



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

Baar-Zug, Switzerland; 22 April 2022

Engagement letter from the Nomination & Compensation Committee

Dear valued Shareholders,

I am pleased to present Partners Group's Compensation Report for 2021. Over the past year, we engaged with our shareholders and proxy advisors to hear their opinions on our compensation structure and its components. Specifically, we spoke to our largest shareholders representing over 15% of total external share capital. As a result of their feedback, we made further adjustments to our approach towards compensation. I would like to use this letter to describe the key changes made and explain why we believe they further contribute to making our compensation approach compliant with shareholder and proxy advisor expectations.

Total base compensation

At Partners Group, our shareholders value the fact that our reward philosophy centers around incentivizing sustainable growth and strategy implementation across the firm; also, that it is structured to deliver continued outperformance for our clients and provide strong and consistent value to our shareholders.

One of the underlying principles for Executive Team members advocated by shareholders is that total base compensation¹, comprised at Partners Group of a cash base salary and a deferred cash payment, should correspond to an individual's role and their respective level of responsibility. Given the recent rotation of members within the Executive Team, we adjusted the total base compensation of certain members to better reflect that underlying principle. For example, the CEO received an increase to his total base compensation, due to the transition from a Co-CEO structure to a sole CEO function and in accordance with his additional responsibilities.

¹ Total base compensation consists of a cash base salary and a deferred cash component in the same amount. The deferred cash payment is therefore not a variable short-term incentive but is rather intended to be a stable and predictable compensation component.



Long-term incentives (LTI)

At Partners Group, we link our LTI to long-term performance by aligning the compensation of executives to long-term value creation for our clients and shareholders. This is achieved through a set of qualitative and quantitative targets which together ensure achievement of the firm's growth strategy. We believe that our LTI encourage true entrepreneurialism and motivate executives to take a long-term perspective as business builders.

In order to strengthen our LTI considerations and bring them further in line with shareholder and proxy advisor expectations, we increased the proportion of performance-based LTI compensation (Management Performance Plan) to 50% from 33%. At the same time, we reduced the remaining LTI grant (Share-based Performance Plan) to 50% from 67%. Below, we highlight several additional prominent changes which were made to LTI:

- **Downside protection removed:** in our approach, the nominal LTI pool granted in the prior year, 2020, serves as a basis to calculate the LTI pool for the year under review, 2021. Based on the assessment of both quantitative and qualitative achievements, a compensation factor is determined, this factor is then multiplied by the prior year's LTI pool. As a result of the feedback received from shareholders and proxy advisors, the NCC removed the floor (0.5x in 2020) thereby eliminating any guaranteed level of value or downside protection. The NCC continues to cap the compensation factor at a maximum of 2.0x the previous year's LTI pool on the upper end, preventing excessive upside for LTI participants.
- **Management Performance Plan more directly linked to delivering profitable growth and strong client returns:** as opposed to last year, where the Management Performance Plan focused on positive share price development between years one and five, from 2021 onwards it will focus on the achievement of a minimum Management Fee EBIT² growth rate measured between the same period. The second performance condition, which is measured between years six and 14, remains unchanged and is dependent on the generation of attractive investment performance amongst client portfolios through performance fee generation. We always took a long-term view on compensation with the ultimate goal of matching it to our long-term investment horizon and our clients' return expectations. Furthermore, we believe that achieving the target Management Fee EBIT growth will result from making the right decisions at an operating level as it requires the Executive Team – amongst others – to maintain pricing stability and a focus on sustained growth in assets under management, while preserving target margins and cost discipline

² Management Fee EBIT equals total EBIT (IFRS) less recognized performance fee revenues adding back performance fee related expenses. For a detailed definition please refer to the 'Key definitions and alternative performance metrics' section of the Annual Report 2021.



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across the entire organization. The Management Performance Plan is set up to reward delivering profitable growth in the first phase and only pays out after investments meet minimum return hurdles that were pre-agreed with our client in the second phase.

- **Share-based Performance Plan further strengthened:** we amended the share-based plan and implemented three measures, which we believe will bring it more in line with market expectations: firstly, we strengthened the vesting schedule by weighting it towards years three, four and five rather than the prior five-year linear vesting schedule. Secondly, we introduced a minimum shareholding guideline for Executive Team members to align the plan with public market standards, and thirdly, we reduced the proportion of the total LTI allocation granted to the share-based plan from 67% to 50%. At Partners Group every professional is a shareholder and our entrepreneurial ownership philosophy is deeply instilled across our entire organization. We created the Share-based Performance Plan of the Executive Team in line with this mentality and we fundamentally aim to create shareholder value through a rising share value by fostering the ownership mentality and incentivizing Executive Team members to drive forward the firm's operational performance while protecting the reputation of the firm. We recognize that not all market participants favor a time-based vesting schedule on LTI programs. However, we believe in requesting the same entrepreneurial ownership mentality from our Executive Team as we do from the founders and executives of our portfolio companies. As a result, we remain committed to this compensation consideration.

Outlook

Building on the firm's strong foundation, we developed a strategic roadmap in 2021 to continue driving forward our multi-year sustainable growth strategy. This roadmap focuses on six strategic focus areas stemming from three underlying themes: investments, clients, and people. In 2022, this roadmap will become integrated in our LTI assessment criteria through the qualitative targets determining the LTI pool. An example of this is that in 2022, the ESG targets will be linked to the firm's ESG strategy as defined in our strategic roadmap. This change further underlines the growing importance of sustainability to our stakeholders and gives more definition to the ESG assessment criterion, which in 2021 was already made a separate qualitative assessment measure. The quantitative targets will remain the same as in 2021.

Share dilution

We would like to reemphasize that our LTI programs did not result in any dilution to the number of shares. A strict process is followed each year to ensure that the firm holds sufficient treasury shares to cover existing equity incentive programs including granted but not yet vested shares. Since our IPO in 2006 the firm has not increased the share count.



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Compensation Report 2021

In order to learn more about our approach to compensation, I would like to invite you to read our Compensation Report 2021 at: www.partnersgroup.com/compensation-report.

On a more personal note, I would like to inform you that the publishing of the 2021 Compensation Report brings to an end my tenure as Chairwoman of the NCC, as I will be stepping down from the Partners Group Board following the AGM on 25 May. I will hand over the Chairwoman role to incoming independent member of the Board, Flora Zhao, who will continue to steer the open dialogue with our stakeholders.

On behalf of Partners Group and the NCC, I would like to thank you for your continued interest in our firm and your unfaltering trust and support.

Yours sincerely,

Grace del Rosario - Castaño

Grace del Rosario-Castaño

Chairwoman of the Nomination and Compensation Committee