# Annual MIFIDPRU disclosure report: 31 December 2022

# Partners Group (UK)Management Ltd

Contents

1. Overview 3
1.1. Objective 3
1.2. Basis Of Disclosure 3
1.3. Frequency 3
1.4. Background 3
2. Governance Arrangements 3
2.1. Governance Structure 3
2.2. Diversity 4
2.3. Directorships 4
3. Risk Management 4
3.1. Risk management objectives and policies 4
3.2. Risk management structure and governance 4
3.3. Risk Appetite 5
3.4. Risk controls 5
4. Own Funds 6
5. Own Funds Requirements 8
6. Remuneration policies and practices 9
6.1. Our approach and objectives 9
6.2. Governance and decision-making procedures 9
6.3. Link between remuneration and performance 10
6.4. Fixed and Variable Remuneration 10
6.5. MRT Renumeration 10

# 1. Overview

## 1.1. Objective

This disclosure statement ("the Disclosure ") has been prepared by Partners Group (UK) Management Ltd ("also referred to as "PGUKM" or the "Firm") in order to fulfil the regulatory disclosure requirements, set out by the Financial Conduct Authority ("FCA") in the Prudential sourcebook for MiFID Investment Firms ('MIFIDPRU') Chapter 8.

In January 2022 the FCA introduced the Investment Firms Prudential Regime (IFPR), a new regime for UK firms authorised under the Markets in Financial Instruments Directive (MiFID). The regulation that formalises this regime is called MIFIDPRU.

## 1.2. Basis of Disclosure

This report is prepared on an accounting individual basis and includes the following regulated entity:

Partners Group (UK) Management Ltd (FRN 650279).

The information in this document has been prepared solely to satisfy the Disclosure requirements, and the report is not required to be reviewed by the Firm's auditor.

PGUKM may omit certain statements from the Disclosure if the information is not regarded as material. Information is 'material' in this context if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

## 1.3. Frequency

PGUKM will make this Disclosures at least annually, via its website, unless otherwise stated. PGUK may publish information more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about its own funds and capital requirements, as well as information about risk exposure and any other items prone to change.

## 1.4. Background

PGUKM is an FCA regulated private limited company incorporated under English Law and with the company number 09172998. PGUKM is part of a global corporate group whose parent company is listed in Switzerland. PGUKM is categorised for prudential purposes, as a non-small interconnected (non-SNI) firm.

PGUKM is a subsidiary of Partners Group Holding AG ("Partners Group"), a global alternative investment management group listed in Switzerland which offers investment funds focused on private markets i.e., private equity, private debt, private infrastructure, private real estate and listed alternatives.

PGUKM focuses primarily on the management of portfolios acquired in Collateralized Loan Obligation (CLO) transactions. As of 31 December 2022, PGUKM had launched and manages 12 risk retention compliant CLOs which are established in Ireland. The CLOs invest, at the discretion of PGUKM, in portfolios of loan assets sourced in the market by PGUKM, following a rigorous investment selection process. The Firm also advises two designated activity companies PGGLF and PGGLF 2 established in Ireland.

# 2. Governance Arrangements

## 2.1. Governance Structure

The Board of Directors of PGUKM form the governing body of the Firm and meets on at least a quarterly basis. There are no sub-committees or delegates of the board. The Directors ensure that PGUK complies with its statutory obligations under the Companies Act 2006 and in addition with the regulatory obligations as an FCA authorised and regulated Firm.

The Board of Partners Group determines the composition of the Executive Team (Ex Team) who is responsible directly or indirectly as the representative body of Partners Group as a shareholder for the operational management of the business affairs of the group of companies, subject to the competences reserved to the local Boards which includes PGUKM.

The PGUKM Board operates within defined terms of reference which include a clear purpose and authority, duties and requirements for management information which include information relating to financial position, compliance, conflicts of interest and other matters. Formal board meetings are held on a quarterly basis which have a standardised agenda and are minuted. In addition, the Board will meet on an ad hoc basis when there is a need to make any decisions required for the running of PGUKM.

### 2.2. Diversity

Partners Group operates a Diversity and Inclusion Policy which PGUKM is subject to as part of the group, that recognises the importance of having a workforce that is grounded in the collaboration of diverse teams. The aim is to attract employees with a diversity of perspectives, skills and backgrounds in order to sustain an inclusive work environment in which everyone feels empowered to share their informed opinions and listen to those of others. Although Partners Group does not set diversity targets for its local management bodies there are key targets it hopes to achieve by 2025 which include but are not limited to pay and female leadership advancement.

### 2.3. Directorships

PGUKM operates with its own distinct board. The table below shows the directors of the PGUKM Board along with the number of directorships held by each person as 31 December 2022:

| Name | Number of directorships (executive and non-executive) held |
|---|---|
| Andrew Bellis | 1 |
| Surya Ysebaert | 1 |
| Andrew Campbell | 1 |
| Till Schweizer | 1 |

## 3. Risk Management

### 3.1. Risk management objectives and policies

To the extent possible, all material risks to which the firm is exposed are identified and documented within the Enterprise Risk Framework. In order to ensure adequate coverage of relevant risks, Partners Group operates an enterprise risk taxonomy which represents an overview of risks considered as material at Group level.

### 3.2. Risk management structure and governance

PGUKM's risk management framework defines the process utilised to identify, assess, mitigate, monitor and report risks faced by the business and to comply with applicable regulatory requirements and internal guidelines associated with risk management. As PGUKM is a relatively small firm it is financially integrated into Partners Group, and therefore its risk framework is connected and derived from the fundamental risk framework established by the Group i.e. The Enterprise Risk Management Framework ("ERM"). Notwithstanding this, further local risk analysis is undertaken at the local PGUKM level.

The purpose of the Enterprise Risk Management framework is to set out the overall approach to the governance of risk. It defines the general framework and related processes for risk management and risk control and is intended to supplement the organizational rules (if any) of the relevant Group entities within Partners Group which includes PGUKM. Risks are managed applying a risk-based approach. The inventory of risks, mitigants and controls are based on a risk assessment that has been undertaken in respect of the risks faced by the Firm.

The following steps are undertaken: (i) finding, recognising, and describing the risks that may have an impact on the Firm's strategic objectives; (ii) prioritising and understanding key risks to the Firm; (iii) understanding controls or activities undertaken by management to respond to, mitigate or manage risk by reducing its impact, its likelihood of occurrence, or both.

Risks are reviewed on a periodic basis in close collaboration with the people responsible for risk management within the wider Group, providing senior management and the Board with an up-to-date perspective on key risks faced by the Firm. As such, PGUKM's Board of Directors receives risk information and capital updates on a frequent basis evidenced by way of board minutes. The Board considers the risk management arrangements in place to be adequate with regards to PGUKM's profile and strategy.

## 3.3. Risk Appetite

PGUKM's Board of Directors define the risk appetite as the amount of risk that the Firm is prepared to tolerate whilst achieving its strategic goals. As PGUKM is financially integrated into Partners Group, PGUKM's risk appetite must be seen as connected to the risk appetite of the Group. The strategic plans and objective for PGUKM is defined and approved by the Firm's Board of Directors which are used to dictate the risk appetite. In line with its business strategy, the Firm defines qualitative and quantitative statements for the risks faced by the Firm which are monitored and reported as required. Should the risk profiles deviate from the Firm's set risk appetite, management action may be required to align these to the appetite.

## 3.4. Risk controls

### 3.4.1. Concentration risk

This refers to the risk posed to PGUKM by a single/group of exposures which have the potential to produce losses large enough to threaten the ability of PGUKM to continue as a going concern. PGUKM has exposure to three main counterparties from a balance sheet and P&L perspective: the CLOs (P&L), Partners Group (both balance sheet and P&L) and the bank at which it holds its cash (balance sheet). Of these, the exposure to the bank is relatively immaterial so has not been considered further.

As regards the P&L concentration risk, it is envisaged that this risk is material but remote. Each CLO is envisaged to have a life span of 10-12 years, providing a relatively stable income to PGUKM, by way of management and performance fees. Due to its nature as collateral manager of the CLOs, PGUKM is in a good position to be able to ascertain the CLO's ability to pay fees owed and, if it is unable, to take appropriate action, such as requesting further funding from Partners Group, or by petitioning the winding up of PGUKM, in the worst case.

This risk is somewhat also managed as a result of diversification in the underlying portfolios of loans in which the CLOs invest – diversification is by sector and industry, thereby limiting its exposure to any one type of borrower. This ensures that, in the event of a downturn which hits some sectors or industries more than others, other portfolios of loans may continue to perform and keep the collateral balance amount at a level at which PGUKM is still able to receive fees.

### 3.4.2. Liquidity risk

PGUKM's Board of Directors is responsible for the management of the firm's liquidity risk and approves and signs off the local Liquidity Policy annually. The Liquidity Policy includes the liquidity risk tolerance and records systems and controls in place. It sets out the firm's strategies, policies, processes and systems relating to the management of liquidity risk. PGUKM's Board of Directors is ultimately responsible for the management of the firm's liquidity risk, and they approve and sign off the Liquidity Policy at least annually.

The liquidity risk exposure is assessed on a Group basis according to the impact of the risk, the probability of the risk occurring and the effectiveness of existing controls, as per the Enterprise Risk Framework. This assessment is carried out on at least a semi-annual basis.

The Firm manages its liquidity to ensure sufficient levels of liquid resources in order to meet expected expenditure by setting and monitoring a liquidity tolerance level on a half yearly basis and reports to the board when liquidity reaches 50%.

Liquidity tolerance is calculated by comparing a quarter of the average fixed overhead expenses forecast over the next 12 months and expressing this as a percentage of the cash and cash equivalent balance available.

The Firm has a low-risk appetite in respect of liquidity risk, reflected by the existing control framework to monitor and report liquidity risk. Therefore, the probability of a partial or total lack of liquidity that will prevent the Firm from carrying on routine operations is considered to be remote.

## 4. Own Funds

Under MIFIDPRU 8, a firm is required to disclose the below:

- A reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filter and deductions applied in order to calculate the Own Funds of the firm – see Table 1;
- A reconciliation of the above with the capital in the balance sheet of the audited financial statements of the firm – see Table 2;
- A description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm – see Table 3.

Table 1: Composition of regulatory own funds (31 December 2022)

| | Item | Amount (EUR '000) | Amount converted to GBP (GBP '000) | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
|---|---|---|---|---|
| 1 | **Own Funds** | **23,590** | **20,919** | |
| 2 | **Tier 1 Capital** | **23,590** | **20,919** | |
| 3 | **Common Equity Tier 1 Capital** | **23,590** | **20,919** | |
| 4 | Fully paid-up capital instruments | 20,527 | 18,203 | Note 10 |
| 5 | Share premium | - | - | |
| 6 | Retained earnings | 3,063 | 2,716 | SOCIE |
| 7 | Accumulated other comprehensive income | - | - | |
| 8 | Other reserves | - | - | |
| 9 | Adjustments to CET1 due to prudential filters | - | - | |
| 10 | Other funds | - | - | |
| 11 | (-) Total Deductions from Common Equity Tier 1 | - | - | |
| 19 | CET1: Other capital elements, deductions and adjustments | - | - | |
| **20** | **Additional Tier 1 Capital** | - | - | |
| 21 | Fully paid up, directly issued capital instruments | - | - | |
| 22 | Share premium | - | - | |
| 23 | (-) Total Deductions from Additional Tier 1 | - | - | |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments | - | - | |
| **25** | **Tier 2 Capital** | - | - | |
| 26 | Fully paid up, directly issued capital instruments | - | - | |
| 27 | Share premium | - | - | |
| 28 | (-) Total Deductions from Tier 2 | - | - | |

| | | | | |
|---|---|---|---|---|
| 29 | Tier 2: Other capital elements, deductions and adjustments | - | - | |

Table 2: Own Funds: reconciliation of regulatory Own Funds to balance sheet in the audited financial statements

| | | Balance Sheet as in published / audited financial statements (EUR '000) | Balance Sheet as in published / audited financial statements (GBP '000) | Under regulatory scope of consolidation | Cross-reference to template OF1 (Table 1 above) |
|---|---|---|---|---|---|
| | Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements | | | | |
| 1 | Tangible assets | - | - | n/a | n/a |
| 2 | Investments | - | - | n/a | n/a |
| 3 | Debtors | 21,691 | 19,235 | n/a | n/a |
| 4 | Cash at bank and in hand | 1,972 | 1,749 | n/a | n/a |
| | Total Assets | 23,663 | 20,984 | | |

| | | | | | |
|---|---|---|---|---|---|
| | Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements | | | | |
| 1 | Amounts falling due within one | 73 | 65 | n/a | n/a |
| 2 | Amounts falling due after more | - | - | n/a | n/a |
| | Total Liabilities | 73 | 65 | | |

| | | | | | |
|---|---|---|---|---|---|
| | Shareholders' Equity | | | | |
| 1 | Called up share capital | 20,527 | 18,203 | n/a | Item 4 |
| 2 | Share premium account | - | - | n/a | |
| 3 | Profit and loss account | 3,063 | 2,716 | n/a | Item 6 |
| | Total Shareholders' Equity | 23,590 | 20,919 | | |

Table 3: Own Funds: main features of own instruments issued by Partners Group (UK) Management Limited

| Capital instruments main features | |
|---|---|
| Issuer | Partners Group (UK) Management Limited |
| Unique identifier (e.g. ISIN) | N/A |
| Public or private placement | Private |
| Governing law(s) of the instrument | United Kingdom |
| Instrument type | Ordinary Shares |
| Amount recognized in regulatory capital | 20,527,000 |
| Nominal amount of instrument | 20,527,000 |
| Issue price | EUR1 per share |
| Redemption price | n/a |
| Accounting classification | Shareholders' equity |

| | |
|---|---|
| Original date of issuance (first issuance of shares) | 13/08/2014 |
| Perpetual or dated | n/a |
| Maturity date | n/a |
| Issuer call subject to prior supervisory approval | n/a |
| Optional call date, contingent call dates and redemption amount | n/a |
| Subsequent call dates, if applicable | n/a |
| Coupons / dividends | Dividends declared ad hoc |
| Fixed or floating dividend / coupon | n/a |
| Coupon rate and any related index | n/a |
| Existence of a dividend stopper | No |
| Convertible or non-convertible | Non-convertible |
| Write-down features | n/a |

## 5. Own Funds Requirements

The level of regulatory capital that must be held to absorb losses is the 'Own Funds Threshold' requirement. The Firm is required under MIFIDPRU 4 to maintain sufficient capital at all times to meet its 'Own Funds' requirement. The 'Own Funds' requirements is the higher of the following three items:

- Permanent Minimum Capital – this is defined by MIFIDPRU 4.4 and is £75,000 for the Firm;
- Fixed Overhead Requirement – this is equal to a quarter of the Firm's overheads based on the latest audited financial statements. This is set at £348,224 based on the audited expenditure for the financial year ended 31 December 2022;
- K-Factor Requirements – the relevant K-Factor for the Firm is the K-AUM which multiplies a set rate of 0.02% against the average amount of assets under management. The K-AUM total is £622,723 as at 31 December 2022.

The Firm's Own Funds requirement is £622,723.

MIFIDPRU 7 requires the Firm to assess any additional capital required to support an orderly wind down and to assess any capital required to mitigate risks to the business throughout its economic cycle. These assessments form part of the Own Funds Threshold Requirement ("OFTR") and are assessed as part of the Internal Capital Adequacy and Risk Assessment Process ("ICARA").

| | (GBP '000) |
|---|---|
| K-Factor Requirement | 623 |
| Additional capital required from ICARA | 1,042 |
| **Own Funds Threshold Requirement** | **1,665** |

The equivalent position for liquidity is as follows:

| | (GBP '000) |
|---|---|
| Basic Liquid Assets Requirement | 116 |
| Additional liquid assets required from ICARA | 1,042 |
| **Liquid Assets Threshold Requirement** | **1,158** |

### 5.1. Meeting the Overall Financial Adequacy ("OFAR")

The Firm must always meet the OFAR. This rule states that the Firm must, at all times, hold Own Funds and Liquid Assets which are adequate, both as to their amount and their quality to ensure that:

- the Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- the Firm's business can be wound down in an orderly manner, minimising the harm to consumers or to other market participants.

The firm has assessed its own funds and liquidity requirements using the ICARA process described under MIFIDPRU 7. The ICARA is formerly approved by the Firm's Board on an annual basis, with more frequent reviews if there is a fundamental change to the business or operating environment. A summary of the Own Funds and Liquidity levels held at 31 December 2022 is summarised below:

| Own Funds (31 December 2022) | (GBP '000) |
|---|---:|
| Own Funds Held | 20,919 |
| Own Funds Threshold Requirement | 1,665 |
| Excess Own Funds Held | 19,254 |

| Liquid Assets (31 December 2022) | (GBP '000) |
|---|---:|
| Core Liquid Assets Held | 1,749 |
| Liquid Assets Threshold Requirement | 1,158 |
| Excess Own Funds Held | 591 |

The Firm has at all times met the own funds and liquidity threshold requirements since 1 January 2022.

## 6. Remuneration policies and practices

In accordance with MIFIDPRU Remuneration Code under IFPR Partners Group and therefore its subsidiaries which includes PGUKM ensures a remuneration policy that promotes responsible risk management and does not encourage risk-taking that exceeds the Firm's risk appetite. The main principle to achieve this is by: (i) aligning staff interests with the interests of its products, investors and shareholders; and (ii) spreading the responsibility for investment decisions, which limits the ability of an individual to take excessive risks.

### 6.1. Our approach and objectives

Despite PGUKM business activities being management of portfolios of Collateralized Loan Obligation (CLO), as it is part of Partners Group its remuneration approach still reflects the long-term time horizon of private markets business. Therefore, the remuneration objective seeks to secure the long-term commitment of staff by aligning the features of its variable remuneration with the lifecycle, risks and success of its products. To that end, a large proportion of variable remuneration is in the form of non-cash instruments such as equity participation and carried interest.

The most significant forms of remuneration paid by Partners Group are long-term incentives. As staff become more senior, they can expect the amount of long-term incentives as a proportion of overall remuneration to increase. Depending upon seniority level, all awards of shares and options are deferred over a period of three (Professional) up or five years (as from Member of Management). Awards of carried interest vest over a longer period. Cash bonuses are not deferred.

### 6.2. Governance and decision-making procedures

Although PGUKM's Board of Directors are responsible for overseeing the implementation of the remuneration policy and ensuring compliance with the MIFIDPRU Remuneration Code, the Firm as part of a global company takes advice from the Partners Group's Nomination and Compensation Committee which advises on the overall Partners Group compensation principles and structure.

## 6.3. Link between remuneration and performance

Partners Group's compensation system is designed to recognize individual performance. Once group-level objectives have been set, they are cascaded down to departments, teams and individuals. Individual goals differ depending on an employee's level of responsibility and may incorporate additional targets. The degree to which an individual has achieved these goals provides an overall rating and serves as an input for the compensation review at year-end.

## 6.4. Fixed and Variable Remuneration

### 6.4.1. Fixed Remuneration

Base salaries for all employees are based on an individual's role and level of responsibility for the upcoming year and are typically only adjusted meaningfully with a change of role. They are reviewed annually and take into account industry standard rates.

### 6.4.2. Variable Remuneration

Cash bonuses are awarded at year-end based on the financial bonus pool budget set by the Nomination and Compensation Committee. The bonus budget allocation for departments, teams and individuals depends on their performance and contribution to the overall achievement of the Firm's goals during the period.

There are various Long-term incentives (LTI) awarded to employees as part of the variable remuneration scheme. There is a shares-only plan for the Firm's employees that aims to align employee interests with those of external shareholders. The Management Incentive plan is a long-term option only plan that targets select members of senior management who have significantly contributed to the Firm's success in the past and who have potential to do so in the future. Our carry plan is linked to investment success of Partner Group products. Finally, the Management Performance Plan, delivered in shares which is open exclusively to members of Partners Group Executive Committee and executive members of Partners Group Board.

### 6.4.3. Deferral and vesting criteria

All long-term incentive plans are deferred, and the duration of the deferral is dependent upon seniority level and the LTI instrument. The LTI plans typical have a deferral and vesting period of 3 to 6 years. In the case of performance- based incentives some of the value is realized much later in alignment to the success of our investments and products.

### 6.4.4. Other variable remuneration

It is acknowledged that non-performance related variable remuneration is incompatible with the Partners Group's pay philosophy. Therefore, it is only in exceptional cases that Partners Group may agree to the following remuneration awards.

- A sign-on bonus which is only awarded to new staff hires and within certain conditions.
- Severance payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.
- Retention awards are only admissible if there is a reasonable basis for granting a retention award.

## 6.5. MRT Renumeration

The table below sets out the aggregate remuneration for MRTs. Fixed compensation includes base salary and in the case of non-executive directors, any base fee paid in respect of services provided during the year. Variable compensation includes cash bonuses in respect of performance during the year and the grant date fair value of any other discretionary awards granted in respect of the financial year.

Quantitative disclosure

| For the financial year ended 31 December 2022, the amount of remuneration awarded to MRTs is as follows: | | Senior Management<br><br>£'000s | Other MRTs<br><br>£'000s |
|---|---|---|---|
| Fixed renumeration | | 1,332,314 | 553,800 |
| Variable renumeration | | | |
| - Cash | | 1,128,715 | 400,000 |
| - Non cash | | 1,893,007 | 1,398,776 |
| Total | | 4,354,036 | 2,352,576 |
| Number of MRTs | | | |
| Senior Management | | | 4 |
| Other MRTs | | | 2 |