



#### Important information

This material has been prepared solely for purposes of illustration and discussion. Under no circumstances should the information contained herein be used or considered as an offer to sell, or solicitation of

All information, including performance information, has been prepared in good faith; however, Partners Group makes no representation or warranty, express or implied, as to the accuracy or completeness of the information, and nothing herein shall be relied upon as a promise or representation as to past or future performance. This material may include information that is based, in part or in full, on hypothetical assumptions, models and/or other analyses of Partners Group or any of its affiliates (which may not necessarily be described herein), and no was gathered from various sources which Partners Group believes, but does not guarantee, to be reliable. Unless stated otherwise, any opinions expressed herein are current as of the date hereof and are subject to change at any time. All sources which have not been otherwise credited have derived from Partners Group.

The projections, forecasts and estimates of Partners Group contained herein are for illustrative purposes only and are based on Partners Group's current views and assumptions, which are subject to change at any time. Such projections, forecasts and estimates involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated

in the summary information. Partners Group expressly disclaims any obligation or undertaking to update or revise any projections, forecasts or estimates contained in this material to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law.

Private market investments are speculative and involve a substantial degree of risk. Private market investments are highly illiquid and are not required to provide periodic pricing or valuation information to investors with respect to individual investments. There is no secondary Past results are not indicative of future performance, and performance

behalf of the firm's clients, not on behalf of Partners Group Holding AG or any of its affiliates.

Material notes to readers based in the United States of America: this is a publication of Partners Group AG and is for informational purposes only. It is not an offer to sell or solicitation of an offer to buy any security. Products or funds mentioned in this publication are not available to US-based investors.

For use with institutional investors only. Not for use with retail

All images are for illustrative purposes only.

#### Contents

A note from the Chairman	20
A note from Executive Chairman Steffen Meister on Partners Group's sustainability priorities and achievements in 20 ————————————————————————————————————	
Partners Group at a glance	
Key facts and figures about our firm today	
Our stakeholders and materiality assessment	
An overview of the topics that are most relevant to our firm and our stakeholders from a sustainability perspective	
Progress report	
Our progress in addressing the sustainability topics that are most relevant to our firm and our stakeholders	
Responsible investment	1
- Our ESG vision, strategy and objectives	
- Emerging ESG topics in 2020	
- 2020 ESG Highlights	
- Asset class deep dives	
- Impact investing & corporate philanthropy	
- Special topic: PG Gives Back	
Corporate governance & risk management	5
- Our approach and progress	
Financial performance	5
- Our approach and results	
Human capital development	6
- Our approach, people and progress	
Business ethics	6
- Our approach and progress	
Environment	6
- Our approach and progress	
GRI Content Index & SASB Index	7
Contacts	8







A NOTE FROM THE CHAIRMAN

## A note from the Chairman



Steffen Meister Executive Chairman

At a time when the world was already facing several important challenges, ranging from addressing an ongoing climate crisis to fighting for racial justice, the outbreak of the global COVID-19 pandemic added an extra level of complexity. The sheer scale of its impacts, including dramatic loss of life and economic uncertainty, has been unprecedented.

In light of this, Partners Group's key sustainability priority during the year was to support our stakeholders throughout the COVID-19 crisis, guaranteeing health & safety and maintaining business continuity across our firm and investments. Since the outbreak of the pandemic, our global leadership team, directed by our Crisis Response Team, has been at the forefront of safeguarding and improving the resilience of our own processes and operations. In January last year, the team immediately put into action its business continuity plan for a pandemic scenario, including implementing work-from-home protocols in all impacted regions. The plan had already been developed following the 2002-2004 SARS outbreak, meaning communications protocols and IT disaster recovery plans were already established. As such, our teams were able to tackle the pandemic with minimum disruption and with no interruptions to critical and non-critical business functions.

In parallel, our investment teams worked intensively with our portfolio company management teams to provide support and direction in navigating the evolving pandemic, making sure their business continuity plans were adequate to protect employees from the spread of the virus. In the early months of the pandemic, we also created a Portfolio Employee Support Fund, a USD 10 million facility aimed at supporting financially vulnerable portfolio company employees. As of December 2020, the fund had supported over 12,000 portfolio company employees with their medical expenses, increased childcare

or remote learning costs, as well as assisting households whose income levels were negatively impacted by government-imposed lockdowns or the tragic loss of loved ones.

However, despite having to shift some of our immediate priorities, we also remained steadfast in our commitment to responsible investment and sustainability. A key pillar of our purpose as a firm is to create lasting, positive impact. This would not be possible without a leading responsible investment practice and a principled approach to managing our own operations. In 2020, we led several initiatives at the corporate and portfolio level to advance our sustainability agenda and strengthen our business resilience with the ultimate ambition of creating true stakeholder impact.

"Partners Group's key sustainability priority during the year was to support our stakeholders throughout the COVID-19 crisis, guaranteeing health & safety and maintaining business continuity across our firm and investments."

At the corporate level, we upheld our commitment to developing our employees and leaders in spite of the challenges of adapting trainings and workshops to a work-from-home context. The development of our human capital is one of the foundations of our long-term success and a big part of what makes Partners Group a great place to work. In 2020, we went

live with PG Academy, a platform that delivers flexible and scalable opportunities to grow through learning. This allowed us to expand our leadership development programs and offer targeted training modules delivered both through classroom training and eLearning.

We also further advanced our Stakeholder Benefits Program, a program aimed at systematically re-investing into our portfolio assets to create positive impact for employees and other stakeholders, ultimately building better, more sustainable businesses. Last year, we entered into structured dialogues with some of our largest clients and other stakeholders to define the scope and format of the program. This year, we have begun to take action: after strengthening our internal leadership around the program and adding external resources to our efforts, we have launched a pilot program at three of our assets. We will continue to work on defining the final format of the program in 2021 and look forward to updating you on our efforts.

Finally, we continued to focus on two key sustainability issues relevant to both our firm and portfolio companies: diversity & inclusion and climate change. In 2020, we continued to work towards our target of substantially increasing the number of senior female professionals at our firm through our employee development programs and targeted recruitment initiatives. Furthermore, we supported the launch of two employee resource groups that aim to make Partners Group a better, more inclusive company.

We also laid the foundations for a more systematic approach to promoting diversity & inclusion at our portfolio assets and identified two focus areas for the coming years. The first is to enhance diversity & inclusion within our portfolio company boards, an effort led by our Operational Directors and Entrepreneurial Governance team, which is responsible for ensuring board excellence across our portfolio. The second is to leverage best practices from the companies within our portfolio that are most advanced on this topic and apply them systematically across our portfolio. We are convinced that ensuring an inclusive and diverse culture at all of our assets, from the board to frontline workers, is essential to transforming these businesses into market leaders.

On the climate front, we remain committed to reducing our impact on the environment. This year, we officially launched the Climate Change Strategy we began developing last year to formalize our approach to managing climate risks across our investment portfolio and our firm. The strategy aligns with the Task Force on Climate-related Financial Disclosures guidelines and outlines the steps we are taking to achieve

net zero carbon emissions across our entire organization and manage our investment portfolio towards the Paris Agreement goals.

Partners Group celebrated its 25th anniversary in 2020. The success of our firm to-date could not have been achieved without the dedication of our employees and the trust and partnership of our clients, business partners, and other stakeholders. To mark the occasion, Partners Group launched the PG Gives Back initiative, gifting employees additional time off and financial contributions to support the communities in which they live. Across Partners Group's 20 offices globally, our more than 1,500 employees launched their own initiatives or partnered with local charities and organizations to donate time and capital to important causes such as conservation, education, healthcare and helping those in need.

"The past year has only served to deepen our conviction that the integration of sustainability considerations into our operations and investment processes is key to creating lasting, positive impact."

Last but not least, we remain committed to reporting on our sustainability performance in a transparent manner and to maintaining an open dialogue with our stakeholders. In order to continuously improve our reporting to stakeholders and provide further confidence in our sustainability progress and achievements, we have gone one step further this year by seeking external limited assurance on the most material topics covered in this Corporate Sustainability Report. We hope you find our report insightful and welcome your feedback on any of the topics discussed.

The past year has only served to deepen our conviction that the integration of sustainability considerations into our operations and investment processes is key to creating lasting, positive impact for all our stakeholders.



**PARTNERS GROUP AT A GLANCE** PARTNERS GROUP AT A GLANCE

## Partners Group at a glance



#### Key figures



professionals1)



revenues1), 2)



offices around the world1)



EBIT1)



assets under management (AuM)1)



profit1)

#### Assets under management



- 1) As of and for the period ended 31 December 2020.
- 2) Revenues from management services, net, including other operating income and share of results of associates.
- 3) Due to rounding, totals may not correspond with the sum of the separate figures.

#### Support for external initiatives







Since 2008, we have been a signatory of the UN Principles for Responsible Investment.

We have voluntarily participated in the CDP (formerly Carbon Disclosure Project) since 2008.

We have been a constituent of the FTSE 4 Good Index Series since 2018.





In 2019, we became a first adopter of the IFC's Operating Principles for Impact Management.

In 2020, Partners Group became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

Partners Group is a leading global private markets firm with more than USD 100 billion in assets under management, delivering sustainable performance across economic cycles through three key approaches:

Transformational Investing	Bespoke Client Solutions	Stakeholder Impact
We generate superior returns by capitalizing on thematic growth trends and transforming attractive businesses into market leaders.	We provide investors with tailored access to private markets and enhanced returns through our portfolio management capabilities.	We realize potential in private markets and create sustainable returns with lasting, positive impact for all of our stakeholders.

**Corporate Sustainability Report focus** 

For more information on our business model and financial performance, please refer to our 2020 Annual Report:

report.partnersgroup.com/2020/

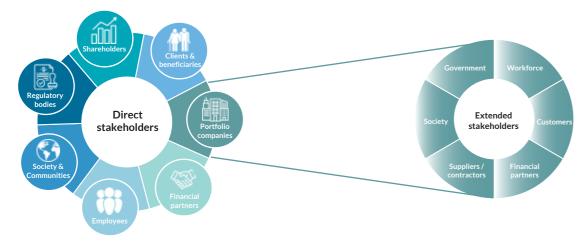


6 | Partners Group Partners Group | 7 MATERIALITY ASSESSMENT

MATERIALITY ASSESSMENT

## Our stakeholders and materiality assessment

#### Partners Group's stakeholders and engagement channels



#### Achieving stakeholder impact

Partners Group aims to deliver sustainable performance across economic cycles through three key approaches: transformational investing, bespoke client solutions and stakeholder impact. This report focuses in particular on stakeholder impact, highlighting how we create sustainable returns and realize potential for all of our stakeholders with lasting, positive impact.

As a global private markets firm, our industry, economy and society have grown into a complex and interconnected system with many different stakeholder interests to consider. Over the years, Partners Group has developed a systematic approach to addressing the interests of its stakeholders by embedding environmental, social and governance (ESG) factors into its investment and business processes. We aspire to be known for transformative and impactful engagements with our portfolio companies in the ESG areas that are most material to them, as well as in areas of high societal importance that benefit all our stakeholders, such as diversity & inclusion and climate change. We also aim to increase our assets' value by considering ESG risks and capitalizing on ESG opportunities that allow our investments to have an impact that goes beyond our ownership period.

## Material topics identified during our materiality assessment

Our Corporate Sustainability Report covers the topics that matter most to our stakeholders, which include our clients and their beneficiaries, employees, shareholders, portfolio companies and their stakeholders, financial partners, and regulatory bodies. The table on pages 10-11 shows the topics that are most relevant to Partners Group from a business and sustainability perspective and that substantively influence the decisions of our direct stakeholders. These include topics covered by the Global Reporting Initiative (GRI) Economic, Environmental and Social Standards and also reflect the Sustainability Accounting Standards Board (SASB) standards on materiality by industry for the financials vertical. Due to their relevance to our firm, these are the topics we have chosen to cover in this report as well as in our Annual Report and other Partners Group materials.

#### Materiality assessment methodology

In developing this report, we have employed the GRI Reporting Principles for defining report content and quality. We considered the needs and expectations of stakeholders, as well as what they consider to be material sustainability topics for both Partners Group and the broader private markets industry. In a first step, together with our ESG & Sustainability team and members of the Executive Committee, we mapped out the firm's direct stakeholders and the channels through which the firm engages with each group. Through these channels, informal feedback was collected about the sustainability topics each group considers to be most relevant in their relationship with Partners Group. Based on these inputs, we identified the material topics that should be covered in this report, considering the degree to which Partners Group has control over each issue. The full list of identified material topics can also be found in our GRI Content Index on page 75.

#### Our approach to stakeholder engagement

The chart below shows the direct and extended stakeholders identified in our stakeholder assessment process, as well as the engagement channels established with each direct stakeholder group. For all direct stakeholders, as well as for Partners Group itself, one of the most material issues identified is ensuring ESG factors are systematically integrated throughout the investment cycle for all private markets asset classes. That is why this report focuses in particular on our approach to ESG integration and engagement.

Stakeholder group	Main engagement channels
Clients & beneficiaries	<ul> <li>Ongoing client meetings</li> <li>Ongoing updates via My Partners Group Portal</li> <li>Daily, monthly or quarterly reporting</li> <li>Annual General Meeting</li> <li>Workshops for investors</li> <li>ESG webinars</li> </ul>
Shareholders	<ul> <li>Ongoing shareholder meetings</li> <li>Semi-annual reporting</li> <li>Annual General Meeting</li> </ul>
Employees	<ul> <li>Annual employee engagement survey</li> <li>Partners Group Intranet</li> <li>Partners Group People employee portal</li> <li>Global and local Town Hall meetings</li> <li>Annual performance and development reviews</li> <li>Ongoing training and mentoring programs</li> <li>PG Academy</li> </ul>
Portfolio companies	<ul> <li>ESG onboarding</li> <li>Annual ESG KPI survey</li> <li>Ongoing proprietary ESG engagement projects</li> <li>ESG workshops</li> <li>Incident reporting tool</li> <li>PG Alpha*</li> </ul>
Financial partners	<ul><li>Annual Partners Conference</li><li>Ongoing meetings</li></ul>
Regulatory bodies	<ul> <li>Regulatory examinations and visits</li> <li>Recurring audits</li> <li>Ongoing reporting obligations</li> </ul>
Society & communities	<ul> <li>Partners Group public communication channels</li> <li>PG Gives Back</li> <li>PG Impact Verein</li> </ul>

\*A new tool designed to support cross portfolio tracking and review performance and development of our investments

#### Material topics covered in this report

	Material topic	Туре	Stakeholder	Definition and scope	Page
_	1. Responsible investment - ESG	ESG	Clients & beneficiaries  Shareholders  Portfolio companies  Communities  Regulatory bodies	Integration of environmental, social and governance (ESG) factors throughout the investment process / ESG risk mitigation and value creation / ESG engagement	12
Portfolio level	- Impact	ESG	Clients & Portfolio companies  Portfolio companies  Communities	Impact investing / SDG-aligned investing	46
	- Philanthropy	ESG	Employees Communities	Corporate philanthropy / employee volunteering initiatives	50
	2. Corporate governance & risk management	SG	Employees  Clients & beneficiaries  Shareholders  Financial partners  Regulatory bodies	Systemic risk management / cybersecurity / governance framework	54
<u></u>	3. Financial performance	G	Employees  Clients & beneficiaries  Shareholders  Portfolio companies	Sustainable investment performance / sustainable financial returns / direct economic value generated and distributed	58
Corporate level	4. Human capital development	<u>S</u>	Employees  Clients & Shareholders  Shareholders  Communities	Attracting and retaining talent / education, training and development / diversity & inclusion / compensation and benefits / promoting Partners Group's culture /	60
	5. Business ethics	SG	Clients & beneficiaries  Shareholders  Portfolio companies  Financial partners  Regulatory bodies	Compliance with laws and regulations / prevention of market abuse / prevention of conflicts of interest / anti-corruption and anti-bribery / anti-money laundering marketing compliance / socioeconomic compliance / tax compliance / indirect economic impacts	67
	6. Environment	E	Clients & Shareholders  Shareholders  Shareholders  Companies  Communities	Environmental compliance / greenhouse gas emissions from our operations and investments / addressing climate change risks and impacts	68

## Responsible investment

#### A brief note on terminology

The spectrum of responsible capital shown below maps out the broad range of strategies that investors can adopt in the ESG and impact space. These range from traditional strategies with a limited focus on ESG factors, all the way to philanthropy.

Partners Group operates within the responsible investment/ESG integration to philanthropy end of the spectrum, in addition to screening and excluding investments whose products, services or practices pose significant social or environmental harm.

All Partners Group products integrate ESG factors into the investment cycle, both from a risk mitigation and a value creation perspective. We systematically integrate ESG factors, alongside commercial and financial factors, into our investment due diligence and ownership. We believe this approach not only protects, but also creates value for our clients and their more than 200 million beneficiaries.

#### The spectrum of responsible capital

			Dautmana Cuarra fa arra								
				Partners Gro	oup focus						
	Negative	Responsible		Impact in	vesting						
Traditional	screening / SRI	investment / ESG integration	Mark	cet-rate	Concessionary	Philanthropy					
Competitive retu	irns										
	ESG risk manageme	nt									
		ESG value creation									
			Intention and commitment to create and measure impact								
Limited or no	Excluding	Focus on creating	Focus on o	ne or a cluster	Focus on one or	Focus on one or					
focus on ESG	investments	and protecting value	of issue are	eas, where	a cluster of issue	a cluster of issue					
factors	based on harmful	through	social or en	vironmental	areas, where social	areas, where social					
	products, services	consideration of ESG	need create	es a	or environmental	or environmental					
	or practices	factors	commercia	l growth	need requires some	need requires 100%					
			opportunit	y for market-	financial trade-off	financial trade-off					
			rate return	S							
			At scale	Underserved							
		roup investments: ge 12	PG LIFE: page 46	PG Impact Investments: page 47	PG Impact (Verein): page 50						

#### **ESG** integration at Partners Group

	Negative	Responsible	Impact i		
Traditional	screening / SRI	investment / ESG integration	Market-rate	Concessionary	Philanthropy
Limited or no focus	Excluding	Focus on creating	Focus on one or	Focus on one or	Focus on one or
on ESG factors	investments based	and protecting value	a cluster of issue	a cluster of issue	a cluster of issue
	on harmful products,	through consideration	areas, where social or	areas, where social	areas, where social
	services or practices	of ESG factors	environmental need	or environmental	or environmental
		•	creates a commercial	need requires some	need requires 100%
			growth opportunity	financial trade-off	financial trade-off
			for market-rate		
			returns		

#### Our ESG vision, objectives and strategy

At Partners Group, we aim to create sustainable returns with lasting, positive impact for all our stakeholders. Appropriately considering ESG topics is a key enabler to creating value for our investments, allowing us to act on ESG opportunities and mitigate ESG risks.

#### Our vision

Our ESG vision is to maintain our global leadership position in building sustainable businesses. We will act as a role model in responsible investing and continuously raise ESG standards for our industry. We will operate as a sustainable business ourselves and outperform public markets ownership by building sustainable businesses in our portfolio through our entrepreneurial governance approach.

#### Our objectives

We work to achieve our vision by pursuing three key objectives:

- 1. Embed ESG into the strategy, direction and goals of our portfolio companies: We create value through impactful engagements with our portfolio companies on the most material topics for their business, as well as on topics of high importance to our stakeholders, such as diversity & inclusion and climate change. ESG is a powerful tool for a transformative investor; we increase our assets' value by considering ESG risks and capitalizing on opportunities, and we have an impact that goes beyond our ownership period.
- transparency throughout our investment process: We care for and earn the trust of our stakeholders by being reliable and transparent about both our successes and shortcomings. We are a role model in ESG reporting, and we have robust metrics to demonstrate the depth and coverage of our engagements in an assurable manner, as well as compelling case studies throughout our portfolio. We only entrust our clients' capital to managers whose principles align with ours.
- 3. Establish ourselves as a leader in integrating and quantifying impact in our process: We drive the development of impact management in our industry and expand its values across private markets/portfolio companies, not only focusing on products and services but also including the positive impact of ESG projects. We leverage our expertise to create bespoke solutions for our clients who want to invest their resources to drive positive social and environmental impact.

#### Our strategy

We translate our vision and objectives into action by using our governance rights to work with portfolio companies on those areas where ESG is best positioned to add and protect value. Furthermore, we continuously develop tools and processes that ensure a systematic and scalable approach.

#### Responsible investment

Our ESG vision, strategy and objectives

Headline ESG topics in 2020

2020 FSG Highlights

Asset class deep dives

Impact investing & corporate philanthron

Special topic: PG Gives Back



Read about our approach to ESG integration across investment strategies in our ESG & Sustainability Directive:

partnersgroup.com/ en/sustainability/ responsible-investment

#### 100% of our AuM is covered by our Responsible Investment Policy (2)

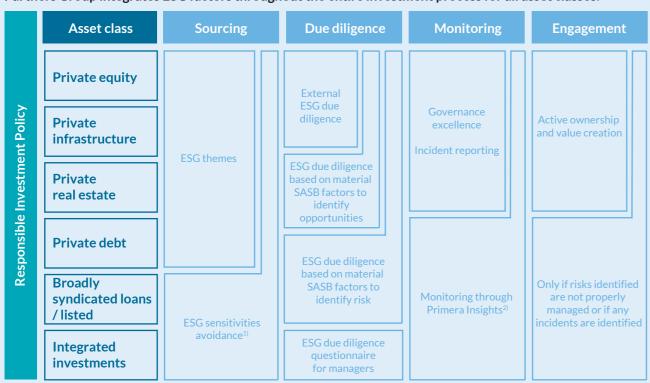
Our ESG strategy is anchored in our **Responsible Investment Policy**, which describes our overall approach to responsible investment, including how we integrate material environmental, social and governance factors, alongside commercial and financial considerations, into our sourcing, due diligence and ownership practices across all of the asset classes in which we invest. The policy details Partners Group's definition of responsible investment and outlines how ESG integration enables us to fulfill our fiduciary duty to clients and achieve our investment objectives, while also creating positive social, environmental, and financial outcomes for our stakeholders. It also describes the key processes through which we implement ESG integration, including:

- Screening investments against our sourcing avoidance criteria
- Identifying material ESG risks and value creation opportunities during due diligence
- Engaging with investments to initiate ESG improvement projects during ownership
- Monitoring ESG performance through an annual internal and external reporting process

The policy outlines how we adapt our approach for different asset classes, including primary, secondary, and liquid investments. It also details Partners Group's ESG governance structure, which is described in more detail on the following page. 100% of our assets under management are covered by our Responsible Investment Policy, as detailed by the United Nations Principles for Responsible Investment framework, ISP 1.1 and ISP 3.

Note: in light of the EU Sustainable Finance Disclosure Regulation (SFDR), we have updated our Responsible Investment Policy to ensure that we are aligned with the new regulation. Our updated policy has been be renamed as our "ESG & Sustainability Directive" and took effect on 10 March 2021.

#### Partners Group integrates ESG factors throughout the entire investment process for all asset classes:



1) Partners Group avoids certain investment opportunities that are not acceptable from an investment risk perspective because of the products or services offered and/or the business use of practices which cannot be remediated or managed through active ownership or which are not compliant with supranational, regional or local rules.
2) For all investment portfolios, we monitor underlying holdings on an ongoing basis through Primera Insight, our artificial intelligence system that screens online news sources for ESG-related news on our portfolio.



#### Our responsible investment governance framework

At Partners Group, oversight for ESG integration lies with the most senior levels of our organization. At Board level, our Investment Oversight Committee assesses the quality and consistency of our investment process, including our approach to ESG integration and risk management. The committee acts as an advisor to our Global Investment Committee, which is responsible for making all in-/divestment recommendations. All recommendations made by the Global Investment Committee are informed by our Responsible Investment Screening Framework and our ESG Due Diligence Assessment.

The day-to-day management of ESG integration is well-embedded within our investment platform and shared by professionals across all teams. Our ESG Due Diligence Assessment is carried out by investment professionals, with findings flagged directly to our investment committees. More detailed ESG work, including our ESG engagements and value creation initiatives with portfolio companies and assets, is led by our dedicated ESG & Sustainability team, based in Asia, Europe and the US. In addition, we draw upon the expertise of our Operating Directors and Entrepreneurial Governance team, as well as several other teams across the firm, to support our ESG engagement activities and further inform our approach to ESG integration.

#### Our responsible investment governance structure



#### Headline ESG topics in 2020

In 2020, our ESG work with portfolio companies was focused in particular on addressing three key topics: managing the impact of climate change, fostering diversity & inclusion across our portfolio, and ensuring ESG topics are integrated into our portfolio company board work.

#### **Environment: climate change**

In line with our newly launched Climate Change Strategy (see page 68), we are committed to working towards net zero carbon emissions across our entire organization and managing our investment portfolio towards meeting the Paris Agreement goals. As transformational investors, we have been reducing the footprint of our portfolio for many years. We know that full carbon neutrality is an ambitious target. Aligning with the Paris Agreement is not achieved by stating bold goals; it requires actionable plans for how to effectively reduce emissions. As such, we will not only continue to measure our portfolio footprint in great detail, but we will also leverage our experience in energy management projects to apply effective emission reduction strategies asset by asset wherever possible.

Our initial focus will be on our direct portfolios in private equity, private infrastructure and private real estate. We will then broaden our focus to private debt and other investment strategies as well as our business partners, leveraging our learnings. Through our Climate Change Strategy, we are convinced that we will continue to act in the best interests of our clients, and that generating long-term sustainable returns while also accomplishing positive impact for all our stakeholders, including our environment, can be achieved in parallel.

After setting the foundation for our Climate Change Strategy in 2020, we have begun to operationalize our approach across the investment lifecycle.

To support our investment teams at the sourcing and due diligence stage, we have developed specific climate-related investment guidelines. Specifically, we have developed a detailed framework for our infrastructure investment teams to assess potential investments with exposure to carbonintensive and fossil fuel-related revenue or operations. These guidelines are designed to help Partners Group's investment teams and committees determine which types of investments align with Partners Group's broader Climate Change Strategy and commitments.

For the assets which we already own, we have launched a portfolio-wide approach to managing risks and impacts related to climate change. Calculating a reliable greenhouse gas footprint is foundational to mitigating impact, so our first step has been to work with our direct lead investments on their energy measurement and reporting capabilities. We have already seen progress on this front, as almost 80% of the private equity portfolio companies that have been under Partners Group ownership for at least one year are now able to report their greenhouse gas intensity. In 2021, we will continue to work with new portfolio companies to establish the systems needed to track their energy consumption.

Beyond measuring emissions, our ESG & Sustainability team is also partnering with investment teams, board members, and portfolio company management teams to actively reduce emissions and climate-related risks across our portfolio. Taking swift action to reduce emissions is essential to managing our investment portfolio towards the Paris Agreement goals, while mitigating climate-related risks is necessary to protect value across our assets. For example, in 2020 one third of our direct lead equity and infrastructure assets reported that climate-related hazards had impacted operations, with a combined impact of 707 days of business interruptions and around USD 2.3 million in lost revenues and repair costs.

This year, we designed a systematic approach to identify and manage climate change-related impacts, risks, and opportunities at our portfolio companies. We call this our "Climate Change Sweep." To-date, we have piloted it with three of our portfolio companies, KinderCare, USIC, and Techem, which we selected based on our assessment of potential climate-related risks and impacts. The purpose of

the sweep is to identify specific actions that our portfolio companies can take during our ownership period to reduce their carbon emissions and fortify their business models against climate-related risks. It involves a rigorous footprinting exercise that measures Scope 1, 2 and 3 emissions, as well as a physical and transition risk assessment.

#### **Applying our Carbon-Intensive Investment Policy**

We are committed to avoiding greenhouse gas-intensive activities in our direct investment universe as we consider climate change regulations a material investment risk. This generally includes the following investments, which we avoid in principle due to their long-term risk and misalignment with market trends, unless we can develop a carbon reduction strategy to positively influence them towards a low-carbon transition:

- Businesses whose main product or service supports thermal coal extraction, transportation, or use for energy generation, and 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 for 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
- Deforestation or the burning of vast natural ecosystems for the purpose of land clearance.

In addition, for our direct infrastructure investments, which are those most exposed to carbon-intensive industries, we carefully assess the potential impact on climate change based on four critical factors:

- 1. Emissions intensity;
- 2. Alignment with a low-carbon economy transition pathway;
- 3. The materiality of carbon-intensity to operations; and
- 4. Partners Group's capacity to mitigate impacts through active ownership.

For primary and secondary infrastructure investments, we strive to invest with investment managers that align with our commitment to support a transition to a low-carbon economy and we reduce our exposure to carbon-intensive portfolios.

#### Sourcing

on sub-industry

classification framework

#### Due diligence

- Screening Framework:

   Carbon avoidance list

   Climate-sensitivity
  materiality screening based

  ESG Due Diligence Assessment:

   Assess climate risk against pre-defined questions integrated in our assessment
  - For lead investments, include climate risk in third-party due diligence

#### Ownership

#### Engagement and monitoring:

- Implement climate
- engagement projects/sweeps
  Offer GHG emissions/
  energy efficiency
- reduction toolkit

  Monitor climate risk
  mitigation/adaptation

performance through

annual ESG KPI survey

#### Engagement summaries:

 Highlight climate engagements in seller materials through case studies and climate metrics

Exit

Identify and meet climate-related market requirements (e.g. mandatory climate disclosures for listed companies)

#### Sweeping our portfolio for ESG risks and opportunities

A "Portfolio Sweep" is a systematic, data-based and replicable assessment of ESG topics of common relevance and materiality across our global lead investment portfolios, carried out by our ESG & Sustainability team in collaboration with external experts. The concept of the Portfolio Sweep arose from our realization that there are several common ESG areas that are material to a critical number of our portfolio companies, such as health & safety, anti-fraud and cybersecurity, and that by implementing a standardized approach to these topics, we could make improvements across a number of our portfolio companies at once.

We launched our sweep approach in 2019 starting with two key ESG topics: health & safety and fraud risk. Based on the success of these first two sweeps, we continued to implement these assessments with new portfolio companies in 2020 and also developed sweeps on emerging ESG topics, including climate change, and responsible sourcing.

After we complete our three Climate Change Sweep pilots in early 2021, we will consolidate our learnings and identify any remaining gaps in our approach to measuring and managing portfolio emissions. From here, we will further refine our implementation plan for achieving net zero emissions across our portfolio.

#### Carbon footprinting at KinderCare

Since 2018, KinderCare has upgraded lighting to LEDs in over 100 education centers and installed centralized energy management systems (EMS) in over 200 centers. These efforts have yielded energy savings of more than 10% in centers with EMS and up to 60% in centers with upgraded LED lighting, reducing KinderCare's Scope 2 carbon emissions and saving the company over USD 1.5 million in EBITDA from 2018-2020. Because of this track record on energy management, we selected KinderCare as the first company to participate in our Climate Change Sweep. This engagement identified some additional emissions reduction opportunities that we had not previously considered. For example, we learned that KinderCare's primary source of greenhouse gas emissions are Scope 3, including emissions from private vehicles used to transport children to and from KinderCare centers and the sourcing and provision of school meals. Increasing utilization of group transit options (i.e., buses, carpools) and reducing meat and processed foods are two concrete steps KinderCare could take to reduce Scope 3 emissions, though unlike prior initiatives, the impact of these Scope 3 efforts would be influenced by external factors (e.g., parent preferences/behaviors; state-subsidized meal program requirements). KinderCare will continue refining its ESG strategy as the world emerges from the COVID-19 pandemic and will consider the findings of the Climate Change Sweep as an input to that strategy.

#### Social: diversity & inclusion across our portfolio

In light of rising global activism on diversity & inclusion, we are increasingly aware of the unique role we can play in advancing these topics at our portfolio companies. Until now, we had worked on individual engagements with portfolio companies. However, recent events call for a more systematic approach that leverages key learnings from portfolio companies which are already leaders in this space and from Partners Group as we continue on our own diversity & inclusion journey.

In 2020, we laid the foundation for a more strategic approach going forward. Building on previous exercises, we further developed the diversity & inclusion section of the annual ESG review process that we complete with all portfolio companies. Specifically, we asked our portfolio companies to report on the following:

- Formal policies in place to ensure equal employment opportunities and promote diversity & inclusion, including a Parental Leave Policy
- Formal diversity & inclusion strategy and key priorities
- Diversity & inclusion training
- Employee demographics beyond gender, where available, as different jurisdictions have different personal data protection laws

The findings from our survey highlighted areas of progress, as well as opportunities for improvement. For example, ten of our portfolio companies have increased the proportion of female management at their company since 2019. In addition, 100% of our portfolio companies have an anti-discrimination policy in place, and over 70% are currently implementing diversity & inclusion training or plan to implement training in 2021. In addition to these positive findings, we learned that we have more work to do, as only 60% of our companies have a defined diversity & inclusion strategy in place. Our primary conclusion from this evaluation is that there is a broad spectrum of maturity levels across our portfolio companies when it comes to diversity & inclusion.

We have identified two ways to spur progress. The first is by increasing diversity & inclusion within our portfolio company boards, an effort which is led by our Operational Directors and Entrepreneurial Governance (ODEG) team, which is responsible for ensuring board excellence across our portfolio. It is important for us to lead by example, including diversity in our boards, to send the right message to our management teams. The second is by leveraging best practices from our portfolio companies who are most advanced on this topic, applying them systematically across our portfolio.

#### Diversity & inclusion at Civica

We identified Civica, a specialist software developer in the UK, as one of the most advanced companies in our portfolio on diversity & inclusion. Civica has worked on these topics for many years, most recently ranking 73rd out of 15,000 companies (i.e. in the top percentile) in the Financial Times' list of most inclusive companies in Europe as ranked by employees. Over 100,000 employees participated in the survey, assessing employees' perception of companies' inclusiveness. Civica aims to develop a culture that places a high value on the contribution of diverse ideas. It embeds diversity & inclusion best practices throughout its operations, starting with collaborating with schools and universities to attract diverse talent, all the way to providing mentorship programs and unconscious bias training to promote a more inclusive workplace. It is our ambition that all companies in our portfolio have a roadmap to achieve the same goals.

"We are committed to taking the best practices from companies like Civica and using our platform as a catalyst for change. By doing so, we can create more inclusive working environments and opportunities for the almost 200,000 employees across our portfolio."

Carmela Mondino, Head of ESG & Sustainability and Member of Partners Group's Diversity & Inclusion Committee

As we continue to focus on diversity & inclusion advancement at portfolio companies, we will use companies like Civica as a benchmark and role model for other portfolio companies by sharing their initiatives and experience. We are convinced that ensuring an inclusive and diverse culture at all of our companies, from the board room to the frontline, is essential to creating value for all our stakeholders and having a tangible long-term impact.

#### Governance: ESG in our board rooms

Our portfolio company boards are essential to Partners Group's active ownership and entrepreneurial governance approach. Our dedicated ODEG team is responsible for ensuring board excellence across our portfolio of businesses and assets. As part of their work, they have developed a "board maturity" assessment which we use to assess the effectiveness of each of our portfolio company boards. This assessment takes into consideration key elements of board performance, such as vision and strategy, structure and staffing, and culture.

As a critical initiative for Partners Group and our clients, we believe ESG is a topic that belongs in our board rooms. To enhance board responsibility for ESG, our ESG and ODEG teams partnered in 2020 to integrate key ESG considerations, including diversity & inclusion, into their board maturity assessment. Through these updates, we aim for our portfolio company boards to work towards the following goals:

- Board Vision & Strategy: The board ensures that there is a defined company "purpose" that encompasses positive impact on relevant stakeholders, including employees, communities, and suppliers. This purpose is informed by our ESG vision & strategy for each company.
- Strategic Board Initiatives: The board ensures the company executes a clear set of initiatives that deliver positive change towards a larger ESG vision or company purpose.
- Board Structure & Staffing: The board reflects diversity
  across different identities such as race, ethnicity, gender,
  sexual orientation, nationality, age, religious beliefs,
  political beliefs, or other ideologies. Diversity is a key
  strength of the board. ESG and stakeholder impact
  matters are a focus of a dedicated committee or at least
  housed under the risk and audit committee.

## The industry view

#### Q&A on ESG governance with Michael Penner and Sandy Price, board members at USIC







Sandy Price Operating Director at USIC

#### Do you believe that ESG should be on the agenda for all boards of directors regardless of whether they operate in the public or private space?

**Sandy:** Clearly, ESG stewardship is the right thing to do, but it's also a critical success factor for companies as a driver of value creation and a form of risk mitigation. The research is very clear that companies that "do good things" tend to have as much as a 30% higher return on equity. Whether it's private equity or public markets, investors are increasingly unlikely to invest in companies that either lack ESG leadership or that are unable to demonstrate clear results from their ESG initiatives.

Many customers decide where and how they'll spend money, and from whom they'll purchase goods and services, based on an organization's stated ESG positions and results. Employees too, when thinking about where they want to work, will select companies that reflect their values and priorities.

Having a strong ESG positioning gives companies a distinct advantage in the marketplace and should be a focus for all boards.

**Michael:** ESG should be a certain set of values and cultural elements that transcends all businesses and organizations. It doesn't matter if you're the greatest infrastructure locating company in the world or a local community library, I believe that a series of coordinated concepts that captures the most impactful elements of the world that we live in, especially in a post-pandemic world, is something that should be central to all organizations, big or small.

Clearly, if these elements are so central, their place is with the board, with management, with employees, with the unions, and with all stakeholders that are part of a company's ecosystem. That is the only way ESG can function in a positive and holistic manner.

# You are both board members at USIC, a provider of infrastructure locating services in the US and Partners Group portfolio company. Which ESG topics would you say are most material for USIC and why?

**Michael:** For me, the 'social' element in ESG, which is often overlooked, is the most important part of the equation. USIC offers a critical service and that service is performed by people. Our technicians are the ones getting out there and locating the underground electrical wires, gas pipes and water mains. If we focus on the people at USIC – develop them, promote them, give them an education, ensure their safety, and provide an inclusive environment – we are fulfilling our

**Sandy:** Michael is right, this all begins with the power of the frontline and the people that we, as the board, support. A skilled and engaged workforce will drive quality and customer satisfaction. And certainly, these are key levers to the EBITDA and the profitability that we want for the company and its investors.

Safety is very important at USIC. The safe life culture that is expected and advocated by USIC is remarkable. We have emphasized safety training opportunities for our frontline leaders, and embedded hundreds of safety coaches into the workforce, such that we not only deliver a superior product but deliver it safely.

We also have a clear focus on hiring diverse talent and fostering inclusion in our workforce. This is an industry that historically attracts male employees. We are focused on increasing our female representation, as well as ensuring our workforce is representative across all aspects of diversity such as race and ethnicity. This not only relates to our frontline workers, but also to our supervisors, managers, senior leaders, and, ultimately, our board. I am proud of where we are today but humbled by what we have yet to do.

## As board members, what is your role in ensuring these topics are addressed, and that progress is made on ESG?

**Michael:** I firmly believe that with ESG topics, the tone starts at the top. As members of the board, it's incredibly important that that tone starts with us. And tone is not only about how important ESG is, it's about why it's important to achieving our business goals.

If we're able to set that tone, we will make an impactful difference with management, which will make an impactful difference with supervisors and district managers, which in turn will trickle down through the whole company. Ultimately, this will allow us to be that company that does well by doing good.

**Sandy:** It's also important to align what matters most with what affects people, and how they can drive the type of improvement that the organization needs. USIC has done a good job of aligning compensation plans with ESG priorities. Employees and leaders are incentivized to reach safety goals, to appropriately address voluntary attrition and retain great talent for the company, and to have quality outcomes that drive customer satisfaction.

So, it's the tone at the top, it's aligning strategy to ESG priorities, and it's incentivising what the company wants in a way that helps people to personally benefit.

## What is your vision for ESG at USIC over the next two years?

**Sandy:** We want to be an employer of choice; we want to be a service provider of choice; and we want to be a partner of choice.

We can look at ESG through the lens of the employee experience, diversity & inclusion, safety, our greenhouse gas emissions, or even how we think about supplier diversity – fundamentally, each of these elements is a factor in overall success and needs to be an integral part of our business model.

One of the things I love about USIC is that it's a learning organization, not only through the training and development of its employees, but also of its board. This board likes to challenge ideas and assumptions, learn from the expertise that Partners Group provides as well as the skill sets that each of the directors brings individually. I'm excited, and optimistic, about what's possible because of the type of learning environment that USIC creates from the board room to the frontline.

**Michael:** I think we must keep doing what we're doing but keep doing it better. We will continue to ensure our technicians are working in a safe environment and are provided with enough opportunities to develop. Today, I would say we are 80% there, but there is still a lot of work to do.

As far as environmental impact, working on reducing our greenhouse gas emissions will be an area of focus. We have a fleet of over 7,500 trucks and we will need to work on ensuring those trucks are not emitting more greenhouse gas than they need to and explore transport electrification options.

## What advice would you share for private company boards which are just starting to think about ESG?

**Michael:** I would say the most important thing is to start thinking about ESG on a real-world basis. ESG projects can really impact the lives of people and the businesses that we run. For example, last year USIC hit a very tough wall during the pandemic, like all companies, and the first thing that we talked about was what are we going to do for our people? The pandemic is going to come and go, it's outside of our control, but what we can control is how we help our people.

We focused on minimizing layoffs, minimizing furloughs, and, together with Partners Group, we created a hardship fund to be able to support our fellow teammates during a very difficult time. I find these concrete examples of real-world ESG value are what really drives engagement with ESG as opposed to a textbook ESG governance questionnaire.

**Sandy:** I would challenge boards to set quantifiable objectives. It's said that what gets measured gets done, and I think that's true. So, if you look at a balanced scorecard of key performance indicators, ESG needs to have a defined set of measures with its own targets and goals.

I would also say that sometimes boards and senior executives aren't so great at celebrating successes. We're always on to that next thing and we're energized by the problem solving. I would give guidance to myself, to USIC and to other boards, to celebrate successes and to not be bashful about telling ESG success stories to employees, to partners and to customers. Bragging rights are good in this area. It doesn't mean that everything's perfect, but it's good to tell the story of what you're working on and what you're aspiring to become.

Lastly, I would say we should all learn quickly. We should learn from our successes, from our failures and from others' best practices and know that, really, we're just getting started. So much is yet to come.

#### 2020 ESG highlights

In 2020, investment managers and companies were faced with a central question: will a global crisis like the COVID-19 pandemic put the ESG agenda on the backburner in favor of other economic priorities? At Partners Group, we have remained steadfast in our commitment to ESG, working with our portfolio companies on the topics that are most material to those companies, measuring our ESG progress, and reporting transparently to our clients and stakeholders. In fact, 2020 has showed us that our long-term commitment to ESG, combined with our active ownership approach, has positioned us well to support our portfolio companies and key stakeholders through turbulent times.

#### **Establishing a Portfolio Employee Support Fund**

In March, we launched our Portfolio Employee Support Fund, a CHF 10 million facility aimed at supporting financially vulnerable portfolio company employees, whose health, income, expenses and/or families were impacted by the COVID-19 pandemic. In addition to Partners Group's corporate contribution of around CHF 6 million, around CHF 4 million was voluntarily donated by Partners Group employees and many of the firm's senior executives, including the Co-CEOs, Executive Chairman, and our Co-Founders, who decided to forgo 100% of their salaries for a substantial part of the year to support the fund.

As of December 2020, the fund has supported over 12,000 portfolio company employees, and the majority of funds have been distributed to portfolio company management teams to distribute to their workforce. Some of the most common needs these funds have helped to address include:

- Increased childcare or remote learning costs;
- COVID-19 related medical expenses;
- Shortfalls in household income.

The remaining funds will be distributed throughout the first half of 2021, as our portfolio company employees and their families continue to face the impacts of the pandemic.

#### Making a lasting impact at EyeCare Partners

Across our portfolio, we operate a number of essential businesses whose thousands of employees have continued to work through the pandemic, providing critical services to their communities. One example is EyeCare Partners (ECP), which provides optometry and ophthalmology services for patients across the United States.



Some ECP employees have faced hardships related to the pandemic. Some have had family members who were laid off, reducing the overall income of their household. Others faced childcare needs or expenses related to remote learning as schools shut down. Partners Group provided funds to ECP to support their employees through the pandemic. As of end of December 2020, we had distributed nearly USD 420,000 in support funds to more than 350 ECP employees.

Struck by the impact that this effort has had on their employees, ECP's leadership team has established a permanent non-profit hardship foundation called "ECP Cares", which has been seeded with Partners Group support funds and donations from ECP leaders. This fund will continue to support ECP employees experiencing financial hardship beyond the pandemic, ensuring that they have an ongoing safety net to support them through difficult times.

#### ESG highlights of Partners Group's direct investment portfolio in 2020

	,			
2020 impact achieved			Equivaler	nt to
<b>55.5 GWh</b> electricity consumption	REDUCED			15,174,553 liters of gasoline being consum
29.9 thousand tons waste	DIVERTED*			<b>1.6</b> months of waste generated by of Denver
<b>1.5</b> million metric tons CO2e emissions	AVOIDED	=		329,474 passenger vehicles driven for c
<b>4,852</b> net jobs	ADDED			<b>9,704,000</b> hours of work**
<b>3,439</b> peak jobs during asset construction	CREATED			<b>6,878,000</b> hours of work**

Note: data from our annual ESG KPI Survey, as of 30 June 2020. Once a year, we survey our direct lead and joint-lead investments on key aspects of their ESG performance. We use the data from this review to understand the collective impact of our portfolio on society and the environment, assess the overall ESG maturity of each investment and identify priority areas for engagement. Data compares cumulative figures from our 2019 and 2020 reporting periods for the same set of specific portfolio assets to ensure an accurate year-over-year comparison. Net jobs calculation methodology and scope were updated in 2020. Figures are calculated using the difference between 2019 and 2020 headcount, which includes jobs from M&A. In 2020, this figure reflects the impacts of COVID-19 on certain portfolio companies. The figure is reported for unrealized investments in our Direct Private Equity Funds.

\*Waste diversion includes recycling, composting, incineration for energy recovery, or other recovery methods such as reuse. \*Based on 40 hours per week, 50 weeks per year.

#### Advancing our Stakeholder Benefits Program

In January 2020, we announced our intention to take a systematic approach to positively impacting the lives of our portfolio company employees. This intention formed the foundation for our Stakeholder Benefits Program, designed to invest in initiatives that further the professional, personal, and financial growth of the nearly 200,000 employees who work across our portfolio companies. Such initiatives include building learning and development programs, providing tuition reimbursement, establishing financial participation plans, and offering enhanced health and benefit programs.

This is part of Partners Group's larger vision to ensure that the employees of our portfolio companies share in the value we create. Last year, we entered into structured dialogues with some of our largest clients and other stakeholders to define the scope and format of the program. This year, we have begun to take action: after strengthening our internal leadership around the program and adding external resources to our efforts, we have launched a pilot program at three of our assets. We will continue to work on defining the final format of the program in 2021 and look forward to updating you on our efforts.

Through our Stakeholder Benefits Program we hope to chart a path for how private markets firms can share their success with a broader set of stakeholders and set the bar for what it means to care for employees at our portfolio companies.

## Driving progress across our portfolio and the industry

While protecting the health and well-being of portfolio companies' employees, clients, and communities was our top ESG priority this year, we still continued to drive progress on our core ESG goals through value creation projects at our portfolio companies. The table above aggregates our ESG achievements across our global portfolio and demonstrates the strong year-on-year progress we have made. The rest of the Responsible Investment section dives deep into how we worked with our assets during the reporting year to achieve these results.

In addition to driving ESG progress within our own portfolio, we continued to advance the field of ESG and impact by publishing case studies with key partners like the Sustainability Accounting Standards Board (SASB) and the IFC. Through this work, we aim to support our peers in adopting standards and frameworks by sharing how we apply them in our investment process. In doing so, we hope to promote greater transparency and comparability in ESG and impact integration across the industry, which we believe will enable more responsible investment of capital and better results for our clients, communities, and the environment.

#### Contributing to the field of ESG & impact - 2020 publications

#### SASB: "Integrating ESG Holistically in Private Equity: IFC: "Establishing the Manager's Contribution to the A Strategic Approach"

This report demonstrates how investors can leverage SASB Standards in building an ESG strategy for private equity; reviews the interconnected ESG ecosystem; and offers practical lead investment in Techem, a German energy services provider, insights on ESG at various stages of the investment process.

It includes a Partners Group case study outlining how we navigate the ESG ecosystem and how our approach considers key principles, frameworks, and industry standards that shape responsible investment, ESG, and impact integration. To demonstrate the practical application of these concepts, the case study examines our direct equity investment in EyeCare Partners, the largest vertically integrated medical vision services standard for what constitutes an impact investment, to its provider in the US, which we acquired in December 2019 on behalf of our clients.

www.partnersgroup.com/en/news-views/in-the-media/detail/ article/sasb-integrating-esg-holistically-in-private-equity



## Achievement of Impact"

Showcasing one of the IFC's Operating Principles for Impact Management, Partners Group presented a case study on its demonstrating how it enhanced the company's impact through strategic and operational initiatives, while also improving operational and/or financial metrics.

Partners Group was a first adopter of the IFC's Operating Principles for Impact Management, which launched in 2019, and played an active role in their development. Partners Group applies the principles, which provide a clear common market impact-at-scale strategy, PG LIFE.

www.partnersgroup.com/en/news-views/in-the-media/detail/ article/ifc-establishing-the-managers-contribution-to-the-achievement-of-impact



#### Asset class deep dives

We report annually on our ESG performance across asset classes, using our **ESG KPI Dashboards** and select case studies to highlight the progress we have made during the year and our opportunities for improvement. We believe this combination of quantitative reporting and detailed case studies provides the clearest insight into how we are fulfilling our commitment to building sustainable businesses.

We also recognize that standardization of ESG measurement is a key focus across the investment industry. Over the past decade, a broad range of standards targeting sustainability and impact measurement have emerged and are often used in combination by companies in their reporting. We know the value that standardization of ESG metrics can bring to our work. In the interest of our investors, we will work in 2021 to encourage the further harmonization and convergence of the industry towards shared standards and indicators in order to drive transparency in ESG integration and comparability of ESG performance across firms.

#### **Understanding our ESG KPI Dashboards**

2020 marks the third consecutive year we have reported our progress through our ESG KPI Dashboards. These dashboards report on a set of environmental, social, and governance metrics that are most relevant across our assets. The data reported covers our direct lead and joint-lead investments across our private equity, infrastructure, and real estate portfolios. Below we provide an overview of some of the unique features of our dashboards.

Maturity scores: For metrics that can be qualitative as much as quantitative in nature, such as environmental management and cybersecurity, we deploy our maturity assessment to evaluate five dimensions of an asset's management of that particular ESG topic in a holistic manner. The five dimensions we evaluate are policy, authorization, responsibility, implementation and reporting. We assign each dimension a score from 1 to 4 and arrive at an overall maturity level for a particular ESG topic by averaging across the dimensions.

**Materiality:** While we report on a set of consistent ESG metrics across our assets, the materiality of these metrics varies based on the industry and sector in which our assets operate. Within our dashboards, we indicate whether a particular ESG topic is high, medium, or low materiality for a given asset. Our methodology for assigning materiality is inspired by SASB's standards. It asks questions on key dimensions of materiality for a given ESG topic, such as financial impact, regulatory environment, industry norms, stakeholder concerns and opportunities for innovation. Based on the answers to these questions, the methodology classifies a particular ESG topic as high, medium or low for a specific

Performance arrows: With each year that we report, we are able to show our portfolio companies' progress on material ESG issues over time. To better highlight changes in performance, we have updated the format of our private equity and private infrastructure dashboards to include performance arrows for each metric for every asset. These arrows indicate whether an asset's performance on the topic improved, declined, or stayed consistent compared to the previous year. Further, in an effort to ensure we are not rewarding or penalizing portfolio companies for insignificant changes in performance, we developed confidence intervals for all metrics. This means that in order for a metric to be designated as an improvement or decline in performance, it needs to cross an established threshold that we believe is indicative of

Key focus areas: It is important to note that while we are reporting on year-on-year progress for each metric, individual portfolio companies select a subset of these topics to prioritize and act on each year. A dark box around a particular metric indicates that the portfolio company worked actively on that ESG topic during the year.

24 | Partners Group Partners Group | 25

#### Private equity

When it comes to ESG integration, we first developed and implemented our approach with our private equity directs portfolio, where we have the most influence on ESG performance and, therefore, the greatest responsibility. As our platform has grown, we have taken the ESG lessons learned and tools developed for private equity and adapted them to our other asset classes. As we continue to innovate and push the boundaries on ESG, we follow a similar pattern, often piloting new approaches with our private equity portfolio and then adapting them to the nuances of other asset classes as appropriate. Some of the new tools and approaches we piloted this year include our "ESG Roadmap" framework and two new Portfolio Sweeps on responsible supply chains and climate change.

As with other new approaches, we developed the ESG Roadmap concept with our private equity portfolio in mind and are currently piloting it with three portfolio companies: BCR Group, Ammega, and EyeCare Partners. Based on the results of the pilots, we will determine whether to expand this framework across our portfolio and direct investments.

In addition, we also built on our concept of "Portfolio Sweeps" and developed standardized approaches for two additional ESG topics: responsible supply chain management and climate change (for more on "Portfolio Sweeps" see page 17). On responsible supply chain management, we have

developed a standardized approach for assessing portfolio companies' key social and environmental risks in their supply chains, including any potentially negative impacts related to human rights. This assessment will consider ESG risks related to specific product inputs as well as sourcing geographies. As part of the sweep, we will also assess the maturity of portfolio companies' policies and practices for managing supply chain risks and provide a roadmap for closing any gaps in their approach. The goal is to ensure that our portfolio companies are appropriately mitigating ESG risks that could disrupt their supply chains, and that they are partnering with responsible suppliers who protect labor rights, human rights, and the environment across our portfolio companies' supply chains.

Similarly, for climate change, we have launched a sweep to measure our portfolio companies' greenhouse gas footprints and climate impacts, as well as assess the impact of physical and transition climate risks on our portfolio companies. The goal of the sweep is to identify opportunities to reduce our portfolio companies' greenhouse gas emissions, in line with our broader Climate Change Strategy, and also to fortify our portfolio companies against physical and transition climate risks. We launched these new sweeps in 2020 and will have initial results from our pilot companies in 2021. We are also working to adapt and expand these sweeps to our infrastructure portfolio and our other asset classes.

#### Defining the "ESG Roadmap" for our portfolio companies

Our vision is that all our direct lead assets develop and execute a systematic plan to measurably improve their ESG performance during our ownership period. We aim that by the time of exit, our assets will have developed a long-term ESG vision and strategy for the future, have undertaken material ESG value creation and risk mitigation projects, and perform at or above industry benchmarks on material ESG topics. To bring this vision to life, we have defined the concept of ESG Roadmap, a more holistic approach to improving our portfolio companies' ESG performance, which we are currently piloting with a small selection of our new private equity direct investments. The key features of this approach include:

- 1. Defining an ESG vision & strategy
- 2. Creating a comparable picture of ESG performance at entry and exit
- 3. Developing and deploying an ESG engagement toolbox of policies, practices and approaches
- 4. Reporting transparently on progress through our ESG dashboards and tailored KPIs

#### Our private equity ESG KPI Dashboard

As our private equity portfolio has continued to grow, so has our dashboard, which includes five new companies added to our portfolio over the past year. This year, we reported a total of 290 individual data points, which means that we were able to report data on 90% of KPIs across all portfolio companies. Performance on 40% of these metrics improved from 2019.

As with so many companies across the globe, our portfolio companies' operations were impacted by the COVID-19 pandemic and the economic shutdown that accompanied it. Because our ESG metrics are directly linked to company operations, some of the impacts of COVID-19 can be observed in year-over-year changes in our portfolio companies' performance. For example, for some of our portfolio companies, performance on energy management deteriorated in 2020. Specifically, energy intensity and greenhouse gas intensity for these portfolio companies increased, even for some of our portfolio companies that have been working to proactively reduce their energy usage. In some instances, we can see the operational consequences of COVID-19 shutdowns behind this change in performance, as some companies' business activities declined at a higher rate than their energy usage due to government-imposed lockdowns.

We have also analyzed trends in dashboard data to identify ways in which the pandemic may have had a positive impact on our KPIs. One example is employee turnover. Looking at the data in our dashboard, we see an overall improvement in turnover rates across our private equity portfolio. While many of our portfolio companies are actively working on employee retention initiatives, we recognize that some of the reductions in voluntary turnover we saw in 2020 may be linked to COVID-19 and the desire among employees to maintain job stability during the pandemic. As we begin to work with our portfolio companies on ESG in 2021, we will continue to try to understand the nuances of COVID-19's impact on their operations and ESG performance.

## Private equity ESG KPI Dashboard

Our dashboard reports actual ESG data from our private equity lead direct portfolio; company names are anonymized.

				En	viron	mental						Soc	cial					c	overi	nance		
		Environmer		Climate chan	ige	Energy	   Waste manage	ment	Sustainable supply	у Е	Employee reten	tion	Health & safety	,	Gender equality	Corpora		Active owner	ship	Bribery &		Cyber security
		manageme	ent			management			chains						-advancement	governan	ice			corruption		
Vertical	Company	Environmer maturity		GHG intensi (CO2tn/ m U sales)		Energy intensity (kWh/ m USD sales)	% Waste dive	rted	Responsible suppl chain maturity	y E	Employee turno	over	Lost-time incider rate	nt	% Female management	Board mati	urity	Number o Operating Dire		Anti-bribery anti-corruption maturity		Cyber security maturity
	Company A	2.6		50.8		154'157.2	-	•	2.7		17%		1.2	Λ	9% ▼	2.8		3	<b>A</b>	3.0		2.5
	Company B*	2.6		33.2		74'725.2	-		2.4		5%		0.5		25%	2.6		3		2.7		1.9
	Company C	2.7	<b>•</b>	184.8	•	307'482.8	-	•	2.7	<b>-</b>	-	<b>•</b>	1.3	<b>V</b>	0%	2.3	<b>A</b>	2	<b>•</b>	2.9	▶	2.6
	Company D	2.1	▼	264.9	▼	441'177.2 <b>▼</b>	-	<b>•</b>	3.1	<b>A</b>	96%		-	▼	24% ▼	-	<b></b>	0	<b>•</b>	3.4		2.1 ▼
Goods & products	Company E	3.0	<b>A</b>	-	▼	- ▼	72%	<b>•</b>	2.3		58%	<b>•</b>	0.1		0%	2.8	<b>A</b>	2	▼	3.0	<b>•</b>	2.5
Goods & products	Company F	2.0	▼	81.0	V	171'967.6 ▼	93%		2.3		10%	•	5.1		33% 🛕	2.4	•	3	<b>•</b>	2.3	▼	1.6
	Company G	2.0	<b>A</b>	-	V	- ▼	7%		1.3	V.	32%	<b>A</b>	1.8	▶	31%	2.9	<b>A</b>	2	▼	2.0	<b>•</b>	1.6 ▼
	Company H	2.3	<b>A</b>	-	▼	- ▼		<b></b>	1.0		105%		0.1	▶	50%	2.7	<b>A</b>	3	<b>A</b>	3.6	<b>A</b>	3.3
	Company I*	2.9		7.4		15'776.0	100%		2.6		13%		1.1		44%	3.1		3		2.6		2.3
	Company J	2.7	<b>A</b>	84.8	▼	127'127.6 ▼	100%	<b>A</b>	2.7		14%	<b>A</b>	0.0	<b>A</b>	20%	3.2	<u> </u>	2	<b>A</b>	3.6		2.6
	Company K	3.3	<b>A</b>	38.5	<b>A</b>	48'636.3	59%	<b>A</b>			56%	<u> </u>		<b>&gt;</b>	9% 🛕	2.6		2	<b>•</b>	3.4	<b>A</b>	3.9
	Company L	1.0	<b>•</b>	1.8		- ▼	-	<b>•</b>	2.4	<u> </u>	20%		1.5	<u> </u>	12%	3.4	<b>•</b>	3	<b>&gt;</b>	3.9		2.8
	Company M	1.3	▼	-	▼	- •	-		1.0		26%		2.7	A	53% ▼	2.9	▼.	4	<b>•</b>	2.6		2.1 ▼
Services	Company N	2.7	<b>A</b>	40.6	À	83'031.7	52%		1.6		13%			-	27%	3.4	<u> </u>	3	<b>•</b>	2.0	<b>V</b>	2.4
	Company O	2.9	•	2.4	<b>A</b>	4'863.0	100%		2.3	<b>Y</b>	23%		0.2	<b>V</b>	0%	3.2		3		3.9	<b>A</b>	3.6
	Company P	1.4	<b>A</b>	44.5		69'217.8	20%		2.6		60%	MA A		<u> </u>	25% ▼	3.0		3		2.4	<u> </u>	3.1
	Company Q	1.9	<b>A</b>	239.5		81'566.2	54%		3.1		9%		1.0		14%	3.0		3		3.4	<b>A</b>	3.1
	Company R Company S*	2.3	•	105.0		702.4	26%		2.0	^	67% 29%		0.5 2.1		25% <b>^</b> 25%	3.3 2.4		2 2		2.4		2.9 <b>▼</b> 2.1
	Company T	1.0	•	6.4	_	22'871.5	-	•	2.5		23%	_	2.7		33%	3.0		4	<b>A</b>	2.0		2.5
	Company U*	1.0		- 0.4	·	-	_		1.0		38%		-		56%	2.8		3		1.3	-	2.0
Health & Life	Company V*	1.0					_		1.3	-	24%		2.0		20%	2.5		3		3.4	-	3.4
	Company W	1.4	_	39.2		103'989.5	72%	<b>A</b>	2.3	v -	23%	<b>V</b>	0.3	Ы	44%	3.0	•	2	•	2.6	_	3.1
	Company X	3.4	<b>•</b>	33.5		43'299.9	99%	•			38%	<b>V</b>	1.1	7	50%	3.2	<b>•</b>	3	•	3.9	$\Lambda$	3.9
	Company Y	3.9	•	11.1	▼	5'160.8	-	<b>V</b>	2.9		18%	Λ	0.1	$\overline{\mathbf{A}}$	33%	2.9		2	▶	3.9	lack	3.0
Technology	Company Z	1.0	<b>•</b>	27.8	<b>•</b>	42'402.8	-	<b></b>	1.0		28%	N	0.0	┢	20%	3.0	<b></b>	3	▼	3.6		3.9
	Company AA	3.9	<b>A</b>	84.5	<b>A</b>	99'938.1 🔺	-	<b>•</b>	3.6	>	26%	Α		▶	31% 🛕	3.3	<b>A</b>	4	<b>A</b>	3.9	<b>•</b>	3.6
	_		,										-									
Legend							7				Note:	if com	npanies were unable to re	eport a	a given metric in 2020 (indica	ted in the table wi	th a dash	"-") but took steps tov	vards beir	ng able to track and re	eport it iı	n 2021, this was considered
Materiality		high		medium		low							vement in performance.		-			•				

 $^{\ast}\text{Recently}$  acquired portfolio companies added to the dashboard in 2020.

improvement in performance no change in performance decline in performance

Priority ESG topic

2020 Performance

28 | Partners Group

#### Trends identified across our private equity portfolio through our ESG KPI Dashboard:

Performance	Findings	Future focus
*	We have steadily increased the <b>average % of female management</b> who report to the CEO by 6 percentage points from 20% in 2018 to 24% in 2019 and 26% in 2020.	While we know we have more work to do when it comes to diversity & inclusion, increasing female representation at the leadership level in our portfolio companies is an important focus area. We will leverage best practices from companies which have increased female leadership to drive progress at companies which are lagging.
2018-2020 achievements*	We have also improved the <b>average maturity scores</b> for our portfolio companies on key ESG compliance topics, including:  Environmental management maturity increased from an average of 1.7 to 2.2 (out of 4.0).  Responsible supply chain maturity increased from 1.8 to 2.3 (out of 4.0).  Anti-bribery/Anti-Corruption maturity increased from 2.7 to 3.0 (out of 4.0).  Cybersecurity maturity increased from 2.5 to 2.9 (out of 4.0).	These increases indicate that we are improving the set of policies, practices, and oversight structures that govern these topics across our portfolio companies. Based on this experience we have built a library of ESG policy templates to guide portfolio companies which are just beginning to establish their ESG governance structures. To ensure these policies impact operations, we have also defined best practices in implementation, oversight, and reporting, which we assess through our maturity rating.
2	Portfolio companies' have strengthened their ESG reporting capabilities. Since 2018, we have increased the <b>% of KPIs</b> reported across the portfolio from 83% to 90% in 2020.	We have learned that for some of our recent investments, responding to our ESG KPI survey is the first time they have had to assemble ESG data. This exercise helps to identify gaps in reporting capabilities that companies will work to close before the next survey.
or improvement	While we have seen increases in waste diversion for portfolio companies who measure and report on waste management, currently less than 50% of portfolio companies are reporting this data.	Increasing reporting capabilities on this topic is foundational to ensuring that all of our portfolio companies are managing their waste streams effectively. Over the course of 2021 and beyond, we will work with our portfolio companies to understand challenges in reporting waste data. We will then prioritize closing reporting gaps for those companies for which waste management is material and work with them on developing waste management initiatives in the years to come, as part of our ESG Roadmap.
Opportunities fo	Although we experienced lower <b>employee turnover</b> rates across our portfolio in 2020 due to the effects of the pandemic, we have not managed to make significant progress on employee turnover from 2018 to 2020. Average employee turnover across our portfolio companies from 2018 to 2020 has remained at 36%.	As we begin to implement our Stakeholder Benefits Program at selected companies across our portfolio in 2021, we believe that this investment in portfolio company employees will ultimately increase engagement, satisfaction, and help us to move the needle on employee retention. However, we anticipate that it will take some time for these initiatives to translate into a significant improvement in employee retention rates across our portfolio.

<sup>\*</sup>Data calculations shown in this table are based on a comparison of portfolio companies that were present in the 2018, 2019, and 2020 dashboards only. It does not include data from portfolio companies that were exited or newly acquired between 2018-2020.

# ESG engagement case study: Protecting health & safety at Ammega

**Industry vertical:** Goods & Products **Location:** global, HQ in The Netherlands

Investment year: 2018

For more information: https://www.ammega.com/



As a first step, our ESG & Sustainability team worked with Ammega's Operations team and its Health, Safety and Environment (HSE) Director to conduct a review of the company's H&S culture and performance on key H&S metrics. Based on this, we defined a five-year H&S vision with an ambitious goal to reach zero harm by 2025. To operationalize this vision, we developed a H&S policy to improve the standards across Ammega's operations. Ammega's HSE Director oversees the implementation of this policy across the entire organization. On top of this, the company ensures that 100% of its employees receive site-specific health & safety awareness trainings, record all incidents and near misses, and have access to the necessary safety equipment. Finally, Ammega has instituted monthly on-site safety walks to actively reduce workplace H&S risks and prevent future injuries.

Since Partners Group's involvement, Ammega has made significant progress on improving H&S. The Lost Time Injury Frequency Rate (LTIFR) improved from 3.21 in 2018 to 1.20 as of November 2020 thereby outperforming the 2020 target of 1.79. This is below the lower limit of the top quartile in



Ammega's industry of 1.88. Ammega also reduced the number of serious incidents from 10 to 1 per year. In addition, the number of safety observations per employee is now recorded and has increased by 10% between 2019 and 2020. This visibility enables Ammega to identify opportunities for improvement before incidents occur, and the current trend indicates that the H&S culture in Ammega is developing positively. To incentivize continued progress, Ammega has linked annual bonus compensation for management to its H&S KPIs.

Thanks to the implementation of these initiatives, Ammega has become a best practice example in our portfolio. We are replicating Ammega's approach and have shared their policies and practices with other assets. Ammega's HSE manager was also a key contributor to Partners Group's first H&S webinar, held in April 2020. In 2021, we will continue to work with Ammega on a full range of sustainability topics and make it a top performer throughout the sustainability spectrum.

"We are proud of the positive impact we are having on Ammega's health & safety culture. By transforming the company's culture, we are creating value that will last beyond our ownership period, enabling the company to continue in its path of sustainable growth for its business and for its employees."

Ralph Schuck, Managing Director, Private Equity Goods & Products

#### Private infrastructure

The COVID-19 pandemic has highlighted the importance of essential infrastructure in all parts of the world. The functioning of a society, where many people are working or studying at home, as well as the provision of critical services such as logistics, water and power, all depends on the resilient infrastructure working in the background.

Throughout 2020, Partners Group continued to work closely with our portfolio of diverse infrastructure assets globally to maintain and improve their ESG performance. As a new initiative, we also included ESG-related targets in the performance evaluations of infrastructure investment and asset management teams to ensure alignment between ESG performance and the general operations of infrastructure assets.

Over the year, we implemented ESG policies, which meet a defined set of minimum standards, at all of our lead infrastructure assets globally. These cover Partners Group's critical ESG focus areas for infrastructure: environment, people, community and governance. By implementing these policies, we aim to raise ESG standards for our partners and operators on the ground and create board-level accountability for ESG at our infrastructure assets.

One of the key topics for infrastructure under "governance" is cybersecurity. As more and more information and data are stored, transmitted, and processed digitally, and as potential disruption of critical cyber failures at infrastructure assets threatens to impact our daily activities, Partners Group is treating cybersecurity as a highly material aspect of our infrastructure operations. In 2020, over 58% of our direct lead infrastructure assets completed an external cybersecurity review. It is our plan in 2021 to identify the major gaps at all of our assets and address them proactively through either software or hardware updates, appointment of chief information officers and training for employees.

In 2021, as with private equity, Partners Group will continue to establish an ESG Roadmap (five-year strategy with targets) for all new infrastructure assets. The ESG Roadmap adapted for infrastructure makes a critical distinction between the construction and operational phase of a project, as key ESG topics (such as health & safety) are even more pronounced during the construction phase. We will also make a further push to incorporate ESG factors in the selection, appointment and monitoring of the operators we work with, as they often are the primary interface with other stakeholders such as sub-contractors as well as the local community.

#### Our private infrastructure ESG KPI Dashboard

This year, we are able to report on 155 individual data points in our dashboard, with 29% of metrics showing improvement since 2019. Looking at this data, we believe our biggest opportunities for improvement lie in better measuring and managing water usage, enhancing the maturity of our cybersecurity management systems, and reducing our greenhouse gas emissions.

As a first step to addressing these points, in 2020, we improved our approach to understanding resource management and made good progress in the collection and validation of waste data, with a shift in focus to construction waste. Some 64% of assets are now able to track and report the percentage of construction waste diverted from landfill. This includes construction waste diverted for reuse, recycling, composting, and incineration for energy recovery.

Given that our infrastructure assets are essential businesses, the data also shows that their operations were not affected by the global COVID-19 pandemic in the same way that some of our private equity portfolio companies were impacted. For example, none of our infrastructure assets were forced to shut down operations. As a result, we have not identified the same kinds of anomalies in the 2020 ESG KPI data for infrastructure that we saw for private equity.

RESPONSIBLE INVESTMENT

## Private infrastructure ESG KPI Dashboard

improvement in performance no change in performance decline in performance

**Priority ESG topic** 

2020 Performance

Our dashboard reports actual ESG data from our private infrastructure lead direct portfolio; asset names are anonymized.

			Enviror	nmental				9	Soci	ial				Gove	rnance	
	Environmenta managemen		Water management	Regulat complia		Waste management	Climate change	Health & safety		Contractor management		Labour standards	Community engagement	Cybersecurity	Bribery & corruption	Active ownership
Asset	Environmenta policy maturi		"Water usage (m3)"	No. c environm incide	ental	% waste diverted	GHG emissions (CO2tn)	Lost-time inciden rate	nt	Contractor management maturity		No. of labor non-compliance incidents	No. of community complaints	Cybersecurity maturity	Anti-bribery / anti- corruption maturity	No. of Operating Directors
Midstream energy infrastructure																
Asset A	3.6		- 🔻	1	•	- •	8'350 ▼	0.0		3.4	\	0	145 ▼	2.9 ▼	3.6 ▲	1 🔻
Asset B	3.0		177'329	0	<b>•</b>	- •	15'898	0.0		2.7	\	0	0	2.7	1.6	1
Asset C*	3.6		-	0		-	-	0.0		2.6		0	0	3.6	3.9	2
Asset D	3.7	<b>•</b>	3'797 ▼	0	<b>&gt;</b>	- •	287'016 ▼	0.0		3.3	\	0	2 ▼	2.3	3.1	1
Renewable energy																
Asset E	2.3		- ▼	0	<b>A</b>	28%	1.3	0.0		2.7	\	0	5 ▼	1.6 ▼	2.3 ▼	2 ▼
Asset F	3.9		3'157 ▼	0	<b>&gt;</b>	11%	2'560 ▼	0.9		2.0		0	7	2.4 ▼	3.6	4 🔺
Asset G	1.9	•	-	0	<b>&gt;</b>	-	194 ▼	0.0		1.0		0	0 🛕	1.4	3.4 ▶	1
Asset H	3.7	<b>•</b>	40 🛕	0	<b>&gt;</b>	69% ▼	295 🔺	0.0		3.6	<u> </u>	0	0 🛦	3.3 ▼	4.0	3 ▼
Asset I*	1.0		8'956	0		88%	91	2.9		1.0		0	2	1.3	1.0	1
Asset J*	2.3		-	0		0%	-	0.0		1.0		0	0	2.1	2.1	1
Asset K	3.9		8'457	0	<b>&gt;</b>	77%	249 ▼	0.2	V	3.4	1	0	0	3.7	2.9 ▼	2
Telecommunications								_								
Asset L	1.0	<b>•</b>	924 ▼	0	<b>&gt;</b>	0% 🛕	- ▼	0.0	<b></b>	1.3		0	0	3.3	3.4 ▼	4 🔺
Power generation																
Asset M	3.4		500′059 ▼	0	<b>&gt;</b>	0%	388'819 ▼	0.0	Z	3.3	\	0	0	2.7 ▼	3.4 ▲	1
Asset N*	3.7		20'342	0		0%	58'593	1.2		3.3		0	1	3.1	3.9	2
Legend																
Materiality	high		medium	low		٦					giver	n metric in 2020 (indicated	in the table with a dash "-") b	ut took steps towards being	able to track and report it in 2	021, this was considered as
iviate(Idilty	nign		medium	IOW		_		an impro	veme	ent in performance.						

\*Recently acquired assets added to the dashboard in 2020.

#### Trends identified across our private infrastructure portfolio through our ESG KPI Dashboard:

Performance	Impact	Future focus						
	We have improved the <b>average Lost Time Incident Rate</b> (LTIR) across our assets from 0.4 in 2018 to 0.1 in 2020.	We will continue to monitor changes in LTIR closely, especially for assets undergoing construction, when risk for health & safety incidents can increase. Where we identify needs for improvement, we will leverage our health & safety sweep approach, which has proven effective across our private equity and infrastructure portfolio.						
chievements*	Since 2018, we have maintained <b>zero labor non-compliance</b> issues in our portfolio.	This indicates that our assets have the appropriate systems and practices in place to ensure their operations are aligned with last standards in the regions where we operate.						
2018-2020 Achievements*	We have also improved the <b>average maturity scores</b> for our portfolio companies on key ESG compliance topics, including:  Environmental management maturity increased from an average of 2.4 to 3.0 (out of 4.0).  Contractor management maturity increased from 1.8 to 2.7 (out of 4.0).  Anti-bribery/Anti-Corruption maturity increased from 2.5 to 3.1 (out of 4.0)	These scores indicate that we are improving the set of policies, practices, and oversight structures that govern these topics across assets. The progress we have made in contractor management is especially important, as three assets which did not have policies place in 2018 have since established policies and oversight mechanisms.						
	Assets have strengthened their <b>ESG reporting capabilities</b> . Since 2018, we have increased the % of KPIs reported across the portfolio from 85% to 93% in 2020.	While we have improved reporting overall, we will focus on capturing waste, water, and greenhouse gas emissions data from our assets to ensure we have a complete picture of resource use across our portfolio.						
or Improvement	Three out of four assets who were able to report on <b>water consumption</b> in 2018 have significantly increased consumption over the past three years.	Water management has not been an area of focus to-date but is becoming increasingly important as climate change increases water stress. In 2021 and beyond, we will work with our portfolio companies to understand challenges in reporting water consumption data and prioritize closing reporting gaps for those companies for which it is material. In a next step, we will seek to understand what is driving increased water usage at some of our assets and identify opportunities to reduce consumption.						
Opportunities fo	In 2020, one of our assets experienced 145 <b>community complaints</b> , a marked increase from 2018.	In 2020, construction at this asset intensified heavily compared to 2019 and was conducted in more densely populated areas. This contributed to increased complaints. In all instances, our asset worked with the local community to understand and rectify their concerns. We know that proactive engagement with communities is critical and will work with our assets in 2021 and beyond to ensure they have effective community engagement plans in place, especially any assets under development.						

<sup>\*</sup>Data calculations shown in this table are based on a comparison of infrastructure assets that were present in the 2018, 2019, and 2020 dashboards only. It does not include data from assets that were exited or newly acquired between 2018-2020.

#### ESG engagement case study: Managing ESG impacts at Fermaca

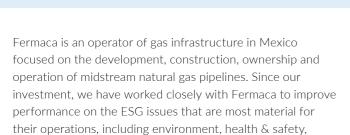
**Industry vertical:** Energy infrastructure

governance, and ethical business practices.

**Location:** HQ in Mexico **Investment year:** 2014

For more information:

https://www.fermaca.com.mx/en/



When it comes to the environment, Fermaca has prioritized managing its climate-related impacts to ensure regulatory compliance, reduce its self-generated carbon footprint, and demonstrate the environmental benefits of natural gas versus other carbon-intensive fossil fuels. In 2020, we worked with Fermaca to build out its climate change approach, which includes measuring its CO2 footprint, establishing a target to reduce methane emissions by 2% year-on-year, and offsetting emissions through a local reforestation campaign. As we implement pilot projects to reduce emissions across our portfolio, we will leverage lessons learned to help Fermaca further improve its approach.

Regarding social issues, Fermaca has strengthened its health & safety culture and outcomes. In 2019, we worked with the company to conduct an external review of its health & safety performance. As a result of the assessment, we have implemented a Health, Safety and Environment (HSE) program focused on improving risk assessment, standards, compliance and employee education. Fermaca also hired a dedicated Health & Safety Manager in order to ensure its efforts are effectively resourced at the leadership level. In 2020, we built on these efforts by undergoing an external onsite health & safety review to confirm field behaviors, validate the effectiveness of Fermaca's HSE program on the ground and identify opportunities for further improvement. Thanks to these efforts, Fermaca achieved a Total Incident Rate (TIR) of 0.15 in 2020, exceeding their target of a TIR of <0.5.



Finally, where governance is concerned, Fermaca has worked to strengthen compliance policies, procedures, and controls to ensure ethical business practices across the organization. Early in our ownership period, we flagged this as a material governance topic for Fermaca based on geographic risk; Mexico has received a score of 31 out of 100 on Transparency International's Corruption Perceptions Index, indicating high risk of corruption in the country. To ensure Fermaca has adequate controls in place to maintain ethical business practices across its operations, we partnered with Fermaca to conduct an external fraud risk assessment with an expert third-party law firm. Fermaca has since taken targeted steps to strengthen its compliance function, including releasing a new Code of Conduct for employees and providing increased training on how to maintain compliance. We see the impact of these efforts on Fermaca's Anti-Bribery/Anti-Corruption maturity score, which has increased by almost 50% since 2018.

"Topics like environmental management, health & safety, and ethical business practices are central to our infrastructure assets' license to operate. Fermaca is an example of how consistent and targeted annual engagement on key ESG issues can demonstrate a measurable impact on performance over time."

**Jose Muniz**, Private Infrastructure Asset Management

#### Private real estate

Our real estate investments include new developments and existing individual or portfolios of properties that offer opportunities to improve operations. Our asset management team is responsible for realizing the full potential of our actively managed assets, including ESG factors. Our vision, set in 2019, is to systematically improve ESG integration in all our real estate directs and majority owned secondary assets by leveraging ESG due diligence findings and identifying engagement opportunities during ownership using our resource management platform—an external system that collects utility data from all of our properties on an ongoing basis—and standardized audits. A key driver to completing our vision is to have access to utilities data in order to fully understand the impact of our investments, identify opportunities for improvement and quantify the impact of our initiatives.

Over the course of 2020, we began the process of onboarding our actively managed assets to our resource management platform. The data obtained for many of these assets is already included in our real estate ESG KPI Dashboard, along with the information gathered through our annual ESG KPI survey on operator practices and non-utilities statistics. Using our resource management tool increases data quality and comparability and sets the base for our main 2021 target: building on the technical due diligence process and having dedicated resource management audits in assets we believe will benefit from a deep dive to confirm the ESG plan for the holding period of the asset. We have already piloted this approach at several assets in different regions and hope to roll this out globally over the course of the next reporting period. In one of our portfolios in Germany, the audit identified savings potential of EUR 470.000 and 16.000 tons of CO2 by the end of 2024 across the portfolio. We will crystalize these savings by changing utilities contracts following a tender process.

Another important milestone in our journey this year was establishing ESG terms to be included in all our joint venture agreements globally. Such language will help in the enforcement of several ESG initiatives, creating legally binding obligations to commit to our responsible contracting policy.

#### Our private real estate ESG KPI Dashboard

This year, we have added 40 new properties, including individual assets and portfolios of properties, to our dashboard and are now reporting on a total of 107 assets across our direct control portfolio, increasing by 60% the

number of properties in our dashboard compared to 2019. Many of these properties are in the process of onboarding to our resource management platform. As a result, we are able to report on 51% of energy, gas, and water consumption data across the properties included in the dashboard.

We have also adjusted some of the metrics reported in the dashboard. First, we have added a new metric that indicates whether an asset has achieved a recognized sustainability certification (e.g., LEED or BREEAM), as we know that this is one of the key levers that we can pull to enhance the ESG performance of our real estate portfolio. Second, we have removed the waste diversion metric. After careful consideration, we realized different countries and asset types have different approaches and influences on waste: for instance, while waste generation in an office building is driven by the tenants and not really influenced by the asset manager, the collection and disposal varies according to the country. For industrial assets, it is normally the tenant that manages it and the types of waste may vary. We recognize waste is a part of our tenants' scope 3 emissions, but we also acknowledge we cannot influence it like we can influence resource consumption. For this reason, we have decided to prioritize the latter, and tackle waste at a later stage once we have standardized our approach to energy and water consumption.

Finally, we are happy to be using the information gathered in our dashboard to participate in our first real estate fund-level GRESB assessment. This assessment benchmarks the ESG performance of real assets, providing standardized and validated data to investors. Reporting to GRESB represents an important milestone in our ESG approach for real estate, as it will bring increased transparency on our performance to our clients.

Given the inclusion of so many new assets in the 2020 dashboard compared to 2019, and the transition to the new platform, it is difficult to accurately compare the portfolio's year-over-year ESG performance. Operators are in different stages of submitting their data, with about half having provided a full data set for our 2020 reporting period. As a result, we did not include performance arrows in this year's real estate ESG KPI Dashboard. We will establish 2020 as our baseline year for the dashboard and will be able to compare performance for a much more significant proportion of our portfolio from 2021 onwards. In addition to the assets shown in the dashboard, we also have six additional assets under development, four of which will have sustainability certifications.

Legend

Materiality

## Private real estate ESG KPI Dashboard

Our dashboard reports actual ESG data from our private real estate lead direct portfolio; asset names are anonymized.

					Social	Governance						
		Energy management	Energy management	Water management	Environmental	Climate change	Sustainable Certification	Ethical supply chains	Health & safety	Responsible contracting	Conduct / bribery & corruption	Cyber security
		Asset specific	Asset specific	Asset specific	Operator specific	Asset specific	Asset specific	Operator specific	Asset specific	Operator specific	Operator specific	Operator specific
Vertical	Direct real estate asset <sup>1</sup>	Energy consumption (kWh / sqm)	Gas consumption (m3/ sqm)	Water consumption m3 / sqm	Environmental policy	GHG intensity (kg CO2/sqm)	Certification <sup>2</sup>	Responsible supply chain policy	Number of recordable incidents per employee	Responsible contracting policy	Code of conduct / anti- bribery / anti-corruption policies	Cyber security policy
	Asset A	157.7	0.3	0.3	2.2	68.6	Yes	1.4	0	2.2	2.0	2.0
	Asset B	0	0	0	3.0	0	Yes	3.0	0	2.6	3.2	3.4
	Asset C*	180.8	0.0	0	1.0	78.2	No	1.0	0	1.6	2.0	2.4
	Asset D*	0	0	0	1.0	0	Yes	1.0	0	1.6	2.8	2.7
	Asset E	92.2	7.9	0.2	1.0	33.3	Yes	1.0	0	1.4	1.0	2.0
	Asset F	45.5	n.a.	0.3	3.0	3.8	Yes	2.8	0	2.8	2.6	2.1
	Asset G	212.2	n.a.	0.9	2.0	91.7	Yes	1.0	0	1.6	2.4	2.1
	Asset H	0	0	0	2.0	0	Yes	1.0	0	2.2	3.0	3.0
	Asset I	239.0	0	1.5	1.0	103.4	No	1.0	0	2.6	2.6	2.0
	Asset J*	0	0	0	1.0	0	Yes	1.0	0	2.6	2.6	2.0
	Asset K	253.8	0.0	0	2.2	109.8	Yes	1.4	0	2.2	2.0	2.0
	Asset L*	27.2	n.a.	0.4	2.6	0.6	Yes	1.8	0	1.8	2.6	3.1
	Portfolio A*	0	0	0	3.0	0	Yes	2.2	0	2.0	3.2	2.9
Office	Portfolio B*	0	0	0	2.4	0	No	2.0	0	1.8	2.6	3.1
	Portfolio C*	141.9	0	0	3.0	0	Yes	2.2	0	2.0	3.2	2.9
	Portfolio D*	0	0	0	1.4	0	No	1.6	0	1.0	3.0	2.1
	Portfolio E*	0	0	0	1.6	0	Yes	1.0	0	2.4	3.0	3.0
	Portfolio F	0	0	0	2.2	0	Yes	2.2	0	2.0	2.0	2.4
	Portfolio G*	161.6	5.3	0.4	3.2	82.2	Yes	1.0	0	2.0	1.0	2.0
	Property G1*	93.4	6.2	0.3	3.2	52.4	Yes	1.0	0	2.0	1.0	2.0
	Property G2*	156.5	4.0	-	3.2	75.5	No	1.0	0	2.0	1.0	2.0
	Property G3*	196.9	10.1	0.9	3.2	104.8	No	1.0	0	2.0	1.0	2.0
	Property G4*	172.8	0.7	0.3	3.2	76.0	Yes	1.0	0	2.0	1.0	2.0
	Portfolio H*	115.1	0.7	0.2	3.2	51.9	No	1.0	0	2.0	1.0	2.0
	Property H1*	108.7	0.0	0.1	3.2	47.0	No	1.0	0	2.0	1.0	2.0
	Property H2*	116.7	1.4	0.3	3.2	53.1	No	1.0	0	2.0	1.0	2.0
	Asset Q	0	0	0	4.0	0	No	4.0	0	4.0	4.0	4.0
	Asset R	0	0	0	4.0	0	No	4.0	0	4.0	4.0	4.0
Industrial / logistics	Portfolio I*	0	0	0	1.8	0	No	1.8	0	2.2	1.8	2.1
	Portfolio J*	0	0	0	1.0	0	No	1.0	0	1.0	1.0	1.0
	Asset O*	0	12.3	1.1	2.8	23.3	Yes	1.6	0	2.2	1.8	3.4
	Asset P*	416.7	5.6	1.0	3.2	180.1	No	1.0	0	2.0	1.0	2.0
Mixed-Use	Portfolio K*	0	0	0	1.6	0	Yes	2.4	0	1.4	2.6	3.4
	Portfolio L*	0	0	0	1.8	0	No	1.0	0	1.4	2.8	2.6
Retail	Portfolio M*	0	0	0	-	0	No	-	-	-	-	-
	Portfolio N*	0	0	0	1.0	0	No	1.0	0	1.0	1.0	2.3
Residential	Portfolio O*	0	0	0	1.0	0	No	1.0	0	1.0	1.0	2.3

Note: (1) "Asset" refers to a single property acquired through a transaction "Portfolio" refers to a group of properties acquired by a transaction "Property" refers to one individual property acquired as part of a larger portfolio. We have shown data for properties that are part of a larger portfolio as long as utility data was available for the properties through our asset management platform. Where portfolios of properties are still being onboarded to our platform, we only show portfolio-level data. (2) Sustainability certifications represent Energy Star, LEED, NABERS 5 Star Energy, BREEAM, GRESB, WELL HSR, and HQE Explaitatian et bâtiment.

"o" indicates that energy consumption data for the underlying assets is pending.

""indicates that data was unavailable.
"" a "indicates that data was unavailable.

40 | Partners Group Partners Group | 41

medium

<sup>&</sup>quot;n.a." indicates that data is not relevant for the asset (for example, if an asset does not consume natural gas).

#### ESG engagement case study: Sustainability certification at EightyFen

**Industry vertical:** office

 $\textbf{Location:} \ \cup \mathsf{K}$ 

Investment year: 2015

For more information: https://eightyfen.com/



We took several steps during EightyFen's design in order to achieve certification:

 Materials sourcing and recycling: During demolition of the previously existing property, we ensured all materials were separated and recycled. During construction, our contractors also used sustainably sourced materials, which are produced minimizing the use of energy, or sourced materials from local companies, to journey times.



- Energy: We installed a building management system (BMS) to control the space and optimize resource use. The BMS monitors energy use during all seasons to optimize the use of solar shading during the summer and heat during the winter. The building also obtained an Energy Performance Certificate (EPC) Grade B, an indicator of energy efficiency ranging from A (most efficient) to G (least efficient). To obtain the EPC, EightyFen utilizes high-performing building fabric, high-efficiency boilers and chillers to reduce the overall energy demand of the building. Moreover, the building obtains some of its power from photovoltaic solar panels we installed on its rooftop.
- Tenant well-being: We placed occupier amenities at the heart of EightyFen's design and specification, from the light-filled floors to a multi-functional ground floor experience with integrated cafés, a restaurant and health facilities. These include 22 showers, 331 cycle racks and 342 lockers to enable tenants' to cycle to work and encourage a healthier and more sustainable lifestyle. Tenants also benefit from access to public transport,





including both Liverpool Street station and the incoming Elizabeth Line. More recently, during the COVID-19 pandemic, we upgraded some of the buildings features to further enhance tenants' well-being. For instance, we modified air handling units to improve air quality and integrated SmartSpace technology to allow seamless, touchless travel from the entrance to every desk.

• Community relations: Finally, during construction, the EightyFen site conducted regular Considerate Constructors Scheme (CCS) audits, designed to assess construction operations against best practices in minimizing impact on surrounding communities.

EightyFen scored 39-40 out of 50, achieving excellent performance in four of the five core scoring sections. The audits highlighted that the site continues to set high standards in all checklist sections, including a note on its robust system for the removal and recycling of waste.

"As value-add investors, we are constantly evaluating risks and finding ways to turn those risks into opportunities. Improving the sustainability of an asset is almost always one of those great opportunities. The lasting ESG impacts we put in place create real value for our properties and for the people who use them – giving us the confidence that we've set the property on a better trajectory when we're ready to move on to the next challenge"

Matt Bosquez, Lead Asset Manager, Private Real Estate

RESPONSIBLE INVESTMENT

#### Private debt

#### Direct debt

From an ESG perspective, our primary objective for direct debt investments is risk mitigation, due to our often-limited governance rights. Nonetheless, we seek to maximize our influence on the ESG performance of our debt investments whenever possible. Pre-issuance stage offers the greatest opportunity for us to engage in direct dialogue with borrowers on ESG topics. During pre-issuance engagement, our investment teams gather information on company-specific ESG questions through due diligence calls and meetings with sponsors and companies. Opportunities to engage with borrowers on ESG topics post-issuance include loan refinancings and changes to contractual obligations, as well as our regular ESG monitoring of our entire portfolio.

We use these opportunities to check in with companies on their performance related to the material ESG topics identified during due diligence. For example, in 2017, Partners Group made an investment in a provider of pediatric home-based healthcare services. During 2020, our ESG monitoring of the company raised concerns about the quality of care provided to some of the patients, citing complaints and allegations from families. As the global COVID-19 pandemic set in, the company was providing updates to lenders on any implications of the pandemic for its business. Partners Group leveraged this opportunity to also engage with the company on ESG. Specifically, our investment and ESG & Sustainability teams worked together to draft a set of questions for company management about patient care and met with the sponsor and CEO to discuss these questions. Through this engagement, we were able to better understand how the company approaches patient care, the steps the company was taking to address concerns raised by families, and also learn about the impact of COVID-19 on staff and patient health & safety.

Given the limited governance rights of debt investors, we have found that systematically collecting ESG information and engaging with borrowers during the hold period can be challenging. Compared to our other asset classes, we see this as an area where we can still make significant progress. One of the ways we will seek to improve our approach in 2021 is by testing new ways to engage borrowers on ESG during our hold period to develop the next level of ESG reporting with our debt investments.

#### **Broadly syndicated loans**

In 2020, our ESG & Sustainability team and Broadly Syndicated Loans (BSL) team partnered to improve our existing ESG due diligence process and develop a tool that investment teams could use to score investments from an ESG perspective based on the kind of information that is most readily available during the due diligence. Specifically, the tool considers two key factors related to a target investment:

- 1. The ESG risk and impacts of the industry and sector within which the company operates; and
- The company's ESG approach, performance, and disclosure.

Based on these, the tool provides an overall ESG score for the investment that our investment committee takes into consideration during due diligence. While this approach was just rolled out in 2020, the goal is that companies will be re-scored during our hold period based on any changes in their ESG performance. Providing a standardized score for individual investments also enables our BSL investment teams to calculate a combined ESG score for the entire portfolio. We believe this new approach will give Partners Group clients invested in these asset classes greater transparency into the ESG profile of their investment.

#### Weighted average between industry score and factor score will assess the overall score of the loan



#### Integrated investments

While we create the most value from ESG topics on our direct investments, we must ensure our investment partners are managing ESG risks in a responsible manner. As part of our ESG integration in primaries, we assess managers using an ESG Due Diligence Questionnaire, based on the UNPRI's recommended questions. We aim to understand the managers' ESG framework, examine past examples of ESG integration in their portfolio, and assess their ESG performance and how they dealt with difficult situations.

Over the years, we have added a series of questions on diversity & inclusion, climate change and cybersecurity, among others, to align the questionnaire with some of the topics that are particularly relevant for Partners Group. In 2020, we added a very simple scoring system, and in 2021, we will further tighten up our process to ensure compliance with the EU Sustainable Finance Disclosure Regulation requirements.

For secondary investments, we look at the underlying investments to understand if there are any ESG sensitivities from a products, services, or business practices perspective. If any concerns are raised, we engage with the manager to get a better understanding of how the situation was managed. Over the course of the year, we rejected a secondary opportunity as one of the underlying investments had a significant risk of exploitation of vulnerable groups and we did not agree with the way the manager addressed our concerns.

During 2020, we also extended our existing carbon avoidance list to primaries and secondaries, creating guidelines for our deal teams to engage with other managers on energy transition topics. Our engagement on these topics is primarily centered around regular calls with our largest external managers.

In addition, we engaged with our bottom managers in real estate, after having reviewed our top 20 managers in 2019. We saw 80% increasing their ratings after engaging and will review our approach in the upcoming year.

#### Impact investing at Partners Group

	Negative	Responsible	Impact investing		
Traditional	screening / SRI	investment / ESG integration	Market-rate	Concessionary	Philanthropy
Limited or no focus	Excluding	Focus on creating	Focus on one or	Focus on one or	Focus on one or
on ESG factors	investments based	and protecting value	a cluster of issue	a cluster of issue	a cluster of issue
	on harmful products,	through consideration	areas, where social or	areas, where social	areas, where social
	services or practices	of ESG factors	environmental need	or environmental	or environmental
			creates a commercial	need requires some	need requires 100%
			growth opportunity	financial trade-off	financial trade-off
			for market-rate		
			returns		

#### PG LIFE: impact at scale

The COVID-19 pandemic has put a spotlight on the well-being of people and societies; it has shown which businesses are truly essential, and what essential businesses should do to protect their employees and engage with their stakeholders responsibly. At Partners Group, in addition to our Portfolio Employee Support Fund, we have continued to grow PG LIFE, our private markets investment strategy designed with the dual mission of achieving attractive financial returns and driving positive environmental and social impact, as framed by the United Nations Sustainable Development Goals (SDGs). To achieve this mission. PG LIFE integrates impact considerations throughout the investment lifecycle. Companies and assets are selected for investment according to their potential to directly contribute to one or more SDG targets through their core business activities, on top of their ability to meet Partners Group's requirements for financial risk and return.

In 2020, PG LIFE closed its fundraising and added three new investments to our impact portfolio, bringing the total to nine assets. The three new assets are Rovensa, a leading provider of specialty crop nutrition, biocontrol and protection products; Murra Warra II, the second stage of Murra Warra Wind Farm in Victoria, Australia; and a European specialty pharma company focused on branded prescription medicines addressing rare and life-threatening medical cases.

As we grew our impact portfolio, we continued to develop PG LIFE into a recognized franchise that drives the development of impact management in our industry and to expand its impact values across private markets and portfolio companies. Part of this effort included updating the governance structure of our PG LIFE Council, the strategic advisory body to PG LIFE that ensures we maintain fidelity to our impact objectives and continue to innovate our approach. Specifically, we added to the Council Luisa Delgado, the chair of Partners Group



Murra Warra Wind Farm

portfolio company Schleich, one of Germany's largest toy manufacturers. Luisa has deep interest and experience in sustainability and can advise us on how best to work with the management teams of PG LIFE investments to scale impact and use it to drive value for our assets.

In the year ahead, we expect to add several new investments to the portfolio, onboard new management teams to our PG LIFE vision, and execute on specific initiatives to create or protect value through improved impact integration. We will continue to build the field of impact investment and demonstrate how a scaled strategy like PG LIFE can drive much needed investment to achieve the vision of the United Nations Sustainable Development Goals.

#### New investment spotlight: Rovensa

Rovensa is a provider of differentiated crop lifecycle management solutions with a portfolio of BioNutrition, BioControl and Crop Protection products, based in Portugal and Spain. Rovensa develops, manufactures and supplies products used by farmers to enhance and protect crop yields in over 80 countries.

Partners Group included Rovensa in the PG LIFE fund because the investment supports, among others, United Nations Sustainable Development Goal target 2.4: "By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality". Rovensa's products are a solution to feed the global population within tolerable limits of environmental impact. Their solutions do less harm than traditional products whilst maintaining or enhancing productivity, and can be viewed as a transition pathway towards a more sustainable food production system.

When considering Rovensa for inclusion in the fund, we focused on three factors:

- Reduction of environmental damage: Rovensa's products provide a high environmental performance and generally low toxicity, therefore having less negative environmental impact than mainstream products.
- **Agricultural productivity:** By using Rovensa's products, farmers' yields would increase between 5 and 25% percent, depending on the formulation and the crop.
- Resilience and adaptation to climate change: Climate change has a huge impact on the agricultural sector. The EU's agricultural income is expected to suffer losses of around 16% (with regional variations) by 2050 due to climate change. Iberia, Rovensa's core market, has been significantly impacted by climate change, particularly extreme heat, dry land/water stress and reduced soil health, all of which have potentially had an impact on the resilience of agriculture in these countries. We estimate Rovensa's products in the past increased performance of crops exposed to stress by around 9%.

Today, over 50% of Rovensa's revenue positively contributes to these three factors with the potential of substantially increasing this share during ownership. Growing these revenue segments will be the focus of Rovensa's value creation strategy during our ownership period. As we have a control position in the company, we are confident that through our active ownership, Rovensa can further solidify its role in the transition to more sustainable food production.

When it comes to impact measurement, KPIs that could be relevant for steering the company's impact include the reduction of the environmental impact against competitors, the reduction in toxicity and the percentage of bio products in the portfolio. We are finalizing the onboarding of the company and will have the defined metrics and first values in 2021.



Rovensa

On the ESG front, Rovensa completed its first materiality analysis in 2020, and will publish its first Corporate Social Responsibility report in 2021. We are finalizing the ESG Roadmap for the company, but initial areas of focus, in line with the company's materiality analysis, include employee health & safety, emissions and sustainable product innovation.

In 2015, Partners Group supported the launch of an independent impact investment firm, **PG Impact Investments AG**. PG Impact Investments' vision is that private investment, innovation and entrepreneurial talent can bring sustainable growth and provide solutions to the challenges facing our society. The firm serves an international clientele of professional investors who seek investment solutions that offer positive financial returns, while also helping to address pressing social or environmental challenges. All profits from PG Impact Investments are used to finance social initiatives and ventures which aim to benefit underprivileged communities, but which would typically not meet the criteria to receive funding through commercial investors or investment funds.

While independent, PG Impact Investments is supported by Partners Group and its employees, and benefits from the firm's global infrastructure, investment know-how and specialist resources.

To find out more about PG Impact Investments, visit www.pg-impact.com.



#### Impact investing case study: Measuring and managing impact at Grassroots

**Industry vertical:** renewable energy Location: HQ in Australia

Investment year: 2016

Grassroots Renewable Energy Platform is a large-scale energy platform that aims to construct over 1 GW of wind power and battery storage projects in Australia. Partners Group established Grassroots alongside CWP Renewables (CWPR). an Australian renewable energy developer with one of the largest renewable power project pipelines in the country. The platform currently comprises three wind projects in New South Wales: 270 MW Sapphire Wind Farm, an operating wind farm in the New England region, 135 MW Crudine Ridge Wind Farm, an under-construction wind farm located south of Mudgee, and 244 MW Bango Wind Farm, an underconstruction wind farm located north of Yass.

PG LIFE's Impact Committee approved the inclusion of Grassroots into the fund as the investment supports, among others, SDG 7.2: "By 2030, increase substantially the share of renewable energy in the global energy mix." Grassroots' current annual generation contributes to 2.3% of Australia's Renewable Energy Target of 33,000 GWh, growing to 5.5% when Crudine Ridge and Bango Wind farms will become fully operational (in 2021).

In addition to the wind farm, the Sapphire Wind Farm site also includes Sapphire Solar, an approved co-located project due to start construction in 2021 which will deliver renewable energy through the same grid connection point. Sapphire Solar has a capacity of 200 MW and includes a 30 MW battery. The diversified platform has significant merit in bringing together a range of solar and wind assets, complemented by battery storage, enabling Grassroots to provide a higher quality solution to customers and off-takers. Our impact assessment and ESG due diligence of Grassroots both identified opportunities for improvement in the way the company conducts business that would have a positive impact on the SDGs. These have been part of our ESG engagement plan during ownership. For instance, we understood that infrastructure projects of this size would inevitably have some negative impacts on the environment. Sapphire Wind Farm participated in the New South Wales Biodiversity Offsets Scheme in accordance with local regulatory requirements. The project has secured a biobank near the wind farm site to protect habitat for local native flora and fauna species in order to offset the environmental impact of the construction and operation of the wind farm.

The project was required to avoid, minimise and then offset impacts on biodiversity by securing a number of Biodiversity Credits. The quantum of credits required is a complex calculation completed by a third party government accredited assessor, using a formalised standard methodology based on the project's biodiversity impacts. As of the third quarter of 2020, 6118 Biodiversity Credits (the project's credit obligation) were secured in perpetuity for Sapphire Wind Farm, meeting the regulatory requirements of the NSW Biodiversity Offset Scheme. Biodiversity assessments for the Bango and Crudine Wind Farms are underway and will determine the credit obligations for the project which are due to be retired in 2021 as per the project approval conditions.





Since inclusion of Grassroots in PG LIFE, Partners Group has tracked the following impact metrics:

- Amount of total renewable energy generated;
- Amount of reduction in carbon dioxide emissions achieved; and
- Number of households powered by Grassroots.

In 2019 and 2020, Grassroots achieved the following impact:

KPI	2019 Achievement	2020 Achievement
Total renewable energy generated (MWh)	722,003	746,502
CO2 emissions avoided (tons CO2eq)	592,042	612,132
Number of households powered	139,598	144,335

Since the outset of the platform, we also established a Community Benefit Fund for Sapphire, the first wind farm on the platform, through which the asset contributes AUD 2,500 per turbine per year. At 75 turbines, the fund has AUD 187,500 available for various community organizations and initiatives. As of the third quarter of 2020, AUD 129,227 had been awarded to various local organizations and initiatives. Similarly, at Crudine Ridge Wind Farm, the asset will provide AUD 160,000 per annum for a Community Benefit Fund, and, at Bango Wind Farm, AUD 129,950 per annum will be provided.

**Note:** While it is straightforward to measure and report the amount of total renewable energy generated, to calculate CO2 emissions avoided, we employ the Statespecific emission factors published in the technical guidelines by the Australian National Greenhouse and Energy Reporting scheme (NGER). For New South Wales, the emission factor is 0.82 kg CO2-e/kWh in

In reports by ACIL Allen to the Australian Energy Regulator, they provide average household electricity consumption data. We use the most recent (2018) average NSW electricity consumption of 5,172 kWh/ annum to calculate the number of households powered by Grassroots.

FY19 and 0.81 kg CO2-e/kWh in FY20.

48 | Partners Group Partners Group | 49

#### Corporate philanthropy at Partners Group

Traditional	Negative screening / SRI	Responsible investment / ESG integration	Impact investing  Market-rate	Concessionary	Philanthropy
Limited or no focus on ESG factors	<b>Excluding investments</b> based on harmful products, services or practices	Focus on creating and protecting value through consideration of ESG	Focus on one or a cluster of issue areas, where social or environmental need	Focus on one or a cluster of issue areas, where social or environmental	Focus on one or a cluster of issue areas, where social or environmental
	он насе от <b>р</b> . шенос	factors		need requires some financial trade-off	need requires 100% financial trade-off

#### **Grants and impact investments**

Our employee foundation PG Impact (Verein) makes two types of monetary commitments to social organizations:

- Grants to non-profit organizations working to address a diverse set of challenging global issues faced by disadvantaged populations. These include organizations promoting education and job skills, health and wellness, and entrepreneurialism. There is a preference for organizations operating in a region where Partners Group has a local footprint; however, any organization doing impactful work will be considered.
- Direct impact investments into seed-stage social enterprises with a proven business model and demonstrated measurable social impact. Investment structures are flexible and may take the form of low-interest loans, convertible notes and equity. One hundred percent of any returns from these investments are recycled back into PG Impact for allocation to future projects.

#### Our approach

We support entrepreneurial non-profit organizations and social enterprises that create positive, high-impact and measurable social and environmental benefits through our employee foundation **PG Impact (Verein)**. Founded in 2006, PG Impact is run entirely by Partners Group employees who contribute their time and expertise to identifying, evaluating and investing in high-impact projects benefitting disadvantaged populations and the environment.

#### Our progress in 2020

Since its inception, PG Impact has supported 75 projects across the globe with both grants and seed-stage impact investments, committing to 14 projects in 2020 (2019: 19).

## 2020 grant example: American Heart Association of Greater Houston

In response to the hardship caused for many families by COVID-19, the American Heart Association of Greater Houston (AHA) launched the Citywide Executive Challenge to provide locally sourced food boxes to families in areas with limited access to affordable and nutritious food. In 2020, PG Impact provided a grant to the organization which was used to purchase 1,400 meals for 350 families of six people. The grant enabled the organization to direct 21,000 pounds of fresh food produced by 43 small-scale family farms to families in need. The food would otherwise have gone to waste.

AHA wants to connect communities with high-quality, healthy food from sustainable family farms. This initiative will help improve food access and public health while also strengthening small family-owned farms providing fresh produce to the local community. AHA also aims for the initiative to continue sustainably once the COVID-19 pandemic is over. As the families that faced hardship as a result of the pandemic begin to re-enter the job market, they will be able to access the fresh produce from these small farms without depending on outside financing.



American Heart Association of Greater Houston

#### 2020 grant example: Village Ndadé

In 2020, PG Impact supported Village Ndadé with a grant to equip the community with the necessary means to combat COVID-19 and bring food aid to the neighboring villages which faced food shortages. The population in Village Ndadé, one of the poorest areas in Senegal, is highly vulnerable as food insecurity affects more than 50% of households. The grant helped to purchase items that supported both health and social needs in the community. Hospital beds, ventilators, thermometers, soap, hand sanitizers and personal protective equipment such as gloves and masks were provided for the village's healthcare center. Additionally, the grant paid for food, and seeds and agricultural inputs for the populations of Ndadé and their neighbors to help them prepare for the next agricultural season.

In 2018, PG Impact had funded the village's first classroom and healthcare center, which provides basic access to primary healthcare services. PG Impact supports Village Ndadé through Association Afrique Developpement (ADEV), the Senegalese partner of AEAD, a non-profit organization created in 2014 by students of the Université Libre de Bruxelles. AEAD aims to combat inequalities and improve the daily life of beneficiaries in Belgium and Senegal via the

construction of sustainable, life-improving infrastructure (in Senegal) and through cultural exposure (in Belgium). In Senegal, key activities include annual construction projects aimed at strengthening educational and health facilities in rural villages.



Village Ndadé

#### Outlook

Our main goal for 2021 is to further increase employee engagement with our employee foundation PG Impact's activities by providing more regular updates on grants, investments and volunteering opportunities across the organization. We will also continue to roll out an improved impact measurement methodology in 2021. In terms of commitments, we plan to make ten to 15 grants and one to three impact investments in 2021. Finally, we will continue to support our employees with initiatives and projects aimed at having a positive impact on their local communities and environments.

## Special topic: PG Gives Back

Having grown from our roots in the small town of Zug, Switzerland, to a global private markets firm, Partners Group was honored to celebrate its 25th anniversary in 2020. We could not have reached this significant milestone without the support of our clients and business partners, and of course, the hard work and dedication of our employees. We also recognize that, at Partners Group, we have been fortunate in our success. For this reason, we celebrated our anniversary with the launch of the "PG Gives Back" initiative. Every Partners Group employee has been gifted two days to spend on an initiative of their choice, aimed at contributing positively to the society or environment in which we live. Across Partners Group's 20 offices globally, our employees launched their own initiatives or partnered with local charities and impactful organizations to donate time and resources to over 100 different projects globally with the aim of making a positive contribution to society or the environment. The projects ranged from helping refugees and disaster victims and restoring local schools, to supporting farmers in remote areas and preserving forests and natural landscapes.

We are extremely proud of the days that our employees have spent giving back to their local communities and want these efforts to continue beyond our 25th anniversary. We have therefore decided to institutionalize the PG Gives Back initiative. In 2021 and beyond, we encourage our employees to continue their partnerships with these projects and will match 100% of their time commitment to these causes, with up to two days gifted per year per employee.

PG Gives Back in numbers **②** 

>100 projects

>1,500

Volunteers (employees)

**>13,000** Total hours

Partners Group charity contributions and other spending in 2020	<b>②</b>
PG Gives Back Initiative	CHF 1,400,000
Partners Group Portfolio Employee Support Fund (commitment*)	CHF 10,000,000
PG Impact (Verein)/sponsoring	CHF 240,000

\*Partners Group's Portfolio Employee Support Fund has committed CHF 10,000,000 to support financially vulnerable portfolio company employees during the COVID-19 pandemic. In 2020, actual expenditures amounted to CHF 5,655,362. The accrued amount of CHF 4,344,638 will be paid out in 2021.





As part of our Zug office's efforts to give back to local communities, employees helped **farmers and their families** with farm work, including trimming hedges, stacking wood and cleaning out stables. Many farmers in Switzerland live in very remote mountain areas and sometimes in difficult circumstances. It was hard work, but providing support to these farmers made it all worthwhile!



Staff in our London office helped sort and package toys for babies and small children at **Stripey Stork**. Stripey Stork collects donations of toys, clothes and other essential items, and distributes them among local families experiencing hardship. The charity receives requests from schools, social workers, family centres and other organizations on behalf of these families. Since 2013, Stripey Stork has fulfilled over 10,880 requests and distributed items worth GBP 3 million into the local community.



Several of our Denver employees gave back to their local community by joining forces with local non-profit **We Don't**Waste to package boxes of food and distribute them to families in need. We Don't Waste provides an incredibly important service gathering excess food from venues, caterers and restaurants and redistributing it to underserved populations in the area. The need for We Don't Waste's services has grown due to the economic impact of the COVID-19 pandemic and Partners Group's Denver employees will continue working with this excellent organization on various initiatives.



Our Sydney team prepared and packaged food for disadvantaged and homeless people in partnership with **Our Big Kitchen**, a community-run industrial kitchen that prepares meals for those in need across New South Wales, Australia.

The organizations that Our Big Kitchen supports, which include women's shelters, asylum centers and youth centers, have been inundated with calls for help since the beginning of COVID-19. The Partners Group team was proud to contribute over 372 meals, as well as cakes and jars of tomato relish, to support these excellent causes.

## Corporate governance & risk management

#### Our approach

At Partners Group, we are committed to meeting high standards of corporate governance and risk management practices. This applies both to our own operations and to the investments we make on behalf of our clients. We have developed, and continue to update, strategies and procedures specific to our business for managing the main risk categories identified by our Board of Directors. These include finance risks; operational risks; regulatory, legal and compliance risks; and investment risks.

#### Our progress in 2020

## Changes in independent Board member compensation

We strive to improve the transparency and clarity of our approach to compensation and frequently reach out to major shareholders and proxy advisors to reflect on industry trends and gather outside perspectives. In 2020, we decided to replace (restricted) options with (restricted) shares for compensating part of our independent Board members' annual fee, acknowledging the importance our shareholders and proxy advisors attribute to this practice.

## Maintaining state-of-the-art Enterprise Risk Management

A sound risk management practice is paramount for Partners Group's long-term success. In order to ensure adequate coverage of relevant risks, Partners Group operates an Enterprise Risk Taxonomy which represents a hierarchical categorization of relevant risks, organized along the four following risk themes:

- **Finance risks:** risks related to our balance sheet and income statement (e.g. profitability and liquidity);
- Operational risks: risks related to internal processes and operations (e.g. currency hedging, models, service providers, international marketing and technology);
- Regulatory, legal and compliance risks: risks related to non-adherence to regulations, laws or internal policies (e.g. market abuse, data privacy and money laundering);
- **Investment risks:** risks related to our investment process and platform (e.g. investment due diligence, ESG, portfolio management and semi-liquid products).

In 2020 two major projects were carried out on the risk management front to improve and complete our Enterprise Risk Taxonomy. The first project aimed to challenge and complete our Enterprise Risk Taxonomy considering industry standards and Partners Group's specific needs. Ownership of different types of risk was further clarified and the firm's risk tolerances were further defined. The second project consisted of workshops on key end-to-end processes aimed at strengthening risk management practices across teams.

#### **Enterprise Risk Taxonomy**



"2020 has shown how important it is to address and prepare for emerging risks and worst-case scenarios, despite their low likelihood. Scenario analyses are a cornerstone of Partners Group's Enterprise Risk Management to guarantee the continuity of our operations in challenging times. Any potential adverse scenarios we identify are thoroughly assessed so that concrete action plans can be implemented to increase business resilience should these scenarios materialize."

Dr. Michael Studer. Chief Risk Officer

## Examples of emerging risks and scenario analysis

#### Prolonged power outage

**Scenario description:** Two-week complete blackout on the European continent.

**Business risk:** Operations are estimated to be severely impacted.

Mitigating actions taken: Existing mitigating factors include IT recovery centers in multiple regions, a Crisis Management Framework and the option to duplicate some critical data to international hubs. Further analysis will be performed in 2021 with the primary objective of clearly articulating our business continuity ambitions in a blackout scenario and identifying the processes that must be maintained at all times and those that can be temporarily discontinued. In a second step, we will determine possible alternative communication channels and any measures needed in order to maintain key processes operational. Finally, we will assess whether sufficient decision-making authority exists in international hubs to ensure business continuity.

#### Service interruption and provider failure

**Scenario description:** Important service providers fail to render their services from one day to the next.

**Business risk:** The respective service is non-operational and the service-related data that is not physically saved on our own systems (e.g. data on cloud) is lost.

Mitigating actions taken: Our upgraded Service Provider
Management Framework, which will be rolled out in 2021, will
begin to mitigate these risks through a combination of initiatives.
These include an ongoing risk assessment of our service
providers through detailed risk questionnaires covering topics
such as business continuity, disaster recovery, cybersecurity and
data privacy, as well as the establishment of key risk indicators
and key performance indicators. These initiatives will identify
both high-risk and business critical service providers, which are
subject to the highest level of monitoring. In addition, we aim for
100% of outsourced critical business activities to have a backup/
safeguarding plan in place to take over business activity on short
notice. Finally, we will assess how we can replicate (some of the
critical) data in our systems to allow for business continuity.

#### Governance & risk

Our approach and progress



Read about our approach in our **Privacy notice:** 

www.partnersgroup.com/en/ about/corporate-governance/ policies-directives



Read about our approach in our **2020 Corporate Governance Report:** 

www.partnersgroup.com/ corporate-governance-report

GOVERNANCE & RISK

#### Partners Group's risk governance structure



#### Risk assessment and risk reporting by the Chief Risk Officer

1) Specialists include Chief Technology Officer, Chief Information Security Officer etc. 2) Investment Specialists include Chief Investment Officer, Chairman Global Investment Committee etc.

#### Cyber resilience in times of uncertainty

2020 has been unprecedented in many ways and proved to be a real-life validation of many firms' business continuity setups. For Partners Group, this required solid preparation, quick reaction times and an adequate organizational setup. From a technology and cybersecurity perspective, a global pandemic of the scale of COVID-19 can bear additional risks: cyber criminals may exploit the general uncertainty and hastily implemented remote working solutions to conduct attacks on individuals and organizations. We distinguish between "outside-in" and "inside-out" threats.

Outside-in threats: The number of Coronavirus-themed attacks has spiked since the start of the pandemic and various news outlets have reported cyber-attacks against healthcare organizations, phishing schemes, fake COVID-19 tracking apps with malware, and attacks on vaccine cooling supply chains. While the number of these attacks may have risen during the pandemic, safeguarding our firm against these types of threats is not new to Partners Group. Consequently, we continued to further strengthen our existing controls and measures on the technical and process side, and continued to raise awareness of these threats among our staff through regular phishing campaigns, e-learning programs and communication campaigns via our internal news channels.

Inside-out threats: For many organizations, moving a vast share of their workforce from in-office to work-from-home set-ups represents a significant challenge. Next to capacity issues, cyber risks related to unauthenticated devices on a company's network or the hasty implementation of remote working facilities and network extensions are key considerations. At Partners Group, secure remote working facilities were already in place before the pandemic and tested on a regular basis. Furthermore, early on in our crisis management process, we had started to gradually move our employees into a work-from-home mode. This helped us to provide the additional capacity we needed in an orderly manner.

"If you experience a large data breach because of a protocol you broke for the sake of being pragmatic and quick, the resulting damage will not go away once the virus does."

Patrik Bless, Chief Information Security Officer

#### **Ensuring solid data protection**

Managing the personal data we receive from our clients, employees, and business partners around the world is an important part of building the strong relationships that are key to our success. Our global data protection framework is based on internationally recognized data protection and privacy principles. It guides our collection, use, transfer, release, disclosure, and security of personal data, and outlines our expectations of third parties who process data on our behalf. Among others, the framework includes policies, procedures, information security measures, and training and awareness campaigns guided by our Data Protection Officer and specialized legal counsel. Our data privacy review process is part of our operational risk management framework. We evaluate the data privacy risks associated with new and existing service providers, and with new and changed internal projects and procedures. In addition, we continue to monitor the changing landscape of data privacy laws and regulations and update our global data protection framework accordingly.

#### Outlook

From a risk management perspective, a major focus for 2021 will be the full roll-out of our updated Enterprise Risk Management framework, including internal education where needed. A further focus topic will be refining our broader crisis management set-up and strengthening business resilience. In particular, the risk of power outages will be analyzed in more depth to further align business continuity management between our Technology team and our operating teams. We will also continue to test the resilience of our organization and IT systems to external attacks and enhance our business continuity and disaster recovery plans as needed.

## Financial performance

#### Our approach

As a leading global private markets firm, we aim to deliver sustainable performance across economic cycles. Our investment results enhance the prosperity of our clients, who ultimately are millions of individual beneficiaries around the globe. At the same time, we are also thankful for the support of our shareholders and strive for attractive financial returns and a premium valuation to honor their long-term confidence.

#### Our results in 2020

Despite the challenging environment in 2020, our business model has proven to be resilient amid the economic headwinds caused by the pandemic. Clients around the globe entrusted us with USD 16 billion in new commitments during the year. On the investment side, our transformational investing strategy provided support to our portfolio in the first half of the year and facilitated a rapid return to growth in second half. In the second half of 2020, more favorable exit markets enabled us to realize several assets and performance fees recovered strongly to 27% of total revenues, up from 9% in the first half of 2020, when we had to postpone several divestments due to the weak exit environment caused by COVID-19.

Overall, total revenues from performance fees fell by 44% to CHF 266 million, leading total revenues to decrease by 12% to CHF 1,412 million. Total revenues from management fees increased marginally by 1% to CHF 1,146 million.

Our EBIT margin remained stable at 62%, confirming our disciplined approach to cost management. Profit decreased by 11% to CHF 805 million, in line with revenues and driven by lower performance fees.

Based on the solid development of the business across asset classes and regions, the operating result and Partners Group's Board of Directors' confidence in the sustainability of this growth, the Board will propose a dividend of CHF 27.50 per share to its shareholders at the Annual General Meeting in May 2021. This represents a dividend increase of 8% and a payout ratio of 91%.

## Balancing cost discipline with making the right investments for future growth

Throughout 2020, we prioritized business continuity and the onboarding of recent joiners over the hiring of new employees. As a result, hiring efforts temporarily slowed and resulted in a 5% FTE growth for the twelve-month period ended 31 December 2020, largely in line with the development of average AuM in CHF (+6%). While the slowdown of hiring confirmed our cost discipline, the average number of FTEs grew by 12% to 1,504 (2019: 1,337 average FTEs), following intensified hiring throughout 2019 as a result of the strong growth trajectory of our AuM.

Total personnel expenses – the main driver of costs for the firm – decreased by 12% during the period. The increase of regular personnel expenses by 8% to CHF 329 million (2019: CHF 306 million) was more than offset by the decrease in performance-fee related personnel expenses by 45% to CHF 101 million (2019: CHF 185 million), which decreased

#### **Key financials**

	2019	2020	Growth
AuM as of the end of the period (in USD bn)	94.1	109.1	+16%
AuM as of the end of the period (in CHF bn)	91.1	96.4	+6%
Average AuM as of 31 December (in CHF bn) <sup>1)</sup>	88.4	93.8	+6%
Revenue margin <sup>1),2)</sup>	1.82%	1.51%	
Revenues (in CHF m) <sup>2)</sup>	1,610	1,412	-12%
Management fees (in CHF m) <sup>3)</sup>	1,138	1,146	+1%
In proportion of total revenues <sup>3)</sup>	71%	81%	
Performance fees (in CHF m)	473	266	-44%
In proportion of total revenues	29%	19%	
EBIT (in CHF m)	1,008	875	-13%
EBIT margin	62.6%	62.0%	
Profit (in CHF m)	900	805	-11%

<sup>1)</sup> Based on average AuM, calculated on a daily basis.

in line with the development of performance fees (-44%). At Partners Group, performance-fee related personnel costs adjust in line with the development of performance fees as we allocate up to 40% of our recognized performance fees to our teams.

## Total operating costs developed in line with revenues (in CHF m)

	2019		2020
Revenues	1,610	-12%	1,412
Total operating costs, of which	-603	-11%	-537
Personnel expenses	-490	-12%	-430
Personnel expenses (regular)	-306	+8%	-329
Personnel expenses	-185	-45%	-101
(performance-fee-related)			
Other operating expenses	-79	-13%	-69
Depreciation & amortization <sup>1)</sup>	-34	+12%	-38
EBIT	1,008	-13%	875
EBIT margin	62.6%		62.0%
Average FTEs	1,337	+12%	1,504
Year-end FTEs	1,452	+5%	1,519

Note: revenues include management fees and other revenues, net, performance fees, net, and other operating income. Regular personnel expenses exclude performance fee-related expenses. Performance-fee-related personnel expenses are calculated on an up to 40% operating cost-income ratio on revenues stemming from performance fees.

#### Outlook

Management fees: We are moving confidently into 2021 and expect gross client demand of USD 16 to 20 billion, together with around USD -9.5 billion in tail-down effects from the more mature closed-ended investment programs and redemptions from evergreen programs. Fundraising is expected to be balanced across all program types, from customized mandates and the firm's extensive range of evergreen fund solutions to its traditional closed-ended programs. We expect this demand to translate into additional management fees and therefore expect management fees (in CHF) to develop broadly in line with average AuM (in CHF).

**Performance fees:** We continue to expect full-year performance fees to remain within our mid- to long-term guidance of 20-30% as a proportion of total revenues, assuming the market is favorable to exits.

**Target EBIT margin:** We continue to apply a disciplined approach to cost management and invest in initiatives that support our growth. We therefore steer our operating margin towards our target EBIT margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees.

**Balance sheet:** Our balance sheet remains strong. With CHF 2.3 billion in shareholder equity and CHF 2.0 billion in available liquidity, or CHF 1.1 billion net cash, we feel well-equipped to realize the potential of private markets in different economic environments.

#### Financial performance

Our approach and results



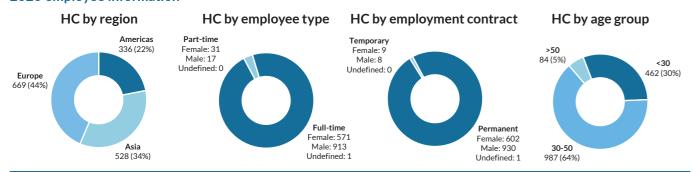
Read about our approach in our 2020 Annual Report: report.partnersgroup.

<sup>2)</sup> Revenues from management services, net. including other operating income.

<sup>3)</sup> Management fees and other revenues, net, and other operating income.

## Human capital development

#### 2020 employee information

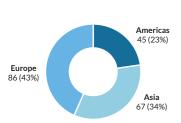


Global headcount by seniority level and gender						
Seniority Level	Female	Male	Undefined	Total		
Professional	521 (46%)	608 (54%)	1 (0%)	1,130		
Member of Management	72 (24%)	229 (76%)	O (O%)	301		
Senior Member of Management	9 (9%)	93 (91%)	0 (0%)	102		
Total	602 (39%)	930 (61%)	1 (0%)	1,533		
Global headcount by seniority level and age group						
Seniority Level	<30	30-50	>50	Total		
Professional	462 (41%)	640 (57%)	28 (2%)	1,130		
Member of Management	O (O%)	284 (94%)	17 (6%)	301		
Senior Member of Management	O (O%)	63 (62%)	39 (38%)	102		
Total	462 (30%)	987 (64%)	84 (6%)	1,533		
	•	•			_	

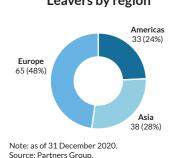
Partners Group USA headcount by seniority level and ethnic background								
Seniority Level	White	Black or African American	Hispanic or Latino	Asian	Hawaiian or Pacific Islander	Two or more races	Not disclosed	Total
Professional	130 (57%)	5 (2%)	14 (6%)	23 (10%)	1 (0%)	5 (2%)	50 (22%)	228
Member of Management	50 (67%)	0 (0%)	6 (8%)	7 (9%)	0 (0%)	1 (1%)	11 (15%)	75
Senior Member of Management	21 (84%)	0 (0%)	0 (0%)	1 (4%)	0 (0%)	0 (0%)	3 (12%)	25
Total	201 (61%)	5 (2%)	20 (6%)	31 (9%)	1 (0%)	6 (2%)	64 (20%)	328

#### 2020 new joiner information (4)

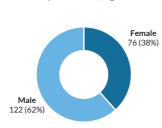
New joiners by region



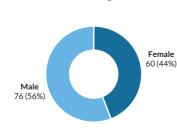




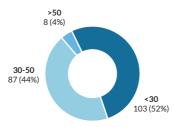
#### New joiners by gender



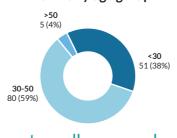
#### Leavers by gender



#### New joiners by age group



#### Leavers by age group



#### Our approach

At Partners Group, we recognize that our people are our most important asset. We aim to attract and retain unique and diverse professionals by offering them a great place to work and the opportunity to grow, both professionally and personally.

#### Our people in 2020

In 2020, we continued to hire talented professionals from across the globe and expanded our platform to 1,533 employees (2019: 1,465). This means we created 68 new jobs in one year despite the global pandemic. The percentage of female (39%) and male (61%) employees remained at around the same level as in 2019. Similarly, the overall age breakdown of our employees globally remained largely in line with the previous year. In terms of nationalities, our professionals today represent around 60 different nationalities and speak over 30 different languages.

As a growing firm, we want to ensure that we not only hire new talent but also retain our existing talent. We thus monitor our retention rate closely in order to assess whether we are maintaining the right balance between hiring and retaining. In 2020, our turnover rate of 9.0% (2019: 11.4%) was close to our typical and expected turnover range of 10-15%.

#### Reaching the next phase of Ownership Excellence

Starting in 2018, Partners Group launched a program of "Ownership Excellence", a series of significant measures aimed at improving organizational effectiveness and increasing employee engagement. As part of the program, we implemented a revised organizational leadership structure known as "Cell Leadership", which gives all team heads, or "cell leaders", increased decision-making power and makes them directly responsible for day-to-day business decisions and processes, as well as the development and progression of their team or "cell". We also committed to conducting a firm-wide employee survey on an annual basis in order to ensure our employees' voices are heard and to foster increased employee engagement, with the first survey conducted in 2019. Our 2019 survey provided several development areas, including offering additional learning and career growth opportunities and providing increased transparency around rewards and promotions. Some of the measures implemented to address these areas include providing cell leaders with dedicated care and training budgets for their team members, establishing a more structured employee training and development program (our PG Academy), and developing clearer career development guidelines. In 2020, our second employee survey provided useful feedback on these ongoing efforts and reflected the progress brought by our improvement measures, as well as increased employee engagement. The survey also highlighted four key focus areas for 2021: performance management, decision authority, leadership and care, and diversity & inclusion. A selection of the initiatives we are working on to address these areas can be found in the following sections.

#### Human capital development

Our approach, people and progress



Read more about working at Partners Group on our Careers Portal:

com



Read about our culture and values in our **Charter:** 

www.partnersgroup.com/ charter



Read about our approach to employee compensatio and benefits in our 2020 Compensation Report:

www.partnersgroup.com/ compensation-report



**Employee information** from previous years can be found on our website:

vww.partnersgroup. com/sustainability/ corporate-sustainability/ our-people

**HUMAN CAPITAL DEVELOPMENT HUMAN CAPITAL DEVELOPMENT** 

Employee engagement	2019 survey (results cover FY 2018)	2020 survey (results cover FY 2019)	Trend
Actively engaged employees	62%	71%	<b>A</b>
Breakdown by gender	Male: 65% Female: 57%	Male: 71% Female: 70%	<b>A</b>
Response rate	85%	85%	<b>•</b>

Note: as part of its annual employee survey, Partners Group measures employee engagement using a five-point scale ("strongly agree" to "strongly disagree") on five questions related to employee engagement (e.g. "I feel proud to work for Partners Group"). The percentage of actively engaged employees is the percentage of employees who reported that they "strongly agree" or simply "agree" as opposed to "neither agree nor disagree", "disagree", or "strongly disagree" with these statements out of the total number of employees who participated in the

#### **Launching PG Academy**

Providing our professionals with opportunities to learn and grow has always been one of the foundations of Partners Group's success. In line with the purpose and vision of our Charter, we aim to grow our people personally and professionally, we are committed to continuous learning and we substantially invest in the training and development of our employees.

In 2019, recognizing that we needed to institutionalize our approach to learning to match Partners Group's scale, we started building a bespoke learning and development platform, PG Academy. In 2020, we went live with the platform, delivering flexible and scalable opportunities to grow through learning. The purpose of PG Academy is to put the structure, content and resources in place to:

- 1. provide leaders with the tools required to develop their people and sustainably enhance performance in current and future roles, and
- 2. empower employees with access to acquiring and integrating new knowledge, behaviors and skills into their working life to achieve their personal career goals.

#### **Developing our leaders**

The development of our leaders and employees is one of the foundations of our long-term success and a big part of what makes Partners Group a great place to work. With the launch of PG Academy, we expanded our leadership development programs over four levels of seniority and trained 75% of our team heads in leadership skills. We also empowered our leaders to own the development of their people by handing the training budget over to them to decide what training their team members would most benefit from.

#### Empowering employees through learning

We encourage our employees to take ownership of their personal and professional development and own our philosophy of life-long continuous learning. With PG Academy, we provide targeted business and technical skills training as well as emotional intelligence training such as communication skills. These are delivered both through classroom training and eLearning, providing employees with concrete opportunities to expand their knowledge and tools to grow.

In this unpredictable and challenging year impacted by COVID-19 measures, we upheld our firm-wide commitment to strengthen our leaders and develop our people. We introduced virtual classroom trainings into our learning culture and built digital and flexible training opportunities. With PG Academy now live, 93% of our employees took advantage of the learning opportunities and had some form of training in core leadership and business skills in 2020.

Seniority 🕢	Average hours of training per employee
Professional	14
Member of Management	20
Senior Member of Management and Board of Directors	16
Total	16

Gender 🗸	Average hours of training per employee
Female	15
Male	16
Undefined	3
Total	16

#### Secondments within our portfolio companies: Developing an ownership mentality

At Partners Group, we wish to develop our employees' skills and capabilities as they progress within our firm. Additional trainings and experiences are tailored to address our employees' capability gaps throughout their development journey. In 2020, we therefore established a program providing our investment professionals with secondment opportunities within our portfolio companies. This allows our investment professionals to add a business-building mindset to their investment approach. Ultimately, we wish to establish a knowledge bridge between our firm and our portfolio companies, as well as to grow and develop our employees to become effective strategic board members for our portfolio companies.

"My secondment at portfolio asset Greenlink had an eye-opening effect. In such dynamic businesses, being live in the trenches provides the best assessment of future performance. Aside from providing valuable insights, which will improve my abilities for future due diligence processes, the experience transformed the way I think about being an asset owner and helped me become a more rounded and empathetic investment professional."

Olivia Künzli, Private Infrastructure Europe

#### Focusing on employee health & safety

As part of our Ownership Excellence program, we created a focus for cell leaders and for Partners Group overall on caring for employees. In 2020, care came to mean in part looking after the health & safety of our employees through the COVID-19 pandemic. Our Crisis Response Team was mobilized at the outbreak of the pandemic and immediately put into action its Business Continuity Plan for a pandemic scenario, with our number one priority being the health & safety of our employees and those of our portfolio companies. We were among the first firms to put in place work-from-home protocols in all impacted regions. By May 2020, 98% of our employees were working from home using secure networks to connect to our hub offices.

In 2021, we want to continue to care for our employees' health, both mental and physical, through COVID-19 and beyond. As a basic starting point, Employee Assistance Programs (which offer services such as "lunch and learn" sessions on how to spot signs of stress and phone counseling services) are already available to employees in Asia and the Americas. We are now procuring similar services for employees in Europe. In addition, we have begun to direct employees and cell leaders to existing resources for dealing with stress and maintaining health while working from home and have made these resources available on our Intranet. Finally, based on employee feedback, we are focusing further initiatives in 2021 on strengthening employee recognition and appreciation.

#### Absentee rate in 2020

In 2020, Partners Group had an absentee rate of 1.3%, which corresponds to an average of five days of absence per employee.

62 | Partners Group Partners Group | 63 HUMAN CAPITAL DEVELOPMENT

HUMAN CAPITAL DEVELOPMENT

#### Continued focus on diversity & inclusion

Since our inception, we have seen time and again that we make the best decisions when we collaborate, jointly explore and vigorously debate a range of viewpoints, in order to achieve clarity of direction. This process of 'creative abrasion' is key to the partnership approach that sits at the heart of our business. Our conviction is that a diversity of perspectives, skills, experience and backgrounds among our employees, combined with a tradition of inclusion, underpins creative abrasion and enables us to achieve our aim of creating lasting, positive impact for all our stakeholders.

We therefore aim to attract employees with a diversity of perspectives, skills and backgrounds and sustain an inclusive work environment in which everyone feels empowered to share their opinions and listen to those of others.

In 2019, we launched a Diversity & Inclusion Committee responsible for the coordination of initiatives to advocate and promote diversity & inclusion at Partners Group. It works as a consultant to our Executive Committee on diversity & inclusion topics and acts as a bridge between Partners Group employees and senior management.

The mandate for the committee in 2020 and 2021 is focused primarily on hiring & onboarding, culture & retention, and progression & development. Specific initiatives in each area include:

- Hiring & onboarding: We continue to work towards our target of substantially increasing the number of our female Partners and Managing Directors to at least 25 by 2025 (see page 66). We are also aiming to increase the diversity of our Financial Analyst Program by identifying at least five new sources of diverse candidates per region, with the ambition to hire 40%-60% of program members from under-represented groups in each region into our 2022 Financial Analyst Program class. Partners Group has a passion for developing home-grown talent and we know that increasing the diversity of our junior ranks will ultimately translate into increased diversity of backgrounds and perspectives at management level.
- **Culture & retention:** We support employee networks that work to help increase the diversity of hiring and create a sense of inclusion at Partners Group. Our current employee networks comprise:
  - The Women's Network
  - The Black Network
  - The LGBT++ Network

In addition, we plan to add new questions to our annual employee engagement survey to better measure

inclusion and set targets for improvement based on our findings. We also plan to introduce a "reverse mentoring" program to build greater awareness of the experience of under-represented groups among senior leaders. The Co-Chairs of our Diversity & Inclusion Committee will be tasked with aggregating the insights of the networks into an action plan to further strengthen inclusion at Partners Group.

• Progression & development: We are committed to providing equal employment and advancement opportunities to all individuals, and to making all employment decisions based on merit, qualifications, and abilities. As such, our Human Resource department annually performs an equal pay analysis, which has shown no pay inequalities in recent years. To provide our stakeholders with further confidence in our results, we decided to go one step further in 2020 and engage PwC to perform the analysis, which is currently still ongoing.

In addition to our global equal pay analysis, we also engaged the Center of Diversity and Inclusion of the University of St. Gallen to run the analysis for our Swissbased employees as a sample group. The analysis was performed according to the "Logib" methodology defined by the Swiss government and found no pay gap between our male and female Swiss-based employees in 2020. In the course of its 2020 audit of our Compensation Report, KPMG conducted a formal examination of this legally required equal pay analysis for Switzerland. Based on KPMG's review of the equal pay analysis, nothing has come to their attention that the analysis is not in compliance with the requirements of the Swiss Gender Equality Act and Ordinance. In 2021 and beyond, we plan to extend our equal pay analysis by measuring progression rates for different employee groups. We will also set up a diverse progression panel to oversee progressions and ensure equal opportunity and meritocracy.



In 2020, an analysis performed by the Center of Diversity and Inclusion of the University of St. Gallen found no pay gap between our Swiss-based male and female employees.

#### External initiatives we support in order to help promote diversity & inclusion in the private markets industry









#### Advance

Advance is the leading business association for gender equality in Switzerland, committed to increasing the share of women in management in Swiss-based companies.

www.weadvance.ch

#### Girls Who Invest

Girls Who Invest is a US-based non-profit working to bring more female investment professionals into the asset management industry through intensive skillsbased trainings and internships with partnering asset managers.

www.girlswhoinvest.org

#### High Water Women

Founded by women in the hedge fund and investment industries, High Water Women focuses on providing enriched educational opportunities for low-income youth and the economic empowerment of women and children

www.highwaterwomen.org

#### Him For Her

Him For Her is a non-profit venture aimed at accelerating diversity on for-profit boards. The organization engages leading "Hims" to introduce the world's most talented "Hers" to corporate board service.

www.himforher.org









#### Level 20

Level 20 is a European-based nonprofit that aims to promote and improve gender diversity in the private equity industry. Level 20's goal is for women to hold at least 20% of senior positions in the European private equity industry.

www.level20.org

#### Pathways to Higher Education

 Pathways is a Philippines-based organization focused on equipping high-potential but financially underprivileged students with the necessary academic and soft skills to become ethical and discerning leaders.

www.ateneo.edu/socdev/

#### ducation Toigo Foundation

The Toigo Foundation aims to foster the career advancement and increased leadership of underrepresented talent by creating mechanisms for greater inclusion from the classroom to the boardroom.

www.toigofoundation.org

#### Windsor Fellowship

The Windsor Fellowship provides disadvantaged students from lower socioeconomic backgrounds across the UK with career guidance and development skills using the help of intensive training sessions, internships and career mentoring.

www.windsor-fellowship.org



#### Stonewall

Stonewall is a UK-based organization that works with institutions to create inclusive and accepting cultures, to ensure institutions understand and value the huge benefits brought to them by LGBTQ+people, and to empower institutions as advocates and agents of positive change.

https://www.stonewall.org.uk/



#### #100BLACKINTERNS

#100BLACKINTERNS offers internships to Black students across the UK to help kick start their career in investment management. 200 of the industry's leading players are participating as a way to source a more diverse group of talent for the long-term.

https://www.100blackinterns.com/

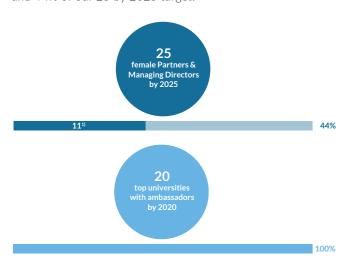
HUMAN CAPITAL DEVELOPMENT

BUSINESS ETHICS

#### Achieving our gender diversity targets

In 2018, we committed to actively promoting gender diversity at Partners Group and in private markets and set ourselves two targets in order to track our progress. By 2020, we wished to have female ambassadors at 20 top universities globally in order to attract the next generation of talented young women and, by 2025, we wish to substantially increase the number of our female Partners and Managing Directors to at least 25.

We have currently achieved 100% of our 20 by 2020 target and 44% of our 25 by 2025 target.



1) Figure includes members of our Board of Directors. Note: data as of 31 December 2020.

We continue to work towards the remaining target through the employee development and diversity & inclusion initiatives outlined in the previous section and through targeted recruitment initiatives. We acknowledge that achieving this long-term target will require us to both hire diverse talents and develop our existing talent. To support our efforts on the hiring front, we have made a special budget available to hire senior female talent.

#### **Our Diversity Summer Internship Progam**

In 2018, we established our Diversity Summer Internship Program, a unique opportunity for recent university graduates with top credentials to launch an exciting career with a world-leading private markets investment manager. The 8-10 week summer internship is open to top performing undergraduate or postgraduate students with diverse backgrounds in the final stages of their studies. The internship provides participants with hands-on experience and project work in one or two of our investment or value creation teams. Successful program participants are invited

to apply for a permanent role at Partners Group and, in turn, act as the next generation of Partners Group ambassadors at their respective universities. Now in its third edition, the program has become a major source of candidates for our Financial Analyst Program.

## Other ongoing Partners Group initiatives to help promote diversity & inclusion

#### **PG Coaching Program**

The PG Coaching Program offers a one-year coaching relationship to professionals identified as Emerging Leaders that is focused on building the skills necessary for them to continue emerging as valuable contributors and leaders at Partners Group.

#### **Parent Buddy Program**

The Parent Buddy Program enhances our inclusive culture and encourages new parents to return to and reintegrate at work after having children. It supports any member of staff within Partners Group during pregnancy, parental or adoption childcare leave and return to work, regardless of whether they are a primary or secondary caregiver.

The Parent Buddy Program is a voluntary program, which works by matching experienced parents with those preparing for parenthood or newly returning to work.

#### Outlook

In 2021, empowering our cell leaders and employees to achieve ownership excellence will continue to be a major area of focus. Our PG Academy platform will expand and strengthen its impact by expanding learning opportunities and making trainings even more specific to Partners Group's business. Furthermore, we will continue to work on promoting diversity & inclusion at Partners Group and in the broader private markets industry.

## **Business ethics**

#### Our approach

We recognize that in our industry, reputation and trust are of utmost importance. Since our inception, we have strived to cultivate a strong culture of ethics throughout the firm to ensure our clients' interests are always at the forefront of our activities. We are committed to preserving our high legal, ethical and moral standards and aim to foster and encourage a culture of strict compliance with local and international laws and regulations. Our internal monitoring procedures go through an independent assessment on a yearly basis through our yearly audit, as well as further evaluations of controls by various regulators depending on the jurisdiction.

#### Our progress in 2020

#### Centralizing our compliance tools and obligations

As an investment firm operating in multiple jurisdictions globally, we are committed to fostering a culture of compliance with local and international laws and regulations and to adequately managing any risks that may arise in these areas. As our industry has increased significantly in complexity and scale, we have invested substantially in making our platform user-friendly to support our employees in meeting their compliance obligations. In 2020, our Compliance team further invested in technology to enhance its services and centralize its existing tools and trainings. Partners Group launched StarCompliance, a cloud-based platform for employees to declare or request pre-approval for gifts, entertainment, private transactions and political activity. The platform's unique customization allows for more complex workflows, bespoke reporting tailored by jurisdiction, as well as industry-leading back-end reporting functionalities.

#### Bespoke compliance training programs

A key aspect of achieving the overarching objective of meeting legal and regulatory obligations is to ensure employees are trained, educated, and become sufficiently experienced with compliance and business ethics topics. Our employees should be able to identify, manage, and avoid risks to the extent necessary to competently execute their assigned activities and responsibilities. In 2020, we continued to enhance the compliance and business ethics training programs for employees globally and continued to launch additional modules to train employees on business ethics matters relevant to their particular function or region. Our online learning management system was further built-out and new bespoke compliance modules for each region were developed, which enabled the content to be tailored to an employee's function and jurisdiction. Compliance trainings have also been made available on an on-demand basis in order to make our compliance trainings more user-friendly.

#### Outlook

In 2021, we will continue to foster a strong culture of ethics and compliance with local and international laws and regulations. Our Compliance team will also continue to focus on its testing and controlling activities worldwide and will look to further centralize these where appropriate. We expect to see more regulation globally and will continue to monitor regulatory developments closely in order to determine whether these will impact our firm. In this context, the implementation of the EU Sustainable Finance Disclosure Regulation together with our ESG & Sustainability team will be a key priority. Finally, as part of our corporate sustainability journey, we plan to issue our first corporate tax transparency report in the near future.



Read more about our commitment to business ethics in our **Code of Conduct:** 

www.partnersgroup.com/



Read more about our approac to business ethics on our website:

www.partnersgroup.com/en/ about/corporate-governance, policies-directives

### **Environment**

#### Our approach

At Partners Group, we recognize the importance of incorporating environmental factors, alongside social, governance and commercial factors, into our overall investment and risk management framework. Over the years, we have developed specific tools and processes to ensure a thorough integration of a range of environmental factors throughout the lifecycle of our investments, from sourcing through to ownership.

We also recognize the potential impact of our business operations on the environment and are committed to making a fair contribution to reducing this impact. We strive to reduce the consumption of resources and improve the efficiency of their use by applying the principles of reducing, re-using and recycling in our offices; avoid pollution by avoiding unnecessary business travel; take environmental issues into considerations when purchasing goods and services; and consider energy efficiency in the acquisition, design, renovation, location and use of office buildings.

As a firm, we are committed to working towards net zero carbon emissions across our entire organization and managing our investment portfolio towards the Paris Agreement goals. Our group-wide Climate Change Strategy outlines our approach towards achieving these goals, highlighting how we manage climate risks and impacts across our firm and our investment portfolio. The strategy aligns with the Task Force on Climate-related Financial Disclosures' (TCFD) recommended disclosures. We have embedded this strategy into the key stages of our investment and ownership process from sourcing and due diligence through ownership to exit.

#### Our progress in 2020

#### **Launching our Climate Change Strategy**

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 Word Economic Forum. If not properly addressed, these risks will have significant negative implications on 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.

As a responsible investor, Partners Group has been assessing and managing climate-related risks and impacts in relation to the investments made on behalf of our clients for many years. Starting in 2020, we began to formalize our approach to managing these risks and impacts through the development of a platform-wide Climate Change Strategy, which was launched this year. We are convinced that the strategy will allow us to continue acting in the best interests of our clients and focus on generating long-term sustainable returns by further mitigating investment risks resulting from climate change.

Our approach to addressing climate change consists of six pillars, which are in line with the four core elements of TCFD: governance, strategy, risk management, and metrics & targets.

Through these six pillars, we aim to maintain two key commitments we have made to address climate change:

- We are committed to the Paris Agreement and 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.
- We are equally committed to managing our investment portfolio
  towards the Paris Agreement objectives as we recognize we 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.

An overview of each pillar of our strategy is presented below.

#### 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.

#### Thematic focus on low-carbon or climate resilient investments

Given the climate-related risks and opportunities discussed at the start of this section, 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.

Next to our focus on renewable energy infrastructure, we plan to continue investing in carbon-based assets to enable a 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 intense 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 intense 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:

#### Environment

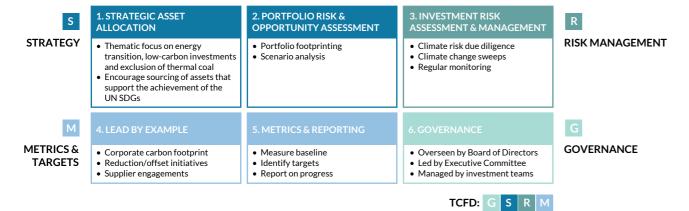
Our approach and progress



Read about our approach in our Climate Change Strategy:

ww.partnersgroup.com/ ustainability/corporateustainability/environment nd-climate-action/

#### The six pillars of Partners Group's Climate Change Strategy



ENVIRONMENT ENVIRONMENT

- Businesses whose main product or service supports thermal coal extraction, transportation, or use for energy generation, and 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 for 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
- 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 SDG

Through our impact-at-scale investment strategy, PG LIFE, we invest in assets that directly contribute to climate-related UN Sustainable Development Goals (SDGs), including, Goal 7 (Renewable Energy), Goal 9 (Industry, Innovation and Infrastructure) and Goal 13 (Climate Action).

#### 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 our entire 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. It also identifies assets that could benefit from emissions reduction-related engagements. Carbon emissions are estimated on a portfolio

company's direct (Scope 1) and indirect (Scope 2) emissions and carbon intensity is measured by tCO2e/sales. We use external service providers to calibrate our calculations where necessary and estimate Scope 3 emissions where appropriate.

Going forward, we set out to better understand the carbon footprint and potential opportunities to effectively reduce it for our direct lead assets. For the development of effective emission 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 a 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 areas to be addressed and requirements according to the climate sensitivity of the industry where 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 to address material risks identified.

#### 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 also plan to share our results externally in line with the TCFD recommendations (and other reporting frameworks, such as UNPRI and CDP), as part of this report and in client reports. We will aim to get assurance for our reporting on progress made.

#### 5. Lead by Example

#### Internal carbon footprint

We also take our commitment to measuring and reducing the carbon footprint of our own firm seriously. Since 2008, we have measured the energy consumption and emissions of our Headquarters in Zug and reported the results to CDP. In 2020, we expanded this assessment to include the rest of our 20 offices so that we could track 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 and Denver, 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 the 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 beneficiaries.

However, we are committed to reducing our impact and, in addition to carbon reduction projects, we have offset our key corporate GHG emissions since 2019, teaming 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. Although our corporate GHG emissions were much reduced in 2020 due to a strong decline in business travel caused by COVID-19, we decided to offset the same amount of emissions in 2020 as we did in 2019.

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

#### 6. Governance

To ensure proper oversight and implementation of our strategy, we have established clear governance structures and capacity building plans. The diagram on the following page summarizes the governance structure and key roles and responsibilities related to the implementation of the strategy. The ESG & Sustainability team provides regular

ENVIRONMENT ENVIRONMEN

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 as needed, which take place on a quarterly basis.

Through our newly launched Climate Change Strategy, we are convinced that we will continue to act in the best interests of our clients, and that generating long-term sustainable returns and accomplishing positive impact for all our stakeholders, including our environment, can be achieved in parallel.

#### Outlook

In 2021 and beyond, we will continuously update our Climate Change Strategy as we refine our methodologies for contributing towards a low-carbon economy, sharing best practices across our portfolio and amongst our peers to achieve the targets of the Paris Agreement. We will not only continue to measure our portfolio footprint in great detail but also leverage our experience in energy management projects to apply effective emission reduction strategies asset by asset where possible. Our initial focus will be on our direct portfolios in private equity, private infrastructure and private real estate. We will then broaden our focus to private debt and other investment strategies as well as our business partners.

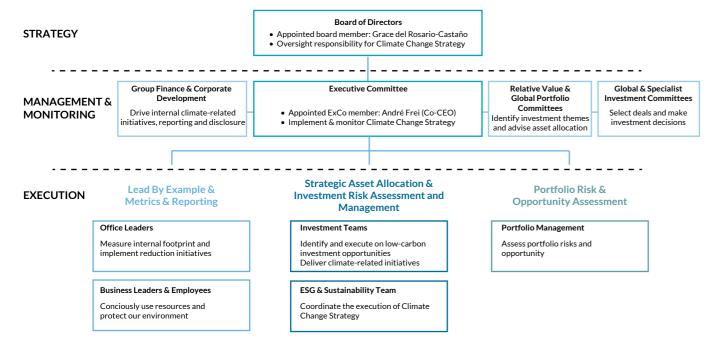
Renewable energy is a key focus area for Partners Group.

As of end of 2020, we have a renewable energy portfolio totaling 6 GW in generation capacity, of which over 3 GW is currently under construction. This is enough clean energy capacity to power over 5 million households.

Partners Group publicly supports the **Taskforce on Climate**Related Financial Disclosures (TCFD). We are certain that the TCFD's recommendations will enable stakeholders and especially investors to better understand the climate-related risks and opportunities when making financial decisions thereby helping to build a more resilient financial system. As part of our commitment to implementing the TCFD recommendations we are further increasing transparency on our emissions as a corporate and as an investor, and have included our corporate emissions into our broader financial assurance exercise. As we work with our investments in quantifying their own emissions, we may include them in this exercise in the future.

Partners Group voluntarily participates in the **Carbon Disclosure Project (CDP)**. CDP is an independent, notfor-profit organization which holds the largest database
of corporate climate change information in the world and
has become the leading standard for carbon methodology
and process while providing comprehensive climate change
data to the global marketplace.

#### Partners Group's Climate Change Strategy governance structure



## Example of a project included in Partners Group's offsetting portfolio: Darkwoods Forest Conservation, Canada

**Project type:** forestry and landscapes

Region: North America
Standard: VCS







#### Description

Located in south-eastern British Columbia, the Darkwoods Forest Conservation project began in 2008 when approximately 135,000 acres of private Boreal forest was purchased to protect it from subdivision and high-impact logging. The land is managed by clearly zoning and monitoring specific areas for: strict biodiversity protection by limiting or deactivating roads, infrastructure, and activity; public access; invasive species control; conservation research; and a low level of sustainable harvesting. The project leverages carbon finance to conserve critical ecosystems and carbon sequestration areas at an unprecedented scale.

#### Sustainable Development Goals supported

The project delivers approximately 415,000 tonnes of emissions reductions annually to help take urgent action to combat climate change (SDG 13) by avoiding the release of carbon through timber harvesting, road building and other forestry operations. In addition, the project delivers other sustainable development benefits, including:

- Life on Land: Due to the history of conservation on the property, it is one of the most ecologically diverse forest areas in Canada. The project area is home to 39 confirmed species at risk including mountain caribou. The conservation of Darkwoods also protects the integrity of nearby protected lands, and helps to establish a corridor for a number of wide-ranging animals that smaller, fragmented pieces of land could not sustain, including grizzly bear and the only remaining mountain caribou herd in the region.
- Clean Water and Sanitation: Darkwoods plays a critical role in preserving freshwater systems throughout the mountainous region, influencing 17 separate watersheds, numerous streams and over 50 lakes.



Darkwoods Forest Conservation

"At Partners Group, we recognize that climate change is an urgent issue and we want to make a fair contribution to reducing our impact on the environment. We are proud to support projects like Darkwoods Forest Conservation that achieve true impact by fostering biodiversity and protecting our planet's critical ecosystems."

Mátyás Csiky, ESG & Sustainability Europe

GRI & SASB CONTENT INDEX

## **GRI Content Index & SASB Index**

#### Our corporate GHG emissions in 2020 🕢

#### Our policy choices & methodologies

Standard applied: GHG Protocol.

Consolidation approach (Scope 1&2): Operational control approach.

Gases included in calculated CO2 equivalents: CO2, CH4, and N2O.

#### Emission Factors used:

- CoM Default Emission Factors for the Member States of the European Union (2017)
- U.S. EPA eGrid with 2018 Data
- Standard CO2 emission factors (from IPCC, 2006)
- IEA CO2 Emissions from Fuel Combustion (2018 Edition)
- The World Bank Group Greenhouse Gas Emissions Inventory Management Plan for Internal Business Operations 2014

Global warming potential (GWP) rates used: IPCC Fourth Assessment Report (AR4 - 100 Year).

Base year for the calculation: 2019. While Partners Group has reported to the CDP since 2010, 2019 was chosen as base year as emissions data was gathered from all international offices, while in the past only Zug office emissions were reported.

Other indirect (Scope 3) GHG emissions categories and activities included in the calculation: transmission and distribution (T&D) losses, disposal of waste, business travel (air travel), and homeworking. Scope 3 emissions from investments are excluded.

Biogenic CO2 emissions are not relevant for Partners Group.

Organization-specific metric (the denominator) chosen to calculate the ratio: 1,533 FTE / Total Scope 1 & 2 emissions.

Significant estimates applied and assumptions used:

- Where office energy data was not available, data from comparable offices was used (applicable to less than 5% of data).
- Waste emissions data was available for Zug, Singapore, Denver and Manila, the four largest international offices of Partners Group
  representing ca. 75% of the workforce. Due to limited granularity of the data available, waste was categorized into (i) Mixed Recyclables, (ii)
  Mixed MSW (municipal solid waste) combusted, (iii) Mixed MSW landfilled, and (iv) Mixed Organics as defined by the EPA, Office of Resource
  Conservation and Recovery. Likewise, water consumption was not included due to limited data availability.
- For homeworking, heating and cooling are excluded as estimates for employee energy usage depends on many factors, such as household size, energy usage behavior, number of household members, resulting in a large variability in outcomes.

Additional comments: Our reduction initiatives in 2020, such as raising awareness for energy saving measures to change the energy consumption behavior of employees, had some impact to reduce the emissions value. The largest part of the reduction, however, is a result of COVID-19 and 2020 is therefore not a representative year. In view of current global developments related to COVID-19, we may at a later stage decide to choose two base years (2019 and 2020). For 2021, we are planning to increase the number of offices that utilize renewable energy.

Standards: GRI 305-1, 305-2, 305-3 and 305-4	Unit	2020	2019¹
Gross direct (Scope 1) GHG emissions	Metric tCO2e	513	400
Gross energy indirect (Scope 2) GHG emissions	Metric tCO2e	1,364	1,795
Gross other indirect (Scope 3) GHG emissions	Metric tCO2e	3,239	15,710
GHG emissions intensity ratio	Metric tCO2e/ FTE	1.22	1.50

1 Only business travel (air travel) included in Scope 3. These emissions were fully offset in 2020 through carbon credits. 2019 figures have not been externally assured.

#### 

#### **GRI Content Index**

The table below indicates where information relating to the Global Reporting Initiative Standards is located in Partners Group's 2020 Corporate Sustainability Report and Annual Report or in other Partners Group materials.

#### **General Disclosures**

Disclosure	Description	Response / location
Organization	nal profile	
102-1	Name of the organization.	Partners Group Holding AG (Partners Group)
102-2	Activities, brands, products and services.	Corporate Sustainability Report 2020 (CSR), Partners Group at a glance, pp. 6-7  Find out more: partnersgroup.com/businesses
102-3	Location of headquarters.	Baar-Zug, Switzerland
102-4	Location of operations.	CSR, Partners Group at a glance, pp. 6-7  Find out more: partnersgroup.com/our-offices
102-5	Ownership and legal form.	Corporate Governance Report 2020 (CGR), 1. Group structure and shareholders, p. 143
102-6	Markets served.	<b>CSR</b> , Partners Group at a glance, pp. 6-7
102-7	Scale of the organization.	CSR, Partners Group at a glance, pp. 6-7 Annual Report 2020 (AR), Key figures, pp. 4-5
102-8	Information on employees and other workers.	CSR, Employee information, p. 60
102-9	Supply chain.	As a private markets investment manager, Partners Group works with a number of third party service providers that support its day-to-day business operations. In all dealings with any third parties, Partners Group applies the principles, policies and directives summarized in its <b>Code of Conduct</b> .
102-10	Significant changes to the organization and its supply chain.	No significant changes took place during the reporting period.
102-11	Precautionary Principle or approach.	Partners Group's risk management is an ongoing process under the leadership and supervision of the Executive Committee.  CGR, 3.7.2 Risk management process, pp. 161-162
102-12	External initiatives.	<b>CSR</b> , Partners Group at a glance, pp. 6-7
		CSR, Our environmental commitments, p. 72
		CSR, External diversity & inclusion initiatives, p. 65

Disclosure	Description	Response / location
102-13	Membership of associations.	<ul> <li>Industry associations:</li> <li>ABVCAP (Brazilian Private Equity &amp; Venture Capital Association)</li> <li>Advance</li> <li>AVCAL (Australian Private Equity &amp; Venture Capital Association)</li> <li>BVCA (British Private Equity and Venture Capital Association)</li> <li>Corporate Pension Network, Japan (supporting member)</li> <li>DCIIA (Defined Contribution Institutional Investors Association)</li> <li>DCREC (Defined Contribution Real Estate Council)</li> <li>Him For Her</li> <li>IIF (Institute of International Finance)</li> <li>ILPA (Institutional Limited Partners Association)</li> <li>INREV (European Association for Investors in Non-Listed Real Estate Vehicles)</li> <li>Invest Europe</li> <li>JIAA (Japan Investment Advisers Association)</li> <li>LAVCA (Latin American Venture Capital Association)</li> <li>Level 20</li> <li>LPEA (Luxembourg Private Equity &amp; Venture Capital Association)</li> <li>PREA (Pension Real Estate Association)</li> <li>SECA (Swiss Private Equity &amp; Corporate Finance Association)</li> <li>SFAMA (Swiss Funds &amp; Asset Management Association)</li> <li>SVCA (Singapore Venture Capital &amp; Private Equity Association)</li> <li>Swiss Sustainable Finance</li> </ul>
Strategy		UN PRI (Principles for Responsible Investment)
102-14	Statement from senior decision-maker.	CSR, A note from the Chairman, p. 4-5
		Con, A note from the Chairman, p. 4-5
Ethics and in		Partners Group Charter
102-16	Values, principles, standards and norms of behavior.	Partners Group Code of Conduct
Governance		
102-18	Governance structure.	CGR

Disclosure	Description	Response / location	
Stakeholder engagement			
102-40	List of stakeholder groups.	CSR, Materiality assessment methodology, p. 8-10	
102-41	Collective bargaining agreements.	1.3% of Partners Group's employees are covered by collective bargaining agreements.	
102-42	Identifying and selecting stakeholders.	<u>CSR</u> , Materiality assessment methodology, p. 8-10	
102-43	Approach to stakeholder engagement.	CSR, Materiality assessment methodology, p. 8-10	
102-44	Key topics and concerns raised.	CSR, Our stakeholders and materiality assessment, p. 8-10	
Reporting pra	actice		
102-45	Entities included in the consolidated financial statements.	AR, 1. Reporting entity, p. 44	
102-46	Defining report content and topic boundaries.	<ul><li>CSR, Our stakeholders and materiality assessment, p.</li><li>8-10</li></ul>	
102-47	List of material topics.	CSR, Our stakeholders and materiality assessment, p. 8-10	
102-48	Restatements of information.	No significant restatements compared to the previous reporting period. Any restatements are provided for the purpose of year-on-year comparison or to signal that there have been no material changes to Partners Group's approach.	
102-49	Changes in reporting.	No significant changes from previous reporting periods in the list of material topics and topic boundaries.	
102-50	Reporting period.	Calendar year 2020.	
102-51	Date of most recent report.	Corporate Sustainability Report 2019, published March 2020.	
102-52	Reporting cycle.	Annual.	
102-53	Contact point for questions regarding the report.	CSR, Contacts, p. 87	
102-54	Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the GRI Standards: Core option.	
102-55	GRI content index.	The GRI content index (this document) is in accordance with the GRI Standards.	
102-56	External assurance.	Partners Group's consolidated financial statements and Compensation Report are externally audited. Furthermore, Partners Group has a limited assurance for selected GRI and PRI disclosures in its Corporate Sustainability Report.	

#### Material topics

The table below lists the material topics identified during Partners Group's materiality assessment process (see <u>CSR</u>, p. 8-10). All topics identified pertain directly to Partners Group Holding AG and entities controlled by it.

Disclosure	Description	Response / location	External assurance*
Economic per	rformance		
GRI 201: Eco	nomic Performance 2016		
201-1	Direct economic value generated and distributed.	<ul><li>CSR, Financial performance, p. 58-59</li><li>CSR, Corporate Philanthropy at Partners Group, p. 50</li></ul>	Yes
Indirect econ	omic impacts		
GRI 203: Indi	rect Economic Impacts 2016		
203-1	Infrastructure investments and services supported.	CSR, Asset Class Deep Dives, Private Infrastructure, p. 33	Yes
Anti-corrupti	on and responsible business practices		
GRI 205: Ant	i-corruption 2016		
205-2	Communication and training about anti- corruption policies and procedures.	Partners Group's <b>Code of Conduct</b> is publicly available on our website for all our employees and business partners. It summarizes the key directives, policies, practices and values, including our anti-corruption policies, which enable us to maintain high standards of business conduct. To ensure all employees are fully aware of the contents of the directives it summarizes, we conduct targeted training and education sessions on those directives. On an annual basis, all employees globally, including all members of our governing bodies, are required to take and pass a number of online compliance training programs, which encompass our anti-corruption policy and procedures, to ensure these documents have been thoroughly understood.	Yes
205-3	Confirmed incidents of corruption and actions taken	During the reporting period, no instances of confirmed incidents of corruption were identified nor confirmed incidents in which employees were dismissed or disciplined of corruption were identified. There were no instances where contracts with business partners were terminated or not renewed due to violations related to corruption and no public legal cases brought against the company or its employees due to corruption.	Yes

Disclosure	Description	Response / location	External assurance*
Environment			
GRI 305: Emi	ssions 2016		
305-1	Direct (Scope 1) GHG emissions	CSR, Environment, pp. 74	Yes
305-2	Energy Indirect (Scope 2) GHG emissions	CSR, Environment, pp. 74	Yes
305-3	Other indirect (Scope 3) GHG emissions	CSR, Environment, pp. 74	Yes
305-4	GHG emissions intensity	CSR, Environment, pp. 74	Yes
GRI 307: Envi	ronmental Compliance 2016		
307-1	Non-compliance with environmental laws and regulations.	During the reporting period, no instances of non-compliance with environmental laws or regulations resulting in significant fines or non- monetary sanctions from competent authorities were identified.	Yes
Human capita	al management		
GRI 401: Emp	ployment 2016		
401-1	New employee hires and employee turnover.	CSR, Our people in 2020, pp. 61	Yes
GRI 404: Trai	ning and Education 2016		
404-1	Average hours of training per year per employee.	CSR, Human Capital Development, pp. 62	Yes
404-2	Programs for upgrading employee skills and transition assistance programs.	Information on Partners Group's programs for upgrading employee skills can be found in	Yes
		CSR, Human Capital Development, pp. 62	
		Partners Group has a sabbatical policy according to which every employee is entitled to take one month paid sabbatical after every five years of continuous service.	
		Partners Group has no transitional assistance in cases of retirement. For terminations, Partners Group offers, on a case-by-case basis, formal outplacement support, extended notice periods, CV and Interview coaching, as well as introductions to headhunters.	

Disclosure	Description	Response / location	External assurance
404-3	Percentage of employees receiving regular performance and career development reviews.	During the reporting period, 89% of Partners Group's employees received annual performance and career development reviews according to the standard P&D assessment process. Our Executive Committee members also go through a P&D assessment by each writing a self-assessment against each of the performance categories, complemented by a personal review from our chairman on their performance and compensation. The P&D assessment process involves 1369 employees globally split by:  • 40% female, 60% male and 0% undefined  • 70% professionals, 23% Member of Management and 7% Senior Member of Management Our Financial Analyst (FA) program members have a performance and development assessment which is separate to the corporate one and tailored to be in line with their program. The review process involved all of our 47 FA professionals globally (32% female, 68% male).  Finally, our seasoned partners are no longer assessed annually on their development, given their long standing tenure and seniority levels, but they are held to standards and expectations on their performance.  As a result, all employees (excluding advisors, apprentices, assistants and seasoned partners making up 8% of our total employee base) receive an annual performance review.	Yes
Diversity & i	nclusion		
GRI 405: Div	ersity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees.	CSR, Employee information, p. 60 CGR, 3. Board of Directors, p. 147 CGR, 4. Executive Committee, p. 164 CGR, 5. Global Executive Board, p. 167	Yes, CSR only
Marketing co	ompliance		
GRI 417: Mai	rketing and Labeling 2016		
417-3	Incidents of non-compliance concerning marketing communications.	During the reporting period, no instances of non- compliance with regulations or voluntary codes concerning marketing activities resulting in fines or non-monetary sanctions from competent authorities were identified.	Yes

Disclosure	Description	Response / location	External assurance*
Data protect	ion and customer privacy		
GRI 418: Cus	stomer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	During the reporting period, no substantiated complaints regarding breaches of customer privacy and losses of customer data were identified.	Yes
Socioeconon	nic Compliance		
GRI 419: Soc	ioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area.	During the reporting period, no instances of non-compliance with laws or regulations in the social and economic area resulting in significant fines or non-monetary sanctions from competent authorities were identified.	Yes
Risk Manage	ment		
GRI 418: Cus	stomer Privacy 2016		
n/a	Approach to Risk Management	<u>CSR</u> , Corporate governance & risk management, pp. 54-57	No
Compensatio	on and benefits		
GRI 418: Cus	stomer Privacy 2016		
n/a	Approach to employee compensation and benefits	Compensation Report 2020	No
PRI Investme	ent and Stewardship Policy (ISP)		
GRI 418: Cus	stomer Privacy 2016		
ISP 1.1	Elements of the responsible investment policy	CSR, responsible investment, pp. 12 ESG & Sustainability Directive	Yes, CSR only
ISP 3	Percentage of total AuM covered by policy elements on overall approach to responsible investment and/or guidelines on ESG factors	CSR, responsible investment, pp. 12	Yes

<sup>\*</sup>The external assurance was carried out as set forth in the Limited Assurance Report on selected GRI and PRI Disclosures, pp. 85-86.

GRI & SASB CONTENT INDEX

#### Sustainability Accounting Standards Board (SASB) Index 2020

The table below indicates how our Corporate Sustainability Report content prepared in accordance with the GRI Standards: "Core option" maps onto selected SASB disclosure topics and accounting metrics. This is the first time that we have mapped our content following the GRI Standards to SASB standards, and thus, we have focused on the sector standards most relevant to our firm. While we do not address all metrics included in the SASB standards, we are aiming to develop our disclosure over time and to close relevant gaps.

Disclosure	Description	Response / location
Transparent	Information & Fair Advice for Customers	
FN-AC- 270a.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	There were no covered employees with a record of new investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings disclosed during 2020. Partners Group has policies, procedures, trainings and controls to ensure compliance with applicable rules and regulations.
FN-AC- 270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	During the reporting period, no instances of non-compliance with regulations or voluntary codes concerning marketing activities resulting in significant fines or non-monetary sanctions from competent authorities were identified.
FN-AC- 270a.3	Description of approach to informing customers about products and services	All Partners Group clients have a dedicated relationship manager who interacts with them on a regular basis to inform them about products and services. Our clients are invited to events or webinars where updates to existing products and services are provided, or new launches are presented.
Employee Di	iversity & Inclusion	
FN-AC- 330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	CSR, Employee information, p. 60 CGR, 3. Board of Directors, p. 147 CGR, 4. Executive Committee, p. 164
Incorporatio	n of Environmental, Social, and Governance F	Factors in Investment Management & Advisory
FN-AC- 410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	(1) 100% of Partners Group's AuM (USD 109.1 billion) is covered by our Responsible Investment Policy. Therefore, all Partners Group products integrate ESG factors into the investment cycle, both from a risk mitigation and a value creation perspective. (2) 12% of Partners Group's AuM (USD 12.8 billion) is classified as sustainability themened investing across our infrastructure (75%,

USD 9.6 billion) and private equity (25%, USD 3.2 billion) portfolio. (3) 100% of Partners Group's AuM (USD 109.1 billion) includes ESG factors in the screening of the investment process.

FN-AC- 410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	CSR, responsible investment, pp. 12 ESG & Sustainability Directive
FN-AC- 410a.3	Description of proxy voting and investee engagement policies and procedures	CGR, 7. Shareholders' participation, pp. 170
Business Ethi	cs	
FN-AC- 510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulation	During the reporting period, no instances of non-compliance with laws or regulations associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, or malpractice resulting in fines or non-monetary sanctions from competent authorities were identified.
FN-AC- 270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	During the reporting period, no instances of non-compliance with regulations or voluntary codes concerning marketing activities resulting in significant fines or non-monetary sanctions from competent authorities were identified.

#### Systemic Risk Management

Systemic Risk Management			
FN-AC- 550a.1	Percentage of open-end fund assets under management by category of liquidity classification	Partners Group is a global leader in evergreen programs for investments in private markets. These open-ended evergreen vehicles cater mostly to high-net-worth individuals and have no contractual end but are subject to potential redemptions.  As of 31 December 2020, we manage 26% of our AuM (USD 28.2 billion) in evergreen programs. In 2020, inflows to evergreen programs have exceeded redemptions by USD 1.7 billion, making them a net contributor to AuM growth in 2020.  Gating provisions are a standard feature of these evergreen programs in order to protect remaining investors and performance; net redemptions in these investment programs are typically limited to 20-25% p.a. of the prevailing net asset value, depending on the investment strategy and content of the program. When deemed to be in the best interest of the investment program, stricter gating rules can be enforced for select share classes for a period of up to two years.	
FN-AC- 550a.2	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management	Partners Group maintains a level of liquidity for each fund that is appropriate to meet its continuing obligations to investors, counterparties, creditors and other parties in normal and extraordinary conditions. The main source of liquidity of a private markets fund is typically the unfunded commitments of its investors, which can be called within a short period of time. In addition, Partners Group establishes credit lines where appropriate to support liquidity management.	

GRI & SASB CONTENT INDEX
KPMG ASSURANCE REPORT

# In assessing liquidity risk, the risk team takes into account multiple factors such as existing and planned investments, cash, unfunded commitments from clients and to investments and unsettled gains or losses on hedging instruments. In case of funds with investment redemption features, the liquidity risk arising from potential redemptions by investors (typically at net asset value) are of particular concern as private market investments are often illiquid and as such difficult to be sold within a short time. For funds that hold strategic allocations to liquid or semi-liquid assets, liquidity risk management also focuses on the size and liquidity of these allocations. Partners Group seeks to implement in the fund's constituent documents measures to manage liquidity.

In order to manage liquidity risk in private markets funds with redemption features, the risk team runs a process of adjusting the investment commitment pace of a fund, keeping sufficient liquidity reserves, producing cash flow forecasts, and ensuring contractual payment obligations are monitored. Regular reviews, scenario analyses and stress tests are performed to assess the liquidity risk of each fund. Possible liquidity shortfalls due to investment activity and losses on FX hedging instruments are also investigated on a regular basis. The underlying redemption features of a fund are generally not subject to change during the lifetime of a fund.

ENLAC	Tatal and a sum to a sumition find a single	Destroy Constitution for the second s
FN-AC- 550a.3	Total exposure to securities financing transactions	Partners Group does not have exposure to any securities financing transactions.
3304.0	transactions	However, Partners Group grants securities, such as corporate guarantees, in relation to its ordinary course of business.
FN-AC- 550a.4	Net exposure to written credit derivatives	Partners Group does not have exposure to any written credit derivatives.

Activity Metrics		
Disclosure	Description	Response / location
Transparent	Information & Fair Advice for Customers	
FN-AC- 000.A	<ul><li>(1) Total registered and</li><li>(2) total unregistered assets under management (AUM)</li></ul>	As of 31 December 2020, Partners Group has a total of USD 109.1bn registered assets under management.  CSR, Partners Group at a glance, pp. 6-7
FN-AC- 000.B	Total assets under custody and supervision	Partners Group has a total of USD 109.1bn assets under management as of 31 December 2020.

## **KPMG** Assurance Report



## Independent Limited Assurance Report on selected GRI and PRI Disclosures

#### To the Board of Directors of Partners Group Holding AG, Baar

We were engaged to carry out a limited assurance engagement on selected disclosures for the business year ended 31 December 2020 included in the corporate sustainability report of Partners Group Holding AG (hereafter "company"). Our independent assurance engagement to obtain limited assurance covers the disclosures that are indicated by the tick mark ( ) (hereafter "the selected GRI and PRI disclosures") and listed in the GRI Index on page 75 sq. of the corporate sustainability report for the business year ended 31 December 2020.

Our engagement neither covers disclosures not indicated by the tick mark ((a)), nor prior-year disclosures, forward-looking information, information from external documentation sources or expert opinions.

#### Board of Directors' Responsibility

The Board of Directors of Partners Group Holding AG is responsible for the preparation and presentation of the disclosures in the corporate sustainability report in accordance with the reporting criteria. The company applies the 2016 GRI Standards of the Global Reporting Initiative (2016 GRI Standards), option "core" and the 2021 Investment and Stewardship Policy module of the Principles for Responsible Investment (the 2021 ISP module of the PRI) as reporting criteria.

This responsibility includes the selection and application of appropriate methods for the corporate sustainability report (in particular the selection of material topics) as well as the use of assumptions and estimates for individual sustainability disclosures that are appropriate under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems, processes and internal controls to enable the preparation and presentation of a corporate sustainability report that is free from material misstatement whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to carry out a limited assurance engagement and to express a conclusion, based on our procedures performed and the evidence obtained, as to whether any matters have come to our attention that cause us to believe that the selected GRI and PRI disclosures have not been prepared, in all material respects, in accordance with the 2016 GRI Standards (option "core") or the 2021 ISP module of the PRI, respectively.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). That standard requires that we plan and perform the engagement to obtain limited assurance about whether the selected GRI and PRI disclosures are presented in accordance with the 2016 GRI Standards (option "core") or the 2021 ISP module of the PRI, respectively, in all material respects.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement, and consequently the level of assurance obtained is substantially lower. The procedures selected depend on the auditor's judgment. Taking into account risk and materiality considerations, we have carried out procedures in order to obtain sufficient appropriate evidence.

These procedures included amongst others:

 Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of disclosures on sustainability performance, including the consolidation of the data;

KPMG AG, Räffelstrasse 28, PO Box , CH-8036 Zurich © 2021 KPMG AG, a Swiss corporation, is a subsidiary of KPMG Holding AG, which is a member of the KPMG global organization of independent firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



84 | Partners Group

KPMG ASSURANCE REPORT CONTACTS



- Inquiries with staff at group level responsible for the collection and consolidation as well as the performance of internal control procedures with regard to the disclosures;
- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by appropriate evidence and presented in an accurate and balanced manner:
- Assessment of data collection, validation and reporting processes as well as of the reliability of the reported data on the basis of sample testing and the examination of selected calculations;
- Analytical evaluation of the quantitative data and development of the selected GRI and PRI disclosures, which
  were submitted for consolidation at group level;
- Evaluation of the consistency of the requirements applicable to the company for the selected GRI and PRI
  disclosures with other disclosures and key figures in the corporate sustainability report 2020;
- Evaluation of the overall presentation of the disclosures by critical reading of the corporate sustainability report 2020.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### **Inherent limitations**

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the selected GRI and PRI disclosures may occur and not be detected. Our engagement is not designed to detect all weaknesses in internal controls over the preparation and presentation of the selected GRI and PRI disclosures, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

#### Independence and quality control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected GRI and PRI disclosures of the company for the business year ended 31 December 2020 are not presented, in all material respects, in accordance with the 2016 GRI Standards (option "core") or the 2021 ISP module of the PRI, respectively.

KPMG AG

Silvan Jurt Licensed Audit Expert Thomas Dorst
Engagement Lead Partner

Zurich, 15 March 2021

KPMG AG, Räffelstrasse 28, PO Box , CH-8036 Zurich © 2021 KPMG AG, a Swiss corporation, is a subsidiary of KPMG Holding AG, which is a member of the KPMG global organization of independent firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



## **Contacts**

#### Client relations contact

Andreas Uhde T +49 89 383 892 51 andreas.uhde@partnersgroup.com

#### partnersgroup@partnersgroup.com

www.partnersgroup.com
Follow us on LinkedIn in
Follow us on Twitter
Follow us on YouTube

#### Zug

Zugerstrasse 57 6341 Baar-Zug Switzerland T +41 41 784 60 00

#### Denver

1200 Entrepreneurial Drive Broomfield, CO 80021 USA T +1 303 606 3600

#### Houston

Williams Tower 2800 Post Oak Blvd., Suite 5880 Houston, TX 77056 USA T +1 346 701 3900

#### Toronto

Exchange Tower 130 King Street West, Suite 1820 Toronto, ON M5X 1E3 Canada T +1 416 865 2033

#### New York

The Grace Building 1114 Avenue of the Americas, 37th Floor New York, NY 10036 USA T +1 212 908 2600

#### São Paulo

Rua Joaquim Floriano 1120, 11° andar CEP 04534-004, São Paulo - SP Brazil

T +55 11 3528 6500

#### London

110 Bishopsgate, 14th Floor London EC2N 4AY United Kingdom T +44 20 7575 2500

#### Media relations contact

Jenny Blinch T +44 20 7575 2500 jenny.blinch@partnersgroup.com

#### Guernsey

P.O. Box 477
Tudor House, Le Bordage
St Peter Port, Guernsey
Channel Islands, GY1 6BD
T +44 1481 711 690

#### **Paris**

29-31 rue Saint Augustin 75002 Paris France T + 33 1 70 99 30 00

#### Luxembourg

35D, avenue J.F. Kennedy L-1855 Luxembourg B.P. 2178 L-1021 Luxembourg T +352 27 48 28 1

#### Milan

Via della Moscova 3 20121 Milan Italy T +39 02 888 369 1

#### Munich

Skygarden im Arnulfpark Erika-Mann-Str. 7 80636 Munich Germany T +49 89 38 38 92 0

#### Dubai

Office 601, Level 6 Index Tower, DIFC POBOX 507253 Dubai UAE T +971 4 316 9555

T +91 22 4289 4200

#### Mumbai

Suite 3103, Four Seasons Hotel Plot No. 1/136, Dr. E Moses Road, Worli Mumbai 400 018 India Singapore

8 Marina View Asia Square Tower 1 #37-01 Singapore 018960 T +65 6671 3500

#### Manila

18/F Seven/NEO Building 5th Avenue Corner 26th Street Bonifacio Global City, Taguig Metro Manila 1634 Philippines T +63 2804 7100

#### Shanghai

Unit 1904-1906A, Level 19 Tower I, Jing An Kerry Center No. 1515 West Nanjing Road Jing An District, Shanghai 200040 China T +86 21 2221 8666

#### Seoul

25th Fl. (Gangnam Finance Center, Yeoksam-Dong) 152 Teheranro Gangnam-Gu, Seoul 06236 South Korea T +82 2 6190 7000

#### Tokyo

Marunouchi Park Bldg. 6F 2-6-1 Marunouchi, Chiyoda-ku Tokyo 100-6906 Japan T +81 3 5219 3700

#### Sydney

L32, Deutsche Bank Place 126 Phillip Street Sydney, NSW 2000 Australia T +61 2 8216 1900

