Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

Climate Change Strategy

Our commitment to addressing Climate Change and generating long-term Sustainable Returns

January 2021

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Climate change has evolved as a global challenge, with extreme weather events, natural disasters and unmanaged consequences of climate change among the top five global risks both in terms of likelihood and impact, according to the World Economic Forum. If not properly addressed, these risks will have significant negative implications for communities, businesses and investors.

While addressing climate change will require action from governments and society, we believe that private market investment managers and investors are uniquely positioned to support the transition to a low-carbon economy through systematic assessment and management of climate risks and opportunities.

To continue acting in the best interests of our clients and in line with our focus on generating long-term sustainable returns and positive impact for all our stakeholders, we have made the following commitments to further mitigate investment risks resulting from climate change:

1. **Partners Group is committed to the Paris Agreement and we are working towards achieving net-zero emissions for our Scope 1, Scope 2 and key Scope 3 greenhouse gas (GHG) emissions** by switching to renewable energy for our offices where available, implementing energy reduction measures and by using carbon offsetting as a last resort.

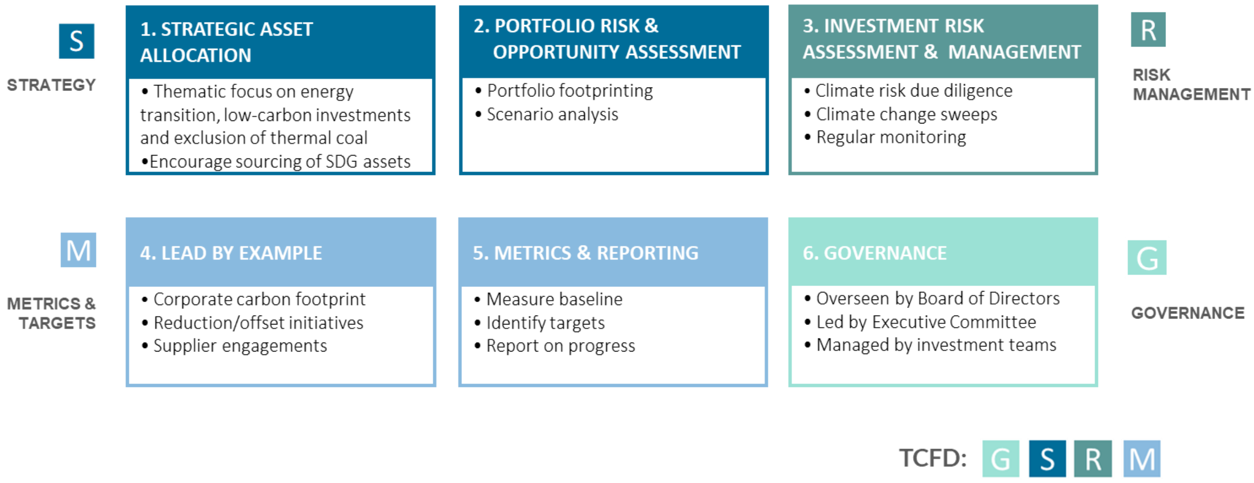
2. **Partners Group is equally committed to managing its investment portfolio towards the Paris Agreement objectives** as we recognize our investment activity can have a positive impact through our transformational investing strategy. In this context, it is crucial that we continue to assess and understand our portfolio carbon footprint in detail as this will enable us to develop meaningful and efficient GHG reduction programs.

Pillars of our Climate Change Strategy

Our approach to achieving our commitments consists of six pillars, which are in line with the four core elements of the Taskforce on Climate Related Financial Disclosures (TCFD): governance, strategy, risk management, and metrics & targets. The emergence of the TCFD in 2017 provided a clear framework for us to organize and consolidate our climate-related activities. As a result, Partners Group became a public supporter of the TCFD in 2020.

In addition to this, our strategy also incorporates the frameworks of the United Nations Principles for Responsible Investment (UNPRI) and CDP to identify areas where we can take further action to enhance the climate resilience of our investments.

The six pillars of Partners Group's Climate Change Strategy



1. Strategic Asset Allocation

Our strategic asset allocation is in line with our broader investment strategy, which includes the thematic sourcing of opportunities: **we identify assets that stand to benefit from transformative trends over the long term, and we actively seek to acquire and transform these assets during our holding period**. In addition, we avoid sectors that will suffer as a consequence of such trends.

Given the climate-related risks and opportunities discussed above, **our asset allocation strategy focuses on increasing low-carbon investments and guides our investment teams on which carbon-related sectors to avoid** to protect our clients from future carbon risks.

Low-carbon or climate resilient investments as part of our thematic sourcing efforts

We have identified the global shift toward net-zero carbon as a key driver of our investment strategy for the coming years.

Our mix of infrastructure energy generation assets is a testimony to our climate change strategy. In comparison to different scenarios created by the International Energy Agency (IEA), our current generation capacity is already today well ahead of the 2025 target mix of the IEA's Sustainable Development Scenario.

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Next to our focus on renewable energy infrastructure, we plan to continue investing in select carbon-based assets that enable the transition towards a lower carbon economy. We regard specialized gas pipelines, treatment facilities and gas-powered plants as supportive of the transition into cleaner sources of energy in the near term, and as a bridge to accommodate more renewables.

Furthermore, **we may consciously invest in more carbon intensive assets where we identify significant value creation opportunities to reduce their carbon intensity through our ownership**, leveraging our experience and making a positive contribution to the environment. Our ESG criteria will typically provide for stringent value creation requirements that can only be met with substantial carbon reductions.

Carbon avoidance

We are committed to **avoiding GHG intensive activities** in our direct investment universe. This generally includes the following investments, which we avoid in principle unless we can develop a carbon reduction strategy to positively influence them towards a low-carbon transition through our transformational initiatives:

- Businesses whose main product or service supports thermal coal extraction, transportation, or use for energy generation, and which have no plans to reduce this percentage;
- Businesses whose main product or service supports crude oil exploration, production, refining, transportation, or storage; or the transportation and storage of refined products (specialist derivatives production is not excluded);
- Service providers to the coal and oil upstream industry, such as drilling rig operators, fracking sand suppliers and oilfield service providers, treatment and logistics services for Canadian oil sands; and
- Businesses whose main product or service requires deforestation or the burning of vast natural ecosystems for the purpose of land clearance.

In relation to carbon avoidance, we have developed guidelines that allow our investment teams to assess climate risks and facilitate their discussions with business partners.

Investments supporting the SDGs

Through our impact-at-scale investment strategy, PG LIFE, **we invest in and engage with assets that have a demonstrated contribution to climate-related UN SDGs, including, Goal 7 (Renewable Energy), Goal 9 (Industry, Innovation and Infrastructure) and Goal 13 (Climate Action).** We apply learnings made in the quantification of the impact of PG LIFE investments to improve our approach to measuring the positive impact of individual initiatives.

2. Portfolio Risk & Opportunity Assessment

Climate change is a material topic across our portfolio, including from a business risk perspective. Climate-related physical risks, such as extreme weather events and transition risks resulting from carbon-focused policy making and other regulatory developments, can affect the performance of our investments and our ability to deliver long-term sustainable returns to our clients. To better understand the climate resilience of our investment strategy, we have developed an approach to systematically assess the climate-related risks and opportunities in our portfolio and to make informed risk management decisions.

Portfolio footprinting (direct lead portfolio)

We measure and report the carbon intensity of all direct lead investments annually with our standardized GHG tool, which we use to create portfolio transparency based on the GHG Protocol. The GHG tool facilitates our assessment of the overall carbon risk of our portfolio and identifies where in the portfolio the risk is located. It also identifies assets that could benefit from emissions reduction-related engagements. Carbon emissions are estimated based on the direct (Scope 1) and indirect (Scope 2) emissions of a company and carbon intensity is measured by tCO_2e/sales. We use external service providers to calibrate our calculations where necessary and estimate Scope 3 emissions where appropriate.

We aim to better understand the carbon footprint of our portfolio and identify potential opportunities to effectively reduce it for our direct lead investments. For the development of effective emissions reduction strategies, we will prioritize direct private equity, infrastructure and real estate assets for the mid-term, given our direct control and the larger potential impact of these relative to our other assets.

Scenario analysis

We acknowledge the importance of scenario analysis as a forward-looking instrument to define risks and opportunities over different pathways. We will continue to review and develop different methodologies and to apply those that best fit our needs and goals.

3. Investment Risk Assessment & Management

Climate change is assessed and managed alongside other ESG risks as part of Partners Group's overall investment and risk management framework, which is guided by our ESG & Sustainability Directive. We have developed specific tools and processes to ensure thorough integration of a range of climate change-related factors during the ESG due diligence and ownership phases of investments.

Risk assessment

We **systematically assess and identify climate-related risks and opportunities** in our prospective investments. Investment teams are responsible for conducting ESG due diligence using our proprietary ESG due diligence assessment tool, which includes important climate-related due diligence requirements according to the climate sensitivity of the industry in which the investment operates, **in line with the climate-related factors identified by the Sustainability Accounting Standards Board (SASB).** The findings of our climate due diligence are included in the submission package to our investment committees and are considered in the investment decision.

Risk management

We act on the risks and opportunities identified during due diligence by **systematically assessing and regularly initiating climate projects** with our portfolio companies. Such engagements may include conducting energy efficiency and fuel consumption reduction initiatives, conducting GHG emission assessments and setting reduction targets, assessing physical climate risk and developing strategies, setting climate change adaptation projects, engaging suppliers on climate issues, or preparations for climate-related IPO requirements. **As part of our systematic approach, we have launched a standard climate change approach for our direct lead investments** to help our companies and management teams in the calculation of their footprint and identification of climate change-related risks and opportunities. **This is in line with how we also systematically address other material risks to our portfolio,** such as health & safety, fraud risk or cybersecurity, leveraging our experience across other assets each time.

Monitoring

For all investment portfolios, **we monitor underlying holdings on an ongoing basis through periodic company reports and PRIMERA Insight,** our artificial intelligence system that screens online news sources for ESG-related news on our portfolio, including climate-related news. For direct investments, we use our annual ESG KPI survey to **ensure potential climate issues are measured, identified and can be acted upon by management and communicated to clients**. Our investment managers are responsible for addressing any material risks identified.

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Climate change integration in the investment process

	Sourcing	Due diligence	Ownership
Direct investments (private equity, real estate, infrastructure)	Screening Framework: • Identify climate-related opportunities through thematic sourcing approach • Avoid certain identified carbon-related sectors such as thermal coal	ESG Due Diligence Tool: • Assess climate risk against pre-defined questions • For relevant lead investments, include climate risk analysis in third-party due diligence	Engagements and Monitoring: • Implement climate initiatives, including GHG emission reduction initiatives • Monitor performance via annual ESG KPI survey
Indirect investments	Fund ESG Assessment: • Assess the manager's strategy and capacity to address climate-related risks/opportunities • Review underlying assets against certain identified carbon-related sectors to be avoided	Documentation: • Integrate climate-related considerations in our ESG side letter language	Monitoring • Screen exposure to carbon-intensive assets • Monitor performance using PRIMERA Insight • Engage in case of material risks

4. Metrics & Reporting

We use the TCFD recommendations as a guiding framework to report on the progress of our Climate Change Strategy. Our first target is to define our baseline and then use that to inform a range of qualitative and quantitative metrics, measure our performance and communicate with stakeholders.

We report our progress internally during annual management and committee meetings, as well as at periodic employee gatherings and seminars. We will also share our results externally in line with the TCFD recommendations (and other reporting frameworks, such as UNPRI and CDP), in our annual Corporate Sustainability Report and in client reports. We will aim to get external assurance for our reporting on progress made.

Overview of our climate-related target setting and reporting approach

Report progress through annual Corporate Sustainability Report, UNPRI and CDP climate transparency report

Measure Climate Risks and Emissions & Establish Baseline → Identify Qualitative & Quantitative Targets → Seek Independent Verification

5. Lead by Example

Internal carbon footprint

We also take our commitment to measure and reduce the carbon footprint of our own firm seriously. We measure the energy consumption and emissions of our offices, tracking our Scope 1 and 2 GHG emissions globally. Relevant Scope 3 emissions are from business travel, which are tracked by external service providers.

Energy supply

Through leveraging our buying power, **we are also working to improve disclosure, encourage reduction initiatives and procure more low-carbon products and services**. Six of our offices, including two of our largest ones, Zug, Switzerland, and Denver, US, are powered using 100% renewable energy. We will increase the share of renewable energy used to power offices in other countries where possible and will also evaluate other opportunities, such as subscription to green energy contracts.

Reduction/offset initiatives

We consider our firm, as well as all individual employees, directly responsible for protecting our environment. We are committed to tracking our footprint and managing it by implementing initiatives targeted at resource efficiency, energy and waste management, low-carbon travel alternatives and offsets. At corporate level, we recognize that business travel is by far our greatest source of GHG emissions. The aim of any business trip is to ensure we stay close to our clients, source new investment opportunities and work with our portfolio companies on value creation initiatives and ESG engagements – all to achieve better results for our clients and their beneficiaries.

However, **we are committed to reducing our impact and, in addition to carbon reduction projects, we are fully offsetting our key corporate GHG emissions.** To achieve this, we have teamed up with Natural Capital Partners, a leading provider of innovative environmental solutions. Together, we have built a global portfolio of low carbon sustainable development projects that we are financing in order to offset our CO2 emissions according to the highest international standards.

In addition, **we acknowledge the importance of entrepreneurial climate action projects**, such as initiatives to develop carbon dioxide removal technologies, and we support collaborations with universities and other research bodies.

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6. Governance

To ensure proper oversight and implementation of the strategy outlined above, we have established clear governance structures and capacity building plans. The below **diagram summarizes the governance structure and key roles and responsibilities related to the implementation of the strategy.** The ESG & Sustainability team provides regular updates on the execution of the Climate Change Strategy to the Executive Committee, which forms the basis for strategic climate-related decisions. ESG-related topics including climate change are discussed in Partners Group's general Board meetings, which take place on a quarterly basis, as needed.

Climate change governance structure