UK Stewardship Code Report 2022

PURPOSE OF THIS REPORT

StepStone Group LP (StepStone) recognizes and aligns with the UK Stewardship Code 2020 (the code). Adhering to the principles outlined in the code enables us to advance our stewardship practices and contribute to the adoption of these practices across the wider investment industry.

Scope of the Report

The report demonstrates our adherence to the code for the period January 1, 2022, to December 31, 2022. The report covers the 12 principles under asset managers and the six principles under service providers. StepStone's investment advisory services represent the service provider activities discussed in the report. StepStone falls under the "medium-sized asset manager" category as outlined by the Financial Reporting Council (FRC) (assets under management [AUM] between £50–250bn), and we have used this to guide our reporting. All information provided represents StepStone Group LP.

Review, Approval and Signoff

The report has been reviewed and approved by the StepStone Board of Directors, the Chief Executive Officer and the Global Head of Responsible Investment.

Structure of This Report

We report on each principle, highlighting the context, activities and outcomes, where applicable, and reference principles that connect to each other. We also provide a range of case studies throughout the report to highlight our stewardship activities during the reporting year. For each case study, we have included the relevant asset class(es) and geography(ies) to illustrate our activities across our global business.

Further Information

For more information about our work around responsible investment and efforts to promote good environmental, social and governance practices in our industry, please refer to the following resources:

- StepStone Environmental, Social and Governance (ESG) Report 2022
- StepStone Task Force on Climate-related Financial Disclosures (TCFD) Report 2022
- StepStone Diversity, Equity and Inclusion (DEI) Report 2022
- StepStone Principles for Responsible Investment (PRI) Transparency Report
- Responsible Investment Policy
- Stewardship Policy
- Climate Policy
- Responsible @ StepStone webpage

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Disclaimer

We have prepared this 2022 UK Stewardship Code Report for our stakeholders, including our employees, clients, customers, suppliers, shareholders and the communities where we operate. This 2022 UK Stewardship Code 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 UK Stewardship Code 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, unless otherwise required by law. 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 United States Securities and Exchange Commission (SEC) reporting purposes. In the context of this 2022 UK Stewardship Code 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 UK Stewardship Code Report are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this 2022 UK Stewardship Code Report, nor does it constitute a part of this 2022 UK Stewardship Code Report.

FOREWORD FROM SUZANNE TAVILL

We are pleased to present our second UK Stewardship Code Report, which is part of our efforts to recognize and highlight the pivotal role of effective stewardship in the private markets. At StepStone, we believe it is critical to incorporate all material considerations, including those related to stewardship, into the investment process.

By incorporating relevant risks and opportunities into our due diligence, asset pricing and post-investment management, we align our efforts with our focus on delivering strong risk-adjusted returns. We believe that by adopting an approach that incorporates a lens on stewardship as part of our responsible investment (RI) practices, we are better able to proactively address and account for factors that impact investment performance.

In 2023, we achieved a significant milestone in our stewardship efforts by becoming accepted as a signatory to the UK Stewardship Code. Since our first report, we have further improved our efforts to embrace the principles of transparency and accountability, refining our strategies with enhancements such as implementing a new firm-wide Stewardship Policy. We actively extend our stewardship efforts to the wider market through collaborative activities, exercising thought leadership and partnership. These engagement and collaboration efforts aim to address emerging challenges and opportunities in the current market context, illustrated through numerous case studies included in this report.

Throughout this report, we highlight our ongoing efforts to monitor progress, evaluate outcomes and adapt our strategies to embrace the ever-evolving market challenges and opportunities.

Suzanne Tavill
Partner, Global Head of Responsible Investment

2022 Key Highlights

Submitted application to the FRC's UK Stewardship Code.

Accepted as a signatory in 2023.

Implemented a firm-wide Stewardship Policy.

Please refer to page 19 for more information.

Implemented a firm-wide Climate Policy.

Please refer to page 19 for more information.

Became a founding member of Ownership Works, an initiative promoting employee ownership programs.

Please refer to page 92 for more information.

Collaborated with the PRI, providing feedback on their RI Due Diligence Questionnaire (DDQ) for Venture Capital Limited Partners (VC LPs).

Please refer to Case Study 10.1 on page 91 for more information.

Expanded our bespoke RI Guidance Modules for General Partners (GPs) to all asset classes.

Please refer to page 74 for more information.

Introduced Responsible @ StepStone into performance reviews.

Please refer to page 25 for more information.

Published "We Don't Value Nature" whitepaper, exploring the investment opportunity presented by natural capital.

Please refer to Case Study 4.2 on page 37 for more information.

Contributed to Japan Financial Services Agency (JFSA)'s Code of Conduct for ESG Evaluation and Data Providers.

Please refer to Case Study 10.3 on page 93 for more information.

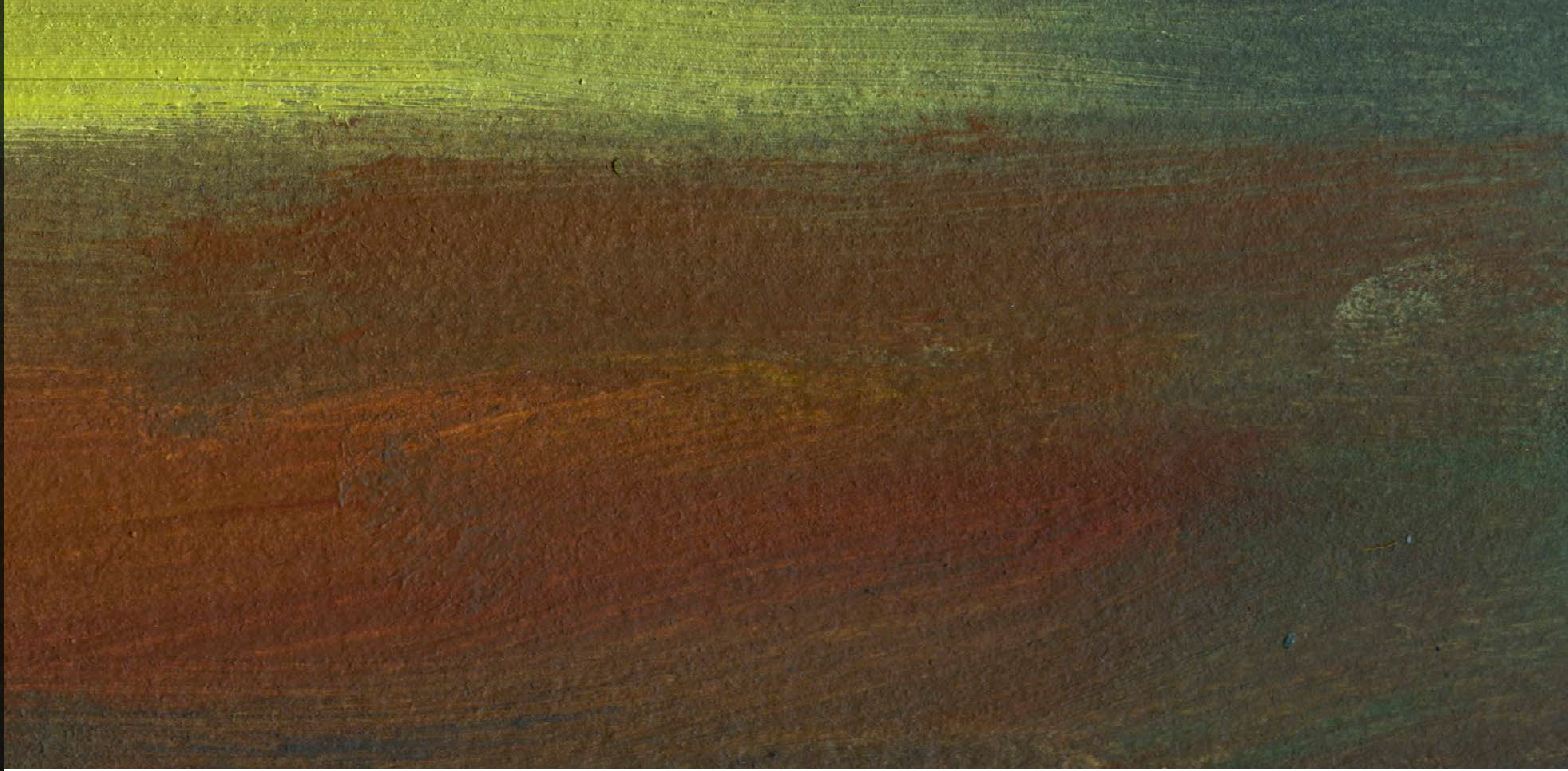
Principle 1

Principle 2

Principle 3

Principle 4

Principle 5 (Asset Managers),
6 (Service Providers)



SECTION A

Purpose and Governance

PRINCIPLE 1

Asset Managers: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Service Providers: Signatories' purpose, strategy and culture enable them to promote effective stewardship.

Context

Overview of StepStone and Our Purpose

StepStone is a global private markets investment firm focused on providing customized investment solutions and advisory, data and administrative services to our clients. Our mission is to be the trusted partner of choice for private markets solutions globally.

Overview of Our Activities

StepStone specializes in building customized private markets solutions supported by a high level of customer service to investors globally, providing both discretionary and non-discretionary investment services. We operate using a flexible business model, offering solutions across multiple asset classes and investment strategies. The following services are provided to our clients:

CLIENT SEPARATELY MANAGED ACCOUNTS (SMAS)

StepStone designs and oversees Client SMAs tailored to specific investment objectives. Our expertise extends to accommodating unique regulatory requirements, tax considerations and regional focuses. The extent of client involvement and the parameters of each client SMA may differ based on the relationship and policy guidelines. However, StepStone typically assumes a leading role or significantly contributes to negotiating account terms, investment policy, strategic planning, pacing, and portfolio analytics and reporting.

FOCUSED COMMINGLED FUNDS

StepStone develops focused commingled funds that allow clients to efficiently participate in these specialized strategies that may have otherwise been inaccessible due to high investment minimums or other client considerations.

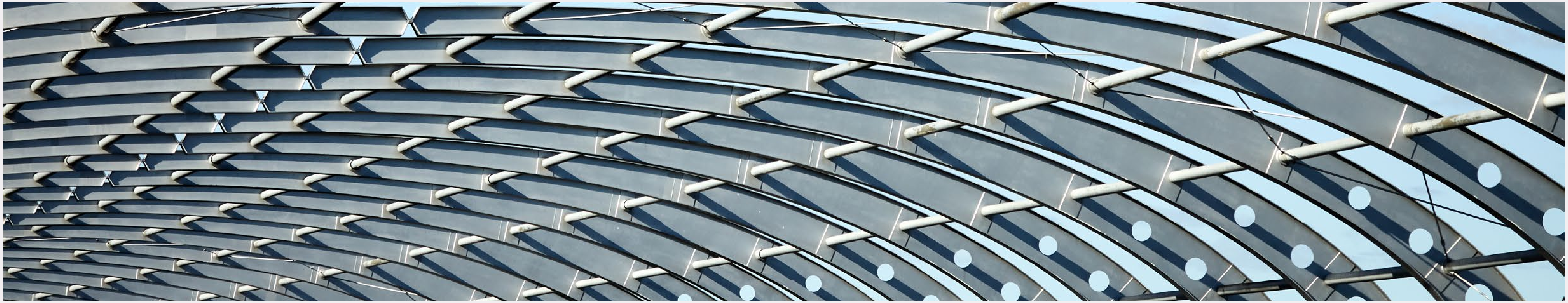
ADVISORY, DATA & ADMINISTRATIVE SERVICES

StepStone provides customized advisory services to clients seeking assistance in designing, planning and executing a private markets investment program while retaining ultimate decision-making authority. Depending on the specific mandate, our advisory services encompass one or more of the following: (i) recurring support of portfolio construction and design; (ii) discrete or project-based due diligence, advice and investment recommendations; (iii) detailed review of existing private markets investments, including portfolio-level repositioning recommendations where appropriate; (iv) consulting on investment pacing, policies, strategic plans and asset allocation to investment boards and committees; (v) licensed access to our proprietary data and technology platforms, including StepStone Private Markets Intelligence (SPI) Research and our other proprietary tools; and (vi) administrative services to unaffiliated investment advisors.

PORTFOLIO ANALYTICS & REPORTING SERVICES

StepStone provides clients with tailored reporting packages, including customized performance benchmarks as well as associated compliance, administrative and tax capabilities. Mandates for portfolio analytics and reporting services typically include licensed access to our proprietary performance monitoring software, SPI Reporting. Our Portfolio Analytics and Reporting (SPAR) team, consisting of 100-plus committed professionals, provides extensive coverage of the private markets.

OUR INVESTMENT STRATEGY



Primaries

Our primaries business seeks out, and invests with, leading fund managers across the private markets asset classes. We aim to build top-performing global private markets portfolios through a research-intensive investment approach and strive to identify fund managers with top-quartile performance through active sourcing and in-depth evaluation, complemented by excellent deal execution. We leverage our SPI Research database of over 82,000 companies, over $28 trillion of AUM across over 42,000 funds, and over 16,000 fund managers showing fund-level performance for nearly 15,000 funds to track a large cross section of fund managers and funds globally—irrespective of fundraising cycles.

Secondaries

Our secondaries program spans all asset classes and leverages our global platform to capitalize on market inefficiencies. We seek to acquire assets through preferential purchase arrangements by proactively sourcing secondary deal flow through our extensive network of relationships with fund managers, clients, intermediaries and other industry participants. We are able to increase the effectiveness of our sourcing efforts by focusing on fund managers managing high-quality portfolios that are expected to outperform the market. In addition, we source exclusive deal flow by working closely with intermediaries to capture high-quality assets that would not be available through auction processes, usually because a fund manager wants to control information flow or client relationships, including by restricting potential buyers to a select group of “pre-approved” replacement clients like our firm.

Co-Investments & Direct Investments

Our co-investments program seeks to provide potential risk-adjusted returns through balanced diversification and substantially lower fees and carry.

We leverage our vast network of GPs’ relationships to source opportunities and to find what we believe to be the best deal flow. Many leading managers choose to partner with us because of our significant resources, our valuable expertise, our proven ability to respond quickly to opportunities while being able to satisfy demanding transaction requirements and our reputation for excellence within the private markets community.

We also have a direct investment program that focuses on early growth-stage companies backed by our underlying managers.

Our Culture and Core Values Serve as the Foundation for Our Stewardship Efforts

As a core value, we are committed to upholding our fiduciary duty to our clients. This permeates all aspects of our organization, policies and processes. We understand that as trusted solutions providers, it is our responsibility to handle our clients' capital with care and diligence. Part of our commitment to fiduciary duty is the recognition that ESG and climate-related factors can have material impacts on financial returns—we therefore embody this in our approach to stewardship.

As responsible stewards of capital, our culture and values are embedded in our daily work. These values and beliefs are encapsulated in the following categories:

Our Guiding Principles for Effective Stewardship: Ethics, Governance and Compliance

Since our founding in 2007, ethics, governance and compliance have been intrinsic to our organizational culture and daily operations. These principles are informed by our core values and are closely tied to our fiduciary duty. At StepStone, we uphold integrity and adhere to the highest ethical standards of business conduct in our interactions with stakeholders.

To realize these principles, we have in place a Code of Conduct and Ethics, which applies to all our global offices and is reviewed at least annually and updated as needed. This code aims to achieve the following objectives:

- Promote compliance with applicable governmental laws, rules and regulations
- Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest
- Promote full, fair, accurate, timely and understandable disclosure in reports to regulators and in other public communications
- Provide mechanisms to report unethical conduct
- Help foster a culture of honesty and accountability

We provide a more detailed overview of our governance structures in Principle 2 and our approach to compliance and its role in promoting stewardship in Principle 3.

VALUES AND BELIEFS

Access: go anywhere, do anything
We're in every sector, strategy and territory, right where the brightest ideas are generated, offering more options, more customized solutions and more ways to tap into all the possibilities.

Insight: look deeper, go farther
Our focus on data captures a wealth of intelligence across the private markets; these insights provide views both panoramic and precise—informing clearer paths and more confident decisions.

Expertise: identify, initiate, innovate
Our professionals are empowered with the resources and support they need to act swiftly and decisively, tapping into deep expertise and specialization to create the best possible strategies and solutions.

Partnership: share, see, solve together
By openly exchanging and combining knowledge and expertise throughout our potent network of investors and GPs, we find and foster new, different ways to address each challenge and opportunity.

Everyone is an entrepreneur
We foster an environment where everyone feels informed, confident and enabled to act; applying their curiosity and skills to solve each challenge, however complex.

We're deep into data
Intelligence is everything: the source and quality of data and the advanced tools to use it. Our rigor, transparency and proprietary technology yield sharper insights that inform better strategies and decisions.

We flex, focus and find
Reaching and realizing the most compelling opportunities takes a platform with true breadth and depth, spanning all asset classes, strategies and structures. So, we built one—to provide greater vision, latitude and customization.

We see the world in close-up
We're truly global, with experts on the ground wherever our clients need to be. Now in 16 countries with 26 offices worldwide, our presence attracts a powerful network of limited partners (LPs) and GPs and affords us distinctive views on every aspect of the private markets.

Our Investment Philosophy

StepStone's investment philosophy focuses on principles that we believe allow us to provide a consistent framework for our Investment Committee to assess whether specific investments meet our rigorous standards. The following is an overview of StepStone's Investment Philosophy:

STEPSTONE'S INVESTMENT PHILOSOPHY

Customized Portfolio	Shared Values	Active Management	Common Goals
Tailor portfolios to accommodate clients' individual investment goals	Entrust capital with managers we know and trust, and whose strategies fit prevailing market conditions	Focus on risk-adjusted returns	Seek out investments where GP and LP interests are aligned
Contrarian	**Targeted Approach**	**Responsible Investment**	**Rigorous**
Be selective and opportunistic; do not follow the crowd	Capitalize on specialization by favoring focused strategies; do not over-diversify	Consider the environmental, social, and governance risks and merits of our investments	Use a combination of thorough macro-, manager-, and asset-level analysis for opportunities that we are positioned to capture due to strategic relationships or access to advantaged information

Responsible Investment as a Core Part of Our Investment Philosophy

RI forms a fundamental pillar of StepStone's investment philosophy, firmly rooted in our fiduciary duty to our clients. We believe that incorporating RI principles enhances our ability to evaluate investment opportunities in terms of forward-looking, risk-adjusted returns and helps safeguard and maximize overall value for our clients.

Central to our approach is the consideration of relevant ESG risks and opportunities. These factors guide our stewardship efforts, helping us to define the areas where active engagement is necessary. This extends to both our discretionary and advisory clients, where ESG integration is applied to 100 percent of our investments across our asset management and service provider activities. Please refer to Principle 7 and Principle 9, where we further expand on how the interplay between ESG factors and investment beliefs form the foundation of our stewardship efforts.

RESPONSIBLE INVESTMENT APPROACH

Investment Focus
RI is an investment consideration. Incorporating relevant ESG and climate risks and opportunities into our due diligence and asset pricing aligns with StepStone's focus on pecuniary returns for clients.

Tailored Approach
Given the broad range of RI investing opportunities, StepStone tailors its approach to meet client financial and nonfinancial goals, e.g., aligned with the Sustainable Development Goals (SDGs).

Best Practice
StepStone is committed to and aligned with best practice frameworks and standards—including the PRI, TCFD, Sustainability Accounting Standards Board (SASB) and Global Real Estate Sustainability Benchmark (GRESB). StepStone works to further the latest thinking in the sector.

Advocacy
StepStone is committed to advocating for the adoption of responsible investing standards and practices across private markets.

STEPSTONE'S RESPONSIBLE INVESTMENT MILESTONES

2013	2014	2017	2018	2019	2020	2021	2022
• Became PRI signatory • Created RI Committee	• Adopted RI Policy	• Created DEI Committee	• Conducted first carbon footprint analysis	• Became TCFD supporter • Became SASB Alliance Member (now part of the International Financial Reporting Standards [IFRS] Foundation) • Created asset class RI workgroups • Introduced RI scorecard for primary investments • Committed to carbon neutrality within our operations	• Became GRESB member • Launched Impact Capabilities • ILPA Diversity in Action Founding Signatory	• Became Initiative Climat International (iCI) member • Became Institutional Investors Group on Climate Change (IIGCC) member • Venture ESG supporter • PRI - Venture Capital Network • Impact Allocators Network • ESG Data Convergence Initiative supporter	• Published inaugural ESG and TCFD reports • Submitted UK Stewardship Code application (became signatory in 2023) • Became a founding member of Ownership Works

Diversity, Equity & Inclusion (DEI)

At StepStone, our dedication to DEI is deeply ingrained in our organizational culture. We firmly believe that embracing a diverse range of backgrounds and experiences enriches everything that we do. Our organization brings together 900-plus professionals who sit across 26 global offices in 16 countries. Across businesses, and notably within our industry, we recognize that fostering strong company culture and values is imperative to attracting and retaining talent. As such, our efforts are focused on helping to cultivate our employees into excellent professionals, by aiming to provide an environment where individuals can thrive through learning and development opportunities and a collegial work environment. Our aim is to empower our team to reach their full potential within our organization.

Our commitment to DEI not only aligns with our values, but also enriches our decision-making process by incorporating a wide range of perspectives, talents and experiences. Beyond our own practices, we extend our DEI efforts to our stewardship program. This includes providing support to managers and assets to enhance their DEI practices. For a demonstration of how we engaged with an asset to help them enhance their DEI practices, please refer to Case Study 9.1 on page 83.

Our DEI Guiding Principles

A Level Playing Field

That provides everyone the chance to develop and advance

An Inclusive Culture

Where every colleague is invited to contribute freely

Improved Performance

Through enhanced analysis, debate and decision-making

DEI Committee

To strengthen our commitment to DEI, we established a dedicated committee in 2017. The committee consists of senior leadership and team members from across our asset classes and geographies. The responsibilities of our committee include finding opportunities to expand our DEI efforts and performance, planning events in alignment with our DEI principles and continuing the integration of these principles throughout our culture.

Lyn Blithe
Senior Executive Assistant
Baltimore

Lindsay Creedon
Partner
New York

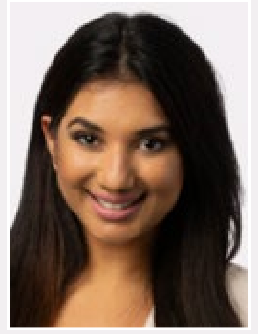
Alesia Dawidowicz
Managing Director
Zurich

Brian Delpit
Vice President
La Jolla

Jose Fernandez
Partner & Co-COO
La Jolla

Scott Hart
Partner & CEO
La Jolla

Jennifer Ishiguro
Partner & Chief Legal Officer
La Jolla



Eden Lawrence
Vice President
New York

Nitin Malik
Managing Director & Head of Global Talent
New York

Serena Mandrile
Vice President
London

Josie McVitty
Principal
London

Corey Wilkins
Director
New York

Activities & Outcomes

The table to the right highlights the ways in which our purpose, strategy, culture and investment beliefs have facilitated our investment and stewardship activities, with the core aim of serving the best interests of our clients. We have a large, diverse and global client base—therefore, evaluating the success of our efforts entails considering a range of indicators. Notable examples include:

- **The number of solutions.** As of December 31, 2022, we had 264 bespoke SMAs and focused commingled funds (including high-net-worth programs), up from 230 as of December 31, 2021.
- **Growth in AUM.** As of December 31, 2022, our AUM represents $134B, up from $127B as of December 31, 2021.

While these are not the only measures of success, we believe our ability to grow the number of investment solutions, and the amount of capital our clients entrust us to manage on their behalf, are good indicators of our effectiveness in serving our clients. Please refer to Principle 6 for more information on how we are meeting our clients' needs.

AREA AND APPROACH

CULTURE

In 2022, we remained dedicated to strengthening our people-first culture by implementing various firm-level initiatives that enhance our investment and stewardship processes. We aimed to foster a sense of responsibility, support employee well-being and enhance leadership capabilities within our organization. We believe all these outcomes ultimately help us to better serve our clients.

- To cultivate a culture of responsibility, we conceptualized 'Responsible @ StepStone,' in 2022. This aims to promote opportunities for our employees to demonstrate behaviors that reflect our commitment to ESG and to being responsible stewards of capital. In order to further embed the philosophy of responsibility into our culture, this was formally added as part of employees' performance reviews in 2022.
- We rebranded our employee engagement survey as "Employee Voice." We were pleased to see a 91 percent participation rate, up from 82 percent in 2020. The survey covered various important topics including collaboration, engagement, DEI, belonging, growth and workload. The results provide valuable insights into our employees' perspectives and experiences and will help inform our efforts in continuing to create a strong work environment.
- To refine the capabilities of our managers, we introduced an enhanced manager framework. This framework emphasized key concepts of empathy, engagement, empowerment and expectations. To further support our managers in their roles, we implemented a manager boot camp training program. This program equipped employees with managerial responsibilities and the skills and tools to lead effectively and inspire their teams.

DEI ACROSS OUR OPERATIONS AND INVESTMENTS

In 2022, we continued our efforts to promote DEI practices both within our operations and across the wider investment industry.

Key highlights within our operations include:

- 41 percent of new hires in 2022 were female, up from 36 percent in 2021.
- Notable improvements in senior-level new hires, with increased percentage of both female and racially/ethnically diverse senior new hires compared to 2021.
- 41 percent of our promoted employees were female, up from 35 percent in 2021.
- Our employee resource groups (ERGs) grew to five, with the addition of the Pan-Asian, Parents and Steps 2 Green (S2G) ERGs. Our ERGs are employee-led and established with the intention of providing a supportive community for employees of certain affinity groups and their allies.

Our DEI efforts within the firm help inform our practices at the investment level. We place the same expectations on ourselves as we do our GPs and underlying portfolio companies, and our firm-level efforts enable us to share learnings and best practices. For an example of how we supported a portfolio company's DEI efforts, please refer to Case Study 9.1. Furthermore, recognizing the importance of collaboration as part of our stewardship activities, we frequently engage in industry-wide initiatives, working in partnership with other organizations to advocate for DEI practices, share best practices and drive industry-wide change. Our participation during this reporting year included the Institutional Limited Partners Association's (ILPA's) Diversity in Action (DIA) initiative, which has emerged as a vital platform for advancing DEI in the private equity industry.

AREA AND APPROACH

INVESTMENT BELIEFS

Our investment beliefs underpin our approach to investment decision making and portfolio management. A key part of this is our approach to RI. In 2022, we continued to advance our RI practices, with key activities and outcomes outlined below:

- We continued to conduct RI due diligence of investments, which enabled us to identify and address relevant ESG risks and opportunities.
- We conducted approximately 100 post-investment engagements with GPs around adopting an ESG policy and implementing other ESG improvements.
- In our 2021 UK Stewardship Code Report, we announced the launch of our first post-investment monitoring (PIM) outreach. In 2022, we completed our second annual outreach to track ESG data at the GP, fund and asset level, the results of which have informed our stewardship activities. This is discussed further in Principle 9.
- As part of our RI engagement efforts, we created the RI Guidance Module as a resource for GPs, focused on topics ranging from ESG policy adoption to management of climate-related risks and opportunities. In 2022, we created dedicated modules for Venture Capital, Private Debt, Infrastructure and Real Assets and Real Estate GPs.

Please refer to Principle 7, Principle 8, Principle 9 and Principle 11 to learn about how we embed ESG and stewardship in our due diligence process, how this has guided our investment decision-making, and how we monitor, engage and escalate matters.

COMPLIANCE

To maintain our culture of compliance across our organization, completing our annual compliance training is mandatory for every employee. In 2022, we revamped this training program, making it more interactive and engaging to accommodate the evolving landscape of compliance. The compliance team took a collaborative approach by involving more team members to deliver different segments of the training, bringing in new voices and enriching the training content to create a more dynamic learning environment. Additionally, the knowledge check at the end of the training was revamped, with the goal of enhancing its effectiveness in assessing participants' understanding and retention of the material.

We are unwavering in our commitment to maintaining the utmost level of compliance with all relevant laws, regulations and rules in every jurisdiction in which we operate. As a core part of our fiduciary duty, we continue to act with integrity and uphold the highest standards of business conduct in our engagements with stakeholders.

Priorities Going Forward

Our core values, investment philosophy, business model and strategy all contribute to our culture that prioritizes clients' best interests. As part of this, we continue to identify areas of improvement as well as opportunities to advance our efforts. We see our approach to stewardship as ongoing and ever-evolving, and we have identified key priorities throughout this report to further embed stewardship across our activities and meet our clients' needs.

PRINCIPLE 2

Asset Managers: Signatories' governance, resources and incentives support stewardship.

Service Providers: Signatories' governance, workforce, resources, and incentives enable them to promote effective stewardship.

Activities and Outcomes

Driving Stewardship through Our Governance Structure

We have established a robust governance structure to foster leadership and accountability in driving stewardship efforts across our organization. We recognize the vital role that stewardship plays in our investment process and have therefore embedded this within our governance approach across various levels of the firm.

Oversight responsibilities are held by our Board of Directors, RI Committee and RI workgroups. These governing bodies oversee the effective implementation of our stewardship efforts. Day-to-day implementation of these responsibilities is held by our dedicated RI team and the investment team. Responsibilities of each group are described in further detail on the following pages.

These structures and processes are consistent across our asset management and advisory services and are designed to support our clients in achieving their stewardship aims, among other objectives. By formalizing these structures across our organization, we promote consistency in the implementation of stewardship practices and uphold high standards throughout StepStone.

The key governing bodies that oversee ESG integration and stewardship activities are outlined in the following diagram:

STEPSTONE'S RESPONSIBLE INVESTMENT GOVERNANCE STRUCTURE

Our Highest Governing Body: The Board of Directors

As our highest governance body, our Board of Directors oversees the firm's strategies and policies related to responsible investment and sustainability matters relevant to the firm's business, including stewardship. The Board is also responsible for shaping effective corporate governance and overseeing the firm's strategies and policies related to human capital management, including with respect to matters such as diversity and inclusion, workplace environment and culture and talent development and retention. The Board receives an update on RI performance as a recurring agenda item from the Global Head of Responsible Investment. These oversight responsibilities are set out in the Board's Principles of Corporate Governance, which are reviewed annually. Setting the tone for the whole organization, the Board reflects StepStone's focus on promoting ESG integration and effective stewardship.

Alongside the Board, various committees and groups are in place to support our corporate objectives, including those related to stewardship, and to see that we meet our relevant obligations and commitments. As of December 31, 2022, 108 of our employees are members of governing bodies, supporting a culture of good governance across our global offices.

The following key committees are all governed by a charter, have clearly defined responsibilities and meet frequently so that we stay on track with our obligations, including those related to ESG integration and stewardship where relevant:

	COMMITTEE	PRIMARY ROLE
BOARD COMMITTEES	**Nominating and Corporate Governance Committee**	Among other responsibilities, identifies individuals qualified to become members of our Board, consistent with criteria approved by the Board, and develops and recommends corporate governance guidelines and principles (which include RI considerations).
	Audit Committee	Among other responsibilities, oversees financial audits and manages the engagement of our outside auditors; reviews the adequacy of our internal controls over financial reporting and disclosure controls and procedures; reviews the firm's practices with respect to risk assessment and risk management, including with respect to financial statements and financial reporting practices, compliance and information technology and cybersecurity.
	Compensation Committee	Among other responsibilities, oversees the firm's overall compensation philosophy, policies and programs; makes recommendations to the Board concerning the compensation of the Chief Executive Officer (CEO); reviews and approves the compensation of other executive officers and recommends the amount and form of director compensation.
CORPORATE COMMITTEES	**Global Executive Committee**	Acts as the consultative body for major StepStone operating decisions and supports the CEO in the day-to-day management of the firm.
	Global Allocation Committee	Oversees the portfolio management process with respect to multi-asset-class mandates managed or advised by StepStone.
	RI Committee	Responsible for the oversight and direction of StepStone's RI process, including StepStone's RI policy, ESG integration, stewardship, advocacy and ESG training.
	DEI Committee	Oversees and supports StepStone's DEI goals and initiatives.
	Impact Committee	Responsible for verifying that impact investments align with our impact investing goals.

RI Committee

The RI Committee is the peak body at StepStone with respect to the direct management of our corporate and investment RI activities, which includes stewardship. The committee is composed of senior members across our global offices, representing all asset classes and functional areas to enable RI to be truly integrated across the firm's activities.

Chairing the committee is Suzanne Tavill, partner and Global Head of Responsible Investment at StepStone. Ms. Tavill brings a wealth of expertise to the table, with extensive engagement in ESG since 2014 and assuming the role of Global Head of Responsible Investment in 2019. She actively participates in multiple working groups, such as the PRI Global Policy Reference Group, PRI Private Markets Human Rights Working Group, and IIGCC and iCI working groups. During the reporting year, she was appointed as one of five signatory representatives to the PRI's Private Equity Advisory Committee.

The RI Committee is responsible for developing our RI policy and approach to ESG integration, stewardship and training across the firm. In terms of investment activities, the committee introduces new initiatives to incorporate ESG and stewardship into our investment process. It also approves all RI due diligence, which is then submitted to the relevant investment committee following review by dedicated RI workgroups. Committee members regularly exercise thought leadership in presentations at global events, leveraging our internal database to disseminate research and provide updates. In 2022, some examples included Pension Bridge ESG 2022 and Private Equity International's Responsible Investment Forum, among others.

In 2023, we added two more observers to the committee, marking the total number of members 15 and observers three.

RI Committee[1]

Suzanne Tavill
Partner,
Head of Responsible Investment,
RI Committee Chair
Sydney

Simon Beer
Partner,
Infrastructure & Real Assets
London/Toronto

John Bohill
Partner, Private Debt
Dublin/London

Jose Fernandez
Partner, Co-COO
Private Equity
La Jolla

Christian Frei
Partner,
Head of Risk
Zurich

Scott Hart
Partner, CEO
Private Equity
La Jolla

Jennifer Ishiguro
Partner, Chief Legal Officer & Secretary
Legal
La Jolla

David Jeffrey
Partner,
Private Equity
London

Thomas Keck
Partner,
Head of Research & Portfolio Management
La Jolla

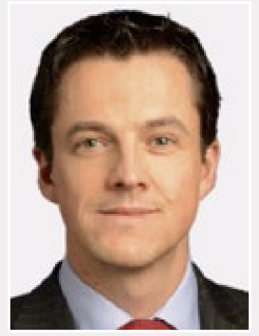
Lindsay Redfield
Partner,
Venture Capital
Baltimore

Brendan MacDonald
Partner, Chief Operating Officer,
Real Estate
San Francisco

Vita Schultz
Managing Director,
Data Science & Engineering
La Jolla

Vanessa Sloan
Managing Director,
Real Estate
London

Bhavika Vyas
Managing Director,
Impact
New York



Riaan Potgieter
Principal,
Infrastructure & Real Assets
London

[1] The RI Committee includes four observers: Peter Dunbar (Principal, Responsible Investment), Dawn Powell (Principal, Impact), Shivam Desai (Associate, Responsible Investment), and Selena Lin (Associate, Responsible Investment)

Formation of the StepStone Impact Committee

StepStone's Impact Committee was formed to enhance our rigorous approach to impact investing. This committee has the ultimate responsibility for verifying that investments relevant to certain client mandates align with our impact investing goals, which helps safeguard the integrity and credibility of our impact investments.

Suzanne Tavill
Partner, Global Head of Responsible Investing
Sydney

Darren Friedman
Partner, Private Equity, Co-Invest
New York

David Jeffrey
Partner, Private Equity, Europe
London

John Coelho
Partner, Private Equity, VC/Growth
La Jolla

Seyonne Kang
Partner, Private Equity, VC/Growth
Palo Alto

Jean Daigneault
Senior Managing Director, Infrastructure & Real Assets
Toronto

Bhavika Vyas
Managing Director, Impact
New York

Policies to Support Stewardship and RI

In 2022, we updated our RI Policy and introduced two new policies that underscore our commitment to responsible investment and stewardship: a Stewardship Policy and a Climate Policy. These policies have been designed to provide guidance on how to integrate ESG and stewardship factors into our investment activities and operations.

Our RI-related policies, including the RI Policy, Stewardship Policy and Climate Policy, are readily accessible to the public and can be found on our website. For effective implementation, the RI Committee, led by our Global Head of Responsible Investment, oversees the adherence to these policies across our investment activities and operations. The committee plays a pivotal role in regularly reviewing and updating these policies, aligning them with industry best practices and guidelines set forth by organizations such as the PRI and the TCFD.

OUR RESPONSIBLE INVESTMENT POLICIES	
Responsible Investment Policy Adopted: March 2014 Last updated: October 2022	Our commitment to incorporating relevant ESG factors into our investment process and internal operations is rooted in our Responsible Investment Policy. This policy serves as the foundation for our approach, enabling a thorough assessment of material ESG factors at every stage of the investment process, from due diligence to post-investment engagement.
Stewardship Policy Adopted: October 2022	As part of our efforts to come into further alignment with the FRC's Stewardship Code, in 2022 we introduced a dedicated firm-wide Stewardship Policy, underscoring our increased commitment to this area. By implementing a stand-alone Stewardship Policy and embedding our core values within it, we demonstrate our firm commitment to fulfilling our fiduciary duty, practicing effective stewardship, and actively contributing to the sustainability of the private markets.
Climate Policy Adopted: October 2022	StepStone recognizes the significance of climate change and the impact it can have on investments. In line with our increased stewardship efforts, we developed a stand-alone Climate Policy in 2022 that guides our approach to integrating relevant climate change considerations across our investment process, stakeholder engagement, and internal operations.

STEPSTONE'S RESPONSIBLE INVESTMENT POLICY

Commitment	Investment Process	Reporting & Transparency	Internal Operations
• Responsible Investing aligns with StepStone's core values. We believe integrating relevant ESG risks and opportunities into the investment process has the potential to enhance pecuniary returns for our clients. • We have been a signatory to the PRI since 2013 and formal supporters of the TCFD since 2019. We are members of other organizations that focus on responsible investing. • We recognize the Paris Agreement and seek to support our clients in their goals to build Paris-aligned portfolios.	• We include RI/ESG considerations in due diligence processes and decision-making, across all asset classes and strategies. • The investment team completes our proprietary RI scorecard for primary investments.[1] • Through stewardship, we provide guidance and support to GPs and assets across asset classes on adopting or furthering their RI/ESG programs.	• We seek to report on critical ESG incidents through quarterly reports or on an ad hoc basis. • We commit to the PRI's annual reporting requirements and separately publish an annual ESG Report, TCFD Report and Stewardship Report.	• We incorporate relevant RI/ESG factors across internal decision-making and governance structures. • We focus on the retention and well-being of employees with a concentration on DEI initiatives. • We have been a carbon neutral company within our operations since 2019 and aim to remain so going forward. We seek to implement measures to further reduce our environmental impact. • We assess modern slavery and human trafficking risks within our operations and supply chain and publish a Modern Slavery Statement. • We operate community outreach programs.

[1] StepStone acquired Greenspring Associates (Greenspring) on September 20, 2021. Post-acquisition, StepStone has worked with the Greenspring team to align their RI processes with ours, including the RI scorecard.

RI Workgroups

Building upon our RI governance structure, our stewardship efforts are further supported by our RI workgroups, which encompass five dedicated workgroups, one for each asset class and one for corporate-level initiatives. These workgroups, led by asset class specialists and overseen by the Global Head of RI, play a crucial role in the integration of RI practices across our investment activities.

Leveraging their expertise, the workgroups actively oversee RI due diligence and seek to monitor and drive best practices throughout our investment activities. Their close collaboration with our deal teams facilitates regular information sharing and research on ESG-related topics. This ongoing interaction enables them to provide valuable guidance and support in navigating material ESG issues that arise and helps in determining the approach to key topics during due diligence.

The structure of these workgroups is specifically designed to support our investment teams and equip them with the necessary tools to conduct ESG due diligence. Furthermore, the workgroups play a key role in driving engagement with GPs and assets, serving as a cornerstone of our stewardship activity. Additionally, they promote consistency in the implementation of RI standards across the organization so that our efforts are uniformly upheld.

By establishing dedicated teams of experts, we seek to remain at the forefront of the latest industry trends and developments in RI. This enables us to make well-informed decisions and see that our investment activities are conducted in a manner that reflects our stewardship objectives.

OVERVIEW OF RI WORKGROUPS

Corporate	Private Equity	Infrastructure & Real Assets	Private Debt	Real Estate
15 members	21 members	12 members	18 members	14 members

RI Team

In line with our commitment to RI, we have established a specialized RI team. This dedicated team is composed of six full-time professionals across the firm and is supported by various senior employees across the firm.

To expand our resourcing of stewardship, two junior members joined the RI team in 2022 and one senior member joined in 2023, post reporting period. The core team is now composed of four senior professionals and two junior professionals, with a diverse array of skills and experiences that support the firm's stewardship efforts. Importantly, the team's collective experience within private markets—including in investment management, ESG integration, stewardship and impact investing—facilitates a deep understanding of StepStone's business, enabling ESG and stewardship considerations to be properly embedded. Further information regarding the team is outlined in the following page.

In order to enhance StepStone's stewardship endeavors, the RI team has been strategically positioned to cover key regions, namely North America, Europe and Asia Pacific. This geographic distribution aligns our team's presence with our client base and AUM. By operating in these regions, the team is well-equipped to provide expertise in RI and offer direct and regionally informed support to the investment team's efforts to integrate ESG considerations in the investment process. This support spans various stages, starting from pre-investment activities such as early evaluation of ESG risks and continuing into post-investment phases.

Additionally, the RI team takes on the responsibility of coordinating several corporate-level ESG initiatives, recognizing that within our corporate activities lie valuable stewardship opportunities. These initiatives encompass a range of activities, including advocating for the use of carbon footprint measuring throughout our supply chain, fostering relationships with more diverse service providers and overseeing our efforts to achieving carbon neutrality in our operations.

Maintaining Quality and Accuracy of Our Services

Our advisory services encompass a range of offerings, including due diligence, investment advice and recommendations. We believe the quality and accuracy of our services is maintained by our experienced private markets professionals, who have the requisite knowledge and expertise in their respective asset classes. Our RI due diligence process, discussed in greater detail in Principle 7, is embedded in our investment process and undergoes a multi-level review by workgroups and the RI Committee as described earlier in this section. Subsequently, investment recommendations are presented to the relevant Investment Committee (IC), where IC members will raise any additional queries related to ESG as necessary.

By adhering to this review process, we are able to uphold the quality and accuracy of our services and see that relevant stewardship considerations are embedded from the beginning. In turn, this enhances our ability to promote effective stewardship on behalf of our clients.

RI Training

At StepStone, we recognize the crucial role of our investment professionals in driving our firm-wide stewardship efforts. To enhance their expertise in RI-related matters, we have developed a training program tailored to each asset class. These bespoke training modules are delivered multiple times per year by members of our dedicated RI team, workgroups and RI Committee.

The training program covers a wide range of topics which are important for the effective execution of stewardship activities. These topics include RI governance, ESG integration, evaluation processes for primary, secondary, and co-investments and directs, stewardship and engagement and impact investing. In 2022 alone, we conducted over 25 RI-related training sessions across our global offices. To enhance the depth of knowledge, we also invite external specialists to provide training on specialized ESG topics. In the past year, these sessions included insights on cybersecurity and blockchain. This training program contributes to enhancing the capabilities of our investment professionals to effectively engage with GPs and assets and to integrate relevant ESG and stewardship considerations across our investment activities.

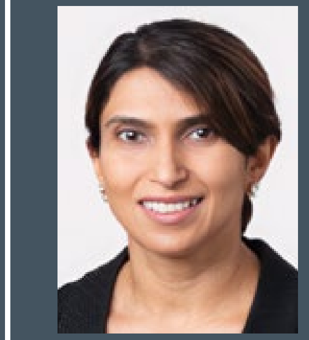
RI TEAM

Suzanne Tavill
Partner and Global Head of Responsible Investment
Sydney

26 years of industry experience

Ms. Tavill is the Global Head of Responsible Investment, which encompasses ESG and Impact across all asset classes and investment strategies. She is also a committee member on the StepStone Charitable Giving Program.

Prior to StepStone, Ms. Tavill was responsible for AMP Capital's global alternative investment platform that included private equity, infrastructure and real assets. Before that, she spent five years at Van Eyk Research in Sydney, the last four as Head of Research. Before moving to Australia, she was an Executive Director at Goldman Sachs Investment Management, responsible for their UK small-and mid-cap portfolios. Ms. Tavill received an MSc in finance and economics from the London School of Economics, in addition to a BBS with honors in economics and honors in finance from the University of Cape Town, South Africa.

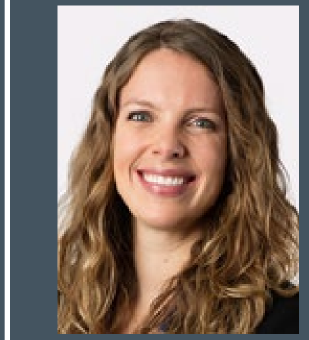


Bhavika Vyas
Managing Director
New York

23 years of industry experience

Ms. Vyas is a member of the Responsible Investing team at StepStone, with a focus on impact investing. She is also involved in the Firm's responsible investing initiative.

Prior to StepStone, Ms. Vyas was a Managing Director at East Rock Capital, a multi-family office, and focused on private equity co-investing. Before that, Ms. Vyas was a Vice President on the private equity and co-investment teams at Goldman Sachs Investment Management and Siguler Guff; covering a wide range of strategies, including impact investing, energy and infrastructure, emerging markets private equity, distressed and traditional buyouts. Ms. Vyas also spent time as a Portfolio Manager at the Acumen Fund, an impact investment manager, focused on emerging market water and sanitation issues, and was a Founder of Velocitas Partners, a responsible investing advisory firm. Ms. Vyas received an MBA from Stanford Business School and a BSE from Duke University.

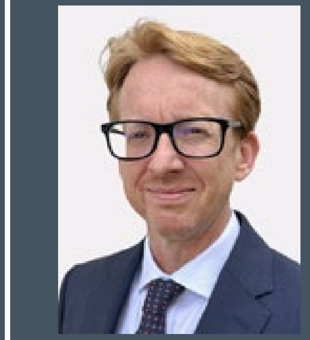


Dawn Powell
Principal
New York

10 years of industry experience

Ms. Powell is a member of the Responsible Investing team at StepStone, focusing on ESG integration and impact investing across asset classes and investment strategies. She is also a member of the Private Equity team, focusing on Venture Capital and Growth Equity.

Prior to joining StepStone, Ms. Powell was an Investor Relations Officer and member of the ESG team at Capital Group Private Markets, where she managed ESG factors across a portfolio of emerging markets private equity investments. Previously, she worked for Global Equity Administradora de Recursos, a Brazilian private equity firm, and performed research in Brazil on a Fulbright scholarship. Ms. Powell received an MBA with honors from the Wharton School at the University of Pennsylvania and a BA in International Relations from the University of Southern California. She is a CAIA Charterholder.



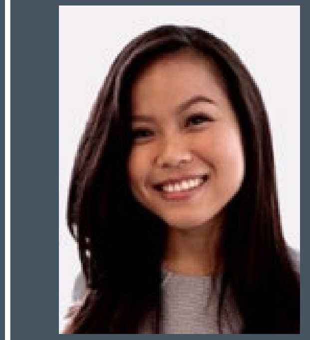
Peter Dunbar
Principal
London

24 years of industry experience

Mr. Dunbar is a member of the Responsible Investing team at StepStone, focusing on ESG integration across asset classes and investment strategies.

Prior to joining StepStone, Mr. Dunbar was Head of Private Equity at the UN-supported Principles for Responsible Investment, where he led the PRI's work on private equity and venture capital. Previously, he was a Senior Manager at Capital Group, working in their emerging markets private equity business, focusing on ESG and investor relations.

Mr. Dunbar received a BSc in Human and Physical Geography from the University of Reading.



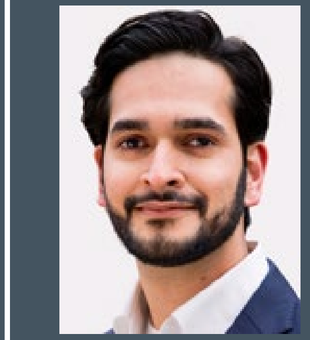
Selena Lin
Associate
London

Five years of industry experience

Ms. Lin is a member of the Responsible Investing team, supporting the firm's ESG integration and impact investing efforts, including stewardship.

Prior to joining StepStone, Ms. Lin was an Investment Associate at CPT Capital, where she focused on venture investments in the alternative protein space. Previously, Ms. Lin was at Coller Capital where she focused on investments and ESG integration in secondary transactions.

Ms. Lin received an MSc in Environmental Governance with Distinction from the University of Oxford and a BSc in Management with First Class Honours from the London School of Economics (LSE).



Shivam Desai
Associate
New York

Four years of industry experience

Mr. Desai is a member of the Responsible Investing team, supporting the firm's ESG integration and impact investing efforts, including stewardship.

Prior to joining StepStone, Mr. Desai was an associate at BlueMark and an analyst at its parent firm, Tideline. At BlueMark/Tideline, Mr. Desai specialized in developing market-leading impact investing strategies, focusing on impact management, measurement, evaluation and verification.

Mr. Desai received his BBA in finance and management from the University of Kentucky and an MS in Global Finance from Fordham University.

Investments in Systems, Processes, Research and Analysis

Since our founding, we have invested and continue to invest significant time and resources building a global platform focused on the private markets. To this end, we have harnessed the power of SPI, our proprietary suite of integrated data and technology solutions. This includes SPI Research, our private markets intelligence database, and SPI Reporting, our performance monitoring software, which provide valuable information advantages, enhance our private markets insight, improve operational efficiency and facilitate portfolio monitoring and reporting functions, which serve to support and benefit our clients.

- SPI Research monitors investment opportunities and is used by our investment professionals as an investment decision making tool. As of March 31, 2023, SPI Research contained information on over 82,000 companies, over $28 trillion of AUM across over 42,000 funds and over 16,000 fund managers. Through SPI Research, our clients can access detailed, regularly updated information on managers. Our investment professionals utilize this technology to collect and develop qualitative and quantitative perspectives on investment opportunities, including with respect to ESG and stewardship.
- SPI Reporting monitors the performance of our clients' investments and allows users, including our clients, to generate detailed analytics. SPI Reporting is used extensively by our SPAR team to provide customized portfolio analytics and reporting on the performance of our clients' investments, including ESG and stewardship-related reporting for relevant clients.

We have a dedicated Data and Software Engineering team with approximately 30 members, which manages and continues to develop SPI Research and SPI Reporting (and our additional proprietary tools built on the SPI platform) and supports our efforts to be a market leader in this area. Please refer to Principle 6 for Asset Managers or Principle 5 for Service Providers, where you will find further information on how we utilize our proprietary software. By investing in and building our technology, we empower our teams to make informed decisions, including with respect to stewardship.

SPI Research Private Markets Intelligence Database	**SPI Reporting** Portfolio Analytics & Reporting
Comprehensive access to research on all funds StepStone covers, including: • Fund summaries • Investment memos • Track record analysis • Benchmarks • RI due diligence and scorecard • ESG and diversity metrics	In-depth analysis on portfolio and underlying investments: • J-curve and cash flow analysis • Time period analysis (e.g., internal rate of return, time-weighted returns) • Private markets equivalent (PME) analysis • ESG and stewardship-related metrics post-investment

Furthermore, we recognize the value of collaboration with third-party data providers to support our stewardship activities. We utilize insights and data provided by a number of providers to improve our ESG integration and stewardship activities. The table below summarizes the providers we interact with and how we use their insights.

THIRD-PARTY DATA PROVIDER	HOW WE UTILIZE DATA TO DRIVE STEWARDSHIP
GRESB	We have an investor membership with GRESB, giving us access to quality ESG data and analytics to assess our investments, evaluate relevant ESG risks and opportunities and communicate with managers on their ESG performance. Our investment teams, particularly in Real Estate and Infrastructure and Real Assets, leverage this partnership. By integrating GRESB data into our analysis, we are able to enhance our assessments and promote better-informed engagement through benchmarking performance with the actionable ESG information available on the platform.
RepRisk	Utilizing advanced machine learning techniques and a team of skilled analysts, RepRisk serves as an ESG research provider. Their data offers insights into ESG-related controversies, both at the GP and asset level. When conducting ESG due diligence and engagement, RepRisk data serves as a valuable starting point for our assessment. We utilize RepRisk data to assess investments in Infrastructure and Real Assets.
Independent ESG Reporting Consultants	We collaborate with a team of independent ESG reporting consultants who assist us in producing our annual ESG, TCFD and UK Stewardship Code reports. These reports undergo a rigorous benchmarking process against industry best practices to deliver relevant quality content. At the conclusion of each reporting period, our consultants provide us with recommendations, which we incorporate into our practices. This iterative approach allows us to improve the quality of our ESG and stewardship reporting for clients.

Incentivizing Service Excellence: Compensation and Reward Program

Our compensation package encompasses various financial components, including base salary, cash bonuses, contributions to defined contribution or pension plans depending on the geography, carried interest plan participation and revenue share. These elements see that our employees are fairly rewarded for their efforts and incentivized to deliver outstanding performance.

As a publicly traded company, we have also established a long-term incentive plan (LTIP) to further recognize and reward qualified employees. Through the LTIP, eligible individuals can receive equity-based awards, such as restricted stock units, aligning their interests with the long-term success of the company.

Performance reviews play a crucial role in informing our compensation decisions. These reviews provide assessment of employees' contributions, achievements and adherence to our responsible investment practices. By considering these factors, we seek to align compensation with individual performance, promoting a culture of accountability, excellence and responsible decision-making.

Responsible @ StepStone: Performance Management to Incentivize Stewardship Integration

As part of our efforts to further instil our values and cultivate a responsible culture, we have developed a program called Responsible @ StepStone. This program is designed to provide our employees with broad opportunities to showcase behaviors that align with our commitment to ESG and our role as responsible stewards of capital. In 2022, we formally incorporated Responsible @ StepStone as a component of employees' performance reviews, which feeds into compensation decisions. By doing so, we emphasize the importance of responsible practices in our day-to-day operations and recognize and incentivize employees who contribute to our stewardship objectives.

Appropriate Fees Structure

We believe that transparent and well-considered fee practices are essential for maintaining strong client relationships and delivering value in our services. As part of our commitment to providing thoughtfully constructed investment services, we strive to offer clients attractive risk-adjusted returns at fair and appropriate fees. Our fee structure varies depending on the mandate and type of contract, encompassing management, advisory and performance fees.

For advisory services, we typically charge fixed annual fees, with specific responsible investment considerations integrated into the terms and conditions when necessary. As outlined throughout this report, we note that responsible investment principles are incorporated into all investments even if not explicitly stated in a specific contract.

In the case of separately managed accounts and focused commingled funds, we charge management and performance fees. As embodied in our Global Compliance Manual, fees must be fairly and accurately calculated.

Furthermore, we actively negotiate fees and terms with managers on behalf of our clients. This includes reviewing management fees and distribution waterfalls and assessing whether they align with our investment team's commercial understanding of market standards. We believe that our well-considered approach to charging and reviewing fees is an important attribute of our successful retention rate of clients.

Effectiveness of Our Governance Structures and Processes in 2022

Since inception, we have made significant investments in our platform infrastructure through building out our investment and implementation teams across geographies and asset classes and developing technology-enabled solutions. We believe we have scaled the personnel and infrastructure of our business to support significant growth in our client base.

In 2022, we believe our governance structure and the dedicated individuals involved continued to demonstrate their effectiveness in supporting our stewardship objectives. This combines the senior-level oversight of the RI Committee with hands-on support from our RI workgroups, and implementation from the Investment teams and RI team. Each group has distinct yet interlinked responsibilities to fulfill the stewardship responsibilities of the firm. Supporting the efforts of our teams and the processes in place are dedicated policies guiding our stewardship efforts. As noted before, in 2022, we enhanced our approach by updating our RI Policy and introducing two new policies designed to amplify our dedication to responsible investment and stewardship: a Stewardship Policy and Climate Policy.

Nonetheless, to keep pace with our RI efforts, we frequently review our governance structures, including staffing and effectiveness of groups and individuals. After identifying areas for improvement in 2021, as outlined in our previous year's report, we took proactive steps in 2022 to achieve them. An example of one enhancement made is the growth of our RI team, with the addition of two new members who bring complementary skills and experiences. As discussed previously, we also introduced "Responsible @ StepStone," a firm-wide initiative that further embeds RI considerations in our governance processes and throughout our entire organization.

In 2022, we also continued to prioritize asset-class-specific RI trainings, with a particular focus on Venture Capital (VC). Recognizing that the VC asset class is still in its early stages of ESG and stewardship development and faces unique ESG risks and opportunities, we developed dedicated training materials for our VC team. These materials take into account the distinct characteristics of the VC industry, which typically include investments in early-stage companies, limited physical assets/operations and sector-specific focuses like technology. By tailoring our training, we equip our VC team with the tools to appropriately evaluate VC managers and investments, and to engage in effective stewardship practices specific to this asset class.

We believe that taking a bespoke approach for each asset class is essential for conducting effective stewardship. This principle is applied consistently throughout our due diligence, engagement and escalation approaches, as outlined in Principles 7, 9 and 11. By acknowledging the unique characteristics of each asset class, we believe we can deliver impactful, outcomes-focused stewardship on behalf of our clients.

Priorities Going Forward

We continue to seek opportunities to improve our efforts. For example, in 2023 we intend to build on the enhancements made during the reporting year by further expanding the RI team to support our growing RI workstreams. To this end, we also expect a greater collaboration among our different teams, such as the RI team and the SPAR team to address our clients' stewardship needs. This includes further enhancing our reporting dashboards for our clients, providing deeper insights in the ESG performance of their portfolios. When it comes to our training agenda, we seek to enhance these training programs in 2023 so that they reflect the latest best practices in the market and continue to address the needs of different asset classes.

PRINCIPLE 3

Asset Managers: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Service Providers: Signatories identify and manage conflicts of interest and put the best interests of clients first.

Context

As registered investment advisers, it is our fiduciary duty to act solely in the best interests of our clients and to make full and fair disclosure of any conflicts of interest. While StepStone operates across multiple asset classes and geographies, we have not seen this lead to a higher risk of conflicts of interest. This complexity is well considered in our policy and processes.

Conflicts of Interest Policy

The Board has adopted a Code of Conduct and Ethics, in order to promote compliance with applicable laws, promote honest and ethical conduct, including actual or apparent conflicts of interest, promote appropriate disclosure as a public company, provide mechanisms to report unethical conduct and to help foster a culture of honesty and accountability. This code supplements various other policies and procedures governing the conduct of personnel, including our Global Compliance Manual. With respect to conflicts of interest, guidelines are set out in the Code of Conduct and Ethics to assist in avoiding actual, as well as perceived, conflicts of interest, including:

- Use of corporate funds and assets
- Loans or guarantees by the firm of obligations of employees or their family members
- Confidential information
- Investment allocation
- Personal financial gain
- Outside activities
- Board memberships
- Anti-bribery
- Political contributions
- Gifts and entertainment
- Corporate opportunities

The Code of Conduct and Ethics adopted by the Board can be read in full here. Please refer to pages 2–4 for the Conflicts of Interest policy.

Our Global Compliance Manual is an internal resource that also contains a Code of Ethics that includes provisions to prevent improper personal trading, to identify conflicts of interest and to provide a means to resolve any actual or potential conflicts of interest in favor of our clients, or in appropriate circumstances, disclose the existence of such conflicts to them. This Code of Ethics contains a section related to conflicts of interest, which covers the identification of conflicts, the management of conflicts, the allocation of investment opportunities, prohibition of recommending out pooled investment products to our advisory clients, appropriate supervision and additional safeguards to reduce potential conflicts of interest.

Conflicts of Interest Related to Stewardship

StepStone recognizes and manages its own potential conflicts of interest, including any in relation to stewardship. As a matter of policy and fiduciary duty to our discretionary clients, where we have the responsibility for voting proxies for portfolio securities, we do so in a manner that we believe is consistent with the best economic interest of the client. StepStone generally does not have the legal authority to vote proxies on behalf of advisory clients.

Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest. If any material conflict of interest exists, the Chief Compliance Officer (CCO) will determine what actions are the most appropriate to follow (an example is discussed later in this Principle). The policy requires StepStone to maintain a record of the resolution of any conflict of interest.

Ultimately, as private market investors, we recognize that proxy voting is not a central mechanism used to conduct stewardship activities. Rather, stewardship primarily takes place when companies are still private, and we therefore focus our efforts via our positions on Limited Partner Advisory Committees and through board seats and engagement with GPs and assets. We exercise our rights to vote on any actual or potential conflicts of interest through these positions. Please see Principle 12 for further information.

Activities & Outcomes

Identification of Conflicts

StepStone takes its responsibilities with respect to management of potential conflicts seriously, and has established a robust framework to ensure they are appropriately identified and managed. All proposed client mandates are reviewed by StepStone's Legal & Compliance team before they are entered into by StepStone. The team, having regard for existing mandates, will make a determination as to whether any real or perceived conflicts exist that may impact the Firm's ability to provide its services.

In the event that a potential conflict is identified, the exact nature of the potential conflict is ascertained and the Legal & Compliance team assesses the ability of StepStone to manage the potential conflict appropriately. In making this assessment, the Legal & Compliance team will liaise with the client relationship lead and the relevant partners within the firm. If it is determined that the potential conflict can be appropriately managed, certain protocols will be put in place to ensure that each client receives independent and objective advice. In certain circumstances, where it is determined that conflicts cannot be effectively managed without the consent of the impacted clients, StepStone will seek consent of potentially impacted clients before accepting any such role.

Managing Conflicts through Ethical Dividers

The procedures established to manage confidentiality of client information in connection with a potential conflict of interest will depend on the specific circumstances. In certain circumstances, StepStone may utilize ethical dividers to manage such potential conflicts of interest as follows:

- An Ethical Divider Memorandum is prepared for each client team affected by the potential conflict of interest. Each member of the relevant client team signs an Ethical Divider Memorandum to acknowledge their understanding of, and agreement to comply with, the ethical dividers that apply to their specific mandate.
- Each of the parties is serviced by a different mandate lead.
- Supporting professional staff deal only with one of the parties concerned.
- Partners and staff are briefed independently and are under instructions not to discuss confidential matters with any persons outside their specific project team.
- All hard- and soft-copy information relating to each engagement is maintained securely in order to ensure members of each of the potentially conflicted mandate teams do not have access to the other's hard- and soft-copy information.

Allocation of Investment Opportunity

StepStone manages a variety of account types with different strategies and scopes of services. When the amount of an investment opportunity is limited, the Firm's decision with regard to allocating the opportunity bears inherent conflicts. In order to mitigate these conflicts, StepStone has adopted an Allocation Policy.

Investment Funds and Products

We do not recommend any pooled investment products that we may establish to our advisory clients. In the event that there is interest from the client to invest in any such product, the client is responsible for making the decision to invest, either on its own or in conjunction with non-StepStone-affiliated advisors or consultants as the client deems fit. StepStone would have no participation in the decision or internal discussions of the client with respect to such investment product.

Safeguarding Our Culture Against Conflicts of Interest

Conflicts of interest management is a crucial component of StepStone's wider compliance program and is safeguarded by the following processes:

- We employ a full-time Chief Legal Officer, a Chief Compliance Officer, and additional dedicated legal and compliance team members to identify and manage potential conflicts.
- All StepStone employees are required to undergo compliance training upon joining the Firm and on an annual basis thereafter.
- Employees, based on their designations, are obligated to follow processes laid out in the Code of Conduct and Ethics, Global Compliance Manual and Insider Trading Policy.
- We have put in place procedures to handle reports of potential misconduct.
- We do not make political contributions as a matter of policy.
- We have a rigorous allocation policy to mitigate any conflicts of interest in serving our clients.
- Transparency and disclosure of our process and decision-making provide our clients with the assurance that we are thoroughly fulfilling our fiduciary duties.

Conflicts of Interest Scenarios

Below we have outlined some examples of our approach to addressing any potential conflicts of interest scenarios that may occur.

POTENTIAL CONFLICT	HOW IT WOULD BE ADDRESSED
Scenario 1 StepStone or any of its supervised persons may have a financial, business or personal relationship with an issuer.	If a material conflict of interest exists, the CCO will determine whether it is appropriate to disclose the conflict to the affected clients, giving the clients an opportunity to vote the proxies themselves or to address the voting issue through other objective means, such as voting in a manner consistent with a predetermined voting policy.
Scenario 2 StepStone may engage in a transaction where a StepStone client is selling interests on the secondary market, and a StepStone entity is the buyer of such assets.	To address any perceived conflicts, StepStone would: • Notify the Advisory Board of the vehicle involved in that transaction • Obtain confirmation from the seller that it approves of StepStone as the buyer • Obtain written confirmation from the seller that StepStone is not advising the seller in the transaction • StepStone would not be involved in a seller's formal decision-making process in such a transaction. Additionally, StepStone would take steps to avoid any conflicts; these may include proceeding with a third party to determine the price or other key terms of the sale.
Scenario 3 An issuer may be held by multiple StepStone investment teams, across multiple asset classes.	To address any perceived conflicts, StepStone has adopted an Allocation Policy to address the acquisition and disposition of the same investment held across multiple clients. If deemed necessary, a discussion among the heads of each asset class would take place, which would be documented in a memorandum and signed off by the compliance team. Any such investment in multiple asset classes would require ultimate approval by the CCO.
Scenario 4 StepStone could invest a client's funds into a StepStone vehicle, in the event the client seeks to deploy its capital in such a manner, or it is determined, in conjunction with the client, that the investment is in the best interest of the client.	To address any perceived conflicts, StepStone has adopted guidelines that would require sign-off from the investing client, acknowledging its decision to enter into the StepStone vehicle. Further, such investment would be reviewed by the Legal & Compliance team, in addition to the relevant Portfolio and Risk Management Committee (discussed further in Principle 5), which would vote on approval.

Throughout calendar year 2022, we received no reports regarding potential or actual conflicts of interest related to stewardship. StepStone's Legal & Compliance team, alongside all other relevant team members, will continue to follow current practices to identify and manage any instances of actual or potential conflicts of interest.

Priorities Going Forward

During the reporting year, we have continued to maintain our approach to monitoring potential and actual conflicts of interest, including by providing training to relevant internal teams within StepStone. Following the reporting year, we have enhanced our compliance policies to further mitigate such risks and, as part of our culture of continuous improvement, we seek to continue to review industry best practices and regulatory guidance.

PRINCIPLE 4

Asset Managers: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Service Providers: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activities & Outcomes

Mitigating market-wide and systemic risks is crucial for the long-term sustainability of investments and the overall market. As an investor in private markets, where investment time horizons tend to be longer, there is a need to assess these risks at different stages of our investment process, as well as throughout our stewardship and monitoring activities. By effectively addressing these risks, we can accurately price investments, safeguard value for our clients and promote a well-functioning financial system.

In this principle, we delve into our approach to identifying key risks, our ongoing response within our investment process and stewardship activities, and our advocacy for broader industry efforts on these critical issues.

How We Identify and Respond to Market-Wide and Systemic Risks

We employ a distributed approach to risk management to identify market-wide and systemic risks. Within the context of portfolio risk, our efforts to safeguard our portfolio are led by our Head of Risk and the Head of Research and Portfolio Management, who work closely together to optimize our data, systems and other resources for portfolio management and risk management needs. Both are members of our RI Committee. Our Head of Risk is responsible for overseeing and managing all aspects of portfolio risk within the organization, which includes monitoring compliance of portfolios with our risk limit system.

With respect to addressing risks in the context of stewardship, the day-to-day responsibility to identify and manage these risks at the individual investment level is held by the investment team, with support from the RI team where necessary. This process begins during the pre-investment stage, where thorough due diligence is conducted, encompassing the identification and analysis of different types of material risks, including market-wide and systemic risks. This assessment influences our investment decision-making. Once an investment is made, ongoing risk monitoring takes place throughout the holding period, involving regular engagements with GPs and/or assets.

More broadly, beyond our internal business, we believe we play an important role in promoting a well-functioning financial system through our thought leadership, external collaborative efforts with peers and engagements with other stakeholders, including regulators. Our investment and RI professionals stay attuned to the latest developments in the market, frequently conduct and disseminate research, and collaborate externally to identify and respond to market-wide and systemic risks to improve the broader market. Our role, efforts and effectiveness in promoting a well-functioning financial system are discussed throughout this principle. Furthermore, page 94 provides information on how we advocate for GPs we invest in and alongside to respond to systemic risks, notably climate change, through their role in related industry initiatives.

At StepStone, we consider the following as examples of key ESG-related market-wide and systemic risks:

ESG-RELATED MARKET-WIDE AND SYSTEMIC RISKS		
Climate Change	Biodiversity	Cybersecurity
Human Rights	Geopolitical Events	

Climate Change

As the world grapples with the increasing risks associated with climate change, we acknowledge the urgency of addressing this pressing issue within our investment and RI framework. The prominence of climate-related risks in the global spotlight, coupled with the impact of extreme weather events, has led to a growing focus within the investment industry on measuring emissions, reporting climate data and establishing measures to actively address climate change. We believe addressing climate-related risks as investors helps to safeguard investments, identify new investment opportunities and contributes to the overall improvement to the stability of the markets.

We define climate risks within two categories: transition risks and physical risks. The classifications listed below have been developed in accordance with the guidance provided by the TCFD.

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

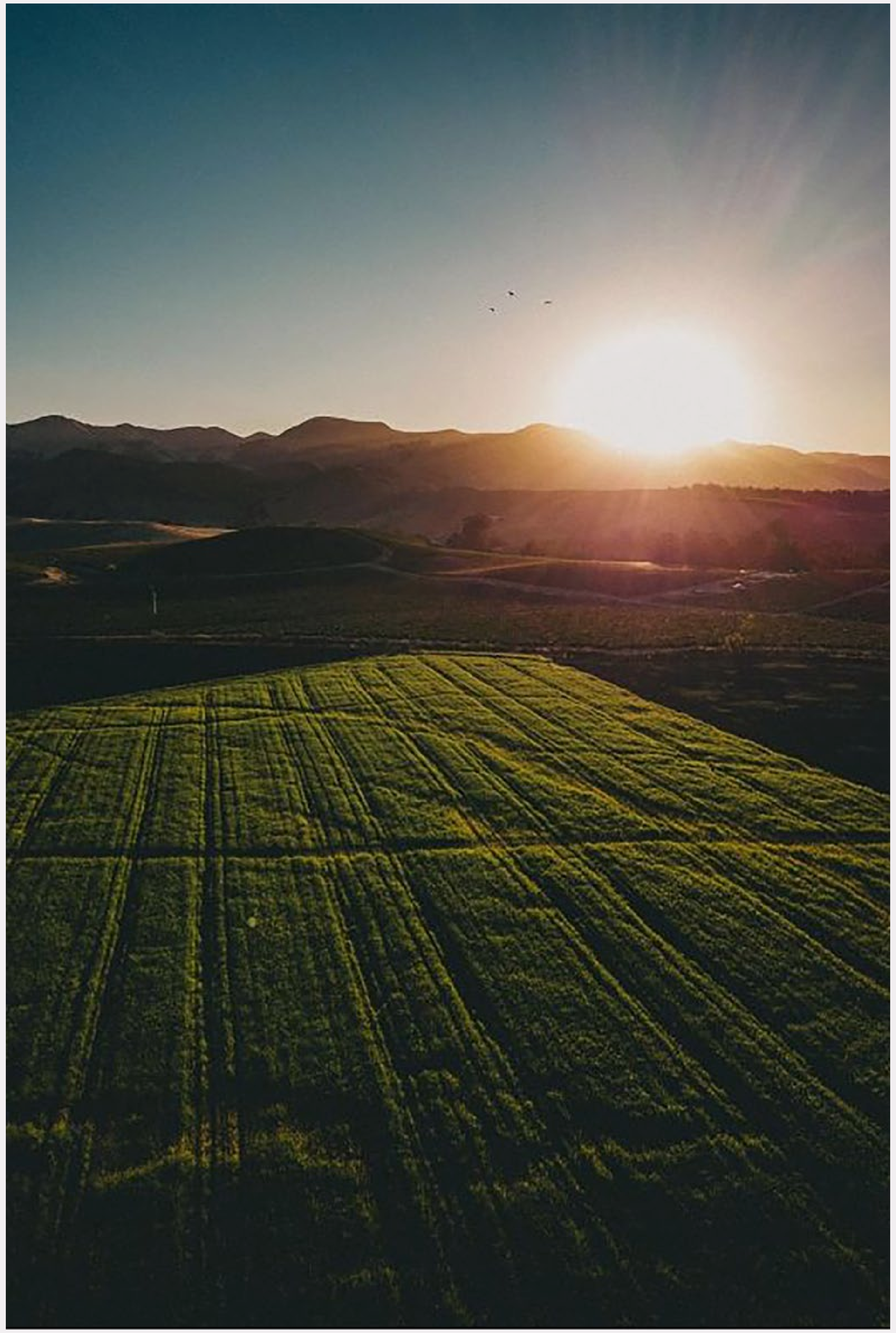
Considering Climate-related Risks and Opportunities in the Investment Process

We understand the significance of climate-related risks and opportunities and their impact on long-term investment outcomes. 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 modelling 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. Our approach involves assessing various aspects, including:

CLIMATE CONSIDERATIONS IN THE INVESTMENT PROCESS	
Are the right policies and processes in place?	**Have relevant climate risks and opportunities been taken into consideration?**
What are the physical and transition risks of this investment?	**What are the financial implications (risk and return) of climate change?**

It is important to note that the industry's standard for addressing climate risks is still evolving, and the pricing of these risks is a dynamic process. In the post-investment phase, we evaluate how GPs and assets recognize and address these challenges by actively monitoring and engaging with them on climate-related matters. In our due diligence and post-investment monitoring questionnaires, we include specific questions that address climate change. These inquiries explore how GPs align their policies with globally recognized standards and how they measure, monitor and report on their carbon footprint, among other climate-related considerations.

Our climate-related engagements encompass a wide range of initiatives, including active participation in collaborative initiatives with organizations including the iCI, IIGCC and PRI. These activities are further detailed in the case studies later in this principle. As well as contributing to industry-wide initiatives on these topics, we cascade these efforts to the GPs and companies we invest in. We do so through efforts such as developing resources exemplified in our GP Responsible Investment Guidance Modules which are tailored for each asset class. These modules offer valuable insights on how GPs can incorporate climate considerations into the investment process, among other responsible investment-related guidance. For more detailed information on the GP Guidance Modules, please refer to page 74 of this report.



Impact Investing with a Lens on Climate Change

Our approach to impact investing is driven by the belief that investments can deliver positive social and environmental outcomes while generating strong risk-adjusted 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. The growing number of climate commitments from corporations, governments and investors is generating favorable demand for climate solutions, bolstered by supportive regulations.

As part of our approach to addressing climate risks and opportunities, we develop customized portfolios for our clients to deliver strong, risk-adjusted returns while also aligning with specific climate change goals.

In this pursuit, we leverage our proprietary impact theme mapping tool, which allows us to map investment programs against the Sustainable Development Goals (SDGs). This mapping enables us to track investment opportunities across our platform, encompassing both fund-level and asset-level investments. By utilizing this tool, we can filter and identify investment opportunities that align with clients' own impact targets.

For climate change, the mapping focuses on the following two themes:

Energy Transition

The energy transition presents immense investment potential across different asset classes. The decreasing costs of renewable energy infrastructure have led to the emergence of diverse business models with shorter commercialization timelines, expanding the range of opportunities available.

Natural Capital

As investors, we play a vital role in supporting natural capital opportunities. Across our global platform, we can capitalize on these opportunities and identify emerging areas within this evolving ecosystem, which range from sustainable agriculture to circular economy themes.

Promoting a Well-functioning Financial System

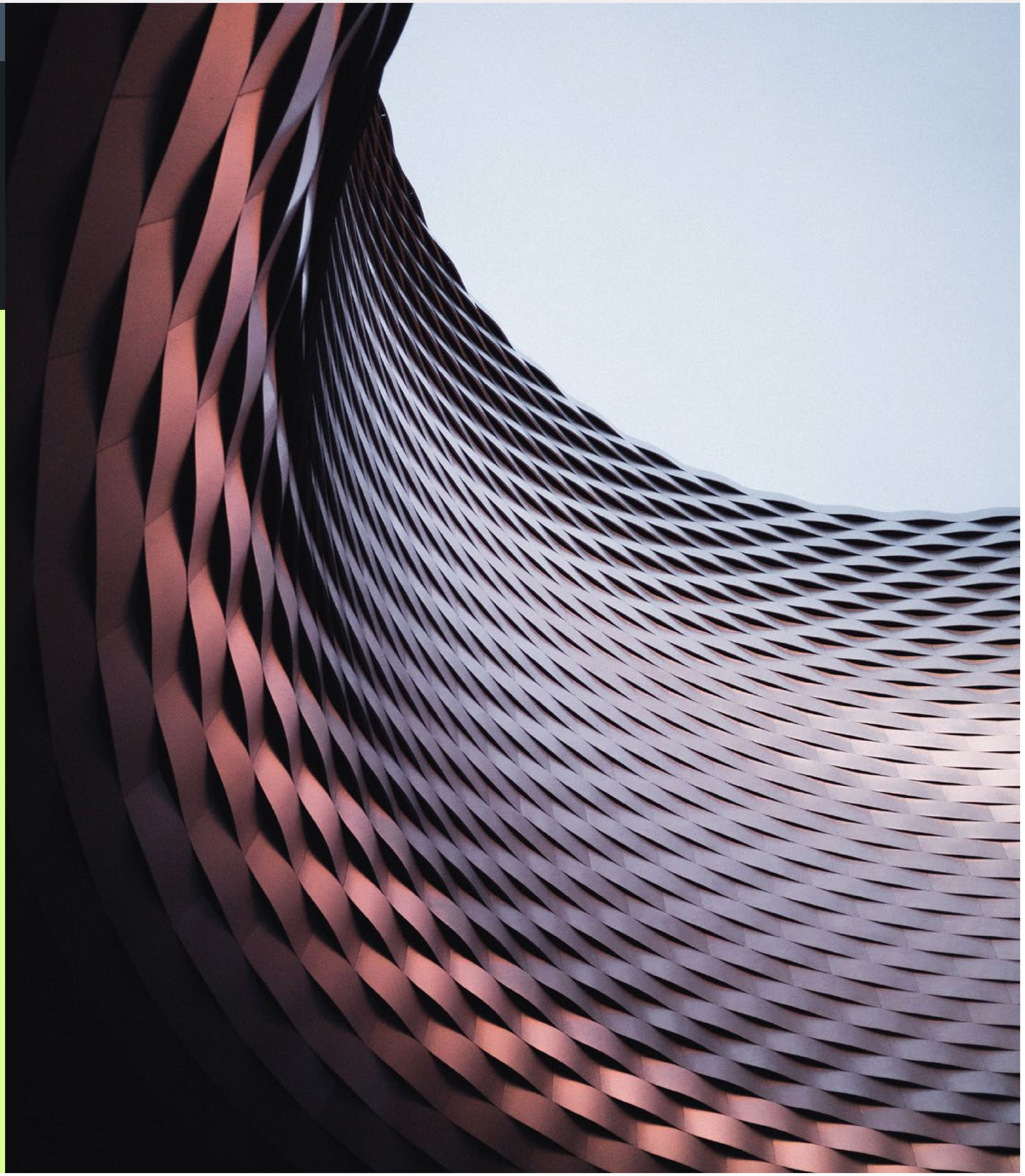
As climate change is a pervasive risk that affects the wider market, our climate-related stewardship efforts are also focused on ways to promote the financial system's ability to identify and address climate-related risks. Examples of our initiatives to help create these outcomes include:

- **Promoting enhanced market transparency:** Our focus on climate change risk encourages GPs and assets to disclose relevant information related to their environmental impact, carbon emissions and climate-related risks. This increased transparency allows wider market participants to make more informed investment decisions and better assess the long-term sustainability and resilience of assets. As a result, market transparency is improved, which contributes to the efficient functioning of the financial market.
- **Encouraging collaboration and standardization:** We actively engage with industry peers, policymakers, and regulators to collaborate on best practices, and contribute to enhancing standards and frameworks related to climate change risk management. Through these collaborations, we help establish consistent methodologies and reporting standards, enhancing the comparability and reliability of climate-related data. This facilitates better-informed investment decisions across the financial market.

CASE STUDY 4.1

ASSET CLASS: INFRASTRUCTURE & REAL ASSETS | **REGION/COUNTRY:** UNITED KINGDOM

Stakeholder Collaboration: Innovation to Help Decarbonize the Energy System



On behalf of our client, we co-invested in SGN Group (SGN), which is one of the UK's largest gas distribution network owners, operating across Scotland, southern England and Northern Ireland. SGN also continues to grow in the non-regulated space by accelerating commercial opportunities. StepStone holds a seat on the Board.

This case study highlights our dual role in addressing climate-related risks and opportunities:

- as a shareholder of SGN, where we seek to protect and enhance the value of the investment, and
- as a market participant, where we seek to contribute to enhancing the broader financial systems.

Addressing Climate Opportunities to Enhance our Investment: H100 Fife

During the reporting year, we collaborated with other shareholders to support SGN's H100 Fife (Fife) project, a world-first hydrogen network in Buckhaven and Denbeath that will bring renewable hydrogen into homes in 2024, providing zero-carbon fuel for heating and cooking. Central heating is responsible for up to a third of the UK's greenhouse gas output—a challenge that must be solved to meet the net-zero targets set by the UK government and the Scottish government.

This project was partially funded through innovation funding from the GB energy regulator and the Scottish government, and partially funded by shareholders. In addition to the financial commitment, we offered our full support to the management team to advance this project. Our support was driven by the recognition that heat is one of the most challenging sectors to decarbonize, particularly in colder climates like the UK, a country that relies on gas to heat homes. The project would be the first of its kind to employ a direct supply of clean power to produce hydrogen for domestic heating—putting it at the forefront of the clean energy revolution. Fife's aims are aligned with our belief that hydrogen will play a key role in decarbonizing the heat sector, and our support helps to take this from a concept to reality.

continued on next page

CASE STUDY 4.1 | **CONTINUED**

Addressing Climate Change to Enhance the Broader Financial System: Hydrogen for Net Zero

StepStone has actively engaged on the potential of clean hydrogen prior to and throughout the reporting year. This includes engagements with policymakers, government officials and industry representatives through multiple events, initiatives and investor forums. One example is our regular participation via the Global Infrastructure Investor Association (GIIA). GIIA was established in 2016 to improve engagement among members, politicians, policymakers and regulators with the aim of increasing much needed investment in infrastructure. The association has close to 100 members with $1.3 trillion of assets under management, bringing together a wide range of global investors and expert advisers to the sector. In 2021, for example, there was a consultation to provide feedback on hydrogen business models, as part of the UK Government's proposal laid out in the 2020 Energy whitepaper: Powering our net zero future. StepStone, alongside others, responded to this consultation through the GIIA as a representative of the investment community.

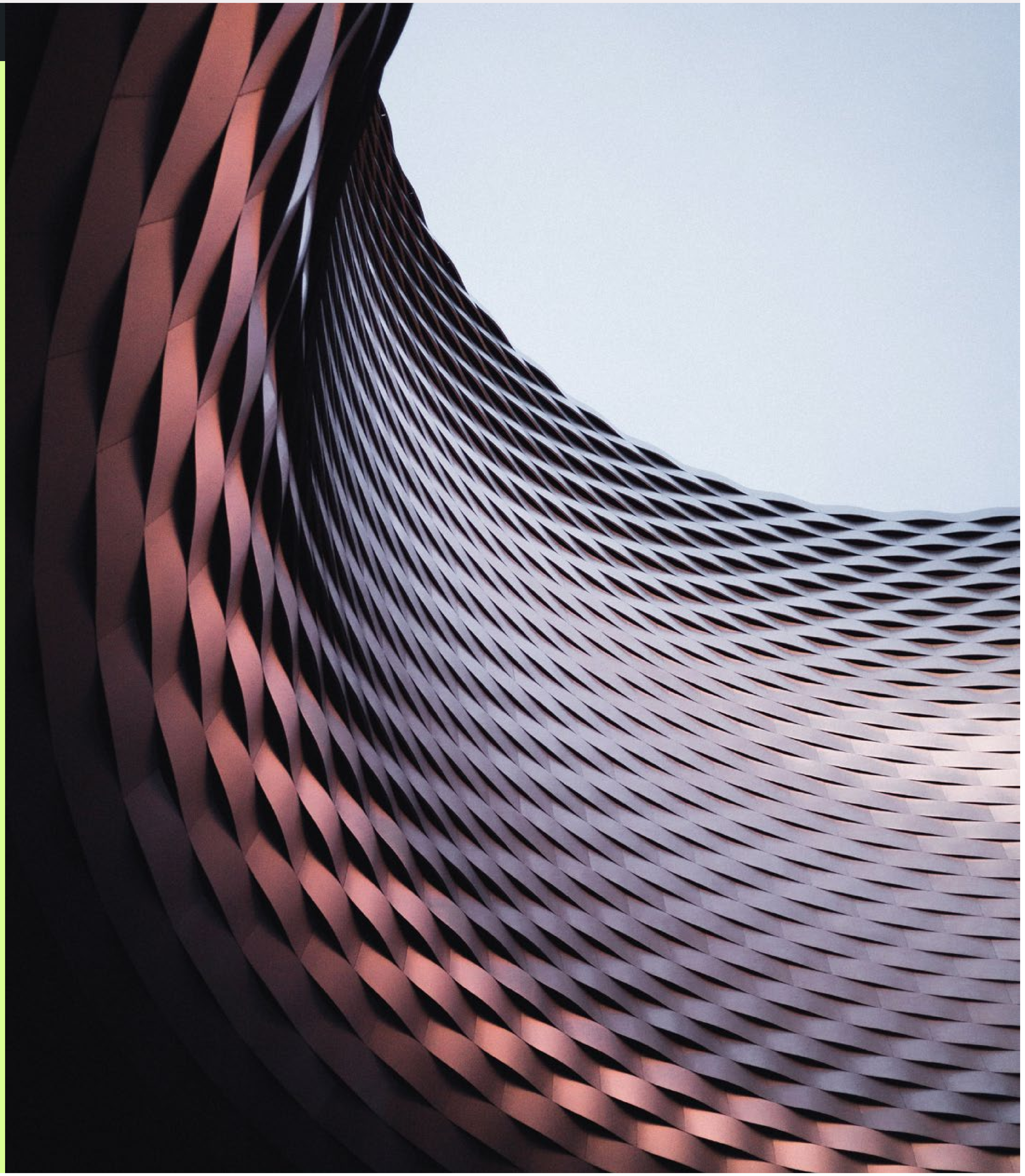
Together with other market participants, we continued to engage on the topic throughout 2022. For example, we engaged in meetings alongside other SGN shareholders with officials from the UK's Department for Energy Security & Net Zero (DESNZ) to discuss opportunities to advance the hydrogen economy. These meetings fostered mutual knowledge sharing and helped recognize the complementary roles of the private and public sector in addressing climate change. We also interacted with other stakeholders, including the Energy Network Association, the UK Hydrogen Champion, members of Hydrogen UK and members of the Electricity System Operator. These engagements aimed to facilitate and contribute to discussions around the role of hydrogen in decarbonization efforts.

Outcome

StepStone's ongoing engagements, in collaboration with SGN's management, other Board members and shareholders, and the efforts of wider stakeholders, have helped shape the development of new energy policy that will underpin delivery of net zero, including the UK's Energy Security Bill. The Bill received its first reading in Parliament in July 2022 and is expected to be approved during 2023. This legislation is anticipated to facilitate further development of business models for hydrogen production, storage and its use in transportation and heating.

Altogether, the collective efforts of multiple stakeholders have assisted in the development of the Bill, each leveraging their expertise to help achieve better outcomes for the environment, the economy and the broader UK financial system in terms of energy financing. Our engagement aimed to highlight the role of gas distribution networks in the decarbonization of the UK economy and the development of hydrogen as a net zero fuel. As market participants, we sought to utilize our internal knowledge and experience to educate stakeholders on the complexity of the energy system and energy financing from a private markets perspective.

By actively collaborating with stakeholders and contributing StepStone's knowledge, we helped to make the case for new sustainable energy asset classes and their associated business models to meet the criteria for infrastructure investments. This, in turn, helps to mitigate risks and uncertainties that could potentially impact investment returns. Through this activity, we also gained valuable insights that enable us to enhance our ability to make well-informed investment decisions and capitalize on emerging opportunities in the evolving energy landscape.

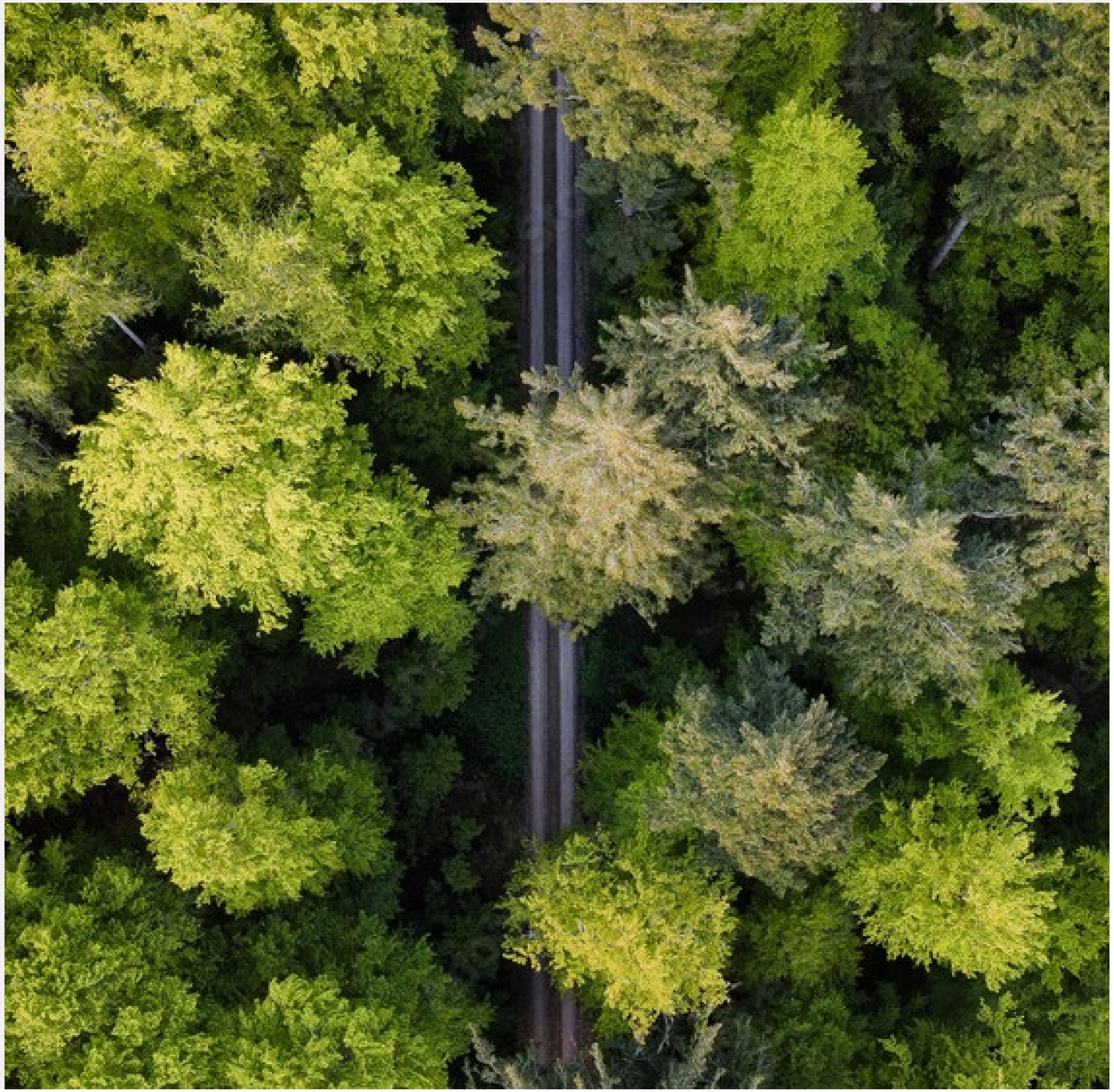


Biodiversity

In addition to acknowledging the urgency of climate-related risks, we are aware of the interconnected risks to nature, which may increasingly impact the effectiveness of financial markets yet is receiving significantly less public discourse at present. As the climate continues to deteriorate, ecosystems face unprecedented degradation, leading to a significant loss of biodiversity. While the investment industry is recognizing its role in addressing the climate related-risks through intentional capital allocation, it is also becoming increasingly aware of the opportunity to contribute to the conservation and restoration of nature to reduce biodiversity risk. By actively considering and addressing biodiversity risks, we can make a positive impact on both the financial market and the natural environment in the following ways:

- **Market Stability:** Biodiversity loss poses risks to the resilience of the financial market. Disruptions in ecosystems can impact supply chains, resource availability, and business operations, leading to financial losses and increased volatility. Through due consideration of biodiversity risks in investment and stewardship decisions, nature should start to become appropriately valued and priced by market participants, where it is currently not. Similar to what is taking place for carbon, this enables market participants to begin internalizing externalities.
- **Ecosystem Services and Resilience:** Preserving biodiversity is essential for the provision of ecosystem services that support economic activities. These include provisioning or extraction services (e.g., harvesting timber), regulating or maintenance services (e.g., forests sequestering carbon) and cultural services (e.g., outdoor hiking). Ecosystems provide crucial services such as water filtration, pollination and climate regulation, which are fundamental for the functioning of many industries. By protecting and restoring ecosystems, we safeguard these services and promote the resilience of sectors that rely on them, allowing for the continued stability and functioning of the financial market.

Market-wide progress on biodiversity risks, compared to climate risks, is currently less developed. However, we anticipate rapid advancements in this area in the coming years. At StepStone, we seek to help shape the market's approach to these critical areas by developing research on this topic (see case study 4.2). We are also monitoring the developments of the Taskforce on Nature-related Financial Disclosures (TNFD). The TNFD's latest framework provides companies with a valuable means to report and tackle nature risks. This development emphasizes the importance of considering investments in natural assets and accurately reflecting the value of natural capital in the long-term sustainability and financial success of investments.



CASE STUDY 4.2

ASSET CLASS: VARIOUS | REGION/COUNTRY: GLOBAL

Exercising Thought Leadership to Promote a Well-Functioning Market

At StepStone, we seek to promote well-functioning markets and drive positive change across the industry. Through thought leadership and research, in 2022 we took a proactive role in helping to educate wider stakeholders on nature and its integration into the investment landscape through the publication of our "We Don't Value Nature" whitepaper.

This publication was designed to educate the wider market by exploring the intricate connection between companies and nature. It emphasizes the urgent need to address the emerging nature crisis and underscores the far-reaching implications of this crisis, which will pervade the entire economy including the financial sector, affecting everything from raw materials to logistics, transportation to labor and consumer demand.

The whitepaper delves into the significance and impact of this trend on the financial markets, urging stakeholders to recognize and treat nature as a vital asset. It seeks to provide valuable insights and actionable recommendations, encouraging asset owners to proactively invest in this area and take advantage of potential market mispricing. By illustrating how those who take action now can achieve strong returns, the whitepaper further described the potential advantages of capital allocation toward sustainable investments and the role such investments play in facilitating the transition to a nature-positive economy.

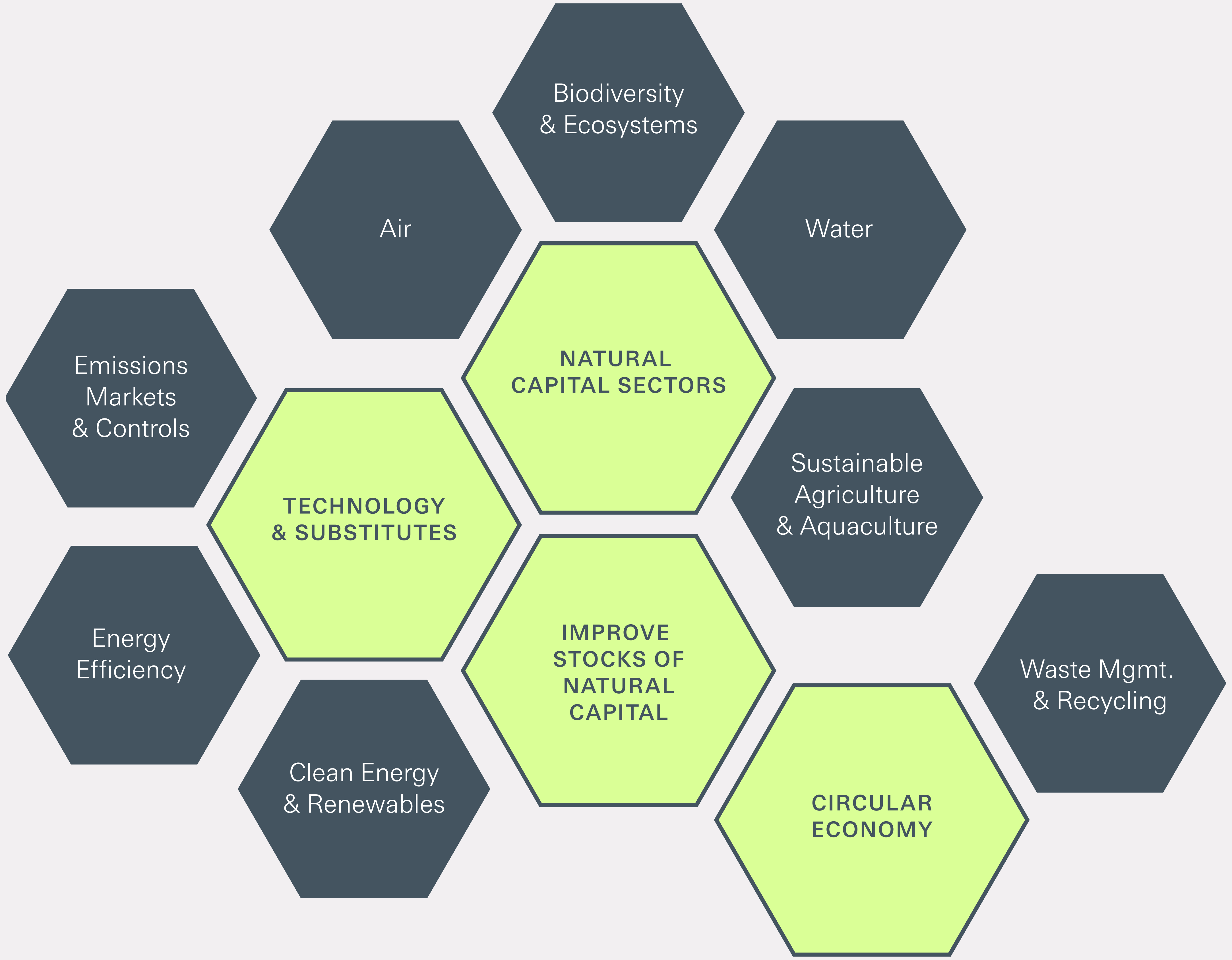
By providing insightful analysis and practical recommendations on this topic, StepStone aimed to inspire a shift in the industry's perception and action toward nature-related risks and opportunities.

Addressing Biodiversity by Investing in Natural Capital

At StepStone, we recognize the vital role investors play in addressing this systemic risk. We actively consider the potential impact of our investments on natural systems and support natural capital opportunities that provide essential ecosystem services. We believe this approach helps deliver strong risk-adjusted returns for our clients while contributing to the recovery of these systems.

The complexity and diversity of nature-related opportunities across all asset classes underscore the critical nature of this issue. The private markets, known for their long-term perspective and ability to identify arbitrage opportunities in less efficient market segments, are uniquely positioned to gain an early-mover advantage in this area. Supportive regulation, technology advancements and new standards on nature-related risk metrics further enhance the value of ecosystem services over time. This parallels the evolution of the climate change market as an investment theme.

STEPSTONE NATURE TAXONOMY



CASE STUDY 4.3

ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** EUROPE

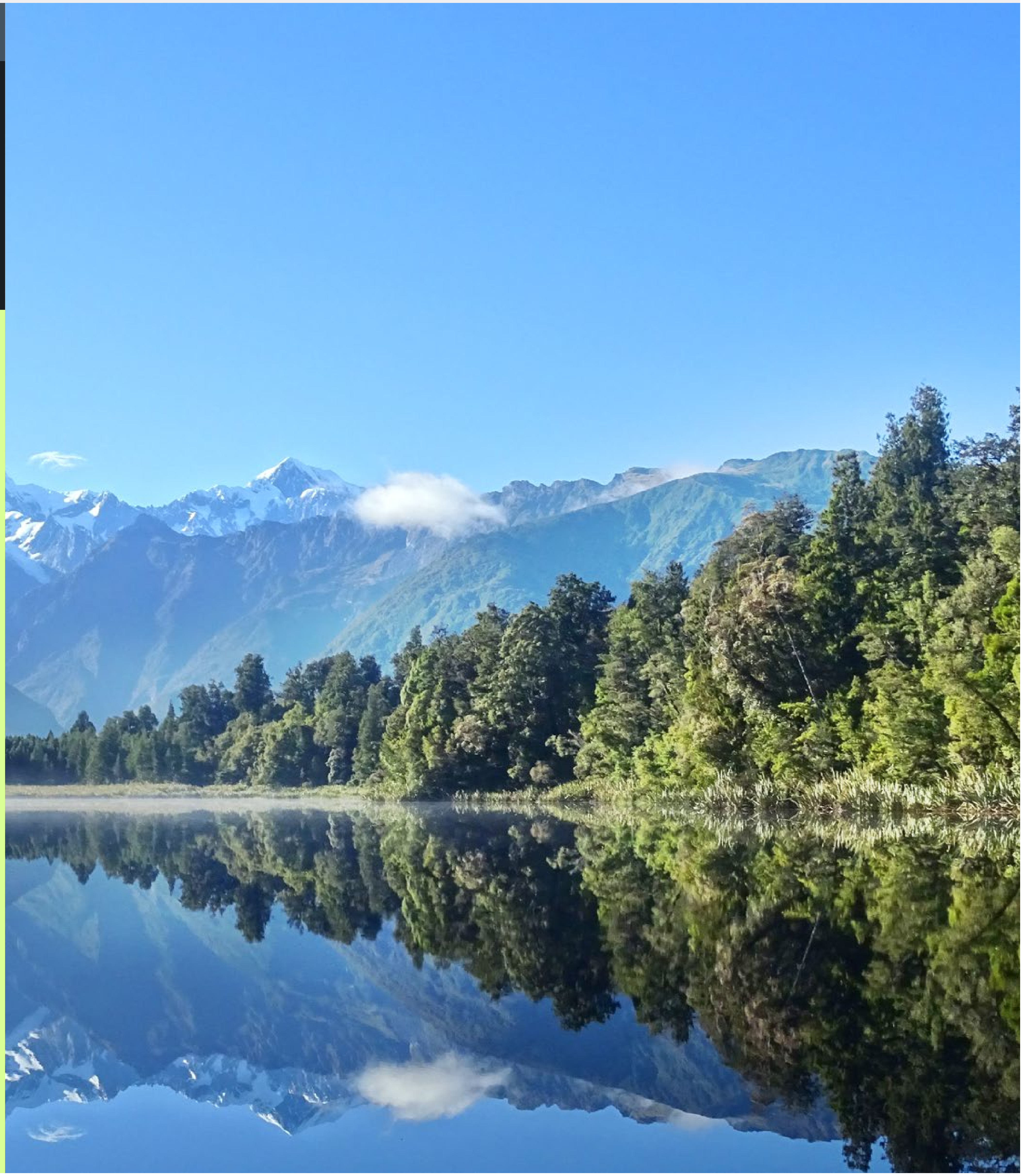
Investing in the Energy Transition and Natural Capital with Ambienta

Ambienta is a leading asset manager that operates out of Italy, Germany, France and the UK. The firm's investment focus is on businesses driven by environmental sustainability, specifically resource efficiency and pollution control. StepStone first developed a relationship with Ambienta during Fund II in 2014 and most recently invested in Fund IV in 2022 and has built a strong partnership with the GP over the years.

StepStone's investment in Ambienta aligns with our Energy Transition and Natural Capital impact themes. The GP's expertise in identifying niche opportunities within the sustainable products and services sector, in combination with the firm's strong industry networks and experienced team, makes Ambienta a valuable partner in achieving positive environmental and financial outcomes.

With a research-driven investment approach and rigorous impact assessment framework, Ambienta is well positioned to invest in businesses making a real difference in the transition to a more sustainable future. Ambienta's dedicated Sustainability & Strategy team, alongside its industry experts, continuously analyzes the market to understand how resource efficiency and pollution control trends shape industries and create investable opportunities. Across its portfolio, Ambienta has a track record of generating tangible environmental impact and provides detailed reporting on progress. We recognize the GP as a leader in impact measurement and reporting, utilizing its proprietary methodologies to assess its portfolio's contribution to environmental goals through 11 key metrics.

This is one example of how StepStone seeks to invest in opportunities that generate financial returns, support innovation and advance environmental sustainability.



Cybersecurity

We believe addressing cybersecurity risks as investors is crucial to protect value of investments and improve the overall functioning of the financial market, given the significant risks and implications associated with cyber-related consequences. A cyberattack can result in material financial losses, theft of sensitive data, disruption of operations and reputational damage. By actively addressing cybersecurity risks, we help reduce vulnerabilities and enhance resilience against potential cyber threats. Our approach focuses on managing cyber risk within our operations and within investment due diligence, decision-making and engagement.

Addressing Cybersecurity Risk Within Our Operations

To stay proactive in the face of evolving threats, we maintain a vigilant approach. We consider the potential consequences of a cyberattack to encompass financial and operational impacts, including:

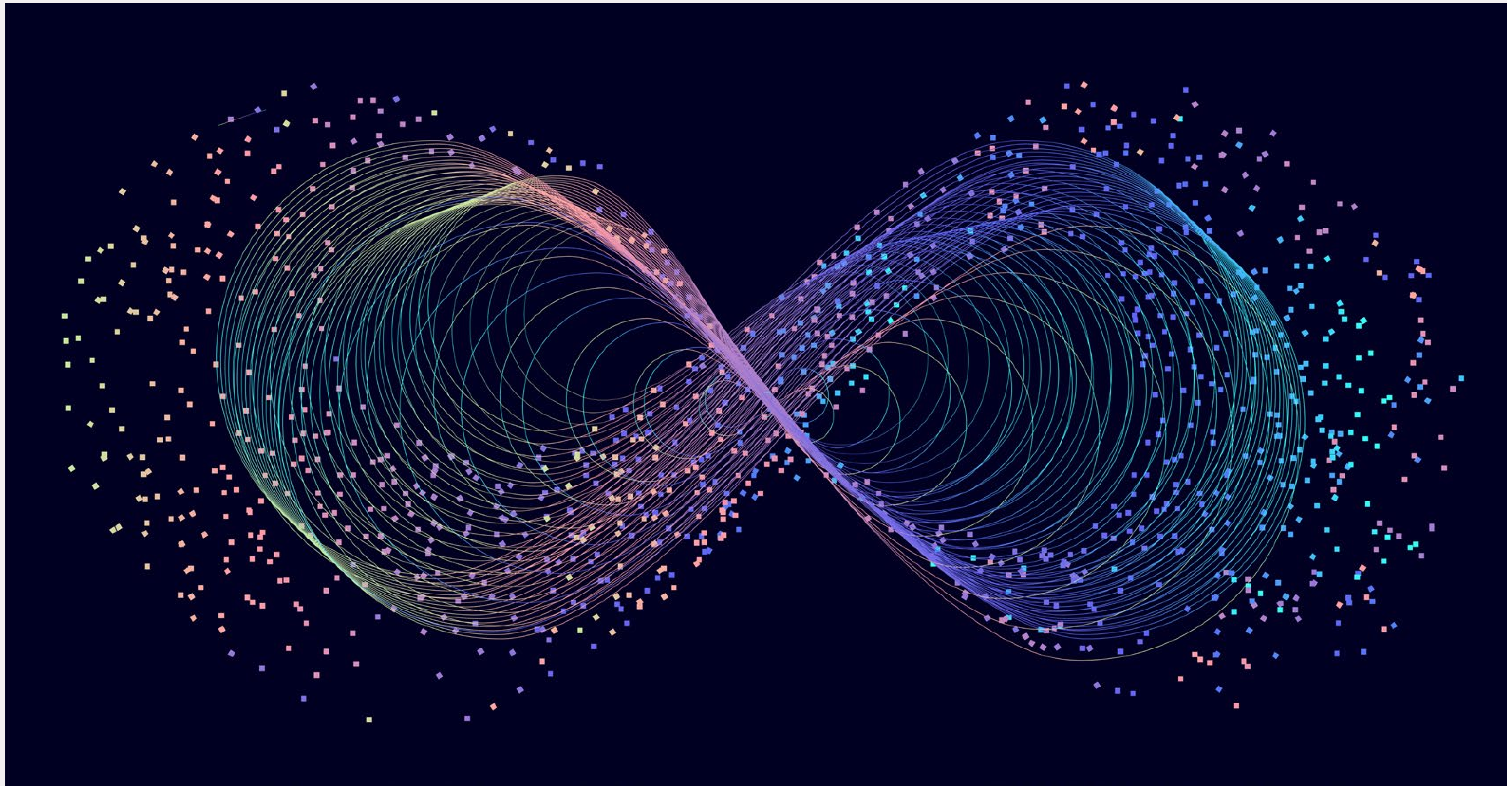
- Data corruption
- Loss of funds
- Loss of data or information
- Compromise of client information
- Reputational damage
- Legal implications

In regard to protecting our clients, our firm adheres to global data privacy and security standards, partnering with reputable cybersecurity providers to bolster the resilience of our processes and systems. Our Information Security Policy and Data Privacy Policy outline the procedures, controls and internal measures in place to mitigate security risks and safeguard our own and our clients' data. Regular reports on cybersecurity updates are provided by IT management to the Board, and the Audit Committee receives an annual report on cybersecurity and information security matters. During the reporting period, we also conducted an incident response tabletop exercise with the assistance of external legal and cybersecurity vendors.

Addressing Cybersecurity Risk at the Investment Level

Recognizing the increasing sophistication of cyber threats, during the reporting year we continued to monitor the cyber preparedness of GPs and assets. Similar to our approach to analyzing other risks during due diligence, we include questions about cybersecurity to assess the policies, processes and performance of GPs in addressing this risk. After investing, we maintain ongoing monitoring of cyber-related issues and engage with GPs when relevant risks and opportunities arise.

With respect to co-investments and direct investments, assets operating in sectors that hold sensitive client data, such as health care, receive particular attention. Throughout due diligence, monitoring and engagement, we identify potential issues related to cyber risk management, data collection and data retention and use practices.



CASE STUDY 4.4

ASSET CLASS: VARIOUS | **REGION/COUNTRY:** GLOBAL

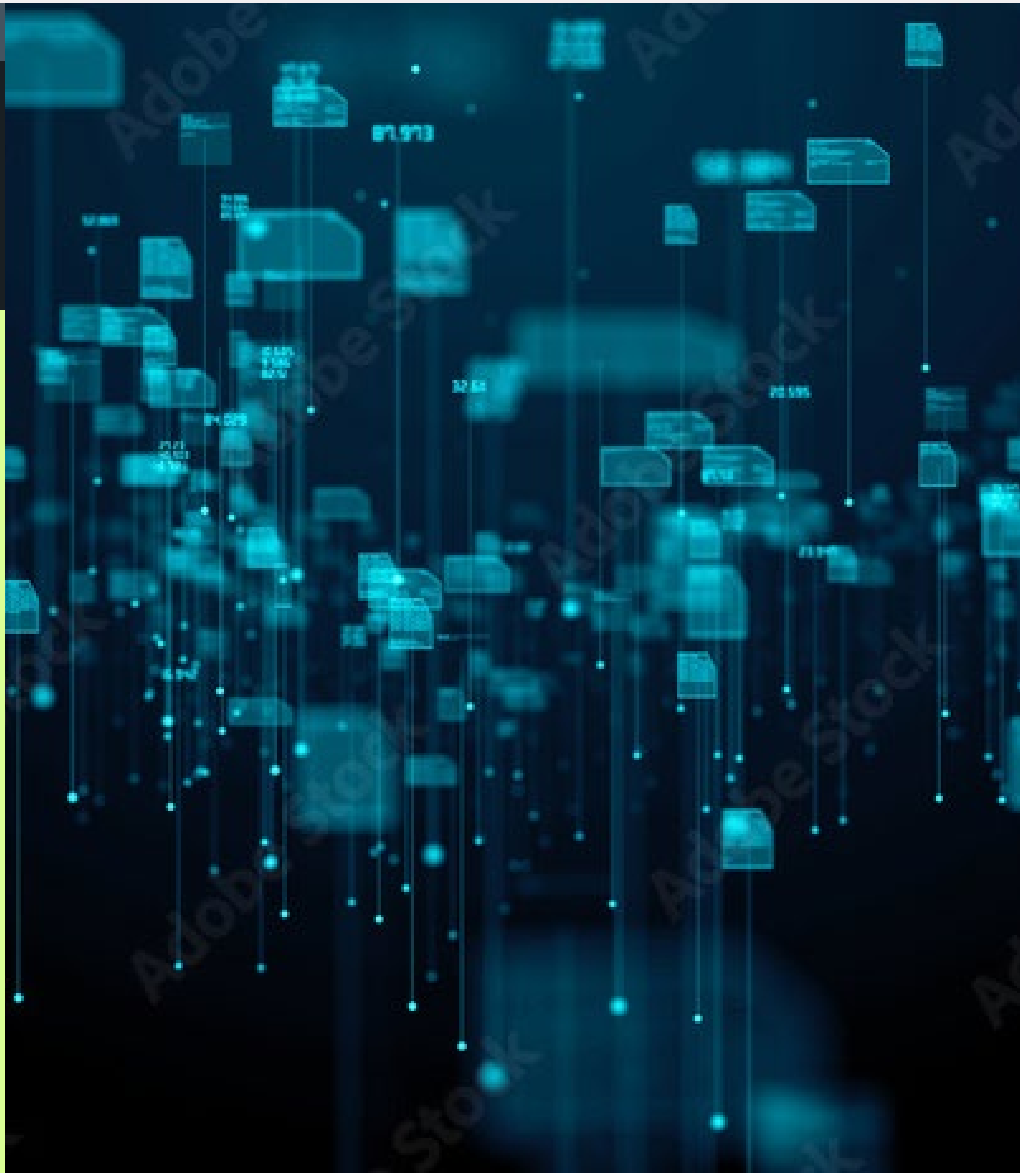
Analyzing and Addressing Cybersecurity Risks in Primary Investments

StepStone's dedicated Operational Due Diligence (ODD) team oversees operational assessments across our global platform, helping enhance clients' overall asset allocation by reducing operational risk. Within primary investments, StepStone's ODD process occurs alongside our investment due diligence process, where our ODD team works with managers to identify, measure, and assess relevant operational risks and assists them with putting in place an institutional platform to manage these risks.

The ODD team comprises dedicated professionals with extensive experience across private markets and several StepStone internal experts across finance, legal, compliance and information technology. The team produces its assessment independently of our investment professionals as part of our evaluation of an investment opportunity. ODD results are then included in the investment memos submitted for approval to the relevant Investment Committee.

Information technology (IT), which includes cybersecurity, is a key area of assessment by the team. For primary investments, our operational due diligence process requires the manager to provide adequate responses to various IT-related questions in order to gauge the stability, breadth and capabilities of their team. The manager supplies this information through documents we request, our due diligence questionnaire and direct correspondence with the manager, which may include on-site reviews, when required.

Throughout the reporting year, our ODD team continued to identify and assess cyber-related risks with respect to primary investments. Information technology comprised one of the top three operational risk categories identified during 2022, based on the number of deficiencies found by the ODD team across asset classes. Issues found within managers during the year included the lack of cybersecurity testing (e.g., penetration testing, vulnerability assessments and phishing testing) and lack of formal information security policies. As part of our operational assessments, the ODD team provided recommendations to managers during the year to mitigate cyber risks and helped support them to implement measures. For more information on the ODD team's work, refer to Case Study 7.4.



Human Rights

At StepStone, we recognize the urgency surrounding human rights issues, such as modern slavery and human trafficking, and believe that investors need to act as responsible stewards of capital and take proactive measures to eliminate these practices from their investment supply chains. Human rights violations can have tangible impacts on investments and returns. For instance, companies facing human rights allegations may face consumer backlash, reputational damage and potential legal liabilities. By actively addressing and working to mitigate human rights risks, we seek to safeguard investments while upholding our principles.

Within StepStone, we acknowledge the potential risks that could arise within our operations, corporate supply chain and the investments we advise on or manage on behalf of our clients. To address these risks, we have implemented a Modern Slavery Statement that outlines the steps we have taken to combat modern slavery and human trafficking across our business and investment activities. Our statement covers various aspects, including:

- **Risks of Modern Slavery Practices in Our Operations, Supply Chain and Investments**
  We assess the potential risks associated with modern slavery practices across our operations, supply chain and investment portfolio to promote transparency and accountability.
- **Policies and Practices in Relation to Slavery and Human Trafficking**
  We have established policies and practices that explicitly address modern slavery and human trafficking, reinforcing our focus on upholding human rights.
- **Due Diligence in the Investment Process**
  We conduct thorough due diligence as an integral part of our investment process, which includes evaluating the human rights implications of potential investments, where appropriate.
- **Due Diligence in Our Supply Chain**
  We extend our due diligence efforts to our supply chain. We work with our suppliers and partners to promote ethical and responsible business practices.
- **Employees, Recruitment and Training**
  We implement robust recruitment processes, fostering a diverse and inclusive work environment and providing training on human rights and related issues. By doing so, we empower our employees to recognize and respond appropriately to human rights risks.
- **Effectiveness of Steps Being Taken**
  We evaluate the effectiveness of the measures we have implemented to combat modern slavery and human trafficking. Assessments enable us to identify areas for improvement and refine our strategies, supporting ongoing progress in addressing human rights risks.

Addressing Human Rights Risk Within Investments

With respect to investment decision-making, StepStone raises questions during due diligence about GPs' approaches to human rights. In particular, we inquire about GPs' policies and processes to address human rights risks in their investments, history of critical incidents (at both the GP and portfolio company level) including those related to human rights and GPs' priority stewardship focus areas and whether human rights form part of these. For co-investments and direct investments, additional due diligence may be completed at the asset level to assess human rights-related risks. The insights gathered from these assessments are factored into our investment decision-making process.

CASE STUDY 4.5

ASSET CLASS: PRIVATE DEBT AND INFRASTRUCTURE & REAL ASSETS | REGION/COUNTRY: UNITED STATES AND EUROPE

Addressing Human Rights Risks Within Investment Analysis

In this case study, we outline two examples from 2022 that showcase our approach to considering human rights risks in potential investments, with one example of the due diligence process resulting in the opportunity being declined and one where it enabled the deal team to approve the investment.

i. Declining an Investment Due to Human Rights Concerns

In 2022, StepStone Private Debt was approached to participate in a co-investment transaction in a company providing private correctional services. Our Private Debt Responsible Investing (PD RI) workgroup raised concerns regarding the human rights risks and associated issues linked to the industry.

The deal team and workgroup discussed the proposed investment extensively, recognizing the highly negative reputation of the industry, the broader social concerns surrounding the treatment of prisoners and the potential implications of this on financial returns.

Outcomes

Ultimately, the human rights-related risks were deemed too significant by the team. Based on a thorough discussion within the PD RI workgroup, the deal team recommended declining the investment.

ii. Assessing Human Rights Risks in the Supply Chain and Making an Investment

In 2022, StepStone Infrastructure & Real Assets reviewed a co-investment opportunity in an asset operating in the solar energy space. Given the industry's historical link to forced labor in the production of panels, StepStone's due diligence included a focus on assessing human rights risks.

At the asset level, the deal team reviewed the company's policies and processes around responsible purchasing, corporate social responsibility and ethics, and also reviewed third-party ESG due diligence the GP commissioned for this asset. The team's diligence found that the asset had established appropriate procedures to manage human rights-related risks, including by operating a committee that meets monthly to discuss related matters, establishing policies that address social issues in the supply chain and forming operational processes to manage potential issues. The asset also demonstrated its commitment to enhancing its efforts, with plans to build on its responsible purchasing charter. Furthermore, StepStone found that no fines, warnings or whistleblowing events were identified in the past five years for this asset.

At the GP level, StepStone's existing diligence on the GP as part of a prior primary investment in its fund helped to support the deal team's analysis. The existing diligence followed our standard RI process for primaries, outlined in detail in Principle 7. As a result of this diligence, the deal team had a high degree of confidence in the GP's ability to manage human rights-related risks at the asset due to:

- The GP's reputation and standing as a leading Real Assets investment manager focused on the renewable energy sector, which has provided it with extensive knowledge and experience in managing related risks
- The GP's dedicated team responsible for identifying and managing operational risks, including ESG risks, and its ESG risk assessment process, whereby labour and working conditions are formally included
- The GP's existing engagements with the asset on ESG matters, including its progress made with the management team to implement robust reporting frameworks

Outcomes

The result of our asset-level due diligence, coupled with the GP-level due diligence, gave StepStone confidence that human rights risks have been and will continue to be effectively mitigated. StepStone proceeded with the investment opportunity. Post-investment, we continue to monitor the GP on a quarterly basis, which includes mandatory updates on ESG-related matters. By actively monitoring the investment and engaging as necessary, we seek to address potential risks and ultimately protect the value of the investment.

Geopolitical Uncertainty and Inflation in the Wake of the Ukraine Crisis

In response to the war in Ukraine, in 2022, the United States and other national governments imposed economic sanctions on certain Russian individuals, Russian corporate entities and financial institutions. In addition to the humanitarian and political crises unfolding, the ongoing conflict continues to impact public and private markets.

At the onset of the crisis in Ukraine, in addition to complying with all sanctions, StepStone took swift action to understand potential exposures to Ukraine and Russia across our clients' portfolios, which was made possible through our extensive data capabilities. We recognize the importance of maintaining diversified portfolios to mitigate the impact of such events and had proactively used our proprietary tools to screen exposure even before the conflict occurred, finding only marginal exposure. To more broadly understand our exposures to the conflict, we took a closer look at individual assets and queried how they might derive revenue from this region or how they might be affected by having operations or staff on the ground in the affected countries.

We also recognize the indirect impact of the war beyond this region, including through higher energy and commodity prices, leading to increased inflation. The erosion of purchasing power poses challenges for investors, noting that different segments of the economy will be affected differently. In light of this complexity, we sought to guide our clients on the situation and our thoughts on its implications. Examples of our guidance during the reporting year include:

- The 20th episode of our podcast, "Christian Frei: Geopolitical Uncertainty", featuring our Head of Risk. This episode discusses the direct and indirect effects of the war in Ukraine. Listen to it here.
- StepStone Private Debt's webcast for clients, which discusses the investment implications of the war for the Private Debt asset class and recommendations.

Our response to the Ukraine crisis is an example of our proactive stance to manage geopolitical conflicts. As the war continues to unfold, we remain vigilant in monitoring the situation and responding as needed, in order to safeguard our clients' investments and preserve their long-term value.

Collaboration to Promote a Well-Functioning Financial System

We recognize our role in supporting and collaborating with peers to help shape a well-functioning financial system that addresses market-wide and systemic risks. Through these activities, we actively promote the development of resilient and efficient financial markets.

We understand that the complexity of the risks covered in this principle requires a united front to address, bringing together diverse stakeholders from various sectors. By working together, we leverage our collective expertise and resources to address these issues. Through our partnerships and collaborations, we aim to drive the adoption of industry-wide best practices, foster innovation and advocate for policy improvements that support the overall good functioning of the financial system. We highlight specific activities during 2022 in the following table.

HIGHLIGHTS FROM 2022: COLLABORATIVE ACTIVITIES TO ADDRESS MARKET-WIDE AND SYSTEMIC RISKS AND PROMOTE A WELL-FUNCTIONING FINANCIAL MARKET

Principles for Responsible Investment (PRI)

Signatory since: 2013

StepStone has been a signatory of the PRI since 2013, and we actively participate in the PRI's workgroups and initiatives. Highlights in 2022 include:

- **"Implementing the EU Taxonomy" PRI Report:** StepStone contributed to the PRI report on implementing the EU taxonomy, released in April 2022. The report aimed to showcase advanced practices, address common challenges, and encourage policymakers and supervisors to provide additional guidance to financial market participants. StepStone specifically shared its perspective and insights from the private markets, contributing to the broader understanding of implementing the EU taxonomy. The report can be read in full here.
- **PRI's Securities and Exchange Commission (SEC) Sign on Letter on Climate Disclosure:** We participated by signing the letter alongside 75 other signatories, representing over $1.7 trillion in assets under management. The letter was addressed to the SEC, urging the finalization of the proposed climate-related financial disclosures rule. Strengthening and finalizing the rule will provide clear and comparable information to enable a comprehensive assessment of climate-related risks across investment portfolios. The letter can be read in full here.
- **2022 Global Investor Statement on the Climate Crisis:** StepStone signed the Global Investor Statement on the Climate Crisis, which was coordinated by the seven founding partners of the Investor Agenda, including the PRI. This statement was endorsed by 602 investors representing nearly USD $42 trillion in assets under management, highlighting the collective commitment of the financial industry to address climate change. The statement can be read in full here.
- **Representation in the Private Equity Advisory Committee:** Our Global Head of Responsible Investment was appointed one of five signatory representatives to the PRI's Private Equity Advisory Committee in 2022. This committee advises the PRI on the strategy and execution of its private equity program, expanding on our commitment to promoting best practices in the financial markets through strategic involvement and partnership.
- **Representation in the Global Policy Reference Group (GPRG):** Our Global Head of Responsible Investment and Chief Legal Officer both serve as members of the PRI's GPRG. The GPRG plays a crucial role in informing and strengthening the PRI's and its signatories' public policy engagement on responsible investment topics. Our continued participation in the GPRG during the year aligns with our goal of promoting a well-functioning financial system by advocating for responsible investment practices and encouraging regulatory environments aligned with the PRI's mission and principles.

The Institutional Investors Group on Climate Change (IIGCC)

Member since: 2021

The IIGCC comprises over 350 industry leaders dedicated to actively addressing and leading on climate change matters. We participate in the IIGCC's private equity and infrastructure workgroups, sharing knowledge and best practices to drive progress in the industry.

StepStone actively participated in the feedback process for the IIGCC guidance for infrastructure assets, which is a complement to the Net Zero Investment Framework. During 2022, StepStone reached out to various infrastructure GPs to make them aware of the draft guidance and gather their feedback. The feedback received from GPs, alongside the collaboration of other infrastructure managers and asset owners, contributed to the development of the final framework. The resource, released in March 2023, provides specific guidance for asset managers and asset owners in the infrastructure sector to set targets aligned with sustainable investment practices. Since its release, we have used this as a resource to engage infrastructure GPs on climate change. View the guidance here.

HIGHLIGHTS FROM 2022: COLLABORATIVE ACTIVITIES TO ADDRESS MARKET-WIDE AND SYSTEMIC RISKS AND PROMOTE A WELL-FUNCTIONING FINANCIAL MARKET

Task Force on Climate-Related Financial Disclosures (TCFD)

Supporter since: 2019

Aligning with the recommendations of the TCFD reflects our commitment to integrating climate considerations across our investment process. We are dedicated to publishing an annual TCFD report that demonstrates our progress. Through this report, we transparently showcase our approach to addressing climate-related risks and opportunities.

We also take a proactive approach to post-investment engagement, by advocating for GPs to become supporters of the TCFD and other global standards, including throughout the reporting year.

initiative Climat International (iCI)

Member since: 2021

iCI is a global community of private equity firms and investors dedicated to understanding and mitigating climate change risks. Through our work with fellow members, we continue to exchange insights, expertise and best practices to effectively address climate-related financial risks.

In addition to the above organizations and initiatives, we are also actively involved with the following organizations that advocate for an increased focus on ESG integration and stewardship across the industry. Principle 10 includes more details on our collaboration with these organizations:

IFRS | GRESB | ilpa Institutional Limited Partners Association | Invest Europe | Pensions for Purpose | Ownership Works | VentureESG | ESG Data Convergence Initiative

Effectiveness in Responding to Market-Wide and System Risks and Promoting a Well-Functioning Financial Market

Throughout 2022, we continued to expand on our efforts to respond to market-wide and systemic risks and support the efficient and sustainable functioning of the financial market. Our contribution involved releasing thought leadership and collaboratively working with peers, policy makers and regulators in various joint endeavors, with positive outcomes of our efforts outlined throughout this principle, which we believe highlight the effectiveness of our approach to responding to risks. By sharing our insights and actively participating in industry discourse, we aim to drive positive change and contribute to the sustainability of the overall financial market.

Internally, we have continued to enhance our due diligence, monitoring and engagement processes, which help support our efforts to effectively identify and manage systemic risks. This is outlined in more detail in Principle 7, 8 and 9. A continued focus is our engagements with GPs around climate-related risks and opportunities. Through these engagements, we have supported GPs to incorporate climate considerations into their strategies, with the aim of strengthening our underlying investments' resilience. We believe the following metrics, which highlight the increase in the percentage of GPs addressing various climate-related actions, partly reflect the effectiveness of our climate stewardship efforts. We note these GPs represent a considerable sub-section of the private markets, hence this also reflects our effectiveness to address risks for the wider benefit of the financial markets.

Emissions Reporting and Target Setting Across Private Markets

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%

GPs that Support the TCFD[3]

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

Priorities Going Forward

In 2023 and beyond, we will continue to drive forward our efforts to address market-wide and systemic risks. Climate risk is set to be one of the biggest challenges globally for the foreseeable future, as highlighted by the United Nations Intergovernmental Panel on Climate Change, which in 2022 projected a tenfold increase in the risk of extinction for up to one in seven land plants and animals if the planet's temperature rises by an average of just 1.5°C. In light of this, we will continue to increase our efforts in this area, monitoring our own impact on the planet and its ecosystems, encouraging GPs to do the same and driving best practices through industry collaboration and thought leadership. To maximise our impact, we recognize the need to focus on specific asset classes—for example, as shown in the "Emissions Reporting and Target Setting Across Private Markets" table, Infrastructure and Real Assets GPs lead the way but there is still much work to be done across other asset classes. We strive to support GPs in this effort. So, looking ahead we will continue to prioritize offering GPs guidance on how to better address climate risk by aligning with TCFD recommendations, with a special focus on Private Equity, Private Debt and Real Estate.

To address the risks covered in this principle and be part of a well-functioning financial system, we see industry-wide efforts and knowledge sharing as fundamental to achieving these shared goals. Therefore, we will continue to actively participate in initiatives designed to drive forward best practices as well as share our experience and insights through topical whitepapers and participating in industry events.

[1] All private markets refer to Private Equity, Private Debt, Infrastructure and 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.
[3] 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.

PRINCIPLE 5 (Asset Managers), PRINCIPLE 6 (Service Providers)

Asset Managers: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Service Providers: Signatories review their policies and assure their processes.

Activities & Outcomes

Reviewing Our Policies and Procedures to Support Stewardship

At StepStone, we recognize that our policies and procedures serve as crucial instruments in upholding our values and driving responsible practices across our operations. We believe that these frameworks must remain dynamic and adaptable to keep pace with evolving market conditions and the continued expansion of our company. As such, we have established a robust system for reviewing and approving our policies and procedures, underscoring our commitment to their ongoing effectiveness and improvement.

A key element of this process is the annual review of all policies and procedures pertaining to stewardship. Through this assessment, we diligently evaluate the efficacy of our existing frameworks, aligning them with our evolving priorities and the ever-changing landscape of responsible investment. By subjecting our policies to scrutiny, we identify areas that require enhancement and promptly implement necessary improvements. This iterative approach seeks to keep our stewardship efforts responsive, relevant and aligned with industry best practices.

In addition to the annual review, we conduct ad hoc assessments throughout the year to address emerging regulatory and legislative developments. This agile approach enables us to stay ahead of emerging issues and effectively navigate the dynamic regulatory environment.

In 2022, the results of our review have led to further improvements in our policies. Notably, we amended our RI policy to reflect the latest updates to our ESG integration and monitoring process. We also established two new policies in October 2022:

- A dedicated Climate Policy, which details StepStone's approach to integrating climate change considerations in investments and at the corporate level.
- A dedicated Stewardship Policy, which details StepStone's approach to stewardship across all asset classes and strategies.

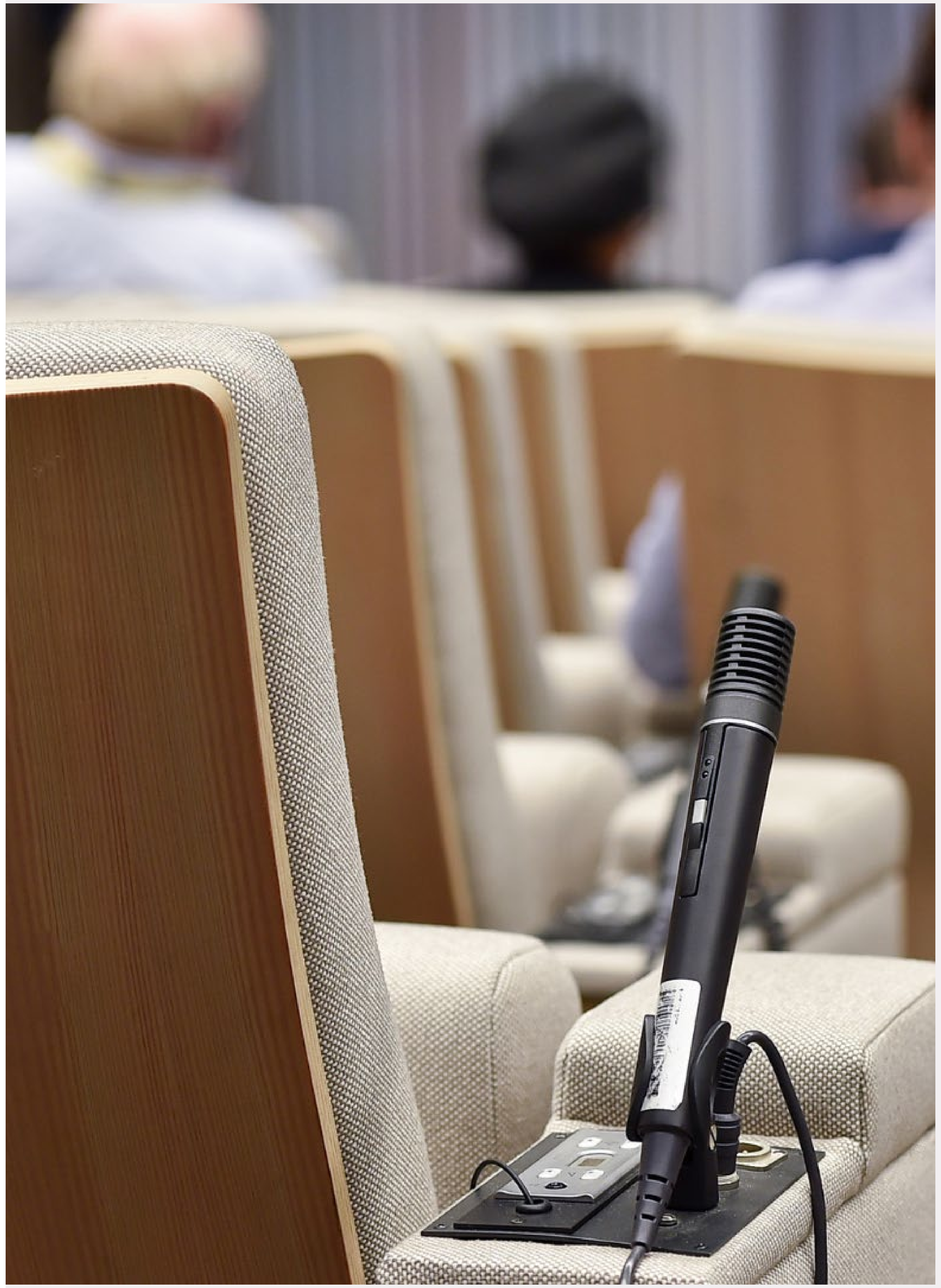
Please refer to page 19 of this report for a more in-depth overview of these key policies.

Our Commitment to Reporting on Our Stewardship Activities

We uphold a commitment to transparency and accountability when reporting on our stewardship activities. To practice fair, balanced and clear communication within our reports, which include our annual ESG Report, TCFD Report, DEI Report, PRI Transparency Report and the UK Stewardship Code Report, a multistep internal review process is implemented. This process involves examination and approval by key senior stakeholders, including members of our RI Committee, Global Head of RI, Legal and Compliance team and members of our management team.

During the internal review, these individuals and groups engage in discussions and challenge the content of the reports. This rigorous review allows us to present a fair and balanced representation of our stewardship activities. Additionally, we collaborate closely with third-party consultants who provide valuable feedback, so our reporting is clear and accurately reflects our current status.

At the conclusion of each reporting period, we assess any identified gaps and develop plans for improvement to enhance the quality and effectiveness of our reporting. The Board is kept informed about these reports, including those concerning our stewardship activities, demonstrating our commitment to transparency and providing oversight at the highest level.



Third-Party Audits and Assessments

External audits and assessments are an important component in reviewing the efficacy of our practices. While we engage an external auditor to meet our auditing requirements, we presently do not conduct specific assurance on our stewardship approach. We note our rigorous audit and assessment processes touch upon key elements of our stewardship activities. For example, we undergo an external operational risk assessment annually, including in 2022, which involved an array of in-depth reviews and a site visit for the external assessor to review our operational framework, functions and processes. Elements reviewed that relate to stewardship include, among others:

- The governance structure at StepStone, including the makeup, representation, roles, responsibilities and Charters for each Board and Committee (which included our RI Committee)
- The policy and approach for the management of conflicts of interest and related party issues (discussed further in Principle 3)
- Policies and processes with respect to remuneration and performance appraisal (discussed further in Principle 2)

We believe our current approach is commensurate to a firm of our size. With respect to reviewing our stewardship approach specifically, we are also confident in our internal processes to monitor our performance and amend as we identify improvement areas. We continue to maintain an effective review process to determine whether additional assurance around stewardship will be necessary in the future. In all cases, we remain dedicated to maintaining high standards of accountability and transparency in our stewardship practices.

Priorities Going Forward

We place a high level of importance on maintaining robust reporting practices and keeping our policies and processes up to date to support effective stewardship. During the reporting year, feedback from various reviews has led to further improvement of our stewardship practices. For example, in 2022, the annual review of our RI policy led to the creation of two new stand-alone policies. In the year ahead, our focus will be on reviewing the effectiveness of these policies through dedicated workgroups and RI Committee meetings. This assessment will allow us to refine and enhance our approach to stewardship and maintain its continued relevance and efficacy. Furthermore, in February 2023, we received feedback from the FRC on our first Stewardship Report submission. Alongside wider internal feedback on our reporting, we have sought to integrate all of the FRC's feedback in this current submission.

In addition to our own internal evaluations, we plan to stay informed about the latest developments in stewardship practices. We keep up with leading organizations and initiatives such as the FRC and the PRI. We recognize the valuable guidance provided by these entities and incorporate their insights into our ongoing policy and process reviews. By aligning with their best practices and recommendations, we strive to improve our stewardship efforts and deliver optimal outcomes for our clients.

Principle 6 (Asset Managers),
5 (Service Providers)

Principle 7

Principle 8

SECTION B

Investment Approach

PRINCIPLE 6 (Asset Managers), PRINCIPLE 5 (Service Providers)

Asset Managers: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Service Providers: Signatories support clients' integration of stewardship and investment, taking into account material environmental, social and governance issues, and communicating what activities they have undertaken.

Context

Tailoring Private Markets Solutions for Our Global Clientele

We have a global team strategically positioned geographically and across various asset classes to effectively cater to our diverse and expanding client base. Our founding principle revolves around delivering customized solutions in private markets that align with our clients' goals and aspirations.

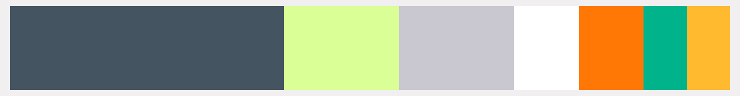
STEPSTONE'S ASSET CLASSES

Private Equity Solutions that beat the benchmarks	Private Debt Flexible solutions for illiquid debt markets	Real Estate Solutions to enhance risk-adjusted returns	Infrastructure & Real Assets Innovative solutions for a maturing sector
StepStone Private Equity creates customized portfolios for clients using a disciplined and research-focused approach, covering the spectrum of private equity opportunities from venture to growth equity, and small to mega buyouts. Through our multifaceted investment approach, we have developed close relationships with many established and emerging managers around the world. Our extensive experience and high-quality investment process drive better-informed decisions on behalf of our clients.	StepStone Private Debt focuses on privately negotiated transactions in corporate, real estate, infrastructure debt and credit specialties, to create solutions to preserve capital and generate attractive yields. Our flexible, adaptive solutions cover illiquid and liquid debt, enabling tailored access through separately managed accounts, advisory accounts and focused commingled funds.	StepStone Real Estate offers customized exposure to private real estate through our extensive investment expertise, broad research coverage and granular due diligence. We have built deep relationships in the private real estate sector, providing differentiated opportunities from an array of sources. We seek to capitalize on the synergies between our asset management and advisory practices, drawing on our deep market research and investment analysis to create compelling opportunities and tailored portfolios of fund investments, secondaries, and co-investments for institutional investors worldwide.	StepStone Infrastructure and Real Assets provides deep experience across all major infrastructure and real assets sub-sectors, strategies, and geographies, introducing our clients to attractive secular themes across markets. We believe our broad access to the infrastructure and real assets market provides clients with high quality investment opportunities to diversify portfolios, while offering stable returns and the potential for income generation and capital appreciation.

Our Client Base

We serve a wide range of esteemed clients, which 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.

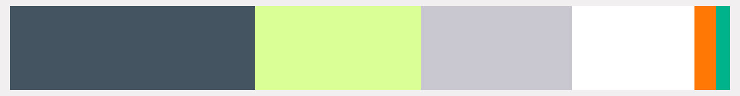
We collaborate closely with our clients to craft and construct private markets portfolios that are tailored to their specific objectives and align with their goals.



Client Base By Type[1]

LTM management and advisory fees (%)

- **38%** Pension Funds
- **16%** Insurance Companies
- **16%** Private Wealth/Defined Contribution Plans
- **9%** Sovereign Wealth Funds
- **9%** Corporations
- **6%** Family Offices
- **6%** Endowments/Foundations



Client Base By Geography[1]

LTM management and advisory fees (%)

- **34%** North America
- **23%** Asia/Australia
- **21%** Europe
- **17%** Middle East
- **3%** Central and South America
- **2%** Rest of World

Total Capital Responsibility

StepStone's Total Capital Responsibility (TCR) as of December 31, 2022 was $602B, which includes $134B in AUM and $468 billion in AUA.

Total Capital Responsibility (TCR) Across Asset Classes[2]

	Private Equity	Real Estate	Infrastructure and Real Assets	Private Debt (All Asset Classes)
TCR (USD)	$310B+	$168B+	$73B+	$50B+
TCR (USD)	52%	28%	12%	8%

Total Capital Responsibility Across Geographies[2]

	Americas	Europe, Middle East and Africa	Asia Pacific
TCR (USD)	$329B+	$211B+	$60B+
TCR (USD)	55%	35%	10%

Direct and Indirect Investments

StepStone NAV by Investment Strategy[3]

Strategy	NAV (USD billions)	NAV (%)
Primaries	153.7	74%
Secondaries	12.3	6%
Co-investments	42.1	20%
Total	**208.1**	**100%**

[1] As of December 31, 2022.

[2] All dollars are USD (unless stated otherwise) and represent StepStone private markets exposure by asset class. Data includes Greenspring Associates metrics. Please see disclosure page for additional information about Greenspring Associates.

- Total capital responsibility equals assets under management (AUM) plus assets under advisement (AUA) and is presented as of December 31, 2022. Reflects final data for the prior period (September 30, 2022), adjusted for net new client account activity through December 31, 2022. Does not include post-period investment valuation or cash activity.
- Amounts may not sum to total due to rounding.
- Private Debt includes all asset classes, including Real Estate and Infrastructure debt totaling $9.1 billion.

[3] Performance data has been shown in the StepStone NAV by Investment Strategy table in response to response to the FRC's feedback to StepStone with respect to disclosing what is invested directly versus indirectly through general partners. StepStone's primary investments and secondary investments collectively represent approximately 80% of NAV as of December 31, 2022, and are considered indirect investments in the context of this report. StepStone's co-investments represent approximately 20% of NAV as of December 31, 2022 and are considered direct investments in the context of this report. As a publicly listed entity, StepStone has limitations with respect to AUM and AUA data that can be publicly disclosed. StepStone believes that disclosing NAV by investment strategy appropriately addresses FRC's feedback and enables readers to understand how representative our stewardship activity is.

- Performance data shown in the table is on an inception-to-date basis as of December 31, 2022. Overall performance includes all investments StepStone recommends and subsequently tracks, including advisory co-investments and infrastructure investments made prior to January 1, 2015, the performance summary of Courtland, for which the track record dates back to September 1994. Overall performance excludes (i) all client-direct investments, (ii) investments for which StepStone does not provide monitoring and reporting services to the client that made the investment, (iii) syndicated loan portfolio totaling $0.4 billion, and (iv) investments made by legacy private equity acquired businesses. USD returns for StepStone recommended investments are calculated on a constant currency adjusted USD reporting basis converting non-USD investment cash flows and NAVs to USD using the foreign currency exchange rate corresponding to each client's first cash flow date. Primaries include open-end investments, and co-investments include venture capital and growth equity direct investments for private equity, and asset management investments for infrastructure direct asset management investments.
- Investments of former clients are included in performance summary past the client termination date until such time as StepStone stops receiving current investment data (quarterly valuations and cash flows) for the investment. At that point, StepStone will then 'liquidate' the fund's contribution to the track record by entering a distribution amount equal to the last reported NAV. Historical performance contribution is maintained up until the 'liquidation' date.
- Inception date reflects date of the first investment: September 1994 for primaries, January 2005 for secondaries and June 2001 for co-investments.

Investment Time Horizons

Various factors, including a client's investment objectives, risk tolerance and liquidity requirements, influence investment time horizons. As StepStone serves a diverse client base and invests across different asset classes, investment time horizons naturally vary based on these considerations. However, private markets investments typically have longer time horizons compared to public market investments, which translates to longer hold periods. This longer-term perspective necessitates a strong integration of stewardship principles into our investment approach. Typically, our Separately Managed Accounts and focused commingled funds have an eight to 18-year maturity at inception, including extensions. However, this can vary on a case-by-case basis, depending on the unique circumstances and requirements of each SMA or fund.

Activity & Outcomes

At StepStone, we are focused on addressing our clients' ambitions, needs and overall preferences, including with respect to ESG integration and stewardship, and we have designed our RI approach to align with these considerations across our asset management and advisory services. From the outset, we collaborate closely with our clients to gain a comprehensive understanding of their goals. This knowledge forms the foundation for tailoring bespoke mandates that may incorporate various elements such as ESG-related exclusions, priority areas for ESG and impact, and specific monitoring and reporting requirements.

To continue to meet our clients' expectations, we actively seek their feedback through multiple communication channels, employing both structured and ad hoc settings. We believe each channel offers specific advantages that enable us to effectively understand and address our clients' needs, which we highlight in the table on the following page. The effectiveness of our approach is partly demonstrated by the stability of our client base and the long-standing relationships we have fostered. For example, our retention rate for advisory clients exceeds 90 percent since inception. Recognizing the diversity among our client base, we understand that preferences and views regarding communication channels may vary. Therefore, where possible, we adapt our channels to accommodate the individual needs of our clients, adjusting our approach based on the feedback we receive from our clients (for example, format and frequency of communication).

To establish a robust feedback loop and facilitate client engagement, we utilize various channels to receive feedback, communicate back, and deliver educational content and awareness on ESG integration and stewardship, as discussed in the "Client Engagement Channels" tables on the following pages.

CLIENT ENGAGEMENT CHANNELS

COMMUNICATION CHANNEL	PURPOSE OF CHANNEL	REASON FOR USE/EFFECTIVENESS OF CHANNEL	FREQUENCY OF USE
Annual General Meetings (AGM)	Communicate information to clients and gain their feedback	Among other purposes, the AGM provides us with a structured, formal channel to communicate notable investment and stewardship activities to clients and receive their feedback on these matters. We view this channel to be particularly effective for sharing platform-wide updates that are applicable across our client base.	Annual
Routine Meetings/Topic-Specific Meetings	Communicate information to clients and gain their feedback	These meetings enable us to regularly share investment and stewardship updates that are specific to a given client and mandate and receive their feedback in a one-on-one format. We have found this to be an effective approach to understanding the specific needs of an individual client with respect to investment and stewardship.	Quarterly/Ad hoc
Email Updates	Communicate information to clients and gain their feedback	Communicating with our clients through email updates enables us to keep them informed on our latest stewardship activities and receive feedback in real time.	Ad hoc
Client Questionnaires	Gain feedback from clients	We receive feedback from clients and understand their needs through periodically administering questionnaires related to ESG integration and stewardship.	Ad hoc
Requests for Proposals (RFPs)	Communicate information to clients and gain their feedback	We communicate information on our investment and stewardship activities via relevant RFPs received. RFPs also allow us to learn which topics/areas are of most importance to our clients, and enable us to adapt our processes accordingly.	Ad hoc
StepStone Private Market Intelligence Proprietary Database (SPI Research)	Communicate information to clients	SPI Research enables clients to exponentially expand their market coverage by accessing the collective knowledge of StepStone's investment team. Our clients can access volumes of information on GPs, including RI-related information, simply by accessing this proprietary database online. This also provides them with a transparent insight into our investment process. Our investment professionals also utilize this technology to collect and develop their qualitative and quantitative thoughts on managers (including in relation to ESG and stewardship).	Continuously updated

CLIENT ENGAGEMENT CHANNELS			
COMMUNICATION CHANNEL	PURPOSE OF CHANNEL	REASON FOR USE/EFFECTIVENESS OF CHANNEL	FREQUENCY OF USE
SPI Reporting—our proprietary, Web-based application for private markets portfolio analytics and reporting	Communicate information to clients	SPI Reporting supports investment monitoring and portfolio management and enhances transparency by providing users with a fast and intuitive user interface, as well as 24/7/365 Web access to portfolio data. SPI Reporting is connected to our platform SPI Research, allowing client users to leverage StepStone research data, further enhancing the user experience.	Continuously updated
Periodic Reporting	Communicate information to clients	We provide quarterly reports to clients with updates on investment activity. Within these, StepStone discloses critical ESG incidents where relevant, which may include information on our stewardship activities to resolve incidents.	Quarterly/Annual
Annual Reporting	Communicate information to clients	We produce a number of dedicated annual reports to communicate our ESG integration and stewardship activities to our clients, including our ESG Report, TCFD Report, PRI Transparency Report and the UK Stewardship Code Report.	Annual
Whitepapers	Communicate information to clients	Each year, we produce a number of whitepapers on the most prevalent investment and RI topics. These papers enable us to pool our broad knowledge of the private markets and include insights from our expert investment professionals.	Ad hoc
StepStone's "Reflections on Private Markets" (RPM) Podcast	Communicate information to clients	We use our podcast to elaborate on the topics covered in our whitepapers and other key topics in an easily digestible, personal format that our clients can access on the go. This includes RI-related content.	Ad hoc

Aligning with Clients' Stewardship and Investment Policies

To align with our clients' stewardship and investment policies, we maintain close collaboration and communication with them to deliver services that meet their needs. Given that we have a broad range of clients with varying policies, we adapt our approach accordingly for Separately Managed Accounts. This takes into consideration specific client preferences (for instance, as noted previously, customized ESG-related monitoring and reporting requirements) in order to align our services with our clients' policies. In the case of commingled funds, our approach to stewardship is consistent with our own Responsible Investment Policy, Stewardship Policy and Climate Policy, which have been designed to accommodate a broad spectrum of client needs. These policies serve as a comprehensive framework that incorporates ESG considerations and RI practices across our investment process and are aligned with industry-recognized standards.

Technology Enhanced Monitoring & Reporting

We use advanced monitoring and reporting tools to deliver transparent and insightful investment and stewardship information to our clients, leveraging our proprietary software systems, SPI Research and SPI Reporting (discussed in Principle 1). For instance, we create heat maps through SPI Reporting that showcase the prevalent risk exposures across the platform, organized in accordance with SASB general issue areas. These insights allow us to show our clients the amount of net asset value exposed to each risk category through a customized heat map.

By utilizing our proprietary software systems, we empower our clients with clear insights into their investment programs.

Monitoring and Reporting on Impact

Leveraging our proprietary mapping methodology, we possess the capability to provide information to clients on the contributions made toward the SDGs, at both the GP and client portfolio levels. We also provide additional impact metrics in certain mandates, which are specific to the areas of impact targeted by each individual investment, allowing for a granular understanding of their specific environmental and social outcomes.

SASB Materiality "Heat Map": Top Ten General Issue Categories across the StepStone Platform

Environment	Energy Management	16%
Environment	Water & Wastewater Management	14%
Social Capital	Data Security	12%
Social Capital	Customer Privacy	8%
Social Capital	Access and Affordability	6%
Business Model & Innovation	Product Design & Lifecycle Management	12%
Business Model & Innovation	Physical Impacts of Climate Change	7%
Leadership & Governance	Competitive Behavior	9%
Leadership & Governance	Systemic Risk Management	8%
Human Capital	Employee Engagement, Diversity & Inclusion	10%

Source: Omni, as of September 30, 2022.

Engaging Our Stakeholders to Define Relevant ESG Topics

As part of our efforts to maintain alignment with our stakeholders, which include clients and GPs, we undertook an ESG materiality analysis in 2021 with the aim of determining the ESG priorities most significant to our organization as identified by our stakeholders. We considered key risks, global trends and topics from prominent reporting standards such as SASB, GRI and TCFD.

To conduct this analysis, we adopted a multifaceted approach that actively engaged our stakeholders. We invited them to provide their valuable feedback through an online survey and conducted targeted interviews with a select group of participants. Through this inclusive process, we successfully identified nine ESG topics that were considered as the most material by our stakeholders.

To date, these topics are integrated into our investment process and/or overarching firm-level policies and operations. Nonetheless, we remain committed to ongoing improvement and accountability and as part of this, we plan to refresh the ESG materiality analysis as deemed required, so that our focus remains aligned with the evolving ESG landscape and priorities of our stakeholders.

Our nine ESG topics are as follows:

1. **Ethics and Integrity**
2. **Compliance**
3. **Investing in the Energy Transition**
4. **Transparency and Public Disclosure**
5. **Cybersecurity**
6. **ESG Integration in Investments**
7. **Conflict of Interest**
8. **Talent Attraction, Development and Retention**
9. **Diversity, Equity and Inclusion**

Priorities Going Forward

Throughout the reporting year, each of the communication channels listed in this section has contributed to enhancing our understanding of our clients' needs. In turn, this helped us to improve the relevance of the information we provide, the services we offer, and our processes and approach to stewardship. Notable examples of this during 2022 include:

- Our submission to be a signatory to the UK Stewardship Code. Through various communication channels, notably RFPs and questionnaires received from clients, we recognized that our UK-based clients greatly valued reporting against the Code and the transparency it provides. We submitted our application in 2022 and were delighted to be accepted as a signatory in 2023.

- Establishing a stand-alone Stewardship Policy and Climate Policy. We understood from clients the importance placed on these topics, and consequently implemented dedicated policies in 2022, which expanded on our original RI Policy.

While we are pleased with our progress during the year, we recognize the need to continue enhancing our ability to meet our clients' needs. As a customized solutions provider, we spend significant time listening to the challenges that our clients face and responding by creating solutions to meet their needs, including with respect to stewardship. As noted in our prior Stewardship Report, over the coming years, we will be increasing the number and type of ESG-related disclosures we monitor and report on to our clients. We understand this is of high importance to our clients based on feedback received and are working to enhance our internal systems and processes to enable effective monitoring and reporting. We look forward to reporting updates on this process as this develops. Additionally, as discussed previously, we also plan to refresh our ESG materiality analysis to update our understanding of the ESG topics that our stakeholders consider most important.

PRINCIPLE 7

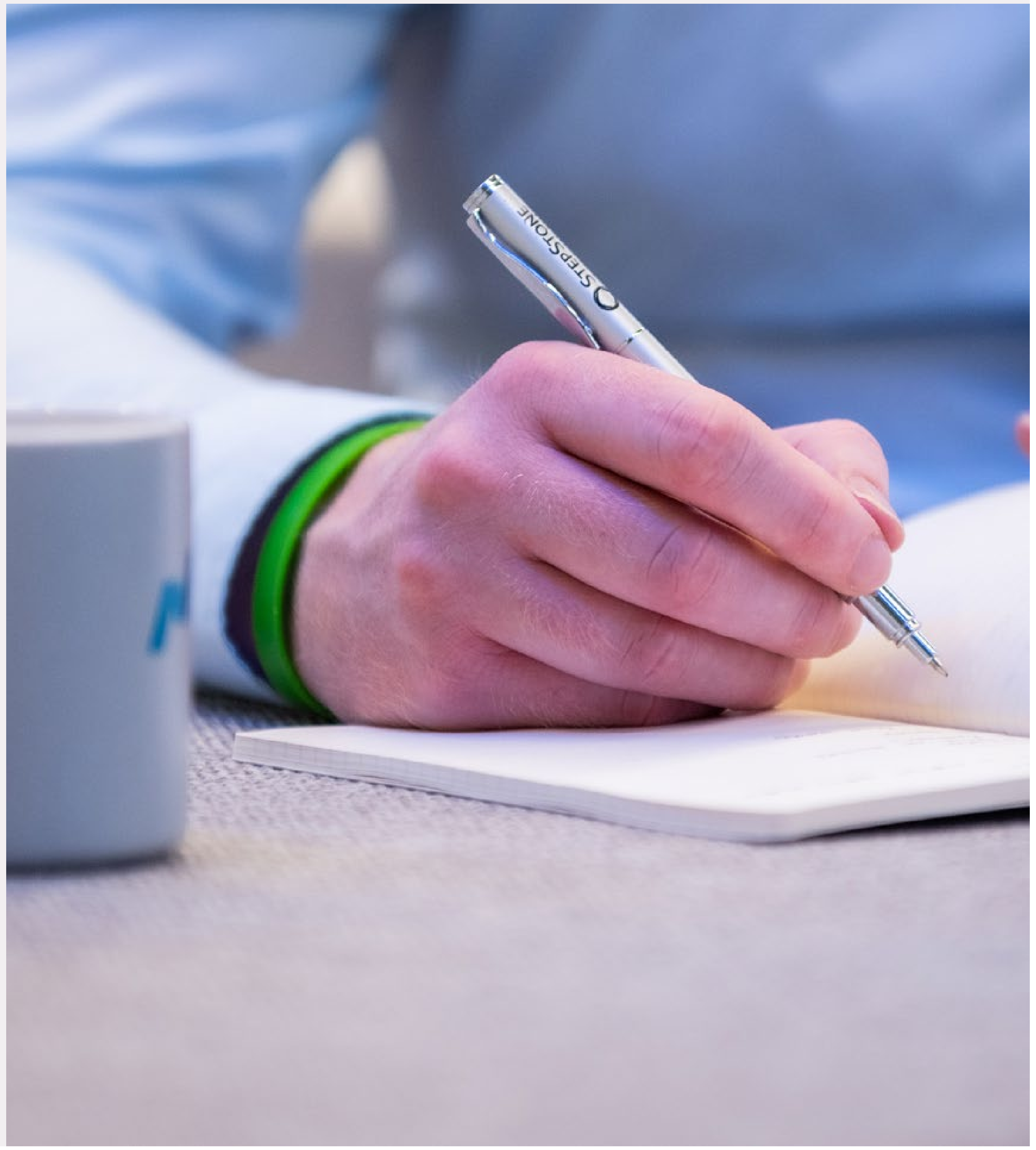
Asset Managers: Signatories systemically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.

Context

At StepStone, we seek to identify, assess and manage relevant ESG risks and opportunities across our investment process. Our approach to integrating ESG and stewardship principles is guided by the commitments we have made as a signatory to the PRI and the FRC's UK Stewardship Code, supporters of the TCFD and members of the Value Reporting Foundation.

Our overall approach to integrating ESG and stewardship into our investment process is guided by the following considerations:

- **Focus on Value Creation and Protection While Understanding Risk Exposures**—Our focus is directed toward identifying and capitalizing on RI opportunities that can contribute to value while proactively managing and minimizing potential ESG risks.
- **Suite of ESG Considerations**—We are informed by the frameworks mentioned previously on a wide range of ESG factors. Notable issues of importance to StepStone include climate change, human rights and DEI, which are discussed in further detail in Principle 4 and the next few pages. As the landscape of ESG considerations continues to evolve, we remain committed to expanding our knowledge and staying abreast of the latest developments.
- **Materiality Focus**—We utilize the SASB Materiality Map to assist in the identification of material risks and opportunities at an asset level, framing our engagement on these risks, pre- and post-investment. Given that we invest in a wide range of sectors across different geographies, we recognize that what is considered material will differ depending on the investment. We therefore prioritize relevant issues according to each investment.
- **Accountability**—Our RI process leverages the investment and RI experiences of our team. We have dedicated RI workgroups for each asset class who work in tandem with our investment professionals, providing valuable support and guidance. The RI Committee provides oversight to maintain the effectiveness of and adherence to our RI practices.
- **Transparency**—As signatories to the PRI and the FRC's UK Stewardship Code, supporters of the TCFD and Value Reporting Foundation, we commit to annual reviews that help to drive process improvement across our organization. In addition, we report on our progress through publishing an annual ESG Report, TCFD Report, UK Stewardship Code Report and a PRI Transparency Report.



Activity & Outcomes

Integrating ESG Considerations in Our Investment Process

We firmly believe that the integration of material ESG factors should be an integral part of all investment decisions, rooted in our view that effective responsible investment decisions can improve long-term, risk-adjusted returns for our clients. We have embedded ESG considerations throughout our investment process and ownership life cycle, which enables us to make informed decisions.

We have designed a five-stage RI process that is consistently applied across all our asset classes. This process forms the backbone of our approach to systematically integrating ESG considerations into every stage of the investment journey.

Phase 1: Early Evaluation of Our Investment Opportunities for ESG Risks

We conduct early evaluations of investments that may be exposed to heightened ESG risks (e.g., modern slavery risks) and/or have heightened sensitivity around certain geographic exposures. Before due diligence commences, our investment team will flag such exposures to the relevant RI workgroup and the RI Committee in order to determine the appropriate due diligence approach. Investments in sensitive sectors may fail to progress through the due diligence process very early on. In addition to complying with all client-mandated ESG processes, StepStone maintains a list of sensitive sectors that are subject to enhanced evaluation and escalated ESG due diligence in every asset class.

Phase 2: Due Diligence

We incorporate relevant ESG considerations into the investment due diligence phase in order to establish a framework that provides a more comprehensive assessment of risks and opportunities. Given the extended investment horizon of private markets investments, our deal teams concentrate on identifying ESG risks and opportunities that we believe could impact the long-term performance of investments, aligning with our clients' investment timeframes (as described in Principle 6). Specifically, we have strengthened our emphasis on the following ESG factors over the past few years: climate change, human rights, biodiversity and DEI—recognizing that these issues have long-term relevance to varying degrees for all investments, whether directly or indirectly. For more information on climate change, human rights and biodiversity, which we have recognized as systemic risks, please refer to Principle 4. We discuss our views on DEI on the following page.

PHASE 1
Early Evaluation of Investment Opportunities

PHASE 2
Due Diligence

PHASE 3
RI Workgroup & Committee Review of Investment Memorandum

PHASE 4
Investment Committee Decision

PHASE 5
Post-Investment Management: Monitoring, Engagement & Reporting
(primarily discussed from Principle 8 onward)

SPOTLIGHT

Integrating DEI into Investment Decision-Making

DEI considerations play an important role in our due diligence process and can impact our interactions with GPs and our ultimate investment decisions. We believe that a focus on DEI allows various perspectives to come together, which in turn fosters discussions that lead to better business decisions.

In addition, companies that are committed to DEI are better positioned to attract and retain top talent, enabling them to benefit from a wide range of skills, experiences and ideas. We therefore place emphasis on the analysis of DEI, in light of the financial and operational implications it can have on investments. During the due diligence process, we assess a GP's DEI process and performance at both the firm and investment level. This assessment provides a detailed understanding of their approach to managing DEI-related risks and opportunities. We evaluate a GP's commitment to DEI through its policies, practices and track record. For instance, we examine hiring and promotion practices, training programs, leadership commitment to DEI and any historical DEI-related incidents. The goal is to gauge the effectiveness of the GP's DEI initiatives and the extent to which they are embedded in its strategy and operations.

Supporting Diverse Managers

We endeavor to seek and invest in diverse managers and believe that they have the potential to yield strong returns, and also have the power to promote diversity and inclusion within the industry. We have built relationships with diverse managers globally, providing us with unique access and insight into investment opportunities that we believe can generate attractive performance. Our team has a long track record of investing in and alongside diverse managers across primaries, co-investments and secondaries, and we are able to offer our clients exposure to this undercapitalized strategy.

In our view, to be diverse, funds must have at least one of the following attributes: one-third of ownership counts as diverse; one-third of carry goes to diverse individuals; or one-third of individuals covered by a fund's key-person clause are diverse.

Since our inception, StepStone has approved $32-plus billion in primary, co-investment and secondary commitments to diverse-owned GPs across all asset classes.[1]

[1] Since inception through December 31, 2022. Represents commitments to diverse managers across primaries, co-investments and secondaries across Private Equity, Real Estate, Infrastructure & Real Assets and Private Debt.

Though we have a specific focus on these ESG factors, ultimately, we understand that each investment opportunity is unique in terms of strategy, asset class, manager, and industry and geography of the underlying assets. Hence, our focus on specific ESG risks and opportunities during our due diligence process may differ from one investment to the next. For example, within VC investments, which typically involve considerable tech exposure, we tend to focus more on cybersecurity risks, in line with the insights shared in Principle 4. As another example, though we analyze climate-related risks across all asset classes, we place particular emphasis in the Infrastructure and Real Assets asset class, given the heightened climate risks that these assets typically face, and their potential to exacerbate climate change. The impacts of climate change can manifest in a multitude of ways, such as increased operating costs, physical damage to assets and potential regulatory changes. For an example of how we assess climate-related risks in this asset class, please refer to Case Study 7.3. Geographically, we adapt our due diligence approach to incorporate region-specific factors. For instance, we focus more on human rights risks for assets that operate (or have supply chains) in countries where risks are typically higher. As another example, we focus on biodiversity and nature for assets in regions that pose higher nature-related risks, taking into account the TNFD's guidance.

Conducting Due Diligence on Primary Investments

For primary investments, our investment teams are focused on understanding the extent to which GPs incorporate ESG factors into their investment due diligence, decision-making, and ownership. This involves a review of a GP's stewardship and investment practices. We undertake analysis and data capture within our proprietary systems, delving into details such as the status and execution of the GP's ESG/RI policies, their commitment to RI leadership and training, exposure to sensitive sectors, and past records of significant incidents, penalties and warnings. This evaluation is conducted using our due diligence questionnaire and on-site interviews.

StepStone's RI Scorecard

Our analysis is captured in our RI scorecard, which is systematically applied to all primary investments across our asset classes. This scoring system serves multiple purposes, including facilitating peer group analysis and tracking the progress of GPs over time. These insights can impact our decision-making and are instrumental in shaping our stewardship priorities. Our scoring process entails evaluating five key areas of focus, each assigned a score ranging from 1 to 4, as outlined below.

Conducting Due Diligence on Co-investments, Directs and Secondaries

In the case of co-investments, directs and secondary investments, our approach to ESG analysis is conducted at two levels.

First, at the GP level, we evaluate a manager's approach to integrating ESG considerations into their due diligence, engagement, monitoring and reporting activities, drawing on any existing analysis that we have already carried out for primary investments. Second, at the asset level, we employ the SASB Materiality Map and the TCFD framework across all asset classes to help us identify and analyze relevant ESG factors. For infrastructure investments, we also utilize GRESB and RepRisk data. In secondary transactions, where time is often of the essence, our focus narrows to key assets that drive value.

We believe the breadth of our platform gives us an advantage due to the comprehensive information we have access to, which often includes knowledge of the GP's ESG approach and stewardship activities. In combination, this approach allows us to identify key ESG risks, and whether they are being driven by the GP's systematic approach or an asset-specific issue.

RI SCORING AREAS

Policy	Accountability	Investment Process	Reporting	Strategy
• Adoption of RI/ESG Policy • Alignment with recognized standards (i.e., PRI, TCFD, SASB) • Policy revisions and annual updates • Climate change and DEI policies	• Integration into responsibilities of investment professionals • Investment Committee oversight • Annual training and capacity building	• ESG due diligence as a standard part of Investment Committee memorandums • Post-investment ESG value creation initiatives, as evidenced by case studies	• ESG regularly addressed at Annual General Meetings and Limited Partner Advisory Committees • Establishment of a critical ESG incidents process • Tracking of ESG metrics and inclusion in periodic reports or separate sustainability reports	• Indication whether sector(s) of focus may generate positive or negative environmental or social outcomes

SPOTLIGHT

Integrating ESG Considerations in VC Investments

Over the course of 2022, there was an increased focus on ESG integration across VC investments, following StepStone's acquisition of Greenspring Associates in September 2021. We recognize that VC is still in the early stages of its ESG journey, and we are dedicated to supporting our investment team and VC GPs in their RI approach. Some key aspects of our approach in 2022 included:

- Providing VC-related RI training for our investment teams (e.g., ESG in blockchain) and dedicated ESG training sessions for our VC team
- Adapting our existing RI due diligence processes to address the unique needs of VC investments
- Creating our newly established RI Guidance Module for VC GPs, which addresses the unique differences between VC and other types of investments, such as PE buyout. The new resource is designed to support VC GPs and help them integrate ESG considerations into their investment process
- Actively participating in and supporting external initiatives, including VentureESG (member of the LP working group) and the PRI's Venture Capital Network, where we provided feedback on the PRI's RI DDQ for VC LPs (as detailed in Case Study 10.1 on page 91)

Service Providers

The responsibility for executing our ESG integration and stewardship efforts within our investment process rests with our investment teams, overseen by the RI Committee and supported by RI workgroups, rather than any service provider. We prioritize maintaining direct control over these critical aspects rather than relying on external service providers. We do selectively leverage the expertise of trusted third-party data providers alongside our proprietary tools. This empowers our investment teams to efficiently analyze and compare data, enabling them to make well-informed investment decisions that align closely with our investment values. Our approach to monitoring ESG data providers is elaborated upon in Principle 8.

Phase 3 & 4: Investment Review and Investment Committee Decision

Across asset classes, each investment undergoes RI due diligence, which is subject to review by the relevant RI workgroup. Through this active feedback process, we seek to achieve consistent quality in our due diligence across the platform and facilitate the sharing of valuable insights and learnings. The RI due diligence findings are then escalated to the RI Committee for approval. This step serves as a prerequisite before any investment proposal can be presented to the relevant investment committee (based on asset class).

The results of the RI due diligence are documented in all investment memorandum, which is presented to the respective investment committee members. This equips members with the information necessary for informed decision-making and voting. When necessary, the investment committees discuss the material ESG risks identified and the effectiveness of GPs' integration of ESG and stewardship practices in addressing those risks. In cases where the committee determines that risks cannot be adequately mitigated, they may vote against the investment proposal. However, if the committee believes that risks can be mitigated with additional measures, StepStone may require further actions to be taken before finalizing the transaction. This may include conducting asset-level reviews by external specialist consultants or negotiating ESG-related side letters with the GP. Please refer to page 65 later in this principle for more information on how we utilize side letters to set expectations and requirements for GPs on ESG and stewardship integration.

Integrating ESG and Stewardship into Our Investment Decisions: Our Work in Practice

The case studies in the following pages highlight specific outcomes that occurred as a direct result of ESG and stewardship considerations during due diligence in 2022. See also Principle 4 for further examples in practice. In particular, Case Study 4.5, titled "Addressing Human Rights Risks Within Investment Analysis" offers a look at how the evaluation of human rights risk influenced our investment decisions.

CASE STUDY 7.1

ASSET CLASS: PRIVATE DEBT | **REGION/COUNTRY:** UNITED STATES

Approving a Loan as a Result of Margin Rachet Implementation

In 2022, we were approached by a GP to approve a potential loan allocation to a service provider in a high-emitting sector. Given the physical and transition climate risks associated with the sector and related business implications, we initially had reservations regarding this opportunity.

On further review, we gained insight into the company's business plan to decarbonize its production process, including aims to invest in green alternatives to the traditionally used high-emitting assets that are part of its operations. External research reports estimated that these green alternatives reduce greenhouse gas emissions by over 25 percent. To help safeguard these plans, the GP introduced an ESG-driven margin rachet into the loan documentation.

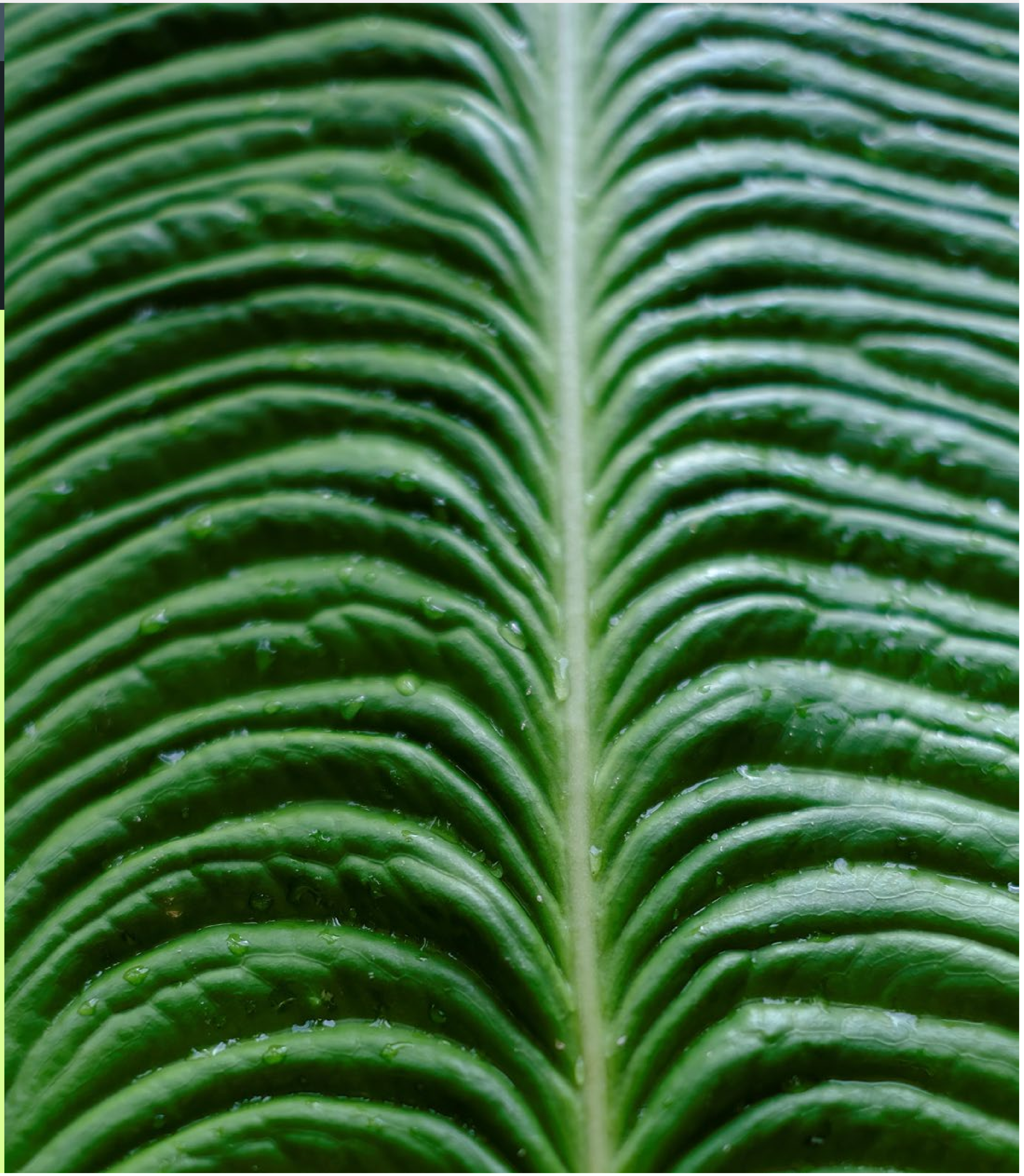
The margin rachet served as an incentive for the company to decarbonize its operations, whereby interest due on its loan was reduced if a predetermined proportion of the loan facility was used to invest in the lower-emitting assets. By aligning the company's financial interests with environmental considerations, the margin rachet helps to mitigate the material climate-related risks associated with the investment.

Outcomes

As part of the due diligence process, our deal team and RI Committee assessed the loan and rachet terms to determine whether the climate risk associated with the project was appropriately addressed and mitigated. As a result, we deemed that a loan allocation would be appropriate in this case.

The company's executive team continues to actively consider other ESG-forward initiatives and to collaborate with the GP. For our part, we continue to receive updates from the GP regarding the company's progress in this respect.

Refer to Case Study 8.3 for more information on margin rachets and StepStone's engagement with managers on these mechanisms.



CASE STUDY 7.2

ASSET CLASS: REAL ESTATE | **REGION/COUNTRY:** UNITED STATES

Analyzing and Setting Expectations for a GP on ESG Processes

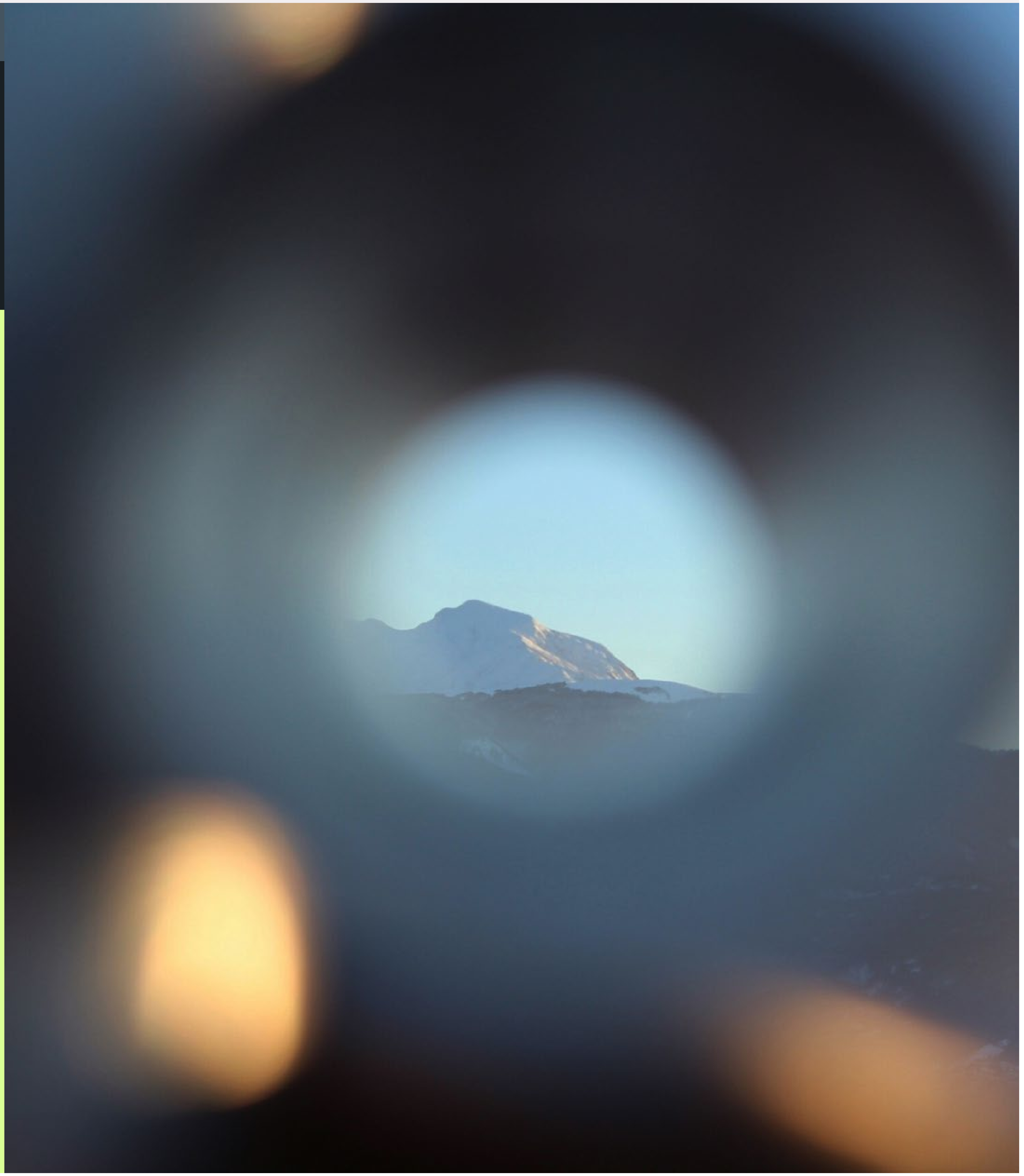
In 2022, StepStone reviewed a US-based portfolio with a multifamily owner, operator, developer and lender. The manager, which had experienced substantial growth since its founding, was transitioning into an institutional investment platform.

During our standard due diligence process, it became apparent that the manager had not yet established an ESG/RI policy, nor designated a person responsible for overseeing ESG initiatives or diligence and ensuring accountability across the business. StepStone flagged this as a concern, in the context of the group's expansion, and communicated future expectations and requirements; this prompted collaborative discussions with the firm, including provision of guidance materials on implementing an ESG program across the investment lifecycle, from due diligence to post-investment monitoring and exit considerations. The firm acknowledged the value of adopting our recommendations and agreed to prioritize the establishment of an ESG policy and accountability framework. StepStone also communicated its expectations for the firm to incorporate ESG goals into its investment process and continued active dialogue with the manager as they progressed their ESG strategy, including through meetings and property site tours.

Outcomes

StepStone proceeded to complete the investment, in part as a result of the positive discussions with the manager and their progress towards enhancing their ESG implementation. Post-investment, the firm hired a dedicated senior resource focused on ESG, demonstrating further the company's commitment. Additionally, during the reporting year, the firm developed an ESG policy with guiding principles and a roadmap for delivery of future initiatives.

In the near term, the firm intends to form an ESG Committee and implement an internal reporting structure and procedures to support the overall policy. The firm also aims to establish measurable goals and key performance indicators (KPIs) and is actively evaluating its portfolio and operations to achieve positive outcomes across holdings. The longer-term ambition is to implement a clear roadmap toward achieving net-zero carbon emissions across the firm's portfolio by 2050 in line with the Paris Agreement and science-based targets.



Setting ESG-related Expectations for GPs

For primary commitments, StepStone seeks to set expectations with GPs on ESG matters, which includes stewardship, throughout the due diligence and investment execution process. Overall, we expect GPs to integrate ESG matters in a manner appropriate to their specific asset class and investment strategy. For example, in the case of buyout managers, we generally expect them to utilize their significant influence over portfolio companies (e.g., through board seats and direct relationships with company management).

Our approach to setting expectations starts by utilizing our due diligence questionnaire (DDQ), which consists of over 40 dedicated questions on responsible investment aligned with industry best practices. Additionally, our on-site meetings with GP leadership and other pre-investment engagements provide us with opportunities to specifically discuss expectations regarding ESG and stewardship practices. For an example of this in action, please refer to Case Study 7.2. After selecting a manager following our due diligence process, we may also utilize ESG-related side letters to further communicate our expectations and/or requirements to GPs on stewardship and ESG integration. In particular, we focus on situations where:

- Our clients have expressed specific requirements, for example, with respect to limiting their exposure to a sensitive sector
- We have identified ESG-related risks during due diligence that require the adoption of side letters to address them
- The manager's existing processes fall below our expectations, for example, with respect to ESG monitoring and reporting

By negotiating side letters, we seek to establish limits, restrictions, amendments and other provisions that align with our or our clients' specific requirements or expectations. The following pages illustrate our use of side letters, in particular Case Study 7.3 and "Spotlight: Side Letter Implementation for a Thematic Fund Investment" on page 72.

CASE STUDY 7.3

ASSET CLASS: INFRASTRUCTURE AND REAL ASSETS | REGION/COUNTRY: GLOBAL

Setting Expectations for a GP: Side Letter to Address ESG Matters

In 2021, StepStone analyzed an investment opportunity in a fund dedicated to high-quality infrastructure investments spanning multiple sectors, such as transport, energy and utilities, with a geographic focus on OECD countries.

Our team completed StepStone's standard RI due diligence process, including a review of the GP's existing ESG-related materials (such as policies, reports and case studies) and the GP's responses to our RI DDQ. The team also conducted an on-site meeting with the GP, which provide an opportunity for further discussions on ESG-related items. Overall, the GP was regarded by StepStone as a market leader with respect to ESG integration—notably, the GP was one of the earliest signatories to the PRI, had robust ESG policies, operated a proprietary ESG framework to integrate ESG considerations (including stewardship) throughout its investment process and provided regular and comprehensive ESG reporting, highlighting the firm's transparency and accountability.

StepStone proceeded to commit to the fund but put in place a side letter to comply with the client SMA out of which we were making the investment. To comply with the investment guidelines of the client SMA, the side letter included specific language with respect to limiting coal exposure in the fund, which also included a provision that requires unanimous approval from the Limited Partner Advisory Committee (LPAC) to invest in any assets generating a majority of their revenue from related activities. Additionally, we added further ESG-related clauses to the side letter, related to matters such as ESG due diligence and reporting.

During the reporting year, the GP updated its fund's constituent documents to reflect the restrictions outlined in our side letter, which we viewed as a natural next step for the manager. Overall, the introduction of the side letter enabled StepStone to set clear expectations aligned with our client's requirements and establish a foundation for holding the GP accountable in the future.

Setting Expectations for Emerging Managers

When it comes to setting expectations on governance-related considerations with emerging managers or those with operational risks, we follow a well-defined approach during the due diligence process. As discussed in Principle 4, our ODD team proactively engages with managers early on to address operational deficiencies comprehensively, with the goal of seeing that the necessary operational improvements are implemented.

To effectively set expectations and drive improvements, we may utilize side letters in cases where material operational deficiencies persist, and we have been unable to address them before finalizing the investment. By leveraging side letters, we establish a framework that holds the GP accountable for addressing the identified operational deficiencies. We note that our ODD team's preferred approach is to work with managers to mitigate deficiencies, as outlined in the case study on the following page.

CASE STUDY 7.4

ASSET CLASS: VARIOUS | REGION/COUNTRY: GLOBAL

Operational Alpha: Supporting Emerging Managers to Enhance Governance Practices

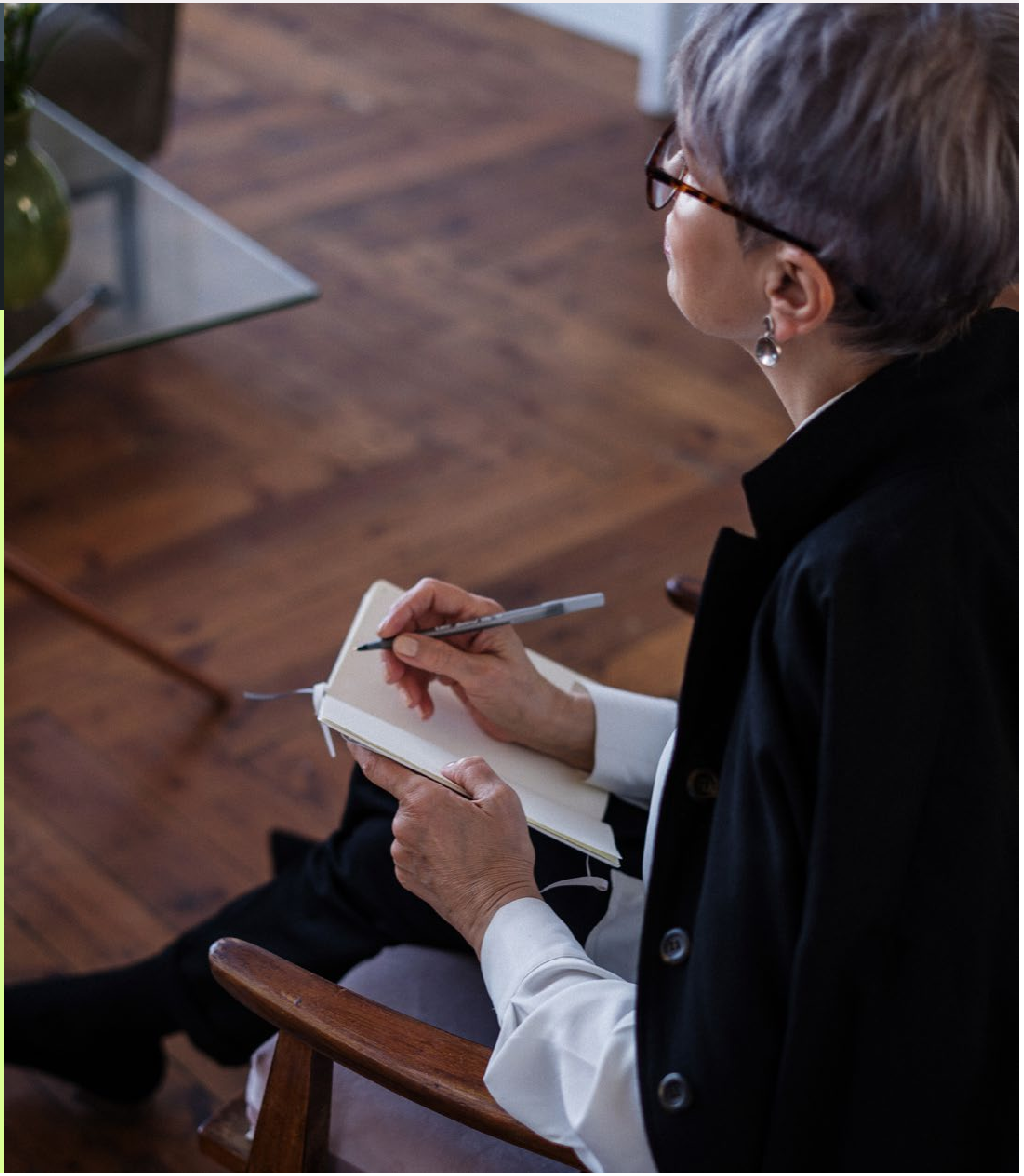
StepStone considers operational due diligence to be an integral part of the investment decision-making process. Operational risk arises from the potential for an investment to suffer losses because of inadequate internal processes, people, and systems or external events.

This can include losses arising from fraud, breach of regulation or operational failures and errors. Our ODD process aims to appropriately identify, measure and assess all relevant operational risks, while remaining aware of the limitations and complexities of the different asset classes. The Firm maintains a process that considers areas of risk that are more difficult to quantify, involves judgement, and captures how practices align with philosophies.

During the reporting year, we formalized our engagement process under the Operational Alpha program. This initiative is focused on the optimization of managers' operational performance to drive cost reduction, operational efficiency, regulatory compliance and ultimately better serve investors. Leveraging the expertise of our ODD team, we provide tailored recommendations and work in partnership with the managers to drive Operational Alpha and mitigate risks across various areas. Example areas of engagement include:

- **Fund Operations:** people, counterparties, back-office workflows and insurance requirements
- **Fund Cash Management:** bank account management and cash transfer process
- **Valuation:** best practices and oversight
- **Compliance:** key regulatory requirements and background checks
- **Technology:** IT systems and infrastructure, business continuity and cybersecurity
- **Vendor Selection:** track key vendors as a resource for emerging managers
- **Asset-class-specific best practices (e.g., Digital Assets, VC, Private Debt)**
- **Aggregation of data on key industry trends to develop operational benchmarks**

By offering this support, we not only strengthen key governance practices at the manager level but also cultivate enduring relationships with these managers. Through the Operational Alpha program, we are able to deliver targeted support, foster partnerships and improve processes for the benefit of managers, our investments and ultimately our clients.



Impact Investing at StepStone

Our integrated platform provides access to an extensive array of private markets opportunities, giving us a unique advantage for impact investing. This platform enables our teams to craft bespoke investment programs that align with our clients' impact and investment objectives. We firmly believe that our specialized impact approach sets us apart by instilling our clients with the confidence that their impact investments are backed by a rigorous assessment of specific themes that can offer strong risk-adjusted returns while creating a positive social and/or environmental impact. Our specialized impact approach provides the following notable advantages:

$17B+
Total Capital Responsibility
as of 12/31/2022

700+
GP Relationships
as of 12/31/2022

1,110+
Funds in SPI Research
as of 12/31/2022

Deep Impact Investment Expertise	Team Composition	Access to Proprietary Information	Integrated Investment Approach	ESG and Impact Best Practices	Rigorous Impact Process
StepStone follows a well-structured, research-driven investment strategy that employs sector and impact specialists. Our specialists bring a combination of impact knowledge and investment expertise to the evaluation process, generating added value. We believe this approach sets us apart from other private markets managers who use a generalist approach when analyzing the private markets.	StepStone attracts, trains and retains top-tier investment talent who prioritize investment principles. Our senior professionals are actively involved in both impact and investment due diligence, adding credibility and insight from their wealth of experience. Additionally, we have a dedicated impact team that evaluates impact opportunities in collaboration with our sector teams.	We leverage our proprietary research and investment database, SPI Research, to keep track of data from thousands of companies, funds and general partners. Our portfolio analytics and reporting team also tracks comprehensive information on partnerships and GPs using our proprietary reporting database, SPI Reporting. By utilizing this information edge, we are able to make well-informed and strategic investment decisions.	We maximize the benefits of our global platform through an impact investment process that blends our proactive sourcing capabilities, analytic and investment expertise, proprietary information access and connections with leading GPs. We believe this integrated approach sets StepStone apart, providing unparalleled access and insights into the top impact investment opportunities in the market.	Our signatory status to the PRI, support of TCFD, and membership in SASB and GRESB demonstrate our commitment to ESG principles. We engage with GPs pre- and post-investment to address ESG issues and place a platform-wide focus on climate, combating modern slavery and promoting DEI in our investments. Our impact DDQ, monitoring and reporting processes demonstrate the rigor of our impact approach.	Our impact process is designed to tackle impact washing and greenwashing by adhering to industry standards and leading organizations such as the UN SDGs, the Impact Management Project, the Operating Principles for Impact Management and the Global Impact Investing Network's IRIS+ Catalogue of Impact Metrics.

StepStone Impact Theme Mapping

We have developed a proprietary impact theme mapping aimed at identifying the most compelling opportunities that we believe combine positive social and/or environmental outcomes with strong risk-adjusted returns. Our mapping methodology is aligned with the United Nations' 17 SDGs and encompasses investments across five themes outlined below:

ENVIRONMENT		SOCIAL		
Energy Transition	Natural Capital	Empowerment	Health	Sustainable Communities

Impact and Thematic Investing Considerations in the Due Diligence Process

At StepStone, we collaborate with our clients to gain a deep understanding of their investment and impact objectives as well as their specific reporting needs. In addition to the extensive ESG due diligence we perform for our primary investments (as part of our standard RI process, as outlined previously), we go a step further for impact-focused accounts. We conduct a dedicated impact evaluation and scoring for the opportunities under consideration, focusing on five key dimensions that encompass a comprehensive assessment of the investments' social and environmental impact potential and robustness of impact-related processes.

FIVE DIMENSIONS OF IMPACT EVALUATION AND SCORING				
Impact Potential	GP Alignment	Impact Measurement and Reporting	Impact Management	Impact Performance

To illustrate our approach to impact and thematic investing, the following case study presents an example of an investment opportunity that aligned with the energy transition impact theme. It also outlines our engagements with the manager to enhance its ESG and impact practices.

CASE STUDY 7.5

ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** UNITED STATES

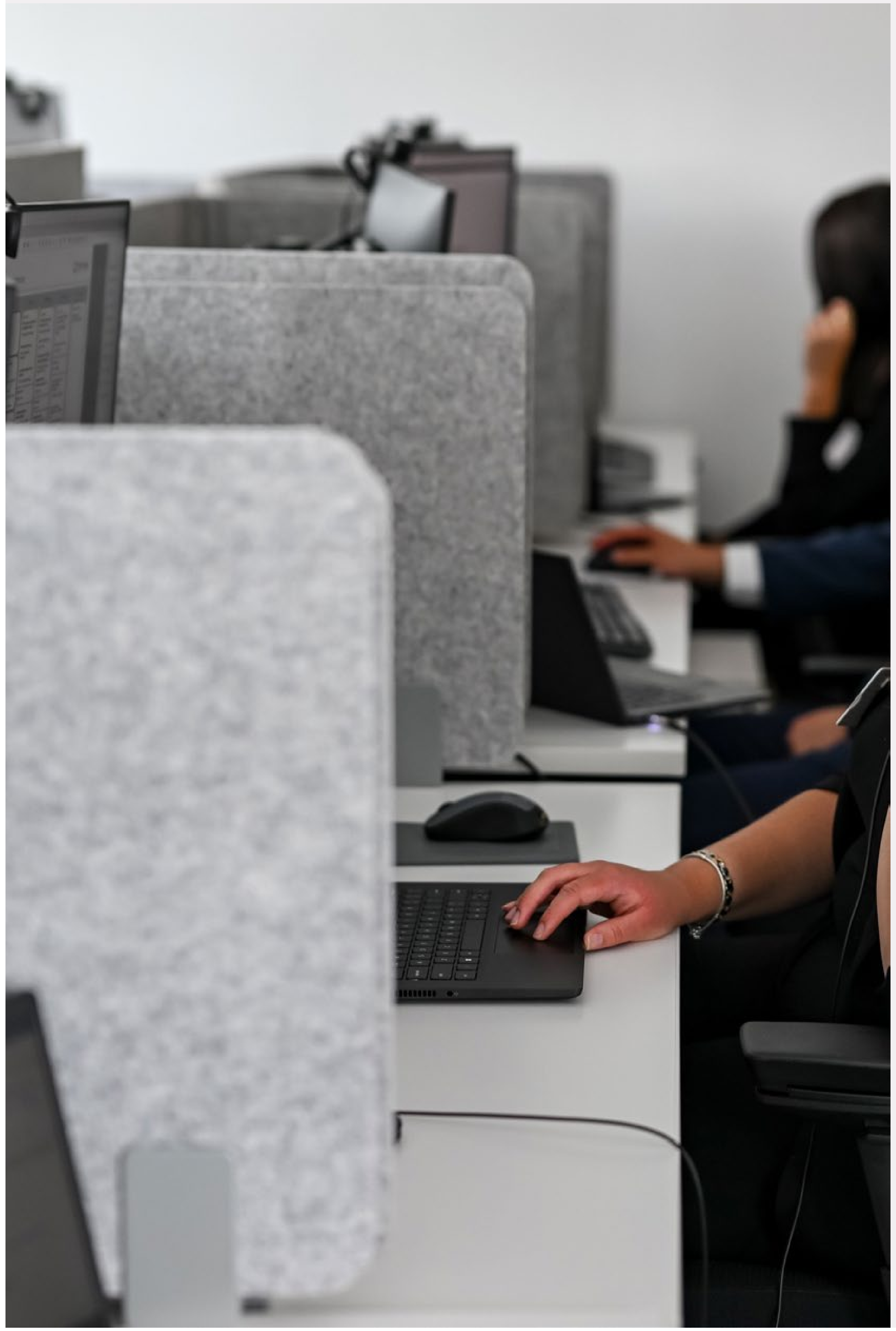
Accelerating Sustainability and Resiliency with Activate Capital

Activate Capital is a minority-owned, growth-stage venture capital firm investing in technology companies focused on the sustainable, resilient transformation of the global economy. In 2021, StepStone invested in Fund II, which continues the firm's strategy of investing in high-growth technology companies addressing the energy transition, smart mobility and industrial digitalization.

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 the cleantech sector. Additionally, Fund II had made its first three investments at the time of our underwriting, allowing StepStone to gain conviction on the initial assets in the portfolio, in terms of their strong trajectory operationally, as well as their impact potential.

Since investing, StepStone has engaged regularly with the GP to further enhance its ESG and impact management processes, including throughout the reporting year. As evidenced by the publication of its first two Impact & ESG Reports, 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 1-3 emissions and the adoption status of key ESG-related policies and seeks to provide resources and expertise to develop their approach across these areas. Climate impact is measured through metrics that are bespoke to each company, with a notable focus on CO2e emissions avoided and Gigawatt hours (GWh) 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.



To see that our impact-related expectations are met, we may also utilize side letters when investing in funds managed by GPs who are still in the process of developing or fine-tuning their impact processes to align with our standards. In collaboration with the GP, we may, for example, identify and determine the relevant impact metrics that align with the fund's strategy. These metrics are then documented in a side letter, solidifying our impact expectations and fulfilling any client-mandated requirements. The spotlight to the right is an example during the reporting year.

Priorities Going Forward

We continue to review our due diligence efforts to confirm their effectiveness in identifying and addressing material ESG issues and implement any changes to our approach as necessary. For example, as outlined in this principle, we placed a strong emphasis throughout the reporting year on enhancing our ESG due diligence processes for VC investments.

In the coming year, we plan to update our due diligence and post-investment monitoring questionnaires, refreshing them with additional questions in alignment with emerging ESG topics. We look forward to providing updates on progress in our next Stewardship Report.

SPOTLIGHT

Side Letter Implementation for a Thematic Fund Investment

In 2022, we made an investment in a thematic fund, managed by an Asia-based GP, focused on various environmental themes. Through a collaborative effort, we refined the GP's approach to measuring the fund's impact and formalized it in a side letter. The side letter specifically emphasized the climate-related KPIs that were most relevant to the fund's strategy. We expect the continued use of side letters for future impact investments made.

PRINCIPLE 8

Asset Managers: Signatories monitor and hold to account managers and/or service providers.

Activity & Outcomes

Monitoring Investment Managers Around Stewardship Expectations

We diligently monitor managers on an ongoing basis to confirm that investments align with our expectations, including with respect to stewardship. As outlined in Principle 7, our process of setting expectations begins at the due diligence stage, where we communicate within our RI DDQ and during on-sites and other GP touchpoints. This extends onto the post-investment stage, where we continue to express our expectations and review managers' stewardship performance through our monitoring and engagement efforts.

Our global investment team is responsible for monitoring investments on an ongoing basis, based on sector coverage. Manager meetings typically take place four to six times per year through a combination of the following methods:

KEY CHANNELS TO MONITOR MANAGERS

One-on-One Meetings

This is our primary method for monitoring managers across asset classes and geographies. One-on-one meetings enable us to have direct dialogue with managers on specific topics, which may include stewardship. Annually, we conduct over 4,900 meetings with GPs globally.[1]

Site Visits

Site visits offer a firsthand view of a GP's operations and culture. During these visits, we typically meet with the GP's leadership team and/or senior professionals. We may hold in-depth sessions around RI during visits.

Participation in Limited Partner Advisory Committee Meetings

We seek to utilize our position of influence to monitor GPs and hold them to account through advisory board seats when we hold them.

Participation in Annual General Meetings

Participation in AGMs allow us to receive major updates from a GP around matters such as governance, strategy and performance, which often includes RI-related updates.

[1] Figure accurate as per data for fiscal year ended March 31, 2023

In addition to the channels noted previously, we have developed a range of resources to further communicate our RI expectations, which includes stewardship. Our Responsible Investment Guidance Module for GPs is a key example; this resource has been designed to share what we consider as best practice around integrating RI considerations into a GP's investment program. Key topics include:

- Developing and enhancing an ESG Policy
- Key ESG frameworks and initiatives for GPs
- RI governance structures and accountability measures
- Integrating ESG considerations into the investment process
- RI monitoring and reporting
- Overview of key ESG issues: climate change, DEI and human rights

In 2022, we updated the existing RI Guidance Module for Private Equity GPs, further customizing it to address specific improvement areas for each GP. Additionally, during the reporting year we created individual modules for Venture Capital, Private Debt, Infrastructure and Real Assets, and Real Estate GPs. We recognized that each asset class presents unique characteristics—therefore, the creation of bespoke modules allows us to communicate expectations that are more specific and appropriate to each asset class.

Throughout the modules, we make clear our expectations, preferences and recommendations to GPs around various stewardship-related topics and provide real-world examples of best practice for each. For example:

- **Engagement (Principle 9)** – we outline clear steps for GPs around ESG engagement, which includes establishing ESG contact points at portfolio companies/assets, incorporating material ESG factors into post-investment management, and setting ESG-related targets within the portfolio, among other matters.
- **Collaborative engagement (Principle 10)** – we encourage GPs to become signatories to globally recognized standards and frameworks and aligning their ESG programs to such frameworks. Key examples across all asset classes are the PRI and TCFD.
- **Escalation (Principle 11)** – we set clear expectations for GPs around monitoring, managing/escalating and reporting critical ESG incidents within the firm and their portfolio. We illustrate this with various examples of such incidents.
- **Exercising rights and responsibilities (Principle 12)** – we expect GPs to exercise their rights and responsibilities in a way that is appropriate to their asset class and strategy, recognizing that different governance rights exist.

Overall, we have found this to be an effective resource that enables us to reach a large number of GPs in a highly efficient manner.

During the reporting year, we conducted close to 100 GP engagements on adopting an ESG policy, becoming a PRI signatory and implementing other enhancements to their RI programs, including stewardship-related improvements.

Engaging with Managers to Meet Our Needs and Enhance Their Processes

To further set and align expectations around stewardship, we also take a targeted approach through one-on-one engagements with GPs, where we utilize the results of our RI scorecard (discussed in Principle 7) to identify opportunities for engagement.

These active engagements have been instrumental in driving positive change at the manager level, and in turn, will benefit their portfolio assets that they manage on our behalf as investors. We have provided three case studies on the following pages that highlight how we work with managers to further enhance their practices.

CASE STUDY 8.1

ASSET CLASS: REAL ESTATE | **REGION/COUNTRY:** UNITED KINGDOM

Monitoring and Engaging a Manager to Advance ESG Practices

Elevation is a specialist healthcare real estate investment manager focused on enhancing healthcare access and outcomes in underserved markets.

Elevation partners with global institutional capital wanting to gain access to this fragmented sector through core-plus and value-add investments in both the credit and equity space. In 2018, StepStone made its first investment with Elevation in a portfolio of over 20 senior housing assets in the UK, which are leased to various healthcare and senior care home operators on long-term, inflation-linked contracts.

The investment thesis for this opportunity is driven by the significant undersupply of market standard senior housing in the UK, which at the time of the initial investment in 2018, had an expected shortfall of nearly 300,000 beds with wet-room facilities by 2023, representing 70 percent of care home demand in the UK. Additionally, the investment provides an opportunity to address a highly fragmented market in the UK, where the top operators represent less than 5 percent of total market share and the top 10 operators represent just over 20 percent of total beds. Strong operators are able to consolidate larger portfolios through purpose-built acquisition-leasebacks and forward fundings of new assets, delivering space that is adapted to meet the occupiers' future living and healthcare needs, as well as improving care quality standards, which support the investment strategy.

Outcomes

As Elevation was an emerging manager at the time of our investment and given some of the sensitivities of investing in senior housing and healthcare sectors, StepStone took an active role in shaping Elevation's operations. This included assisting with the formation of the GP's board of directors to bolster their operational, regulatory and governance expertise, including two professionals with experience of healthcare operations and capital markets to help Elevation setup their robust operating policies and systems. This resulted in the formation of internal committees and policies, including developing an ESG policy in alignment with the UN PRI.

Further, Elevation has progressed plans to partner with its stakeholders to drive ESG improvements across the portfolio. This includes conducting property assessments and identifying opportunities to improve energy efficiency, such as obtaining higher EPC ratings, BREEAM in-use certification, and conducting energy and sustainability audits. To enhance these efforts, Elevation has hired an ESG Director to focus on initiatives such as: drafting environmental action plans based on asset-level assessments; outlining proposals for capex and resource allocation needed to progress sustainability-related outcomes; and protecting the future value of assets positioned for long-term owners and operators.

We are supportive of Elevation's progress on ESG matters and believe our collaboration has positively impacted key stakeholders and, ultimately, the end occupier. Our assistance with Elevation's operating policies and systems has contributed to their enhanced governance and operations and helped them form a concrete action plan to drive ESG best practices throughout their portfolio. We believe this has contributed to Elevation's continued growth and reputation in the senior housing and healthcare sector, with AUM reaching £1.4bn as of February 2023 with the majority of its capital base represented by large institutional clients. StepStone has also continued to grow its relationship with Elevation, investing over £350m across various strategies.

Please refer to Case Study 9.3 to learn more about how Elevation utilizes their position to engage across their portfolio.

CASE STUDY 8.2

ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** UNITED STATES

Engagement to Support GI Partners' Responsible Investment Efforts

GI Partners is an alternative investment firm investing on behalf of leading institutional investors through its Private Equity, Data Infrastructure, and Real Estate strategies.

We made our first investment in a GI Partners-sponsored fund in 2017 and a subsequent investment in 2020. Furthering our relationship with the firm, we joined GI Partners' Limited Partner ESG Committee in 2021.

Since our initial investment, we have focused our engagement on supporting GI Partners' goals to enhance their ESG practices. We have provided guidance on DEI best practices, including policy measures at the firm- and portfolio-company level, and initiatives around recruitment, retention, and promotion. We have also engaged with the firm around the importance of transparent ESG reporting that aligns with global and industry standards.

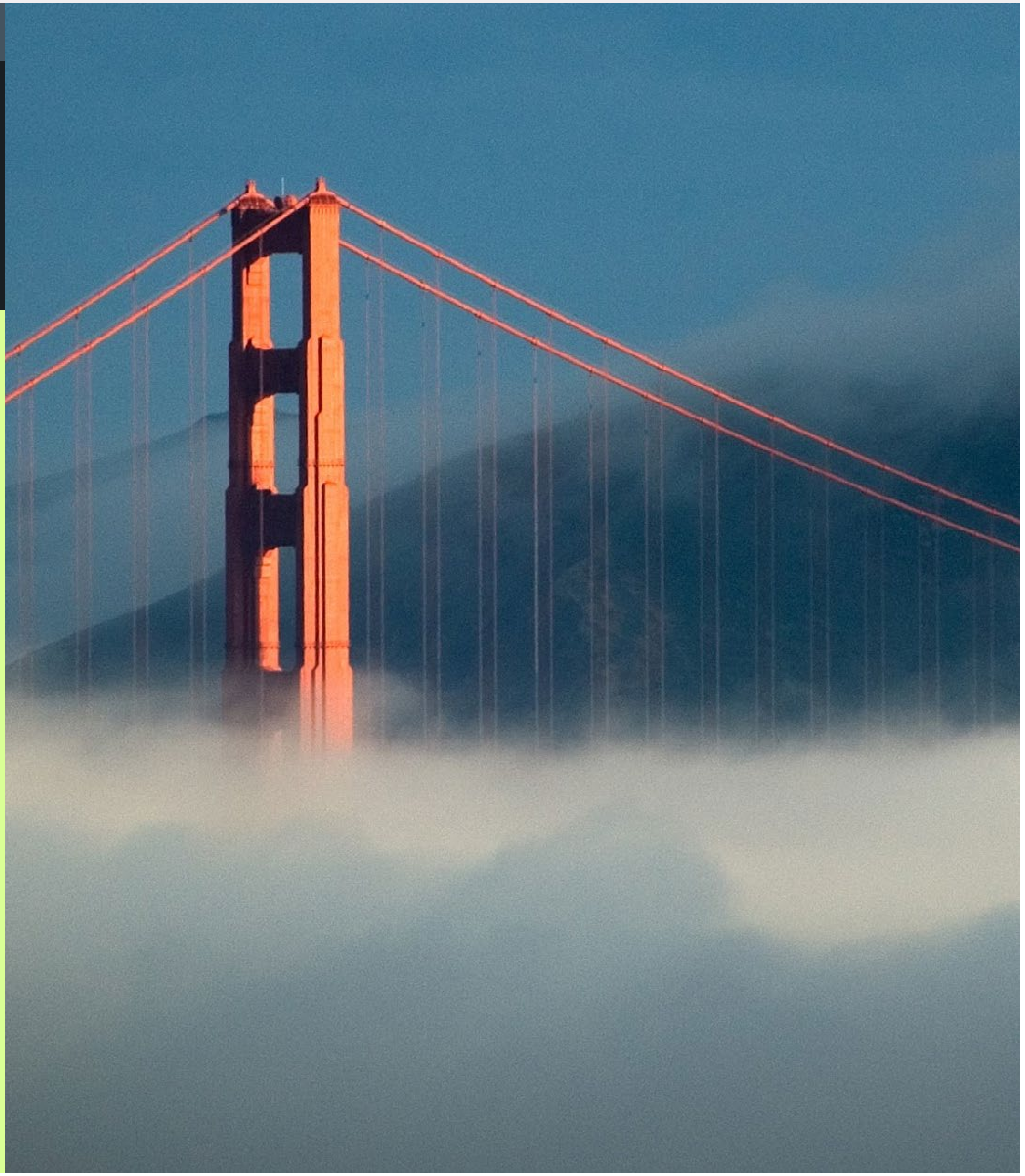
Outcomes

In 2022, one of their key accomplishments was hiring a Head of ESG to lead the firm's efforts. They also held an inaugural ESG summit for portfolio companies, bringing together executives to discuss topics for value creation and risk minimization, such as labor, energy, ethics and DEI.

In 2023, GI Partners has continued to work on its DEI initiatives including (1) interviewing women and underrepresented minority candidates for all open positions within the firm, (2) interviewing at least one woman and one underrepresented minority candidate for executive positions at all controlled portfolio companies, and (3) establishing board diversity targets at controlled portfolio companies. GI Partners also joined ILPA's Diversity in Action (DIA) initiative, which brings together GPs and LPs who aim to advance DEI.

GI Partners has demonstrated a commitment to transparency and monitoring by completing GRESB reports for Real Estate investment vehicles since 2017, joining PRI in 2018, and collecting Data Convergence Initiative data from portfolio companies since 2022.

We look forward to our continued collaboration with GI Partners as they evolve their approach and strive to meet their goals.



CASE STUDY 8.3

ASSET CLASS: PRIVATE DEBT | **REGION/COUNTRY:** UNITED STATES AND EUROPE

Monitoring and Engaging Managers on ESG Margin Rachets

ESG- or sustainability-linked loans are those that incentivize a borrower to achieve predetermined ESG/sustainability performance objectives. Typically, the borrower's incentivization is driven through a margin rachet mechanism incorporated into loan documentation, which decreases the amount of interest payment due by a predefined amount if a borrower successfully achieves its objectives. Conversely, failure to meet these objectives may result in an increased amount of interest payment due, serving as a penalty to encourage the borrower to stay on track.

The emergence of ESG margin rachets in the European direct lending market has become a noticeable trend, and StepStone recognizes that, when implemented following best practices, they can be a positive development as a key stewardship tool for lenders. By integrating relevant, material ESG objectives into loan documentation, lenders have a quantifiable and objective means to influence borrowers to improve business operations.

Throughout 2022, we closely monitored the evolution of ESG margin rachets and arranged meetings with multiple GPs in the United States and Europe who had not yet incorporated such mechanisms into their loans. Within our discussions with GPs, we focused on:

- Educating/knowledge sharing – particularly for US-based GPs, where margin rachets remain uncommon.
- Discussing best practice – we provided our views on best practice (e.g., with respect to margin rachet characteristics, structuring KPIs, reporting and verification) and explained the potential benefits of ESG margin rachets when following best practice.

Outcomes

Our engagement meetings served as an opportunity to educate managers on how the mechanisms work in practice, which was particularly valuable for GPs with limited exposure to this type of structure. Since our meetings, one GP we engaged with is actively considering the implementation of margin rachets. Additionally, another GP we engaged with has taken the step to integrate ESG-linked margin rachets into their loan structures. We are pleased that our efforts have contributed to raising awareness of these mechanisms.

Outside of this engagement, we continue to have quarterly meetings with GPs as part of our standard approach to monitoring, where ESG is a standing agenda item. Following our initial outreach on margin rachets, we will inquire about any updates during these regular touchpoints, including progress made in considering or implementing ESG margin rachets.

Holding Other Service Providers to Account

We work with an array of specialized service providers to efficiently carry out our core activities. These providers can be broadly classified into two main groups:

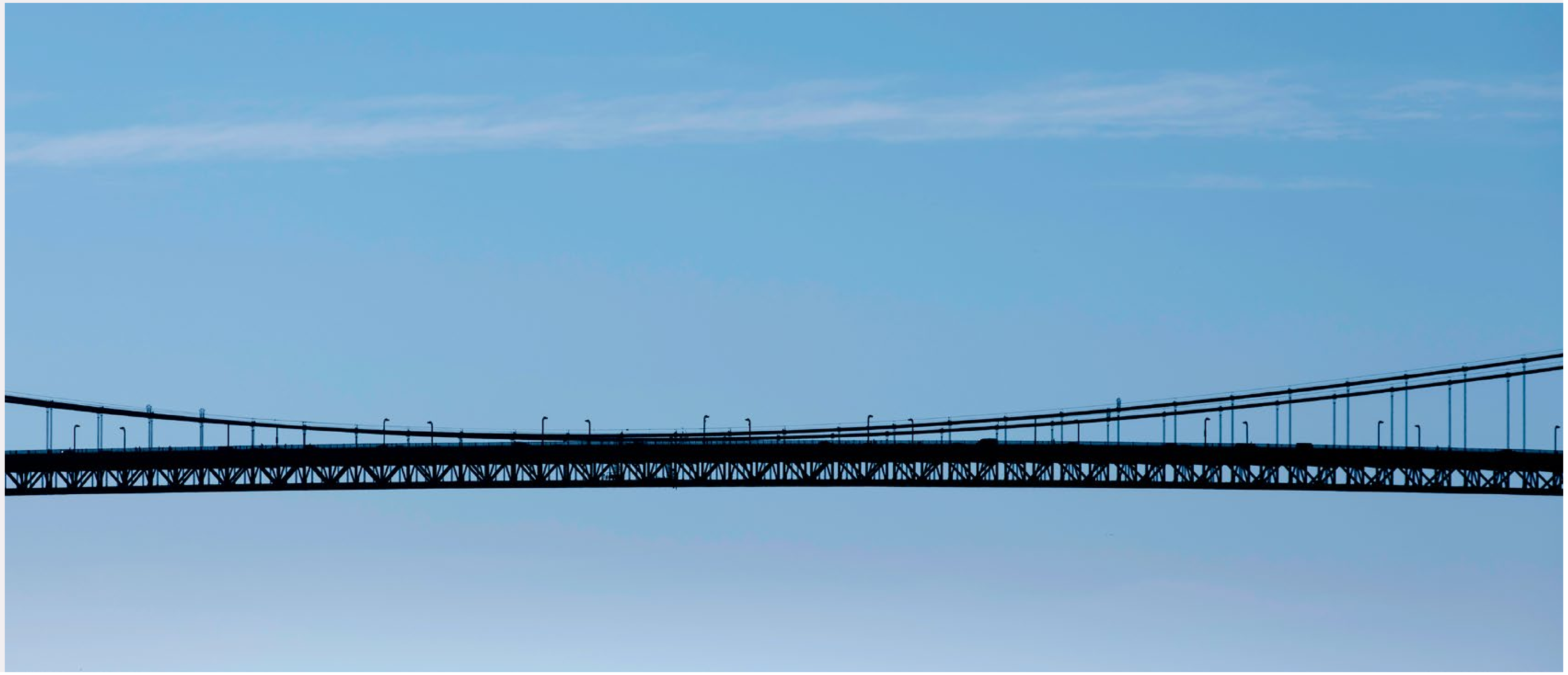
- **Banking/Financial Institutions:** We use a number of financial institutions for banking activity and custodial activity for products.
- **Other Service Providers:** We use a number of other third-party service providers., including third-party fund administrators who provide accounting and reporting services for products we manage.

As outlined in Principle 7, the responsibility for implementing our RI program, which includes stewardship, rests with our internal teams. We do not utilize third-party service providers to conduct RI activities. However, we selectively utilize third-party ESG data providers to inform our due diligence and engagement.

As the direct users, our investment team members engage in ongoing dialogue with these providers where needed, including throughout the reporting year. During these touchpoints, our investment team communicates feedback directly to providers. Discussion areas may include potential data gaps, requests to expand the breadth of coverage and feedback regarding user experience. We have found these sessions useful, and our feedback is typically addressed in a timely manner. Overall, we are content with their services provided during the reporting period. We will continue to utilize communication channels to share any feedback we have.

Vendor Due Diligence Committee & Service Provider Oversight Framework

We have a Vendor Due Diligence Committee (VDDC) in place to enhance our vendor due diligence processes and apply oversight. The committee's responsibilities are outlined in a charter, which includes reviewing and approving the operational due diligence of our significant vendors and service providers. Comprising senior members across StepStone, including our Chief Financial Officer, the VDDC operates on a majority vote basis for decision-making. Our vendor DDQ incorporates relevant ESG considerations, including with respect to emissions, DEI and responsible supply chains. This aids us in our vendor evaluation and selection process. After selecting a vendor, we maintain appropriate levels of contact throughout. Issues, complaints or incidents are escalated to our Co-COOs as needed.



Principle 9

Principle 10

Principle 11

SECTION C

Engagement

PRINCIPLE 9

Asset Managers: Signatories engage with issuers to maintain or enhance the value of assets.

Activity & Outcomes

Our Engagement Approach: Primary and Secondary Investments

For primary and secondary investments across our asset classes, we invest in funds managed by GPs whose strategies, resources and philosophies can deliver outperformance. These GPs hold positions of influence in their portfolio assets, granting them direct access to conduct effective stewardship and drive value creation on our behalf as indirect investors. Please refer to Case Studies 9.3 and 9.4 for examples of how GPs whose funds we have invested in have engaged with their underlying assets on our behalf.

As discussed in Principle 7 and Principle 8, we set clear expectations with GPs around stewardship throughout due diligence and post-investment monitoring. With respect to portfolio level engagement specifically, a summary of our expectations is as follows:

- **Key topics** – across asset classes, we direct managers to focus on specific ESG issues that we believe are relevant across assets (whether directly or indirectly): climate change, human rights and DEI. Outside of these issues, we recognize that material topics will differ depending on the fund strategy, and our expectations therefore differ accordingly. For example, for VC investments, we typically highlight data security as a topic for managers to focus their engagements on.
- **Engagement methods** – we expect managers to utilize methods that are available to them, which will likewise differ depending on the manager and fund strategy in question. For example, in our RI Guidance Module for PE GPs, we outline recommendations for managers to integrate material ESG factors in 100-day plans. This approach is not applicable to other types of managers, such as those in Private Debt.

For more information on how we set expectations on stewardship during due diligence, including our use of side letters, please refer to Principle 7. To gain insights into how we set expectations during monitoring and engagement with managers to meet our needs, please refer to Principle 8. This is a crucial part of our approach—given we do not have direct access to assets, by collaborating and working closely with GPs, we are able to communicate our expectations and priorities so they can exert influence on our behalf.

Our Engagement Approach: Co-Investments and Direct Investments

We seek to conduct direct engagement with assets within our co-investment and direct investment strategies, where feasible. We note that we typically acquire minority interests hence do not control these assets. Therefore, our level of influence and ability to engage is often limited. We therefore focus our efforts on assets where we have a greater level of influence and governance rights, such as when we have a board seat. In such circumstances, our role allows us to engage more actively. Please refer to Case Studies 9.1 “Direct Engagement to Support 1-800-Pack-Rat/ Zippy Shell’s Commitment to DEI” and 9.2 “Direct Engagement to Shape an Asset’s Net-Zero Road Map” for examples of our engagements with assets where we hold board seats. In most situations where we have limited levels of direct oversight and influence, we expect the lead GP(s) to drive engagements with assets, and we play a supporting role as necessary.

In the remainder of this principle (outside of Case Studies 9.3 and 9.4), we discuss our approach to direct engagement with assets.

Selecting and Prioritizing Our Engagements

Across asset classes, we select and prioritize our engagements depending on various factors. A key consideration is the level of materiality of issues that have been identified within assets, which is informed by our due diligence (see Principle 7) and post-investment monitoring (see Principle 8). Where material risks and opportunities are identified, this will take priority in our engagement decisions.

We also take into consideration the size of our holding. In general, the larger our investment, the more we are exposed to the risks embedded in the investment. As a result, we typically place greater emphasis on these in order to address the ESG risks and opportunities identified. As discussed earlier, another factor we take into account is the level of influence we hold. We focus on investments where we expect to have more meaningful and continuous engagement, which is typically those where we have considerable governance rights.

Developing Well-informed and Precise Objectives

Similar to our selection and prioritization process, we generally develop engagement objectives based on the material ESG risks and opportunities identified during our due diligence process and ongoing monitoring efforts. The results of this work will inform the topics and consequently define the objectives that we seek to engage on, which will necessarily differ depending on the asset in question.

We note there are key topics that we generally place emphasis on across asset classes, as discussed throughout this report, given their overarching relevance and materiality. These include the systemic risks outlined in Principle 4, notably climate change. See Case Studies 9.2 and 4.1 for examples of how we identified climate-related objectives and proceeded to engage with assets on these during the reporting year. DEI is another key topic we generally prioritize and is discussed in greater detail in Principle 2 and Principle 7. See Case Study 9.1 for an example of how our objectives were developed, which were informed by the management team's focus on DEI-related opportunities.

In terms of responsibilities to develop objectives and conduct engagements, this is carried out by our RI team and the investment teams they work alongside, as highlighted in Principle 2. We attribute our success in delivering targeted engagement plans to our diverse team of professionals and the depth of their relationships. Each member of our team possesses specialized expertise in the asset classes we invest in. By strategically locating our professionals across the globe, we are well-positioned to understand and address region-specific ESG challenges and opportunities. Local knowledge and cultural awareness allow us to develop engagement strategies that resonate with stakeholders in each geographic context and asset class.

Methods of Engagement

Our approach to engagement is primarily achieved through the following methods:

- **One-on-One Meetings**
- **Site Visits**
- **Board Participation**
- **Observer Roles**
- **Sharing Resources**

In terms of the extent that each method has been used, our ability to utilize any of these approaches differs by investment and governance rights available. For example, naturally we are only able to engage through board participation if we have a seat. In general, we utilize one-on-one meetings and resource sharing most frequently, given these are the most accessible methods of engagement. On the other hand, in primaries and secondaries where our investment approach is indirect, we rely on underlying GPs to oversee the assets. Throughout this section, we have included a selection of case studies that span our various investment approaches, giving a broad overview of our engagement and influence in different contexts.

We also prioritize ongoing engagements that extend throughout the holding period. Given the long-term nature of private market investments, multi-year engagements enable us to address complex, long-term risks and opportunities, engaging with assets in detail that short or one-off engagements do not permit. This approach also grants us flexibility to adapt and focus on new areas of engagement as they emerge over time. For a multi-year engagement example, please refer to Case Study 9.2.

We recognize that each investment and its associated ESG challenges require a tailored approach, and as such, we do not impose rigid timeframes on these processes. We adopt a dynamic approach to engagement, taking into consideration the complexity of the issue at hand on a case-by-case basis.

Regular One-On-One Engagement Meetings

We place emphasis on one-on-one engagements due to their effectiveness in addressing specific issues. Unlike broader forums that may cover a wide range of topics, these focused meetings allow us to target specific objectives in dedicated sessions with assets. These meetings are often conducted with members of the asset's management team and/or relevant departmental professionals depending on the objective (for example, we may engage with human resources professionals on the topic of DEI). Moreover, one-on-one engagements allow us to foster stronger, direct relationships with assets and enhance our understanding of their processes and performance.

Engagement through Board Participation and Observer Roles

As noted earlier in this principle, StepStone's investment strategy is typically focused on making minority investments. As a result, we do not often hold board seats or extensive governance rights. The extent to which we engage and exercise our rights is therefore proportionate to our influence in the investment. Where we do hold board seats and observer roles, we seek to utilize our position to actively engage. We demonstrate this through Case Study 9.1 and Case Study 9.2 on the following pages.

SPOTLIGHT

Targeted Engagement for Value Creation in Private Equity Co-Investments

In 2022, our commitment to driving stewardship through engagement led us to conduct an in-depth review of our Private Equity co-investments. The primary objective of this endeavor was to identify priority investments where we could initiate targeted engagement efforts and drive value creation.

Our key decision criteria included assessing our level of influence within each co-investment, an evaluation based on ownership stake and governance rights. Additionally, we focused on co-investments where we identified material ESG risks and/or opportunities during due diligence and monitoring, the insights from which helped us to shape engagement objectives and see that our efforts targeted the most critical areas for enhancement and potential for value creation.

One notable example arising from this targeted engagement initiative is explored in Case Study 9.1. Here, we identified an opportunity to utilize our board seat and proactively engage with the company's senior team on DEI as an opportunity to add value.

CASE STUDY 9.1

ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** UNITED STATES

Direct Engagement to Support 1-800-Pack-Rat/ Zippy Shell's Commitment to DEI

1-800-PACK-RAT/Zippy Shell is a US-based provider of portable storage and moving solutions. In 2018, we invested in the company alongside Virgo Investment Group. As part of the investment, we obtained a board seat, enabling active participation in shaping the company's strategic direction.

As one of the leaders in the field, the company had an existing focus on material ESG issues. In particular, occupational health and safety is of paramount importance to the company, where it performs above national benchmarks on key safety metrics. StepStone recognizes the company's performance in this area and continues to receive updates from the management team on progress. As part of our role on the Board, one area we identified for further enhancement was the company's DEI efforts. In alignment with StepStone, the management team recognized the value of DEI—in unlocking a more extensive talent pool, fostering diverse thoughts and ideas, and improving employee engagement and retention. The value add of DEI is discussed further on page 60 of this report.

Since investment, we have advocated for recruiting and retaining the best talent across the firm, from the team of drivers and warehouse employees to the C-suite. Through our seat on the Board, we have worked with the management team to implement concrete actions in this area detailed below. The company also implemented a DEI policy and ad hoc DEI initiatives but was seeking to develop a more formalized program to enhance its efforts.

This resulted in a formal engagement from StepStone across 2022, which included collaboration with the CEO and the Head of Human Resources to offer guidance on their DEI initiatives. Through our board seat, we provided guidance, advice and resources to the senior team with respect to:

- Enhancing governance procedures (e.g., by establishing a DEI Committee)
- Recruitment (e.g., by utilizing DEI-focused recruitment platforms)
- Retention (e.g., through conducting a DEI survey as an initial "temperature check")
- Benchmarking performance on DEI

In addition, we shared insights into our own DEI journey and the experiences and learnings to date. Since our engagement, the company has made significant progress toward enhancing its DEI program. Among other areas, the company has implemented various governance updates (including establishing a formal DEI Committee and incorporating DEI as a business initiative in its board meeting update), enhanced its recruitment materials to feature employees from a diverse range of backgrounds, began tracking DEI metrics across the firm and conducted DEI training for its employees. The company also launched an anonymous survey to understand its performance on DEI and identify areas for further progress.

The commitment from the company's leadership team to focus on DEI has been instrumental in driving the progress achieved to date. The team has outlined further plans for 2023 and beyond, including actioning the insights gathered from the DEI survey and encouraging the development of employee resource groups for people with shared backgrounds and interests to come together. At StepStone, we are greatly encouraged by the action taken to date and believe the team has set up strong governance structures to continue making significant strides in recruiting and retaining the best talent. As a result, we have transitioned our active engagement to ongoing monitoring through our role on the Board. We look forward to witnessing the development of the company's DEI program and to continue playing a supporting role in driving this forward.

CASE STUDY 9.2

ASSET CLASS: INFRASTRUCTURE & REAL ASSETS | **REGION/COUNTRY:** EUROPE

Direct Engagement to Shape an Asset's Net-Zero Road Map

One of our Europe-based assets is taking a proactive role in decarbonizing its operations. Since it is a strategic transportation infrastructure asset, this will play a crucial role in the decarbonization of the economy. In late 2021, influenced by the significant momentum created by COP26, the asset recognized the need to amplify its ESG efforts. This resulted in the Board establishing a dedicated sustainability steering group, which was tasked with coordinating actions to address the risks and opportunities associated with climate change.

Subsequently, in 2022 the asset appointed a consultant to review its carbon footprint. We liaised with the ESG manager and offered guidance on setting the scope of work for the consultant. In addition to the carbon footprint assessment, the consultant provided recommendations for net-zero targets and pathways aligned with the Science Based Targets initiative (SBTi).

The findings of the consultant's review were shared with the asset's shareholders, including StepStone and our clients, prompting an open and constructive dialogue. Recognizing the importance of science-based pathways, we emphasized the need for a strategy that not only reduced emissions but also considered short-term efficiencies and the asset's commercial landscape. Taking this into account, the Board requested management to present a net-zero road map, accompanied by concrete decarbonization initiatives.

In Q4 2022, management presented a comprehensive net-zero road map to the Board. This road map was carefully aligned with the criteria set by the SBTi, necessitating a minimum annual reduction from baseline emissions. Drawing on our expertise in GhG emissions reduction planning, we supported management in drafting an announcement that showcased the existing and planned efforts of the company in delivering net zero by a target timeline. We supported this timeline as not only did it align with global objectives but also surpassed the local government's own net-zero target year.

To achieve these objectives, the asset has implemented a range of initiatives with a focus on continuous improvement. These initiatives include transitioning to environmentally sustainable sources of electricity across all sites of operation, prioritizing sustainable construction practices, including the use of reused or recycled materials and sourcing locally for current construction projects. Additionally, the asset continues to evaluate alternative fuel options, such as hybrid, electric and hydrogen-powered options and engages with suppliers to understand their sustainability road maps.

A Summary of Our Engagement

Our engagement with the asset on the development of its net-zero road map has been focused on driving stronger commitments and aligning sites' efforts with best practices.

Here are some of the key aspects of our engagement:

- **Advocating for Stronger Targets:** We actively supported the asset in advocating for stronger targets. Through collaborative discussions and sharing our expertise, we worked in tandem with the asset to reinforce the importance of robust net-zero commitments.
- **Helping to Establish a Dedicated ESG Committee:** Recognizing the importance of shareholder input in shaping ESG priorities, we proactively engaged the management team to establish a dedicated shareholder ESG Committee. This committee was designed to provide a platform for greater shareholder involvement in the decision-making process related to ESG matters.
- **Reviewing Net-Zero Road Map and Providing Feedback:** To support the asset in developing an effective road map, we reviewed the work prepared by the management team and consultant. Leveraging our expertise, we provided detailed feedback and recommendations. This collaborative process saw that the road map was aligned with best practices and positioned the asset to deliver on the targets set.

This case study highlights how we actively engage with assets through board seats, utilizing our expertise to encourage ambitious plans where we believe it will be accretive to the value of the investment, and provide guidance to help the asset progress toward its goals.

CASE STUDY 9.3

ASSET CLASS: REAL ESTATE | **REGION/COUNTRY:** UNITED KINGDOM

Elevation Advisors: Engagement to Enhance ESG Practices Across Its Portfolio

In Case Study 8.1 on page 75, we discussed how we engaged with a European healthcare real estate manager, Elevation, to advance the firm's ESG practices. In this case study, we highlight how Elevation proactively engaged with its operating partners to enhance ESG practices on our behalf and across its own portfolio.

Elevation is a specialist healthcare real estate investment manager focused on enhancing healthcare access and outcomes in underserved markets. Responsible investing sits at the core of Elevation's values and the manager is committed to integrating ESG principles in its healthcare real estate investments, developments and operational management processes.

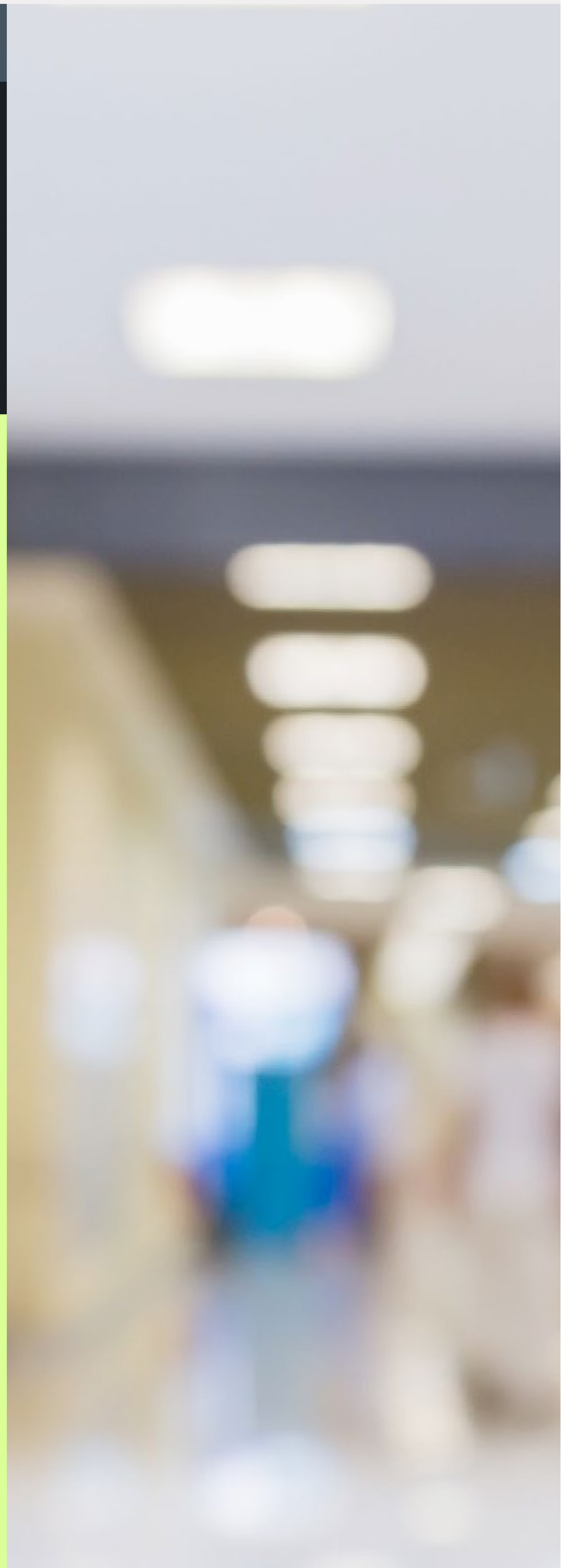
In 2021, we launched a debt co-investment programme with Elevation to provide flexible solutions to senior-living developers and operators across the UK. The strategy was seeded with a loan extended to Oakland Care, which operates high-quality senior care homes across London and South East England, in order to fund the development of seven additional care homes. Oakland Care has an ambitious ESG strategy and in 2021 it became the first UK care home group to be certified as carbon neutral which continued into 2022. Oakland Care's commitment to environmental practices was further highlighted in 2022 as they began certifying each of their buildings through BREEAM in-use, an internationally recognized green building certification. Elevation has developed a strong working relationship with Oakland Care and they now collaborate frequently to advance the ESG agenda.

Meanwhile, Elevation has been progressing plans to partner with its stakeholders to drive ESG improvements across its portfolios. In 2022, Elevation drafted a tenant guide on "Advancing ESG in Healthcare" which was distributed to Elevation's operating partners including Oakland Care. The guide aimed at enhancing awareness of the sustainable practices that can be integrated into construction and operations of assets. This included guidance on key ESG considerations in the sector, green building certifications and practical measures such as outlining developments and retrofit opportunities.

Also in 2022, Elevation produced a series of House Standards that are expected to be rolled out across all new investments in 2023 and beyond. Elevation's proprietary standards draw on best practices, such as the GRESB Standards, the EU Taxonomy and BREEAM guidance. They are also aligned with relevant ESG and sustainability objectives affecting environmental factors (e.g., carbon, energy and water management) and social factors (e.g., operator conduct and end-user wellbeing). The House Standards will support the continued advancement of Elevation's due diligence process and post-investment asset management processes, including the benchmarking of asset-level ESG performance, and the identification and monitoring of key risks and opportunities.

Next Steps
Looking ahead, Elevation is committed to several key initiatives which will strengthen its ESG roadmap. This includes prioritising the extension and adoption of the firm's House Standards across all of its assets. For future developments, this includes adherence to strong sustainability credentials, which Elevation believes will be material and accretive to financial returns. For operational assets, the full rollout of BREEAM in-use certifications will build on results achieved to date.

Elevation will also continue to work closely with Oakland Care, focusing on the delivery of high-quality care homes, integrating best practices and green technologies for energy efficiency, and prioritising end-user and employee well-being. We are supportive of Elevation's dedication to engaging with key stakeholders in order to enhance ESG practices that add value for investors.



CASE STUDY 9.4

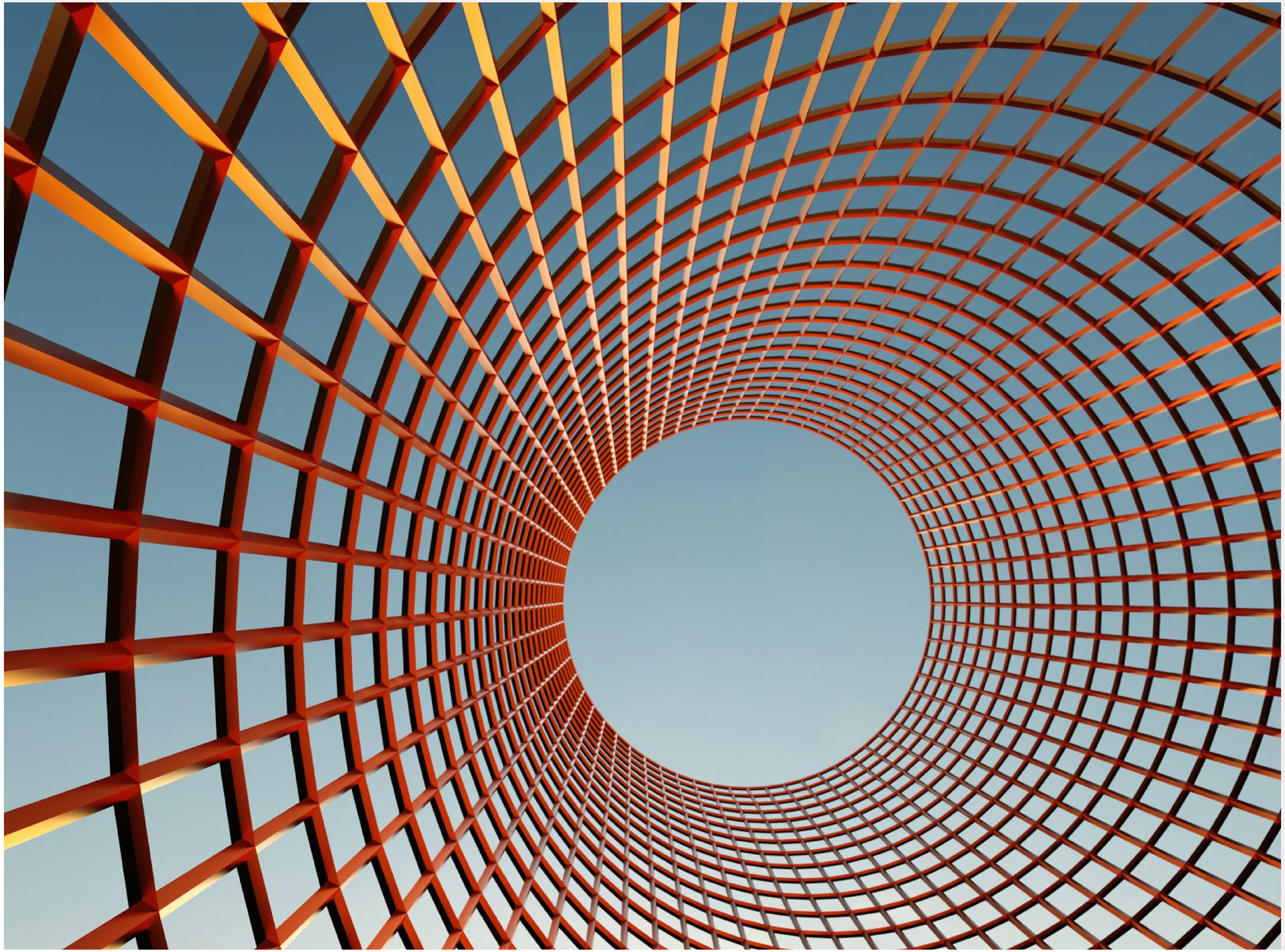
ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** EUROPE/GLOBAL

EQT: Engagement to Enhance ESG Practices Across Its Portfolio

EQT is a global private markets investor focused on active ownership. EQT's investment advisory teams advise the EQT funds to invest in companies across the world, with a mission to help them develop into great and sustainable companies. Together with the management teams, EQT's investment advisory teams deliver on a comprehensive value creation plan for each portfolio company and asset during the EQT funds' ownership.

In this case study, we highlight EQT's notable stewardship performance throughout the reporting year. StepStone has a long-standing relationship with EQT as an investor in numerous funds managed by the GP. The following are examples of its stewardship efforts during the reporting year, conducted with its portfolio and also the wider market through collaborative efforts:

- **Climate change:** One of the cornerstones in EQT's commitment to mitigate climate change, reduce carbon emissions and climate transition risks, is its science-based targets (SBTs). The targets encompass both EQT's own operations, as well as EQT funds' investments, as these form part of the Scope 3 category 'investments' and by extension are the most material to reduce. EQT's SBTs, have continued to play a central part in its value creation approach during the year. For example, eight of the EQT funds' portfolio companies received validated science-based targets during 2022. EQT has also continued to strengthen the alignment of its risk management approach according to the TCFD recommendations during 2022. An updated approach for integrating climate risk assessments into the overall risk management process for EQT funds' investment processes have started.
- **Sustainability measuring and monitoring:** EQT articulates sustainability expectations and ESG-data requirements through a modular set-up of KPIs. During 2022, the KPI modules have been updated to account for new and enhanced internal ambitions and new regulatory developments.
- **Collaborative stewardship:** In 2022, EQT became an official signatory of the United Nations Global Compact (UNGC), a natural step to support and further align with its ten principles. EQT will report its progress with implementing the principles in 2023. During 2022, EQT also collaborated with peers in the private markets industry through its membership in Private Equity Taskforce of the Sustainable Markets Initiative (PESMIT), to explore how the industry can accelerate sustainable transformation. Specifically, EQT has been active in the PESMIT working groups developing industry guidance within the three priority areas: climate change, biodiversity and ESG metrics. PESMIT works in coordination with other SMI Task Forces, and updates national and global policy and decision-makers on its activities. Hence, the partnership allows engaging and influencing the broader ecosystem to accelerate positive impact.



Priorities Going Forward

Building on our achievements in the past year, our strategic focus for the coming years will continue to be on leveraging our influence to support GPs and assets to measure and report on a broader range of ESG disclosures. Our aim is to encourage more GPs to include portfolio-level carbon footprints and other ESG metrics in their reporting. This will be achieved with efforts such as our post-investment monitoring questionnaires.

Our monitoring efforts enable us to gain valuable insights into the ESG performance of assets by collecting concrete performance metrics. The more disclosures we receive, the more effectively we are able to monitor trends, meaning we are better equipped to identify areas for targeted engagements. We utilize benchmarking insights to specifically target assets that may be performing below the benchmark, allowing us to implement focused engagement efforts where they are the most needed.

Building upon the success of our targeted engagement initiative conducted on our PE co-investments this reporting year, we plan to share the findings from our PE engagements as well as SIRA engagements with other asset classes. By expanding our efforts in this area, we aim to enhance our ability to drive stewardship and responsible investment practices, enriching the effectiveness of our targeted engagements across all asset classes.

PRINCIPLE 10

Asset Managers: Signatories, where necessary, participate in collaborative engagement to influence issuers.

Activity & Outcomes

It is our conviction that a key tool to improving the stability and sustainability of the private markets, and more broadly the financial market, is through collaboration and engagement with stakeholders in the industry. At StepStone, we take an active role in this regard by collaborating with other investors, publishing whitepapers, sharing insights on our podcast, conducting research and taking part in initiatives and associations that have the shared objective of addressing challenges and opportunities facing the industry.

Collaboration to Enhance ESG and Stewardship Across the Investment Industry

As part of our efforts in this area, we play active roles in organizations that set global standards and frameworks for responsible investing so as to drive best practices and increase transparency across private markets. Throughout the 2022 reporting year, our key collaborations are outlined in the table on the following pages.

Please also refer to Principle 4, where we discuss our involvement during the reporting year with the following organizations, which are focused on systemic risks such as climate change:

- PRI
- TCFD
- iCI
- IIGCC

ORGANIZATION	FUNCTION	ACTIVITY	OUTCOME
IFRS *Member since: 2020*	The IFRS is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved and eroded. In 2022, the IFRS Foundation assumed responsibility of SASB.	We are members of the SASB Alliance and align our annual ESG Report with the SASB Asset Management & Custody Activities Standards. We use the SASB Materiality Map to assess ESG risks at the GP, fund and asset levels and have integrated it systemically into our investment due diligence process through SPI Research, StepStone's Private Markets Intelligence system.	Consistently integrating the SASB Materiality Map into our investment due diligence process, including throughout the reporting year, has allowed us to tailor our ESG analysis to focus on the most material issues relevant to each specific investment.
GRESB *Member since: 2020*	GRESB provides validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making.	We have an investor membership with GRESB, which gives us access to quality ESG data and analytics to assess our investments, evaluate ESG risks and opportunities and communicate with managers on their ESG performance. Our investment teams, particularly in Real Estate and Infrastructure and Real Assets, leverage this partnership.	By integrating GRESB data into our analysis, we are able to enhance our assessments and promote better-informed analysis and engagement through benchmarking performance with the actionable ESG information available on the platform.
ilpa INSTITUTIONAL LIMITED PARTNERS ASSOCIATION *Founding member of Diversity in Action initiative: 2020*	ILPA engages, empowers and connects limited partners to maximize their performance on an individual, institutional and collective basis. ILPA delivers value to its membership through the following pillars of activity: events, industry affairs, education, research and content.	We are founding members of ILPA's Diversity in Action initiative. The initiative aims to drive industry-wide adoption of best practices. ILPA's Due Diligence Questionnaire (DDQ) and diversity metrics help to standardize investor questions and monitor progress in DEI. We provided feedback in 2021 on the DDQ and diversity metrics template during its developmental phase. In addition, we are members of the ILPA-supported ESG Data Convergence Initiative, which seeks to create comparable ESG data points in the private markets.	We made a commitment to adopt four essential DEI actions and at least two additional actions from a set of nine choices that cover integration of DEI in talent management, investment management and broader industry management. In total, we committed to six additional actions on top of the four essential requirements in the DIA Framework.
INVEST EUROPE *Member since: 2013*	Invest Europe aims to promote a better understanding of private equity that enables members to invest capital and expertise in improving businesses and generating returns for investors. Invest Europe is the world's largest association of private capital providers.	We are members of both the Non-Financial Reporting Directive (NFRD) Workgroup and the Sustainable Finance Disclosure Regulation (SFDR) Workgroup of Invest Europe. Invest Europe has been developing ESG Reporting Guidelines as an ongoing, multiyear project. As active participants in this initiative, we provided feedback on these guidelines in mid-2022. Additionally, we also offered feedback on the ESG reporting template, which serves as a valuable voluntary tool and reference for Invest Europe's members. The template includes baseline reporting recommendations relevant to the private equity and venture capital sectors. Notably, Invest Europe aligned this reporting template with the ESG metrics and definitions used in the ESG Data Convergence Initiative, alongside other existing initiatives and regulations.	This collaborative effort contributes to greater consistency and comparability in ESG reporting across the industry. Version 1.0 of the guidelines was released in 2022 exclusively for members, and Invest Europe maintains a commitment to this ongoing effort, continuing to update the guidelines to reflect evolving market practices, regulatory developments, and other circumstances and events.

ORGANIZATION	FUNCTION	ACTIVITY	OUTCOME
PENSIONS FOR PURPOSE *Member since: 2019*	Pensions for Purpose exists as a bridge between asset managers, pension funds and their professional advisers to encourage more capital to be allocated toward impact investment.	We are members of Pensions for Purpose and have played an active role in the organization. In 2021, our RI and Investor Relations team delivered educational training on impact investing, aimed at sharing knowledge and contributing to the wider industry. The training focused on topics such as the impact universe, integrating impact considerations into the investment process, and impact measurement and reporting.	Training initiatives such as the one we conducted, reaffirm our commitment to thought leadership and help to promote knowledge sharing in the industry. We were pleased to win the Best Strategy Thought Leadership award for our whitepaper "Making an Impact: A Guide for Private Market Investors" at the Pensions for Purpose Content Awards 2022.
Ownership Works *Partner since: 2022*	Ownership Works is a nonprofit organization that partners with companies and investors to provide employees opportunities to build wealth at work.	In 2022, we became a member of a coalition of businesses, philanthropic organizations, financial institutions, labor supporters and pension funds that acknowledge the potential of employee ownership to enhance the success of companies and provide all workers with financial opportunity.	Please refer to Case Study 10.2 on page 92 for more information about our involvement with this initiative in 2022.
VentureESG *Member since: 2022*	VentureESG is a global community of 300-plus VC funds and 90-plus LPs, working to make ESG a standard part of due diligence, portfolio management and internal fund management in VC.	We are a member of the Limited Partner (LP) Working Group at VentureESG.	As part of the LP Working Group, we have collaborated with other industry players to share our perspectives on best practices and ESG expectations from the viewpoint of an LP, with the scope of our involvement looking to evolve year-on-year. At StepStone, we recognize that VC is behind other asset classes in respect to ESG and stewardship, so we are dedicated to offering more practical solutions to help move it forward.

In the following pages, we illustrate how we have engaged in collaborative efforts to drive positive change through partnerships with organizations including the PRI, Ownership Works and the Financial Services Agency of Japan (FSA). From advising on the RI DDQ for VC LPs to fostering employee ownership in corporate America, these case studies are just a few examples of our efforts to influence the wider industry through collaboration during this reporting year.

CASE STUDY 10.1

ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** GLOBAL

Collaboration with the PRI: Advising on the RI Due Diligence Questionnaire for VC LPs

As part of our ongoing collaboration with the PRI, in 2022 we played a role in shaping the RI DDQ specifically tailored for VC LPs, an initiative that we identified as being beneficial to the specific needs of the VC industry.

Building upon our active involvement with the PRI in 2021, when we collaborated with 30 signatories to shape the new PRI Limited Partners' Private Equity RI DDQ, our participation in developing the VC-specific DDQ this year underscores our commitment to advancing responsible investment practices across different asset classes. We recognize that the venture capital sector has unique characteristics requiring further adaptation in responsible investment frameworks.

Outcomes

As participants in the global task force, we actively engaged in multiple meetings throughout 2022. Through a collaborative review process involving participants, the questionnaire was finalized, and the questions were thoughtfully organized into six distinct sections.

Our collaborative efforts to shape the VC DDQ aligns with our broader advocacy efforts in the VC space. We firmly believe in the importance of integrating responsible investment practices in this area, which in 2022 was also reflected in our own internal efforts as outlined in Principle 7 on page 61. By providing feedback and contributing to the development of the PRI's VC DDQ, we aim to foster greater transparency and accountability, as well as increased commitment to responsible investing within the VC ecosystem.

CASE STUDY 10.2

ASSET CLASS: PRIVATE EQUITY | REGION/COUNTRY: UNITED STATES

Partnership with Ownership Works to Drive Employee Ownership Across Corporate America

In 2022, StepStone joined a consortium of influential organizations as a founding partner, including corporations, foundations, investors, labor advocates and pension funds, to support Ownership Works. Ownership Works envisions a future where shared ownership becomes a widespread practice, resulting in hundreds of thousands of new employee-owners and generating at least $20 billion in wealth for working families by 2030.

Working with companies and investors, Ownership Works develops and implements broad-based employee ownership programs across corporate America designed to create success for business and in turn, create meaningful wealth-building opportunities for employees. In recognition of the significant socioeconomic benefits of this program, our CEO, Scott Hart, has taken a position on the Pension Fund Leadership Council, actively contributing to the collective efforts of the consortium.

We consider employee ownership to be a powerful tool for reinvigorating corporate culture, enhancing business performance and fostering positive socioeconomic outcomes across the country. As part of our commitment to this initiative and advocacy for its mission, we held a firm-wide presentation on Ownership Works during the reporting year, featuring the founder and chairman of the initiative. This session educated our broader organization about the work being done by Ownership Works, highlighting the merits and potential of employee ownership programs.

CASE STUDY 10.3

ASSET CLASS: PRIVATE EQUITY | **REGION/COUNTRY:** ASIA PACIFIC

Contribution to the JFSA's Code of Conduct for ESG Evaluation and Data Providers

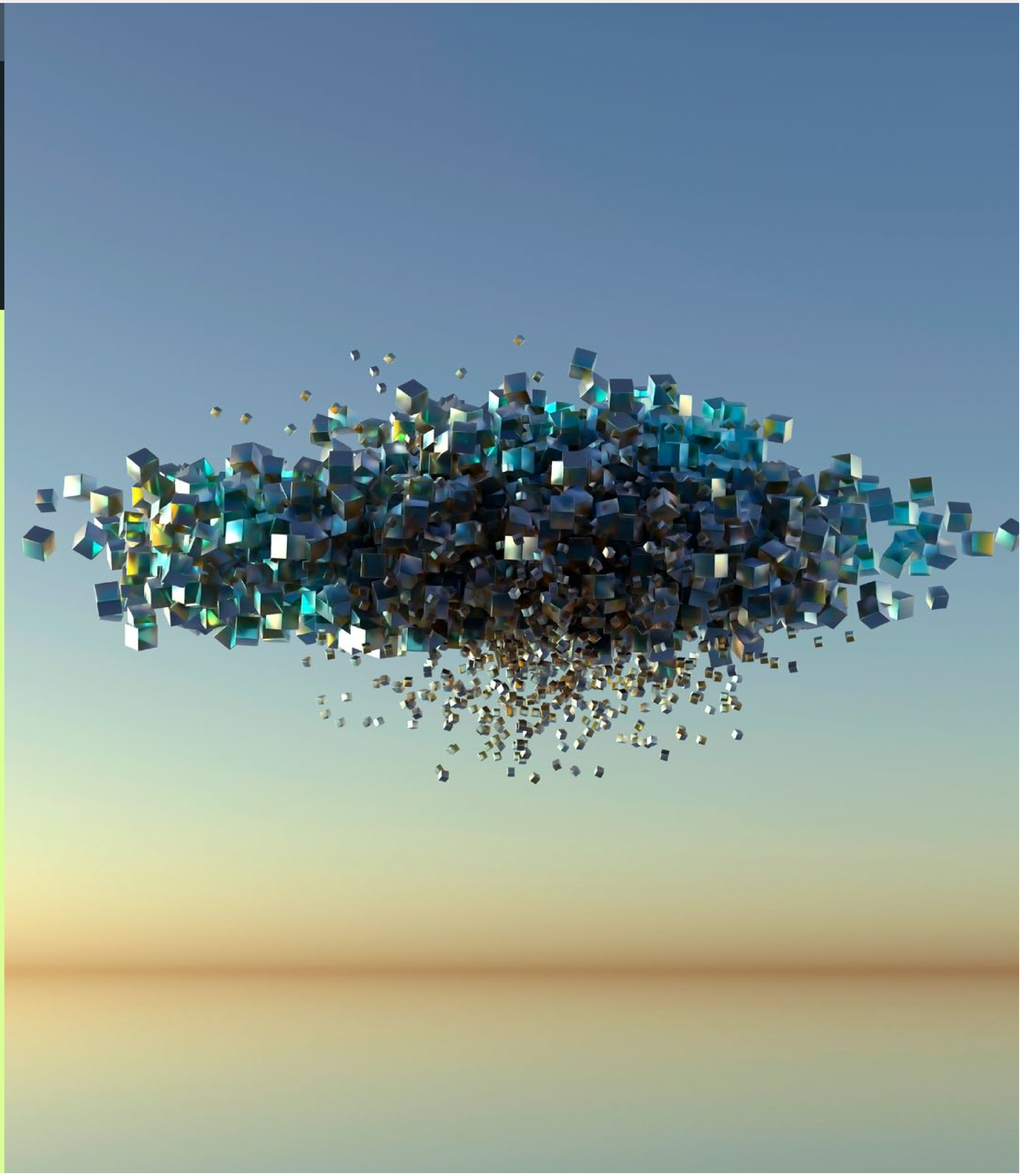
In February 2022, the JFSA established the Technical Committee for ESG Evaluation and Data Providers to discuss the status of ESG evaluation and data, challenges faced by relevant parties in seeing that ESG evaluation and data are appropriately provided and used, and future developments that are expected. The Technical Committee published the Report of the Technical Committee for ESG Evaluation and Data Providers in July 2022, which made recommendations to establish a code of conduct.

Consequently, the JFSA published the draft Code of Conduct for ESG Evaluation and Data Providers in July 2022, in response to the growing significance of ESG considerations in the global financial industry. By promoting the proper provision and use of ESG data, the code aims to empower investors, financial institutions and other companies to make more informed decisions.

The JFSA solicited comments from the public upon releasing the draft, which the PRI provided a response to. As part of this open invitation, StepStone actively helped contribute to the PRI's response by sharing feedback and insights on the code. A summary of the PRI's key recommendations for the JFSA to consider is as follows:

- Implement public reporting requirements that make it mandatory for supporters of the code to explain which principles and concepts they comply with and how
- Implement a triennial review and revision process that ensures periodic reviews of the effectiveness and relevance of the code in the future and revisions
- Provide better clarity on key concepts used in Principle 4 (Ensuring Transparency), regarding the transparency of methodologies and processes used by ESG evaluation and data providers
- Providing better clarity in Section 3 (points to be considered of the Code of Conduct) item 4 (scope of services covered by the Code of Conduct) about whether the scope is intended to include ESG evaluation and data providers in relation to private financial markets, as well as public financial market

The PRI's full consultation response, which StepStone helped to shape, was published in September 2022 and can be found here. Overall, the JFSA received 209 comments on the draft code from 45 individuals and entities. The code was finalised and published in December 2022 and can be found here (English version). StepStone welcomes the code and its aims to improve the role of ESG evaluation and data providers in the financial markets.



Our Thought Leadership Efforts in 2022

Our whitepapers and podcast series "Reflections on Private Markets" are an important part of our stewardship efforts to drive change throughout the investment industry. By bringing together our expertise, perspectives and analysis of ESG trends across the geographies and asset classes in which we invest, we can share dialogues and communicate solutions in a manner that is clear and engaging.

In 2022, highlights of our thought leadership efforts included:

WHITEPAPER: "WE DON'T VALUE NATURE"

Our "We Don't Value Nature" whitepaper promotes awareness about the importance of considering nature in investment decision-making. This publication delves into the interconnectedness between companies and the natural world, highlighting the implications of nature-related risks and how investors can act to provide solutions. To learn more about this paper, please refer to Case Study 4.2 on page 37 of this report.

WHITEPAPER: "FIGHT THE URGE (TO CUT BACK ON SMALL BUYOUTS)"

In our 2022 whitepaper "Fight the Urge (To Cut Back on Small Buyouts)," we advocate for investors considering small-market buyouts as an investment that can strengthen and diversify portfolios regardless of the macroeconomic environment. Read the full paper here.

"REFLECTIONS ON PRIVATE MARKETS" PODCAST: DEVELOPING YOUR PEOPLE

In the 18th episode of our podcast, "Reflections on Private Markets," we delve into the critical role of culture in today's labor market and the relationship between learning and development, DEI and culture. We share valuable insights and perspectives on how these factors shape our workplace and the impact they have on our employees. Listen to the full episode here.

To share the insights and perspectives assembled in our thought leadership publications, members of the StepStone team regularly participate as keynote and panel speakers at industry events every year. Highlights of events we actively participated in throughout 2022 include:

- Pension Bridge ESG 2022
- Private Equity International's Responsible Investment Forum
- AIF's Annual ESG and Sustainable Investing Symposium

Advocating for GPs to Engage with Industry Initiatives

As outlined in Principle 8, we regularly advocate for GPs to become signatories to the PRI, supporters of the TCFD and align their investment and RI strategies to both. In addition, we encourage managers to be involved in topic-specific initiatives and asset class–specific initiatives where relevant to their investment strategies. For instance, we advocate for GPs to participate in initiatives like the IIGCC for climate change-related issues and the VentureESG Initiative for venture capital strategies. Our focus on underlying GPs' collaborative efforts is articulated in our DDQ and guidance modules, where we specifically inquire about the external manager's involvement in these initiatives as part of our investment evaluation process.

We lead by example, first becoming signatories or supporters of such initiatives ourselves, and then sharing insights from our experiences to support GPs and assets. Reflecting our efforts and the broader market shift, the tables on the following pages indicate increases in the percentage of GPs that are signatories to the PRI and supporters of the TCFD across all asset classes in 2022. We recognize the value of these initiatives in supporting GPs, who participate on our behalf, with the ultimate aim of maintaining and enhancing the value of underlying investments.

These tables also illustrate how our monitoring results inform our engagement activities. For example, there is a notable difference in the level of familiarity and engagement with the PRI across different asset classes. Particularly in Infrastructure and Real Assets, 93 percent of GPs in this asset class are currently signatories to the PRI. Given their already established commitment, our engagement efforts in this area can be directed toward other asset classes where the percentage of PRI signatories and TCFD supporters among GPs is considerably lower. Specifically in the Private Equity asset class, at present 36 percent of GPs are signatories to the PRI, and 8 percent are supporters of the TCFD. As a result of this data, we can place a greater emphasis on engaging with GPs in Private Equity to encourage a higher adoption rate of these initiatives.

Percentage of GPs[1] Who Are Signatories of PRI

Asset Class	2020	2021	2022
Private Equity	26%	28%	36%
Private Debt	41%	53%	76%
Real Estate	36%	46%	53%
Infrastructure & Real Assets	76%	92%	93%

Percentage of GPs[1] Who Are Supporters of TCFD

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

[1] The group of GPs reported on within each asset class differs between 2020, 2021 and 2022.

Collaboration to Promote Stewardship within Our Investments

In addition to participating in industry initiatives to drive forward stewardship best practices, we seek to collaborate with wider stakeholders to manage ESG risks and opportunities within specific investments and the wider market. Depending on the context, we may collaborate with co-investors, regulators and communities to manage relevant ESG factors. Please refer to Case Study 4.1 where we discuss our collaboration with other investors and regulators to help drive climate solutions through innovation to decarbonize the energy system.

PRINCIPLE 11

Asset Managers: Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity & Outcomes

Our Escalation Approach: Primary and Secondary Investments

For indirect investments, we rely on the underlying GPs to conduct escalated engagements on our behalf, leveraging their proximity to the assets. Nevertheless, we seek to closely monitor the escalation process, seeing that our priorities and material ESG concerns are effectively communicated to achieve meaningful outcomes. The case studies included later in this principle, Case Study 11.1 "A GP Escalating Their Engagement with an Asset to Address Corruption Accusations" and Case Study 11.2 "A GP Escalating Their Engagement with Their Portfolio to Address an Extreme Weather Event," illustrate examples of how we have been involved in the escalation process when GPs have escalated on our behalf as indirect investors.

As outlined in Principle 8, we set clear expectations for GPs to monitor, manage, escalate and report on critical ESG incidents that occur within the firm and their portfolio. For example, we expect GPs to:

- Establish communication channels with portfolio company management, in order to effectively monitor incidents that may require escalation
- Work closely with management, and third parties as necessary, in the event of any material incidents
- Include critical incidents as a standing Board agenda item
- Disclose any critical incidents to StepStone as they occur

When we make the decision to escalate, our approach typically involves more advanced engagements compared to our standard practices. For example, this can entail increasing the frequency of our engagements, focusing our efforts with Board members and company management, and, in the case of critical incidents, assembling an internal task force to investigate the matter. Ultimately, we always prefer to engage and work with GPs/assets to resolve any ESG risks and issues, as we generally intend to hold interests through to liquidation.

Escalating Critical ESG Incidents – Selecting and Prioritizing Issues

Critical ESG incidents have the potential to impact both reputation and asset value. At StepStone, we recognize that such incidents encompass a range of possibilities, including violations of ESG policies, breaches of codes of conduct and any events with significant adverse consequences. Therefore, our approach to selecting and prioritizing issues for escalation revolves primarily around identifying and addressing any incidents that may materially impact the value and reputation of our investments.

Examples of such an incident include:

- Serious injuries or deaths of employees and/or customers
  - Workplace accidents: operational health and safety issues
  - Product safety issues
- Pollution (beyond big events such as oil spills or any activity out of compliance with regulations governing disposal of hazardous waste or pollutants)
- Exposure to modern slavery in the supply chain
- Data breaches
- Litigation
- Fines or warnings
- Whistleblowing

We have a systematic approach to escalating and addressing ESG incidents when they occur, which applies across all asset classes, funds and geographies. Our process involves working with the GP (for indirect investments) or company management (for direct investments) to understand the issue and making improvements to policies and procedures as needed. Incidents are also evaluated to determine if they reflect broader cultural or systemic issues, so that this can be taken into consideration for future investment decision-making.

PROCESS FOR ESCALATING AND MANAGING CRITICAL ESG INCIDENTS

1. Awareness	2. Task Force Formation	3. Investigation	4. Conclusion
Receive a query or notification regarding a potential ESG incident that requires escalating	Inform relevant RI workgroup and RI Committee, as well as marketing/PR if required Add a record in our SPI Research system, which informs clients and our legal team to assemble a task force that typically includes members from the RI, investment and legal teams	The task force plans and leads the investigation. Depending on the nature of the issue, investments to a particular GP or company may be halted while investigation is conducted For indirect investments, GP provides a response to the investigation For direct and indirect investments, StepStone may provide support and guidance to address the situation as necessary	The task force presents findings and recommendations, discussed with Investment Committee A response is implemented The client is notified via SPI Research of the conclusion; marketing/PR is updated if required

During this reporting year, we encountered various instances of ESG incidents within the underlying assets of the funds we have invested in. The case studies in the following pages offer examples of how we maintained close involvement to monitor how GPs escalated these situations on our behalf. We outline the issues and discuss our chosen approach taken. By closely reviewing the GPs responses and actions, we see that ESG risks and concerns are appropriately addressed in line with our expectations, which ultimately helps safeguard the value of our investments.

We were pleased that in this reporting year, we did not encounter any need to engage in direct escalation with our co-investments and direct investments. Our proactive due diligence and ongoing monitoring and engagement enabled us to effectively address potential ESG risks and concerns during these stages, demonstrating the value of responsible investment practices being embedded throughout our entire investment process. While we have not needed to escalate any specific cases this year, we remain focused on monitoring our assets in order to directly escalate when necessary.

CASE STUDY 11.1

ASSET CLASS: INFRASTRUCTURE AND REAL ASSETS | **REGION/COUNTRY:** EUROPE

A GP Escalating Their Engagement with an Asset to Address Corruption Accusations

In 2021, StepStone invested in an infrastructure fund. During the investment process, we conducted our standard due diligence, which included evaluating the GP's performance utilizing our ESG scorecard, where they achieved a high score. This scorecard, which is informed by our underlying due diligence questionnaire, includes a component dedicated to assessing how GPs identify, manage and report on critical incidents. This in turn enables us to make well-informed investment decisions. In this case, no historical incidents were raised during the diligence process.

During the reporting year, the GP became aware of a potential critical ESG incident in one of the companies in the fund. A senior member of the company's management team had been indicted due to potential corruption and bribery activities.

In response to this incident, the GP requested that the company commission a professional services firm to perform a full review of audit procedures and compliance mechanisms. Subsequently, the company engaged a reputable global professional services firm with a proven track record in revealing gaps in relation to ethics, integrity, governance and compliance practices. The works they conducted included a review of all relevant processes, policies, procedures and mechanisms.

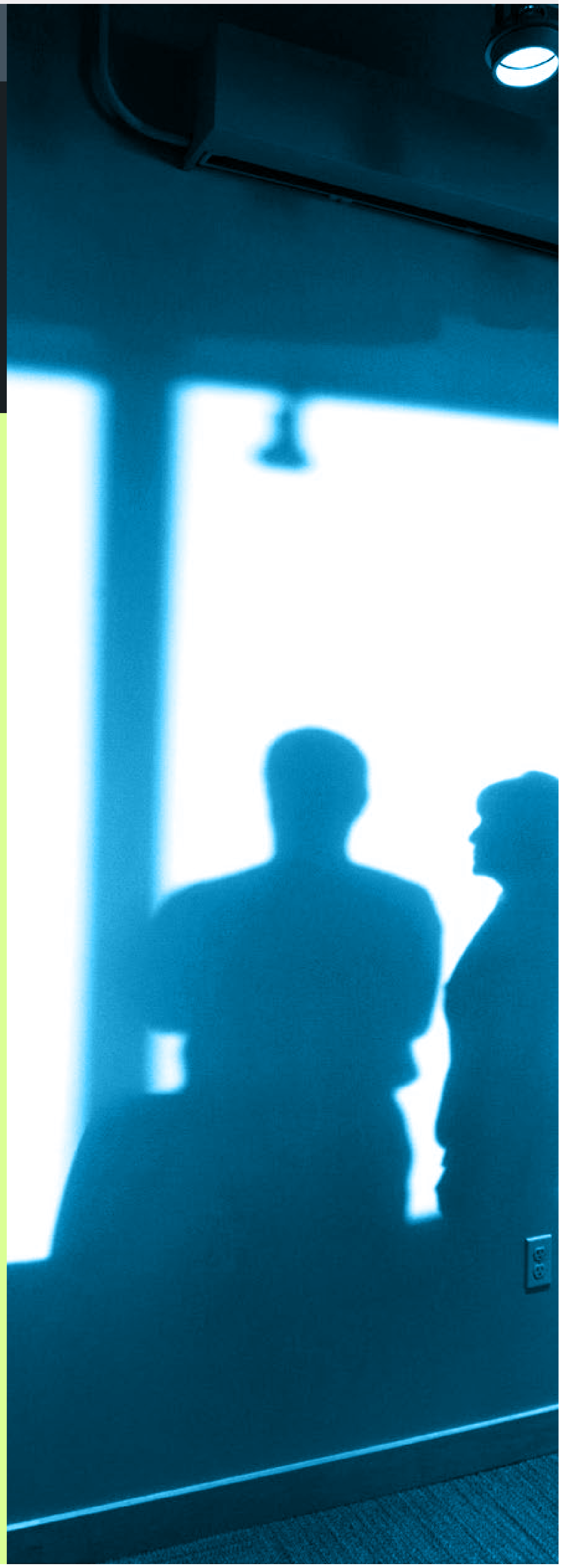
Throughout this process, we were supportive of the GP's approach to managing the incident. To monitor the situation appropriately, we assembled a team comprising one principal, one vice president and one associate. We actively maintained communication with the GP by holding regular meetings to remain up-to-date on the situation. These conversations were held with the GP's CEO, two partners and members of its investment and ESG team. Through these meetings, we closely monitored how the GP was handling the incident and were supportive of the GP's actions. For our own incident reporting purposes, we kept our clients informed about this incident through quarterly reporting and direct email updates.

Outcomes

The intermediary results were shared with the GP's management team and shareholders in 2022 and final outcomes and improved procedures will be implemented in 2023. Since then, the individual in question has agreed to step down until the final court decision and be replaced. The individual was due to step down prior to the incident as part of a wider succession plan, and the process was accelerated to avoid any undue adverse reputational impact on the company. Even though the review identified no major issues on policies, processes and procedures in place to limit corruption and bribery risks, the company took the opportunity to identify areas for improvement that would further enhance risk and compliance procedures.

StepStone believes that the GP's escalation processes enabled it to handle this incident well and in alignment with our expectations. The GP displayed strong ESG performance during the due diligence process that remained consistent through its approach to managing this critical incident post-investment. We understand that critical incidents can arise in underlying assets, which underscores the importance of setting expectations with GPs regarding our critical ESG incidents process. This case study also highlights the importance of our post-investment monitoring process, which allows us to stay informed about any development at the asset level through the GP.

StepStone discussed with the GP the importance of continuing to monitor the company's performance and continue to provide us with updates as needed.



CASE STUDY 11.2

ASSET CLASS: REAL ESTATE | **REGION/COUNTRY:** UNITED STATES

A GP Escalating Engagement with Their Portfolio to Address an Extreme Weather Event

StepStone engages with managers on their assessment of climate risks, as part of our due diligence and post-investment monitoring processes. We acknowledge that the increasing occurrence of extreme weather events has the potential to have materially adverse impacts on the financial value of real estate assets, taking into account both environmental and social consequences, in addition to insurability and future resilience.

Risks posed by such events, including hurricanes, floods, wildfires and severe storms, can lead to various direct and indirect consequences for property assets that need to be factored into potential transition and/or stranding risk scenarios. These could include successive infrastructure and property damage costs, reduced demand in affected areas, increased government regulations and related taxes/levies, changes in buyer and occupier preferences, as well as increased insurance maintenance and adaptation costs.

In 2022, StepStone completed a secondary investment composed of a real estate portfolio with a US-based multifamily owner, operator, developer and lender, which included Sun Belt assets at risk of extreme weather events, with mitigation measures in place. During the year, assets in the portfolio were impacted by Hurricane Ian, a destructive Category 5 Atlantic hurricane. Ian was the third-costliest weather disaster on record, and caused widespread damage across western Cuba, Florida and the Carolinas.

Following the hurricane, StepStone held meetings with the manager to provide support and monitor how the manager was addressing this critical ESG incident, in alignment with our process and the manager's established procedures for handling such events.

Outcome

The manager proactively hired a third-party service provider to evaluate and provide real-time inspections of property damages at the sites. The manager immediately restored power and water at the properties to mitigate safety concerns amid the humid climate, set dehumidifiers to address window leaks, removed debris and worked to seal roof damages. After addressing immediate concerns, the manager had their director of construction visit the assets in question and had property managers conduct a walk-through of each property unit, document all required repairs and form a plan to address restorations and mitigate longer-term damages or disruption to occupiers. Throughout, the manager monitored health and safety concerns, both for occupiers and employees.

Overall, we believe that the manager demonstrated a commendable approach in escalating engagement with the portfolio and taking proactive measures to remedy the impacts of this incident. Throughout the hurricane and its aftermath, the manager maintained constant communication, providing us with updates on tenant safety, property conditions, damage assessments, power and water status, as well as detailed site videos and photos. The manager's diligent and transparent reporting enabled us to monitor the situation and assess the potential risk to our investment.

While the hurricane's immediate impact was limited in terms of property damage and tenant safety, the manager's continued efforts to keep us updated highlighted their commitment to thorough risk management and mitigation. While this incident did not have a substantial negative impact on reputation or investment value, it serves as a reminder of the significance of having a critical incident identification, management and reporting process in place to safeguard the resilience of investments. It also underscores the importance of managers, in particular those operating in the real estate sector, having robust processes in place that consider physical climate change risks and potential adaptation measures that may be required as a result.

Principle 12

SECTION D

Exercising Rights and Responsibilities

PRINCIPLE 12

Asset Managers: Signatories actively exercise their rights and responsibilities.

Context

Exercising Rights and Responsibilities as a Private Markets Investor

At StepStone, we believe that actively exercising our rights and responsibilities is an integral aspect of effective stewardship. StepStone's core business is fully dedicated to private markets, and as a result, our stewardship efforts take place when assets are private.

Our approach to exercising our rights and responsibilities centers around active engagement with GPs and assets through various means, including board seats, LPAC seats, AGM participation and regular meetings, discussed in greater depth in Principle 9 and on the following pages.

Exercising Our Rights and Responsibilities in Primary and Secondary Investments

As outlined in Principle 9 and 11, the GP assumes the responsibility for exercising their full rights and responsibilities concerning the underlying assets in the funds that we invest in. We recognize a substantial portion of value creation within these investments hinges on the GP and their approach to active engagement. As a result, a rigorous GP due diligence and selection process is imperative, which includes a particular focus on evaluating their stewardship practices and commitment to active ownership. This evaluation process, as outlined in Principle 7, enables us to assess the capabilities of the GPs we choose to invest in.

Once an investment is made, we hold a clear expectation that all GPs will diligently fulfill their rights and responsibilities in alignment with their underlying strategies. For instance, buyout managers are expected to exercise their meaningful influence to address material risks and opportunities within portfolio companies, while private debt managers may have lower levels of direct influence. We provide more information on our expectations set in Principles 7 to 11.

Post-investment, we monitor stewardship practices and initiate constructive dialogues with GPs where necessary. When we identify areas for improvement, we proactively engage with GPs to enhance their processes. Please refer to Principle 8 for case study examples. This commitment to ongoing monitoring and engagement is an integral part of our efforts to fulfill our responsibilities and exercise our rights as private markets investors. As mentioned throughout this report, we focus on the areas we deem to be the most pertinent risks, such as climate change, DEI and human rights—which is explored further in Principle 4 and 7. To support these efforts, we have developed RI guidance modules for GPs, providing them with recommendations on how to address these priority topics during their engagements with portfolio companies.

We understand that different asset classes and investment strategies may require tailored approaches to engagement. For instance, during the reporting year, we created a dedicated RI guidance module specifically for VC investments, which is detailed further in Principle 7 and 8. Given the unique characteristics and risks associated with VC investments, we highlighted specific ESG topics to focus on and recommendations around stewardship approaches as appropriate to this asset class. Overall, we focus on sufficiently resourcing managers so they can exercise rights and responsibilities in alignment with StepStone's values and investment beliefs.

Exercising Our Rights and Responsibilities in Co-investments and Direct Investments

In the case of co-investments and direct investments, our approach to exercising rights and responsibilities takes a more focused approach, given we have direct exposure to assets. In these cases, we leverage our position to engage directly with assets on ESG risks and opportunities identified, and overall, contribute to enhancing the value of these investments. As noted in Principle 9 and 11, our ability to exercise rights and responsibilities are dependent on our level of ownership and governance rights. For instance, in situations where our influence is more substantial such as holding a board seat, we actively exercise our rights and responsibilities by engaging with assets on material topics. Please refer to the case studies included in Principle 9 for specific examples. This approach is applied globally and consistent across all asset classes, noting the specific focus areas and approaches may vary depending on the nature of the asset class.

Listed Equity Investments

As a private markets investor, we do not have products dedicated to public equities. While there may be instances where underlying private assets within our Private Equity investments transition to the public market during the holding period, this represents a very small portion of our overall AUM. Typically, such transitions occur toward the end of the investment and are promptly liquidated.

Moreover, a significant portion of our public holdings are indirect in nature, whereby we invest as LPs in Private Equity or VC funds, which, in turn, invest in private assets that may eventually become public over time. For all indirect holdings, StepStone does not control voting decisions. Overall, direct holdings of public equities, for which StepStone is able to control the vote, accounted for less than 1 percent of our total AUM as of December 31, 2022.

Accordingly, as per our 2021 Stewardship Report, we have disclosed limited information with respect to the small amount of public equities we have exposure to under our Private Equity strategy. Our full focus remains on private markets, where we leverage our expertise and resources to generate value and deliver sustainable outcomes for our clients.

Proxy Voting Policy

We predominantly exercise our rights and responsibilities as private markets investors through any LPAC, board and observer seats we have. In the infrequent scenario where we do engage in proxy voting, we have the responsibility for voting proxies consistent with what we believe to be the best economic interest of our clients, as a matter of policy and as a fiduciary to our discretionary clients (StepStone generally does not have the legal authority to vote proxies on behalf of advisory clients). Our policy on proxy voting is embedded within our Global Compliance Manual and includes the following:

- The responsibility to monitor corporate actions
- Receiving and voting client proxies
- Disclosing any potential conflicts of interest
- Making proxy voting information available to clients
- Maintaining relevant and required records

Proxy Voting Process

As highlighted previously, StepStone does not hold proxy voting authority for any indirect holdings of public equities. In the limited cases where StepStone is able to vote, the firm will vote proxies in a manner that we believe is consistent with the best economic interests of each client. As per our guidelines, voting decisions will generally be made in support of management, unless it is believed that such recommendation is not in the best interests of the client. On a case-by-case basis, StepStone will decide non-routine matters, taking into account the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices.

StepStone may also abstain from voting if it is determined to be in the best interests of the client. In making such a determination, various factors will be considered, including, but not limited to, any legal restrictions on trading resulting from the exercise of the proxy.

In consultation with the Chief Compliance Officer, StepStone may also consider any special regulatory implications applicable to the client or StepStone resulting from the exercise of the proxy. StepStone's policy is to vote all proxies from a specific issuer the same way for each client, absent qualifying restrictions from a client. Clients may override this by placing reasonable restrictions on StepStone's voting authority with respect to proxies.

Activity & Outcomes

Listed Equity Investments

Consistent with private equity peers and our prior Stewardship Report, we have not disclosed proxy voting information (e.g., regarding proportion of shares voted on, voting records, voting decisions, outcomes of resolutions, monitoring process and other processes) with respect to the limited public equities we have exposure to under our private equity strategy. As noted, we are a private markets investor and do not have any strategy dedicated to public equities.

Exercising Our Rights and Responsibilities through LPAC and Board Positions

In the private markets, holding LPAC seats and board seats enables investors to actively participate in stewardship practices. We recognize the value of this approach, as it allows us to collaborate closely with GPs and management teams, driving value creation and closely monitoring investment performance. Throughout 2022, we maintained our positions of influence through LPAC seats and board seats across our asset classes. Please refer to Case Study 9.1 and Case Study 9.2 in Principle 9 for examples of how we exercised our rights and responsibilities through our board seats during the reporting period.

During LPAC meetings, which typically occur once or twice a year, we exercise our governance rights. During these meetings, a diverse array of issues are deliberated on. Topics typically include fund term extensions, key person provisions and events, GP and fund economics and changes to LPAC membership.

Priorities Going Forward

Throughout the reporting year, StepStone has remained proactive in exercising our rights and fulfilling our responsibilities as private markets investors, primarily through our LPAC seats and board seats. Holding such positions provides us with greater ability to influence, which enables us to advocate for outcomes that align with what we believe are the best interests of our clients. Following the success of our review of our Private Equity co-investments during this reporting year, as outlined in the spotlight on page 82, "Targeted Engagement for Value Creation in Private Equity Co-Investments", we plan to expand this effort more formally. We believe this will enhance our ability to exercise our rights through engagement and more effectively promote stewardship and ESG best practices in our investments.

As part of our ongoing efforts to establish clear expectations, we seek to include ESG reporting requirements through side letter provisions when relevant. By adopting this practice, we are able to further embed ESG considerations into the investment process from the outset. Given our focus on illiquid assets classes, this approach allows us to effectively exercise our rights by setting clear expectations regarding ESG performance and reporting from the start of the investment relationship.

Important Information

We have prepared this report for our stakeholders, including our employees, clients, customers, suppliers, shareholders and the communities where we operate, and the inclusion of information in or incorporated into this report, including references to materiality for ESG purposes in this report, should not be construed as a characterization of the materiality for purposes of the United States Securities and Exchange Commission (SEC) rules or financial impact of such information with respect to our company.

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All valuations are based on current values calculated in accordance with StepStone's Valuation Policies and may include both realized and unrealized investments. Due to the inherent uncertainty of valuation, the stated value may differ significantly from the value that would have been used had a ready market existed for all of the portfolio investments, and the difference could be material. The long-term value of these investments may be lesser or greater than the valuations provided.

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All data is as of December 2022, unless otherwise noted.