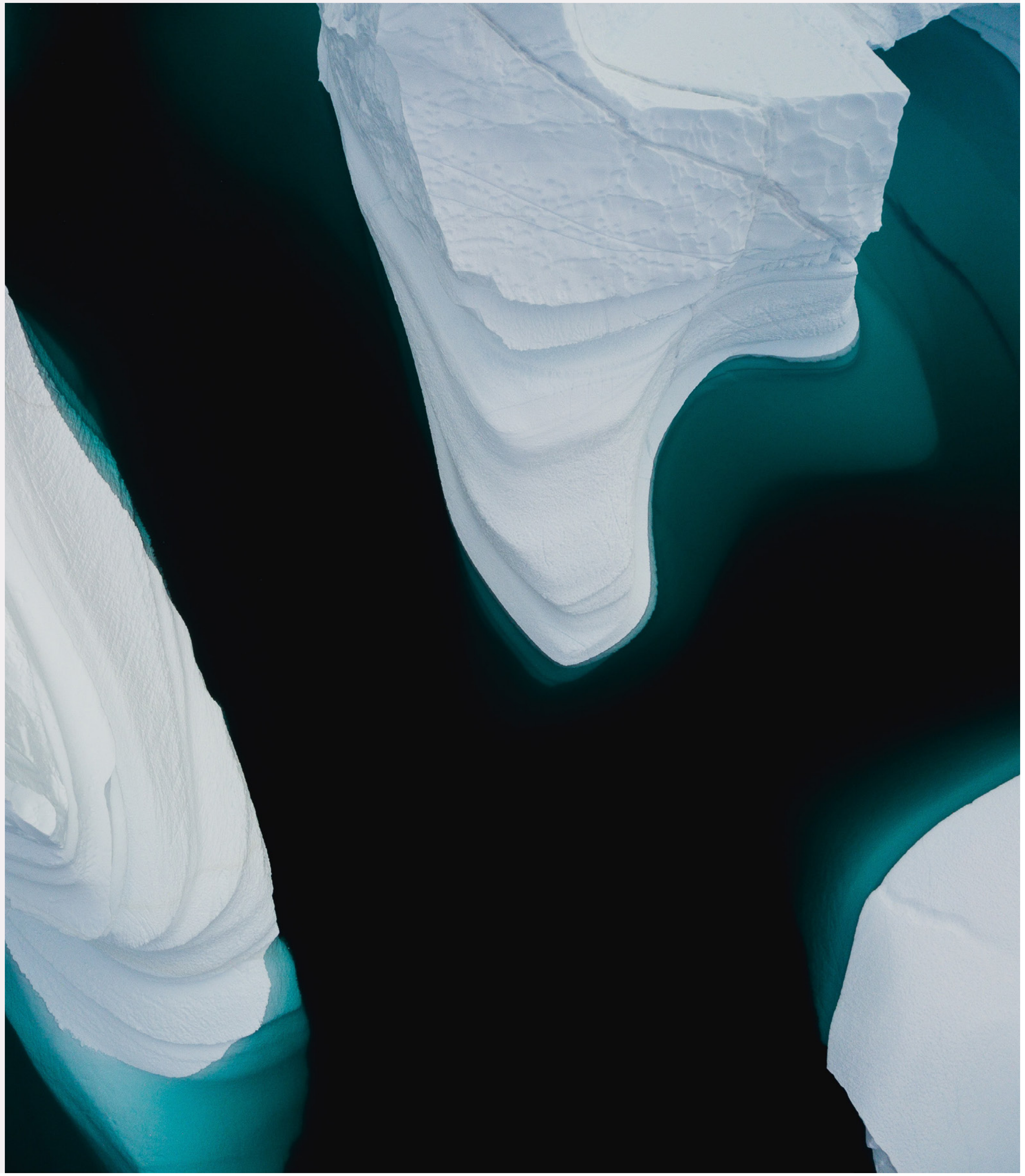
We believe that the investment community has a critical role to play in driving a just transition as the global economy decarbonizes, and at StepStone we advocate for alignment with best-practice frameworks to ensure authentic commitments and practices through the ownership chain as we strive toward a just and sustainable future for all.

Suzanne Tavill

Introduction

As a leading investment firm, we recognize our responsibility to help mitigate the effects of climate change and support the transition to a more sustainable future. In this report, we aim to provide transparency and insight into the actions we are taking as responsible investors and leaders in private markets to address the risks and opportunities presented by climate change.

The United Nations Intergovernmental Panel on Climate Change has warned that the risk of extinction will rise tenfold for as many as one in seven plants and animals on land if the planet warms by only 1.5°C. So even if we attain the goals of the Paris Agreement, our world will be changed and face many negative consequences. Some of these consequences will be noticeable immediately; others will be revealed over time. We believe there is an urgent need for action, and we are committed to supporting our clients in building portfolios aligned with the Paris Agreement. We also support our clients in meeting their institutional responsibilities with respect to sustainable finance initiatives, including climate commitments and related disclosure and reporting requirements. We will continue to enhance our approach on climate change issues, both at the corporate operational level and within our investment activities.



Governance

Climate change is a critical issue that requires strong governance systems, policies and procedures to manage effectively. At StepStone, we recognize the need to integrate climate responsibility into our governance structures and have made it a priority across our entire business.

Our Board of Directors, as the highest governance body, plays a key role in overseeing the management of significant risks, including climate change. The board and its committees meet regularly to review the effectiveness of our processes and progress. ESG updates, including climate-related risks and opportunities, are a recurring item on the board's agenda. As part of our commitment to good governance, we established key milestones to enhance the board's oversight of ESG activities in 2022, including an annual strategic climate review aligned with TCFD guidelines.

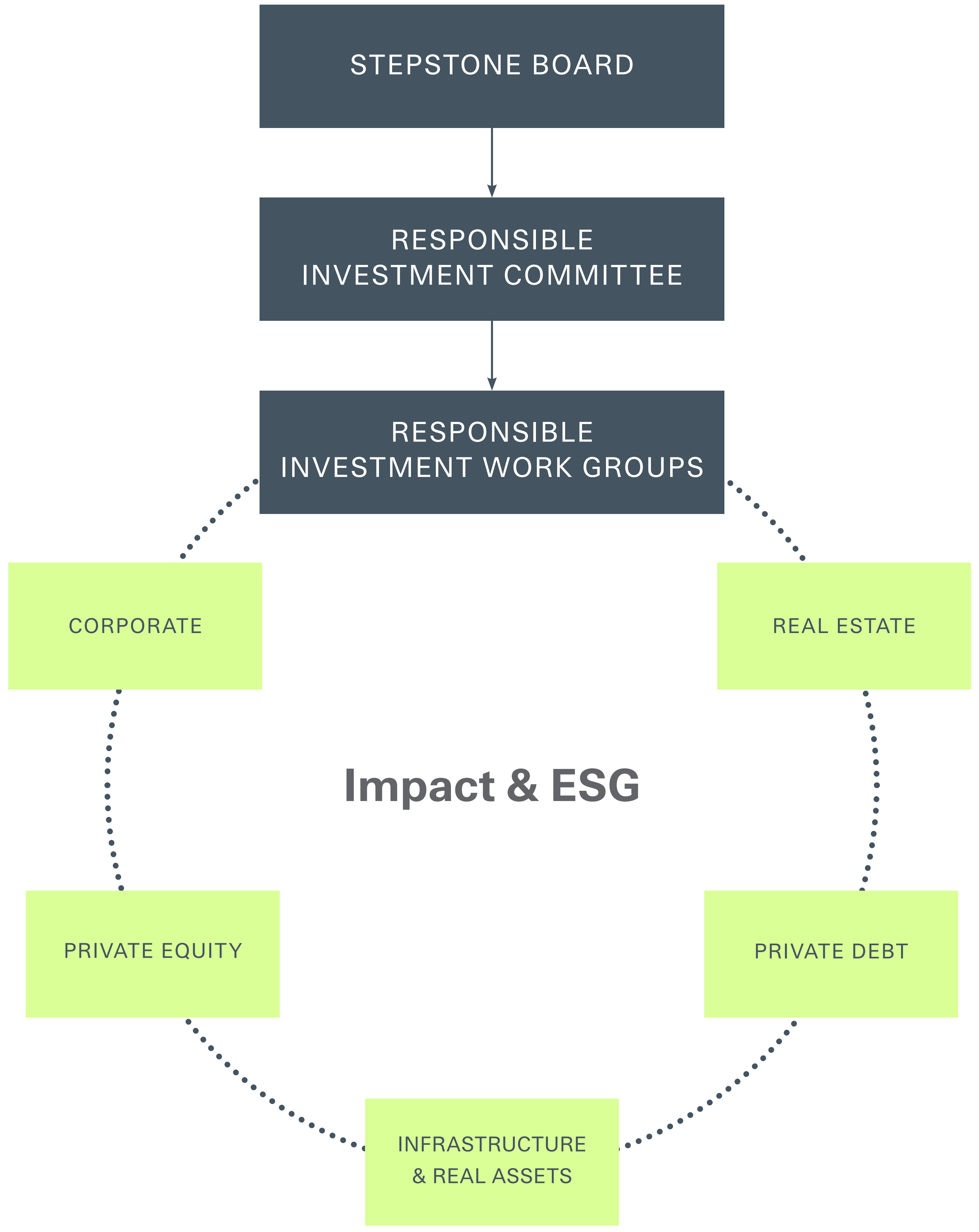
To manage our responsible investment practices, including climate change considerations, we established the Responsible Investment (RI) Committee in 2013. The committee is responsible for the development and execution of our RI Policy, which guides our approach to assessing and integrating ESG topics, including climate change, across our global operations and investment process. The committee is chaired by our Global Head of Responsible Investment and comprises 15 members plus one observer, including our CEO and other leaders representing all asset classes. The committee is supported by five dedicated RI work groups, one for each asset class and one for corporate-level initiatives, to drive ESG and climate initiatives across our global business.

STEPSTONE'S CLIMATE POLICY

In 2022, we implemented a stand-alone Climate Policy outlining our commitment and approach to addressing climate change both internally and within our investment activities. The policy outlines our philosophy when it comes to integrating climate change considerations at every stage of the investment process. Our RI Committee oversees the implementation of the Climate Policy and related efforts, and provides guidance and direction to the investment team and wider firm.

STEPSTONE'S RESPONSIBLE INVESTMENT GOVERNANCE STRUCTURE

Governance structure drives delivery on RI and corporate priorities across asset classes.



Strategy

At StepStone, we recognize the significant impact that climate change can have on the financial performance of companies and assets; therefore, we firmly believe that a robust strategy around climate change is essential to achieving sustainable risk-adjusted returns for our clients.

We understand that markets have not yet fully priced in climate-related factors and that carbon pricing mechanisms are still nascent. As such, there can be an arbitrage opportunity and risk exposure that requires consideration in our due diligence and pricing.

We take a comprehensive approach to assessing the climate risks and opportunities linked to investment opportunities. This is based on our belief that considering climate change leads to more informed investment decisions and better outcomes. Our evaluation process to determine how GPs and management teams are addressing climate change incorporates TCFD recommendations. For example, in our due diligence questionnaire we include questions based on guidelines set by the TCFD framework, and where relevant, we conduct assessments on physical and transition risks at the asset level.

Engaging with GPs on Climate Issues

We believe that active engagement is one of the most powerful tools for us to address climate risks and opportunities within our investments. Members of StepStone's RI team, RI work groups and investment teams engage actively with GPs and advocate for them to measure both portfolio and asset-level emissions, set science-based targets (SBTs), increase transparency in their disclosure and support GPs in doing so by providing guidance and resources.

At StepStone, we highlight issues during due diligence processes and then monitor progress on these during our one-on-one engagements with GPs and assets. By taking a proactive approach to post-investment engagement, we aim to support GPs to better manage their approach to climate change, encouraging them to become supporters of global standards, principles and frameworks such as the TCFD, and to implement policies and monitor and report on their portfolio emissions. We believe our efforts were reflected in the increase of GPs becoming supporters of the TCFD across our asset classes in 2022, as highlighted in the table.

GPs that Support the TCFD[1]

	2020	2021	2022
Private Equity	1%	5%	8%
Private Debt	7%	15%	34%
Real Estate	8%	17%	25%
Infrastructure & Real Assets	24%	58%	67%

Climate Considerations in the Investment Process

Have climate risks and opportunities been taken into consideration?

What are the physical and transition risks and opportunities in this investment?

What are the financial implications (risk and return) of climate change?

[1] As of December 31 of the applicable year. Percentages are calculated based on all GPs we have invested with that have provided data. Certain GPs have adopted TCFD recommendations but are not formal supporters. Figures exclude these GPs. The group of GPs reported on differs between 2020, 2021 and 2022.

Impact Investing with a Lens on Climate Change

Our approach to impact investing is centered on the belief that investments can generate measurable, positive social and environmental outcomes while delivering financial returns. We view climate change as having the potential to create strategic investment opportunities that can drive industry-wide change, generating beneficial outcomes for the planet and our clients.

To this end, we develop customized portfolios for our clients to deliver commercial financial returns while aligning with specific climate change goals. Given that a number of the Sustainable Development Goals (SDGs) intersect with climate change, StepStone is able to utilize our proprietary Impact Theme Mapping to map such investment programs against the SDGs. This Impact Theme Mapping is an important tool to track investment opportunities across our platform (both at the fund level and the asset level) and allows us to filter and isolate investment opportunities to meet client-specific impact targets. For climate change, the mapping focuses on the following two themes:


Energy Transition

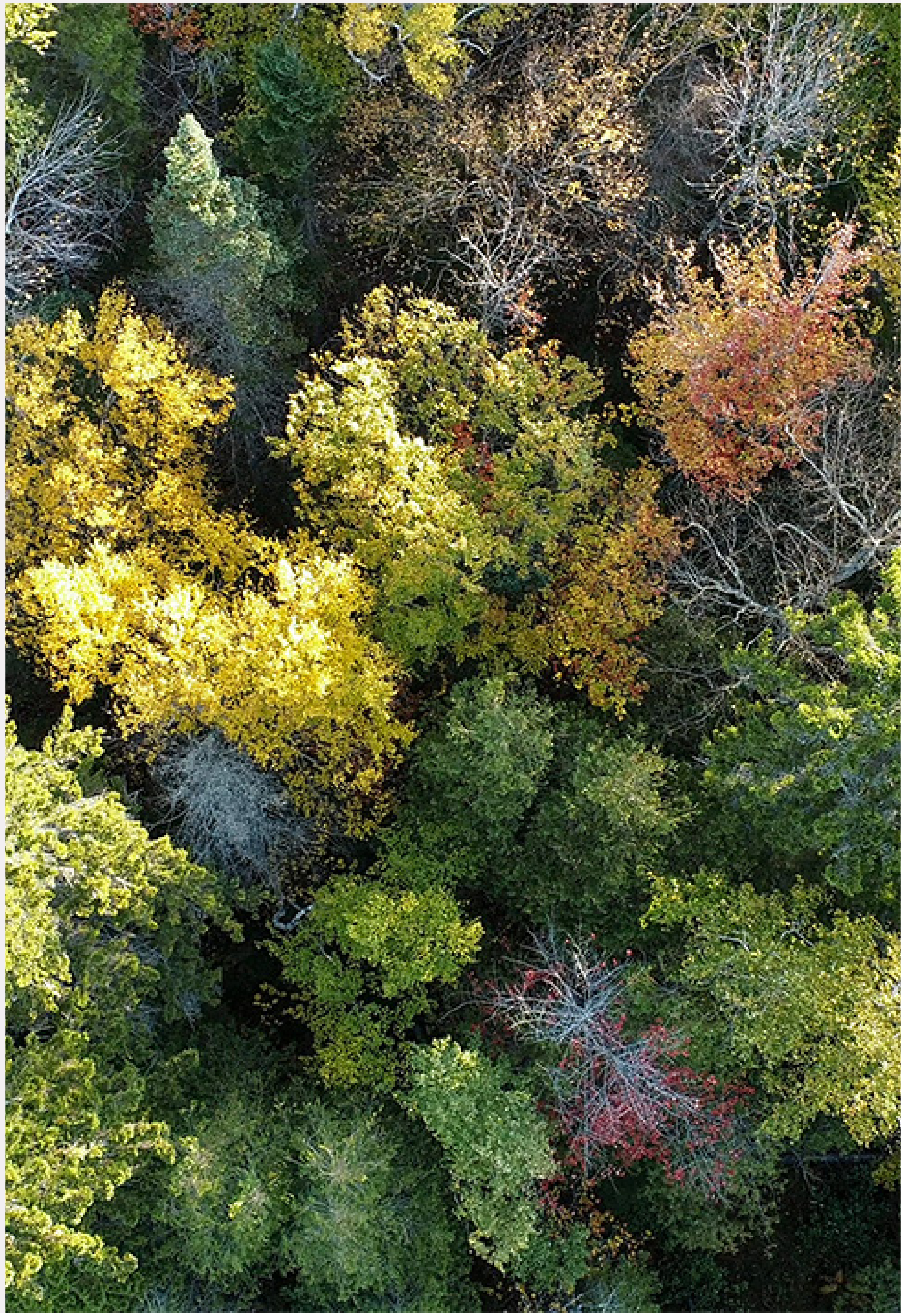

Natural Capital

"Investing in climate solutions is not only crucial for the future of our planet, but also presents an opportunity for investors to generate attractive returns."

Dawn Powell
Principal, Responsible Investment

Investing in the Energy Transition

The investment potential of the energy transition across various asset classes is enormous. Our comprehensive platform allows us to take advantage of these opportunities and identify emerging areas in this evolving ecosystem. As a result of reductions in the cost of renewable energy infrastructure, new and diverse business models are increasingly being developed with shortened commercialization timelines, creating a far broader opportunity set. In addition, the proliferation of corporate, government and investor climate commitments is driving favorable demand dynamics for climate solutions, further supported by regulation.



CASE STUDY ACTIVATE CAPITAL

Accelerating Sustainability and Resiliency with Activate Capital

Activate Capital is a minority-owned growth equity partner investing in the broad transformation of energy and industry toward sustainability and resiliency. In 2021, StepStone invested in Fund II, which continues the firm's strategy of backing high-growth technology companies transforming the way we power the grid, produce goods, and move people and things—with a vision to build connected global systems that are clean, connected, intelligent and resilient.

StepStone's decision to invest in Activate Capital was driven by a number of key factors, including the tenured team's deep experience, network and expertise in climate and climate-adjacent sectors. Additionally, Fund II had made its first three investments at the time of our underwriting, allowing StepStone to build conviction around the portfolio's financial trajectory and strong potential for impact.

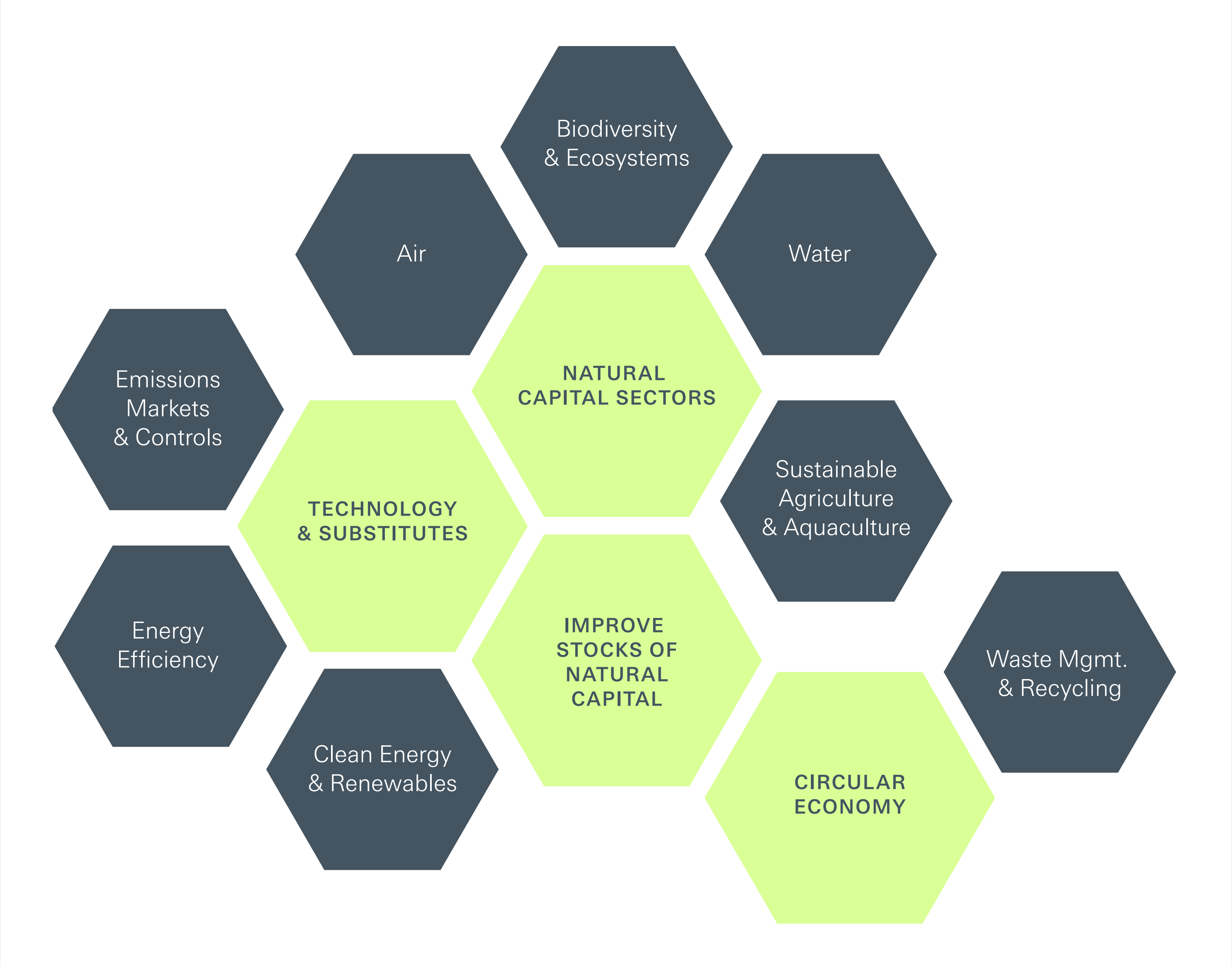
Since investing, StepStone has engaged regularly with the GP to further enhance its ESG and impact management processes. As evidenced by the publication of its inaugural Impact Report, Activate has taken a leading role in measuring, monitoring and reporting the ESG and impact performance of its portfolio, setting an example for the venture capital and growth equity industry to drive transparency. To support its portfolio companies on ESG performance, Activate tracks Scope 1 and 2 emissions and the adoption status of key ESG-related policies, and seeks to provide resources and expertise to develop the firm's approach across these areas. Climate impact is measured through metrics that are bespoke to each company, with a notable focus on CO_2e emissions avoided and gigawatt hours generated or saved.

Looking ahead, Activate seeks to continue accelerating its ESG and impact journey, driven by an action plan to enhance its portfolio engagement, monitoring and reporting practices. At the firm level, Activate is building upon its carbon-neutral status by actively seeking solutions to reduce emissions, leading its portfolio by example.

Investing in Natural Capital

The way we perceive nature and its relationship to human economies has undergone a significant shift in recent times. Historically, nature was seen as a resource to be exploited for human gain. However, the current climate crisis has challenged this notion and highlighted the intrinsic value of the natural world in maintaining a balanced and resilient planet. The significance of nature to our economies cannot be underestimated, with the World Economic Forum estimating that nearly half of global gross domestic product is dependent on nature and its services.

STEPSTONE NATURE TAXONOMY



As investors, we have an important role to play in addressing the nature crisis by considering the potential impact of our investments on natural systems and supporting natural capital opportunities, which provide essential ecosystem services to nature and society. By doing so, we believe we can improve risk-adjusted returns, protect value for our clients and support the recovery of these systems. We believe the nature crisis is a complex and multifaceted issue that requires a holistic set of solutions. The crises can be addressed through different strategies, such as a separate allocation or redefining the climate allocation to include nature.

At StepStone, we predict that limited partners (LPs) will see nature introduced into their investment programs either by GPs integrating it into their ESG frameworks and investment decisions, or by LPs carving out a new nature allocation. This can be expressed via single- or multi-asset-class mandates. To capitalize on the arbitrage opportunity, LPs would benefit from thinking about the effect target assets have on ecosystem services and biodiversity. The arrival of supportive regulation, technology, and new standards on nature-related risk metrics are all factors expected to further boost the value of ecosystem services. In September 2022, the Taskforce on Nature-Related Financial Disclosures (TNFD) released its latest framework that allows companies to report and act on nature risks.

We emphasize the importance of considering investments in natural assets in order to take advantage of early opportunities and see that the value of natural capital is accurately reflected in the long-term sustainability and financial success of investments. The diversity and complexity of nature-related opportunities available across all asset classes further highlight the significance of this issue.

In 2022, we published a white paper titled "We Don't Value Nature." To learn more about our stance on natural capital, read the full piece here.

Industry Action and Collaboration to Address Climate Change

Addressing the challenges and opportunities of climate change requires well-planned and executed collaboration among industry practitioners and nongovernmental organizations (NGOs). We play an active role through a variety of initiatives and associations to drive best practices and advocate for improvements in policies related to climate change. This type of collaboration is essential to effectively address the complex and interconnected issues surrounding climate change and to drive best practices across the industry.

INITIATIVE		OUR INVOLVEMENT
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	**Task Force on Climate-Related Financial Disclosures (TCFD)** *Supporter since: 2019*	Joining the TCFD aligned with our commitment to monitoring our carbon emissions and incorporating considerations for climate change in all aspects of our investment strategy. We are dedicated to issuing an annual TCFD report, highlighting our efforts to advance climate action, outlining our approach to governance, strategy, risk management and metrics and targets, and showcasing our approach to addressing our climate-related responsibilities.
United Nations Climate Change	**Paris Agreement**	We recognize the Paris Agreement and support those of our clients seeking to build Paris Agreement-aligned portfolios. We help our clients fulfill their institutional responsibilities, which encompass climate commitments, sustainable finance initiatives and the need for relevant disclosure and reporting.
initiative climat international Private equity action on climate change	**initiative Climat International (iCI)** *Member since: 2021*	iCI is a global, practitioner-led community of private equity firms and investors that seek to understand and manage the risks associated with climate change. As members of iCI we collaborate with other members to share expertise, knowledge and best practices in addressing climate-related financial risks and greenhouse gas emissions.
IIGCC The Institutional Investors Group on Climate Change	**The Institutional Investors Group on Climate Change (IIGCC)** *Member since: 2021*	The IIGCC is the European membership body for investor collaboration on climate change. Its mission is to support the investment community in making significant progress toward a net-zero and resilient future. As one of 350+ members of the IIGCC, we take a proactive role in tackling climate change by working alongside other members to find effective solutions. We are a member of the IIGCC's Private Equity and Infrastructure work groups to share knowledge, best practices and drive progress in the industry.
ESG Data Convergence Initiative	**ESG Data Convergence Initiative (EDCI)** *Member since: 2021*	The EDCI is focused on addressing the lack of standardization and comparability in ESG metrics and reporting in private markets, specifically in regard to climate-related metrics. These categories include greenhouse gas emissions and renewable energy. Joining this initiative is part of our commitment to promoting sustainable investment practices and contributing to the advancement of ESG data reporting standards in private markets.

Risk Management

As we navigate the transition to a low-carbon economy, it's crucial that we consider the full range of risks associated with climate change. This includes not only physical environmental impacts but also policy changes, reputational risks and shifts in market preferences and norms. At StepStone, we take a comprehensive approach to risk management, with a focus on identifying and responding to the material risks and opportunities presented by climate change.

The RI team collaborates with our Head of Risk and Head of Research and Portfolio Management, who are also members of the RI Committee, to closely monitor these risks. The team places an emphasis on communicating with GPs to encourage them to take appropriate actions to identify and mitigate such risks. The current industry standard for addressing climate risks is still developing, and pricing these risks is evolving.

Across our platform, we evaluate how GPs recognize and respond to these challenges. Our support of the TCFD guides us as we continue to enhance our due diligence, monitoring and engagement efforts, focusing on the most pressing risks and opportunities.

The following is an overview of how we define climate risks, categorized into transition risks and physical risks. These have been developed in line with TCFD guidance.

TRANSITION RISKS

Policy and legal risk	Technology risk	Market risk	Reputational risk
Policy actions that attempt to constrain behaviors that contribute to the adverse effects of climate change, or policy actions that seek to promote adaptation to climate change	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	Shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly taken into account	Risk tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy

PHYSICAL RISKS

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

Identifying Climate-Related Risks and Opportunities in Due Diligence and Post-Investment Processes

Before making investment decisions, we conduct thorough due diligence and engage with GPs on ESG matters, which may include a specific focus on evaluating their policies and processes for managing climate-related risks and opportunities. Where appropriate, we evaluate the financial implications of climate change for investments, which may include how this is accounted for in financial modeling and pricing. If we identify heightened risks related to climate change during due diligence, we may choose to decline the investment, or in the case of secondary investments, remove the specific fund or asset from the portfolio.

We hold climate engagements with our GPs, which typically focus on policy development, climate risk integration in due diligence, and post-investment monitoring and reporting. In our own due diligence and post-investment monitoring questionnaires, we include questions aimed specifically at addressing climate change. These questions explore how GPs develop their policies in alignment with globally recognized standards and how they monitor, measure and report on their carbon footprint, among other important climate-related considerations.

We see positive developments across private markets, with an increase in the percentage of GPs reporting their firm-level footprint across all asset classes. We view this as a precursor to portfolio carbon footprinting, which itself is built up from asset-level footprinting. As part of our post-investment engagement efforts, we encourage GPs to measure and report on their emissions at the firm, portfolio and asset level, and implement climate policies and training.

Additionally, we have developed a range of resources to support their efforts, including GP Responsible Investment Guidance Modules for each asset class, which include insights on how to incorporate climate considerations in the investment process. To learn more about our GP Guidance Modules, please see page 41 of our 2022 ESG Report.

In cases where further guidance is necessary, we offer direct support to our GPs' leadership teams through our Head of RI, dedicated RI team and/or sector team. We seek to give portfolio companies the resources and support necessary to manage climate risks effectively, and our engagement process is an integral part of our approach.

Percentage of GPs Who Are Reporting on Their Firm-Level Carbon Footprint[1]

	2021	2022
Private Equity	8%	22%
Private Debt	15%	20%
Real Estate	16%	21%
Infrastructure & Real Assets	35%	64%

[1] As of December 31 of the applicable year. Percentages are calculated based on all GPs we have invested with that have provided data. The group of GPs reported on differs between 2021 and 2022.

CASE STUDY FORTH PORTS

Forth Ports: Addressing the Risk of Rising Sea Levels

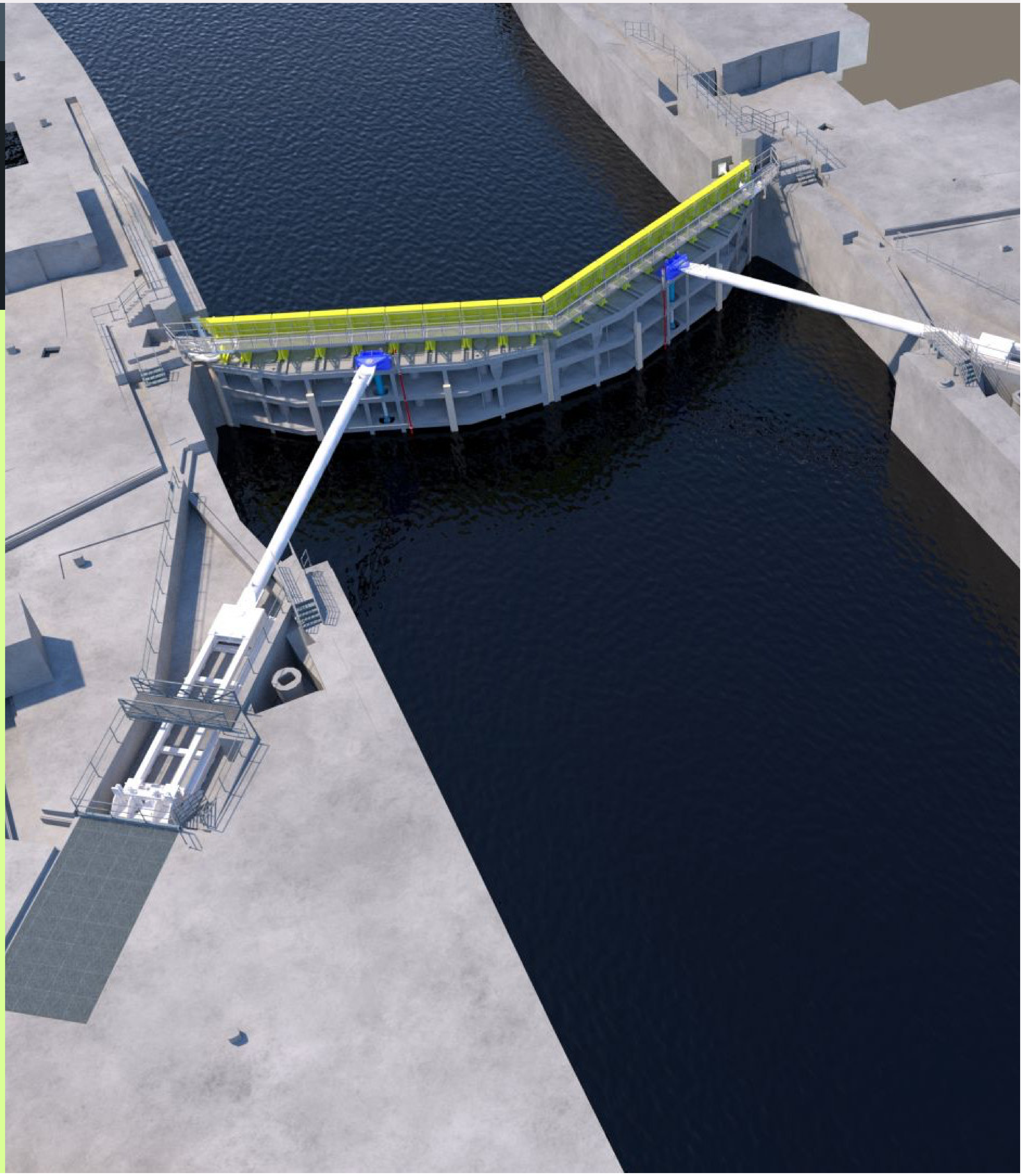
Forth Ports is one of the largest port groups in the United Kingdom, with ownership of eight ports across the country. In 2018, StepStone made a significant minority investment alongside a number of our clients. Through our role as an asset manager, we have supported the management team in their efforts to drive forward several ESG initiatives, including a project to enhance biodiversity and another to improve flood defenses in the east of England.

One of Forth Ports' key projects is the replacement of the Tilbury lock gates. The multimillion-pound project to improve flood defenses in the local Thurrock area has been developed in partnership with the Environment Agency and local councils. This project has resulted in the replacement of three pairs of lock gates at the entrance to the port, which will protect thousands of homes and businesses from the threat of flooding.

The new gates are impressive in scale, standing at 15 meters tall and 19 meters wide—the equivalent of three double-decker buses high and the length of a cricket pitch wide. The outer gates are raised in height and integrated into the adjacent floodwalls, making them a dual-purpose navigational and flood risk management asset.

The impact of this initiative is significant, as it helps to give the port protection based on current forecasts of sea levels rising until the year 2100. This protects the port and safeguards the local community, including residents and businesses, from the threat of rising sea levels, one of the most tangible physical risks of climate change.

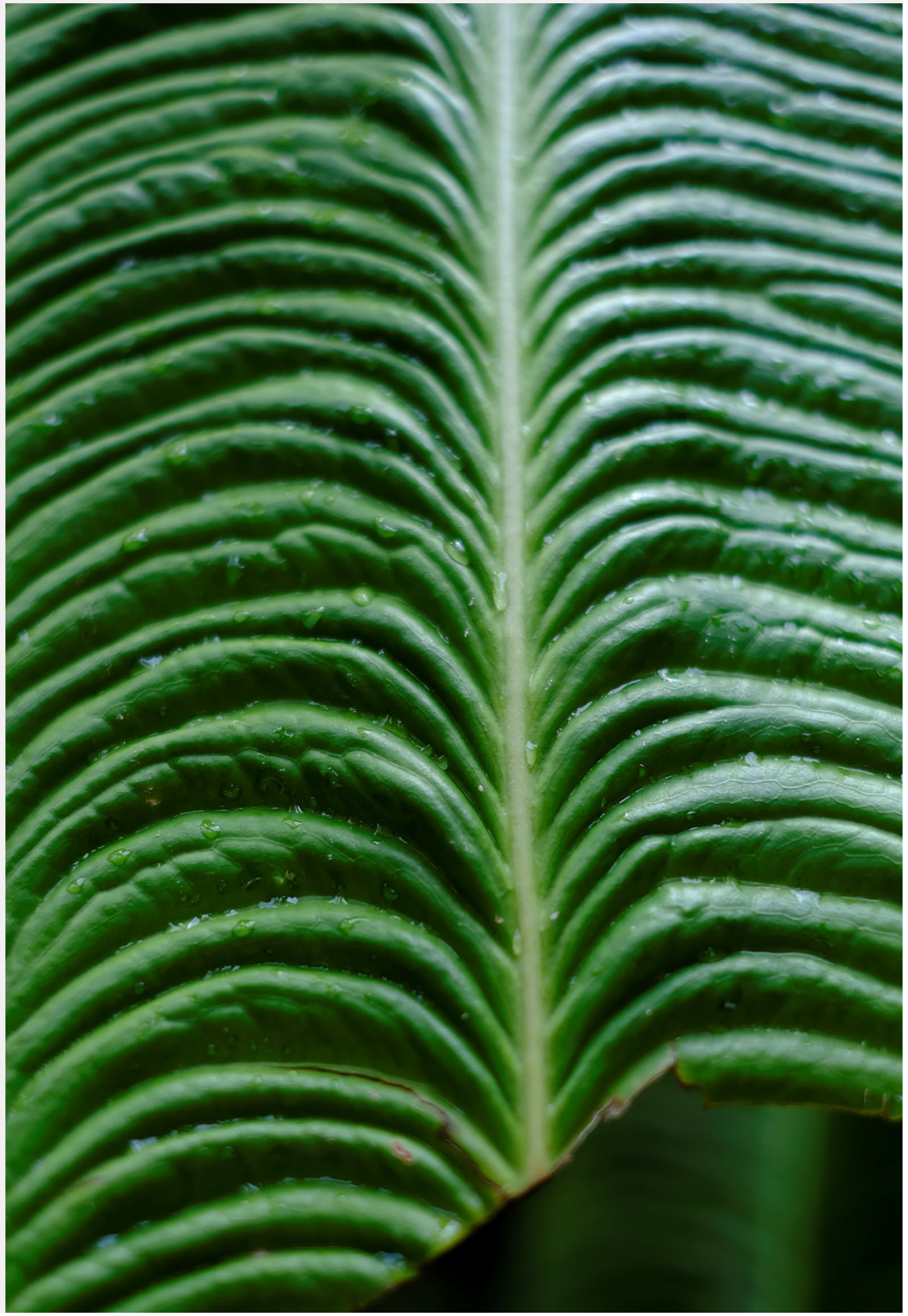
Forth Ports is continuing its work with local authorities to assess and address climate-related risks in the areas where it operates. We are committed to supporting them in their ongoing efforts to improve the resiliency of local communities against the challenges of the future. For more information on our engagement with Forth Ports on biodiversity, please see page 39 of our 2021 ESG Report.



Metrics and Targets within our operations

Measuring and reporting on our emissions within our operations is a crucial step toward managing climate risk. At StepStone, we are committed to reducing our carbon footprint and continually work to identify ways to manage the impact of our internal operations.

In this section, we outline our approach to reducing the environmental impact of our operations in key areas such as energy efficiency, carbon emissions management, waste reduction and raising environmental awareness. By tracking our progress in these areas, we are able to identify opportunities for improvement and work toward achieving our sustainability goals.



Greenhouse Gas Emissions (tCO_2e)

	2021	2022
Scope 1: Direct Emissions	0	0
Scope 2: Indirect Emissions	485 tCO_2e	313 tCO_2e
Scope 3: Other Indirect Emissions	6,353 tCO_2e	16,500 tCO_2e
Total Emissions	**6,838 tCO_2e**	**16,813 tCO_2e**

- Gases included in the calculation are CO_2, CH_4, N_2O, HFCs, PFCs and SF_6
- The base year is the calendar year 2022
- Pathzero, the carbon footprint consulting partner, uses AR5 in line with the GHG protocol
- Pathzero uses an operational control approach for emissions
- Pathzero platform is created in line with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard and the WRI GHG Protocol Scope 2 Guidance. We provided our electricity consumption for 7 out of 16 locations and the electricity cost for 4 out of 16 locations. The electricity usage was calculated based on environmentally extended input-output (EEIO) factors and country-specific electricity grid emissions factors. The electricity usage of 5 locations without electricity data was estimated based on the average electricity usage per floor area of the other StepStone locations.
- The Scope 3 GHG emissions categories included are: purchased goods and services, fuel- and energy-related activities, waste generated, business travel, employee commuting and leased assets. StepStone calculated the Scope 3 greenhouse gas (GHG) emissions inventory with the use of a SaaS platform Pathzero. Pathzero platform is created in line with the WRI/WBCSD GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Pathzero follows the relevance test from the GHG Protocol to decide which emissions need to be included in the inventory. Emissions from arts activities and insurance services have been assessed as not relevant to StepStone's operations and are outside of its emissions boundary.

OUR OPERATIONAL CARBON FOOTPRINT

Top Three Quantified Emissions (tCO_2e) in 2022

Air Travel	Professional Services	Food & Catering
10,093 tCO_2e	2,443 tCO_2e	1,065 tCO_2e

We note that our total emissions are materially higher than they were in 2021. The increase is mostly due to air travel this year, which was restricted in 2021 due to the pandemic. Another contributing factor is food and catering service, which was limited in 2021 as we predominantly worked from home. In addition, our offices have grown from 23 in 2021 to 25 this year to accommodate our growing team, which now includes 941 employees, up from 763 last year.

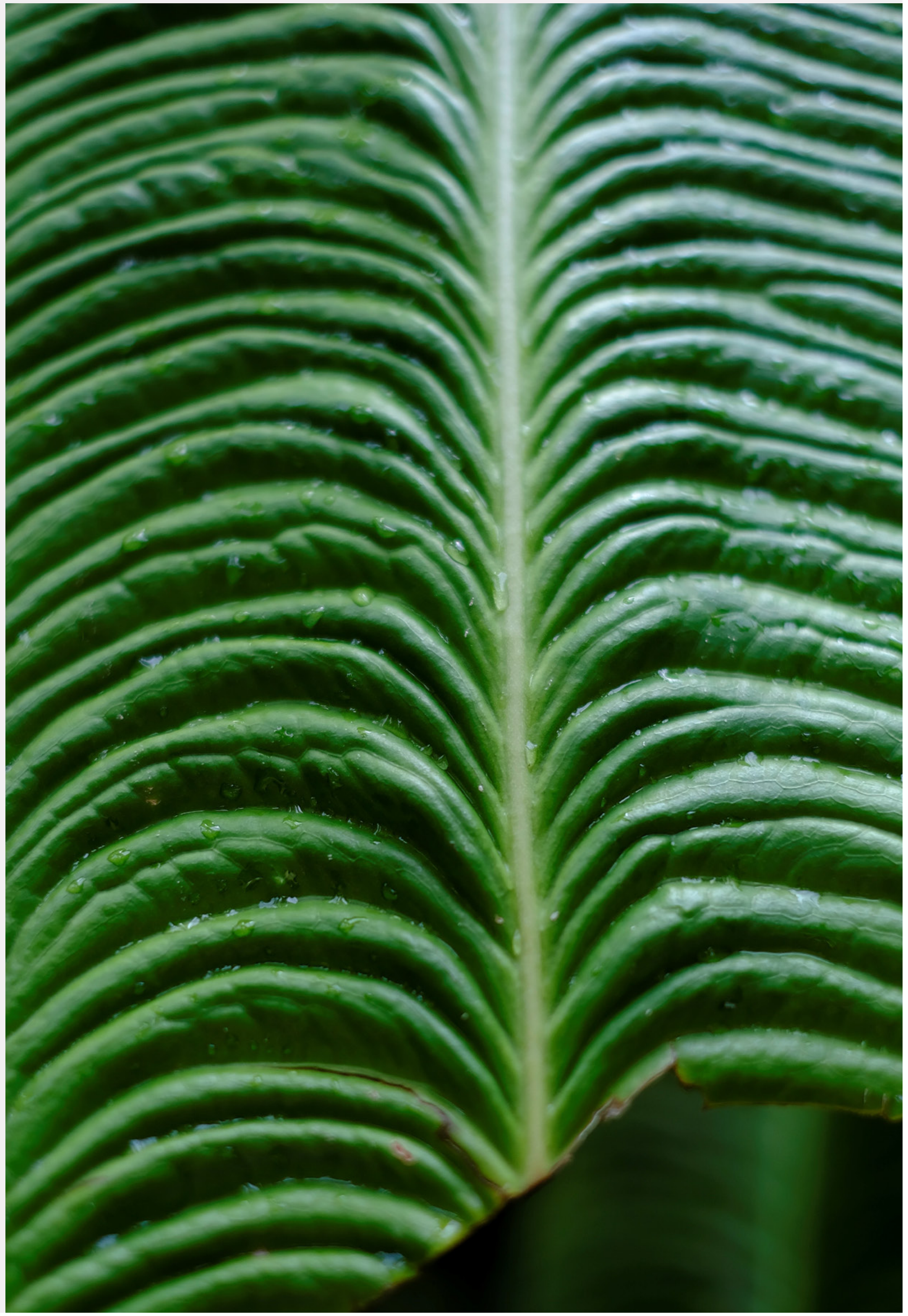
As a global, client-centered organization, StepStone is committed to delivering for our clients and being available to connect with them as they require. Post-pandemic, we have seen an increase in demand for face-to-face meetings. Similarly, we believe it has been important for our staff to reconnect in person through our AGMs and off-sites. We continue to work to balance these needs with emissions management.

An Ongoing Commitment to Carbon Neutrality

We strive to be responsible stewards of the environment and to maintain our status as a carbon-neutral company within our operations. To achieve this, we sought the help of Pathzero, a third-party firm, to conduct a comprehensive analysis of our carbon emissions.

Since our first analysis, we have taken concrete actions to reduce our carbon emissions across all our global offices. We have updated our travel policy, reviewed our office spaces and service providers, and introduced more environmentally friendly practices across our offices, such as implementing recycling protocols. Additionally, our vendor due diligence process now includes climate-related questions to assess their environmental efforts.

Our office buildings in Toronto, Beijing, Cleveland, La Jolla, San Francisco, Seoul and Frankfurt have received LEED[1] certification, which recognizes their energy efficiency and sustainability. Our London office is certified by BREEAM[2], which sets the standards for sustainable building design, construction and operation. Our Tokyo office meets the standards for ISO 14001, demonstrating our commitment to environmental management. Our Sydney office has gone a step further by being certified as carbon neutral and receiving a five-star energy rating, reflecting our dedication to reducing our environmental impact and promoting sustainability throughout our operations.



[1] Leadership in Energy and Environmental Design
[2] Building Research Establishment Environmental Assessment Method

Offsetting Our Emissions

While we continue to reduce our emissions, since 2019 we have been supporting various sustainable development projects to help offset our unavoidable emissions. For our 2022 emissions, we funded the following projects:

Brazilian Landfill Gas (LFG) Project[1]

This project is designed to capture, flare and generate electricity from landfill gas (LFG) produced in anaerobic conditions at CTR Macaúbas, located in Sabará, Minas Gerais, Brazil. This will reduce greenhouse gas (GHG) emissions from landfill by burning CH_4 in flares or generators. The electricity generated will be added to the Brazilian national grid, reducing the need for energy from fossil-fueled thermal plants and promoting sustainable development at the regional and national levels.

Anew - North Maine Woods Forestry Project

The North Maine Woods Forestry Project encompasses 86,221 acres of northern hardwood and northern conifer forest located in NW Somerset County, Maine. This project is designed to remove carbon from the atmosphere, with the goal of outcompeting pulp markets through the revenue generated from carbon offsets, enabling forest managers to extend rotation ages across the property. This approach allows forest managers to move away from faster-rotation pulpwood management and toward sustainable forestry practices.

Carbon Neutral Company
Pathzero

Pathzero's mission is to accelerate the decarbonization of the world economy by making the necessary tools and expertise available to every company in the world. StepStone is proud to be certified as Carbon Neutral by Pathzero[2].

[1] Please note that the image used is a stock photo for illustrative purposes; it is not directly related to the project or its location.
[2] For the period January 1, 2022 - December 31, 2022.

Emissions Reporting and Target Setting Across Private Markets

In recent years, there has been an increase in the number of private markets GPs reporting their portfolio-level emissions. In 2022, the percentage of GPs in our own dataset that have portfolio emissions reporting available has increased from 12 percent to 14 percent compared to 2021. Despite the modest improvement, this figure remains low and highlights the industry-wide issue of a lack of data in private markets. In response to this challenge, we are heavily focused on engaging with GPs across our platform and providing them with support and resources. We aim to assist GPs in implementing effective systems for measuring and reporting their firm- and portfolio-level emissions, thereby enabling a greater understanding of where to focus reduction efforts.

To support this, we have established processes for gathering and reporting the environmental performance of our investments. This includes tracking emissions, energy efficiency and the implementation of climate policies and training. By monitoring these metrics, we can better understand the impact of our investments and identify areas for improvement.

Beyond emissions reporting, we also advocate for GPs to set portfolio-level targets that enable them to measure and track progress toward climate goals. As part of our active ownership approach, we advocate for the adoption of clear, measurable goals and seek to engage with GPs to monitor progress. More specifically, we encourage GPs to set SBTs in line with the Paris Agreement. SBTs provide a clear and measurable way for companies to align their emissions reduction efforts with the global effort to limit warming to well below two degrees Celsius. By encouraging the adoption of SBTs, we aim to drive the necessary changes needed to be aligned with the transition to a low-carbon economy.

With regard to target setting across asset classes, we note that Infrastructure & Real Assets GPs continue to lead the way in private markets. Thirty-eight percent of GPs reported having portfolio-level emissions reduction targets in place in 2022—a notable increase from 17 percent in 2021. This compares to 12 percent of GPs that have reported targets in 2022 across private markets overall. These figures decrease when we consider portfolio-level net-zero targets, with 21 percent of Infrastructure & Real Assets GPs reporting this in 2022, and 5 percent of GPs across private markets overall. Figures have nonetheless improved since 2021, indicating a gradual shift in focus for GPs in this area. Infrastructure & Real Assets have also led the way with respect to adopting TCFD recommendations, with 67 percent of GPs reported as being formal TCFD supporters in 2022. More information can be found on page 7.

While the trend toward increased emissions reporting and target setting is promising, there is still much work to be done across private markets. We are committed to supporting GPs in this effort and further promoting environmental stewardship across our platform.

Data Point	Asset Class[1]	2021[2]	2022[2]
% GPs with portfolio-level emissions reporting available	All private markets	12%	14%
	Infrastructure & Real Assets	33%	45%
% GPs with portfolio-level emissions reduction target	All private markets	7%	12%
	Infrastructure & Real Assets	17%	38%
% GPs with portfolio-level net-zero target	All private markets	3%	5%
	Infrastructure & Real Assets	17%	21%

[1] All private markets refers to Private Equity, Private Debt, Infrastructure & Real Assets and Real Estate.
[2] As of December 31 of the applicable year. Percentages are calculated based on all GPs we have invested with that have provided data. The group of GPs reported on differs between 2021 and 2022.

Looking Ahead

Climate change remains a pressing global priority, and as private market investors, we recognize our role in helping catalyze change.

We will continue to integrate analysis of climate-related risks and opportunities into our investments while aligning with TCFD recommendations and participating in sector-specific initiatives, such as the iCI. We will also keep a close eye on the growing focus on biodiversity, as we monitor the development of the TNFD. As we delve deeper into this area, we seek to unlock more investment opportunities that create positive financial returns—as well as a positive impact on our planet. Ultimately, we are unlikely to be able to address the climate challenge without engaging in an effective partnership with nature.

We will continue to work with our stakeholders, including private market participants and industry leaders, to advocate for wider adoption of TCFD recommendations and carbon footprinting across the GP universe. We also plan to collaborate with peers to develop best practices for implementation and to design solutions for clients to align their portfolios with the goals of the Paris Agreement.

We believe that our commitment to annual disclosure of our climate performance facilitates a meaningful conversation among our stakeholders on the role and responsibility of private markets in taking action on climate change.

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