



ESG & Sustainability Directive

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Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

1. Introduction

Partners Group aims to realize potential in private markets and create sustainable returns with a lasting, positive impact for all of its stakeholders, in line with its fiduciary duty and return-generating goals.

Appropriate consideration of environmental, social, governance, and sustainability ("ESG & sustainability") factors in investment activities can be a key enabler of value creation for Partners Group on behalf of its clients and other stakeholders. Value can be created for investors by acting on ESG & sustainability-related opportunities, as well as by mitigating ESG & sustainability-related risks. Employees, communities, and the environment may also benefit from these actions.

Partners Group's commitment to ESG & sustainability is demonstrated by its longstanding support of the UN Principles for Responsible Investment.

2. Scope and objectives

The ESG & Sustainability Directive ("the Directive") applies to all financial products and mandates managed and/or advised by Partners Group AG or an affiliate of Partners Group AG ("Products").

The Directive explains how Partners Group approaches the integration of ESG & sustainability considerations and risks into its investment decision-making process and risk framework; also, how Partners Group reports on ESG & sustainability risks concerning its investments, internally and externally throughout the investment lifecycle.

Additionally, the Directive guides Partners Group to manage the companies and assets in which it invests on behalf of its clients to respect, and, where applicable, benefit their stakeholders, society, and/or the environment, while enhancing investment returns and protecting value for its clients, in line with its fiduciary duty and return-generating goals.

3. ESG & sustainability governance



The Board of Directors of Partners Group, supported by the Investment Oversight Committee, provides advice with regard to the assessment of quality and consistency of decision-making processes and defines quality standards and measurement methods for our investments. This



includes the integration of ESG & sustainability topics and risks in the investment process and the oversight of such considerations.

The Executive Team of Partners Group has defined the respective roles and responsibilities in Partners Group's Investment Policy Private Markets and Partners Group's Investment Policy Liquid Private Markets as well as in this Directive.

4. Risk management

ESG & sustainability risk in investments is defined as an environmental, social, or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

ESG & sustainability risks are included in the enterprise risk management framework.

The investment teams are responsible for following the ESG & sustainability process designed by the ESG & Sustainability team as described in section 5. They mitigate sustainability risks, create value by acting on ESG & sustainability opportunities, and provide the relevant data in order to monitor and measure sustainability risk as well as to enable transparent reporting on such matters.

The ESG & Sustainability team coordinates to integrate the ESG & sustainability process across all asset classes and provides advice to the pertinent Investment Committees governed in the Investment Policy Private Markets and Investment Policy Liquid Private Markets. It develops and shares best practice across the portfolio and helps systematize the work of the investment teams.

5. ESG & sustainability factors considered in the investment decision-making process and during ownership

Partners Group's investment decision-making process is divided into two activities: 1) the sourcing of potential investments and 2) due diligence. The ownership period is also divided into two activities: 3) the monitoring of existing investments and 4) engaging as entrepreneurial owners. The graphic below illustrates how ESG & sustainability factors are integrated across these different activities depending on the asset class.

Asset class	Sourcing	Due diligence	Monitoring	Engagement
Private Equity	ESG themes ESG sensitivities avoidance	External ESG DD	Governance excellence	Active ownership and value creation
Private Infrastructure		ESG DD based on material SASB factors to identify opportunities	Incident reporting	
Private Real Estate				
Private Debt		ESG DD based on material SASB factors to identify risks	Monitoring via the tracking of PRIMERA Insight, Principle Adverse Indicators, and KPIs	Only if risks identified are not properly managed or if any incidents are identified
BSL / Listed		ESG DDQ for managers		
Integrated				



The following sections explain how Partners Group integrates ESG & sustainability factors and risks into its investment decision-making process and during the ownership of its investments.

5.1. Sourcing and avoidance criteria

ESG & sustainability trends may be used to identify investment opportunities, such as those in renewable energy or energy efficiency services.

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.

For clients with specific social or environmental requests for their investments, which cannot be accommodated within a pooled fund, an individual mandate structure can be set up to incorporate these requirements.

5.1.1. Products and services

- In adherence with legal restrictions and international conventions, we avoid investment in businesses in any way involved with landmines and/or cluster bombs.
- Due to increased investment risks that cannot be managed responsibly, we avoid businesses making any portion of revenue from the direct manufacturing of weapons and munitions, tobacco, and/or pornography.
- As we consider climate change regulations a material investment risk, we avoid:
 - businesses whose main product or service supports thermal coal extraction, transportation, or use for energy generation. However, we do consider businesses which plan to reduce their exposure to this sector.
 - businesses whose main product or service supports crude oil exploration, production, refining, transportation, or storage, or the transportation and storage of refined crude products. Investments involving petrochemicals, substances refined from petroleum, and investments involving low carbon fuels are not excluded. We recognize chemical companies may use oil derivatives as raw materials; we do not avoid these types of investments provided there is a plan to develop safer and/or more sustainable chemicals.
 - 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.
- For the avoidance of doubt, we see natural gas as a means to achieve low-carbon targets, and therefore, it is not subject to any investment restrictions.



5.1.2. Practices

We avoid businesses engaging in the following:

- Illegal practices or harmful practices that cannot be remediated through responsible ownership.
- The deforestation or burning of vast natural ecosystems for the purpose of land clearance.

5.1.3. Norms-based

- We follow both the letter and the spirit of relevant sanctions and laws promulgated by the United Kingdom, United States, United Nations, European Union, and other governments or international bodies in jurisdictions in which Partners Group operates (together the "sanctions regimes").
 - We avoid investing in the following:
 - Businesses responsible for serious environmental damage or violations to human rights, as defined by the UN Human Rights Declaration¹, which cannot be remediated by responsible ownership.
- Businesses that are subject to targeted sanctions.

5.2. Due diligence

ESG & sustainability due diligence—adapted to the asset class and investment type—is required before an investment decision is made. This may, where available, include obtaining ESG & sustainability-related data points as well as principal adverse impact ("PAI") metrics. A description of the different investment types may be found in the Glossary in the Appendix.

From an anti-money laundering and counter terrorist financing perspective, Partners Group applies a risk rating (low, medium, or high) to all applicable investments, with additional due diligence and increased scrutiny on those that are rated high.

5.2.1. Direct investments

5.2.1.1. All direct investments

Partners Group aims to identify and assess the economic impacts of any significant harm caused by the investment's products, services, or business practices, and will take into account the indicators for PAI, as well as material ESG & sustainability factors or topics, as these are expected to be indicators of potential investment risks.

Material sustainability risks and ESG & sustainability factors will be identified and prioritized according to the industry the potential asset operates in, informed by the Sustainability Accounting Standards Board ("SASB") principles.

¹ As included in SASB material issues on labour.



- In case there should be significant harm, which is unlikely to be remediated by way of active value creation by Partners Group and which represents a material investment risk, Partners Group will abstain from investing in such asset.
- Other risks will be monitored and mitigated during the ownership period for those investments where Partners Group is the majority owner on behalf of its clients.
- For debt and minority investments, we may engage with the respective majority owner.

5.2.1.2. Lead direct investments²

For due diligence on lead direct investments, where Partners Group would become the majority owner (on behalf of its clients) and therefore have the greatest amount of control and influence over an asset, the firm may select specialized service providers to carry out its ESG & sustainability due diligence. This enables it to obtain more information on industry standards, norms, and benchmarks the company should be evaluated against. Depending on their materiality, identified ESG & sustainability risks and opportunities may be translated into value creation initiatives, to be implemented during the ownership period as part of our active ownership.

5.2.2. Secondaries

Partners Group will evaluate whether there are underlying assets that match the avoidance criteria described in 5.1. It will, where possible, evaluate the General Partner's ("GP") approach to ESG integration and engage in potential mitigation measures, if needed.

5.2.3. Primaries

Funds in which Partners Group is considering investing in are required to complete a "Primary ESG Assessment" to explain how they take ESG & sustainability factors into account in their investment process. The assessment is based on the UN PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire, designed to assess the strength of a GP's approach to ESG & sustainability integration and the expected impact on the risks and rewards of the investment.

- If there are concerns regarding the answers provided by the GP, or if any material investment risks are identified, these may be escalated to the ESG & Sustainability team for additional due diligence or to engage with the manager's responsible person for ESG & sustainability matters.
- Partners Group will engage with managers to include the views described in 5.1 and reporting requirements in line with the PAI, in its side letter documentation on a commercially sensible basis.
- Key findings of discussions with the GP will be included in the documentation shared with the investment committee for it to be considered as part of the investment decision-making process.

² Where Partners Group is driving the value creation.



5.3. Monitoring

During ownership, Partners Group monitors ESG & sustainability risks using its existing governance structure and by integrating ESG & sustainability factors in its financial and risk management models as needed. For all investments, Partners Group monitors the underlying holdings on an ongoing basis to ensure any potential ESG & sustainability issues are quickly identified and communicated to clients as described in section 7. Monitoring and reporting include the periodic assessment of the aforementioned PAI.

Sources of information include:

- All investments: media monitoring of ESG-related news from trustworthy internet sources.
- Lead direct investments: as part of our board procedures, we have full transparency into assets' incidents, which must be reported following the procedure described in our Incident Reporting Policy. All assets are expected to participate in our annual ESG KPI survey to report on their ESG performance.
- Non-lead direct investments: information must be provided by the managers as part of their regular reporting processes.

5.4. Engagement

5.4.1. Direct lead investments

Partners Group's representatives on the board of directors of a portfolio company collaborate with the Partners Group investment teams as well as the ESG & Sustainability team to formulate and implement ESG initiatives, leveraging Partners Group's Entrepreneurial Governance approach³, and due diligence findings.

Post-acquisition, the Partners Group team conducts an ESG & sustainability onboarding with senior management at the portfolio companies that cover its sustainable investment track record, standard ESG & sustainability practices, case studies of ESG & sustainability value creation and risk management projects, and relevant reporting requirements. This is followed by regular interactions or workshops on ESG & sustainability topics with these companies. In between, the ESG & Sustainability team conducts periodic check-ins with the assets on the ongoing ESG & sustainability projects and assesses whether adequate resources are being devoted to the material ESG & sustainability opportunities and risks. The team ensures that boards are informed on an annual basis, and KPIs and PAI are reported as needed. ESG & sustainability data is shared with potential buyers during sales processes, as relevant.

³ Entrepreneurial Governance refers to Partners Group's strategy to be an active, entrepreneurial owner, and enabling value creation by combining a highly competent and active board and a first-class management team.



5.4.2. Direct non-lead, direct debt, primaries, and secondaries

Partners Group will use its influence to engage with the lead investor to manage any ESG & sustainability risks not managed according to Partners Group's standards in a commercially reasonable manner.

5.4.3. Listed investments

For listed investments, Partners Group's Proxy Voting Directive contains specific ESG & sustainability corporate governance considerations that arise most frequently in the listed investments space: board composition, executive remuneration, audit and internal controls, and environmental and social matters. Given the nature of listed equities, Partners Group's ESG & sustainability focus in listed equities centres on the screening and monitoring stages.

6. Conflicts of interest

Partners Group's investment process, including ESG & sustainability considerations, is set up in order to achieve positive, sustainable returns. Potential conflicts of interest are managed towards this goal and in line with the firm's established conflict resolution mechanism.

7. Reporting

7.1. At entity level

As a UN PRI signatory, Partners Group reports on the activities and progress made on ESG & sustainability integration.

Partners Group publishes an annual Corporate Sustainability Report detailing its performance on sustainability indicators and progress made in further developing its approach to ESG & sustainability integration and engagement.

Partners Group also participates in the UNPRI annual reporting exercise for all asset classes it invests in.

In addition, Partners Group entities domiciled in the European Union publish on their website information about the integration of sustainability risks in their investment decision-making process, respectively the integration of sustainability risks in their investment advice according to the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR").

7.2. At product level

Partners Group provides clients with an ESG & sustainability update in the annual report of the Product they are invested in. When possible, Partners Group also reports on the link between our investments' products or services or ESG & sustainability projects and the Sustainable Development Goals, and we report on our contribution to achieving the underlying targets.

In addition to the ESG & Sustainability update, for Products in scope of SFDR, Partners Group shall include information required under SFDR in the periodic reports.



Appendix: Glossary

Partners Group categorizes investments for its Products according to its role in the acquisition structure as per the following:

Direct investments	Interests (including all related Securities) in (typically unlisted) Private Equity, Private Infrastructure, Private Real Estate, and Listed Equities Investments. Also includes the provision of debt financing directly or through a Broadly Syndicated Loan (BSL).
Secondary investments	Interests (including all related Securities) in (i) Portfolio Funds, (ii) investment vehicles that invest predominantly in Portfolio Funds, and/or (iii) Direct Investments, which are (in each case) acquired in the secondary market, including any related investment made in connection with or as a condition of such acquisition.
Primary investments	Interests (including all related Securities) in Portfolio Funds, which are acquired directly from the relevant vehicle's general partner or other managing agent.
Integrated Investments	Refers to secondary and primary investments.

Direct investments in Private Equity, Private Infrastructure and Private Real Estate are also categorized in the following:

Lead investments	Transactions where Partners Group either (i) holds the majority of a company's ordinary share capital, (ii) holds the majority of an equity or equity-like instrument which is raised in the form of a capital increase (e.g., preferred equity), or (iii) takes an investment decision which is economically independent from another lead investor (e.g., debt instruments acquired on the secondary market).
Joint-lead investments	Transactions where Partners Group represents a significant part of the equity capital of a portfolio company (typically over 10%) and it is represented on the portfolio company's board of directors either as a voting board member or a board observer.
Joint or co- investments	Transactions where Partners Group represents a smaller part of a portfolio company's equity capital and where it is not represented on the portfolio company's board of directors.